KIMBERLY CLARK CORP
Form 10-K
February 27, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

[X] 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

(Exact name of registrant as specified in its charter)

Delaware	**39-0394230**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**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:

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x. 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 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 ¨.

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

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

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.

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KIMBERLY-CLARK CORPORATION

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PART I

ITEM 1. BUSINESS

Kimberly-Clark Corporation was incorporated in Delaware in 1928. The Corporation is a global health and hygiene company focused on 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.

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.

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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.

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.

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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

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

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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 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.

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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

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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 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.

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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.

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

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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

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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

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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

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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

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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

Bajio 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

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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

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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.

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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	31,999,589

Total	1,268,000

(a) All share repurchases between October 1, 2008 and December 31, 2008 were made pursuant to a share repurchase program authorized by the Corporation s Board of Directors on July 23, 2007, which allows for the repurchase of 50 million shares in an amount not to exceed $5.0 billion.

In addition, during October, November and December 2008, the Corporation purchased the following shares from current or former employees in connection with the exercise of employee stock options and other awards.

Month	**Shares**	**Amount**
October	633	$ 36,186
November		
December	2,941	163,355

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ITEM 6. SELECTED FINANCIAL DATA

	Year Ended December 31				
	2008[(a)]	**2007**	**2006**	**2005[(c)]**	**2004[(d)]**
	(Millions of dollars, except per share amounts)				
Net Sales	**$ 19,415**	$ 18,266	$ 16,747	$ 15,903	$ 15,083
Gross Profit	**5,858**	5,704	5,082	5,075	5,069
Operating Profit	**2,547**	2,616	2,102	2,311	2,506
Share of Net Income of Equity Companies	**166**	170	219(b)	137	125
Income from:					
Continuing operations	**1,698**	1,823	1,500	1,581	1,770
Discontinued operations					30
Cumulative effect of accounting change				(13)	
Extraordinary loss	**(8)**				
Net income	**1,690**	1,823	1,500	1,568	1,800
Per share basis:					
Basic					
Continuing operations	**4.08**	4.13	3.27	3.33	3.58
Discontinued operations					.06
Cumulative effect of accounting change				(.03)	
Extraordinary loss	**(.02)**				
Net income	**4.06**	4.13	3.27	3.30	3.64
Diluted					
Continuing operations	**4.06**	4.09	3.25	3.31	3.55
Discontinued operations					.06
Cumulative effect of accounting change				(.03)	
Extraordinary loss	**(.02)**				
Net income	**4.04**	4.09	3.25	3.28	3.61
Cash Dividends Per Share					
Declared	**2.32**	2.12	1.96	1.80	1.60
Paid	**2.27**	2.08	1.92	1.75	1.54
Total Assets	**$ 18,089**	$ 18,440	$ 17,067	$ 16,303	$ 17,018
Long-Term Debt	**4,882**	4,394	2,276	2,595	2,298
Stockholders Equity	**3,878**	5,224	6,097	5,558	6,630

(a) The Corporation recorded an extraordinary charge of $12 million ($8 million after tax) related to the consolidation of its monetization financing entities. See Item 8, Note 2 to the Consolidated Financial Statements.

(b) The Corporation s share of net income includes a gain of approximately $46 million from the sale by Kimberly-Clark de Mexico, S.A.B. de C.V. of its pulp and paper business.

(c) In accordance with the requirements of Financial Accounting Standards Board Interpretation (FIN) 47, *Accounting for Conditional Asset Retirement Obligations*, the Corporation recorded a pretax asset retirement obligation of $24 million at December 31, 2005. The cumulative effect on income, net of related income tax effects, of recording the asset retirement obligation was $13 million, or $.03 per share.

(d) Income statement data present the results of Neenah Paper s fine and technical papers businesses as discontinued operations since those businesses were spun-off in 2004.

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

Introduction

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

- Overview of Business
- Overview of 2008 Results
- Results of Operations and Related Information
- Liquidity and Capital Resources
- Variable Interest Entities
- Critical Accounting Policies and Use of Estimates
- Legal Matters
- New Accounting Standards
- Business Outlook
- Forward-Looking Statements

Overview of Business

The Corporation is a global health and hygiene company with manufacturing facilities in 35 countries and its products are sold in more than 150 countries. The Corporation s products are sold under such well-known brands as Kleenex, Scott, Huggies, Pull-Ups, Kotex and Depend. The Corporation has four reportable global business segments: Personal Care; Consumer Tissue; K-C Professional & Other; and Health Care. These global business segments are described in greater detail in Item 8, Note 18 to the Consolidated Financial Statements.

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

Product innovation Past results and future prospects depend in large part on product innovation. The Corporation relies on its ability to develop and introduce new or improved products to drive sales and volume growth and to achieve and/or maintain category leadership. In order to introduce new or improved products, the technology to support those products must be acquired or developed. Research and development expenditures are directed towards new or improved personal care, tissue, industrial wipers, safety and health care products and nonwoven materials.

Competitive environment Past results and future prospects are significantly affected by the competitive environment in which we operate. We experience intense competition for sales of our principal products in our major markets, both domestically and internationally. Our products compete with widely-advertised, well-known, branded products, as well as private label products, which are typically sold at lower prices. We have several major competitors in most of our markets, some of which

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

The Corporation increased promotional and strategic marketing spending in 2007 and 2008 to support new product introductions, further build brand equity and enable competitive pricing in order to protect the position of the Corporation s products in the market. We expect competition to continue to be intense in 2009.

Market shares Achieving leading market shares in our principal products has been an important part of our past performance. We hold number 1 or 2 share positions in more than 80 countries. Achieving and maintaining leading market shares is important because of ongoing consolidation of retailers and the trend of leading merchandisers seeking to stock only the top competitive brands.

Cost controls To maintain or improve our competitive position, we must control our manufacturing, distribution and other costs. We have achieved cost savings from reducing material costs and manufacturing waste and realizing productivity gains and distribution efficiencies in our business segments. Our ability to control costs can be affected by changes in the price of pulp, oil and other commodities we consume in our manufacturing processes. Our strategic investments in information systems and partnering with third-party providers of administrative services should also allow further cost savings through streamlining administrative activities.

Foreign currency and commodity risks As a multinational enterprise, we are exposed to changes in foreign currency exchange rates, and we are also exposed to changes in commodity prices. Our ability to effectively manage these risks can have a material impact on our results of operations.

Global economic environment The Corporation s business and financial results continue to be adversely affected by recessions in the United States and throughout the world and volatility in the global financial markets. Although it has become more challenging to predict our results in the near-term, we will continue to focus on executing our Global Business Plan strategies for the long-term health of our businesses.

Overview of 2008 Results

The Corporation continued to experience significant raw material cost inflation in 2008.

Net sales increased 6.3 percent because of higher net selling prices and sales volumes and favorable currency effects.

Operating profit declined 2.6 percent and net income and diluted earnings per share decreased 7.3 percent and 1.2 percent, respectively.

The benefits of top-line growth, along with cost savings of $171 million, were more than offset by inflation in key cost components totaling more than $725 million, an increase in strategic marketing spending of about $95 million and higher levels of selling and administrative expenses, mainly to support growth in developing and emerging markets.

Cash flow from operations was $2.5 billion, an increase of 3.6 percent.

Results of Operations and Related Information

This section contains a discussion and analysis of net sales, operating profit and other information relevant to an understanding of 2008 results of operations. This discussion and analysis compares 2008 results to 2007, and 2007 results to 2006.

