

KIMBERLY CLARK CORP
Form 10-K
February 22, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2006

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

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(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

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The aggregate market value of the registrant's common stock held by non-affiliates on June 30, 2006 (based on the closing stock price on the New York Stock Exchange) on such date was approximately \$28.3 billion.

As of February 14, 2007, there were 456,450,272 shares of the Corporation's common stock outstanding.

Documents Incorporated By Reference

Certain information contained in the definitive Proxy Statement for the Corporation's Annual Meeting of Stockholders to be held on April 26, 2007 is incorporated by reference into Part III hereof.

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PART I

ITEM 1. BUSINESS

Kimberly-Clark Corporation was incorporated in Delaware in 1928. The Corporation is a global health and hygiene company focused on product innovation and building its personal care, consumer tissue, K-C Professional & Other and health care operations. The Corporation is principally engaged in the manufacturing and marketing of a wide range of health and hygiene products around the world. Most of these products are made from natural or synthetic fibers using advanced technologies in fibers, nonwovens and absorbency. As used in Items 1, 1A, 2, 3, 6, 7, 7A, 8 and 9A of this Form 10-K, the term Corporation refers to Kimberly-Clark Corporation and its consolidated subsidiaries. In the remainder of this Form 10-K, the terms Kimberly-Clark or Corporation refer only to Kimberly-Clark Corporation. For financial information by business segment and geographic area, and information about principal products and markets of the Corporation, reference is made to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and to Item 8, Note 17 to the Consolidated Financial Statements.

Recent Developments

In July 2005, the Corporation authorized a multi-year plan to improve its competitive position by accelerating investments in targeted growth opportunities. A plan to streamline manufacturing and administrative operations, primarily in North America and Europe, was also initiated (the Strategic Cost Reduction Plan). See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8, Note 2 to the Consolidated Financial Statements for a discussion of the Strategic Cost Reduction Plan.

During 2005, the Corporation repatriated approximately \$985 million of previously unremitted earnings of certain of its non-U.S. subsidiaries under the provisions of the American Jobs Creation Act of 2004. This Act provides, among other things, for a one-time deduction for certain foreign earnings that are repatriated to and reinvested in the U.S. As a result, the Corporation recorded income tax expense and a related income tax liability of approximately \$55.5 million in 2005.

On November 30, 2004, the Corporation distributed to its stockholders all of the outstanding shares of common stock of Neenah Paper, Inc. (Neenah Paper). Neenah Paper was formed in April 2004 to facilitate the spin-off of the Corporation's U.S. fine paper and technical paper businesses and its Canadian pulp mills (the Spin-off). See Item 8, Notes 1 and 3 to the Consolidated Financial Statements for additional information regarding the Spin-off.

Description of the Corporation

The Corporation is organized into operating segments based on product groupings. These operating segments have been aggregated into four reportable global business segments: Personal Care; Consumer Tissue; K-C Professional & Other; and Health Care. The reportable segments were determined in accordance with how the Corporation's executive managers develop and execute the Corporation's global strategies to drive growth and profitability of the Corporation's worldwide Personal Care, Consumer Tissue, K-C Professional & Other and Health Care operations. These strategies include global plans for branding and product positioning, technology, research and development programs, cost reductions including supply chain management, and capacity and capital investments for each of these businesses. The principal sources of revenue in each of our global business segments are described below. Revenue, profit and total assets of each reportable segment are shown in Item 8, Note 17 to the Consolidated Financial Statements.

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

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

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

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

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

In 2006, 2005 and 2004, sales to Wal-Mart Stores, Inc. were approximately 13 percent of net sales in each year.

Patents and Trademarks

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

Raw Materials

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

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

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

Competition

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

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Research and Development

Research and development expenditures are directed toward new or improved personal care, tissue, wiping, and health care products and nonwoven materials. Consolidated research and development expense was \$301.2 million in 2006, \$319.5 million in 2005, and \$279.7 million in 2004.

