

KIMBERLY CLARK CORP
Form 10-Q
November 01, 2013

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

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
(State or other jurisdiction of
incorporation)

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)

39-0394230
(I.R.S. Employer
Identification No.)

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

Indicate by check mark 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 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 Accelerated filer

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

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of October 25, 2013, there were 381,638,993 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		Nine Months Ended	
	Ended September 30		September 30	
(Millions of dollars, except per share amounts)	2013	2012	2013	2012
Net Sales	\$5,262	\$5,246	\$15,847	\$15,756
Cost of products sold	3,457	3,480	10,420	10,531
Gross Profit	1,805	1,766	5,427	5,225
Marketing, research and general expenses	990	988	3,029	3,003
Other (income) and expense, net	8	(5)	12	(15)
Operating Profit	807	783	2,386	2,237
Interest income	6	4	16	13
Interest expense	(73)	(70)	(211)	(212)
Income Before Income Taxes and Equity Interests	740	717	2,191	2,038
Provision for income taxes	(224)	(223)	(685)	(621)
Income Before Equity Interests	516	494	1,506	1,417
Share of net income of equity companies	49	43	157	125
Net Income	565	537	1,663	1,542
Net income attributable to noncontrolling interests	(19)	(20)	(60)	(59)
Net Income Attributable to Kimberly-Clark Corporation	\$546	\$517	\$1,603	\$1,483
Per Share Basis				
Net Income Attributable to Kimberly-Clark Corporation				
Basic	\$1.43	\$1.31	\$4.16	\$3.77
Diluted	\$1.42	\$1.30	\$4.13	\$3.73
Cash Dividends Declared	\$0.81	\$0.74	\$2.43	\$2.22

See Notes to Consolidated Financial Statements.

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

(Millions of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Net Income	\$565	\$537	\$1,663	\$1,542
Other Comprehensive Income, Net of Tax				
Unrealized currency translation adjustments	204	141	(387)	133
Employee postretirement benefits	(5)	(54)	84	(46)
Other	(19)	(10)	9	(10)
Total Other Comprehensive Income, Net of Tax	180	77	(294)	77
Comprehensive Income	745	614	1,369	1,619
Comprehensive income attributable to noncontrolling interests	(32)	(27)	(59)	(70)
Comprehensive Income Attributable to Kimberly-Clark Corporation	\$713	\$587	\$1,310	\$1,549

See Notes to Consolidated Financial Statements.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

(Millions of dollars)	September 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,179	\$ 1,106
Accounts receivable, net	2,502	2,642
Note receivable	396	—
Inventories	2,245	2,348
Other current assets	572	493
Total Current Assets	6,894	6,589
Property, Plant and Equipment, Net	7,871	8,095
Investments in Equity Companies	429	355
Goodwill	3,223	3,337
Other Intangible Assets	257	246
Long-Term Note Receivable	—	395
Other Assets	690	856
TOTAL ASSETS	\$ 19,364	\$ 19,873
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Debt payable within one year	\$ 1,087	\$ 1,115
Trade accounts payable	2,360	2,443
Accrued expenses	2,023	2,244
Dividends payable	310	289
Total Current Liabilities	5,780	6,091
Long-Term Debt	5,388	5,070
Noncurrent Employee Benefits	1,725	1,992
Other Liabilities	946	884
Redeemable Preferred and Common Securities of Subsidiaries	549	549
Stockholders' Equity		
Kimberly-Clark Corporation	4,667	4,985
Noncontrolling interests	309	302
Total Stockholders' Equity	4,976	5,287
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 19,364	\$ 19,873
See Notes to Consolidated Financial Statements.		

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

(Millions of dollars)	Nine Months Ended September 30	
	2013	2012
Operating Activities		
Net income	\$ 1,663	\$ 1,542
Depreciation and amortization	641	642
Asset impairments	42	—
Stock-based compensation	73	57
Deferred income taxes	128	320
Net (gains) losses on asset dispositions	—	15
Equity companies' earnings in excess of dividends paid	(75)	(53)
(Increase) decrease in operating working capital	(259)	(335)
Postretirement benefits	(135)	(11)
Other	17	(8)
Cash Provided by Operations	2,095	2,169
Investing Activities		
Capital spending	(697)	(763)
Acquisitions of businesses	(32)	(5)
Proceeds from dispositions of property	113	6
Proceeds from sales of investments	16	14
Investments in time deposits	(46)	(61)
Maturities of time deposits	66	78
Other	(10)	2
Cash Used for Investing	(590)	(729)
Financing Activities		
Cash dividends paid	(913)	(859)
Change in short-term borrowings	22	464
Debt proceeds	889	315
Debt repayments	(542)	(471)
Cash paid on redeemable preferred securities of subsidiary	(21)	(21)
Proceeds from exercise of stock options	164	523
Acquisitions of common stock for the treasury	(959)	(962)
Other	7	25
Cash Used for Financing	(1,353)	(986)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(79)	31
Increase (Decrease) in Cash and Cash Equivalents	73	485
Cash and Cash Equivalents - Beginning of Year	1,106	764
Cash and Cash Equivalents - End of Period	\$ 1,179	\$ 1,249
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 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 material adjustments which are of a normal and recurring nature necessary for a fair presentation of the results for the periods presented have been reflected. Dollar amounts are reported in millions, except per share dollar amounts, unless otherwise noted.

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, 2012. The terms "Corporation," "Kimberly-Clark," "K-C," "we," "our" and "us" refer to Kimberly-Clark Corporation and its consolidated subsidiaries.

Annual Goodwill Impairment Test

Goodwill is tested for impairment annually and whenever events and circumstances indicate that impairment may have occurred. During the third quarter of 2013, we changed the measurement date of our annual goodwill impairment test from the beginning of the fourth quarter to the beginning of the third quarter. This change did not result in the delay, acceleration or avoidance of an impairment charge. We believe this timing is preferable as it better aligns the goodwill impairment test with our strategic business planning process, which is a key component of the goodwill impairment test. The change was applied prospectively, as retrospective application would have been impractical because we are unable to objectively select assumptions that would have been used in previous periods without the benefit of hindsight. We have completed the required annual testing of goodwill for impairment for all reporting units and have determined that goodwill is not impaired.

