

KIMBERLY CLARK CORP
Form 10-K
February 27, 2009
Table of Contents

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2008

OR

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

For the transition period from _____ to _____

Commission file number 1-225

KIMBERLY-CLARK CORPORATION

Edgar Filing: KIMBERLY CLARK CORP - Form 10-K

(Exact name of registrant as specified in its charter)

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

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

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock \$1.25 Par Value	New York Stock Exchange

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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

Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Edgar Filing: KIMBERLY CLARK CORP - Form 10-K

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

The aggregate market value of the registrant's common stock held by non-affiliates on June 30, 2008 (based on the closing stock price on the New York Stock Exchange) on such date was approximately \$24.9 billion.

As of February 16, 2009, there were 413,810,555 shares of the Corporation's common stock outstanding.

Documents Incorporated By Reference

Certain information contained in the definitive Proxy Statement for the Corporation's Annual Meeting of Stockholders to be held on April 30, 2009 is incorporated by reference into Part III hereof.

Table of Contents**KIMBERLY-CLARK CORPORATION****TABLE OF CONTENTS**

	Page
Part I	
Item 1. <u>Business</u>	1
Item 1A. <u>Risk Factors</u>	4
Item 1B. <u>Unresolved Staff Comments</u>	8
Item 2. <u>Properties</u>	8
Item 3. <u>Legal Proceedings</u>	14
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	14
Part II	
Item 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	15
Item 6. <u>Selected Financial Data</u>	16
Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	36
Item 8. <u>Financial Statements and Supplementary Data</u>	39
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	85
Item 9A. <u>Controls and Procedures</u>	85
Item 9B. <u>Other Information</u>	88
Part III	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	89
Item 11. <u>Executive Compensation</u>	91
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	91
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	91
Item 14. <u>Principal Accountant Fees and Services</u>	91
Part IV	
Item 15. <u>Exhibits, Financial Statement Schedules</u>	92
<u>Signatures</u>	95

Table of Contents

PART I

ITEM 1. BUSINESS

Kimberly-Clark Corporation was incorporated in Delaware in 1928. The Corporation is a global health and hygiene company focused on product innovation and building its personal care, consumer tissue, K-C Professional & Other and health care brands. The Corporation is principally engaged in the manufacturing and marketing of a wide range of health and hygiene products around the world. Most of these products are made from natural or synthetic fibers using advanced technologies in fibers, nonwovens and absorbency. As used in Items 1, 1A, 2, 3, 6, 7, 7A, 8 and 9A of this Form 10-K, the term Corporation refers to Kimberly-Clark Corporation and its consolidated subsidiaries. In the remainder of this Form 10-K, the terms Kimberly-Clark or Corporation refer only to Kimberly-Clark Corporation. For financial information by business segment and geographic area, and information about principal products and markets of the Corporation, reference is made to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and to Item 8, Note 18 to the Consolidated Financial Statements.

Recent Developments

On July 23, 2007, the Corporation entered into an accelerated share repurchase agreement (the ASR Agreement) through which it purchased approximately 29.6 million shares of its common stock from Bank of America, N.A. (Bank of America), at an initial purchase price of \$67.48 per share, or an aggregate of \$2 billion. On July 30, 2007, the Corporation issued \$2.1 billion of long-term notes and used a portion of the net proceeds from the sale of these notes to repay a short-term revolving credit agreement, under which the Corporation borrowed \$2 billion on July 27, 2007 to fund the settlement of the ASR Agreement. In March 2008, the Corporation and Bank of America settled the ASR Agreement. See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8, Notes 6 and 10 to the Consolidated Financial Statements for a discussion of the ASR Agreement.

In July 2005, the Corporation authorized a multi-year plan to improve its competitive position by accelerating investments in targeted growth opportunities and strategic cost reductions aimed at streamlining manufacturing and administrative operations, primarily in North America and Europe. The strategic cost reductions were completed in 2008. See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8, Note 4 to the Consolidated Financial Statements for a discussion of the strategic cost reduction plan.

