KIMBERLY CLARK CORP
Form 10-Q
August 05, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2011

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)

(972) 281-1200

(Registrant s telephone number, including area code)

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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 Exchange Act). Yes ¨ No x

As of July 29, 2011, there were 391,802,755 shares of the Corporation s common stock outstanding.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT

(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
(Millions of dollars, except per share amounts)	**2011**	**2010**	**2011**	**2010**
Net Sales	**$ 5,259**	$ 4,857	**$ 10,288**	$ 9,692
Cost of products sold	**3,702**	3,213	**7,268**	6,401
Gross Profit	**1,557**	1,644	**3,020**	3,291
Marketing, research and general expenses	**940**	929	**1,861**	1,810
Other (income) and expense, net	**(8)**	4	**(10)**	105
Operating Profit	**625**	711	**1,169**	1,376
Interest income	**4**	6	**8**	11
Interest expense	**(71)**	(60)	**(135)**	(121)
Income Before Income Taxes and Equity Interests	**558**	657	**1,042**	1,266
Provision for income taxes	**(173)**	(181)	**(325)**	(422)
Income Before Equity Interests	**385**	476	**717**	844
Share of net income of equity companies	**47**	47	**87**	90
Net Income	**432**	523	**804**	934
Net income attributable to noncontrolling interests	**(24)**	(25)	**(46)**	(52)
Net Income Attributable to Kimberly-Clark Corporation	**$ 408**	$ 498	**$ 758**	$ 882
Per Share Basis:				
Net Income Attributable to Kimberly-Clark Corporation				
Basic	**$ 1.04**	$ 1.20	**$ 1.90**	$ 2.12
Diluted	**1.03**	1.20	**1.89**	2.11
Cash Dividends Declared	**$ .70**	$ .66	**$ 1.40**	$ 1.32

See Notes to Consolidated Financial Statements.

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KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET

(Unaudited)

(Millions of dollars)	June 30 2011	December 31 2010
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 908**	$ 876
Accounts receivable, net	**2,537**	2,472
Notes receivable	**220**	218
Inventories	**2,521**	2,373
Other current assets	**536**	389
Total Current Assets	**6,722**	6,328
Property	**18,585**	17,877
Less accumulated depreciation	**10,171**	9,521
Net Property	**8,414**	8,356
Investments in Equity Companies	**420**	374
Goodwill	**3,486**	3,403
Long-Term Notes Receivable	**393**	393
Other Assets	**1,045**	1,010
	$ 20,480	$ 19,864
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Debt payable within one year	**$ 1,008**	$ 344
Redeemable preferred securities of subsidiary	**505**	506
Trade accounts payable	**2,358**	2,206
Accrued expenses	**1,984**	1,909
Other current liabilities	**333**	373
Total Current Liabilities	**6,188**	5,338
Long-Term Debt	**5,424**	5,120
Noncurrent Employee Benefits	**1,437**	1,810
Long-Term Income Taxes Payable	**264**	260
Deferred Income Taxes	**526**	369
Other Liabilities	**243**	224
Redeemable Preferred and Common Securities of Subsidiaries	**541**	541
Stockholders Equity		
Kimberly-Clark Corporation	**5,556**	5,917
Noncontrolling interests	**301**	285
Total Stockholders Equity	**5,857**	6,202
	$ 20,480	$ 19,864

See Notes to Consolidated Financial Statements.

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KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Unaudited)

(Millions of dollars)	Six Months Ended June 30 2011	2010
Operating Activities		
Net income	**$ 804**	$ 934
Depreciation and amortization	**530**	402
Stock-based compensation	**31**	28
Increase in operating working capital	**(62)**	(189)
Deferred income taxes	**136**	(9)
Net losses on asset dispositions	**10**	15
Equity companies earnings in excess of dividends paid	**(49)**	(54)
Postretirement benefits	**(361)**	(173)
Other	**(18)**	97
Cash Provided by Operations	**1,021**	1,051
Investing Activities		
Capital spending	**(435)**	(363)
Proceeds from sales of investments	**9**	19
Proceeds from dispositions of property		3
Investments in time deposits	**(78)**	(95)
Maturities of time deposits	**71**	155
Other	**1**	(8)
Cash Used for Investing	**(432)**	(289)
Financing Activities		
Cash dividends paid	**(549)**	(525)
Net increase in short-term debt	**287**	128
Proceeds from issuance of long-term debt	**700**	4
Repayments of long-term debt	**(13)**	(16)
Cash paid on redeemable preferred securities of subsidiary	**(27)**	(27)
Proceeds from exercise of stock options	**202**	36
Acquisitions of common stock for the treasury	**(1,206)**	(486)
Other	**13**	(26)
Cash Used for Financing	**(593)**	(912)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**36**	(63)
Increase (decrease) in Cash and Cash Equivalents	**32**	(213)
Cash and Cash Equivalents, beginning of year	**876**	798
Cash and Cash Equivalents, end of period	**$ 908**	$ 585

See Notes to Consolidated Financial Statements.

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KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
(Millions of dollars)	**2011**	**2010**	**2011**	**2010**
Net Income	**$ 432**	$ 523	**$ 804**	$ 934
Other Comprehensive Income, Net of Tax:				
Unrealized currency translation adjustments	**218**	(325)	**440**	(351)
Employee postretirement benefits	**(1)**	17		53
Other	**(8)**	5	**(28)**	7
Total Other Comprehensive Income, Net of Tax	**209**	(303)	**412**	(291)
Comprehensive Income	**641**	220	**1,216**	643
Comprehensive income attributable to noncontrolling interests	**29**	10	**56**	43
Comprehensive Income Attributable to Kimberly-Clark Corporation	**$ 612**	$ 210	**$ 1,160**	$ 600

See Notes to Consolidated Financial Statements.

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KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Accounting Policies

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included.

For further information, refer to the Consolidated Financial Statements and footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2010. The terms Corporation, Kimberly-Clark, K-C, we, our and us refer to Kimberly-Clark Corporation and its consolidated subsidiaries.

Note 2. Fair Value Measurements

The following fair value information is based on a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels in the hierarchy used to measure fair value are:

Level 1 Unadjusted quoted prices in active markets accessible at the reporting date for identical assets and liabilities.

Level 2 Quoted prices for similar assets or liabilities in active markets. Quoted prices for identical or similar assets and liabilities in markets that are not considered active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 Prices or valuations that require inputs that are significant to the valuation and are unobservable.

During the three months ended June 30, 2011 and 2010, there were no significant transfers among level 1, 2, or 3 fair value determinations.

Set forth below are the assets and liabilities that are measured on a recurring basis at fair value and the inputs used to develop those fair value measurements.

	June 30 2011	Fair Value Measurements Level 1	Level 2	Level 3
		(Millions of dollars)		
Assets				
Company-owned life insurance (COLI)	$ 47	$	$ 47	$
Available-for-sale securities	16	16		
Derivatives	100		100	
Total	$ 163	$ 16	$ 147	$
Liabilities				
Derivatives	$ 64	$	$ 64	$

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	December 31 2010	Fair Value Measurements Level 1	Level 2	Level 3
		(Millions of dollars)		
Assets				
Company-owned life insurance (COLI)	$ 46	$	$ 46	$
Available-for-sale securities	15	15		
Derivatives	70		70	
Total	$ 131	$ 15	$ 116	$
Liabilities				
Derivatives	$ 48	$	$ 48	$

The COLI policies are a source of funding primarily for our nonqualified employee benefits and are included in other assets. Available-for-sale securities are included in other assets. The derivative assets and liabilities are included in other current assets, other assets, accrued expenses and other liabilities, as appropriate.

Level 1 Fair Values - The fair values of certain available-for-sale securities are based on quoted market prices in active markets for identical assets. Unrealized losses on these securities aggregating $2 million at June 30, 2011 and December 31, 2010 are recorded in other comprehensive income until realized. The unrealized losses have not been recognized in earnings because we have both the intent and ability to hold the securities for a period of time sufficient to allow for an anticipated recovery of fair value to the cost of such securities.

Level 2 Fair Values - The fair value of the COLI policies is derived from investments in a mix of money market, fixed income and equity funds managed by unrelated fund managers. The fair values of derivatives used to manage interest rate risk and commodity price risk are based on LIBOR rates and interest rate swap curves and NYMEX price quotations, respectively. The fair value of hedging instruments used to manage foreign currency risk is based on quotations of spot currency rates and forward points, which are converted into implied forward currency rates. Additional information on our use of derivative instruments is contained in Note 9.