Highly Inflationary Accounting for Venezuelan Operations

We account for our operations in Venezuela using highly inflationary accounting. On February 13, 2013, the Venezuelan government announced a devaluation of the Central Bank of Venezuela ("Central Bank") regulated currency exchange system rate to 6.3 bolivars per U.S. dollar and the elimination of the SITME rate. As a result of the devaluation, we recorded a \$26 after tax charge (\$36 pre-tax) related to the remeasurement of the local currency-denominated balance sheet to the new exchange rate in the quarter ended March 31, 2013. Prior to devaluation, we used the Central Bank SITME rate of 5.4 bolivars per U.S. dollar to measure K-C Venezuela's bolivar-denominated transactions into U.S. dollars. The \$36 pre-tax charge is reflected in the Consolidated Income Statement in other (income) and expense, net for the nine months ended September 30, 2013. In the Consolidated Cash Flow Statement, this non-cash charge is included in other in cash provided by operations.

At September 30, 2013, K-C Venezuela had a bolivar-denominated net monetary asset position of \$285 and our net investment in K-C Venezuela was \$414, both valued at 6.3 bolivars per U.S. dollar. Net sales of K-C Venezuela represented approximately 2 percent of consolidated net sales for the three and nine month periods ended September 30, 2013 and 2012.

Note 2. European Strategic Changes

In October 2012, we approved strategic changes related to our Western and Central European consumer and professional businesses to focus our resources and investments on stronger market positions and growth opportunities. We have exited the diaper category in that region, with the exception of the Italian market, and divested or exited some lower-margin businesses, mostly in consumer tissue, in certain markets. The changes primarily affect our consumer businesses, with a modest impact on K-C Professional ("KCP"). The restructuring actions commenced in the fourth quarter of 2012 and are expected to be completed by December 31, 2014. Restructuring actions related to

the strategic changes involve the sale or closure of five of our European manufacturing facilities and streamlining our administrative organization.

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The following charges were incurred in connection with the European strategic changes:

	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013	
Asset impairments	\$22	\$22	
Charges for workforce reductions	(23	) 4	
Asset write-offs	1	13	
Incremental depreciation	3	18	
Benefit from pension curtailment	(1	) (30)
Other exit costs	4	17	
Cost of products sold	6	44	
Charges for workforce reductions and other included in marketing, research and general expenses and other (income) and expense, net	8	23	
Provision for income taxes	(4	) (15)
Net charges	\$10	\$52	

See Note 9 for the charges by segment.

Through September 30, 2013, cumulative pre-tax charges for the strategic changes were \$366 (\$294 after tax), including cumulative pre-tax cash charges of \$187. Cumulative pre-tax charges by segment were as follows: Personal Care - \$243, Consumer Tissue - \$88 and K-C Professional - \$32.

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

	2013	
Accrued expenses - January 1	\$133	
Charges for workforce reductions and other costs	53	
Cash payments	(132)
Currency and other	(9)
Accrued expenses - September 30	\$45	

Note 3. Pulp and Tissue Restructuring Actions

In 2011 and 2012, we executed pulp and tissue restructuring actions 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. These actions involved the streamlining, sale or closure of seven of our manufacturing facilities around the world. In conjunction with these actions, we exited certain non-strategic products, primarily non-branded offerings, and transferred some production to lower-cost facilities in order to improve overall profitability and returns. The actions were substantially complete at December 31, 2012.

During the three months ended September 30, 2012, charges of \$30 and \$1 were recorded in cost of products sold and marketing, research and general expenses, respectively, for the restructuring actions. A related benefit of \$15 was recorded in provision for income taxes. On a geographic basis, charges of \$10 and \$22 and a credit of \$1 were recorded in the United States, Australia and other countries, respectively.

During the nine months ended September 30, 2012, charges of \$83 and \$2 were recorded in cost of products sold and marketing, research and general expenses, respectively, for the restructuring actions. A related benefit of \$29 was recorded in provision for income taxes. On a geographic basis, \$58 and \$27 of the charges were recorded in the United States and Australia, respectively.

See Note 9 for the charges by segment.

Note 4. Fair Value Information

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.

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.

During the nine months ended September 30, 2013 and for the full year 2012, 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.

	September 30, 2013	Fair Value Measurements		
		Level 1	Level 2	Level 3
Assets				
Company-owned life insurance ("COLI")	\$53	\$—	\$53	\$—
Available-for-sale securities	20	20	—	—
Derivatives	69	—	69	—
Total	\$142	\$20	\$122	\$—
Liabilities				
Derivatives	\$57	\$—	\$57	\$—
	December 31, 2012	Fair Value Measurements		
		Level 1	Level 2	Level 3
Assets				
COLI	\$49	\$—	\$49	\$—
Available-for-sale securities	17	17	—	—
Derivatives	61	—	61	—
Total	\$127	\$17	\$110	\$—
Liabilities				
Derivatives	\$63	\$—	\$63	\$—

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. See Note 8 for information on the classification of derivatives in the Consolidated Balance Sheet.

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.

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 published 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 8.

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

	Fair Value Hierarchy Level	Carrying Amount September 30, 2013	Estimated Fair Value September 30, 2013	Carrying Amount December 31, 2012	Estimated Fair Value December 31, 2012
Assets					
Cash and cash equivalents ^(a)	1	\$1,179	\$1,179	\$1,106	\$1,106
Time deposits ^(b)	1	202	202	224	224
Note receivable ^(c)	3	396	397	395	392
Liabilities and redeemable securities of subsidiaries					
Short-term debt ^(d)	2	374	374	359	359
Monetization loan ^(c)	3	397	398	397	400
Long-term debt ^(e)	2	5,704	6,361	5,429	6,527
Redeemable preferred securities of subsidiary ^(c)	3	506	532	506	543
Redeemable common securities of subsidiary ^(f)	3	43	43	43	43

(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. Cash equivalents 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 and instruments with original maturities of greater than one year, included in other current assets or other assets in the Consolidated Balance Sheet, as appropriate. Time deposits are recorded at cost, which approximates fair value.