Description of the Corporation

The Corporation is organized into operating segments based on product groupings. These operating segments have been aggregated into four reportable global business segments: Personal Care; Consumer Tissue; K-C Professional & Other; and Health Care. The reportable segments were determined in accordance with how the Corporation's executive managers develop and execute the Corporation's global strategies to drive growth and profitability of the Corporation's worldwide Personal Care, Consumer Tissue, K-C Professional & Other and Health Care operations. These strategies include global plans for branding and product positioning, technology, research and development programs, cost reductions including supply chain management, and capacity and capital investments for each of these businesses.

The principal sources of revenue in each of our global business segments are described below. Revenue, profit and total assets of each reportable segment are shown in Item 8, Note 18 to the Consolidated Financial Statements.

Edgar Filing: KIMBERLY CLARK CORP - Form 10-K

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

Table of Contents

PART I

(Continued)

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

The K-C Professional & Other segment manufactures and markets facial and bathroom tissue, paper towels, napkins, wipers and a range of safety products for the away-from-home marketplace. Products in this segment are sold under the Kimberly-Clark, Kleenex, Scott, WypAll, Kimtech, KleenGuard and Kimcare brand names.

The Health Care segment manufactures and markets disposable health care products such as surgical gowns, drapes, infection control products, sterilization wrap, face masks, exam gloves, respiratory products and other disposable medical products. Products in this segment are sold under the Kimberly-Clark, Ballard and other brand names.

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

Net sales to Wal-Mart Stores, Inc. were approximately 14 percent in 2008 and 2007, and approximately 13 percent in 2006.

Patents and Trademarks

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

Raw Materials

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

Edgar Filing: KIMBERLY CLARK CORP - Form 10-K

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

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

Competition

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

Table of Contents

PART I

(Continued)

Research and Development

Research and development expenditures are directed toward new or improved personal care, tissue, wiping, and health care products and nonwoven materials. Consolidated research and development expense was \$297 million in 2008, \$277 million in 2007 and \$301 million in 2006.

Foreign Market Risks

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

Environmental Matters

Total worldwide capital expenditures for voluntary environmental controls or controls necessary to comply with legal requirements relating to the protection of the environment at the Corporation's facilities are expected to be approximately \$39 million in 2009 and \$12 million in 2010. Of these amounts, approximately \$15 million in 2009 and \$2 million in 2010 are expected to be spent at facilities in the U.S. For facilities outside of the U.S., capital expenditures for environmental controls are expected to be approximately \$24 million in 2009 and \$10 million in 2010.

Total worldwide operating expenses for environmental compliance are expected to be approximately \$180 million in 2009 and \$171 million in 2010. Operating expenses for environmental compliance with respect to U.S. facilities are expected to be approximately \$93 million in 2009 and \$83 million in 2010. Operating expenses for environmental compliance with respect to facilities outside the U.S. are expected to be approximately \$87 million in 2009 and \$88 million in 2010. Operating expenses include pollution control equipment operation and maintenance costs, governmental payments, and research and engineering costs.

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

Employees

Edgar Filing: KIMBERLY CLARK CORP - Form 10-K

In its worldwide consolidated operations, the Corporation had nearly 53,000 employees as of December 31, 2008.

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

Available Information

The Corporation makes available financial information, news releases and other information on the Corporation's website at www.kimberly-clark.com. The Corporation's 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 the Corporation files such reports and amendments with, or

Table of Contents

PART I

(Continued)

furnishes them to, the Securities and Exchange Commission. Stockholders may also contact Stockholder Services, P.O. Box 612606, Dallas, Texas 75261-2606 or call 972-281-1522 to obtain a hard copy of these reports without charge.

ITEM 1A. RISK FACTORS

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

Global economic conditions could continue to adversely affect the Corporation's business and financial results.

