KIMBERLY CLARK CORP
Form 10-K
February 18, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

x Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2014
or
o Transition Report Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934
For the transition period from to

KIMBERLY-CLARK CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	1-225	39-0394230
(State or other jurisdiction of incorporation)	(Commission file number)	(I.R.S. Employer Identification No.)

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

Registrant's telephone number, including area code: (972) 281-1200
Securities registered pursuant to Section 12(b) of the Act:

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o
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 o No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o
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. o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
	Smaller reporting company o

Non-accelerated filer
o(Do not check if a smaller reporting company)
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x
The aggregate market value of the registrant's common stock held by non-affiliates on June 30, 2014 (based on the most recent closing stock price on the New York Stock Exchange as of such date) was approximately $41.6 billion.
As of February 11, 2015, there were 365,468,649 shares of Kimberly-Clark common stock outstanding.
DOCUMENTS INCORPORATED BY REFERENCE
Certain information contained in the definitive Proxy Statement for Kimberly-Clark's Annual Meeting of Stockholders to be held on April 30, 2015 is incorporated by reference into Part III.

KIMBERLY-CLARK CORPORATION
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PART I

ITEM 1. BUSINESS

Kimberly-Clark Corporation was incorporated in Delaware in 1928. We are a global company focused on leading the world in essentials for a better life through product innovation and building our personal care, consumer tissue and K-C Professional brands. We are principally engaged in the manufacturing and marketing of a wide range of products mostly made from natural or synthetic fibers using advanced technologies in fibers, nonwovens and absorbency.

Unless the context indicates otherwise, the terms "Corporation," "Kimberly-Clark," "K-C," "we," "our" and "us" refer to Kimberly-Clark Corporation and its consolidated subsidiaries.

For financial information by business segment and geographic area, including revenue, profit and total assets of each reportable segment, and information about our principal products and markets, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") and Item 8, Note 18 to the Consolidated Financial Statements.

Dollar amounts are reported in millions, except per share dollar amounts, unless otherwise noted. Kimberly-Clark's prior period Consolidated Income Statements and related disclosures have been recast to present the results of the spun-off health care business (see further discussion below) as discontinued operations. Segment results have also been recast to present net sales and operating profit by segment on a continuing operations basis.

Recent Developments

Spin-off of Health Care Business

On October 31, 2014 (the "Distribution Date"), we completed the spin-off of our health care business, creating a stand-alone, publicly traded health care company, Halyard Health, Inc. ("Halyard"), with approximately $1.7 billion in annual net sales. On the Distribution Date, each of our shareholders of record as of the close of business on October 23, 2014 (the "Record Date") received one share of Halyard common stock for every 8 shares of our common stock held as of the Record Date. The distribution was structured to be tax free to our U.S. shareholders for U.S. federal income tax purposes. Halyard's common stock trades on the New York Stock Exchange under the symbol "HYH." After the distribution, we do not beneficially own any shares of Halyard common stock.

The spun-off health care business is presented as discontinued operations in the Consolidated Income Statement for all periods presented. The health care business' balance sheet, other comprehensive income and cash flows are included within our Consolidated Balance Sheet, Consolidated Statement of Stockholders' Equity, Consolidated Statement of Comprehensive Income and Consolidated Cash Flow Statement through October 31, 2014. See additional information related to the impact of the spin-off in Item 8, Note 2 to the Consolidated Financial Statements.

2014 Organization Restructuring

In October 2014, we initiated a restructuring plan in order to improve organization efficiency and offset the impact of stranded overhead costs resulting from the spin-off of our health care business. The restructuring is intended to improve our underlying profitability and increase our flexibility to invest in targeted growth initiatives, brand building and other capabilities critical to delivering future growth. The restructuring is expected to be completed by the end of 2016, with total costs anticipated to be $130 to $160 after tax ($190 to $230 pre-tax). Cash costs are projected to be approximately 80 percent of the total charges. Workforce reductions are expected to be in the range of 1,100 to 1,300 and primarily impact salaried employees. The restructuring is expected to impact all of our business segments and our organizations in all major geographies. See additional information in MD&A and Item 8, Note 3 to the Consolidated Financial Statements.

Remeasurement of Venezuela Balance Sheet

We remeasured our local currency-denominated balance sheet in Venezuela as of December 31, 2014 at the year end floating SICAD II exchange rate of 50 bolivars per U.S. dollar, resulting in a non-deductible charge of $462 in the Consolidated Income Statement for the year ended December 31, 2014. Prior to December 31, 2014, we measured results in Venezuela at the official exchange rate of 6.3 bolivars per U.S. dollar. See additional information in MD&A and Item 8, Note 1 to the Consolidated Financial Statements.

Description of Kimberly-Clark

We are organized into operating segments based on product groupings. These operating segments have been aggregated into three reportable global business segments. Information on these three segments, as well as their principal sources of revenue, is included 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, DryNites, Kotex, U by Kotex, Intimus, 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, Neve and other brand names.
- K-C Professional ("KCP") 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, tissue and towels. Key brands in this segment include Kleenex, Scott, WypAll, Kimtech and Jackson Safety.

These reportable segments were determined in accordance with how our chief operating decision maker and our executive managers develop and execute our global strategies to drive growth and profitability of our worldwide personal care, consumer tissue and KCP 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.

Products for household use are sold directly to supermarkets, mass merchandisers, drugstores, warehouse clubs, variety and department stores and other retail outlets, as well as through other distributors and e-commerce. Products for away-from-home use are sold through distributors and directly to manufacturing, lodging, office building, food service, and high volume public facilities.

Net sales to Wal-Mart Stores, Inc. were approximately 13% in 2014, 2013 and 2012.

Patents and Trademarks

We own various patents and trademarks registered domestically and in many foreign countries. We consider the patents and trademarks that we own and the trademarks under which we sell certain of our products to be material to our business. Consequently, we seek patent and trademark protection by all available means, including registration.

Raw Materials

Cellulose fiber, in the form of kraft pulp or fiber recycled from recovered waste paper, is the primary raw material for our tissue products and is a component of disposable diapers, training and youth pants, feminine pads 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 products, and away-from-home wipers. Superabsorbent materials are important components of disposable diapers, training and youth pants and incontinence care products.

Raw materials are purchased from third parties, and we consider the supply to be adequate to meet the needs of our businesses. See Item 1A, "Risk Factors."

Competition

We have several major competitors in most of our markets, some of which are larger and more diversified than us. 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 we conduct our business, see Item 1A, "Risk Factors."

Research and Development

Research and development expenditures are directed toward new or improved personal care, tissue, wiping, safety and nonwoven materials. Consolidated research and development expense was $368 in 2014, $333 in 2013 and $335 in 2012.

Foreign Market Risks

We operate and market our products globally, and our business strategy includes targeted growth in Asia, Latin America, Eastern Europe, the Middle East and Africa, with a particular emphasis in China, Eastern Europe and Latin America. See Item 1A, "Risk Factors" for a discussion of foreign market risks that may affect our 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 our facilities are expected to be as follows:

	2015	2016
Facilities in U.S.	$9	$2
Facilities outside U.S.	41	10
Total	$50	$12

Total worldwide operating expenses for environmental compliance, including pollution control equipment operation and maintenance costs, governmental payments, and research and engineering costs are expected to be as follows:

	2015	2016
Facilities in U.S.	$67	$70
Facilities outside U.S.	58	62
Total	$125	$132

Total environmental capital expenditures and operating expenses are not expected to have a material effect on our total capital and operating expenditures, consolidated earnings or competitive position. Current environmental spending estimates could be modified as a result of changes in our plans, changes in legal requirements, including any requirements related to global climate change, or other factors.

Employees

In our worldwide consolidated operations, we had approximately 43,000 employees as of December 31, 2014.

Available Information

We make financial information, news releases and other information available on our corporate website at www.kimberly-clark.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge on this website as soon as reasonably practicable after we file these reports and amendments with, or furnish them to, the Securities and Exchange Commission ("SEC"). The information contained on or connected to our website is not incorporated by reference into this Annual Report on Form 10-K and should not be considered part of this or any other report filed with the SEC. 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

Our business faces many risks and uncertainties that we cannot control. Any of the risks discussed below, as well as factors described in other places in this Form 10-K, or in our other filings with the SEC, could adversely affect our business, consolidated financial position, results of operations or cash flows. In addition, these items could cause our future results to differ from those in any of our forward-looking statements. These risks are not the only ones we face. Other risks that we do not presently know about or that we presently believe are not material could also adversely affect us.

Intense competition for sales of our products, changes in consumer purchasing patterns and the inability to innovate or market our products effectively could have an adverse effect on our financial results.

We operate in highly competitive domestic and international markets against well-known, branded products and low-cost or private label products. Inherent risks in our competitive strategy include uncertainties concerning trade and consumer acceptance, the effects of consolidation within retailer and distribution channels, and competitors' actions. Our competitors for these markets include global, regional and local manufacturers, including private label manufacturers. Some of these competitors may have

better access to financial resources and greater market penetration, which enable them to offer a wider variety of products and services at more competitive prices. Alternatively, some of these competitors may have significantly lower product development and manufacturing costs, particularly with respect to private label products, allowing them to offer products at a lower price. The actions of these competitors could adversely affect our financial results. It may be necessary for us to lower prices on our products and increase spending on advertising and promotions, which could adversely affect our financial results.

We may be unable to anticipate or adequately respond to changes in consumer demand for our products. Demand for our products may change based on many factors, including shifting consumer purchasing patterns to lower cost options such as private-label products and mid to lower-tier value products, low birth rates in certain countries due to slow economic growth or other factors, negative consumer response to pricing actions or changes in consumer trends or habits. If we experience lower sales due to changes in consumer demand for our products, our earnings could decrease.

Our ability to develop new products is affected by whether we can successfully anticipate consumer needs and preferences, develop and fund technological innovations, and receive and maintain necessary patent and trademark protection. In addition, we incur 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 our competitors may spend more aggressively on advertising and promotional activities, introduce competing products more quickly and respond more effectively to changing business and economic conditions. We may not be successful in developing new or improved products and technologies necessary to compete successfully in the industry, and we may not be successful in advertising, marketing, timely launching and selling our products.

Our international operations are subject to foreign market risks, including foreign exchange risk, currency restrictions and political, social and economic instability, which may adversely affect our financial results.