The note, monetization loan and redeemable preferred securities of subsidiary are not traded in active markets.

(c) 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, unobservable fair value credit spread, stated spread, maturity date and interest payment dates.

(d) Short-term debt is comprised of U.S. commercial paper 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 includes the current portion of these debt instruments and excludes the monetization loan. Fair values were estimated based on quoted prices for financial instruments for which all significant inputs were observable, either directly or indirectly.

(f) The fair value of the redeemable common securities of subsidiary was based on various inputs, including an independent third-party appraisal, adjusted for current market conditions.

Note 5. Employee Postretirement Benefits

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

	Pension Benefits		Other Benefits	
	Three Months Ended September 30			
	2013	2012	2013	2012
Service cost	\$13	\$10	\$4	\$3
Interest cost	63	69	9	9
Expected return on plan assets	(82)	(82)	—	—
Recognized net actuarial loss	28	27	2	—
Curtailment (see Note 2)	(1)	—	—	—
Other	2	3	—	1
Net periodic benefit cost	\$23	\$27	\$15	\$13

	Pension Benefits		Other Benefits	
	Nine Months Ended September 30			
	2013	2012	2013	2012
Service cost	\$40	\$34	\$12	\$11
Interest cost	191	209	25	28
Expected return on plan assets	(246)	(247)	—	—
Recognized net actuarial loss	91	82	2	—
Curtailement (see Note 2)	(30)	—	—	—
Other	(1)	20	—	—
Net periodic benefit cost	\$45	\$98	\$39	\$39

For the nine months ended September 30, 2013 and 2012, we made cash contributions of \$175 and \$95, respectively, to our pension trusts. We expect to contribute approximately \$200 to our defined benefit pension plans for the full year 2013.

Note 6. Earnings Per Share ("EPS")

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:

(Millions of shares)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2013	2012	2013	2012
Basic	382.8	393.9	384.9	393.8
Dilutive effect of stock options	1.4	1.7	1.6	1.9
Dilutive effect of restricted share and restricted share unit awards	1.6	1.1	1.5	1.4
Diluted	385.8	396.7	388.0	397.1

Outstanding options during the three and nine month periods ended September 30, 2013 of 1.8 million and 0.9 million, 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. There were no significant outstanding options excluded from the computation of diluted EPS during the three and nine month periods ended September 30, 2012.

The number of common shares outstanding as of September 30, 2013 and 2012 was 382.1 million and 392.3 million, respectively.

Note 7. Stockholders' Equity

Set forth below is a reconciliation for the nine months ended September 30, 2013 of the carrying amount of total stockholders' equity from the beginning of the period to the end of the period. In addition, the reconciliation displays the amount of net income allocable to redeemable securities of subsidiaries.

	Stockholders' Equity			
	Attributable to			
	Comprehensive	The	Noncontrolling	Redeemable
	Income	Corporation	Interests	Securities of
				Subsidiaries
Balance at December 31, 2012		\$4,985	\$302	\$549
Comprehensive Income				
Net Income	\$1,663	1,603	37	23
Other comprehensive income, net of tax				
Unrealized translation	(387	) (386	) (1) —
Employee postretirement benefits	84	84	—	—
Other	9	9	—	—
Total Comprehensive Income	\$1,369			
Stock-based awards exercised or vested		163	—	—
Recognition of stock-based compensation		73	—	—
Income tax benefits on stock-based compensation		30	—	—
Shares repurchased		(963) —	—
Dividends declared		(934	) (27) —
Other		3	(1	) (2
Return of redeemable securities of subsidiaries		—	(1	) (21
Balance at September 30, 2013		\$4,667	\$309	\$549

In the nine months ended September 30, 2013, we repurchased 10.0 million shares at a total cost of \$950.

Net unrealized currency gains or losses resulting from the translation of assets and liabilities of foreign subsidiaries, except those in highly inflationary economies, are recorded in Accumulated Other Comprehensive Income ("AOCI"). For these operations, changes in exchange rates generally do not affect cash flows; therefore, unrealized translation is recorded in AOCI rather than net income. Upon sale or substantially complete liquidation of any of these subsidiaries, the applicable unrealized translation would be removed from AOCI and reported as part of the gain or loss on the sale or liquidation.

Also included in unrealized translation 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.

The change in net unrealized currency translation for the nine months ended September 30, 2013 was primarily due to a strengthening of the U.S. dollar against the Australian dollar, as well as most other foreign currencies.

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The changes in the components of AOCI attributable to Kimberly-Clark, net of tax, are as follows:

	Unrealized Translation	Defined Benefit Pension Plans	Other Postretirement Benefit Plans	Cash Flow Hedges and Other
Balance as of December 31, 2011	\$ (221)	\$ (1,578)	\$ (31)	\$ (36)
Other comprehensive income/(loss) before reclassifications	124	(101)	(9)	(10)
(Income)/loss reclassified from AOCI	—	62	(a) —	(a) —
Net current period other comprehensive income/(loss)	124	(39)	(9)	(10)
Balance as of September 30, 2012	\$ (97)	\$ (1,617)	\$ (40)	\$ (46)
Balance as of December 31, 2012	\$ (26)	\$ (1,928)	\$ (53)	\$ (52)
Other comprehensive income/(loss) before reclassifications	(386)	57	1	17
(Income)/loss reclassified from AOCI	—	28	(a) (2)	(a) (8)
Net current period other comprehensive income/(loss)	(386)	85	(1)	9
Balance as of September 30, 2013	\$ (412)	\$ (1,843)	\$ (54)	\$ (43)

(a) Included in computation of net periodic pension and postretirement benefits costs (see Note 5).

