KIMBERLY CLARK CORP
Form 10-Q
August 07, 2009

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, 2009

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 incorporation or organization)	(I.R.S. Employer Identification No.)

P. O. Box 619100
Dallas, Texas
75261-9100
(Address of principal executive offices)
(Zip Code)

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

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 31, 2009, there were 414,492,692 shares of the Corporation's common stock outstanding.

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)	2009	2008	2009	2008
Net Sales	$ 4,727	$ 5,006	$ 9,220	$ 9,819
Cost of products sold	3,154	3,522	6,193	6,879
Gross Profit	1,573	1,484	3,027	2,940
Marketing, research and general expenses	923	827	1,672	1,626
Other (income) and expense, net	41	7	118	-
Operating Profit	609	650	1,237	1,314
Interest income	6	8	14	16
Interest expense	(71)	(74)	(144)	(148)
Income Before Income Taxes, Equity Interests and Extraordinary Loss	544	584	1,107	1,182
Provision for income taxes	(158)	(174)	(322)	(339)
Income Before Equity Interests and Extraordinary Loss	386	410	785	843
Share of net income of equity companies	44	49	76	92
Extraordinary loss, net of income taxes	-	(8)	-	(8)
Net Income	430	451	861	927
Net income attributable to noncontrolling interests	(27)	(34)	(51)	(69)
Net Income Attributable to Kimberly-Clark Corporation	$ 403	$ 417	$ 810	$ 858
Per Share Basis:				
Basic				
Before extraordinary loss	$ .97	$ 1.01	$ 1.95	$ 2.06
Extraordinary loss	-	(.02)	-	(.02)
Net Income Attributable to Kimberly-Clark Corporation	$ .97	$ .99	$ 1.95	$ 2.04
Diluted				
Before extraordinary loss	$ .97	$ 1.01	$ 1.95	$ 2.05

Extraordinary loss		-		(.02)		-		(.02)
Net Income Attributable to Kimberly-Clark Corporation	$	.97	$	.99	$	1.95	$	2.03
Cash Dividends Declared	$	.60	$	.58	$	1.20	$	1.16

See Notes to Consolidated Financial Statements.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

(Millions of dollars)	June 30, 2009	December 31, 2008
ASSETS		
Current Assets		
Cash and cash equivalents	$ 591	$ 364
Accounts receivable, net	2,331	2,492
Inventories	2,058	2,493
Other current assets	484	464
Total Current Assets	5,464	5,813
Property	16,331	15,723
Less accumulated depreciation	8,523	8,056
Net Property	7,808	7,667
Investments in Equity Companies	369	324
Goodwill	2,981	2,743
Long-Term Notes Receivable	605	603
Other Assets	919	939
	$ 18,146	$ 18,089
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Debt payable within one year	$ 373	$ 1,083
Accounts payable	1,512	1,603
Accrued expenses	2,000	1,723
Other current liabilities	421	343
Total Current Liabilities	4,306	4,752
Long-Term Debt	5,490	4,882
Noncurrent Employee Benefits	1,962	2,593
Long-Term Income Taxes Payable	151	189
Deferred Income Taxes	209	193
Other Liabilities	205	187
Redeemable Preferred and Common Securities of Subsidiaries	1,046	1,032
Stockholders' Equity		
Kimberly-Clark Corporation	4,496	3,878
Noncontrolling Interests	281	383

Total Stockholders' Equity		4,777		4,261
	$	18,146	$	18,089

See Notes to Consolidated Financial Statements.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
(Unaudited)

	Six Months Ended June 30	
(Millions of dollars)	2009	2008
Operating Activities		
Net income	$ 861	$ 927
Extraordinary loss, net of income taxes	-	8
Depreciation and amortization	367	400
Stock-based compensation	28	25
Decrease (increase) in operating working capital	886	(193)
Deferred income taxes	(63)	50
Net losses on asset dispositions	21	17
Equity companies' earnings in excess of dividends paid	(51)	(53)
Postretirement benefits	(354)	(4)
Other	(6)	20
Cash Provided by Operations	1,689	1,197
Investing Activities		
Capital spending	(396)	(434)
Acquisition of businesses, net of cash acquired	(165)	(76)
Proceeds from sales of investments	19	39
Proceeds from dispositions of property	2	1
Net (increase) decrease in time deposits	(40)	44
Investments in marketable securities	-	(9)
Other	(16)	(1)
Cash Used for Investing	(596)	(436)
Financing Activities		
Cash dividends paid	(488)	(468)
Net (decrease) increase in short-term debt	(86)	213
Proceeds from issuance of long-term debt	2	34
Repayments of long-term debt	(32)	(35)
Cash paid on redeemable preferred securities of subsidiary	(26)	(20)
Shares purchased from noncontrolling interests	(278)	-
Proceeds from exercise of stock options	23	67
Acquisitions of common stock for the treasury	(6)	(437)
Other	2	(33)
Cash Used for Financing	(889)	(679)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	23	(9)
Increase in Cash and Cash Equivalents	227	73