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Fair Value Disclosures

The following table includes the fair value of our financial instruments for which disclosure of fair value is required:

	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	June 30, 2011		December 31, 2010	
	(Millions of dollars)			
Assets				
Cash and cash equivalents[(a)]	**$ 908**	**$ 908**	$ 876	$ 876
Time deposits[(b)]	**93**	**93**	80	80
Notes receivable[(c)]	**613**	**602**	611	597
Liabilities and redeemable preferred and common securities of subsidiaries				
Short-term debt[(d)]	**367**	**367**	79	79
Monetization loan[(c)]	**397**	**394**	397	397
Long-term debt[(e)]	**5,668**	**6,308**	4,988	5,556
Redeemable preferred and common securities of subsidiaries[(f)]	**1,046**	**1,117**	1,047	1,127

(a) Cash equivalents are comprised of certificates of deposit, time deposits and other interest-bearing investments with original maturity dates of 90 days or less, all of which are recorded at cost, which approximates fair value.

(b) Time deposits, included in Other current assets on the Condensed Consolidated Balance Sheet, are comprised of deposits with original maturities of more than 90 days but less than one year, all of which are recorded at cost, which approximates fair value.

(c) Notes receivable represent held-to-maturity securities, which arose from the sale of nonstrategic timberlands and related assets. The notes are backed by irrevocable standby letters of credit issued by money center banks. A consolidated variable interest entity (VIE) has an outstanding long-term monetization loan secured by the related note held by this VIE (indicated by Note 1 and Loan below). The following summarizes the terms of the notes and the monetization loan as of June 30, 2011 (millions of dollars):

Description	Face Value	Carrying Amount	Maturity	Interest Rate[(1)]
Note 1	**$ 397**	**$ 393**	09/30/2014	LIBOR
Loan	**397**	**397**	01/31/2014	LIBOR plus 75 bps
Note 2[(2)]	**220**	**220**	07/07/2011	LIBOR minus 12.5 bps

(1) Payable quarterly, 3-month LIBOR.

(2) On the July 7, 2011 maturity date, we collected $220 million in cash.

The difference between the carrying amount of the notes and their fair value represents an unrealized loss position for which an other-than-temporary impairment has not been recognized in earnings because we have both the intent and ability to hold the notes for a period of time sufficient to allow for an anticipated recovery of fair value to the carrying amount of the notes. Neither the notes nor the monetization loan is traded in active markets. Accordingly, their fair values were calculated using a floating rate pricing model that compared the stated spread to the fair value spread to determine the price at which each of the financial instruments should trade. The model used the following inputs to calculate fair values: face value, current LIBOR rate, fair value credit spread, stated spread, maturity date and interest payment dates.

(d) Short-term debt is comprised of U.S. commercial paper with original maturities up to 90 days and other similar short-term debt issued by non-U.S. subsidiaries, all of which are recorded at cost, which approximates fair value.

(e) Long-term debt excludes the monetization loan and includes the portion payable within the next twelve months ($641 million at June 30, 2011 and $265 million at December 31, 2010). Fair values were estimated based on quoted prices for financial instruments for which all significant inputs were observable, either directly or indirectly.

(f) The redeemable preferred securities are not traded in active markets. Accordingly, their fair values were calculated using a pricing model that compares the stated spread to the fair value spread to determine the price at which each of the financial instruments should trade. The model used the following inputs to calculate fair values: face value, current benchmark rate, fair value spread, stated spread, maturity date and interest payment dates. We determined the fair value and carrying amount of the redeemable common securities were $35 million at June 30, 2011 and December 31, 2010 based on various inputs, including an independent third-party appraisal, adjusted for current market conditions.

Note 3. Pulp and Tissue Restructuring

On January 21, 2011, we initiated a pulp and tissue restructuring plan in order to exit our remaining integrated pulp manufacturing operations and improve the underlying profitability and return on invested capital of our consumer tissue and K-C Professional businesses. The restructuring involves the streamlining, sale or closure of 5 to 6 of our manufacturing facilities around the world. In conjunction with these actions, we have begun to exit certain non-strategic products, primarily non-branded offerings, and transfer some production to lower-cost facilities in order to improve overall profitability and returns. Facilities impacted by the restructuring include our pulp and tissue facility in Everett, Washington and the two facilities in Australia that manufacture pulp and tissue.

The restructuring plan commenced in the first quarter of 2011 and is expected to be completed by December 31, 2012. The restructuring is expected to result in cumulative charges of approximately $400 million to $600 million before tax ($280 million to $420 million after tax) over that period. We anticipate that the charges will fall into the following categories and approximate dollar ranges: workforce reduction costs ($50 million to $100 million); incremental depreciation ($300 million to $400 million); and other associated costs ($50 million to $100 million). Cash costs related to the streamlining of operations, sale or closure, relocation of equipment, severance and other expenses are expected to account for approximately 25 percent to 50 percent of the charges. Noncash charges will consist primarily of incremental depreciation.

As a result of the restructuring, we expect that by 2013 annual net sales will be reduced by $250 million to $300 million and operating profit will increase by at least $75 million. Most of the restructuring will impact the consumer tissue business segment.

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The following charges were incurred in connection with the restructuring:

	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
	(Millions of dollars)	
Incremental depreciation	$ 76	$ 116
Charges for workforce reductions	1	43
Asset write-offs	8	8
Cost of products sold	$ 85	$ 167
Charges for workforce reductions included in Marketing, research and general expenses	5	5
Provision for income taxes	(31)	(56)
Net Charges	$ 59	$ 116

See Note 10 for additional information on the pulp and tissue restructuring charges by segment.

Pretax charges for the pulp and tissue restructuring relate to activities in the following geographic areas:

	Three Months Ended June 30, 2011			
	North America	Australia	Other	Total
	(Millions of dollars)			
Incremental depreciation	$ 52	$ 21	$ 3	$ 76
Charges for workforce reductions		6		6
Asset write-offs	6	2		8
Total charges	$ 58	$ 29	$ 3	$ 90

	Six Months Ended June 30, 2011			
	North America	Australia	Other	Total
	(Millions of dollars)			
Incremental depreciation	$ 70	$ 40	$ 6	$ 116
Charges for workforce reductions		46	2	48
Asset write-offs	6	2		8
Total charges	$ 76	$ 88	$ 8	$ 172

The following summarizes the cash charges recorded and reconciles these charges to accrued expenses:

		Millions of dollars
Accrued expenses	January 1, 2011	$

Charges for workforce reductions		**48**
Cash payments		**(18)**
Currency and other		**17**
Accrued expenses June 30, 2011	**$**	**47**

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Note 4. Highly Inflationary Accounting for Venezuelan Operations

The cumulative inflation in Venezuela for the three years ended December 31, 2009 was more than 100 percent, based on the Consumer Price Index/National Consumer Price Index. As a result, effective January 1, 2010, our Venezuelan subsidiary (K-C Venezuela) began accounting for its operations as highly inflationary, as required by GAAP. Under highly inflationary accounting, K-C Venezuela s functional currency became the U.S. dollar, and its income statement and balance sheet are measured into U.S. dollars using both current and historical rates of exchange. The effect of changes in exchange rates on bolivar-denominated monetary assets and liabilities is reflected in earnings in other (income) and expense, net.

As a result of the adoption of highly inflationary accounting, we recorded an after-tax charge of $96 million in first quarter 2010 to remeasure K-C Venezuela s bolivar-denominated net monetary asset position into U.S. dollars at an exchange rate of approximately 6 bolivars per U.S. dollar. In the Condensed Consolidated Cash Flow Statement, this non-cash charge was included in Other in Cash Provided by Operations. This charge was recorded in the following Consolidated Income Statement line items:

	Millions of dollars	
Cost of products sold	$	19
Other (income) and expense, net		79
Provision for income taxes		(2)
Net charge	$	96

For the first quarter 2010, we determined that, under highly inflationary accounting, the unregulated parallel market exchange rate was the appropriate exchange rate to measure K-C Venezuela s bolivar-denominated transactions into U.S. dollars as this was the rate at which K-C Venezuela had substantially converted the bolivars it generated from its operations into U.S. dollars to pay for its significant imports of U.S. dollar-denominated finished goods, raw materials and services to support its operations.