Note 8. 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, and commodity prices. We employ a number of practices to manage these risks, including operating and financing activities and, where appropriate, the use of derivative instruments. We enter into derivative instruments to hedge a portion of forecasted cash flows denominated in foreign currencies for non-U.S. operations' purchases of pulp, which are priced in U.S. dollars, and imports of intercompany finished goods and work-in-process priced predominantly in U.S. dollars and euros. The derivative instruments used to manage these exposures are designated and qualify as cash flow hedges. The foreign currency exposure on certain non-functional currency denominated monetary assets and liabilities, primarily intercompany loans and accounts payable, is hedged with primarily undesignated derivative instruments. Interest rate risk is managed using a portfolio of variable- and fixed-rate debt composed of short- and long-term instruments. Interest rate swap contracts may be used to facilitate the maintenance of the desired ratio of variable- and fixed-rate debt and are designated and qualify as fair value hedges. From time to time, we also hedge the anticipated issuance of fixed-rate debt, using forward-starting swaps or treasury locks, and these contracts are designated as cash flow hedges. We use derivative instruments, such as forward swap contracts, to hedge a limited portion of our exposure to market risk arising from changes in prices of certain commodities. These derivatives are designated as cash flow hedges of specific quantities of the underlying commodity expected to be purchased in future months. Translation adjustments result from translating foreign entities' financial statements into U.S. dollars from their functional currencies. The risk to any particular entity's net assets is reduced to the extent that the entity is financed with local currency borrowing. 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 September 30, 2013, we had in place net investment hedges of \$73 for a portion of our investment in our Mexican affiliate.

Set forth below is a summary of the total designated and undesignated fair values of our derivative instruments:

	Assets		Liabilities	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Foreign currency exchange contracts	\$52	\$52	\$55	\$17

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Interest rate contracts	16	7	1	43
Commodity price contracts	1	2	1	3
Total	\$69	\$61	\$57	\$63

The derivative assets are included in the Consolidated Balance Sheet in other current assets and other assets, as appropriate. The derivative liabilities are included in the Consolidated Balance Sheet in accrued expenses and other liabilities, as appropriate.

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

Derivative instruments that are designated and qualify as fair value hedges are predominantly used to manage interest rate risk. The fair values of these derivative 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. At September 30, 2013, the aggregate notional values of outstanding interest rate contracts designated as fair value hedges were \$250. Fair value hedges resulted in no significant ineffectiveness in the nine months ended September 30, 2013 and 2012. For the nine month periods ended September 30, 2013 and 2012, gains or losses recognized in interest expense for interest rate swaps were not significant. For the nine month periods ended September 30, 2013 and 2012, no gain or loss was recognized in earnings as a result of a hedged firm commitment no longer qualifying as a fair value hedge.

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 AOCI, net of related income taxes, and recognized in earnings in the same period that the hedged exposure affects earnings. As of September 30, 2013, outstanding commodity forward contracts were in place to hedge a limited portion of our estimated requirements of the related underlying commodities in the remainder of 2013 and future periods. As of September 30, 2013, the aggregate notional values of outstanding foreign exchange and interest rate derivative contracts designated as cash flow hedges were \$1 billion and \$200, respectively. Cash flow hedges resulted in no significant ineffectiveness for the nine months ended September 30, 2013 and 2012. For the nine months ended September 30, 2013 and 2012, 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 September 30, 2013, amounts to be reclassified from AOCI during the next twelve months are not expected to be material. The maximum maturity of cash flow hedges in place at September 30, 2013 is October 2015.

Undesignated foreign exchange hedging instrument gains or losses are immediately recognized in other (income) and expense, net. Gains of \$77 and \$30 were recorded in the three month periods ended September 30, 2013 and 2012, respectively. Losses of \$65 and gains of \$31 were recorded in the nine month periods ended September 30, 2013 and 2012, respectively. The effect on earnings from the use of these non-designated derivatives is substantially neutralized by the transactional gains and losses recorded on the underlying assets and liabilities. At September 30, 2013, the notional amount of these undesignated derivative instruments was \$2.6 billion.

Note 9. 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, KCP 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 European strategic changes and the pulp and tissue restructuring actions described in Notes 2 and 3, respectively.

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

Personal Care brands offer parents a trusted partner in caring for their families and deliver confidence, protection and discretion to adults through a wide variety of innovative solutions and products such as disposable diapers, training and youth pants, swimpants, baby wipes, feminine and incontinence care products, and other related products. Products in this segment are sold under the Huggies, Pull-Ups, Little Swimmers, GoodNites, Kotex, Depend, Plenitud, Poise and other brand names.

Consumer Tissue offers a wide variety of innovative solutions and trusted brands that touch and improve people's lives every day. Products in this segment include facial and bathroom tissue, paper towels, napkins and related products, and are sold under the Kleenex, Scott, Cottonelle, Viva, Andrex, Scottex, Hakle, Page and other brand

names.

K C Professional helps transform workplaces for employees and patrons, making them healthier, safer and more productive, through a range of solutions and supporting products such as apparel, wipers, soaps, sanitizers, tissues and towels. Key brands in this segment include Kleenex, Scott, WypAll, Kimtech and Jackson Safety.

Health Care provides essentials that help restore patients to better health and improve the quality of patients' lives. This segment offers surgical and infection prevention products for the operating room, and a portfolio of innovative medical devices focused on pain management, respiratory and digestive health. This business is a global leader in education to prevent healthcare-associated infections. Products are sold primarily under the Kimberly-Clark and ON-Q brand names.

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

	Three Months Ended				Nine Months Ended			
	September 30				September 30			
	2013	2012	Change		2013	2012	Change	
NET SALES								
Personal Care	\$2,383	\$2,414	-1.3	%	\$7,170	\$7,196	-0.4	%
Consumer Tissue	1,626	1,605	+1.3	%	4,969	4,852	+2.4	%
K-C Professional	843	822	+2.6	%	2,477	2,458	+0.8	%
Health Care	403	396	+1.8	%	1,201	1,212	-0.9	%
Corporate & Other	7	9	N.M.		30	38	N.M.	
TOTAL NET SALES	\$5,262	\$5,246	+0.3	%	\$15,847	\$15,756	+0.6	%
OPERATING PROFIT								
Personal Care	\$427	\$436	-2.1	%	\$1,300	\$1,241	+4.8	%
Consumer Tissue	233	216	+7.9	%	713	652	+9.4	%
K-C Professional	155	144	+7.6	%	459	407	+12.8	%
Health Care	70	59	+18.6	%	168	168	—	
Corporate & Other ^(a)	(70	) (77	)	N.M.	(242	) (246	)	N.M.
Other (income) and expense, net	8	(5	)	N.M.	12	(15	)	N.M.
TOTAL OPERATING PROFIT	\$807	\$783	+3.1	%	\$2,386	\$2,237	+6.7	%