Unfavorable economic conditions, including the impact of recessions in the United States and throughout the world, may continue to negatively affect the Corporation's business and financial results. These economic conditions could negatively impact (i) consumer demand for our products, including shifting consumer purchasing patterns to lower-cost options such as private label products, (ii) the mix of our products sales, (iii) our ability to collect accounts receivable on a timely basis from certain customers and (iv) the ability of certain suppliers to fill our orders for raw materials or other goods and services. A prolonged recession could result in decreased revenue, margins and earnings.

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

Increases in the cost of and availability of raw materials, including pulp and petroleum-based materials, the cost of energy, transportation and other necessary services, supplier constraints, an inability to maintain favorable supplier arrangements and relations or an inability to avoid disruptions in production output caused by events such as natural disasters, power outages, labor strikes, and the like could have an adverse effect on the Corporation's financial results.

Cellulose fiber, in the form of kraft pulp or recycled fiber from recovered waste paper, is used extensively in the Corporation's tissue products and is subject to significant price fluctuations due to the cyclical nature of these fiber markets. Recycled fiber accounts for approximately 32 percent of the Corporation and its equity companies' overall fiber requirements.

Increases in pulp prices could adversely affect the Corporation's earnings if selling prices for its finished products are not adjusted or if these adjustments significantly trail the increases in pulp prices. Derivative instruments have not been used to manage these risks. On a worldwide

Edgar Filing: KIMBERLY CLARK CORP - Form 10-K

basis, the Corporation supplies approximately 8 percent of its virgin fiber needs from internal pulp manufacturing operations.

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

Table of Contents

PART I

(Continued)

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

The Corporation's manufacturing operations utilize electricity, natural gas and petroleum-based fuels.

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

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

The Corporation competes in intensely competitive markets against well-known, branded products and private label products both domestically and internationally. Inherent risks in the Corporation's competitive strategy include uncertainties concerning trade and consumer acceptance, the effects of consolidation within retailer and distribution channels, and competitive reaction. Some of the Corporation's major competitors have undergone consolidation, which could result in increased competition and alter the dynamics of the industry. This consolidation may give competitors greater financial resources and greater market penetration and enable competitors to offer a wider variety of products and services at more competitive prices, which could adversely affect the Corporation's financial results. It may be necessary for the Corporation to lower prices on its products and increase spending on advertising and promotions, each of which could adversely affect the Corporation's financial results.

In addition, the Corporation incurs substantial development and marketing costs in introducing new and improved products and technologies. 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 the Corporation's competitors are larger and have greater financial resources than the Corporation. These competitors may be able to spend more aggressively on advertising and promotional activities, introduce competing products more quickly and respond more effectively to changing business and economic conditions than the Corporation can. The Corporation's ability to develop new products is affected by whether it can develop and fund technological innovations, receive and maintain necessary patent and trademark protection and successfully anticipate consumer needs and preferences.

There is no guarantee that the Corporation will be successful in developing new and improved products and technologies necessary to compete successfully in the industry or that the Corporation will be successful in advertising, marketing and selling its products.

Changes in the policies of our retail trade customers and increasing dependence on key retailers in developed markets may adversely affect our business.

The Corporation's products are sold in a highly competitive global marketplace, which is experiencing increased concentration and the growing presence of large-format retailers and discounters. With the

Table of Contents

PART I

(Continued)

consolidation of retail trade, especially in developed markets such as the U.S. and Europe, the Corporation is increasingly dependent on key retailers, and some of these retailers, including large-format retailers, may have greater bargaining power than does the Corporation. They may use this leverage to demand higher trade discounts or allowances which could lead to reduced profitability. The Corporation may also be negatively affected by changes in the policies of its 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 the Corporation loses a significant customer or if sales of its products to a significant customer materially decrease, the Corporation's business, financial condition and results of operations may be materially adversely affected.