Our strategy includes growing our operations outside the U.S., especially in developing markets such as China, Latin America and Eastern Europe. More than half of our net sales are generated from markets outside the U.S. We and our equity companies have manufacturing facilities in 38 countries, with products sold in more than 175 countries. Our results may be substantially affected by a number of foreign market risks:

- Exposure to the movement of various currencies against each other and the U.S. dollar. A portion of the exposures, arising from transactions and commitments denominated in non-local currencies, is systematically managed through foreign currency forward and swap contracts. We do not generally hedge our translation exposure with respect to foreign operations.
- Increases in dollar-based input costs for operations outside the U.S. due to weaker foreign exchange rates versus the U.S. dollar. There can be no assurance that we will be protected against substantial foreign currency fluctuations.
- Increases in currency exchange restrictions. These restrictions could limit our ability to repatriate earnings from outside the U.S.
- Adverse political conditions. Risks related to political instability, expropriation, new or revised legal or regulatory constraints, difficulties in enforcing contractual and intellectual property rights, and potentially adverse tax consequences would adversely affect our financial results.

The inability to effectively manage foreign market risk could adversely affect our business, consolidated financial condition, results of operations or liquidity. See Recent Developments, MD&A and Item 8, Note 1 for information about the effects of currency restrictions and related exposures in Venezuela.

Increasing dependence on key retailers in developed markets and the emergence of new sales channels may adversely affect our business.

Our products are sold in a highly competitive global marketplace, which continues to experience 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., Europe and Australia, we are increasingly dependent on key retailers, and some of these retailers, including large-format retailers, may have significant bargaining power. They may use this leverage to demand higher trade discounts or allowances which could lead to reduced profitability. We may also be negatively affected by changes in the policies of our retail trade customers, such as inventory de-stocking, limitations on access to shelf space, delisting of our products, additional requirements related to safety, environmental, social and other sustainability issues, and other conditions. If we lose a significant customer or if sales of our products to a significant customer materially decrease, our business, financial condition and results of operations may be adversely affected. In addition, the emergence of new sales channels may affect customer preferences and market dynamics and could adversely impact our financial results. These new channels include sales of consumer and other products via e-commerce, as well as the growth of large-format retailers and discounters that exclusively sell private-label products.

Significant increases in prices for raw materials, energy, transportation and other necessary supplies and services, without corresponding increases in our selling prices, could adversely affect our financial results.

Increases in the cost 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 could have an adverse effect on our financial results.

Cellulose fiber, in the form of kraft pulp or recycled fiber from recovered waste paper, is used extensively in our tissue products and is subject to significant price fluctuations. Cellulose fiber, in the form of fluff pulp, is a key component in our personal care products. In recent years, pulp prices have experienced significant volatility, and this volatility is expected to continue. Increases in pulp prices or limits in the availability of recycled fiber could adversely affect our earnings if selling prices for our finished products are not adjusted or if these adjustments significantly trail the increases in pulp prices. We have not used derivative instruments to manage these risks.

A number of our products, such as diapers, training and youth pants, feminine pads, incontinence care products and disposable wipes, contain certain materials that are principally derived from petroleum. These materials are subject to price fluctuations based on changes in petroleum prices, availability and other factors, with these prices experiencing significant volatility in recent years. We purchase these materials from a number of suppliers. Significant increases in prices for these materials could adversely affect our earnings if selling prices for our finished products are not adjusted, if these adjustments significantly trail the increases in prices for these materials, or if we do not utilize lower priced substitutes for these materials. Generally, we have not used derivative instruments to manage these risks.

Our manufacturing operations utilize electricity, natural gas and petroleum-based fuels. To ensure we use all forms of energy efficiently and cost-effectively, we maintain energy efficiency improvement programs at our manufacturing sites. Our contracts with energy suppliers vary as to price, payment terms, quantities and duration. Our 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 (including actions taken to address climate change and related market responses). There can be no assurance that we will be fully protected against substantial changes in the price or availability of energy sources. We use derivative instruments to manage a portion of natural gas price risk in accordance with our risk management policy.

Disruption in our supply chain or the failure of third-party providers to satisfactorily perform could adversely impact our operations.

We operate on a global scale and therefore our ability to manufacture, distribute and sell products is critical to our operations. These activities are subject to inherent risks such as natural disasters, power outages, fires or explosions, labor strikes, terrorism, pandemics, import restrictions, regional economic, business, environmental or political events, governmental regulatory requirements or nongovernmental voluntary actions in response to global climate change or other concerns regarding the sustainability of our business, which could impair our ability to manufacture or sell our products. This interruption, if not mitigated in advance or otherwise effectively managed, could adversely impact our business, financial condition and results of operations, as well as require additional resources to address.

In addition, third parties manufacture some of our products and provide certain administrative services. Disruptions or delays at these third-party manufacturers or service providers due to the reasons above or the failure of these manufacturers or service providers to otherwise satisfactorily perform, could adversely impact our operations, sales, payments to our vendors, employees, and others, and our ability to report financial and management information on a timely and accurate basis.

There is no guarantee that our ongoing efforts to reduce costs will be successful.

We continue to implement plans to improve our competitive position by achieving cost reductions in our operations, including implementing restructuring programs in functions or areas of our business where we believe such opportunities exist. In addition, we expect ongoing cost savings from our continuous improvement activities. We anticipate these cost savings will result from reducing material costs and manufacturing waste and realizing productivity gains, distribution efficiencies and overhead reductions in each of our business segments and in our corporate functions. If we cannot successfully implement our cost saving and restructuring plans, we may not realize all anticipated benefits. Any negative impact these plans have on our relationships with employees or customers or any failure to generate the anticipated efficiencies and savings could adversely affect our financial results.

In October 2014, we initiated a restructuring plan in order to improve organization efficiency and offset the impact of stranded overhead costs resulting from the spin-off of our health care business. The successful implementation of this program presents significant organizational challenges, including successfully managing the relationship with Halyard, and we may not be able to realize all of the expected benefits of the program. Any failure to implement our restructuring plan in accordance with our expectations could adversely affect our business, results of operations, cash flows and financial condition.

New or revised future legal or regulatory requirements, potential litigation or administrative actions, or tax matters could have an adverse effect on our financial results.

As a global company, we are subject to many laws and governmental regulations, including regulations by the U.S. Food and Drug Administration and comparable foreign agencies, as well as potential litigation or administrative actions. Additionally, our sales and results of operations may be adversely impacted by new or revised legal requirements, including excise or other taxes, financial reform legislation and regulations, export control and foreign sanctions legislation, and climate change and other environmental legislation and regulations. The costs and other effects of pending litigation and administrative actions against us and new legal requirements cannot be determined with certainty. For example, new legislation or regulations may result in increased costs to us, directly for our compliance or indirectly to the extent suppliers increase prices of goods and services because of increased compliance costs or reduced availability of raw materials. Adverse regulatory action, including a recall, regulatory or other governmental investigation, or product liability or other litigation may adversely affect our financial condition and business operations.

We are subject to income tax requirements in various jurisdictions in the U.S. and internationally. Many of these jurisdictions face budgetary shortfalls or have unpredictable enforcement activity. Increases in applicable tax rates, implementation of new taxes, changes in applicable tax laws and interpretations of these tax laws and actions by tax authorities in jurisdictions in which we operate could reduce our after-tax income and have an adverse effect on our results of operations.

Although we believe that none of these proceedings or requirements will have a material adverse effect on us, the outcome of these proceedings or effects of new legal or income tax requirements may not be as expected.

Damage to the reputation of Kimberly-Clark or to one or more of our brands could adversely affect our business.

Developing and maintaining our reputation, as well as the reputation of our brands, is a critical factor in our relationship with consumers, customers, suppliers and others. Our inability to address adverse publicity or other issues, including concerns about product safety, quality, efficacy or similar matters, or breaches of consumer, customer, supplier, employee or other confidential information, real or perceived, could negatively impact sentiment towards us and our products and brands, and our business and financial results could suffer. Our business and results could also be negatively impacted by the effects of a significant product recall, product-related litigation, allegations of product tampering or contamination, the distribution and sale of counterfeit products, or a failure or breach of our information technology systems.

If our information technology systems suffer interruptions, failures or breaches, our business operations could be disrupted and we could face financial and reputational damage.

Our information technology systems, some of which are dependent on services provided by third parties, serve an important role in the efficient and effective operation and administration of our business. These systems could be damaged or cease to function properly due to any number of causes, such as catastrophic events, power outages, security breaches, computer viruses or cyber-based attacks. While we have contingency plans in place to prevent or mitigate the impact of these events, if they were to occur and our disaster recovery plans do not effectively address the issues on a timely basis, we could suffer interruptions in our ability to manage our operations, which may adversely affect our business and financial results.

Increased cyber-security threats and computer crime also pose a potential risk to the security of our information technology systems, including those of third party service providers with whom we have contracted, as well as the confidentiality, integrity and availability of the data stored on those systems. Any breach in our information technology security systems could result in the disclosure or misuse of confidential or proprietary information, including sensitive customer, vendor, employee or investor information maintained in the ordinary course of our business. Any such event could cause damage to our reputation, loss of valuable information or loss of revenue and could result in large expenditures to investigate or remediate, to recover data, to repair or replace networks or information systems, or to protect against similar future events.

We may divest or acquire product lines or businesses, which could impact our results.

We periodically divest product lines or businesses, including the current year spin-off of our health care business. These divestitures may adversely impact our results if we are unable to offset the dilutive impacts from the loss of revenue associated with the divested products or businesses, mitigate corporate overhead costs allocated to those businesses, or otherwise achieve the anticipated benefits or cost savings from the divestitures. Furthermore, the divestitures could adversely affect our ongoing business operations, including by enhancing our competitors' positions or reducing consumer confidence in our ongoing brands and products.

We may pursue acquisitions of product lines or businesses from third parties. Acquisitions involve numerous risks, including difficulties in the assimilation of the operations, technologies, services and products of the acquired product lines or businesses, estimation and assumption of liabilities and contingencies, personnel turnover and the diversion of management's attention from other business concerns. We may be unable to successfully integrate and manage product lines or businesses that we may acquire in the future, or be unable to achieve anticipated benefits or cost savings from acquisitions in the timeframe we anticipate, or at all.

The inability to effectively and efficiently manage divestitures and acquisitions with the results we expect or in the timeframe we anticipate could adversely affect our business, consolidated financial condition, results of operations or liquidity.

The spin-off of our health care business could result in substantial tax liability to us and our shareholders.

Historically, the IRS provided companies seeking to perform a spin-off transaction with an advance ruling that the proposed spin-off transaction would qualify for tax-free treatment. However, the IRS no longer provides such advance rulings. Prior to completing the spin-off of our health care business, we obtained an opinion of counsel that neither we nor our U.S. shareholders will recognize taxable income, gain or loss for U.S. federal income tax purposes as a result of the spin-off. The opinion of counsel is based on certain statements and representations made by us, which, if incomplete or inaccurate in any material respect, could invalidate the opinion of counsel. In addition, this opinion is not binding on the IRS. Accordingly, the IRS or the courts may reach conclusions with respect to the spin-off that are different from the conclusions reached in the opinion of counsel.