Foreign Market Risks

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

Environmental Matters

Total worldwide capital expenditures for voluntary environmental controls or controls necessary to comply with legal requirements relating to the protection of the environment at the Corporation's facilities are expected to be approximately \$17 million in 2007 and \$14 million in 2008. Of these amounts, approximately \$6 million in 2007 and \$5 million in 2008 are expected to be spent at facilities in the U.S. For facilities outside of the U.S., capital expenditures for environmental controls are expected to be approximately \$11 million in 2007 and \$9 million in 2008.

Total worldwide operating expenses for environmental compliance are expected to be approximately \$159 million in 2007 and \$154 million in 2008. Operating expenses for environmental compliance with respect to U.S. facilities are expected to be approximately \$75 million in 2007 and \$73 million in 2008. Operating expenses for environmental compliance with respect to facilities outside the U.S. are expected to be approximately \$84 million in 2007 and \$81 million in 2008. Operating expenses include pollution control equipment operation and maintenance costs, governmental payments, and research and engineering costs.

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

Employees

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In its worldwide consolidated operations, the Corporation had more than 55,000 employees as of December 31, 2006.

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

Available Information

The Corporation makes available financial information, news releases and other information on the Corporation's website at www.kimberly-clark.com. There is a direct link from the website to the Corporation's Securities and Exchange Commission filings via the EDGAR database, where the Corporation's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge as soon as reasonably practicable after the Corporation files such reports and amendments with, or

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

ITEM 1A. RISK FACTORS

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

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

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

Cellulose fiber, in the form of kraft pulp or recycled fiber from recovered waste paper, is used extensively in the Corporation's tissue products and is subject to significant price fluctuations due to the cyclical nature of these fiber markets. Recycled fiber accounts for approximately 29 percent of the Corporation and its equity companies' overall fiber requirements.

On a worldwide basis, the Corporation supplies approximately 10 percent of its virgin fiber needs from internal pulp manufacturing operations. Increases in pulp prices could adversely affect the Corporation's earnings if selling prices for its finished products are not adjusted or if such adjustments significantly trail the increases in pulp prices. Derivative instruments have not been used to manage these risks.

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

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

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

To ensure that it uses all forms of energy cost-effectively, the Corporation maintains ongoing energy efficiency improvement programs at all of its manufacturing sites. The Corporation's contracts with energy suppliers vary as to price, payment terms, quantities and duration. The Corporation's energy costs are also affected by various market factors including the availability of supplies of particular forms of energy, energy prices and local and national regulatory decisions. There can be no assurance that the Corporation will be fully

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protected against substantial changes in the price or availability of energy sources. Derivative instruments are used to hedge a substantial portion of natural gas price risk in accordance with the Corporation's risk management policy.

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

The Corporation competes in intensely competitive markets against well-known, branded products and private label products both domestically and internationally. Inherent risks in the Corporation's competitive strategy include uncertainties concerning trade and consumer acceptance, the effects of consolidation within retailer and distribution channels, and competitive reaction. Some of the Corporation's major competitors have undergone consolidation, which could result in increased competition and alter the dynamics of the industry. Such consolidation may give competitors greater financial resources and greater market penetration and enable competitors to offer a wider variety of products and services at more competitive prices, which could adversely affect the Corporation's financial results. It may be necessary for the Corporation to lower prices on its products and increase spending on advertising and promotions, each of which could adversely affect the Corporation's financial results. In addition, the Corporation incurs substantial development and marketing costs in introducing new and improved products and technologies. The introduction of a new consumer product (whether improved or newly developed) usually requires substantial expenditures for advertising and marketing to gain recognition in the marketplace. If a product gains consumer acceptance, it normally requires continued advertising and promotional support to maintain its relative market position. Some of the Corporation's competitors are larger and have greater financial resources than the Corporation. These competitors may be able to spend more aggressively on advertising and promotional activities, introduce competing products more quickly and respond more effectively to changing business and economic conditions than the Corporation can. The Corporation's ability to develop new products is affected by whether it can develop and fund technological innovations, receive and maintain necessary patent and trademark protection and successfully anticipate consumer needs and preferences.