Cash and Cash Equivalents, beginning of year		364		473
Cash and Cash Equivalents, end of period	$	591	$	546

See Notes to Consolidated Financial Statements.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
(Millions of dollars)	2009	2008	2009	2008
Net Income	$ 430	$ 451	$ 861	$ 927
Other Comprehensive Income, Net of Tax:				
Unrealized currency translation adjustments	646	39	285	330
Employee postretirement benefits	145	6	177	-
Other	(9)	10	(15)	(12)
Total Other Comprehensive Income, Net of Tax	782	55	447	318
Comprehensive Income	1,212	506	1,308	1,245
Comprehensive income attributable to noncontrolling interests	62	19	53	40
Comprehensive Income Attributable to Kimberly-Clark Corporation	$ 1,150	$ 487	$ 1,255	$ 1,205

See Notes to Consolidated Financial Statements.

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 thereto included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2008.

In accordance with the requirements of Statement of Financial Accounting Standards ("SFAS") No. 165, Subsequent Events, management has evaluated events occurring subsequent to June 30, 2009 through August 7, 2009, the date of filing the Form 10-Q with the Securities and Exchange Commission, to determine if any such events should either be recognized or disclosed in these condensed Consolidated Financial Statements.

New Accounting Standards

Effective January 1, 2009, the Corporation adopted FASB Staff Position ("FSP") No. EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities, as required. The FSP specifies that certain share-based payment awards that are entitled to nonforfeitable dividends or dividend equivalents are participating securities, which must be included in the computation of basic and diluted earnings per share under the two-class method prescribed in SFAS No. 128, Earnings per Share. Under the two-class method, earnings per share is computed by allocating net income between common stockholders and participating securities.

In accordance with the FSP, the Corporation's basic and diluted earnings per share amounts have been recast from amounts previously reported as follows:

	As Previously Reported		As Recast	
	Basic	Diluted	Basic	Diluted
2008:				
First Quarter	$ 1.05	$ 1.04	$ 1.05	$ 1.04
Second Quarter	1.00	0.99	0.99	0.99
Six Months	2.05	2.04	2.04	2.03
Third Quarter	1.00	0.99	0.99	0.99
Fourth Quarter	1.01	1.01	1.01	1.01
Full Year	4.06	4.04	4.04	4.03
2007	4.13	4.09	4.11	4.08

2006	3.27	3.25	3.26	3.24

Note 1. (Continued)

Effective June 30, 2009, the Corporation adopted FSP No. FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments. The required additional disclosures are included in Note 2.

Effective June 30, 2009, the Corporation adopted FSP No. FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments. This FSP amends the other-than-temporary impairment guidance for debt securities to make it more operational and to improve the presentation and disclosure of other-than-temporary impairments of debt and equity securities in the financial statements. Adoption of the FSP did not have a material effect on the Corporation's financial statements.

Effective June 30, 2009, the Corporation adopted FSP No. FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly. This FSP provides guidance for estimating fair values when there is no active market or where the price inputs being used represent distressed sales and identifying circumstances that indicate a transaction is not orderly. Adoption of the FSP did not have a material effect on the Corporation's financial statements.

In December 2008, the Financial Accounting Standards Board ("FASB") issued FSP FAS 132(R)-1, Employers' Disclosures about Postretirement Benefit Plan Assets. The FSP requires disclosure about the fair values of plan assets held in an employer's defined benefit pension or other postretirement plan, including:

- how investment allocation decisions are made,
- major categories of plan assets,
- inputs and valuation techniques used to measure fair value,
- the effect of fair value measurements using significant unobservable inputs on year-to-year changes in plan assets, and
- significant concentrations of risk within plan assets.