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

The Corporation continues to implement plans to improve its competitive position by accelerating cost reductions in its operations. In addition, the Corporation expects to obtain ongoing cost savings from its recently completed streamlining of manufacturing and administrative operations. The Corporation further anticipates cost savings to result from reducing material costs and manufacturing waste and realizing productivity gains and distribution efficiencies in each of its business segments. See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations. If the Corporation cannot successfully implement its cost savings plans, the Corporation may not realize all anticipated benefits. Any negative impact these plans have on the Corporation's relationships with employees or customers or any failure to generate the anticipated efficiencies and savings could adversely affect the Corporation's financial results.

The Corporation's sales may not occur as estimated.

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

The Corporation's international operations are subject to foreign market risks, including foreign exchange risk and currency restrictions, which may adversely affect the Corporation's financial results.

Because the Corporation and its equity companies have manufacturing facilities in 38 countries and their products are sold in more than 150 countries, the Corporation's results may be substantially affected by foreign market risks. The Corporation is subject to the impact of economic and political instability in developing countries.

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

Edgar Filing: KIMBERLY CLARK CORP - Form 10-K

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

In addition, intense competition in European personal care and tissue markets, and the challenging economic, political and competitive environments in Latin America and developing and other countries in Eastern Europe and Asia may slow the Corporation's sales growth and earnings potential. See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations. The Corporation's success internationally also depends on its ability to acquire or to form successful business alliances, and there is no guarantee that the Corporation will be able to acquire or form these alliances. In addition, there can be no assurance that the Corporation's products will be accepted in any particular market.

Table of Contents

PART I

(Continued)

The Corporation is subject to the movement of various currencies against each other and versus the U.S. dollar. A portion of the exposures, arising from transactions and commitments denominated in non-local currencies, is systematically hedged through foreign currency forward and swap contracts.

Translation exposure for the Corporation with respect to foreign operations generally is not hedged. Weaker foreign currency exchange rates reduce the potential benefit of forecasted declines in dollar-based input costs for operations outside the U.S. There can be no assurance that the Corporation will be fully protected against substantial foreign currency fluctuations.

The current credit market disruptions and recession in the United States and certain foreign countries may adversely affect our business.

During 2008, unprecedented volatility in global commodity, currency and financial markets resulted in a high level of uncertainty in the business environment, which is expected to continue into 2009. The Corporation relies on access to the credit markets, specifically the commercial paper and public bond markets, to provide supplemental funding for its operations. Although the Corporation has not experienced a disruption in its ability to access the credit markets, there is no assurance that the credit markets will not deteriorate further. It is possible that the Corporation may have difficulty accessing the credit markets in the future, which may disrupt its businesses or further increase the Corporation's cost of funding its operations. Additionally, the current uncertainty in global economic conditions resulting from the recent disruptions in credit markets and other factors, including recession in the United States and recessions in various foreign markets where the Corporation operates, may adversely affect our sales and results of operations. If the current situation deteriorates significantly, our business could be further negatively impacted, including reduced demand for our products, or supplier, customer or creditor disruptions, resulting from tighter credit markets and other economic factors.

The Corporation may acquire new product lines or businesses and may have difficulties integrating future acquisitions or may not realize anticipated benefits of acquisitions.

The Corporation may pursue acquisitions of new product lines or businesses. Acquisitions involve numerous risks, including difficulties in the assimilation of the operations, technologies, services and products of the acquired product lines or businesses, personnel turnover and the diversion of management's attention from other business concerns. We may be unable to identify suitable acquisition candidates or may be unable to successfully integrate and manage product lines or businesses that we may acquire in the future. In addition, we may be unable to achieve anticipated benefits or cost savings from future acquisitions in the timeframe we anticipate, or at all. Any inability by us to integrate and manage any acquired product lines or businesses in a timely and efficient manner, any inability to achieve anticipated cost savings or other anticipated benefits from these acquisitions in the time frame we anticipate or any unanticipated required increases in trade, promotional or capital spending could adversely affect our business, consolidated financial condition, results of operations or liquidity. Moreover, future acquisitions by us could result in our incurring substantial additional indebtedness, being exposed to contingent liabilities or incurring the impairment of goodwill and other intangible assets, all of which could adversely affect our financial condition, results of operations and liquidity.