N.M. - Not meaningful

(a) Corporate & Other includes the following charges:

	European Strategic Changes		Pulp & Tissue Restructuring Actions	
	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2012
Personal Care	\$1	\$30	\$—	\$—
Consumer Tissue	7	22	31	80
K-C Professional	3	12	—	5
Total	\$11	\$64	\$31	\$85

Note 10. Supplemental Balance Sheet Data

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

	September 30, 2013			December 31, 2012			
	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	\$141	\$329	\$470	\$148	\$346	\$494	
Work in process	207	102	309	194	135	329	
Finished goods	634	743	1,377	656	786	1,442	
Supplies and other	—	329	329	—	314	314	
	982	1,503	2,485	998	1,581	2,579	
Excess of FIFO or weighted-average cost over LIFO cost	(240) —	(240) (231) —	(231)
Total	\$742	\$1,503	\$2,245	\$767	\$1,581	\$2,348	

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.

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The following schedule presents a summary of property, plant and equipment, net:

	September 30, 2013	December 31, 2012
Land	\$ 197	\$ 199
Buildings	2,780	2,732
Machinery and equipment	14,176	13,993
Construction in progress	402	732
	17,555	17,656
Less accumulated depreciation	(9,684	) (9,561
Total	\$7,871	\$8,095

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 Third Quarter 2013 Results

- Results of Operations and Related Information

- Liquidity and Capital Resources

- Legal Matters

- Business Outlook

Overview of Third Quarter 2013 Results

• Net sales were even with the year-ago period as increases in sales volumes and net selling prices were essentially offset by unfavorable currency effects.

• Operating profit and net income attributable to Kimberly-Clark Corporation increased 3 percent and 6 percent, respectively.

• Diluted earnings per share increased to \$1.42 versus \$1.30 in the prior year.

Results of Operations and Related Information

This section presents a discussion and analysis of our third quarter of 2013 net sales, operating profit and other information relevant to an understanding of the results of operations.

Results By Business Segment

	Three Months Ended September 30			Nine Months Ended September 30				
	2013	2012	Change	2013	2012	Change		
NET SALES								
Personal Care	\$2,383	\$2,414	-1.3 %	\$7,170	\$7,196	-0.4 %		
Consumer Tissue	1,626	1,605	+1.3 %	4,969	4,852	+2.4 %		
K-C Professional	843	822	+2.6 %	2,477	2,458	+0.8 %		
Health Care	403	396	+1.8 %	1,201	1,212	-0.9 %		
Corporate & Other	7	9	N.M.	30	38	N.M.		
TOTAL NET SALES	\$5,262	\$5,246	+0.3 %	\$15,847	\$15,756	+0.6 %		
OPERATING PROFIT								
Personal Care	\$427	\$436	-2.1 %	\$1,300	\$1,241	+4.8 %		
Consumer Tissue	233	216	+7.9 %	713	652	+9.4 %		
K-C Professional	155	144	+7.6 %	459	407	+12.8 %		
Health Care	70	59	+18.6 %	168	168	—		
Corporate & Other ^(a)	(70)	(77)	N.M.	(242)	(246)	N.M.		
Other (income) and expense, net	8	(5)	N.M.	12	(15)	N.M.		
TOTAL OPERATING PROFIT	\$807	\$783	+3.1 %	\$2,386	\$2,237	+6.7 %		

N.M. - Not meaningful

Results By Geography

	Three Months Ended September 30			Nine Months Ended September 30			Change	
	2013	2012	Change	2013	2012	Change		
NET SALES								
North America	\$2,727	\$2,688	+1.5	%	\$8,104	\$8,085	+0.2	%
Outside North America	2,719	2,763	-1.6	%	8,301	8,278	+0.3	%
Intergeographic sales	(184)	(205)	N.M.		(558)	(607)	N.M.	
TOTAL NET SALES	\$5,262	\$5,246	+0.3	%	\$15,847	\$15,756	+0.6	%
OPERATING PROFIT								
North America	\$530	\$522	+1.5	%	\$1,618	\$1,500	+7.9	%
Outside North America	355	333	+6.6	%	1,022	968	+5.6	%
Corporate & Other ^(a)	(70)	(77)	N.M.		(242)	(246)	N.M.	
Other (income) and expense, net	8	(5)	N.M.		12	(15)	N.M.	
TOTAL OPERATING PROFIT	\$807	\$783	+3.1	%	\$2,386	\$2,237	+6.7	%

For the three and nine months ended September 30, 2013, Corporate & Other includes charges related to the European strategic changes of \$11 and \$64, respectively. For the three and nine months ended September 30, 2012, (a) Corporate & Other includes charges related to the pulp and tissue restructuring actions of \$31 and \$85, respectively.

Percentage Change 2013 Versus 2012

NET SALES	Total	Changes Due To				
		Organic Volume	Restructuring Impact ^(a)	Net Price	Mix/Other ^(b)	Currency
Third Quarter						
Consolidated	0.3	3	(2)	1	—	(2)
Personal Care	(1.3)	5	(4)	—	1	(3)
Consumer Tissue	1.3	1	(2)	3	1	(2)
K-C Professional	2.6	2	(1)	2	2	(2)
Health Care	1.8	3	—	—	1	(2)
Year-to-Date						
Consolidated	0.6	3	(2)	1	1	(2)
Personal Care	(0.4)	4	(3)	1	—	(2)
Consumer Tissue	2.4	2	(1)	2	—	(1)
K-C Professional	0.8	—	—	1	1	(1)
Health Care	(0.9)	—	—	—	—	(1)

(a) Lost sales related to the European strategic changes and pulp and tissue restructuring actions.

(b) Mix/Other includes rounding.