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Analysis of Consolidated Net Sales

By Business Segment

	Year Ended December 31		
	2008	**2007**	**2006**
		(Millions of dollars)	
Personal Care	**$ 8,272**	$ 7,563	$ 6,741
Consumer Tissue	**6,748**	6,475	5,982
K-C Professional & Other	**3,174**	3,039	2,813
Health Care	**1,224**	1,207	1,237
Corporate & Other	**79**	41	33
Intersegment sales	**(82)**	(59)	(59)
Consolidated	**$ 19,415**	$ 18,266	$ 16,747

By Geographic Area

	Year Ended December 31		
	2008	**2007**	**2006**
		(Millions of dollars)	
United States	**$ 10,143**	$ 9,876	$ 9,406
Canada	**574**	569	538
Intergeographic sales	**(256)**	(253)	(250)
Total North America	**10,461**	10,192	9,694
Europe	**3,679**	3,469	3,153
Asia, Latin America and other	**5,942**	5,252	4,481
Intergeographic sales	**(667)**	(647)	(581)
Consolidated	**$ 19,415**	$ 18,266	$ 16,747

Commentary:

2008 versus 2007

	Percent Change in Net Sales Versus Prior Year				
		Changes Due To			
	Total Change	Volume	Net Price	Currency	Mix/ Other
Consolidated	6.3	1	4	1	
Personal Care	9.4	5	3	1	
Consumer Tissue	4.2	(4)	6	1	1
K-C Professional & Other	4.4	(1)	4	1	
Health Care	1.4	4	(1)	1	(3)

Personal care net sales in North America increased about 5 percent due to more than 3 percent higher net selling prices and more than 1 percent higher sales volumes. The higher net selling prices resulted from increases implemented throughout 2008, net of increased promotional activity primarily for Huggies diapers to match competitive actions. Sales volume growth was dampened by the effects of the economic downturn in the fourth quarter of 2008 as customers adjusted inventory levels, child care category sales slowed and some consumers traded down to lower-priced product offerings.

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In Europe, personal care net sales were even with the prior year as favorable currency effects offset lower sales volumes and net selling prices. Sales volumes of Huggies diapers in the Corporation s four core markets the U.K., France, Italy and Spain declined about 4 percent from the prior year.

In the developing and emerging markets, net sales increased almost 17 percent driven by a more than 10 percent increase in sales volumes. The growth in sales volumes was broad-based, with particular strength throughout Latin America and in South Korea, Russia, Turkey, and China. Increased net selling prices and favorable product mix added about 4 percent and 2 percent, respectively, to the net sales increase. Unfavorable currency effects in South Korea were offset by favorable effects in other countries, primarily in Brazil and Israel.

Consumer tissue net sales in North America were even with the prior year as increased net selling prices of more than 6 percent and improved product mix of nearly 1 percent were offset by a sales volume decline of about 7 percent. The higher net selling prices were primarily attributable to price increases for bathroom tissue and paper towels implemented during the first and third quarters in the U.S. List prices for facial tissue were raised late in the third quarter. Sales volumes were down mid-single digits in bathroom tissue and facial tissue and double-digits in paper towels, primarily as a result of the Corporation s focus on improving revenue realization. A portion of the overall volume decline is also due to the Corporation s decision in late 2007 to shed certain low-margin private label business.

In Europe, consumer tissue net sales increased almost 4 percent on nearly 3 percent higher net selling prices, a 1 percent improvement in product mix and more than 2 percent favorable currency effects, tempered by a decline in sales volumes of about 2 percent. The lower sales volumes were primarily due to reduced sales of Andrex and Scottex bathroom tissue and Kleenex facial tissue in response to higher net selling prices and a slowdown in category sales, particularly in the U.K.

Consumer tissue net sales in the developing and emerging markets increased nearly 13 percent. During 2008, the Corporation raised prices in most markets to recover higher raw materials costs and drove improvements in mix with more differentiated, value-added products, strategies that resulted in higher net selling prices of about 10 percent and better product mix of more than 2 percent. Sales volumes were even with last year. For the year, currency effects were neutral as favorable effects earlier in the year were offset by the dramatic changes in currency rates in the fourth quarter of 2008.

Economic weakness and rising unemployment levels in North America and Europe began to affect K-C Professional s categories in the fourth quarter of 2008. For the year, net sales in North America increased nearly 3 percent as increased net selling prices of about 4 percent and improved product mix of over 1 percent were tempered by lower sales volumes. In Europe, net sales of KCP products advanced about 9 percent as increased net selling prices and higher sales volumes contributed nearly 3 percent and 2 percent, respectively, to the improvement. Currency effects were about 4 percent favorable versus the prior year.

The increased sales volumes for health care products were primarily due to mid-single digit growth outside North America and a similar advance for medical devices in North America. The price decline was mainly attributable to competitive conditions affecting surgical supplies in North America and Europe.

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Commentary:

2007 versus 2006

	Percent Change in Net Sales Versus Prior Year				
		Changes Due To			
	Total Change	Volume	Net Price	Currency	Mix/ Other
Consolidated	9.1	4	1	3	1
Personal Care	12.2	8		3	1
Consumer Tissue	8.2	1	2	4	1
K-C Professional & Other	8.0	3	1	3	1
Health Care	(2.4)	(5)		1	1

In North America, net sales of personal care products increased nearly 8 percent primarily on the strength of increased sales volumes. Product innovations spurred volume growth, with a double-digit gain for Huggies baby wipes, high single-digit growth for Huggies diapers and mid single-digit increases for the Corporation s child care and incontinence care brands. Child care sales volumes benefited from the late third quarter introduction of GoodNites Sleep Boxers and Sleep Shorts, a unique offering in the youth pants category. Meanwhile, sales volumes of Kotex feminine care products were below year-ago levels. Net selling prices increased about 1 percent.

Net sales of personal care products in Europe increased about 11 percent, principally due to favorable currency effects. Higher sales volumes of more than 2 percent were offset by lower net selling prices. The sales volume gains reflect higher sales of Huggies diapers and baby wipes across the region, including a more than 2 percent volume gain for Huggies diapers in the four core markets United Kingdom, France, Italy and Spain. The lower net selling prices were due to meeting competitive promotional activity.

In the developing and emerging markets, net sales increased nearly 21 percent driven by a more than 13 percent increase in sales volumes. The growth in sales volumes was broad-based, with particular strength throughout most of Latin America and in South Korea, China and Russia. Favorable currency effects, primarily in Australia and Brazil, added about 6 percent to the higher net sales while net selling prices were about even with last year.

In North America, net sales of consumer tissue products rose more than 5 percent due to nearly 3 percent higher sales volumes and about 2 percent higher net selling prices. Sales volumes for bathroom tissue and paper towels increased 5 percent and 4 percent, respectively, on growth for Scott bathroom tissue and Viva paper towels reflecting product improvements for these brands. Net selling prices were impacted by promotional activity, late in the year, in support of product upgrades, including the Corporation s improved Cottonelle bathroom tissue, as well as to support facial tissue in anticipation of a seasonal pick-up in sales volumes that had not yet occurred because of a weaker cold and flu season in the fourth quarter of 2007.

In Europe, net sales of consumer tissue products increased approximately 9 percent, principally due to favorable currency exchange rates. Improved product mix was negated by an overall sales volume decline of about 1 percent that resulted from the Corporation s 2006 decision to shed low-margin business following the sale or closure of certain facilities in the region. Sales volume increases for Andrex bathroom tissue and Kleenex facial tissue were not sufficient to offset the withdrawal from the low-margin business. Net selling prices remained about the same as in the prior year.

In the developing and emerging markets, net sales increased more than 12 percent. About half of the increase was due to favorable currency effects. Improved product mix of nearly 3 percent was tempered

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by lower sales volumes of slightly more than 1 percent. Net selling prices increased almost 5 percent as selling prices were raised during the year in most developing and emerging markets in response to higher raw material costs.