Edgar Filing: KIMBERLY CLARK CORP - Form 10-K

Pending litigation, administrative actions and new legal requirements could have an adverse effect on the Corporation.

There is no guarantee that the Corporation will be successful in defending itself in legal and administrative actions or in asserting its rights under various laws, including intellectual property laws. In addition, the Corporation could incur substantial costs in defending itself or in asserting its rights in these actions or meeting new legal requirements. The costs and other effects of pending litigation and administrative actions against the

Table of Contents

PART I

(Continued)

Corporation and new legal requirements cannot be determined with certainty. Although management believes that no such proceedings will have a material adverse effect on the Corporation, there can be no assurance that the outcome of such proceedings will be as expected. See Item 3, Legal Proceedings .

The Corporation obtains certain manufactured products and administrative services from third parties. If the third-party providers fail to satisfactorily perform, our operations could be adversely impacted.

As part of the Corporation's Global Business Plan, a number of administrative functions have been transferred to third-party service providers. Those functions include certain information technology; finance and accounting; sourcing and supply management; and human resources services. Although moving these administrative functions to third-party service providers is expected to improve certain capabilities and lower the Corporation's cost of operations, the Corporation could experience disruptions in the quality and timeliness of the services. Additionally, third parties manufacture some of the Corporation's products. Disruptions or delays at the third-party manufacturers or service providers due to regional economic, business, environmental, or political events, or information technology system failures or military actions, or the failure of these manufacturers or service providers to otherwise satisfactorily perform, could adversely impact the Corporation's operations, sales, payments to the Corporation's vendors, employees, and others, and the Corporation's ability to report financial and management information on a timely and accurate basis.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Management believes that the Corporation's and its equity affiliates' production facilities are suitable for their purpose and adequate to support their businesses. The extent of utilization of individual facilities varies, but they generally operate at or near capacity, except in certain instances such as when new products or technology are being introduced or when mills are being shut down.

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

World Headquarters Location

Dallas, Texas

Operating Segments and Geographic Headquarters

Roswell, Georgia

Neenah, Wisconsin

Milsons Point, Australia

Hong Kong, China

Reigate, United Kingdom

Administrative Centers

Knoxville, Tennessee

Brighton, United Kingdom

Belen, Costa Rica

Table of Contents

PART I

(Continued)

Worldwide Production and Service Facilities

United States

Alabama

Mobile tissue products (1) & (2)

Arizona

Tucson health care products

Arkansas

Conway feminine care and incontinence care products and nonwovens

Maumelle wet wipes and nonwovens

California

Fullerton tissue products (1) & (2)

Connecticut

New Milford tissue products (1)

Georgia

LaGrange nonwovens

Kentucky

Owensboro tissue products (2)

Mississippi

Corinth nonwovens, wipers and towels

North Carolina

Hendersonville nonwovens

Lexington nonwovens

Oklahoma

Jenks tissue products (1)

Pennsylvania

Chester tissue products (1)

South Carolina

Beech Island diapers, training pants, wet wipes and tissue products (1)

Tennessee

Loudon tissue products (2)

(1) Consumer Tissue

(2) K-C Professional & Other

Table of Contents

PART I

(Continued)

Texas

Del Rio health care products

Paris diapers and training, youth and swim pants

San Antonio personal cleansing products and systems

Utah

Ogden diapers and training pants

Washington

Everett tissue products, wipers and pulp (1) & (2)

Wisconsin

Marinette tissue products and wipers (1) & (2)