The FSP is effective for fiscal years ending after December 15, 2009. Since the FSP only requires additional disclosures, it will not have a financial impact on the Corporation's financial statements.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) ("SFAS 167"). Under current GAAP, a company must consolidate any entity in which it has a "controlling interest", which can be based on a quantitative analysis. SFAS 167 requires that a company must perform a qualitative analysis when determining whether it must consolidate a variable interest entity ("VIE"). Under SFAS 167, if the company has an interest in a VIE that provides it with the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits of the VIE that potentially could be significant to the VIE, the company must consolidate the VIE. SFAS 167 requires ongoing reassessments to determine if a company must consolidate a VIE. This differs from existing guidance, which requires a company to determine whether to consolidate a VIE only when specific events occur. SFAS 167 is effective for fiscal years, and interim periods within fiscal years, beginning after December 15, 2009, and early adoption is prohibited. The Corporation is currently evaluating SFAS 167 to determine if it must deconsolidate its monetization financing entities and its Luxembourg-based financing subsidiary. Deconsolidation, if required, will not have a significant effect on earnings. The Corporation is also assessing the effect of SFAS 167 on certain of its real estate entities.

Note 1. (Continued)

In June 2009, the FASB issued SFAS No. 168, The FASB Accounting Standards Codification ("Codification") and the Hierarchy of Generally Accepted Accounting Principles, a replacement of SFAS 162 ("SFAS 168"). The Codification is effective for financial statements issued for interim or annual periods ending after September 15, 2009 and is the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. As of the effective date of SFAS 168, all nongrandfathered non-SEC accounting literature not included in the Codification is superseded and deemed non-authoritative. Adoption of SFAS 168 will not have a financial impact on the Corporation's financial statements.

Note 2. Fair Value Measurements

The following information is presented in accordance with the requirements of SFAS No. 157, Fair Value Measurements ("SFAS 157"). SFAS 157 establishes 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.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Set forth below are the assets and liabilities that are measured on a recurring basis at fair value as of June 30, 2009, together with the inputs used to develop those fair value measurements. The Corporation has no assets or liabilities for which fair value was measured on a recurring basis using Level 3 inputs.

		Fair Value Measurements	
(Millions of dollars)	June 30, 2009	Level 1	Level 2
Assets			
Company-owned life insurance ("COLI")	$ 40	$ -	$ 40
Available-for-sale securities	11	11	-
Derivatives	75	-	75
Total	$126	$11	$115
Liabilities			
Derivatives	$150	$ -	$150

The COLI policies are a source of funding primarily for the Corporation's 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.

Note 2. (Continued)

Level 1 Fair Values - The fair values of available-for-sale securities are based on quoted market prices in active markets for identical assets. Unrealized losses on these securities aggregating $6 million have been recorded in other comprehensive income until realized. The unrealized losses have not been recognized in earnings because the Corporation has 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 the Corporation's use of derivative instruments is contained in Note 8.

Fair Value Disclosures

As of June 30, 2009, the Consolidated Balance Sheet contains the following financial instruments, for which disclosure of fair value is required pursuant to SFAS No. 107, Disclosures about Fair Value of Financial Instruments, as amended by FSP FAS 107-1 and APB 28-1.

(Millions of dollars)	Carrying Amount	Estimated Fair Value
Assets		
Cash and cash equivalents(a)	$ 591	$ 591
Time deposits(b)	166	166
Long-term notes receivable(c)	605	575
Liabilities and Redeemable Preferred and Common Securities of Subsidiaries		
Short-term debt(d)	330	330
Long-term monetization loans(c)	616	611
Other long-term debt(e)	4,917	5,290
Redeemable preferred and common securities of subsidiaries(f)	1,046	1,115

(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 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) Long-term notes receivable represent held-to-maturity securities, which arose from the sale of nonstrategic timberlands and related assets. The notes, which are backed by irrevocable standby letters of credit issued by money center banks, are held by two consolidated financing entities. The financing entities have outstanding long-term monetization loans secured by the notes. The maturity dates of the two loans were extended in June 2009. This extension had no effect on the primary beneficiary determination. The Corporation remains the primary beneficiary and continues to consolidate the financing entities.

Note 2. (Continued)

The following summarizes the terms of the notes and the monetization loans as of June 30, 2009 (millions of dollars):

Description	Face Value	Carrying Amount	Maturity	Interest Rate(1)(2)
Note 1	$397	$391	09/30/2014	LIBOR minus 15 bps
Note 2	220	214	07/07/2011	LIBOR minus 12.5 bps
Loan 1	397	396	09/30/2010	LIBOR plus 127 bps
Loan 2	220	220	07/01/2010	LIBOR plus 110 bps

(1) Payable quarterly
(2) 3-month LIBOR

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 the Corporation does not have the intent to sell and has 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 loans are 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: 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) Other long-term debt includes the current portion ($43 million) of these debt instruments.

(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 uses the following inputs to calculate fair values: current benchmark rate, fair value spread, stated spread, maturity date and interest payment dates. The fair values of the Redeemable Common Securities were based on an independent third-party appraisal.