Sales volumes for K-C Professional products increased more than 3 percent with double-digit growth in Latin America and 4 percent higher sales volumes in North America led by advances for Kleenex, Scott and Cottonelle washroom brands and Kimtech and WypAll wiper brands. Higher net selling prices added about 1 percent to the increase in net sales and favorable currency effects contributed over 3 percent.

The decrease in sales volumes of health care products was mainly attributable to a higher level of sales of face masks in 2006 primarily due to avian flu preparedness and the impact of the Corporation s decision in the second half of 2006 to exit the latex exam glove business. During 2007, the Corporation made progress in transitioning customers and users from latex to its higher-margin, clinically-preferred nitrile gloves. Sales of exam gloves improved sequentially in the fourth quarter of 2007 versus the third quarter 2007 levels. Nevertheless, the growth in sales of nitrile gloves did not compensate for the drop-off in sales of latex gloves, due in part to supply constraints earlier in 2007 and competitive market conditions. In other areas of the business, sales of medical devices, particularly Ballard respiratory catheters, generated high single-digit improvement.

Analysis of Consolidated Operating Profit

By Business Segment

	Year Ended December 31		
	2008	**2007**	**2006**
	(Millions of dollars)		
Personal Care	**$ 1,649**	$ 1,562	$ 1,303
Consumer Tissue	**601**	702	773
K-C Professional & Other	**428**	478	472
Health Care	**143**	195	211
Other income and (expense), net	**(20)**	18	(32)
Corporate & Other	**(254)**	(339)	(625)
Consolidated	**$ 2,547**	$ 2,616	$ 2,102

By Geographic Area

	Year Ended December 31		
	2008	**2007**	**2006**

		(Millions of dollars)	
United States	**$ 1,730**	$ 1,853	$ 1,856
Canada	**144**	157	143
Europe	**210**	258	211
Asia, Latin America and other	**737**	669	549
Other income and (expense), net	**(20)**	18	(32)
Corporate & Other	**(254)**	(339)	(625)
Consolidated	**$ 2,547**	$ 2,616	$ 2,102

Note: Corporate & Other and Other income and (expense), net, include the following amounts of pre-tax charges for the strategic cost reductions. In 2007, Corporate & Other also includes the related implementation costs.

	2008	2007 (Millions of dollars)	2006
Corporate & Other	$ (72)	$ (148)	$ (476)
Other income and (expense), net	12	14	(8)

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Commentary:

2008 versus 2007

	Percentage Change in Operating Profit Versus Prior Year						
		Change Due To					
	Total Change	Volume	Net Price	Raw Materials Cost	Energy and Distribution Expense	Currency	Other[a]
Consolidated	(2.6)	3	29	(20)	(8)		(7)[b]
Personal Care	5.6	9	15	(14)	(3)		(1)
Consumer Tissue	(14.4)	(9)	60	(27)	(18)	(1)	(19)
K-C Professional & Other	(10.5)	(2)	23	(18)	(9)	2	(6)
Health Care	(26.7)	8	(8)	(10)		2	(19)

(a) Includes higher marketing and general expenses net of the benefit of cost savings achieved.

(b) Charges for strategic cost reductions were $47 million lower in 2008 than in 2007.

Consolidated operating profit decreased $69 million or 2.6 percent from the prior year. Charges for the strategic cost reductions of $60 million for 2008 were $47 million lower than in the prior year. Charges for the strategic cost reductions, discussed later in this MD&A and in Item 8, Note 4 to the Consolidated Financial Statements, are not included in the results of the business segments. The effect of higher net sales, primarily due to increased net selling prices, plus approximately $171 million in cost savings were more than offset by significant inflation in key manufacturing cost inputs of more than $725 million, higher manufacturing costs, primarily related to production downtime, of nearly $100 million, increased strategic marketing spending of about $95 million and higher levels of selling and administrative expenses, mainly to support growth in developing and emerging markets. Operating profit as a percent of net sales decreased to 13.1 percent from 14.3 percent last year.

Operating profit for the personal care segment increased 5.6 percent as higher net sales and cost savings more than offset raw materials and other cost inflation. In North America, operating profit increased due to the higher net selling prices and cost savings, tempered by materials and other cost inflation, and increased marketing expenses. In Europe, operating profit declined as cost savings were more than offset by the lower net selling prices and materials inflation. Operating profit in the developing and emerging markets increased because the higher net selling prices and sales volumes more than offset increased marketing and general expenses.

Consumer tissue segment operating profit decreased 14.4 percent. Increased net selling prices and cost savings were more than offset by cost inflation, the lower sales volumes and higher manufacturing costs, including the effect of planned production downtime. Operating profit in North America decreased due to the same factors that affected the overall segment. In Europe, operating profit declined as higher net selling prices and cost savings were more than offset by cost inflation. Operating profit in the developing and emerging markets was even with the prior year as higher net selling prices were offset by cost inflation, and increased marketing and general expenses to support growth in these regions.

Operating profit for K-C Professional & Other products decreased 10.5 percent because higher net selling prices were more than offset by cost inflation for both wastepaper and virgin fiber and other materials and increased manufacturing costs, including higher maintenance spending.

Operating profit for the health care segment decreased 26.7 percent. The benefit of higher sales volumes was more than offset by the lower net selling prices and higher manufacturing cost. In addition to cost inflation, the segment absorbed manufacturing-related costs as part of a plan to reduce inventory and also experienced higher costs related to changes in its manufacturing footprint.

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Strategic Cost Reduction Plan

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

The strategic cost reductions commenced in the third quarter of 2005 and were completed by December 31, 2008. The strategic cost reductions resulted in cumulative charges of $880 million before tax or $610 million after tax.

Since the inception of the strategic cost reductions, a net workforce reduction of 5,800 has occurred. As of December 31, 2008, charges have been recorded related to the cost reduction initiatives for 23 facilities, including 3 facilities which have been closed and are being marketed for sale.

For the full year of 2008, year-over-year pretax savings of nearly $110 million were realized, bringing the cumulative annual total to approximately $335 million since the plan s inception. Including projected year-over-year savings of about $50 million in 2009, total annual savings from the plan are now expected to reach $385 million.

See Item 8, Note 4 to the Consolidated Financial Statements for detail on costs incurred for the plan.

Other income and (expense), net

Other income and (expense), net for 2008 includes costs for a legal judgment and the refinancing of the dealer remarketable securities (see Item 8, Note 6 to the Consolidated Financial Statements) partially offset by favorable settlement of a value-added tax matter in Latin America. A gain of $16 million for the settlement of litigation related to prior years operations in Latin America is included in 2007. In addition, currency transaction losses included in this line item were about $5 million higher in 2008 than in 2007.

Commentary:

2007 versus 2006

	Percentage Change in Operating Profit Versus Prior Year						
		Change Due To					
	Total Change	Volume	Net Price	Raw Materials Cost	Energy and Distribution Expense	Currency	Other[(a)]
Consolidated	24.5	16	8	(16)	(4)	4	17[(b)]
Personal Care	19.9	19	1	(8)	(2)	3	7
Consumer Tissue	(9.2)	6	16	(18)	(7)	2	(8)
K-C Professional & Other	1.3	8	6	(16)	(1)	2	2
Health Care	(7.6)	1	(2)	(6)	(4)	6	(3)

(a) Includes the benefit of cost savings achieved, net of higher marketing and general expenses.

(b) Charges for strategic cost reductions were $377 million lower in 2007 than in 2006.

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Consolidated operating profit increased $514 million or 24.5 percent. Lower charges for the strategic cost reduction plan increased operating profit by $377 million. These charges are not included in the business segments. In addition, cost savings generated by the plan totaled approximately $105 million during 2007. Other factors affecting the comparison with 2006 were savings of nearly $160 million for the Corporation s Focused On Reducing Costs Everywhere program, higher sales volumes and increased net selling prices. Partially offsetting these improvements were raw materials cost inflation of almost $350 million, increased strategic marketing expenses of about $50 million and higher general and administrative expenses. The increased general and administrative expenses were to a large extent in support of growth in the developing and emerging markets. Operating profit as a percent of net sales increased to 14.3 percent from 12.6 percent in 2006.