If the spin-off and certain related transactions were determined to be taxable, we would be subject to a substantial tax liability. In addition, if the spin-off were deemed taxable, each U.S. holder of our common stock who received shares of Halyard would generally be treated as receiving a taxable distribution of property in an amount equal to the fair market value of the shares received.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

At December 31, 2014 we own or lease:

- our principal executive offices located in the Dallas, Texas metropolitan area;
- four operating segment and geographic headquarters at two U.S. and two international locations; and
- four administrative centers at one U.S. and three international locations.

The locations of our and our equity affiliates' principal production facilities by major geographic areas of the world are as follows:

Geographic Area:	Number of Facilities
United States (in 15 states)	17
Europe	12
Asia, Latin America and other	63
Worldwide Total (in 38 countries)	92

Many of these facilities produce multiple products. Consumer tissue and KCP products are produced in 56 facilities and personal care products are produced in 48 facilities. We believe that our and our equity affiliates' facilities are suitable for their purpose, adequate to support their businesses and well maintained.

ITEM 3. LEGAL PROCEEDINGS

See Item 8, Note 14 to the Consolidated Financial Statements for information on legal proceedings, which is incorporated in this Item 3 by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The names and ages of our executive officers as of February 18, 2015, together with certain biographical information, are as follows:

Mark A. Buthman, 54, was elected Senior Vice President and Chief Financial Officer in 2003. Mr. Buthman joined Kimberly-Clark in 1982. He has held various positions of increasing responsibility in operations, finance and strategic planning. Mr. Buthman was appointed Vice President of Strategic Planning and Analysis in 1997 and Vice President of Finance in 2002. He is a director of West Pharmaceutical Services, Inc. and Pavillon, International.

Thomas J. Falk, 56, was elected Chairman of the Board and Chief Executive Officer in 2003 and President and Chief Executive Officer in 2002. Prior to that, he served as President and Chief Operating Officer since 1999. Mr. Falk previously had been elected Group President - Global Tissue, Pulp and Paper in 1998, where he was responsible for Kimberly-Clark's global tissue businesses. Earlier in his career, Mr. Falk had responsibility for Kimberly-Clark's North American Infant Care, Child Care and Wet Wipes businesses. Mr. Falk joined Kimberly-Clark in 1983 and has held other senior management positions. He has been a director of Kimberly-Clark since 1999. He also serves on the board of directors of Lockheed Martin Corporation, Catalyst Inc., the Global Consumer Goods Forum, and the University of Wisconsin Foundation, and serves as a governor of the Boys & Girls Clubs of America.

Lizanne C. Gottung, 58, was elected Senior Vice President and Chief Human Resources Officer in 2002. She is responsible for leading the design and implementation of all human capital strategies for Kimberly-Clark, including global compensation and benefits, talent management, diversity and inclusion, organizational effectiveness and corporate health services. Ms. Gottung joined Kimberly-Clark in 1981. She has held a variety of human resources, manufacturing and operational roles of increasing responsibility, including Vice President of Human Resources from 2001 to 2002. She is a director of Louisiana-Pacific Corporation.

Michael D. Hsu, 50, was elected Group President - K-C North America in May 2013. From 2012 to May 2013, his title was Group President - North America Consumer Products. He is responsible for our consumer business in North America, as well as leading the development of new business strategies for global nonwovens. Prior to joining Kimberly-Clark, Mr. Hsu served as Executive Vice President and Chief Commercial Officer of Kraft Foods, Inc., a North American grocery manufacturing and processing conglomerate, from January 2012 to July 2012, as President of Sales, Customer Marketing and Logistics from 2010

to 2012 and as President of its grocery business unit from 2008 to 2010. Prior to that, Mr. Hsu served as President and Chief Operating Officer, Foodservice at H. J. Heinz Company, a manufacturer and marketer of food products.

Thomas J. Mielke, 56, was elected Senior Vice President - General Counsel in November 2013. From 2007 to 2012, his title was Senior Vice President - Law and Government Affairs and Chief Compliance Officer, and from 2012 to 2013, his title was Senior Vice President - General Counsel and Chief Compliance Officer. His responsibilities include our legal affairs, internal audit and government relations activities. Mr. Mielke joined Kimberly-Clark in 1988. He held various positions within the legal function and was appointed Vice President and Chief Patent Counsel in 2000, and Vice President and Chief Counsel - North Atlantic Consumer Products in 2004.

Anthony J. Palmer, 55, was elected President - Global Brands and Innovation in 2012. Previously, he served as Senior Vice President and Chief Marketing Officer from 2006 to 2012. He leads the global development of the company's consumer categories through marketing, innovations, category and customer development, shopper marketing and lean cost transformation. In addition, he leads the company's global marketing, innovation, corporate research and development and corporate communications functions. Prior to joining Kimberly-Clark in 2006, he served in a number of senior marketing and general management roles at the Kellogg Company, a producer of cereal and convenience foods, from 2002 to 2006, including as managing director of Kellogg's U.K. business. He is a director of The Hershey Company.

Elane B. Stock, 50, was elected Group President - K-C International in April 2014. She is responsible for our businesses in Asia, Latin America, Europe, the Middle East and Africa. She previously served as Group President - K-C Professional from 2013 to 2014. From 2012 to 2013, her title was President - Global K-C Professional. She also served as Senior Vice President and Chief Strategy Officer from 2010 to 2012. Prior to joining Kimberly-Clark, Ms. Stock served as National Vice President of Strategy for the American Cancer Society from 2008 to 2010. From 2007 to 2008, she was a regional manager at Georgia-Pacific Corporation (Koch Industries). Ms. Stock was a partner at McKinsey & Company, Inc. in Ireland from 2005 to 2007. She is a director of Yum! Brands, Inc.

Kimberly K. Underhill, 50, was appointed President of K-C Professional in April 2014. From 2011 to 2014, she served as President, Consumer Europe. She is responsible for our global professional business, which includes commercial tissue and wipers, and skin care, safety and Do-It-Yourself products. She joined Kimberly-Clark in 1988 and has held a number of positions with increasing responsibility within research and engineering, operations and marketing.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The dividend and market price data included in Item 7, MD&A "Unaudited Quarterly Data," are incorporated in this Item 5 by reference.

Quarterly dividends have been paid continually since 1935. Dividends have been paid on or about the second business day of January, April, July and October.

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

As of February 11, 2015, we had 24,076 holders of record of our common stock.

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

We repurchase shares of Kimberly-Clark common stock from time to time pursuant to publicly announced share repurchase programs. During 2014, we repurchased 18 million shares of our common stock at a cost of $2.0 billion through a broker in the open market.

The following table contains information for shares repurchased during the fourth quarter of 2014. None of the shares in this table were repurchased directly from any of our officers or directors.

Period (2014)	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 October 31	358,000	$ 107.14	39,407,811	10,592,189	
November 1 to November 30	3,395,000	113.31	42,802,811	47,197,189	(b)
December 1 to December 31	3,867,300	115.30	46,670,111	43,329,889	(b)
Total	7,620,300				

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

(b) Includes shares available under the 2011 Program, as well as shares available under a share repurchase program authorized by our Board of Directors on November 13, 2014 that allows for the repurchase of 40 million shares in an amount not to exceed $5 billion.

ITEM 6. SELECTED FINANCIAL DATA

Prior period amounts from the Consolidated Income Statements have been recast to present the results of the spun-off health care business as discontinued operations.

	Year Ended December 31				
	2014[(a)]	2013[(b)]	2012[(c)]	2011[(d)]	2010[(e)]
Net Sales	$19,724	$19,561	$19,467	$19,268	$18,323
Gross Profit	6,683	6,609	6,129	5,539	5,981
Operating Profit	2,521	2,903	2,377	2,152	2,533
Share of Net Income of Equity Companies	146	205	177	161	181
Income from Continuing Operations	1,545	2,018	1,627	1,495	1,804
Income from Discontinued Operations, Net of Income Taxes	50	203	201	189	139
Net Income	1,595	2,221	1,828	1,684	1,943
Net Income Attributable to Noncontrolling Interests in Continuing Operations	(69)	(79)	(78)	(93)	(100)
Net Income Attributable to Kimberly-Clark Corporation	1,526	2,142	1,750	1,591	1,843
Per Share Basis					
Net Income Attributable to Kimberly-Clark Corporation					
Basic					
Continuing operations	3.94	5.05	3.94	3.54	4.13
Discontinued operations	0.13	0.53	0.51	0.48	0.34
Net income	4.07	5.58	4.45	4.02	4.47
Diluted					
Continuing operations	3.91	5.01	3.91	3.52	4.11
Discontinued operations	0.13	0.52	0.51	0.47	0.34
Net income	4.04	5.53	4.42	3.99	4.45
Cash Dividends Per Share					
Declared	3.36	3.24	2.96	2.80	2.64
Paid	3.33	3.17	2.92	2.76	2.58
Total Assets	15,526	18,919	19,873	19,373	19,864
Long-Term Debt	5,630	5,386	5,070	5,426	5,120
Total Stockholders' Equity	999	5,140	5,287	5,529	6,202

(a) Results include pre-tax charges of $133, $95 after tax, related to the 2014 organization restructuring, pre-tax charges of $33, $30 after tax, related to the European strategic changes, a non-deductible charge of $462 related to the remeasurement of the Venezuelan balance sheet and a non-deductible charge of $35, $17 attributable to Kimberly-Clark Corporation, related to a regulatory dispute in the Middle East. Additionally, results were negatively impacted by pre-tax charges of $157, $138 after tax, for transaction and related costs associated with the spin-off of the health care business (classified in discontinued operations). See Item 8, Notes 1 through 4 of the Consolidated Financial Statements for details on the charges for the Venezuela devaluation and restructuring programs.

(b) Results include pre-tax charges of $81, $66 after tax, related to the European strategic changes. Additionally, results were negatively impacted by a $36 pre-tax charge, $26 after tax, related to the devaluation of the Venezuelan bolivar. See Item 8, Notes 1 and 4 of the Consolidated Financial Statements for details.

(c)

Results include pre-tax charges of $299, $242 after tax, related to the European strategic changes. Additionally, results were negatively impacted by $135 in pre-tax charges, $86 after tax, for the pulp and tissue restructuring actions. See Item 8, Notes 4 and 5 of the Consolidated Financial Statements for details.

(d) Results include a non-deductible business tax charge related to a law change in Colombia of $35, as well as the effect of pulp and tissue restructuring pre-tax charges of $415, $289 after tax. See Item 8, Note 5 of the Consolidated Financial Statements for details on the restructuring program.

(e) Results include the impact of a pre-tax charge of $98, $96 after tax, related to the adoption of highly inflationary accounting in Venezuela.