OPERATING PROFIT		Changes Due To					
Third Quarter	Total	Volume	Net Price	Input Costs ^(a)	Cost Savings	Currency Translation	Other ^(b)
Consolidated	3.1	2	9	(7)	9	(3)	(7)
Personal Care	(2.1)	4	2	(6)	12	(3)	(11)
Consumer Tissue	7.9	(4)	21	(13)	2	(2)	4
K-C Professional	7.6	1	12	(2)	8	(2)	(9)
Health Care	18.6	13	—	5	5	(4)	—
Year-to-Date							
Consolidated	6.7	3	7	(5)	11	(2)	(7)
Personal Care	4.8	3	4	(4)	12	(2)	(8)
Consumer Tissue	9.4	4	13	(12)	4	(1)	1
K-C Professional	12.8	—	8	(3)	11	(2)	(1)
Health Care	—	4	—	11	7	(2)	(20)

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

(b) Other includes the impact of changes in marketing, research and general expenses and manufacturing costs not separately listed in the table. In addition, consolidated includes the impact of the charges in 2013 related to the European strategic changes, and in 2012 related to the pulp and tissue restructuring actions. Year-to-date consolidated also includes the impact of the February 2013 devaluation of the Venezuelan bolivar.

Commentary - Third Quarter of 2013 Compared to Third Quarter of 2012

Consolidated

Net sales of \$5.3 billion in the third quarter of 2013 were even with the year-ago period with increased organic sales volumes of 3 percent, higher net selling prices of 1 percent and improved product mix of 1 percent. Changes in foreign currency exchange rates, and lost sales in conjunction with European strategic changes and pulp and tissue restructuring actions, each reduced net sales by more than 2 percent.

Operating profit was \$807 in the third quarter of 2013, up 3 percent from \$783 in 2012. The increase in operating profit included benefits from organic volume growth and \$70 in cost savings from the company's FORCE (Focused On Reducing Costs Everywhere) program. Input costs increased \$55 overall versus 2012, with \$30 of higher costs for raw materials other than fiber, \$15 of increased fiber costs and \$10 of higher distribution costs. Foreign currency translation effects, as a result of the weakening of several currencies relative to the U.S. dollar, reduced operating profit by \$25. Currency transaction effects also negatively impacted the operating profit comparison. Results include charges in 2013 of \$14 for European strategic changes and in 2012 of \$31 for pulp and tissue restructuring actions. The third quarter effective tax rate was 30.3 percent in 2013 compared to 31.1 percent in 2012.

Kimberly-Clark's share of net income of equity companies in the third quarter was \$49 in 2013 and \$43 in 2012. At Kimberly-Clark de Mexico, S.A.B. de C.V., results benefited from sales growth, increased operating profit margin and a stronger Mexican peso versus the U.S. dollar.

Diluted earnings per share for the third quarter were \$1.42 in 2013 and \$1.30 in 2012. The increase was primarily due to higher sales volumes and net selling prices, cost savings, a lower effective tax rate and a lower share count, partially offset by input cost inflation and unfavorable foreign currency rates.

Personal Care Segment

Net sales of \$2.4 billion decreased 1 percent. Lost sales as a result of European strategic changes reduced net sales by 4 percent and currency rates were unfavorable by 3 percent. Organic sales volumes rose 5 percent and the combined impact of changes in net selling prices and product mix added 1 percent of net sales growth. Third quarter operating profit of \$427 decreased 2 percent. The comparison was negatively impacted by input cost inflation, unfavorable currency rates and higher marketing, research and general expenses, mostly offset by benefits from organic volume growth and cost savings.

Net sales in North America were even with the year-ago period. Volumes increased 2 percent, while product mix was down 1 percent and net selling prices fell 1 percent, primarily due to increased promotion activity in the diaper category. Feminine care volumes were up high-single digits, driven by growth on the U by Kotex brand. Adult care volumes increased mid-single digits,

including benefits from product innovation on the Depend and Poise brands. Huggies diaper volumes were up mid-single digits, with benefits from improved Huggies Snug & Dry diapers. Child care volumes decreased high-single digits and were impacted by the timing of promotions, category softness and competitive activity. Net sales in K-C International ("KCI") increased 3 percent despite a 6 percent negative impact from changes in currency rates. Sales volumes were up 7 percent and the combined impact of higher net selling prices and improved product mix added 3 percent of growth. Volumes increased in Australia, China, Russia, South Africa, Vietnam and throughout most of Latin America, including Brazil, but declined in South Korea and Venezuela. Net sales in Europe decreased 40 percent, including a 48 percent negative impact from lost sales in conjunction with European strategic changes. Organic sales volumes rose 7 percent, including growth in Huggies baby wipes and child care products, and currency rates were favorable by 1 percent.

Consumer Tissue Segment

Net sales of \$1.6 billion increased 1 percent. Net selling prices rose 3 percent and higher organic sales volumes and favorable product mix each added 1 percent of growth. Changes in currency rates, and lost sales in conjunction with European strategic changes and pulp and tissue restructuring actions, each reduced net sales by 2 percent. Third quarter operating profit of \$233 increased 8 percent. The comparison benefited from net sales growth, cost savings and lower marketing, research and general expenses, partially offset by input cost inflation and unfavorable currency rates.

Net sales in North America were up 4 percent. Net selling prices increased 4 percent, driven by sheet count reductions accompanying product innovation launched earlier in the year on Kleenex facial tissue and Cottonelle and Scott Extra Soft bathroom tissue. Product mix improved 2 percent, while sales volumes fell 2 percent and were negatively impacted by the sheet count reductions, partially offset by higher shipments of paper towels.

Net sales in KCI increased 4 percent despite a 7 percent negative impact from changes in currency rates. Sales volumes increased 7 percent and net selling prices improved 3 percent. The growth in volume and price was driven by increases in Latin America, primarily in Brazil and Venezuela.

Net sales in Europe decreased 9 percent. Lost sales in conjunction with European strategic changes and pulp and tissue restructuring actions reduced sales volumes by 11 percent. Higher organic sales volumes and favorable currency rates each added 1 percent of growth.