On May 18, 2010, the Venezuelan government enacted reforms to its currency exchange regulations to close the parallel market. On June 9, 2010, the Central Bank of Venezuela began a regulated currency exchange system (the central bank system) that replaced the previous unregulated parallel market. As a result of the currency exchange regulations imposed on May 18, 2010, we determined that the central bank system rate of 5.4 bolivars per U.S. dollar was the appropriate exchange rate to measure K-C Venezuela s bolivar-denominated transactions into U.S. dollars during the period May 18, 2010 through June 30, 2011.

In June 2011, K-C Venezuela was notified by the Venezuelan government that its 2008 dividend remittance request was approved to be repatriated at an exchange rate of 4.3 bolivars per U.S. dollar. This dividend represents less than 5 percent of K-C Venezuela s bolivar-denominated net assets, which totaled approximately $115 million at June 30, 2011. We believe that these bolivar-denominated net assets, primarily cash, should continue to be measured at the central bank system rate of 5.4 bolivars per U.S. dollar given the uncertainty of accessing more significant future dividend remittances or other mechanisms of repatriating the cash at the rate of 4.3 bolivars per U.S. dollar.

For the full year 2010 and for the six months ended June 30, 2011, K-C Venezuela represented 1 percent of Consolidated Net Sales. At June 30, 2011, our net investment in K-C Venezuela was approximately $205 million, valued at 5.4 bolivars per U.S. dollar.

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Note 5. Inventories

The following schedule presents a summary of inventories by major class:

	June 30, 2011			December 31, 2010		
(Millions of dollars)	LIFO	Non-LIFO	Total	LIFO	Non-LIFO	Total
At the lower of cost determined on the FIFO or weighted-average cost methods or market:						
Raw materials	**$ 176**	**$ 369**	**$ 545**	$ 154	$ 350	$ 504
Work in process	**215**	**140**	**355**	195	144	339
Finished goods	**759**	**825**	**1,584**	715	763	1,478
Supplies and other		**313**	**313**		298	298
	1,150	**1,647**	**2,797**	1,064	1,555	2,619
Excess of FIFO or weighted-average cost over LIFO cost	**(276)**		**(276)**	(246)		(246)
Total	**$ 874**	**$ 1,647**	**$ 2,521**	$ 818	$ 1,555	$ 2,373

We use the LIFO method of valuing inventory for financial reporting purposes for most U.S. inventories. Interim LIFO calculations are based on management s estimates of expected year-end inventory levels and costs. An actual valuation of inventory under the LIFO method is made at the end of each year based on the inventory levels and costs at that time.

Note 6. Employee Postretirement Benefits

The table below presents benefit cost information for defined benefit plans and other postretirement benefit plans:

	Defined Benefit Plans		Other Postretirement Benefit Plans	
	Three Months Ended June 30			
(Millions of dollars)	2011	2010	2011	2010
Service cost	**$ 14**	$ 13	**$ 3**	$ 3
Interest cost	**78**	77	**11**	10
Expected return on plan assets	**(87)**	(83)		
Recognized net actuarial loss	**23**	24		
Other	**2**	1	**1**	1
Net periodic benefit cost	**$ 30**	$ 32	**$ 15**	$ 14

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	Defined Benefit Plans		Other Postretirement Benefit Plans	
	Six Months Ended June 30			
(Millions of dollars)	2011	2010	2011	2010
Service cost	**$ 28**	$ 27	**$ 7**	$ 7
Interest cost	**154**	154	**22**	21
Expected return on plan assets	**(173)**	(167)		
Recognized net actuarial loss	**47**	49		
Other	**2**	4	**2**	2
Net periodic benefit cost	**$ 58**	$ 67	**$ 31**	$ 30

During the first and second quarters of 2011, we made cash contributions of $265 million and $150 million, respectively, to our pension trusts. During the first and second quarters of 2010, we made cash contributions of $176 million and $52 million, respectively, to our pension trusts. We currently anticipate contributing between $420 million and $500 million for the full year 2011 to our pension trusts.

Various derivative instruments are utilized in the management of K-C s defined benefit plan assets. These derivative instruments are used to manage risk or achieve a target asset allocation. For the U.S. pension plan, equity volatility is managed by entering into exchange-traded puts and over-the-counter calls to create equity collars with a zero net premium at initiation. The equity collar strategy is designed to reduce potential equity losses and limit gains, resulting in lower equity volatility for the plan. As of June 30, 2011, equity collars are in place on approximately 50 percent of the plan s $1.8 billion equity allocation. In addition to the equity collars, as of June 30, 2011, long-dated Treasury futures contracts to maintain a target asset allocation are in place with a notional value of about $420 million.

Note 7. Earnings Per Share

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

	Average Common Shares Outstanding			
	Three Months Ended June 30		Six Months Ended June 30	
(Millions of shares)	2011	2010	2011	2010
Average shares outstanding	**393.1**	412.7	**397.5**	414.5
Participating securities	**.2**	1.0	**.6**	1.1
Basic	**393.3**	413.7	**398.1**	415.6
Dilutive effect of stock options	**1.6**	1.0	**1.5**	.8
Dilutive effect of restricted share and restricted share unit awards	**1.1**	.9	**1.1**	.9
Diluted	**396.0**	415.6	**400.7**	417.3

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Options outstanding during the three and six month periods ended June 30, 2011 to purchase 4.3 million and 4.5 million shares of common stock, respectively, were not included in the computation of diluted EPS mainly because the exercise prices of the options were greater than the average market price of the common shares during the periods.

Options outstanding during the three and six month periods ended June 30, 2010 to purchase 11.4 million and 14.4 million shares of common stock, respectively, were not included in the computation of diluted EPS mainly because the exercise prices of the options were greater than the average market price of the common shares during the periods.

The number of common shares outstanding as of June 30, 2011 and 2010 was 392.2 million and 409.7 million, respectively.

Note 8. Stockholders Equity

Set forth below are reconciliations for the six months ended June 30, 2011 and 2010 of the carrying amount of total stockholders equity from the beginning of the period to the end of the period. In addition, each of the reconciliations displays the amount of net income allocable to redeemable preferred securities of subsidiaries.

		Stockholders Equity Attributable to		
(Millions of dollars)	**Comprehensive Income**	**The Corporation**	**Noncontrolling Interests**	**Redeemable Securities of Subsidiaries**
Balance at December 31, 2010		$ 5,917	$ 285	$ 1,047
Comprehensive Income:				
Net income	**$ 804**	**758**	**18**	**28**
Other comprehensive income, net of tax:				
Unrealized translation	**440**	**430**	**10**	
Other	**(28)**	**(28)**		
Total Comprehensive Income	**$ 1,216**			
Stock-based awards exercised or vested		**202**		
Income tax benefits on stock-based compensation		**6**		
Shares repurchased		**(1,205)**		
Recognition of stock-based compensation		**31**		
Dividends declared		**(555)**	**(12)**	
Other				**(2)**
Return on redeemable preferred securities and noncontrolling interests				**(27)**
Balance at June 30, 2011		**$ 5,556**	**$ 301**	**$ 1,046**

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The net unrealized currency translation adjustments for the six months ended June 30, 2011 are primarily due to a weakening of the U.S. dollar versus the Australian dollar and the Euro.

In the six months ended June 30, 2011, we repurchased 18.4 million shares for a total cost of $1.2 billion. We expect to repurchase a total of $1.5 billion of our common stock in 2011.

		Stockholders Equity Attributable to		
(Millions of dollars)	Comprehensive Income	The Corporation	Noncontrolling Interests	Redeemable Securities of Subsidiaries
Balance at December 31, 2009		$ 5,406	$ 284	$ 1,052
Comprehensive Income:				
Net income	$ 934	882	24	28
Other comprehensive income, net of tax:				
Unrealized translation	(351)	(342)	(10)	1
Employee postretirement benefits	53	53		
Other	7	7		
Total Comprehensive Income	$ 643			
Stock-based awards exercised or vested		31		
Income tax benefits on stock-based compensation		1		
Shares repurchased		(506)		
Recognition of stock-based compensation		28		
Dividends declared		(546)	(26)	(1)
Other		1		(1)
Return on redeemable preferred securities and noncontrolling interests				(27)
Balance at June 30, 2010		$ 5,015	$ 272	$ 1,052

Net unrealized currency gains or losses resulting from the translation of assets and liabilities of non-U.S. subsidiaries, except those in highly inflationary economies, are accumulated in a separate section of stockholders equity. For these operations, changes in exchange rates generally do not affect cash flows; therefore, unrealized translation adjustments are recorded in stockholders equity rather than income. Upon the sale or substantially complete liquidation of any of these subsidiaries, the applicable unrealized translation adjustment would be removed from stockholders equity and reported as part of the gain or loss on the sale or liquidation.