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

Introduction

This MD&A 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 Business
- Overview of 2014 Results
- Results of Operations and Related Information
- Unaudited Quarterly Data
- Liquidity and Capital Resources
- Critical Accounting Policies and Use of Estimates
- Legal Matters
- Business Outlook
- Information Concerning Forward-Looking Statements

Dollar amounts are reported in millions, except per share dollar amounts, unless otherwise noted. We completed the spin-off of our health care business on October 31, 2014 (see further discussion below). As a result, the health care business is presented as discontinued operations on the Consolidated Income Statement for all periods presented, and prior period Consolidated Income Statements and related disclosures have been recast accordingly. The health care business' balance sheet, other comprehensive income and cash flows are included within our Consolidated Balance Sheet, Consolidated Statement of Stockholders' Equity, Consolidated Statement of Comprehensive Income and Consolidated Cash Flow Statement through October 31, 2014. Segment results have also been recast to present net sales and operating profit by segment on a continuing operations basis.

Overview of Business

We are a global company focused on leading the world in essentials for a better life, with manufacturing facilities in 35 countries and products sold in more than 175 countries. Our products are sold under well-known brands such as Kleenex, Scott, Huggies, Pull-Ups, Kotex and Depend. We have three reportable global business segments: Personal Care, Consumer Tissue and K-C Professional ("KCP"). These global business segments are described in greater detail in Item 8, Note 18 to the Consolidated Financial Statements.

In operating our global business, we seek to:

- manage our portfolio to balance growth, margin and cash flow,
- invest in our brands, innovation and growth initiatives,
- deliver sustainable cost reductions, and
- provide disciplined capital management to improve return on invested capital and return cash to shareholders.

Key strategies for our segments include:

- We plan to grow our strong positions in personal care by leveraging our brands and providing innovations.
- For consumer tissue, we seek to bring differentiated, value-added innovations to grow and strengthen our brands while focusing on net realized revenue, improving mix and reducing costs.
- We plan to continue to shift our mix to faster-growing, higher-margin wiping and safety segments within KCP.

Beginning in 2015, we will describe our business outside North America in two groups – Developing and Emerging Markets ("D&E") and Developed Markets, instead of K-C International ("KCI") and Europe. D&E markets will comprise Eastern Europe, the Middle East and Africa, Latin America and Asia-Pacific, excluding Australia and South Korea. Developed Markets will consist of Western and Central Europe, Australia and South Korea. Previously, KCI consisted of our businesses in Asia, Latin America, the Middle East, Eastern Europe and Africa.

Highlights for 2014 include the following:

- We executed our growth strategies in KCI, with a focus on markets in China, Eastern Europe and Latin America. Net sales in KCI grew mid-single digits in 2014, despite the negative 6 percent impact from unfavorable foreign currency exchange rates. KCI net sales as a percentage of total company net sales was similar to the prior year at 42 percent.
- In North America, we generated solid sales growth and launched innovations on several brands in 2014, including Viva towels, GoodNites youth pants, Huggies baby wipes and our Poise and Depend adult care brands. In KCI, we continue to innovate across our diaper portfolio. We continue to grow our feminine care brands and launch innovations in this category. We also experienced strong growth in net selling prices and volumes for adult care, baby wipes and KCP products in KCI.
- To help fund our investments in innovations and growth initiatives and to improve our profit margins, we are generating cost savings through several initiatives, including leveraging our global procurement organization and deploying lean principles. Full-year cost savings from our ongoing program in 2014 were $320.
- In 2014, we initiated a restructuring plan in order to improve organization efficiency and offset the impact of stranded overhead costs resulting from the spin-off of our health care business. The restructuring is intended to improve our underlying profitability and increase our flexibility to invest in targeted growth initiatives, brand building and other capabilities critical to delivering future growth. The restructuring is expected to be completed by the end of 2016, with expected workforce reductions in the range of 1,100 to 1,300, primarily impacting salaried employees. The restructuring is expected to impact all of our business segments and our organizations in all major geographies.
- In 2014, we completed our 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 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.
- We continued to focus on generating cash flow and allocating capital to shareholders. In 2014, cash provided by operations was $2.8 billion, and share repurchases of Kimberly-Clark common stock were $2.0 billion. In addition, we raised our dividend in 2014 by 4 percent, the 42nd consecutive annual increase in our dividend. Altogether, share repurchases and dividends in 2014 amounted to $3.3 billion.
- On October 31, 2014 (the "Distribution Date"), we completed the spin-off of our health care business, creating a stand-alone, publicly traded health care company, Halyard Health, Inc. ("Halyard"), with approximately $1.7 billion in annual net sales. On the Distribution Date, each of our shareholders of record as of the close of business on October 23, 2014 (the "Record Date") received one share of Halyard common stock for every 8 shares of our common stock held as of the Record Date. The distribution was structured to be tax free to our U.S. shareholders for U.S. federal income tax purposes. Halyard's common stock trades on the New York Stock Exchange under the symbol “HYH.” After the distribution, we do not beneficially own any shares of Halyard common stock.

We are subject to risks and uncertainties, which can affect our business operations and financial results. See Item 1A, "Risk Factors" in this Form 10-K for additional information.

Overview of 2014 Results

- Net sales increased 1 percent compared to the prior year. Increases in organic sales volumes and net selling prices were partially offset by unfavorable foreign currency exchange rates and lower sales in conjunction with European strategic changes and pulp and tissue restructuring actions.
- Operating profit and income from continuing operations decreased 13 percent and 23 percent, respectively, compared to 2013.
- A charge related to the remeasurement of the Venezuelan balance sheet decreased operating profit and income from continuing operations by $462.

- Income from discontinued operations, net of income taxes, includes charges of $138 related to the spin-off of our health care business.
- Diluted earnings per share in total and from continuing operations decreased 27 percent and 22 percent, respectively, compared to 2013. The decreases were primarily due to the charges mentioned above, along with lower equity income.

Results of Operations and Related Information

This section presents a discussion and analysis of net sales, operating profit and other information relevant to an understanding of 2014 results of operations. This discussion and analysis compares 2014 results to 2013, and 2013 results to 2012.

Results By Business Segment

	Year Ended December 31					
	2014	2013	Change 2014 vs. 2013		2012	Change 2013 vs. 2012	
NET SALES						
Personal Care	$9,635	$9,536	+1.0%	$9,576	-0.4%
Consumer Tissue	6,645	6,637	+0.1%	6,527	+1.7%
K-C Professional	3,388	3,323	+2.0%	3,283	+1.2%
Corporate & Other	56	65	N.M.	81	N.M.
TOTAL NET SALES	$19,724	$19,561	+0.8%	$19,467	+0.5%
OPERATING PROFIT					
Personal Care	$1,803	$1,698	+6.2%	$1,660	+2.3%
Consumer Tissue	1,062	988	+7.5%	887	+11.4%
K-C Professional	604	605	-0.2%	542	+11.6%
Corporate & Other[(a)]	(495)	(381)	N.M.	(717)	N.M.
Other (income) and expense, net[(b)]	453	7	N.M.	(5)	N.M.
TOTAL OPERATING PROFIT	$2,521	$2,903	-13.2%	$2,377	+22.1%

N.M. - Not Meaningful

Results By Geography

	Year Ended December 31				
	2014	2013	Change 2014 vs. 2013	2012	Change 2013 vs. 2012
NET SALES					
North America	$9,400	$9,430	-0.3 %	$9,425	+0.1 %
Europe	2,717	2,839	-4.3 %	3,092	-8.2 %
Asia, Latin America and other	7,961	7,639	+4.2 %	7,347	+4.0 %
Intergeographic sales	(354)	(347)	+2.0 %	(397)	-12.6 %
TOTAL NET SALES	$19,724	$19,561	+0.8 %	$19,467	+0.5 %
OPERATING PROFIT					
North America	$2,003	$1,984	+1.0 %	$1,896	+4.6 %
Europe	282	237	+19.0 %	225	+5.3 %
Asia, Latin America and other	1,184	1,070	+10.7 %	968	+10.5 %
Corporate & Other[a]	(495)	(381)	N.M.	(717)	N.M.
Other (income) and expense, net[b]	453	7	N.M.	(5)	N.M.
TOTAL OPERATING PROFIT	$2,521	$2,903	-13.2 %	$2,377	+22.1 %

(a) Charges related to the 2014 organization restructuring of $133 and a charge of $41 related to the remeasurement of the Venezuelan balance sheet in 2014 are included in Corporate & Other. In addition, charges for European strategic changes of $33, $76 and $299 in 2014, 2013 and 2012, respectively, and pulp and tissue restructuring of $134 in 2012 are included in Corporate & Other. See additional information later in this MD&A.

(b) Other (income) and expense, net for 2014 includes a charge of $421 related to the remeasurement of the Venezuelan balance sheet and a $35 charge related to a regulatory dispute in the Middle East. The results for 2013 include a balance sheet remeasurement charge of $36 due to the February 2013 devaluation of the Venezuelan bolivar, partially offset by gains on the sales of certain non-core assets. The results for 2012 include currency transaction gains and the impact of the favorable resolution of a legal matter, partially offset by asset impairment charges.

Percentage Change

NET SALES		Change Due To				
	Total	Organic Volume	Restructuring Impact[a]	Net Price	Mix/ Other[b]	Currency
2014 versus 2013						
Consolidated	0.8	2	(1)	2	—	(2)
Personal Care	1.0	3	(1)	3	—	(4)
Consumer Tissue	0.1	1	(1)	1	—	(1)
K-C Professional	2.0	3	—	1	—	(2)
2013 versus 2012						
Consolidated	0.5	3	(2)	1	—	(2)
Personal Care	(0.4)	4	(3)	—	1	(2)
Consumer Tissue	1.7	2	(1)	2	—	(1)
K-C Professional	1.2	1	(1)	1	1	(1)

(a) Lower sales related to the European strategic changes and pulp and tissue restructuring actions.
(b) Mix/Other includes rounding.

OPERATING PROFIT		Change Due To					
	Total	Volume	Net Price	Input Costs[a]	Cost Savings	Currency Translation	Other[b]
2014 versus 2013							
Consolidated	(13.2)	5	13	(8)	11	(3)	(31)
Personal Care	6.2	5	15	(9)	12	(3)	(14)
Consumer Tissue	7.5	1	10	(5)	10	—	(9)
K-C Professional	(0.2)	5	3	(8)	5	(3)	(2)
2013 versus 2012							
Consolidated	22.1	4	9	(9)	13	(3)	8
Personal Care	2.3	4	2	(6)	12	(2)	(8)
Consumer Tissue	11.4	2	14	(12)	5	(1)	3
K-C Professional	11.6	1	8	(3)	10	(3)	(1)

(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, Other includes the impact of charges recorded in Corporate & Other and other (income) and expense, net.