Neenah feminine care, incontinence care products and nonwovens

Outside the United States

Argentina

Bernal tissue products (1) & (2)

Pilar feminine care and incontinence care products

San Luis diapers

Australia

Albury nonwovens

Ingleburn diapers

Millicent pulp and tissue products (1) & (2)

Tantanoola pulp

Bahrain

East Riffa tissue products (1), (2) & (3)

Bolivia

Santa Cruz tissue products (1) & (2)

Brazil

Correia Pinto tissue products (1)

Mogi das Cruzes tissue products (1) & (2)

Porto Alegre feminine care products

Suzano diapers, wet wipes and incontinence care products

Canada

Huntsville, Ontario tissue products (1)

(1) Consumer Tissue

(2) K-C Professional & Other

(3) Equity company production facility

Table of Contents

PART I

(Continued)

China

Beijing feminine care and adult care products

Guangzhou tissue products (1) & (2)

Nanjing feminine care products

Shanghai tissue products (1) & (2)

Colombia

Barbosa wipers, tissue products, business and correspondence papers and notebooks (2)

Puerto Tejada tissue products (1) & (2)

Tocancipa diapers and feminine care products

Villa Rica diapers and incontinence care products (3)

Costa Rica

Belen tissue products (1) & (2)

Cartago diapers and feminine care and incontinence care products

Czech Republic

Jaromer diapers, youth and training pants and incontinence care products

Litovel feminine care products

Dominican Republic

Santo Domingo tissue products (1)

Ecuador

Mapasingue tissue products, diapers and feminine care products (1) & (2)

El Salvador

Sitio del Niño tissue products (1) & (2)

France

Rouen tissue products (1)

Villey-Saint-Etienne tissue products (1) & (2)

Germany

Koblenz tissue products (2)

Reisholz tissue products (1)

Weinheim health care products

Honduras

Villanueva health care products

India

Pune feminine care products, diapers and tissue products (2) & (3)

Indonesia

Jakarta feminine care and tissue products (1) & (2)

(1) Consumer Tissue

(2) K-C Professional & Other

(3) Equity company production facility

Table of Contents

PART I

(Continued)

Israel

Afula diapers and feminine care and incontinence care products

Hadera tissue products (1) & (2)

Nahariya tissue products (1) & (2)

Italy

Alanno tissue products (1)

Romagnano tissue products (1)

Korea

Anyang feminine care products, diapers and tissue products (1) & (2)

Kimcheon tissue products and nonwovens (1) & (2)

Taejon feminine care products, diapers and nonwovens

Malaysia

Kluang tissue and feminine care products (1) & (2)

Mexico

Acuña health care products

Bajío tissue products (1), (2) & (3)

Cuautitlan feminine care products, diapers and nonwovens (3)

Ecatepec tissue products (1), (2) & (3)

Magdalena health care products

Morelia tissue products (1) & (3)

Nogales health care products

Orizaba tissue products (1), (2) & (3)

Ramos Arizpe tissue products and diapers (1), (2) & (3)

Texmelucan tissue products (1), (2) & (3)

Tlaxcala coform, diapers, nonwovens and wet wipes (3)

Peru

Puente Piedra tissue products (1) & (2)

Santa Clara diapers and feminine care and incontinence care products

Poland

Klucze tissue products (1)

Saudi Arabia

Al-Khobar diapers, feminine care and tissue products (1), (2) & (3)

Singapore

Tuas diapers

South Africa

Cape Town tissue and feminine care (1) & (2)

Springs tissue products and diapers (1) & (2)

(1) Consumer Tissue

(2) K-C Professional & Other

(3) Equity company production facility

Table of Contents

PART I

(Continued)

Spain

Aranguren tissue products (2)

Arceniega tissue products and personal cleansing products and systems (2)

Calatayud diapers

Salamanca tissue products (1)

Telde, Canary Islands tissue products (1)