Operating profit for personal care products increased 19.9 percent. Cost savings and higher sales volumes more than offset raw materials cost inflation, the costs for product improvements and increased general and administrative expenses.

Operating profit in North America increased nearly 13 percent primarily on the strength of higher sales volumes. Cost savings and slightly higher net selling prices offset the effect of raw materials cost inflation. Increased operating profit in Europe was driven by cost savings and higher sales volumes, despite lower net selling prices. Operating profit in the developing and emerging markets increased more than 25 percent on sales volume growth and cost savings that more than offset increased marketing and general and administrative expenses.

Operating profit for consumer tissue products decreased 9.2 percent as higher net selling prices and cost savings were more than offset by raw materials cost inflation, the costs for product improvements and higher manufacturing costs.

In North America, operating profit declined more than 15 percent because higher net selling prices were more than offset by raw materials cost inflation, primarily pulp costs, the costs of product improvements and higher manufacturing costs. Operating profit in Europe increased due to cost savings and favorable currency effects tempered by raw materials cost inflation and higher marketing and general and administrative expenses. In the developing and emerging markets, operating profit declined slightly as net selling price gains were more than offset by increased pulp costs, higher manufacturing costs and increased general and administrative expenses.

Operating profit for K-C Professional & Other products increased 1.3 percent because higher sales volumes, increased net selling prices and cost savings were substantially negated by cost inflation for both virgin fiber and wastepaper.

Operating profit for health care products decreased 7.6 percent as the benefits of cost savings and favorable currency effects were more than offset by raw materials cost inflation, primarily for nonwovens, and increased distribution and selling expenses.

Other income and (expense), net

Other income and (expense), net for 2007 includes a gain of $16 million for the previously mentioned settlement of litigation in Latin America. Currency transaction losses included in this line item were about $10 million lower in 2007 than in 2006. In addition, gains on dispositions of facilities in 2007, as part of the strategic cost reduction plan, were about $14 million compared with costs of $8 million in 2006.

Additional Income Statement Commentary

Synthetic Fuel Partnerships

As described in Item 8, Note 15 to the Consolidated Financial Statements, the Corporation had minority interests in two synthetic fuel partnerships. Pretax losses from participation in these partnerships were reported as

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nonoperating expense in the Consolidated Income Statement. The partnerships were dissolved in 2008 at no cost to the Corporation. The Corporation s income tax provision was reduced by $81 million in 2007, compared with $87 million in 2006 resulting from the income tax credits and tax benefits of these investments. Diluted earnings per share benefited by $.03 in 2007 compared with no benefit in 2008. The diluted earnings per share benefit in 2006 was $.04.

2008 versus 2007

Interest expense increased due to a higher average level of debt partially offset by lower average interest rates. See Item 8, Note 6 to the Consolidated Financial Statements for detail on debt activity.

The Corporation s effective income tax rate was 27.0 percent for 2008 compared with 23.2 percent for 2007. The increase was primarily due to: (a) the benefits from the previously mentioned synthetic fuel credits utilized in 2007 that were not available in 2008; (b) favorable settlements in 2007 of tax issues related to prior years; and (c) the reversal of valuation allowances in 2007 on deferred tax assets at certain majority-owned subsidiaries in Latin America based on a sustained improvement in the subsidiaries operating results, partially offset by higher foreign tax credit benefits in 2008.

The Corporation s share of net income of equity companies declined by $4 million primarily due to lower net income at Kimberly-Clark de Mexico, S.A.B. de C.V. (KCM). While KCM had higher net sales, its operating profit and net income were affected by currency transaction losses in the fourth quarter of 2008 on its more than $300 million of U.S. dollar-denominated liabilities as the Mexican peso weakened versus the U.S. dollar. The currency transaction losses reduced the Corporation s share of KCM s net income by approximately $23 million for 2008.

Minority owners share of subsidiaries net income increased $11 million versus the prior year. The increase was primarily due to higher returns payable on the redeemable preferred securities issued by the Corporation s consolidated financing subsidiary.

As a result of the Corporation s ongoing share repurchase program, including the Accelerated Share Repurchase (ASR) program, the average number of common shares outstanding declined, which benefited 2008 net income by about $.25 per share. This benefit was partially offset by the higher interest expense associated with the July 2007 debt issuances that funded the ASR program. See Item 8, Note 10 to the Consolidated Financial Statements for detail on the ASR program.

2007 versus 2006

Interest expense increased principally due to a higher average level of debt. See Item 8, Note 6 to the Consolidated Financial Statements for detail on debt issued in the third quarter of 2007.

The Corporation s effective income tax rate was 23.2 percent for 2007 compared with 25.4 percent in 2006. The decrease for 2007 was primarily due to the previously mentioned favorable settlements of tax issues related to prior years and the reversal of valuation allowances on deferred tax assets partially offset by lower foreign tax credit benefits in 2007.

The Corporation s share of net income from equity companies decreased $49 million primarily due to lower net income at KCM. Included in 2006 results was a gain of $46 million from the sale by KCM of its pulp and paper business. The remainder of the decline was due to lower operating profit at KCM as net sales growth did not overcome the effect of higher raw materials costs.

Minority owners share of subsidiaries net income increased $33 million primarily due to the minority owners share of the above-mentioned tax benefits at majority-owned subsidiaries.

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As a result of the Corporation s share repurchase program, including the ASR program, the average number of common shares outstanding declined, which benefited 2007 net income by $.14 per share. This benefit was mostly offset by the higher interest expense associated with the third quarter 2007 debt issuances that funded the ASR program.

Liquidity and Capital Resources

	Year Ended December 31	
	2008	**2007**
	(Millions of dollars)	
Cash provided by operations	**$ 2,516**	$ 2,429
Capital spending	**906**	989
Acquisitions of businesses, net of cash acquired	**98**	16
Ratio of total debt and redeemable preferred securities to capital[(a)]	**62.0%**	53.2%
Pretax interest coverage times	**7.3**	8.2

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

Cash Flow Commentary:

Cash provided by operations increased $87 million primarily due to lower tax payments in 2008 versus 2007.

Contractual Obligations:

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

	Total	2009	2010	2011	2012	2013	2014+
			(Millions of dollars)				
Contractual obligations							
Long-term debt	$ 5,559	$ 677	$ 496	$ 16	$ 409	$ 505	$ 3,456
Interest payments on long-term debt	3,615	374	305	297	296	272	2,071
Returns on redeemable preferred securities	428	54	54	54	54	54	158
Operating leases	688	142	114	98	80	65	189
Unconditional purchase obligations	1,997	674	493	445	78	75	232
Open purchase orders	1,385	1,385					

Total contractual obligations	$ 13,672	$ 3,306	$ 1,462	$ 910	$ 917	$ 971	$ 6,106

Obligations Commentary:

Projected interest payments for variable-rate debt were calculated based on the outstanding principal amounts and prevailing market rates as of December 31, 2008.

Returns on redeemable preferred securities reflect required return payments through the next seven-year anniversary date by instrument class. See Item 8, Note 7 to the Consolidated Financial Statements.

The unconditional purchase obligations are for the purchase of raw materials, primarily pulp and utilities. Although the Corporation is primarily liable for payments on the above operating leases and

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unconditional purchase obligations, based on historic operating performance and forecasted future cash flows, management believes the Corporation s exposure to losses, if any, under these arrangements is not material.

The open purchase orders displayed in the table represent amounts the Corporation anticipates will become payable within the next year for goods and services it has negotiated for delivery.