K-C Professional ("KCP") Segment

Net sales of \$0.8 billion increased 3 percent. Net selling prices improved 2 percent, organic sales volumes increased 2 percent and product mix was favorable by 1 percent. Currency rates were unfavorable by 2 percent and lost sales in conjunction with European strategic changes and pulp and tissue restructuring actions reduced sales volumes by approximately 1 percent. Third quarter operating profit of \$155 increased 8 percent. The comparison benefited from net sales growth and cost savings, partially offset by higher manufacturing-related costs and unfavorable currency rates.

Net sales in North America increased 3 percent, with volumes, net selling prices and product mix each up 1 percent. The volume improvement was driven by increases in wiper products, partially offset by the exit of certain lower-margin safety product offerings.

Net sales in KCI increased 4 percent despite a 7 percent decrease from unfavorable currency rates. Net selling prices rose 5 percent and sales volumes and product mix each improved 3 percent. The growth was driven by broad-based increases in Latin America.

Net sales in Europe were even with year-ago levels. Lost sales in conjunction with European strategic changes and pulp and tissue restructuring actions reduced sales volumes 4 percent, while currency rates were favorable by 2 percent. Product mix improved 2 percent and net selling prices increased 1 percent. Organic sales volumes were down 1 percent, including declines in Southern Europe where economic conditions remain difficult.

Health Care Segment

Net sales of \$0.4 billion increased 2 percent. Sales volumes rose 3 percent and product mix improved slightly, while currency rates were unfavorable by 2 percent. Third quarter operating profit of \$70 increased 19 percent, driven by net sales growth, reduced marketing, research and general expenses and cost savings.

Medical device volumes were up high-single digits, with strong growth in pain management products and solid increases in airway management and digestive health offerings. Surgical and infection prevention volumes were up slightly, as higher sales of surgical products and face masks were mostly offset by declines in exam gloves.

Commentary - First Nine Months of 2013 Compared to First Nine Months of 2012

For the first nine months of 2013, net sales of \$15.8 billion increased 1 percent with higher organic sales volumes of 3 percent and increased net selling prices of 1 percent. Changes in foreign currency rates, and lost sales in conjunction with European strategic changes and pulp and tissue restructuring actions, each reduced net sales by approximately 2 percent.

Year-to-date operating profit of \$2,386 in 2013 increased 7 percent compared to \$2,237 in 2012. Operating profit comparisons benefited from net sales growth and FORCE cost savings of \$235. Input costs were \$120 higher overall versus 2012 and foreign currency translation effects reduced operating profit by \$45. Currency transaction effects also negatively impacted the operating profit comparison. Results include charges in 2013 of \$67 for European strategic changes and in 2012 of \$85 for pulp and tissue restructuring actions.

Other (income) and expense, net was \$12 of expense in the first nine months of 2013 and \$15 of income in the prior year. The year-on-year comparison was negatively impacted by the balance sheet remeasurement charge of \$36 due to the February 2013 devaluation of the Venezuelan bolivar, partially offset by gains on the sales of some non-core assets in the current year. The favorable resolution of a legal matter in the prior year also impacted the comparison. The year-to-date effective tax rate was 31.3 percent in 2013 compared to 30.5 percent in 2012.

Through nine months, diluted earnings per share were \$4.13 in 2013 and \$3.73 in 2012. The increase was primarily due to higher operating profit, along with increased equity income and a lower share count.

European Strategic Changes

In October 2012, we approved strategic changes related to our Western and Central European consumer and professional businesses to focus our resources and investments on stronger market positions and growth opportunities. We have exited the diaper category in that region, with the exception of the Italian market, and divested or exited some lower-margin businesses, mostly in consumer tissue, in certain markets. The changes primarily affect our consumer businesses, with a modest impact on KCP. The impacted businesses generated annual net sales of approximately \$0.5 billion and negligible operating profit.

Restructuring actions related to the strategic changes involve the sale or closure of five of our European manufacturing facilities and a streamlining of our administrative organization. The restructuring actions commenced in the fourth quarter of 2012 and are expected to be completed by December 31, 2014. The restructuring is expected to result in cumulative charges at the high end of the range of \$350 to \$400 pre-tax (\$300 to \$350 after tax) over that period. Cash costs related to severance and other expenses are expected to be toward the low end of the range of 50 to 60 percent of the charges. Noncash charges will consist primarily of asset impairment charges and incremental depreciation.

During the three months ended September 30, 2013, \$14 of pre-tax charges were recognized for the strategic changes, including \$6, \$5, and \$3 recorded in cost of products sold, marketing, research and general expenses, and other (income) and expense, net, respectively. A related benefit of \$4 was recorded in provision for income taxes. On a segment basis, \$1, \$7, and \$3 of the charges were related to personal care, consumer tissue and KCP, respectively. During the nine months ended September 30, 2013, \$67 of pre-tax charges were recognized for the strategic changes, including \$44, \$20, and \$3 recorded in cost of products sold, marketing, research and general expenses, and other (income) and expense, net, respectively. A related benefit of \$15 was recorded in provision for income taxes. On a segment basis, \$30, \$22, and \$12 of the charges were related to personal care, consumer tissue and KCP, respectively. Cash payments of \$132 related to the restructuring were made during the nine months ended September 30, 2013. For additional information on the European strategic changes, see Note 2 to the Consolidated Financial Statements.

Pulp and Tissue Restructuring Actions

In 2011 and 2012, we executed pulp and tissue restructuring actions 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. These actions involved the streamlining, sale or closure of seven of our manufacturing facilities around the world. In conjunction with these actions, we exited certain non-strategic products, primarily non-branded offerings, and transferred some production to

lower-cost facilities in order to improve overall profitability and returns. The actions were substantially complete at December 31, 2012.

As a result of the restructuring activities, versus the 2010 baseline, we expect that by 2013 annual net sales will decrease by \$250 to \$300, and operating profit will increase by at least \$75 in 2013 and at least \$100 in 2014. Through September 30, 2013, we have recognized cumulative operating profit benefits of \$70 from the restructuring actions.

During the three months ended September 30, 2012, charges of \$30 and \$1 were recorded in cost of products sold and marketing, research and general expenses, respectively, for the restructuring actions. A related benefit of \$15 was recorded in provision for income taxes. On a segment basis, all \$31 of the charges were related to consumer tissue. On a geographic basis, charges of \$10 and \$22 and a credit of \$1 were recorded in the United States, Australia and other countries, respectively.