Also included in stockholders equity are the effects of foreign exchange rate changes on intercompany balances of a long-term investment nature and transactions designated as hedges of net foreign investments.

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Note 9. Objectives and Strategies for Using Derivatives

As a multinational enterprise, we are exposed to financial risks, such as changes in foreign currency exchange rates, interest rates, commodity prices and the value of investments of our defined benefit pension plans. We employ a number of practices to manage these risks, including operating and financing activities and, where deemed appropriate, the use of derivative instruments. Our policies allow the use of derivatives for risk management purposes and prohibit their use for speculation. Our policies also prohibit the use of any leveraged derivative instrument. Consistent with our policies, foreign currency derivative instruments, interest rate swaps and locks, equity collars and the majority of commodity hedging contracts are entered into with major financial institutions.

On the date a derivative contract is entered into, we formally designate certain derivatives as cash flow, fair value or net investment hedges and establish how the effectiveness of these hedges will be assessed and measured. This process links the derivatives to the transactions or financial balances they are hedging. Changes in the fair value of derivatives not designated as hedging instruments are recorded to earnings as they occur.

Set forth below is a summary of the fair values of our derivative instruments classified by the risks they are used to manage:

	June 30 2011		**December 31 2010**	
(Millions of dollars)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate risk	**$ 25**	**$ 6**	$ 24	$ 2
Foreign currency exchange risk	**75**	**54**	46	39
Commodity price risk		**4**		7
Total	**$ 100**	**$ 64**	$ 70	$ 48

Foreign Currency Exchange Risk Management

We have a centralized U.S. dollar functional currency international treasury operation (In-House Bank) that manages foreign currency exchange risks by netting, on a daily basis, our exposures to recorded non-U.S. dollar assets and liabilities and entering into derivative instruments with third parties whenever our net exposure in any single currency exceeds predetermined limits. These derivative instruments are not designated as hedging instruments. Changes in the fair value of these instruments are recorded in earnings when they occur. The In-House Bank also records the gain or loss on the remeasurement of its non-U.S. dollar-denominated monetary assets and liabilities in earnings. Consequently, the net effect on earnings from the use of these non-designated derivatives is substantially neutralized by transactional gains and losses recorded on the underlying liabilities. The In-House Bank s daily notional derivative positions with third parties averaged $1.3 billion in the first six months of 2011 and its average net exposure for the period was $1.2 billion. The In-House Bank used eight counterparties for its foreign exchange derivative contracts.

We enter into derivative instruments to hedge a portion of the net foreign currency exposures of our non-U.S. operations, principally for their forecasted purchases of pulp, which are priced in U.S. dollars, and imports of intercompany finished goods and work-in-process priced predominately in U.S. dollars and euros. The derivative instruments used to manage these exposures are designated and qualify as cash flow hedges. As of June 30, 2011, outstanding derivative contracts of $875 million notional value were designated as cash flow hedges for the forecasted purchases of pulp and intercompany finished goods and work-in-process.

The foreign currency exposure on intercompany balances managed outside the In-House Bank, primarily loans, is hedged with derivative instruments with third parties. At June 30, 2011, the notional amount of these predominantly undesignated derivative instruments was $600 million.

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Foreign Currency Translation Risk Management

Translation adjustments result from translating foreign entities financial statements to U.S. dollars from their functional currencies. Translation exposure, which results from changes in translation rates between functional currencies and the U.S. dollar, generally is not hedged. However, consistent with other years, a portion of our net investment in our Mexican affiliate has been hedged. At June 30, 2011, we had in place net investment hedges of $100 million for a portion of our investment in our Mexican affiliate. Changes in the fair value of net investment hedges are recognized in other comprehensive income to offset the change in value of the net investment being hedged. There was no significant ineffectiveness related to net investment hedges as of June 30, 2011 and 2010.

Interest Rate Risk Management

Interest rate risk is managed using a portfolio of variable- and fixed-rate debt composed of short- and long-term instruments and interest rate swaps. From time to time, interest rate swap contracts, which are derivative instruments, are entered into to facilitate the maintenance of the desired ratio of variable- and fixed-rate debt. These derivative instruments are designated and qualify as fair value hedges or, to a lesser extent, cash flow hedges.

From time to time, we hedge the anticipated issuance of fixed-rate debt, using forward-starting swaps or treasury locks (e.g., a 10-year treasury lock hedging the anticipated underlying U.S. Treasury interest rate related to issuance of 10-year debt at a future date). These contracts are designated as cash flow hedges.

At June 30, 2011, the aggregate notional values of outstanding interest rate contracts designated as fair value hedges and cash flow hedges were $1 billion and $480 million, respectively.

Commodity Price Risk Management

We use derivative instruments to hedge a portion of our exposure to market risk arising from changes in the price of natural gas. Hedging of this risk is accomplished by entering into forward swap contracts, which are designated as cash flow hedges of specific quantities of natural gas expected to be purchased in future months.

As of June 30, 2011, outstanding commodity forward contracts were in place to hedge forecasted purchases of about 25 percent of our estimated natural gas requirements for the next twelve months and a lesser percentage for future periods.

Effect of Derivative Instruments on Results of Operations and Other Comprehensive Income

Fair Value Hedges

Derivative instruments that are designated and qualify as fair value hedges are predominantly used to manage interest rate risk and foreign currency exchange risk. The fair values of these instruments are recorded as an asset or liability, as appropriate, with the offset recorded in current earnings. The offset to the change in fair values of the related hedged items also is recorded in current earnings. Any realized gain or loss on the derivatives that hedge interest rate risk is amortized to interest expense over the life of the related debt.

Fair value hedges resulted in no significant ineffectiveness in the six month periods ended June 30, 2011 and 2010. For the three and six month periods ended June 30, 2011 and 2010, no gain or loss was recognized in earnings as a result of a hedged firm commitment no longer qualifying as a fair value hedge.

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Cash Flow Hedges

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is initially recorded in other comprehensive income, net of related income taxes, and recognized in earnings in the same period that the hedged exposure affects earnings.

Cash flow hedges resulted in no significant ineffectiveness in the six month periods ended June 30, 2011 and 2010. For the six month periods ended June 30, 2011 and 2010, no gains or losses were reclassified into earnings as a result of the discontinuance of cash flow hedges due to the original forecasted transaction no longer being probable of occurring. At June 30, 2011, $25 million of after-tax losses are expected to be reclassified from Accumulated Other Comprehensive Income (AOCI) primarily to cost of sales during the next twelve months, consistent with the timing of the underlying hedged transactions. The maximum maturity of cash flow hedges in place at June 30, 2011 is October 2013.

Quantitative Information about Our Use of Derivative Instruments

The following tables display the classification and amount of pretax gains and losses reported in the Consolidated Income Statement and Consolidated Statement of Other Comprehensive Income (OCI) and the classification and fair values of derivative instruments presented in the Condensed Consolidated Balance Sheet.