Commentary - 2014 Compared to 2013

Consolidated

Net sales of $19.7 billion increased 1 percent compared to the prior year. Organic sales volumes and net selling prices each increased 2 percent. Foreign currency exchange rates were unfavorable by 2 percent, and lower sales in conjunction with European strategic changes and pulp and tissue restructuring actions reduced net sales by 1 percent.
Operating profit was $2,521 in 2014 and $2,903 in 2013. Operating profit comparisons benefited from organic sales volume growth and higher net selling prices, as well as FORCE cost savings of $320 and $30 of savings from pulp and tissue restructuring actions. Input costs were $240 higher overall versus 2013. Results in 2014 include charges related to the 2014 organization restructuring, remeasurement of the Venezuelan balance sheet and European strategic changes of $133, $462 and $33, respectively. Results in 2013 include charges related to the devaluation of the Venezuelan bolivar and European strategic changes of $36 and $81, respectively. In addition, foreign currency translation effects reduced operating profit in 2014 by $75, and currency transaction effects also negatively impacted the operating profit comparison.

We remeasured our local currency-denominated balance sheet in Venezuela as of December 31, 2014 at the year end floating SICAD II exchange rate of 50 bolivars per U.S. dollar, resulting in a non-deductible charge of $462 in the Consolidated Income Statement for the year ended December 31, 2014. Prior to December 31, 2014, we measured results in Venezuela at the official exchange rate of 6.3 bolivars per U.S. dollar. See additional information later in this MD&A and Item 8, Note 1 to the Consolidated Financial Statements.

The effective tax rate was 38.0 percent in 2014 compared to 31.4 percent in 2013. The increase was primarily due to the non-deductible charge in 2014 related to the remeasurement of the Venezuelan balance sheet.

Kimberly-Clark's share of net income of equity companies was $146 in 2014 and $205 in 2013. At Kimberly-Clark de Mexico, S.A.B. de C.V. ("KCM"), results were negatively impacted by input cost increases and a weaker Mexican peso, partially offset by increased organic sales volumes and cost savings.

Income from discontinued operations, net of income taxes, was $50 in 2014 and $203 in 2013. The decrease was primarily due to after-tax charges of $138 ($157 pre-tax) related to the spin-off of our health care business.

Diluted earnings per share were $4.04 in 2014 and $5.53 in 2013. Diluted earnings per share from continuing operations were $3.91 in 2014 and $5.01 in 2013. The decreases were primarily due to lower earnings, partially offset by the lower share count. Diluted earnings per share from discontinued operations were $0.13 in 2014 and $0.52 in 2013.

Personal Care Segment

Net sales of $9.6 billion increased 1 percent compared to 2013. Organic sales volumes and net selling prices each increased 3 percent. Currency rates were unfavorable by 4 percent, and lower sales in conjunction with European strategic changes reduced net sales by 1 percent. Operating profit of $1,803 increased 6 percent. The comparison benefited from higher net selling prices, organic sales volume growth and cost savings, partially offset by unfavorable effects from changes in currency rates and input cost inflation.

Net sales in North America were essentially even with the prior year. Slightly higher sales volumes and net selling prices were offset by unfavorable currency rates. Huggies baby wipes volumes rose double-digits, including benefits from market share gains and product innovation. Adult care volumes increased high-single digits, including innovation on Depend and Poise brands. Huggies diaper volumes decreased mid-single digits and were impacted by market share declines and competitive promotional activity. Child care volumes decreased mid-single digits, driven by lower Pull-Ups training pants volumes, partially offset by the launch of new GoodNites youth pants. Feminine care volumes were down slightly.

Net sales in KCI increased 4 percent. Organic sales volumes increased 6 percent, and net selling prices were higher by 5 percent, partially offset by unfavorable currency rates of 7 percent. The volume increase included gains in China, Eastern Europe, South Africa, South Korea, Vietnam and most of Latin America. The higher net selling prices were driven by increases in Latin America and Eastern Europe in response to weaker currency rates and cost inflation.

Net sales in Europe decreased 19 percent. Lower sales in conjunction with European strategic changes reduced net sales by 20 percent and net selling prices decreased net sales by 1 percent. Favorable currency rates increased net sales by 2 percent.

Consumer Tissue Segment

Net sales of $6.6 billion were essentially even with the prior year. Organic sales volumes and net selling prices each increased net sales by 1 percent. Unfavorable currency rates decreased net sales by 1 percent, and lower sales in conjunction with European strategic changes and pulp and tissue restructuring actions reduced net sales by a combined 1 percent. Operating profit of $1,062 increased 7 percent. The comparison benefited from higher net selling prices and cost savings, partially offset by input cost inflation and higher manufacturing-related costs in 2014.

Net sales in North America increased 1 percent. Sales volumes increased 2 percent, driven by growth in Cottonelle and Scott bathroom tissue and the launch of Viva Vantage paper towels. Unfavorable currency effects and changes in product mix reduced net sales by a combined 1 percent.

Net sales in KCI increased 1 percent. Net selling prices increased net sales by 4 percent, and improved product mix and growth in organic sales volumes increased net sales by a combined 1 percent. Unfavorable currency rates decreased net sales by 4 percent. The improvement in net selling prices was driven by increases in Latin America.

Net sales in Europe decreased 4 percent, driven by lower sales in conjunction with European strategic changes and pulp and tissue restructuring actions which reduced net sales by a combined 6 percent. Favorable currency rates increased net sales by 3 percent.

KCP Segment

Net sales of $3.4 billion increased 2 percent compared to 2013. Organic sales volumes increased 3 percent, and net selling prices improved by 1 percent. The impact of currency rates on net sales was unfavorable by 2 percent. Operating profit of $604 was essentially even with the prior year. The comparison benefited from organic sales volume growth, higher net selling prices and cost savings, offset by input cost inflation and unfavorable currency effects.

Net sales in North America decreased 2 percent. Net selling prices were lower by 2 percent, and unfavorable currency effects and changes in product mix decreased net sales by a combined 1 percent. Organic sales volumes increased 1 percent, driven by gains in safety products, wipers and other categories, partially offset by declines in washroom products.

Net sales in KCI increased 8 percent, despite unfavorable currency rates of 5 percent. Organic sales volumes rose 7 percent, net selling prices improved net sales by 5 percent and product mix improved 1 percent. Organic sales volumes rose in each major geography.

Net sales in Europe increased 3 percent. Organic sales volumes increased 3 percent, driven by growth in washroom products. Favorable currency rates and improved product mix each increased net sales by 1 percent, while lower sales in conjunction with European strategic changes and pulp and tissue restructuring actions and the impact of lower net selling prices each reduced net sales by 1 percent.

Commentary - 2013 Compared to 2012

Consolidated

Net sales of $19.6 billion in 2013 were up slightly from the prior year with increased organic sales volumes of 3 percent and higher 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 2 percent.

Operating profit of $2,903 in 2013 increased 22 percent from $2,377 in 2012. The increase in operating profit included benefits from organic volume growth and higher net selling prices, as well as FORCE (Focused On Reducing Costs Everywhere) cost savings of $305. Comparisons were positively impacted by lower restructuring costs, as 2012 included $299 and $135 of charges for the European strategic changes and pulp and tissue restructuring actions, respectively, and 2013 included $81 of charges for the European strategic changes. Operating profit in 2013 was negatively impacted by inflation in input costs of $220 versus 2012 and unfavorable foreign currency translation effects of $65 as a result of the weakening of several currencies, including the Australian dollar and Brazilian real, relative to the U.S. dollar. Currency transaction effects also negatively impacted the operating profit comparison.

The effective tax rate was 31.4 percent in 2013 compared to 31.3 percent in 2012.

Kimberly-Clark's share of net income of equity companies was $205 in 2013 and $177 in 2012. At KCM, results benefited from net sales growth, increased operating profit margin and a stronger Mexican peso versus the U.S. dollar.

Income from discontinued operations, net of income taxes, was $203 in 2013 and $201 in 2012.

Diluted earnings per share were $5.53 in 2013 and $4.42 in 2012. Diluted earnings per share from continuing operations were $5.01 in 2013 and $3.91 in 2012. The increases were primarily due to higher operating profit, along with increased equity income and a lower share count.

Personal Care Segment

Net sales of $9.5 billion were essentially even with the prior year with increased organic sales volumes of 4 percent and improved product mix of 1 percent. Lower sales in conjunction with European strategic changes reduced net sales by 3 percent and currency rates were unfavorable by 2 percent. Operating profit of $1,698 increased 2 percent due to cost savings and organic sales volume increases, partially offset by inflation in input costs, manufacturing cost increases, higher marketing, research and general expenses and unfavorable currency effects.

Net sales in North America decreased 1 percent due to lower net selling prices and the impact of unfavorable product mix, which reduced net sales by a combined 1 percent. Sales volumes increased 1 percent and were partially offset by unfavorable currency effects. Adult care volumes increased mid-single digits, including benefits from product innovation on the Depend and Poise brands. Huggies diaper and baby wipe volumes each increased low-single digits. Child care volumes decreased low-single digits and were impacted by category softness, competitive activity and lower shipments for Huggies Little Swimmers swim pants. Feminine care volumes were also down low-single digits.

In KCI, net sales increased 4 percent with sales volumes up 7 percent and higher net selling prices and improved product mix of 1 percent each. Currency rates were unfavorable by more than 4 percent. Volumes increased significantly in China, Eastern Europe, Vietnam and throughout most of Latin America, including Brazil, but declined in South Korea and Venezuela. For diapers, the total increase in sales volumes, net selling prices and product mix was more than 35 percent in China and approximately 20 percent in Eastern Europe and Brazil.

Net sales in Europe decreased 31 percent, including a 40 percent negative impact from lost sales in conjunction with European strategic changes. Organic sales volumes rose 8 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 $6.6 billion increased 2 percent, as higher organic sales volumes and net selling prices each increased 2 percent. These increases were partially offset by the impact of lower sales in conjunction with the European strategic changes and pulp and tissue restructuring actions and unfavorable foreign currency exchange rates, which each decreased net sales by 1 percent. Operating profit of $988 increased 11 percent due to higher net sales, cost savings, the positive impact from higher production volumes, and lower marketing, research and general expenses, partially offset by input cost inflation, other manufacturing cost increases and unfavorable currency effects.

Net sales in North America increased 3 percent compared to 2012, including a 2 percent increase in net selling prices and a 1 percent improvement in product mix. The increase in net selling prices was driven by sheet count reductions accompanying product innovation in 2013 on Kleenex facial tissue and Cottonelle and Scott Extra Soft bathroom tissue. Sales volumes were up slightly compared to 2012, as gains in bath tissue and paper towels were mostly offset by lower volumes in facial tissue.

Net sales increased 5 percent in KCI, with higher sales volumes of 5 percent and increased net selling prices of 4 percent. Unfavorable foreign currency exchange rates decreased net sales by 4 percent. The growth in volume and price was driven by increases in Latin America.