The Corporation will fund its defined benefit pension plans to meet or exceed statutory requirements and currently expects to contribute $530 million to these plans in 2009. This amount is not included in the above table.

The above table does not include future payments that the Corporation will make for other postretirement benefit obligations. Those amounts are estimated using actuarial assumptions, including expected future service, to project the future obligations. Based upon those projections, the Corporation anticipates making annual payments for these obligations within a range from approximately $85 million in 2009 to more than $90 million by 2018.

As of December 31, 2008, the Corporation has accrued income tax liabilities for uncertain tax positions. These liabilities have not been presented in the table above due to uncertainty as to amounts and timing regarding future payments.

Deferred taxes, minority owners interests and payments for pension plan benefits are also not included in the table.

A consolidated financing subsidiary has issued two classes of redeemable preferred securities. The holder of the securities can elect to have the subsidiary redeem the first class in December 2011 and the second class in December 2014 and each seven-year anniversary thereafter. Management currently anticipates that these securities will not be redeemed at the next redemption dates, and therefore they are not included in the above table. In the event that the holder of the securities does elect to have its preferred securities redeemed at the next respective redemption dates, the Corporation would be required to pay approximately $500 million in 2011 and approximately $500 million in 2014. See Item 8, Note 7 to the Consolidated Financial Statements for additional information regarding these securities.

Investing Commentary:

During 2008, the Corporation s capital spending of $906 million was within the targeted range of $850 to $950 million.

During 2008, the Corporation acquired a personal care business in Trinidad and Tobago; the remaining 50 percent interest in its South African subsidiary, Kimberly-Clark of South Africa (Pty.) Limited; and the remaining 40 percent interest in its Chilean subsidiary, Kimberly-Clark Chile, S.A. The cost of these acquisitions totaled approximately $98 million. See Item 8, Note 5 to the Consolidated Financial Statements for additional detail.

Financing Commentary:

At December 31, 2008, total debt and redeemable preferred securities was $7.0 billion compared with $6.5 billion last year end. The increase was primarily due to the consolidation of the financing entities described in Item 8, Note 2 to the Consolidated Financial Statements. At December 31, 2008, the related loans are classified as debt payable within one year on the Consolidated Balance Sheet. The Corporation currently anticipates that these loans will be extended prior to their current maturity dates.

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In August 2008, Standard & Poor s (S&P) lowered the Corporation s long-term credit rating from A+ to A but reaffirmed the short-term commercial paper A1 rating. S&P also removed both the long- and short-term ratings from negative outlook and both ratings are now classified as stable. In August 2008, Moody s Investor Services reaffirmed the Corporation s long- and short-term ratings of A2 and P1, respectively, with an outlook of stable.

In November 2008, the Corporation issued $500 million 7.5% Notes due November 1, 2018. The Corporation used the net proceeds to reduce borrowings under its commercial paper program.

In the fourth quarter of 2008, a wholly-owned subsidiary of the Corporation purchased $200 million of dealer remarketable securities that the Corporation had originally issued in the fourth quarter of 2006. The subsidiary issued commercial paper to fund the investment in these securities and intends to hold these securities until the next remarketing date in the fourth quarter of 2009. The investment in these securities by the subsidiary and the Corporation s debt obligation for these securities are eliminated in consolidation. See Item 8, Note 6 to the Consolidated Financial Statements for additional detail on these securities.

At December 31, 2008, the Corporation had a $1.33 billion revolving credit facility that is scheduled to expire in September 2012. This facility contains a feature that would allow for increasing it to $1.77 billion. The Corporation maintains the revolving credit facility to manage liquidity needs in the event its access to the commercial paper markets is constrained for any reason. The Corporation did not experience any difficulty in issuing commercial paper in 2008 despite the current constrained credit environment in the United States. The Corporation did not borrow any amounts under the revolving credit facility in 2008.

During 2008, the Corporation repurchased about 10 million shares of its common stock at a cost of $625 million which was in line with its updated target of $600 million to $650 million. In light of the Corporation s estimated contribution of $530 million in 2009 to its defined benefit pension plans, the Corporation does not expect to repurchase any of its common stock in 2009. See the discussion under Critical Accounting Policies later in this MD&A for additional detail regarding Pension Benefits.

In 2003, the Venezuelan government enacted currency restrictions, which have affected the ability of the Corporation s Venezuelan subsidiary (K-C Venezuela) to obtain foreign currency at the official rate of exchange to pay for imported finished goods. These exchange restrictions have negatively impacted K-C Venezuela because it has had to meet its foreign currency needs from non-government sources at exchange rates substantially unfavorable to the official rate. During 2008, the Corporation recorded its share of pre-tax losses of more than $10 million or about $.02 per share due to currency transactions at other than official exchange rates. At December 31, 2008, K-C Venezuela had cash denominated in bolivars of $94 million. In 2008, K-C Venezuela represented approximately 2 percent of consolidated net sales and consolidated operating profit.

Management believes that the Corporation s ability to generate cash from operations and its capacity to issue short-term and long-term debt are adequate to fund working capital, capital spending, payment of dividends, pension plan contributions and other needs in the foreseeable future.

Variable Interest Entities

The Corporation has interests in the financing and real estate entities discussed in Item 8, Notes 2, 7 and 12 to the Consolidated Financial Statements, all of which are subject to the requirements of Financial Accounting Standards Board Interpretation No. 46 (Revised December 2003), *Consolidation of Variable Interest Entities an Interpretation of ARB 51* (FIN 46(R)). The entities described in Item 8, Notes 2 and 7 are consolidated

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pursuant to the requirements of FIN 46(R), as are certain of the real estate entities described in Note 12. The nonconsolidated real estate entities do not engage in any of the transactions subject to the disclosure requirements of FRR 67, *Disclosure in Management s Discussion and Analysis about Off-Balance Sheet Arrangements and Aggregate Contractual Obligations*.

Critical Accounting Policies and Use of Estimates

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

Promotion and Rebate Accruals

Among those factors affecting the accruals for promotions are estimates of the number of consumer coupons that will be redeemed and the type and number of activities within promotional programs between the Corporation and its trade customers. Rebate accruals are based on estimates of the quantity of products distributors have sold to specific customers. Generally, the estimates for consumer coupon costs are based on historical patterns of coupon redemption, influenced by judgments about current market conditions such as competitive activity in specific product categories. Estimates of trade promotion liabilities for promotional program costs incurred, but unpaid, are generally based on estimates of the quantity of customer sales, timing of promotional activities and forecasted costs for activities within the promotional programs. Settlement of these liabilities sometimes occurs in periods subsequent to the date of the promotion activity. Trade promotion programs include introductory marketing funds such as slotting fees, cooperative marketing programs, temporary price reductions, favorable end-of-aisle or in-store product displays and other activities conducted by the customers to promote the Corporation s products. Promotion accruals as of December 31, 2008 and 2007 were $321 million and $348 million, respectively. Rebate accruals as of December 31, 2008 and 2007 were $261 million and $253 million, respectively.

Pension and Other Postretirement Benefits

Pension Benefits

The Corporation and its subsidiaries in North America and the United Kingdom have defined benefit pension plans (the Principal Plans) and/or defined contribution retirement plans covering substantially all regular employees. Certain other subsidiaries have defined benefit pension plans or, in certain countries, termination pay plans covering substantially all regular employees. The funding policy for the qualified defined benefit plans in North America and the defined benefit plans in the United Kingdom is to contribute assets at least equal to regulatory minimum requirements. Funding for the remaining defined benefit plans outside the U.S. is based on legal requirements, tax considerations, investment opportunities, and customary business practices in such countries. Nonqualified U.S. plans providing pension benefits in excess of limitations imposed by the U.S. income tax code are not funded.