For the three months ended June 30 (Millions of dollars):

	Income Statement Classifications	(Gain) or Loss Recognized in Income	
		2011	2010
Undesignated foreign exchange hedging instruments	Other (income) and expense, net[(a)]	**$ (59)**	$ 62
Fair Value Hedges			
Interest rate swap contracts	Interest expense	**$**	$ (15)
Hedged debt instruments	Interest expense	**$**	$ 15
Foreign exchange contracts	Other (income) and expense, net	**$**	$ (9)
Hedged foreign exchange monetary assets and liabilities	Other (income) and expense, net	**$**	$ 9

	Amount of (Gain) or Loss Recognized In AOCI		Income Statement Classification of Gain or Loss Reclassified from AOCI	(Gain) or Loss Reclassified from AOCI into Income	
	2011	2010		2011	2010
Cash Flow Hedges					
Interest rate contracts	**$ 9**	$ 23	Interest expense	**$ (1)**	$
Foreign exchange contracts	**11**	(28)	Cost of products sold	**15**	(3)
Foreign exchange contracts			Other (income) and expense, net	**(1)**	
Commodity contracts	**1**	(3)	Cost of products sold	**3**	3
Total	**$ 21**	$ (8)		**$ 16**	$
Net Investment Hedges					
Foreign exchange contracts	**$ 2**	$ (2)		**$**	$

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For the six months ended June 30 (Millions of dollars):

	Income Statement Classifications	(Gain) or Loss Recognized in Income 2011	2010
Undesignated foreign exchange hedging instruments	Other (income) and expense, net[a]	**$ (99)**	$ 81
Fair Value Hedges			
Interest rate swap contracts	Interest expense	**$ (5)**	$ (14)
Hedged debt instruments	Interest expense	**$ 5**	$ 14
Foreign exchange contracts	Other (income) and expense, net	**$**	$ (1)
Hedged foreign exchange monetary assets and liabilities	Other (income) and expense, net	**$**	$ 1

	Amount of (Gain) or Loss Recognized In AOCI 2011	2010	Income Statement Classification of Gain or Loss Reclassified from AOCI	(Gain) or Loss Reclassified from AOCI into Income 2011	2010
Cash Flow Hedges					
Interest rate contracts	**$ 8**	$ 30	Interest expense	**$ (2)**	$ (1)
Foreign exchange contracts	**45**	(33)	Cost of products sold	**21**	8
Foreign exchange contracts	**5**		Other (income) and expense, net	**5**	
Commodity contracts	**1**	7	Cost of products sold	**5**	6
Total	**$ 59**	$ 4		**$ 29**	$ 13
Net Investment Hedges					
Foreign exchange contracts	**$ 3**	$ 2		**$**	$

[a] (Gains) and losses on these instruments primarily relate to derivatives entered into with third parties to manage foreign currency exchange exposure on the remeasurement of non-functional currency denominated monetary assets and liabilities. Consequently, the effect on earnings from the use of these undesignated derivatives is substantially neutralized by transactional gains and losses recorded on the underlying assets and liabilities.

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Fair Values of Derivative Instruments

	Balance Sheet Location	June 30 2011	December 31 2010
		(Millions of dollars)	
Assets			
Derivatives designated as hedging instruments:			
Interest rate contracts	Other current assets	**$ 7**	$
Interest rate contracts	Other assets	**18**	24
Foreign exchange contracts	Other current assets	**2**	4
Foreign exchange contracts	Other assets		1
Total		**$ 27**	$ 29
Undesignated derivatives:			
Foreign exchange contracts	Other current assets	**$ 73**	$ 41
Total asset derivatives		**$ 100**	$ 70
Liabilities			
Derivatives designated as hedging instruments:			
Interest rate contracts	Other liabilities	**$ 6**	$ 2
Foreign exchange contracts	Accrued expenses	**40**	16
Foreign exchange contracts	Other liabilities	**6**	3
Commodity contracts	Accrued expenses	**4**	7
Total		**$ 56**	$ 28
Undesignated derivatives:			
Foreign exchange contracts and other	Accrued expenses	**$ 8**	$ 20
Total liability derivatives		**$ 64**	$ 48

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Note 10. Description of Business Segments

We are 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 our executive managers develop and execute global strategies to drive growth and profitability. 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. Segment management is evaluated on several factors, including operating profit. Segment operating profit excludes other (income) and expense, net and income and expense not associated with the business segments, including the charges related to the pulp and tissue restructuring described in Note 3.

The principal sources of revenue in each global business segment are described below:

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

The Consumer Tissue segment manufactures and markets facial and bathroom tissue, paper towels, 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, Kimcare and Jackson brand names.

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

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The following schedules present information concerning consolidated operations by business segment:

(Millions of dollars)	Three Months Ended June 30 2011	Three Months Ended June 30 2010	Six Months Ended June 30 2011	Six Months Ended June 30 2010
NET SALES:				
Personal Care	**$ 2,341**	$ 2,181	**$ 4,528**	$ 4,318
Consumer Tissue	**1,669**	1,529	**3,343**	3,135
K-C Professional & Other	**846**	801	**1,614**	1,531
Health Care	**391**	344	**779**	711
Corporate & Other	**12**	2	**24**	(3)
Consolidated	**$ 5,259**	$ 4,857	**$ 10,288**	$ 9,692
OPERATING PROFIT (reconciled to income before income taxes):				
Personal Care	**$ 400**	$ 443	**$ 789**	$ 915
Consumer Tissue	**173**	151	**323**	332
K-C Professional & Other	**129**	133	**233**	240
Health Care	**53**	42	**103**	99
Other (income) and expense, net[(a)]	**(8)**	4	**(10)**	105
Corporate & Other[(b)]	**(138)**	(54)	**(289)**	(105)
Total Operating Profit	**625**	711	**1,169**	1,376
Interest income	**4**	6	**8**	11
Interest expense	**(71)**	(60)	**(135)**	(121)
Income Before Income Taxes and Equity Interests	**$ 558**	$ 657	**$ 1,042**	$ 1,266

(a) For the six months ended June 30, 2010, Other (income) and expense, net included a $79 million charge for the adoption of highly inflationary accounting in Venezuela effective January 1, 2010. See additional information in Note 4.

(b) For the three months ended June 30, 2011, pulp and tissue restructuring charges of $90 million are included in Corporate & Other. See additional information in Note 3. For the six months ended June 30, 2011, pulp and tissue restructuring charges of $172 million and a non-deductible business tax charge of $32 million related to a law change in Colombia are included in Corporate & Other. The restructuring charges related to the business segments are as follows:

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	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
Consumer Tissue	**$ 77**	**$ 152**
K-C Professional & Other	**13**	**20**
	$ 90	**$ 172**

Also included in Corporate & Other for the six months ended June 30, 2010, is a $19 million charge related to the adoption of highly inflationary accounting in Venezuela. The charges related to the business segments are as follows:

	Millions of dollars
Personal Care	$ 11
Consumer Tissue	6
K-C Professional & Other	2
Total	$ 19

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

Introduction

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

- Overview of Second Quarter 2011 Results
- Results of Operations and Related Information
- Liquidity and Capital Resources
- Legal Matters
- Business Outlook

Overview of Second Quarter 2011 Results

- Net sales increased 8.3 percent due to higher sales volumes, increases in net selling prices and the impact of foreign currency rates.
- The effective tax rate was 31.0 percent compared to 27.5 percent in the prior year.
- Operating profit and net income attributable to Kimberly-Clark Corporation decreased 12.1 percent and 18.1 percent, respectively.
- Results were negatively impacted by $90 million in pre-tax charges, $59 million after tax, for the pulp and tissue restructuring.
- Cash provided by operations was $771 million, an increase of 31 percent compared to last year.

Results of Operations and Related Information

This section presents a discussion and analysis of our second quarter and first six months of 2011 net sales, operating profit and other information relevant to an understanding of the results of operations.

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Second Quarter of 2011 Compared With Second Quarter of 2010

Analysis of Net Sales

By Business Segment

(Millions of dollars)

Net Sales	**2011**	**2010**
Personal Care	**$ 2,341**	$ 2,181
Consumer Tissue	**1,669**	1,529
K-C Professional & Other	**846**	801
Health Care	**391**	344
Corporate & Other	**12**	2
Consolidated	**$ 5,259**	$ 4,857

Commentary:

	Percent Change in Net Sales Versus Prior Year				
		Changes Due To			
	Total Change	**Volume Growth**	**Net Price**	**Mix/ Other**	**Currency**
Consolidated	**8.3**	**2**	**1**		**5**
Personal Care	**7.3**	**2**	**1**	**(1)**	**5**
Consumer Tissue	**9.2**	**1**	**2**		**6**
K-C Professional & Other	**5.6**	**(1)**	**2**		**5**
Health Care	**13.7**	**10**	**1**		**3**

Personal care net sales in North America decreased 2 percent in the quarter compared to the prior year. Changes in net selling prices and product mix each reduced net sales by 1 percent. Overall sales volumes were even with the year-ago period. Volumes increased high-single digits in adult care and baby wipes, with market share growth in both categories. Feminine care volumes were up slightly in the quarter. Infant care and child care volumes fell mid-single digits, reflecting continued soft category demand, lower infant care shipments in Canada and slightly lower market shares compared to strong year-ago levels.