In Europe, net sales decreased 5 percent, including the impact from lower sales in conjunction with the European strategic changes and pulp and tissue restructuring actions of 7 percent and decreased net selling prices of 1 percent. These decreases were partially offset by increased organic sales volumes of 2 percent and favorable currency effects of 1 percent.

KCP Segment

Net sales of $3.3 billion increased 1 percent compared to 2012 with organic sales volumes, net selling prices and improved product mix each increasing net sales by 1 percent. These increases were partially offset by total lower sales in conjunction with the European strategic changes and pulp and tissue restructuring actions of 1 percent and unfavorable foreign currency exchange rates of 1 percent. Operating profit of $605 increased 12 percent due to sales growth and cost savings, partially offset by input cost inflation, increased marketing, research and general expenses and unfavorable currency effects.

Net sales in North America were up slightly compared to 2012. Higher volumes in washroom and wiper products were mostly offset by the impact from the exit of certain lower-margin safety product offerings.

Net sales increased 4 percent in KCI, despite a 5 percent decrease from unfavorable changes in currency rates. Sales volumes increased 4 percent, driven by growth in Latin America, and net selling prices also rose 4 percent. Improved product mix increased net sales by 1 percent.

In Europe, net sales decreased 1 percent. Lower sales in conjunction with the European strategic changes and pulp and tissue restructuring actions reduced sales volumes by 2 percent and organic sales volumes decreased 1 percent. These decreases were partially offset by the impact of favorable currency rates and improved product mix of 1 percent each.

2014 Organization Restructuring

In October 2014, we initiated a restructuring plan in order to improve organization efficiency and offset the impact of stranded overhead costs resulting from the spin-off of our health care business. The restructuring is intended to improve our underlying profitability and increase our flexibility to invest in targeted growth initiatives, brand building and other capabilities critical to delivering future growth.

The restructuring is expected to be completed by the end of 2016, with total costs anticipated to be $130 to $160 after tax ($190 to $230 pre-tax). Cash costs are projected to be approximately 80 percent of the total charges. Workforce reductions are expected to be in the range of 1,100 to 1,300 and primarily impact salaried employees. Cumulative pre-tax savings from the restructuring are expected to be $120 to $140 by the end of 2017, and were $5 in 2014. The restructuring is expected to impact all of our business segments and our organizations in all major geographies.

During 2014, $133 of pre-tax charges were recognized for the organization restructuring, including $40 recorded in cost of products sold and $93 recorded in marketing, research and general expenses, primarily for workforce reductions. A related benefit of $38 was recorded in provision for income taxes. On a geographic basis, $47 of the charges were recorded in North America, $28 in Europe and $58 in our other international operations in Asia, Latin America, the Middle East, Eastern Europe and Africa.

European Strategic Changes

In 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 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. As a result of the restructuring activities, compared to 2012, annual net sales in 2014 and 2013 were decreased by $500 and $350, respectively.

Restructuring actions related to the strategic changes involved the sale or closure of five of our European manufacturing facilities and streamlining our administrative organization. The restructuring actions commenced in 2012 and were completed by December 31, 2014. The restructuring resulted in cumulative pre-tax charges of $413 ($338 after tax) over that period.

For information on the charges by year, financial statement classification and segment, see Item 8, Notes 4 and 18 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. The restructuring resulted in cumulative pre-tax charges of $550 ($375 after tax) over that period. See Item 8, Notes 5 and 18 to the Consolidated Financial Statements for more information.

Unaudited Quarterly Data

	2014				2013			
	Fourth	Third	Second	First	Fourth	Third	Second	First
Net sales	$4,828	$5,056	$4,953	$4,887	$4,895	$4,865	$4,873	$4,928
Gross profit	1,553	1,765	1,700	1,665	1,653	1,639	1,641	1,676
Operating profit	158	877	775	711	745	718	719	721
Income (loss) from continuing operations	(48)	581	522	490	505	506	496	511
Income (loss) from discontinued operations, net of income taxes	(15)	1	8	56	53	59	51	40
Net income (loss)	(63)	582	530	546	558	565	547	551
Net income (loss) attributable to Kimberly-Clark Corporation	(83)	562	509	538	539	546	526	531
Earnings per share - Diluted								
Continuing operations	(0.18)	1.49	1.32	1.26	1.26	1.26	1.22	1.26
Discontinued operations	(0.04)	—	0.02	0.15	0.14	0.15	0.13	0.10
Net income (loss)	(0.22)	1.50	1.35	1.41	1.40	1.42	1.36	1.36
Cash dividends declared per share	0.84	0.84	0.84	0.84	0.81	0.81	0.81	0.81
Market price per share								
High	118.83	114.45	113.93	111.71	111.68	100.81	106.54	97.99
Low	103.88	103.50	108.02	102.81	93.12	91.44	93.76	83.92
Close	115.54	107.57	111.22	110.25	104.46	94.22	97.14	97.98

Historical market prices do not reflect any adjustment for the impact of the spin-off of our health care business.

Liquidity and Capital Resources

Cash Provided by Operations

Cash provided by operations was $2.8 billion in 2014 compared to $3.0 billion in 2013. The decrease was driven by higher tax payments and transaction costs for the health care spin-off, partially offset by lower payments for restructuring items.

Obligations

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

	Total	2015	2016	2017	2018	2019	2020+
Long-term debt	$6,179	$549	$607	$963	$905	$311	$2,844
Interest payments on long-term debt	2,732	271	251	225	176	130	1,679
Redemption of preferred securities	26	—	—	—	—	26	—
Returns on redeemable preferred securities	9	2	2	2	2	1	—
Operating leases	587	151	117	94	70	56	99
Unconditional purchase obligations	1,100	297	187	165	141	147	163
Open purchase orders	1,273	1,198	74	1	—	—	—
Total contractual obligations	$11,906	$2,468	$1,238	$1,450	$1,294	$671	$4,785

- Projected interest payments for variable-rate debt were calculated based on the outstanding principal amounts and prevailing market rates as of December 31, 2014.
- The unconditional purchase obligations are for the purchase of raw materials, primarily superabsorbent materials, pulp, and utilities. Although we are primarily liable for payments on the above operating leases and unconditional purchase

obligations, based on historic operating performance and forecasted future cash flows, we believe exposure to losses, if any, under these arrangements is not material.

- The open purchase orders displayed in the table represent amounts for goods and services we have negotiated for delivery.

The table does not include amounts where payments are discretionary or the timing is uncertain. The following payments are not included in the table:

- We will fund our defined benefit pension plans to meet or exceed statutory requirements and currently expect to contribute up to $100 to these plans in 2015.
- Other postretirement benefit payments are estimated using actuarial assumptions, including expected future service, to project the future obligations. Based upon those projections, we anticipate making annual payments for these obligations of $52 in 2015 to more than $62 by 2024.
- Accrued income tax liabilities for uncertain tax positions, deferred taxes and noncontrolling interests.
- Potential estimated redemption price of $46 for the redeemable preferred securities related to our subsidiary in Central America as the timing of such redemption is unknown.

Investing

Our capital spending was $1.0 billion in both 2014 and 2013. We expect capital spending to be $950 to $1,050 in 2015.

Financing

On October 17, 2014, we issued debt of $640 aggregate principal amount that was transferred to Halyard as part of the spin-off.

On May 22, 2014, we issued $300 aggregate principal amount of floating rate notes due May 19, 2016 and $300 aggregate principal amount of 1.9% notes due May 22, 2019. Proceeds from the offering were used for general corporate purposes and repurchases of common stock.

Our short-term debt, which consists of U.S. commercial paper with original maturities up to 90 days and/or other similar short-term debt issued by non-U.S. subsidiaries, was $777 as of December 31, 2014 (included in debt payable within one year on the Consolidated Balance Sheet). The average month-end balance of short-term debt for the fourth quarter of 2014 was $579, and for the twelve months ended December 31, 2014 was $572. 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.

In December 2014, we repaid $500 of redeemable preferred securities. See Item 8, Note 9 to the Consolidated Financial Statements for additional information regarding the securities.

At December 31, 2014 and 2013, total debt and redeemable securities was $7.0 billion and $6.3 billion, respectively.

In June 2014, we entered into a $2.0 billion revolving credit facility which expires in 2019. This facility, currently unused, replaced a similar facility for $1.5 billion, supports our commercial paper program, and would provide liquidity in the event our access to the commercial paper markets is unavailable for any reason.

We repurchase shares of Kimberly-Clark common stock from time to time pursuant to publicly announced share repurchase programs. During 2014, we repurchased 18.0 million shares of our common stock at a cost of $2.0 billion through a broker in the open market, including the impact of approximately $600 from the spin-off of our health care business. In 2015, we plan to repurchase $0.8 billion to $1.0 billion of shares through open market purchases, subject to market conditions.

We account for our operations in Venezuela using highly inflationary accounting. We have historically measured results in Venezuela at the rate in which we transact our business, which in 2012 was 5.4 bolivars per U.S. dollar, and 6.3 bolivars per U.S dollar through much of 2013 and 2014. Given the level of uncertainty and lack of liquidity in Venezuela, in part due to recent declines in the price of oil, we remeasured our local currency-denominated balance sheet as of December 31, 2014 at the year end floating SICAD II exchange rate of 50 bolivars per U.S. dollar. This remeasurement resulted in a non-deductible charge of $462 in the Consolidated Income Statement for the year ended December 31, 2014, with $41 recorded in cost of products sold and $421 recorded in other

(income) and expense, net. See additional information in Note 1 to the Consolidated Financial Statements. At December 31, 2014, K-C Venezuela had a bolivar-denominated net monetary asset position (primarily cash) of $59 and our net investment in K-C Venezuela was $152, both valued at 50 bolivars per U.S. dollar. Net sales of K-C Venezuela represented approximately 3 percent of consolidated net sales for the year ended December 31, 2014 and approximately 2 percent of consolidated net sales for the years ended December 31, 2013 and 2012.

In January 2015, we measured results in Venezuela at the floating SICAD II exchange rate. In mid-February 2015, the government of Venezuela announced changes to their three-tiered currency exchange system. We are evaluating the implications of these changes to assess the impact on our results and reporting for our operations in that country.

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.

Critical Accounting Policies and Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. The critical accounting policies we used in the preparation of the Consolidated Financial Statements are those that are important both to the presentation of our financial condition and results of operations and require significant judgments by management with regard to estimates used. The critical judgments by management relate to accruals for sales incentives and trade promotion allowances, pension and other postretirement benefits, deferred income taxes and potential income tax assessments. These critical accounting policies have been reviewed with the Audit Committee of the Board of Directors.