Switzerland

Niederbipp tissue products (1)

Taiwan

Chung Li tissue, feminine care products and diapers (1) & (2)

Hsin-Ying tissue products (1) & (2)

Ta-Yuan tissue products (1) & (2)

Thailand

Hat Yai health care products

Pathumthani feminine care and tissue products (1) & (2)

Samut Prakarn tissue products (1) & (2)

Trinidad & Tobago

San Juan diapers

Turkey

Istanbul diapers

United Kingdom

Barrow tissue products (1) & (2)

Barton-upon-Humber diapers and nonwovens

Flint wet wipes and tissue products (2)

Northfleet tissue products (1)

Venezuela

Guaicaipuro tissue products and diapers (1) & (2)

Vietnam

Binh Duong feminine care products

(1) Consumer Tissue

(2) K-C Professional & Other

Table of Contents

PART I

(Continued)

ITEM 3. LEGAL PROCEEDINGS

The Corporation is subject to federal, state and local environmental protection laws and regulations with respect to its business operations and is operating in compliance with, or taking action aimed at ensuring compliance with, these laws and regulations. The Corporation has been named a potentially responsible party under the provisions of the federal Comprehensive Environmental Response, Compensation and Liability Act, or analogous state statutes, at a number of waste disposal sites. In management's opinion, none of the Corporation's compliance obligations with environmental protection laws and regulations, individually or in the aggregate, is expected to have a material adverse effect on the Corporation's business, financial condition, results of operations or liquidity.

In May 2007, a wholly-owned subsidiary of the Corporation was served a summons in Pennsylvania state court by the Delaware County Regional Water Quality Authority (Delcora). Also in May 2007, Delcora initiated an administrative action against the Corporation. Delcora is a public agency that operates a sewerage system and a wastewater treatment facility serving industrial and municipal customers, including Kimberly-Clark's Chester Mill. Delcora also regulates the discharge of wastewater from the Chester Mill. Delcora has alleged in the summons and the administrative action that the Corporation underreported the quantity of effluent discharged to Delcora from the Chester Mill for several years due to an inaccurate effluent metering device and owes additional amounts. The Corporation's action for declaratory judgment in the Federal District Court for the Eastern District of Pennsylvania was dismissed in December 2007 on grounds of abstention. The Corporation appealed this dismissal to the Third Circuit Court of Appeals. The Third Circuit directed the parties to mediation, which during the third quarter of 2008 resulted in a procedural agreement to appoint a neutral and qualified hearing officer. As a result of this arrangement with Delcora, the Corporation has dismissed its appeal to the Third Circuit. The Corporation continues to believe that Delcora's allegations lack merit and is vigorously defending against Delcora's actions. In management's opinion, this matter is not expected to have a material adverse effect on the Corporation's business, financial condition, results of operations or liquidity.

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

No matters were submitted to a vote of security holders during the fourth quarter of 2008.

Table of Contents**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 8, Note 20 to the Consolidated Financial Statements is 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. The dividend reinvestment service of Computershare Investor Services is available to Kimberly-Clark stockholders of record. The service makes it possible for Kimberly-Clark stockholders of record to have their dividends automatically reinvested in common stock and to make additional cash investments.

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

As of February 16, 2009, the Corporation had 29,350 holders of record of its common stock.

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

The Corporation repurchases shares of Kimberly-Clark common stock from time to time pursuant to publicly announced share repurchase programs. During 2008, the Corporation purchased \$625 million worth of its common stock. The following table contains information for shares repurchased during the fourth quarter of 2008. None of the shares in this table were repurchased directly from any officer or director of the Corporation.

ISSUER PURCHASES OF EQUITY SECURITIES

Period (2008)	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 31	1,134,600	\$ 59.36	17,867,011	32,132,989
November 1 to 30	133,400	56.89	18,000,411	31,999,589
December 1 to 31			18,000,411	