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

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

The Corporation's products are sold in a highly competitive global marketplace, which is experiencing increased concentration and the growing presence of large-format retailers and discounters. With the consolidation of retail trade, especially in developed markets such as the U.S. and Europe, the Corporation is increasingly dependent on key retailers, and some of these retailers, including large-format retailers, may have greater bargaining power than does the Corporation. They may use this leverage to demand higher trade discounts or allowances which could lead to reduced profitability. The Corporation may also be negatively affected by changes in the policies of its retail trade customers, such as inventory de-stocking, limitations on access to shelf space, delisting of our products and other conditions. If the Corporation loses a significant customer or if sales of its products to a significant customer materially decrease, the Corporation's business, financial condition and results of operations may be materially adversely affected.

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

The Corporation began its Competitive Improvement Initiatives in the third quarter of 2005 to improve its competitive position by accelerating investments in targeted growth opportunities and streamlining manufacturing and administrative operations. See Item 7, Management's Discussion and Analysis of Financial

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Condition and Results of Operations. In addition, the Corporation anticipates cost savings to result from reducing material costs and manufacturing waste and realizing productivity gains and distribution efficiencies in each of its business segments. If the Corporation cannot successfully implement the strategic cost reductions included in its Competitive Improvement Initiatives or other cost savings plans, the Corporation may not realize all anticipated benefits. Any negative impact these initiatives have on the Corporation's relationships with employees or customers or any failure to generate the anticipated efficiencies and savings could adversely affect the Corporation's financial results.

The Corporation's sales may not occur as estimated.

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

Difficulties in expanding globally and in developing and emerging markets (Asia, Latin America, the Middle East, Eastern Europe and Africa) may adversely affect the Corporation's financial results.

Because the Corporation and its equity companies have manufacturing facilities in 40 countries and their products are sold in more than 150 countries, the Corporation's results may be substantially affected by foreign market risks. The Corporation is subject to the impact of economic and political instability in developing countries.

The Corporation faces increased risks in its international operations, including fluctuations in currency exchange rates, adverse political and economic conditions, legal and regulatory constraints, tariffs and other trade barriers, difficulties in enforcing contractual and intellectual property rights, costs and difficulties in managing international operations and potentially adverse tax consequences. Each of these factors could adversely affect the Corporation's financial results.

In addition, intense competition in European personal care and tissue markets and the challenging economic, political and competitive environments in Latin America and developing countries in Eastern Europe and Asia may slow the Corporation's sales growth and earnings potential. The Corporation's success internationally also depends on its ability to acquire or to form successful business alliances, and there is no guarantee that the Corporation will be able to acquire or form such alliances. In addition, there can be no assurance that the Corporation's products will be accepted in any particular market. The Corporation is subject to the movement of various currencies against each other and versus the U.S. dollar. Exposures, arising from transactions and commitments denominated in non-local currencies, are systematically hedged through foreign currency forward, option and swap contracts. Translation exposure for the Corporation with respect to foreign operations generally is not hedged. There can be no assurance that the Corporation will be fully protected against substantial foreign currency fluctuations.

Pending litigation and administrative actions could have an adverse effect on the Corporation.

There is no guarantee that the Corporation will be successful in defending itself in legal and administrative actions or in asserting its rights under various laws, including intellectual property laws. In addition, the Corporation could incur substantial costs in defending itself or in asserting its rights in such actions. The costs and other effects of pending litigation and administrative actions against the Corporation cannot be determined with certainty. Although management believes that no such proceedings will have a material adverse effect on the Corporation, there can be no assurance that the outcome of such proceedings will be as expected. See Item 3, Legal Proceedings.

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Beginning in 2007, the Corporation will obtain certain administrative services from third parties which have previously been provided by employees of the Corporation. If the third-party service providers fail to satisfactorily perform these administrative services, our operations could be adversely impacted.