Sales Incentives and Trade Promotion Allowances

Trade promotion programs include introductory marketing funds such as slotting fees, cooperative marketing programs, temporary price reductions, end-of-aisle or in-store product displays and other activities conducted by our customers to promote our products. Rebate accruals are based on estimates of the quantity of products expected to be sold to specific customers. Our related accounting policies are discussed in Item 8, Note 1 to the Consolidated Financial Statements. Factors affecting the accruals for promotions include:

- Estimates of the number of consumer coupons that will be redeemed
- Estimates of the quantity of customer sales, timing of promotional activities and forecasted costs for activities within the promotional programs

Generally, the estimates for consumer coupon costs are based on historical patterns of coupon redemption, influenced by judgments about current market conditions such as competitive activity in specific product categories.

Employee Postretirement Benefits

Pension Plans

We have defined benefit pension plans in North America and the United Kingdom (the "Principal Plans") and/or defined contribution retirement plans covering substantially all regular employees. Certain other subsidiaries have defined benefit pension plans or, in certain countries, termination pay plans covering substantially all regular employees. Our related accounting policies and account balances are discussed in Item 8, Note 11 to the Consolidated Financial Statements.

Changes in certain assumptions could significantly affect pension expense and the benefit obligations, particularly the estimated long-term rate of return on plan assets and the discount rates used to calculate the obligations:

- Long-term rate of return on plan assets. The expected long-term rate of return is evaluated on an annual basis. In setting these assumptions, we consider a number of factors including projected future returns by asset class relative to the target asset allocation. Actual asset allocations are regularly reviewed and they are periodically rebalanced to the targeted allocations when considered appropriate. Pension expense is determined using the fair value of assets rather than a calculated value that averages gains and losses ("Calculated Value") over a period of years. Investment gains or losses represent the difference between the expected return calculated using the fair value of assets and the actual return based

on the fair value of assets. The variance between actual and expected gains and losses on pension assets is recognized in pension expense more rapidly than it would be if a Calculated Value was used for plan assets.

As of December 31, 2014, the Principal Plans had cumulative unrecognized investment and actuarial losses of approximately $2.9 billion. These unrecognized net losses may increase future pension expense if not offset by (i) actual investment returns that exceed the assumed investment returns, (ii) other factors, including reduced pension liabilities arising from higher discount rates used to calculate pension obligations, or (iii) other actuarial gains, including whether such accumulated actuarial losses at each measurement date exceed the "corridor" as required. If the expected long-term rates of return on assets for the Principal Plans were lowered by 0.25 percent, the impact on annual pension expense would not be material in 2015.

- Discount rate. The discount (or settlement) rate used to determine the present value of our future U.S. pension obligation at December 31, 2014 was based on a portfolio of high quality corporate debt securities with cash flows that largely match the expected benefit payments of the plan. For the U.K. and Canadian plans, the discount rate was determined based on yield curves constructed from a portfolio of high quality corporate debt securities. Each year's expected future benefit payments were discounted to their present value at the appropriate yield curve rate to determine the pension obligations. If the discount rate assumptions for these same plans were reduced by 0.25 percent, the increase in annual pension expense would not be material in 2015, and the December 31, 2014 pension liability would increase by about $209.
- Other assumptions. There are a number of other assumptions involved in the calculation of pension expense and benefit obligations, primarily related to participant demographics and benefit elections. As of December 31, 2014, we updated our assumptions for revised mortality projections that reflect longevity improvements of plan participants, resulting in an increase to future pension expense and to our consolidated benefit obligation.

Pension expense for defined benefit pension plans is estimated to approximate $100 in 2015. Pension expense beyond 2015 will depend on future investment performance, our contributions to the pension trusts, changes in discount rates and various other factors related to the covered employees in the plans.

Other Postretirement Benefit Plans

Substantially all U.S. retirees and employees have access to our unfunded healthcare and life insurance benefit plans. Our related accounting policies and account balances are discussed in Item 8, Note 11 to the Consolidated Financial Statements. Changes in significant assumptions could affect the consolidated expense and benefit obligations, particularly the discount rates used to calculate the obligations and the healthcare cost trend rate:

- Discount rate. The determination of the discount rates used to calculate the benefit obligations of the plans is discussed in the pension benefit section above, and the methodology for each country is the same as the methodology used to determine the discount rate for that country's pension obligation. If the discount rate assumptions for these plans were reduced by 0.25 percent, there would be no impact to 2015 other postretirement benefit expense and the increase in the December 31, 2014 benefit liability would not be material. The discount rates displayed for the two types of obligations for our consolidated operations may appear different due to the unique benefit payments of the plans.
- Healthcare cost trend rate. The healthcare cost trend rate is based on a combination of inputs including our recent claims history and insights from external advisers regarding recent developments in the healthcare marketplace, as well as projections of future trends in the marketplace. See Item 8, Note 11 to the Consolidated Financial Statements for disclosure of the effect of a one percentage point change in the healthcare cost trend rate.

Deferred Income Taxes and Potential Assessments

As a global organization we are subject to income tax requirements in various jurisdictions in the U.S. and internationally. Income tax related accounting policies, account balances and matters affecting income taxes are discussed in Item 8, Note 16 to the Consolidated Financial Statements. Changes in certain assumptions related to income taxes could significantly affect consolidated results, particularly with regard to valuation allowances on deferred tax assets, unremitted earnings of subsidiaries outside the U.S. and uncertain tax positions:

- Deferred tax assets and related valuation allowances. We have recorded deferred tax assets related to, among other matters, income tax loss carryforwards, income tax credit carryforwards and capital loss carryforwards and have established valuation allowances against these deferred tax assets. These carryforwards are primarily in non-U.S. taxing jurisdictions

and in certain states in the U.S. Foreign tax credits earned in the U.S. in current and prior years, which cannot be used currently, also give rise to net deferred tax assets. In determining the valuation allowances to establish against these deferred tax assets, many factors are considered, including the specific taxing jurisdiction, the carryforward period, income tax strategies and forecasted earnings for the entities in each jurisdiction. A valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized.

- Unremitted earnings. As of December 31, 2014, U.S. income taxes and foreign withholding taxes have not been provided on approximately $8.6 billion of unremitted earnings of subsidiaries operating outside the U.S. These earnings are considered by management to be invested indefinitely. However, they would be subject to income tax if they were remitted as dividends, were lent to one of our U.S. entities or if we were to sell our stock in the subsidiaries. It is not practicable to determine the amount of unrecognized deferred U.S. income tax liability on these unremitted earnings. We periodically determine whether our non-U.S. subsidiaries will invest their undistributed earnings indefinitely and reassess this determination, as appropriate.
- Uncertain tax positions. We record our global tax provision based on the respective tax rules and regulations for the jurisdictions in which we operate. Where we believe that a tax position is supportable for income tax purposes, the item is included in our income tax returns. Where treatment of a position is uncertain, a liability is recorded based upon the expected most likely outcome taking into consideration the technical merits of the position based on specific tax regulations and facts of each matter. These liabilities may be affected by changing interpretations of laws, rulings by tax authorities or the expiration of the statute of limitations. We currently believe that the ultimate resolution of matters subject to administrative appeals, litigation or other uncertainty, individually or in the aggregate, will not have a material effect on our business, financial condition, results of operations or liquidity.

Legal Matters

See Item 8, Note 14 to the Consolidated Financial Statements for information on legal matters.

New Accounting Standards

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

Business Outlook

In 2015, 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 2015, we expect GAAP earnings per share in a range of $5.46 to $5.72, based on the assumptions described below:

- Growth in volume, net selling prices and product mix is expected to be in the combined 3 to 5 percent target range, with a focus on Personal Care and KCP in developing and emerging markets.
- We expect net sales to be negatively impacted by unfavorable foreign currency exchange rates of 8 to 9 percent, including an approximate 3 percent impact from exchange rate changes in Venezuela. We also expect unfavorable foreign currency translation effects to negatively impact operating profit growth by 9 to 10 percent, including an approximate 4 percent decrease from exchange rate changes in Venezuela. Currency transaction effects are also anticipated to negatively impact operating profit.
- We anticipate commodity cost deflation of $0 to $150.
- We plan to achieve cost savings of at least $300 from our FORCE program, and $60 to $80 from the 2014 organization restructuring.
- We anticipate that advertising spending will increase somewhat as a percentage of net sales to support targeted growth initiatives, brand building and innovation activities.
- We expect the effective tax rate to be between 31.5 and 33.5 percent.
- Our share of net income from equity companies is expected to be down somewhat due to lower earnings at KCM, driven by a weaker Mexican peso.

- We anticipate capital spending to be in a $950 to $1,050 range and share repurchases to total $0.8 to $1.0 billion, subject to market conditions.
- We expect to contribute up to $100 to our defined benefit pension plans and to increase our quarterly dividend mid-single digits effective April 2015, subject to approval by the Board of Directors.
- Charges related to the 2014 organization restructuring are expected to be $30 to $50 after tax.

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 2014 organization restructuring, 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, including the impact in Venezuela, 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 our 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.

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Presented below is a description of our risks (foreign currency risk and interest rate risk) together with a sensitivity analysis, performed annually, of each of these risks based on selected changes in market rates and prices. These analyses reflect management's view of changes which are reasonably possible to occur over a one-year period. Also included is a description of our commodity price risk.

Foreign Currency Risk

Foreign currency risk is managed by the systematic use of foreign currency forward and swap contracts for a portion of our exposure. The use of these instruments allows the management of transactional exposures to exchange rate fluctuations because the gains or losses incurred on the derivative instruments will offset, in whole or in part, losses or gains on the underlying foreign currency exposure.

Foreign currency contracts and transactional exposures are sensitive to changes in foreign currency exchange rates. An annual test is performed to quantify the effects that possible changes in foreign currency exchange rates would have on annual operating profit based on our foreign currency contracts and transactional exposures at the current year-end. The balance sheet effect is calculated by multiplying each affiliate's net monetary asset or liability position by a 10 percent change in the foreign currency exchange rate versus the U.S. dollar.

As of December 31, 2014, a 10 percent unfavorable change in the exchange rate of the U.S. dollar against the prevailing market rates of foreign currencies involving balance sheet transactional exposures would have resulted in a net pre-tax loss of approximately $35, excluding the effect of an unfavorable change in the Venezuelan bolivar discussed below. These hypothetical losses on transactional exposures are based on the difference between the December 31, 2014 rates and the assumed rates. In the view of management, the above hypothetical losses resulting from these assumed changes in foreign currency exchange rates are not material to our consolidated financial position, results of operations or cash flows.

Our operations in Venezuela are reported using highly inflationary accounting and their functional currency is the U.S. dollar. Changes in the value of a Venezuelan bolivar versus the U.S. dollar applied to our bolivar-denominated net monetary asset position are recorded in income at the time of the change. At December 31, 2014, a 10 percent unfavorable change in the exchange rate would have resulted in a net pre-tax loss of approximately $5. There are no viable options for hedging this exposure.