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Consolidated pension expense for defined benefit pension plans was $97 million in 2008 compared with $120 million for 2007. Pension expense included incremental costs of about $5 million and $8 million in 2008 and 2007, respectively, for special pension benefits related to the strategic cost reductions. Pension expense is calculated based upon a number of actuarial assumptions applied to each of the defined benefit plans. The weighted-average expected long-term rate of return on pension fund assets used to calculate pension expense was 8.23 percent in 2008 compared with 8.27 percent in 2007 and will be 8.17 percent in 2009. The expected long-term rate of return is evaluated on an annual basis. In setting this assumption, the Corporation considers a number of factors including projected future returns by asset class, current asset allocation and historical long-term market performance. As part of the factors related to historical market performance, the Corporation considered the range of compounded annual returns for 15 rolling 15-year and 20-year periods through 2008 relative to each plan s current asset allocation.

The weighted-average expected long-term rate of return on pension fund assets used to calculate pension expense for the Principal Plans was 8.48 percent in 2008 compared with 8.50 percent in 2007 and will be 8.47 percent in 2009. The expected long-term rate of return on the assets in the Principal Plans is based on an asset allocation assumption of about 70 percent with equity managers, with expected long-term rates of return ranging from 9 to 10 percent, and about 30 percent with fixed income managers, with an expected long-term rate of return ranging from 6 to 7 percent. Actual asset allocation is regularly reviewed and it is periodically rebalanced to the targeted allocation when considered appropriate. Long-term rate of return assumptions continue to be evaluated at least annually and are adjusted as necessary.

Pension expense is determined using the fair value of assets rather than a calculated value that averages gains and losses (Calculated Value) over a period of years. Investment gains or losses represent the difference between the expected return calculated using the fair value of assets and the actual return based on the fair value of assets. The variance between actual and expected gains and losses on pension assets is recognized in pension expense more rapidly than it would be if a Calculated Value was used for plan assets. As of December 31, 2008, the Principal Plans had cumulative unrecognized investment losses and other actuarial losses of approximately $2.2 billion. These unrecognized net losses may increase future pension expense if not offset by (i) actual investment returns that exceed the assumed investment returns, or (ii) other factors, including reduced pension liabilities arising from higher discount rates used to calculate pension obligations, or (iii) other actuarial gains, including whether such accumulated actuarial losses at each measurement date exceed the corridor determined under SFAS No. 87, *Employers Accounting for Pensions.*

The discount (or settlement) rates used to determine the present values of the Corporation s future U.S. and Canadian pension obligations at December 31, 2008 were based on yield curves constructed from a portfolio of high quality corporate debt securities with maturities ranging from 1 year to 30 years. Each year s expected future benefit payments were discounted to their present value at the appropriate yield curve rate thereby generating the overall discount rates for the U.S. and Canadian pension obligations. For the U.K. plans, discount rates were established using the yield on a U.K. bond index comprised of high quality corporate debt securities, with the yield adjusted for duration differences between the index and the pension obligations and for securities in the index recently downgraded below high quality. The weighted-average discount rate for the Principal Plans increased to 6.47 percent at December 31, 2008 from 6.20 percent at December 31, 2007.

Consolidated pension expense for defined benefit pension plans is estimated to approximate $295 million in 2009. The increase in estimated pension expense for 2009 from $97 million incurred in 2008 reflects substantially lower plan assets at December 31, 2008 and the effect of actuarial losses. The 2009 estimate is based on an expected weighted-average long-term rate of return on assets in the Principal Plans of 8.47 percent, a weighted-average discount rate for the Principal Plans of 6.47 percent and various other assumptions. Pension

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expense beyond 2009 will depend on future investment performance, the Corporation s contributions to the pension trusts, changes in discount rates and various other factors related to the covered employees in the plans.

If the expected long-term rates of return on assets for the Principal Plans were lowered by 0.25 percent, our annual pension expense would increase by approximately $7 million in 2009. If the discount rate assumptions for these same plans were reduced by 0.25 percent, annual pension expense would increase by approximately $11 million and the December 31, 2008 pension liability would increase by about $133 million.

The fair value of the assets in the Corporation s defined benefit plans was $3.1 billion and $4.7 billion at December 31, 2008 and December 31, 2007, respectively. The projected benefit obligations of the defined benefit plans exceeded the fair value of plan assets by approximately $1.9 billion and $0.8 billion at December 31, 2008 and December 31, 2007, respectively. On a consolidated basis, the Corporation contributed about $129 million to its pension plans in 2008 compared with $98 million in 2007. In addition, the Corporation made direct benefit payments of $14 million in 2008 compared to $15 million in 2007. The Corporation currently anticipates contributing about $530 million to its pension plans in 2009.

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

Other Postretirement Benefits

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

The Corporation made benefit payments of $73 million in 2008 compared with $77 million in 2007. The determination of the discount rates used to calculate the benefit obligations of the plans is discussed in the pension benefit section above. If the discount rate assumptions for these plans were reduced by 0.25 percent, 2009 other postretirement benefit expense would increase by less than $1 million and the December 31, 2008 benefit liability would increase by about $16 million.

The health care cost trend rate is based on a combination of inputs including the Corporation s recent claims history and insights from external advisers regarding recent developments in the health care marketplace, as well as projections of future trends in the marketplace. The annual increase in the consolidated weighted-average health care cost trend rate is expected to be 7.5 percent in 2009, 6.5 percent in 2010 and to gradually decline to 5.2 percent in 2012 and thereafter. See Item 8, Note 9 to the Consolidated Financial Statements for disclosure of the effect of a one percentage point change in the health care cost trend rate.

Retained Insurable Risks

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

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Property and Depreciation

Estimating the useful lives of property, plant and equipment requires the exercise of management judgment, and actual lives may differ from these estimates. Changes to these initial useful life estimates are made when appropriate. Property, plant and equipment are tested for impairment in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* whenever events or changes in circumstances indicate that the carrying amounts of such long-lived assets may not be recoverable from future net pretax cash flows. Impairment testing requires significant management judgment including estimating the future success of product lines, future sales volumes, growth rates for selling prices and costs, alternative uses for the assets and estimated proceeds from disposal of the assets. Impairment testing is conducted at the lowest level where cash flows can be measured and are independent of cash flows of other assets. An asset impairment would be indicated if the sum of the expected future net pretax cash flows from the use of the asset (undiscounted and without interest charges) is less than the carrying amount of the asset. An impairment loss would be measured based on the difference between the fair value of the asset and its carrying amount. The determination of fair value is based on an expected present value technique in which multiple probability-weighted cash flow scenarios that reflect a range of possible outcomes and a risk-free rate of interest are used to estimate fair value.

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

Goodwill and Other Intangible Assets

The carrying amount of goodwill is tested annually as of the beginning of the fourth quarter and whenever events or circumstances indicate that impairment may have occurred. Impairment testing is performed in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets.* Impairment testing is conducted at the operating segment level of the Corporation s businesses and is based on a discounted cash flow approach to determine the fair value of each operating segment. The determination of fair value requires significant management judgment including estimating future sales volumes, selling prices and costs, changes in working capital, investments in property and equipment and the selection of an appropriate discount rate. Sensitivities of these fair value estimates to changes in assumptions for sales volumes, selling prices and costs are also tested. If the carrying amount of an operating segment that contains goodwill exceeds fair value, a possible impairment would be indicated. If a possible impairment is indicated, the implied fair value of goodwill would be estimated by comparing the fair value of the net assets of the unit excluding goodwill to the total fair value of the unit. If the carrying amount of goodwill exceeds its implied fair value, an impairment charge would be recorded. Judgment is used in assessing whether goodwill should be tested more frequently for impairment than annually. Factors such as unexpected adverse economic conditions, competition, product changes and other external events may require more frequent assessments. The Corporation s annual goodwill impairment testing has been completed and it has been determined that its $2.7 billion of goodwill is not impaired.