As part of the Corporation's Global Business Plan, a number of administrative functions are being transferred to third-party service providers beginning in 2007. Those functions include certain: information technology; finance and accounting; sourcing and supply management; and human resources services. Although moving these administrative functions to third-party service providers is expected to lower the Corporation's cost of operations, the Corporation could experience disruptions in the quality and timeliness of the services. Disruptions or delays at the third-party service providers due to regional economic, business, environmental, or political events, or information technology system failures or military actions could adversely impact the Corporation's operations, payments to the Corporation's vendors, employees, and others, and the Corporation's ability to report financial and management information on a timely and accurate basis.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

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

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

World Headquarters Location

Dallas, Texas

Operating Segments and Geographic Headquarters

Roswell, Georgia

Neenah, Wisconsin

Milsons Point, Australia

Seoul, Korea

Reigate, United Kingdom

Administrative Centers

Knoxville, Tennessee

Brighton, United Kingdom

Worldwide Production and Service Facilities

United States

Alabama

Mobile tissue products

Arizona

Tucson health care products

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Arkansas

Conway feminine care and incontinence care products and nonwovens

Maumelle wet wipes and nonwovens

California

Fullerton tissue products

Connecticut

New Milford tissue products

Georgia

LaGrange nonwovens

Idaho

Pocatello health care products

Kentucky

Owensboro tissue products

Mississippi

Corinth nonwovens, wipers and towels

North Carolina

Hendersonville nonwovens

Lexington nonwovens

Oklahoma

Jenks tissue products

Pennsylvania

Chester tissue products

South Carolina

Beech Island diapers, wet wipes and tissue products

Tennessee

Loudon tissue products

Texas

Del Rio health care products

Paris diapers and training, youth and swim pants

San Antonio personal cleansing products and systems

Utah

Draper health care products

Ogden diapers

Washington

Everett tissue products, wipers and pulp

Wisconsin

Marinette tissue products and wipers

Neenah diapers, training pants, feminine care and incontinence care products and nonwovens

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Outside the United States

Argentina

Bernal tissue products

Pilar feminine care and incontinence care products

San Luis diapers

Australia

Albury nonwovens

Ingleburn diapers

Millicent pulp and tissue products

Tantanoola pulp

Warwick Farm tissue products

Bahrain

* East Riffa tissue products

Belgium

Duffel tissue products

Bolivia

Santa Cruz tissue products

Brazil

Correia Pinto tissue products

Cruzeiro tissue products

Mogi das Cruzes tissue products

Porto Alegre feminine care products

Suzano diapers, wet wipes and incontinence care products

Canada

Huntsville, Ontario tissue products

China

Beijing feminine care and adult care products

Guangzhou tissue products

Nanjing feminine care products

Shanghai tissue products

Colombia

Barbosa wipers, business and correspondence papers and notebooks

Puerto Tejada tissue products

Tocancipa diapers and feminine care products

* Villa Rica diapers and incontinence care products

Costa Rica

Belen tissue products

Cartago diapers and feminine care and incontinence care products

* Equity company production facility

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Czech Republic

Jaromer diapers, youth and training pants and incontinence care products

Litovel feminine care products

Dominican Republic

Santo Domingo tissue products

Ecuador

Mapasingue tissue products, diapers and feminine care products

El Salvador

Sitio del Niño tissue products

France

Rouen tissue products

Villey-Saint-Etienne tissue products

Germany

Koblenz tissue products

Reisholz tissue products

Weinheim health care products

Honduras

Villanueva health care products

India

* Pune feminine care products and diapers

Indonesia

Jakarta feminine care and tissue products

Israel

Afula diapers and feminine care and incontinence care products

Hadera tissue products

Nahariya tissue products

Italy

Alanno tissue products

Romagnano tissue products

Korea

Anyang feminine care products, diapers and tissue products

Kimcheon tissue products and nonwovens

Taejon feminine care products, diapers and nonwovens

Malaysia

Kluang tissue and feminine care products

* Equity company production facility

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Mexico

Acuña health care products

- * Bajio tissue products
- * Cuautitlan feminine care products, diapers and nonwovens
- * Ecatepec tissue products