Note 3. Organization Optimization Initiative

In June 2009, the Corporation announced actions to reduce its worldwide salaried workforce by approximately 1,600 positions by the end of 2009. These actions are estimated to result in cumulative pretax charges of approximately $140 to $150 million by the end of 2009. A pretax charge of $110 million ($78 million after-tax) was recorded in the quarter ended June 30, 2009.

Termination benefits related to the staff reductions were accrued in accordance with the requirements of SFAS No. 112, Employer's Accounting for Postemployment Benefits and SFAS No. 88, Employer's Accounting for Settlements and Curtailments of Defined Benefits Pension Plans and for Termination Benefits ("SFAS 88"), as appropriate. Substantially all the benefits under these programs will be paid by the end of 2009.

Note 3. (Continued)

Costs of these actions are recorded at the business segment and corporate levels as follows:

(Millions of dollars)	Three Months Ended June 30 2009
Personal Care	$ 41
Consumer Tissue	42
K-C Professional & Other	14
Health Care	6
Corporate & Other	7
Total	$ 110

On a geographic area basis $76 million of the charges were recorded in North America and $34 million in Europe.

The charges are included in the following income statement captions:

(Millions of dollars)	Three Months Ended June 30 2009
Cost of products sold	$ 27
Marketing, research and general expenses	83
Provision for income taxes	(32)
Net Charges	$ 78

At June 30, 2009, no severance payments had been made under this initiative.

Note 4. Inventories

The following schedule presents inventories by major class:

	June 30, 2009			December 31, 2008		
Summary of Inventories (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	$ 122	$ 261	$ 383	$ 150	$ 367	$ 517
Work in process	183	119	302	246	133	379
Finished goods	549	737	1,286	758	832	1,590
Supplies and other	-	278	278	-	262	262
	854	1,395	2,249	1,154	1,594	2,748
Excess of FIFO or weighted-average cost over LIFO cost	(191)	-	(191)	(255)	-	(255)
Total	$ 663	$ 1,395	$ 2,058	$ 899	$ 1,594	$ 2,493

Note 4. (Continued)

The Corporation uses 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 5. Employee Postretirement Benefits

The table below presents the interim period disclosures required by SFAS No. 132 (revised 2003), Employers' Disclosures about Pensions and Other Postretirement Benefits:

	Defined Benefit Plans		Other Postretirement Benefit Plans	
	Three Months Ended June 30			
(Millions of dollars)	2009	2008	2009	2008
Service cost	$ 17	$ 19	$ 3	$ 4
Interest cost	77	83	11	12
Expected return on plan assets	(67)	(95)	-	-
Recognized net actuarial loss (gain)	25	15	-	(1)
Curtailment	21	-	-	-
Other	-	3	1	1
Net periodic benefit cost	$ 73	$ 25	$ 15	$ 16

	Defined Benefit Plans		Other Postretirement Benefit Plans	
	Six Months Ended June 30			
(Millions of dollars)	2009	2008	2009	2008
Service cost	$ 33	$ 39	$ 6	$ 7
Interest cost	154	165	24	25
Expected return on plan assets	(132)	(189)	-	-
Recognized net actuarial loss	68	29	-	-
Curtailment	21	-	-	-
Other	1	7	2	2
Net periodic benefit cost	$ 145	$ 51	$ 32	$ 34

During the first and second quarters of 2009, the Corporation made cash contributions of approximately $90 million and $405 million, respectively, to its pension trusts. During the first and second quarters of 2008, the Corporation made cash contributions of approximately $36 million and $17 million, respectively, to its pension trusts. The Corporation currently anticipates contributing about $530 million for the full year 2009 to its pension trusts.

Note 5. (Continued)

In April 2009, the Corporation took action with respect to its U.S. defined benefit pension and supplemental benefit plans to provide that no future compensation and benefit service will be accrued under these plans, other than for certain employees subject to collective bargaining agreements, for plan years after December 31, 2009 ("DB Pension Freeze"). In addition, the Corporation took action with respect to its Incentive Investment Plan (a 401(k) plan), Retirement Contribution Plan and Retirement Contribution Excess Benefit Program to discontinue all contributions to these plans for future plan years (other than for certain employees subject to collective bargaining agreements). These changes will not affect benefits earned by participants prior to January 1, 2010.

Also in April, the Corporation announced that it intends to adopt, effective January 1, 2010, a new 401(k) profit sharing plan, and amend its supplemental plan, to provide for a matching contribution of 100 percent of a U.S. employee's contributions to the plans, to a yearly maximum of four percent of eligible compensation, as well as a discretionary profit sharing contribution, in which contributions will be based on the Corporation's profit performance. Except for certain employees subject to collective bargaining agreements, U.S. participants' investment balances in the Corporation's existing 401(k) plan and Retirement Contribution Plan will be transferred to the new 401(k) plan.