The Corporation has no intangible assets with indefinite useful lives. At December 31, 2008, the Corporation has other intangible assets with a gross carrying amount of approximately $307 million and a net carrying amount of about $121 million. These intangibles are being amortized over their estimated useful lives and are tested for impairment whenever events or circumstances indicate that impairment may have occurred. If the carrying amount of an intangible asset is not recoverable based on estimated future undiscounted cash flows,

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an impairment loss would be indicated. The amount of the impairment loss to be recorded would be based on the excess of the carrying amount of the intangible asset over its fair value (based on discounted future cash flows). Judgment is used in assessing whether the carrying amount of intangible assets is not expected to be recoverable over their estimated remaining useful lives. The factors considered are similar to those outlined in the goodwill impairment discussion above.

Primary Beneficiary Determination of Variable Interest Entities (VIE)

The primary beneficiary of variable interest entities is required to be determined under FSP FIN 46(R)-6, *Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R),* using a qualitative analysis to identify the risks in the VIE that cause variability and then to determine the variability that the VIE is designed to create and pass along to its participants. The participant that absorbs the majority of the variability is the primary beneficiary and is required to consolidate the VIE in accordance with FIN 46(R). If the qualitative analysis is inconclusive, a quantitative analysis is required to estimate the probable future cash flows of the VIE using a computer simulation model and determining the variability of such cash flows and their present values; and the participant that is allocated the majority of the present value of the variability is the primary beneficiary. Both the qualitative analysis and the quantitative analysis require the exercise of significant management judgment.

Deferred Income Taxes and Potential Assessments

As of December 31, 2008, the Corporation had recorded deferred tax assets related to income tax loss carryforwards, income tax credit carryforwards and capital loss carryforwards totaling $725 million and had established valuation allowances against these deferred tax assets of $305 million, thereby resulting in a net deferred tax asset of $420 million. As of December 31, 2007, the net deferred tax asset was $414 million. 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, the Corporation considers many factors, including the specific taxing jurisdiction, the carryforward period, income tax strategies and forecasted earnings for the entities in each jurisdiction. A valuation allowance is recognized if, based on the weight of available evidence, the Corporation concludes that it is more likely than not that some portion or all of the deferred tax asset will not be realized.

As of December 31, 2008, in accordance with Accounting Principles Board (APB) Opinion No. 23, *Accounting for Income Taxes, Special Areas,* U.S. income taxes and foreign withholding taxes have not been provided on approximately $5.6 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 the Corporation or a U.S. affiliate, or if the Corporation were to sell its stock in the subsidiaries. It is not practicable to determine the amount of unrecognized deferred U.S. income tax liability on these unremitted earnings. We periodically determine whether our non-U.S. subsidiaries will invest their undistributed earnings indefinitely and reassess this determination, as appropriate.

The Corporation accrues net liabilities for current income taxes for potential assessments, which at December 31, 2008 and December 31, 2007 were $332 million and $323 million, respectively. The accruals relate to uncertain tax positions in a variety of taxing jurisdictions and are based on what management believes will be the resolution of these positions, in accordance with the provisions of FIN 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement 109, Accounting for Income Taxes.* These liabilities may be affected by changing interpretations of laws, rulings by tax authorities, or the expiration of the statute of limitations. The Corporation s U.S. federal income tax returns have been audited through 2005. IRS assessments

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of additional taxes have been paid through 2001. Refund actions are pending with the IRS for the years 1999 through 2005. Management currently believes that the ultimate resolution of these matters, individually or in the aggregate, will not have a material effect on the Corporation s business, financial condition, results of operations or liquidity.

Loss Contingencies

The outcome of loss contingencies and legal proceedings and claims brought against the Corporation is subject to uncertainty. SFAS No. 5, *Accounting for Contingencies,* requires that an estimated loss contingency be accrued by a charge to earnings if it is probable that an asset has been impaired or a liability has been incurred and the amount can be reasonably estimated. Disclosure of the contingency is required if there is at least a reasonable possibility that a loss has been incurred. Determination of whether to accrue a loss requires evaluation of the probability of an unfavorable outcome and the ability to make a reasonable estimate. Changes in these estimates could affect the timing and amount of accrual of loss contingencies.

Legal Matters

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

New Accounting Standards

See Item 8, Note 1 to the Consolidated Financial Statements for a description of new accounting standards and their anticipated effects on the Corporation s financial statements.

Business Outlook

The unfavorable global economic environment continues to adversely affect the Corporation s business and financial results, making it more challenging to predict results in the near-term. The Corporation believes that weakness in foreign currencies and higher pension expense, resulting from negative returns in global equity markets in 2008, will negatively affect the Corporation s 2009 results. While commodity costs are anticipated to moderate as compared to 2008, expected weaker currency exchange rates would reduce the potential benefits of lower commodity costs. Based on anticipated economic and competitive conditions, the Corporation expects to generate sufficient improvement in other aspects of its business operations in 2009 to substantially offset the negative effects from the higher pension expense and currency transaction losses. In 2009, the Corporation intends to continue to focus on its marketing and innovation programs. The Corporation also intends to accelerate cost reductions in its operations to improve its competitive position and to continue to focus on its cash flow and financial condition.

Forward-Looking Statements

Certain matters discussed in this Form 10-K or related documents, a portion of which are incorporated herein by reference, concerning, among other things, the business outlook, including new product introductions, cost savings, anticipated benefits related to the strategic cost reduction plan, anticipated financial and operating results, strategies, contingencies and anticipated transactions of the Corporation, constitute forward-looking

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statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are based upon management s expectations and beliefs concerning future events impacting the Corporation. There can be no assurance that these events will occur or that the Corporation s results will be as estimated.

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

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Foreign Currency Risk

Foreign currency risk is managed by the systematic use of foreign currency forward and swap contracts for a portion of the Corporation s exposure. 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 the foreign currency contracts and transactional exposures of the Corporation and its foreign affiliates at the current year-end. The balance sheet effect is calculated by multiplying each affiliate s net monetary asset or liability position by a 10 percent change in the foreign currency exchange rate versus the U.S. dollar. The results of these sensitivity tests are presented in the following paragraphs.

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As of December 31, 2008, a 10 percent unfavorable change in the exchange rate of the U.S. dollar against the prevailing market rates of foreign currencies involving balance sheet transactional exposures would have resulted in a net pretax loss of approximately $43 million. These hypothetical losses on transactional exposures are based on the difference between the December 31, 2008 rates and the assumed rates. In the view of management, the above hypothetical losses resulting from these assumed changes in foreign currency exchange rates are not material to the Corporation s consolidated financial position, results of operations or cash flows.

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

As of December 31, 2008, a 10 percent unfavorable change in the exchange rate of the U.S. dollar against the prevailing market rates of the Corporation s foreign currency translation exposures would have reduced stockholders equity by approximately $462 million. These hypothetical adjustments in UTA are based on the difference between the December 31, 2008 exchange rates and the assumed rates. In the view of management, the above UTA adjustments resulting from these assumed changes in foreign currency exchange rates are not material to the Corporation s consolidated financial position because they would not affect the Corporation s 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, 2008, the debt portfolio was composed of approximately 20 percent variable-rate debt and 80 percent fixed-rate debt.

Two separate tests are performed to determine whether changes in interest rates would have a significant effect on the Corporation s financial position or future results of operations. Both tests are based on consolidated debt levels at the time of the test. The first test estimates the effect of interest rate changes on fixed-rate debt. Interest rate changes would result in gains or losses in the market value of fixed-rate debt due to differences between the current market interest rates and the rates governing these instruments. With respect to fixed-rate debt outstanding at December 31, 2008, a 10 percent decrease in interest rates would have increased the fair value of fixed-rate debt by about $200 million. The second test estimates the potential effect on future pretax income that would result from increased interest rates applied to the Corporation s current level of variable-rate debt. With respect to commercial paper and other variable-rate debt, a 10 percent increase in interest rates would not have a material effect on the future results of operations or cash flows.