Magdalena health care products

- * Morelia tissue products

Nogales health care products

- * Orizaba tissue products
- * Ramos Arizpe tissue products and diapers
- * Texmelucan tissue products
- * Tlaxcala diapers, nonwovens and wet wipes

Peru

Puente Piedra tissue products

Villa diapers and feminine care and incontinence care products

Philippines

San Pedro, Laguna feminine care products, diapers and tissue products

Poland

Klucze tissue products

Saudi Arabia

- * Al-Khobar diapers, feminine care and tissue products

Singapore

Tuas diapers

Slovak Republic

Piestany health care products

South Africa

Cape Town tissue, feminine care and incontinence care products

Springs tissue products and diapers

Spain

Aranguren tissue products

Arceniega tissue products and personal cleansing products and systems

Calatayud diapers

Salamanca tissue products

Telde, Canary Islands tissue products

Switzerland

Niederbipp tissue products

* Equity company production facility

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Taiwan

Chung Li tissue, feminine care products and diapers

Hsin-Ying tissue products

Ta-Yuan tissue products

Thailand

Hat Yai disposable gloves

Pathumthani feminine care and tissue products

Samut Prakarn tissue products

Turkey

Istanbul diapers

United Kingdom

Barrow tissue products

Barton-upon-Humber diapers and nonwovens

Flint tissue products and nonwovens

Northfleet tissue products

Venezuela

Maracay tissue products and diapers

Vietnam

Binh Duong feminine care products

Hanoi feminine care products

ITEM 3. LEGAL PROCEEDINGS

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

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

No matters were submitted to a vote of security holders during the fourth quarter of 2006.

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The dividend and market price data included in Item 8, Note 19 to the Consolidated Financial Statements is incorporated in this Item 5 by reference.

Quarterly dividends have been paid continually since 1935. Dividends are paid on or about the second business day of January, April, July and October. The Automatic Dividend Reinvestment service of Computershare Investor Services is available to Kimberly-Clark stockholders of record. The service makes it possible for Kimberly-Clark stockholders of record to have their dividends automatically reinvested in common stock and to make additional cash investments up to \$3,000 per quarter.

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

As of February 14, 2007, the Corporation had 31,982 holders of record of its common stock.

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

The Corporation regularly repurchases shares of Kimberly-Clark common stock pursuant to publicly announced share repurchase programs. During 2006, the Corporation purchased \$750 million worth of its common stock. The following table contains information for shares repurchased during the fourth quarter of 2006. None of the shares in this table were repurchased directly from any officer or director of the Corporation.

ISSUER PURCHASES OF EQUITY SECURITIES

Period (2006)	Total Number of Shares Purchased^(a)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
October 1 to 31	1,222,000	\$ 66.05	13,740,000	36,260,000
November 1 to 30	1,588,000	66.16	15,328,000	34,672,000
December 1 to 31	1,489,000	67.13	16,817,000	33,183,000
Total	4,299,000			

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- (a) All share repurchases between October 1, 2006 and December 31, 2006 were made pursuant to share repurchase programs authorized by the Corporation's Board of Directors on September 15, 2005 and publicly announced on such date, which allow for the repurchase of 50 million shares in an amount not to exceed \$5.0 billion.

In addition, during November and December 2006, 42,061 shares at a cost of \$2,775,949, and 163 shares at a cost of \$9,922, respectively, were purchased from current or former employees in connection with the exercise of employee stock options and other awards. No such shares were purchased in October 2006.

Table of Contents**PART II**(Continued)

ITEM 6. SELECTED FINANCIAL DATA

	Year Ended December 31				
	2006	2005 ^(b)	2004 ^(c)	2003 ^(c)	2002 ^{(c)(d)}
	(Millions of dollars, except per share amounts)				
Net Sales	\$ 16,746.9	\$ 15,902.6	\$ 15,083.2	\$ 14,026.3	\$ 13,231.5
Gross Profit	5,082.1	5,075.2	5,068.5	4,794.4	4,693.8
Operating Profit	2,101.5	2,310.6	2,506.4	2,331.6	2,368.3