During the nine months ended September 30, 2012, charges of \$83 and \$2 were recorded in cost of products sold and marketing, research and general expenses, respectively, for the restructuring actions. A related benefit of \$29 was recorded in provision for income taxes. On a segment basis, \$80 and \$5 of the charges were related to consumer tissue and KCP, respectively. On a geographic basis, \$58 and \$27 of the charges were recorded in the United States and Australia, respectively.

Liquidity and Capital Resources

Cash Provided by Operations

Cash provided by operations was \$2.1 billion compared to \$2.2 billion in the prior year. Despite higher earnings and improvements in our cash conversion cycle, cash from operations decreased as a result of higher tax payments, pension contributions and cash payments for restructuring versus last year.

Investing

During the first nine months of 2013, our capital spending was \$697 compared to \$763 in the prior year. We anticipate that full year 2013 capital spending will be toward the low end of the previously communicated range of \$1.0 billion to \$1.1 billion.

Financing

At September 30, 2013, total debt and redeemable securities was \$7.0 billion compared to \$6.7 billion at December 31, 2012.

On May 23, 2013, we issued \$250 aggregate principal amount of floating rate notes due May 15, 2016, \$350 aggregate principal amount of 2.4% notes due June 1, 2023, and \$250 aggregate principal amount of 3.7% notes due June 1, 2043. Proceeds from the offering were used to repay our \$500 aggregate principal amount of 5.0% notes due August 15, 2013, to fund investment in our business and for general corporate purposes.

We repurchase shares of Kimberly-Clark common stock from time to time pursuant to publicly announced share repurchase programs. During the first nine months of 2013, we repurchased 10.0 million shares of our common stock at a cost of \$950 through a broker in the open market. In 2013, we plan to repurchase \$1.2 billion of shares through open market purchases, subject to market conditions.

We maintain a \$1.5 billion revolving credit facility, scheduled to expire in October 2016, as well as the option to increase this facility by an additional \$500. This facility, currently unused, supports our commercial paper program and would provide liquidity in the event our access to the commercial paper markets is unavailable for any reason.

Our short-term debt as of September 30, 2013 was \$374 (included in debt payable within one year on the Consolidated Balance Sheet) and consisted of U.S. commercial paper with original maturities up to 90 days and other similar short-term debt issued by non-U.S. subsidiaries. The average month-end balance of short-term debt for the third quarter of 2013 was \$472. These short-term borrowings provide supplemental funding for supporting our operations. The level of short-term debt generally fluctuates depending upon the amount of operating cash flows and the timing of customer receipts and payments for items such as dividends and income taxes.

We account for our operations in Venezuela using highly inflationary accounting. On February 13, 2013, the Venezuelan government announced a devaluation of the Central Bank of Venezuela ("Central Bank") regulated

currency exchange system rate to 6.3 bolivars per U.S. dollar and the elimination of the SITME rate. As a result of the devaluation, we recorded a \$26 after tax charge (\$36 pre-tax) related to the remeasurement of the local currency-denominated balance sheet to the new exchange rate in the quarter ended March 31, 2013. Prior to devaluation, we used the Central Bank SITME rate of 5.4 bolivars per U.S. dollar to measure K-C Venezuela's bolivar-denominated transactions into U.S. dollars. The \$36 pre-tax charge is reflected in the Consolidated Income Statement in other (income) and expense, net for the nine months ended September 30, 2013. In the Consolidated Cash Flow Statement, this non-cash charge is included in other in cash provided by operations. At September 30, 2013, K-C Venezuela had a bolivar-denominated net monetary asset position of \$285 and our net investment in K-C Venezuela was \$414, both valued at 6.3

bolivars per U.S. dollar. Net sales of K-C Venezuela represented approximately 2 percent of Consolidated Net Sales for the three and nine month periods ended September 30, 2013 and 2012.

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

Legal Matters

We are subject to various legal proceedings, claims and governmental inspections, audits or investigations pertaining to issues such as contract disputes, product liability, tax matters, patents and trademarks, advertising, governmental regulations, employment 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 U.S. 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 plan to continue to execute our Global Business Plan strategies, which include a focus on targeted growth initiatives, innovation and brand building, cost savings programs and shareholder-friendly capital allocation. In 2013, we continue to expect full-year growth in organic volume, price and mix in the 3 to 5 percent target range, led by KCI. We expect to achieve cost savings to help offset anticipated unfavorable currency rates and moderate commodity cost inflation. We plan to support our product innovations and targeted growth initiatives with effective marketing campaigns.

Information Concerning Forward-Looking Statements

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

The assumptions used as a basis for the forward-looking statements include many estimates that, among other things, depend on the achievement of future cost savings and projected volume increases. In addition, many factors outside our control, including fluctuations in foreign currency exchange rates, the prices and availability of raw materials, potential competitive pressures on selling prices for our products, energy costs and retail trade customer actions, as well as general economic and political conditions globally and in the markets in which we do business, could affect the realization of these estimates.

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, 2012 entitled "Risk Factors."

Item 4. Controls and Procedures

As of September 30, 2013, 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 September 30, 2013. 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.

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. All our share repurchases during the third quarter of 2013 were made through a broker in the open market.

The following table contains information for shares repurchased during the third quarter of 2013. None of the shares in this table were repurchased directly from any of our officers or directors.

Period (2013)	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
July 1 to July 31	525,000	\$98.38	25,257,411	24,742,589
August 1 to August 31	537,000	96.32	25,794,411	24,205,589
September 1 to September 30	491,000	94.79	26,285,411	23,714,589
Total	1,553,000			

Share repurchases were made pursuant to a share repurchase program authorized by our Board of Directors on (a) January 21, 2011. This program allows for the repurchase of 50 million shares in an amount not to exceed \$5 billion.

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)p. Severance Pay Plan, amended and restated, effective January 1, 2013, filed herewith.

Exhibit No. (18). Preferability letter regarding change in accounting principle related to goodwill.

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

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)

November 1, 2013

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