Commodity Price Risk

The Corporation is subject to commodity price risk, the most significant of which relates to the price of pulp. Selling prices of tissue products are influenced, in part, by the market price for pulp, which is determined by industry supply and demand. On a worldwide basis, the Corporation supplies approximately 8 percent of its virgin fiber needs from internal pulp manufacturing operations. As previously discussed under Item 1A, Risk Factors, increases in pulp prices could adversely affect earnings if selling prices are not adjusted or if such adjustments significantly trail the increases in pulp prices. Derivative instruments have not been used to manage these risks.

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The Corporation s 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 that the Corporation will be fully protected against substantial changes in the price or availability of energy sources. In addition, the Corporation is subject to price risk for utilities, primarily natural gas, which are used in its manufacturing operations. Derivative instruments are used to hedge a substantial portion of natural gas price risk in accordance with the Corporation s risk management policy.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT

	Year Ended December 31		
	2008	**2007**	**2006**
	(Millions of dollars, except per share amounts)		
Net Sales	**$ 19,415**	$ 18,266	$ 16,747
Cost of products sold	**13,557**	12,562	11,665
Gross Profit	**5,858**	5,704	5,082
Marketing, research and general expenses	**3,291**	3,106	2,948
Other (income) and expense, net	**20**	(18)	32
Operating Profit	**2,547**	2,616	2,102
Nonoperating expense		(67)	(66)
Interest income	**46**	34	29
Interest expense	**(304)**	(265)	(220)
Income Before Income Taxes, Equity Interests and Extraordinary Loss	**2,289**	2,318	1,845
Provision for income taxes	**(618)**	(537)	(469)
Income Before Equity Interests and Extraordinary Loss	**1,671**	1,781	1,376
Share of net income of equity companies	**166**	170	219
Minority owners share of subsidiaries net income	**(139)**	(128)	(95)
Income Before Extraordinary Loss	**1,698**	1,823	1,500
Extraordinary loss, net of income taxes	**(8)**		
Net Income	**$ 1,690**	$ 1,823	$ 1,500
Per Share Basis			
Basic			
Before extraordinary loss	**$ 4.08**	$ 4.13	$ 3.27
Extraordinary loss	**(.02)**		
Net income	**$ 4.06**	$ 4.13	$ 3.27

Diluted			
Before extraordinary loss	**$ 4.06**	$ 4.09	$ 3.25
Extraordinary loss	**(.02)**		
Net income	**$ 4.04**	$ 4.09	$ 3.25

See Notes to Consolidated Financial Statements.

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KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	December 31 2008	2007
	(Millions of dollars)	
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 364**	$ 473
Accounts receivable, net	**2,492**	2,561
Inventories	**2,493**	2,444
Deferred income taxes	**131**	217
Time deposits	**141**	271
Other current assets	**192**	131
Total Current Assets	**5,813**	6,097
Property, Plant and Equipment, net	**7,667**	8,094
Investments in Equity Companies	**324**	390
Goodwill	**2,743**	2,942
Long-Term Notes Receivable	**603**	
Other Assets	**939**	917
	$ 18,089	$ 18,440
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Debt payable within one year	**$ 1,083**	$ 1,098
Trade accounts payable	**1,422**	1,449
Other payables	**252**	319
Accrued expenses	**1,652**	1,783
Accrued income taxes	**103**	56
Dividends payable	**240**	224
Total Current Liabilities	**4,752**	4,929
Long-Term Debt	**4,882**	4,394
Noncurrent Employee Benefits	**2,593**	1,559
Long-Term Income Taxes Payable	**189**	288
Deferred Income Taxes	**193**	370
Other Liabilities	**187**	187
Minority Owners Interests in Subsidiaries	**404**	484
Redeemable Preferred Securities of Subsidiary	**1,011**	1,005

Stockholders Equity		
Preferred stock no par value authorized 20.0 million shares, none issued		
Common stock $1.25 par value authorized 1.2 billion shares; issued 478.6 million shares at December 31, 2008 and 2007	**598**	598
Additional paid-in capital	**486**	483
Common stock held in treasury, at cost 65.0 million and 57.7 million shares at December 31, 2008 and 2007	**(4,285)**	(3,814)
Accumulated other comprehensive income (loss)	**(2,386)**	(791)
Retained earnings	**9,465**	8,748
Total Stockholders Equity	**3,878**	5,224
	$ 18,089	$ 18,440

See Notes to Consolidated Financial Statements.

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KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

	Common Stock Issued			Treasury Stock		Unearned Compensation on Restricted Stock		Accumulated Other Comprehensive Income (Loss)	
	Shares	Amount	Additional Paid-in Capital	Shares	Amount		Retained Earnings		Comprehensive Income
				(Dollars in millions, shares in thousands)					
Balance at December 31, 2005	568,597	$ 711	$ 325	107,108	$ (6,376)	$ (13)	$ 12,581	$ (1,669)	
Net income							1,500		$ 1,500
Other comprehensive income:									
Unrealized translation								440	440
Minimum pension liability								203	203
Other								(11)	(11)
Total comprehensive income									$ 2,132
Reclassifications upon adoption of SFAS 123(R)			56	625	(32)	13			
Stock-based awards exercised or vested and other			(42)	(6,800)	374		(2)		
Income tax benefits on stock-based compensation			22						
Adjustment to initially apply SFAS 158, net of tax								(395)	
Shares repurchased				12,045	(754)				
Recognition of stock-based compensation			67						
Retirement of treasury stock	(90,000)	(113)		(90,000)	5,396		(5,284)		
Dividends declared							(899)		
Balance at December 31, 2006	478,597	598	428	22,978	(1,392)		7,896	(1,432)	
Net income							1,823		$ 1,823
Other comprehensive income:									
Unrealized translation								365	365
Employee postretirement benefits, net of tax								266	266
Other								10	10
Total comprehensive income									$ 2,464
Stock-based awards exercised or vested and other			(40)	(6,646)	389		(4)		
Income tax benefits on stock-based compensation			32						
Shares repurchased				41,344	(2,811)				
Recognition of stock-based compensation			63						

Dividends declared							(933)		
Adoption of FIN 48							(34)		
Balance at December 31, 2007	478,597	598	483	57,676	(3,814)		8,748	(791)	
Net income							1,690		$ 1,690
Other comprehensive income:									
Unrealized translation								(900)	(900)
Employee postretirement benefits, net of tax								(687)	(687)
Other								(8)	(8)
Total comprehensive income									$ 95
Stock-based awards exercised or vested and other			(59)	(2,870)	170		(7)		
Income tax benefits on stock-based compensation			10						
Shares repurchased			5	10,232	(641)				
Recognition of stock-based compensation			47						
Dividends declared							(966)		
Balance at December 31, 2008	478,597	$ 598	$ 486	65,038	$ (4,285)	$	$ 9,465	$ (2,386)	

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KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT

	Year Ended December 31		
	2008	**2007**	**2006**
	(Millions of dollars)		
Operating Activities			
Net Income	**$ 1,690**	$ 1,823	$ 1,500
Extraordinary loss, net of income taxes	**8**		
Depreciation and amortization	**775**	807	933
Stock-based compensation	**47**	63	67
Deferred income taxes	**151**	(103)	(208)
Net losses on asset dispositions	**51**	30	116
Equity companies earnings (in excess of) less than dividends paid	**(34)**	(40)	27
Minority owners share of subsidiaries net income	**139**		