In Europe, personal care net sales increased 9 percent in the quarter, including an 11 percent benefit from changes in currency rates. Sales volumes fell 1 percent, as lower diaper volumes were mostly offset by growth in other product areas, including baby wipes and child care. The combined impact of changes in net selling prices and product mix reduced net sales by 1 percent.

In our international operations in Asia, Latin America, the Middle East, Eastern Europe and Africa (K-C International), personal care net sales increased 19 percent, including a 9 percent benefit from changes in currency rates. Sales volumes were up 7 percent, including double-digit growth in China, South Korea, Brazil, Turkey and South Africa. Volumes fell significantly in Venezuela in a continued difficult foreign currency exchange environment. Overall net selling prices rose 3 percent compared to the year-ago period, driven by increases in Latin America.

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In North America, net sales of consumer tissue products increased 5 percent compared to the year-ago period. Sales volumes improved 7 percent, while changes in net selling prices and product mix each reduced net sales by 1 percent. Bathroom tissue volumes rose at a double-digit rate, as comparisons benefited from product innovations, improved market shares and a soft year-ago performance, which was impacted by sheet count reductions and competitive promotional activity. Kleenex facial tissue volumes were up high-single digits and market share increased 2 percentage points, as the brand continues to benefit from product innovation and supporting marketing programs. Paper towel volumes fell low-single digits.

In Europe, consumer tissue net sales increased 11 percent compared with the second quarter of 2010. Changes in currency rates benefited net sales by 12 percent. Net selling prices improved 1 percent in response to input cost inflation, and changes in product mix benefited net sales by 1 percent. Sales volumes declined 3 percent.

In K-C International, consumer tissue net sales increased 14 percent, including a 10 percent benefit from changes in currency rates. Net selling prices increased 7 percent, driven by improvements in Latin America and Asia, and changes in product mix benefited net sales by 1 percent. Sales volumes decreased 4 percent, including a 1 percent negative impact from exiting certain non-strategic products in conjunction with the pulp and tissue restructuring.

Net sales of K-C Professional (KCP) & other products in North America increased 1 percent. Net selling prices rose 3 percent, while sales volumes and product mix were each off 1 percent. High-margin wiper volumes advanced mid-single digits in the second quarter. On the other hand, washroom product volumes were even with year-ago levels, as high unemployment and office vacancy levels continued to impact demand, and safety product volumes were down compared to double-digit growth last year. Net sales in Europe increased 7 percent, driven by stronger currency rates that benefited comparisons by 11 percent. Sales volumes were down 4 percent compared to double-digit growth in the year-ago period that included strong customer demand in advance of selling price increases later in the year. Net sales increased 17 percent in K-C International, including a 10 percent benefit from changes in currency rates. Sales volumes were up 4 percent, with gains in Latin America and South Asia. In addition, net selling prices rose 2 percent and changes in product mix improved net sales by 1 percent.

Net sales of health care products increased 14 percent in the second quarter. Sales volumes rose 10 percent, changes in currency rates increased net sales 3 percent and net selling prices increased 1 percent. Medical supply volumes rose double-digits, led by gains in exam gloves and apparel offerings. The overall volume comparisons reflect improved North American market demand, along with distributor and end-user inventory reductions that occurred in the year-ago period. In other areas of the business, medical device volumes increased high-single digits in North America, including double-digit growth for I-Flow products.

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By Geography

(Millions of dollars)

Net Sales	2011	2010
North America	**$ 2,704**	$ 2,667
Outside North America	**2,748**	2,377
Intergeographic sales	**(193)**	(187)
Consolidated	**$ 5,259**	$ 4,857

Commentary:

Net sales in North America increased 1.4 percent primarily due to higher sales volumes and favorable currency effects, offset by unfavorable product mix and lower net selling prices.

Net sales outside North America increased 15.6 percent due to favorable currency effects, higher net selling prices, higher sales volumes, primarily personal care, in a number of markets including Korea, China, Russia and most of Latin America, and improvement in product mix.

Analysis of Operating Profit

By Business Segment

(Millions of dollars)

Operating Profit	2011	2010
Personal Care	**$ 400**	$ 443
Consumer Tissue	**173**	151
K-C Professional & Other	**129**	133
Health Care	**53**	42
Corporate & Other[a]	**(138)**	(54)
Other (income) and expense, net	**(8)**	4
Consolidated	**$ 625**	$ 711

(a) Corporate & Other in 2011 includes pulp and tissue restructuring charges of $90 million.

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Commentary:

	Percentage Change in Operating Profit Versus Prior Year						
		Change Due To					
	Total Change	Volume	Net Price	Input Costs[a]	Cost Savings	Currency	Other[b]
Consolidated	(12.1)	6	8	(25)	7	7	(15)
Personal Care	(9.7)	4	4	(21)	3	4	(4)
Consumer Tissue	14.6	8	17	(30)	16	4	
K-C Professional & Other	(3.0)	1	12	(20)	4	6	(6)
Health Care	26.2	26	4	(38)	15	5	14

(a) Includes inflation in raw materials, energy and distribution costs.

(b) Consolidated includes the impact of the 2011 charges related to the pulp and tissue restructuring.

Consolidated operating profit decreased 12.1 percent compared to the prior year. The benefits of higher net sales, cost savings of $45 million, and favorable currency effects were offset by inflation in input costs of $180 million, including $110 million for raw materials other than fiber, primarily polymer resin and other oil-based materials, $45 million in higher fiber costs, $15 million for energy and $10 million in distribution costs. Current year results were also impacted by $90 million of charges related to the pulp and tissue restructuring. Marketing, research and general expenses in the second quarter of 2011 increased slightly compared to 2010, but fell as a percent of net sales, reflecting our focus on reducing overhead spending, along with significant year-ago marketing spending.

Personal care segment operating profit decreased 9.7 percent as the benefits from cost savings, higher sales volumes, favorable currency effects and higher net selling prices were more than offset by input cost inflation. In North America, operating profit decreased from the prior year as inflation in input costs, unfavorable product mix and lower net selling prices were partially offset by a lower level of marketing expenses, as well as cost savings. Operating profit in Europe decreased as cost savings and lower marketing, research and general expenses were more than offset by inflation in input costs. In K-C International, operating profit decreased as higher net selling prices, higher sales volumes and favorable currency effects were offset by inflation in input costs and higher general expenses.

Consumer tissue segment operating profit increased 14.6 percent as higher net selling prices, cost savings, higher sales volumes, and favorable currency effects were partially offset by inflation in input costs. Operating profit in North America increased as higher sales volumes and cost savings were partially offset by inflation in input costs and lower net selling prices. In Europe, operating profit decreased slightly as lower marketing, research and general expenses and cost savings were more than offset by inflation in input costs. Operating profit in K-C International increased due to higher net selling prices, partially offset by inflation in input costs and the negative effects of production down-time, in part to drive inventory reductions.

Operating profit for KCP products decreased 3.0 percent due to input cost inflation and higher marketing, research and general expenses, partially offset by higher net selling prices, favorable currency effects and cost savings.

Health care segment operating profit increased 26.2 percent as increased sales volumes and cost savings were partially offset by inflation in input costs.

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By Geography

(Millions of dollars)

Operating Profit	2011	2010
North America	**$ 487**	$ 499
Outside North America	**268**	270
Corporate & Other[a]	**(138)**	(54)
Other (income) and expense, net	**(8)**	4
Consolidated	**$ 625**	$ 711

[a] Corporate & Other in 2011 includes pulp and tissue restructuring charges of $90 million.

Commentary:

Operating profit in North America decreased 2.4 percent as cost savings, higher sales volumes and lower marketing, research and general expenses were more than offset by inflation in input costs, unfavorable product mix and lower net selling prices.

Operating profit outside North America decreased 0.7 percent from the prior year as inflation in input costs and the negative effects of production down-time, in part to drive inventory reductions, were partially offset by higher net selling prices, favorable currency effects, cost savings, favorable product mix and higher sales volumes.

Additional Income Statement Commentary

Interest expense for the second quarter of 2011 was $11 million higher than the prior year due to a higher level of debt.

Our effective tax rate for the second quarter of 2011 was 31.0 percent compared to 27.5 percent in the prior year. The increase in the rate was primarily due to the recognition of capital loss benefits in the prior year.

Our share of net income of equity companies in the second quarter was even with the prior year. Kimberly-Clark de Mexico, S.A.B. de C.V. results were essentially even with the prior year as benefits from a mid-single digit percent increase in net sales were offset by input cost inflation.