The U.S. DB Pension Freeze resulted in a pension curtailment charge under SFAS 88 aggregating $21 million in the second quarter of 2009 due to the write-off of applicable unamortized prior service costs. As a result of the curtailment, plan assets and projected benefit obligations were required to be remeasured as of the curtailment date. The remeasurement decreased the projected benefit obligations by approximately $320 million. In addition, pursuant to the requirements of SFAS No. 87, Employers' Accounting for Pensions, the average remaining life expectancy of inactive participants rather than the average remaining service lives of active employees must be used in the amortization of actuarial gains and losses. This change in amortization life reduced pension expense in second quarter 2009 by approximately $19 million.

Note 6. 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)	2009	2008	2009	2008
Average shares outstanding	414.1	417.7	413.9	418.9
Participating securities	1.5	1.8	1.7	1.7
Basic	415.6	419.5	415.6	420.6
Dilutive effect of stock options	.1	1.3	.1	1.4
Dilutive effect of restricted share and restricted share unit awards	.2	.2	.2	.2
Diluted	415.9	421.0	415.9	422.2

Options outstanding during the three- and six-month periods ended June 30, 2009 to purchase 26.3 million and 25.2 million shares of common stock, respectively, were not included in the computation of diluted EPS because the exercise prices of the options were greater than the average market price of the common shares during the periods.

Note 6. (Continued)

Options outstanding during the three- and six-month periods ended June 30, 2008 to purchase 10.1 million and 8.8 million shares of common stock, respectively, were not included in the computation of diluted EPS because the exercise prices of the options were greater than the average market price of the common shares during the periods.

The number of common shares outstanding as of June 30, 2009 and 2008 was 414.3 million and 416.2 million, respectively.

Note 7. Stockholders' Equity

Effective January 1, 2009, the Corporation adopted SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51 ("SFAS 160"), as required.

SFAS 160 changes the classification of noncontrolling interests (formerly, minority owners' interest in subsidiaries) in consolidated balance sheets and the accounting for and reporting of transactions between the reporting entity and holders of such noncontrolling interests. Under SFAS 160:

- Noncontrolling interests are reported as an element of consolidated equity, thereby eliminating the prior practice of classifying minority owners' interests within a mezzanine section of the balance sheet.

- Reported net income includes the total income of all consolidated subsidiaries, with separate disclosure on the face of the income statement of the split of net income between the controlling and noncontrolling interests.

- Increases and decreases in the noncontrolling ownership interest amount are accounted for as equity transactions. If the controlling interest loses control and deconsolidates a subsidiary, full gain or loss on the transition is recognized.

Adoption of SFAS 160 is prospective; however, prior year amounts in the Consolidated Financial Statements have been recast to conform to the following requirements of SFAS 160:

- Noncontrolling interests, which are not redeemable at the option of the noncontrolling interests, were reclassified from the mezzanine to equity, separate from the parent's stockholders' equity, in the consolidated balance sheet. Common securities, redeemable at the option of the noncontrolling interest, carried at redemption value of approximately $35 million are classified in a line item combined with redeemable preferred securities of subsidiary in the consolidated balance sheet.

- Consolidated net income was recast to include net income attributable to both controlling and noncontrolling interests.

Set forth below is a reconciliation of comprehensive income and stockholders' equity attributable to Kimberly-Clark Corporation and noncontrolling interests for the six months ended June 30, 2009 and 2008. Also reconciled for the same periods are the redeemable preferred and common securities of subsidiaries, which are required to be classified outside of stockholders' equity.

Note 7. (Continued)

(Millions of dollars)	Comprehensive Income	Stockholders' Equity Attributable to The Corporation	Stockholders' Equity Attributable to Noncontrolling Interests	Redeemable Securities of Subsidiaries
Balance at December 31, 2008		$ 3,878	$ 383	$ 1,032
Purchase of subsidiary shares from noncontrolling interests		(170)	(108)	-
Comprehensive Income:				
Net income	$ 861	810	23	28
Other comprehensive income, net of tax:				
Unrealized translation	285	299	(14)	-
Employee postretirement benefits	177	161	16	-
Other	(15)	(15)	-	-
Total Comprehensive Income	$ 1,308			
Stock-based awards and other		30	-	12
Dividends declared		(497)	(18)	-
Return on redeemable preferred securities and noncontrollinginterests		-	(1)	(26)