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First Six Months of 2011 Compared With First Six Months of 2010

Analysis of Net Sales

By Business Segment

(Millions of dollars)

Net Sales	2011	2010
Personal Care	$ 4,528	$ 4,318
Consumer Tissue	3,343	3,135
K-C Professional & Other	1,614	1,531
Health Care	779	711
Corporate & Other	24	(3)
Consolidated	$ 10,288	$ 9,692

Commentary:

	Percent Change in Net Sales Versus Prior Year				
		Changes Due To			
	Total Change	Volume Growth	Net Price	Mix/ Other	Currency
Consolidated	6.1	2	1		3
Personal Care	4.9	2			3
Consumer Tissue	6.6	1	2	1	3
K-C Professional & Other	5.4	1	2	(1)	3
Health Care	9.6	8			2

Personal care net sales increased 4.9 percent due to favorable currency effects, primarily in Australia, Brazil, Europe and Korea, and higher sales volumes.

Consumer tissue net sales increased 6.6 percent due to favorable currency effects, higher net selling prices, favorable product mix and higher sales volumes. The favorable currency effects primarily occurred in the same countries as personal care.

Net sales of KCP products increased 5.4 percent due to favorable currency effects, higher net selling prices, and higher sales volumes, partially offset by unfavorable product mix.

Health care net sales increased 9.6 percent due to higher sales volumes and favorable currency effects.

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By Geography

(Millions of dollars)

Net Sales	2011	2010
North America	**$ 5,340**	$ 5,314
Outside North America	**5,316**	4,741
Intergeographic sales	**(368)**	(363)
Consolidated	**$ 10,288**	$ 9,692

Commentary:

Net sales in North America increased 0.5 percent due to higher sales volumes and favorable currency effects offset by lower net selling prices and unfavorable product mix.

Net sales outside North America increased 12.1 percent due to favorable currency effects, primarily in Australia, Brazil, Europe and Korea, higher net selling prices, higher sales volumes, and favorable product mix.

Analysis of Operating Profit

By Business Segment

(Millions of dollars)

Operating Profit	2011	2010
Personal Care	**$ 789**	$ 915
Consumer Tissue	**323**	332
K-C Professional & Other	**233**	240
Health Care	**103**	99
Corporate & Other[(a)(b)]	**(289)**	(105)
Other (income) and expense, net[(b)]	**(10)**	105
Consolidated	**$ 1,169**	$ 1,376

(a) Corporate & Other in 2011 includes pulp and tissue restructuring charges of $172 million and a non-deductible business tax charge of $32 million related to a law change in Colombia.

(b) In 2010, Corporate & Other includes a $19 million charge, and Other (income) and expense, net includes a $79 million charge related to the adoption of highly inflationary accounting in Venezuela.

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Commentary:

	Percentage Change in Operating Profit Versus Prior Year						
		Change Due To					
	Total Change	Volume	Net Price	Input Costs[(a)]	Cost Savings	Currency	Other[(b)]
Consolidated	**(15.0)**	**5**	**6**	**(27)**	**8**	**7**	**(14)**
Personal Care	**(13.8)**	**3**		**(20)**	**2**	**4**	**(3)**
Consumer Tissue	**(2.7)**	**4**	**15**	**(36)**	**16**	**3**	**(5)**
K-C Professional & Other	**(2.9)**	**3**	**13**	**(20)**	**8**	**6**	**(13)**
Health Care	**4.0**	**20**	**(1)**	**(26)**	**9**	**3**	**(1)**

(a) Includes inflation in raw materials, energy and distribution costs.

(b) Consolidated includes the impact of the 2011 pulp and tissue restructuring charges and a non-deductible business tax charge related to a law change in Colombia, and the charge in 2010 related to the adoption of highly inflationary accounting in Venezuela.

Consolidated operating profit decreased 15 percent compared with the prior year as cost savings, higher net selling prices, higher sales volumes and favorable currency effects were more than offset by inflation in input costs and higher marketing, research and general expenses. Comparisons with the prior year were also impacted by $172 million of charges in 2011 related to the pulp and tissue restructuring and a $32 million business tax charge related to a law change in Colombia, and a $98 million charge recorded in first quarter of 2010 related to the adoption of highly inflationary accounting in Venezuela.

Personal care segment operating profit decreased 13.8 percent as inflation in input costs and unfavorable product mix more than offset higher sales volumes, cost savings, favorable currency effects and a lower level of marketing spending.

Consumer tissue segment operating profit declined 2.7 percent as inflation in input costs more than offset higher net selling prices, cost savings, higher sales volumes, favorable currency effects and a lower level of marketing and general expenses.

Operating profit for KCP products decreased 2.9 percent as inflation in input costs and higher marketing, research and general expenses offset higher net selling prices, cost savings, higher sales volumes and favorable currency effects.

Health care segment operating profit increased 4.0 percent due to higher sales volumes and cost savings, partially offset by inflation in input costs and increased selling and general expenses.

By Geography

(Millions of dollars)

Operating Profit	2011	2010
North America	**$ 953**	$ 1,061
Outside North America	**495**	525
Corporate & Other[(a)(b)]	**(289)**	(105)
Other (income) and expense, net[(b)]	**(10)**	105
Consolidated	**$ 1,169**	$ 1,376

(a) Corporate & Other in 2011 includes pulp and tissue restructuring charges of $172 million and a non-deductible business tax charge of $32 million related to a law change in Colombia.

(b) In 2010, Corporate & Other includes a $19 million charge and Other (income) and expense, net includes a $79 million charge related to the adoption of highly inflationary accounting in Venezuela.

Commentary:

Operating profit in North America decreased 10.2 percent as inflation in input costs, lower net selling prices and unfavorable product mix were partially offset by higher sales volumes, favorable currency effects, lower marketing and general expenses and cost savings.

Operating profit outside North America decreased 5.7 percent due to inflation in input costs and the negative effects of production down-time, in part to drive inventory reductions, partially offset by higher net selling prices, favorable currency effects, higher sales volumes, favorable product mix and cost savings.

Pulp and Tissue Restructuring:

On January 21, 2011, we initiated a pulp and tissue restructuring plan in order to exit our remaining integrated pulp manufacturing operations and improve the underlying profitability and return on invested capital of our consumer tissue and KCP businesses. The restructuring involves the streamlining, sale or closure of 5 to 6 of our manufacturing facilities around the world. In conjunction with these actions, we have begun to exit certain non-strategic products, primarily non-branded offerings, and transfer some production to lower-cost facilities in order to improve overall profitability and returns. Facilities impacted by the restructuring include our pulp and tissue facility in Everett, Washington and the two facilities in Australia that manufacture pulp and tissue.

The restructuring plan commenced in the first quarter of 2011 and is expected to be completed by December 31, 2012. The restructuring is expected to result in cumulative charges of approximately $400 million to $600 million before tax ($280 million to $420 million after tax) over that period. Cash costs related to the streamlining of operations, sale or closure, relocation of equipment, severance and other expenses are expected to account for approximately 25 percent to 50 percent of the charges. Noncash charges will consist primarily of incremental depreciation.

As a result of the restructuring, we expect that by 2013 annual net sales will be reduced by $250 million to $300 million and operating profit will increase by at least $75 million. Most of the restructuring will impact the consumer tissue business segment.

Second quarter 2011 charges of $85 million and $5 million were recorded in Cost of products sold and Marketing, research and general expenses, respectively, and a related benefit of $31 million was recorded in Provision for income taxes. On a segment basis, $77 million and $13 million of the charges related to the consumer tissue and KCP segments, respectively. On a geographic area basis, $58 million of the charges were recorded in North America, $29 million in Australia, and $3 million elsewhere.

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Of the $172 million charges recorded in the first six months of 2011, $124 million was non-cash. Of the $48 million in cash charges, $18 million has been paid.

See additional information on the pulp and tissue restructuring in Note 3 to the Condensed Consolidated Financial Statements.

Additional Income Statement Commentary

Interest expense for the first six months of 2011 was $14 million higher than the prior year because of higher debt levels, partially offset by lower interest rates.

Our effective tax rate for the first six months of 2011 was 31.2 percent compared to 33.3 percent in the prior year. The reduction in the tax rate was driven by nondeductible currency losses resulting from the adoption of highly inflationary accounting in Venezuela and changes in tax law related to U.S. health care reform legislation, both in 2010, partially offset by a nondeductible charge in 2011 related to a business tax law change in Colombia.

Liquidity and Capital Resources

Cash provided by operations for the first six months of 2011 was $1,021 million, a decrease of 3 percent from $1,051 million in the prior year. Tax payments declined during the period, while defined benefit pension plan contributions were higher than year-ago levels. Contributions to our defined benefit pension plans totaled $415 million in 2011 versus $228 million in 2010.

On July 7, 2011, we collected notes receivable in the amount of $220 million.

Capital spending for the first six months was $435 million compared with $363 million last year. We anticipate that full year 2011 capital spending will be between $950 million and $1,050 million.

At June 30, 2011, total debt and redeemable securities was $7.5 billion compared with $6.5 billion at December 31, 2010.

Our short-term debt as of June 30, 2011 was $367 million (included in Debt payable within one year on the Condensed Consolidated Balance Sheet) and consisted mainly of commercial paper, as well as short-term bank financing by certain affiliates. The average month-end balance of short-term debt for the second quarter of 2011 was $450 million. These short-term borrowings provide supplemental funding for supporting our operations. The level of short-term debt during a quarter generally fluctuates depending upon the business operating cash flows and the timing of customer receipts and payments for items such as dividends and income taxes.

During the second quarter of 2011, we repurchased approximately 5.3 million shares of our common stock at a cost of about $350 million. Year-to-date, we have repurchased approximately 18.4 million shares for a total cost of $1.2 billion. As previously announced, we expect to repurchase $1.5 billion of our common stock in 2011.

We believe that our ability to generate cash from operations and our capacity to issue short-term and long-term debt are adequate to fund operations, capital spending, payment of dividends and other needs in the foreseeable future.

During the second quarter of 2010, the Venezuelan government enacted reforms to its currency exchange regulations that limited U.S. dollar availability to pay for the historical levels of U.S. dollar-denominated imports to support K-C Venezuela s operations. In this environment, we are managing our U.S. dollar payables exposure in Venezuela, principally related to imports of finished

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products and raw materials. For the full year 2010 and first six months of 2011, K-C Venezuela represented 1 percent of Consolidated Net Sales. At June 30, 2011, K-C Venezuela had a bolivar-denominated net monetary asset position of $115 million and our net investment in K-C Venezuela was $205 million, both valued at 5.4 bolivars per U.S. dollar.

See Note 4 to the Condensed Consolidated Financial Statements for more details about the accounting for K-C Venezuela s financial results and the previously discussed charge resulting from the January 1, 2010 adoption of highly inflationary accounting in Venezuela.

Legal Matters

We are subject to various lawsuits and claims pertaining to issues such as contract disputes, product liability, patents and trademarks, advertising, employee and other matters. Although the results of litigation and claims cannot be predicted with certainty, we believe that the ultimate disposition of these matters, to the extent not previously provided for, will not have a material adverse effect, individually or in the aggregate, on our business, financial condition, results of operations or liquidity.

We are subject to federal, state and local environmental protection laws and regulations with respect to our business operations and are operating in compliance with, or taking action aimed at ensuring compliance with, these laws and regulations. We have 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 our compliance obligations with environmental protection laws and regulations, individually or in the aggregate, is expected to have a material adverse effect on our business, financial condition, results of operations or liquidity.

Business Outlook

We will continue to focus on targeted growth initiatives and plan to launch a number of product innovations to further improve our brands. While the commodity cost environment has worsened over the last three months, we plan to offset the incremental inflationary commodity costs through incremental cost savings and overhead reductions. We also expect that currency exchange rates will impact results favorably in the second half of 2011. We expect to complete our plan to repurchase $1.5 billion of shares in 2011.

Information Concerning Forward-Looking Statements

Certain matters contained in this report concerning the business outlook, including commodity, raw material, energy and other input costs, growth initiatives, product innovations, cost savings and overhead reductions, anticipated currency rates and exchange risk, anticipated costs, scope, timing and effects of the pulp and tissue restructuring, revenue realization, cost savings and reductions, changes in finished product selling prices, market demand and economic conditions, cash flow and uses of cash, capital spending, marketing, research and innovation spending, anticipated financial and operating results, litigation and other contingencies and anticipated transactions of Kimberly-Clark, including share repurchases, constitute forward-looking statements and are based upon management s expectations and beliefs concerning future events impacting Kimberly-Clark. There can be no assurance that these future events will occur as anticipated or that our results will be as estimated. For a description of certain factors that could cause our future results to differ from those expressed in these forward-looking statements, see Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2010 entitled Risk Factors.

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Item 4. Controls and Procedures.

As of June 30, 2011, an evaluation was performed under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of June 30, 2011. There were no changes in our internal control over financial reporting during the quarter covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.
Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We repurchase shares of Kimberly-Clark common stock from time to time pursuant to publicly announced share repurchase programs. During 2011, we anticipate purchasing $1.5 billion of our common stock. All our share repurchases during the second quarter of 2011 were made through a broker in the open market.

The following table contains information for shares repurchased during the second quarter of 2011. None of the shares in this table was repurchased directly from any of our officers or directors.

Period (2011)	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[b]
April 1 to 30	3,023,000	$ 65.49	46,946,411	53,053,589
May 1 to 31	1,511,000	67.41	48,457,411	51,542,589
June 1 to 30	759,000	65.97	49,216,411	50,783,589
Total	5,293,000			

(a) Share repurchases were made pursuant to a share repurchase program authorized by our Board of Directors on July 23, 2007 that allows for the repurchase of 50 million shares in an amount not to exceed $5 billion (the 2007 Program).

(b) Includes shares available under the 2007 Program, as well as shares available under a share repurchase program authorized by our Board of Directors on January 21, 2011 that allows for the repurchase of 50 million shares in an amount not to exceed $5 billion (the 2011 Program).

Item 6. Exhibits.

(a) Exhibits.

Exhibit No. (3)a. Amended and Restated Certificate of Incorporation, dated April 30, 2009, incorporated by reference to Exhibit No. (3)a of the Corporation s Current Report on Form 8-K dated May 1, 2009.

Exhibit No. (3)b. By-Laws, as amended April 30, 2009, incorporated by reference to Exhibit No. (3)b of the Corporation s Current Report on Form 8-K dated May 1, 2009.

Exhibit No. (4). Copies of instruments defining the rights of holders of long-term debt will be furnished to the Securities and Exchange Commission on request.

Exhibit No. (10)l. Kimberly-Clark Corporation 2011 Outside Directors Compensation Plan (formerly, the Outside Directors Compensation Plan), as amended and restated effective April 21, 2011, incorporated by reference to Exhibit No. 10.1 of the Corporation s Current report on Form 8-K dated April 26, 2011.

Exhibit No. (10)m. Kimberly-Clark Corporation 2011 Equity Participation Plan (formerly, the 2001 Equity Participation Plan), as amended and restated effective April 21, 2011, incorporated by reference to Exhibit No. 10.2 of the Corporation s Current report on Form 8-K dated April 26, 2011.

Exhibit No. (10)n. Form of Award Agreements under 2011 Equity Participation Plan, filed herewith.

Exhibit No. (10)p. Severance Pay Plan, as amended and restated effective June 1, 2011, filed herewith.

Exhibit No. (31)a. Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), filed herewith.

Exhibit No. (31)b. Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act, filed herewith.

Exhibit No. (32)a. Certification of Chief Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, furnished herewith.

Exhibit No. (32)b. Certification of Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, furnished herewith.

Exhibit No. (101).INS* XBRL Instance Document

Exhibit No. (101).SCH* XBRL Taxonomy Extension Schema Document

Exhibit No. (101).CAL* XBRL Taxonomy Extension Calculation Linkbase Document

Exhibit No. (101).DEF* XBRL Taxonomy Extension Definition Linkbase Document

Exhibit No. (101).LAB* XBRL Taxonomy Extension Label Linkbase Document

Exhibit No. (101).PRE* XBRL Taxonomy Extension Presentation Linkbase Document

* In accordance with Regulation S-T, the XBRL-related information in Exhibit No. (101) to this Quarterly Report on Form 10-Q shall be deemed furnished and not filed.

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SIGNATURES

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

KIMBERLY-CLARK CORPORATION
(Registrant)

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

By: /s/ Michael T. Azbell
Michael T. Azbell
Vice President and Controller
(principal accounting officer)

August 5, 2011

EXHIBIT INDEX

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