The translation of the balance sheets of non-U.S. operations from local currencies into U.S. dollars is also sensitive to changes in foreign currency exchange rates. Consequently, an annual test is performed to determine if changes in currency exchange rates would have a significant effect on the translation of the balance sheets of non-U.S. operations into U.S. dollars. These translation gains or losses are recorded as unrealized translation adjustments ("UTA") within stockholders' equity. The hypothetical change in UTA is calculated by multiplying the net assets of these non-U.S. operations by a 10 percent change in the currency exchange rates. As of December 31, 2014, a 10 percent unfavorable change in the exchange rate of the U.S. dollar against the prevailing market rates of our foreign currency translation exposures would have reduced stockholders' equity by approximately $800. These hypothetical adjustments in UTA are based on the difference between the December 31, 2014 exchange rates and the assumed rates. In the view of management, the above UTA adjustments resulting from these assumed changes in foreign currency exchange rates are not material to our consolidated financial position because they would not affect our cash flow.

Interest Rate Risk

Interest rate risk is managed through the maintenance of a portfolio of variable- and fixed-rate debt composed of short- and long-term instruments. The objective is to maintain a cost-effective mix that management deems appropriate. At December 31, 2014, the debt portfolio was composed of approximately 27 percent variable-rate debt and 73 percent fixed-rate debt.

Two separate tests are performed to determine whether changes in interest rates would have a significant effect on our financial position or future results of operations. Both tests are based on consolidated debt levels at the time of the test. The first test estimates the effect of interest rate changes on fixed-rate debt. Interest rate changes would result in increases or decreases in the market value of fixed-rate debt due to differences between the current market interest rates and the rates governing these instruments. With respect to fixed-rate debt outstanding at December 31, 2014, a 10 percent decrease in interest rates would have increased the fair value of fixed-rate debt by about $176, which would not have a significant impact on our financial statements as we do not record debt at fair value. The second test estimates the potential effect on future pre-tax income that would result from increased interest rates applied to our current level of variable-rate debt. With respect to variable-rate debt, a 10 percent increase in interest rates would not have a material effect on the future results of operations or cash flows.

Commodity Price Risk

We are subject to commodity price risk, the most significant of which relates to the price of pulp. Selling prices of tissue products are influenced, in part, by the market price for pulp, which is determined by industry supply and demand. As previously discussed under Item 1A, "Risk Factors," increases in pulp prices could adversely affect earnings if selling prices are not adjusted or if such adjustments significantly trail the increases in pulp prices. Derivative instruments have not been used to manage these risks.

Our energy, manufacturing and transportation costs are affected by various market factors including the availability of supplies of particular forms of energy, energy prices and local and national regulatory decisions. As previously discussed under Item 1A, "Risk Factors," there can be no assurance we will be fully protected against substantial changes in the price or availability of energy sources. In addition, we are subject to price risk for utilities and manufacturing inputs, which are used in our manufacturing operations. Derivative instruments are used in accordance with our risk management policy to hedge a limited portion of the price risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT

	Year Ended December 31		
(Millions of dollars, except per share amounts)	2014	2013	2012
Net Sales	$19,724	$19,561	$19,467
Cost of products sold	13,041	12,952	13,338
Gross Profit	6,683	6,609	6,129
Marketing, research and general expenses	3,709	3,699	3,757
Other (income) and expense, net	453	7	(5)
Operating Profit	2,521	2,903	2,377
Interest income	18	20	18
Interest expense	(284)	(282)	(285)
Income From Continuing Operations Before Income Taxes and Equity Interests	2,255	2,641	2,110
Provision for income taxes	(856)	(828)	(660)
Income From Continuing Operations Before Equity Interests	1,399	1,813	1,450
Share of net income of equity companies	146	205	177
Income From Continuing Operations	1,545	2,018	1,627
Income from discontinued operations, net of income taxes	50	203	201
Net Income	1,595	2,221	1,828
Net income attributable to noncontrolling interests in continuing operations	(69)	(79)	(78)
Net Income Attributable to Kimberly-Clark Corporation	$1,526	$2,142	$1,750
Per Share Basis			
Net Income Attributable to Kimberly-Clark Corporation			
Basic			
Continuing operations	$3.94	$5.05	$3.94
Discontinued operations	0.13	0.53	0.51
Net income	$4.07	$5.58	$4.45
Diluted			
Continuing operations	$3.91	$5.01	$3.91
Discontinued operations	0.13	0.52	0.51
Net income	$4.04	$5.53	$4.42
Cash Dividends Declared	$3.36	$3.24	$2.96

See Notes to Consolidated Financial Statements.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year Ended December 31		
(Millions of dollars)	2014	2013	2012
Net Income	$1,595	$2,221	$1,828
Other Comprehensive Income (Loss), Net of Tax			
Unrealized currency translation adjustments	(835)	(494)	215
Employee postretirement benefits	(275)	302	(377)
Other	20	17	(16)
Total Other Comprehensive Income (Loss), Net of Tax	(1,090)	(175)	(178)
Comprehensive Income	505	2,046	1,650
Comprehensive income attributable to noncontrolling interests	(57)	(87)	(93)
Comprehensive Income Attributable to Kimberly-Clark Corporation	$448	$1,959	$1,557

See Notes to Consolidated Financial Statements.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	December 31	
(Millions of dollars)	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	$789	$1,054
Accounts receivable, net	2,223	2,545
Inventories	1,892	2,233
Other current assets	655	718
Total Current Assets	5,559	6,550
Property, Plant and Equipment, Net	7,359	7,948
Investments in Equity Companies	257	382
Goodwill	1,628	3,181
Other Intangible Assets, Net	109	243
Other Assets	614	615
TOTAL ASSETS	$15,526	$18,919
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Debt payable within one year	$1,326	$375
Redeemable preferred securities of subsidiary	—	506
Trade accounts payable	2,616	2,598
Accrued expenses	1,974	2,060
Dividends payable	310	309
Total Current Liabilities	6,226	5,848
Long-Term Debt	5,630	5,386
Noncurrent Employee Benefits	1,693	1,312
Deferred Income Taxes	587	817
Other Liabilities	319	344
Redeemable Preferred and Common Securities of Subsidiaries	72	72
Stockholders' Equity		
Kimberly-Clark Corporation		
Preferred stock—no par value—authorized 20.0 million shares, none issued	—	—
Common stock—$1.25 par value—authorized 1.2 billion shares; issued 428.6 million shares at December 31, 2014 and 2013	536	536
Additional paid-in capital	632	594
Common stock held in treasury, at cost—63.3 million and 47.8 million shares at December 31, 2014 and 2013	(5,597)	(3,746)
Retained earnings	8,470	9,714
Accumulated other comprehensive income (loss)	(3,312)	(2,242)
Total Kimberly-Clark Corporation Stockholders' Equity	729	4,856
Noncontrolling Interests	270	284
Total Stockholders' Equity	999	5,140
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$15,526	$18,919

See Notes to Consolidated Financial Statements.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(Millions of dollars, shares in thousands)	Common Stock Issued		Additional Paid-in Capital	Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests
	Shares	Amount		Shares	Amount			
Balance at December 31, 2011	428,597	$536	$440	32,937	$(2,105)	$8,244	$ (1,866)	$ 280
Net income in stockholders' equity	—	—	—	—	—	1,750	—	47
Other comprehensive income, net of tax								
Unrealized translation	—	—	—	—	—	—	195	20
Employee postretirement benefits	—	—	—	—	—	—	(372)	(5)
Other	—	—	—	—	—	—	(16)	—
Stock-based awards exercised or vested	—	—	(78)	(10,492)	643	—	—	—
Income tax benefits on stock-based compensation	—	—	43	—	—	—	—	—
Shares repurchased	—	—	—	16,877	(1,333)	—	—	—
Recognition of stock-based compensation	—	—	67	—	—	—	—	—
Dividends declared	—	—	—	—	—	(1,163)	—	(38)
Other	—	—	9	—	(1)	(8)	—	(2)
Balance at December 31, 2012	428,597	536	481	39,322	(2,796)	8,823	(2,059)	302
Net income in stockholders' equity	—	—	—	—	—	2,142	—	48
Other comprehensive income, net of tax								
Unrealized translation	—	—	—	—	—	—	(499)	5
Employee postretirement benefits	—	—	—	—	—	—	298	4
Other	—	—	—	—	—	—	18	(1)
Stock-based awards exercised or vested	—	—	(33)	(4,108)	264	—	—	—
Income tax benefits on stock-based compensation	—	—	46	—	—	—	—	—
Shares repurchased	—	—	—	12,584	(1,214)	—	—	—
Recognition of stock-based compensation	—	—	92	—	—	—	—	—
Dividends declared	—	—	—	—	—	(1,244)	—	(39)
Other	—	—	8	—	—	(7)	—	(35)
	428,597	536	594	47,798	(3,746)	9,714	(2,242)	284

Balance at December 31, 2013								
Net income in stockholders' equity	—	—	—	—	—	1,526	—	39
Other comprehensive income, net of tax								
Unrealized translation	—	—	—	—	—	—	(819)	(15)
Employee postretirement benefits	—	—	—	—	—	—	(278)	3
Other	—	—	—	—	—	—	19	1
Stock-based awards exercised or vested	—	—	(54)	(2,783)	180	—	—	—
Income tax benefits on stock-based compensation	—	—	32	—	—	—	—	—
Shares repurchased	—	—	—	18,246	(2,031)	—	—	—
Recognition of stock-based compensation	—	—	52	—	—	—	—	—
Dividends declared	—	—	—	—	—	(1,256)	—	(43)
Spin-off of health care business	—	—	—	—	—	(1,505)	9	—
Other	—	—	8	—	—	(9)	(1)	1
Balance at December 31, 2014	428,597	$536	$632	63,261	$(5,597)	$8,470	$ (3,312)	$ 270

See Notes to Consolidated Financial Statements.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT

	Year Ended December 31		
(Millions of dollars)	2014	2013	2012
Operating Activities			
Net income	$1,595	$2,221	$1,828
Depreciation and amortization	862	863	857
Asset impairments	42	45	171
Stock-based compensation	52	92	67
Deferred income taxes	63	151	224
Net (gains) losses on asset dispositions	21	11	35
Equity companies' earnings (in excess of) less than dividends paid	28	(36)	(27)
(Increase) decrease in operating working capital	(176)	(158)	119
Postretirement benefits	(102)	(158)	7
Charge for Venezuelan balance sheet remeasurement	462	36	—
Other	(2)	(27)	7
Cash Provided by Operations	2,845	3,040	3,288
Investing Activities			
Capital spending	(1,039)	(953)	(1,093)
Acquisitions of businesses	—	(32)	(5)
Proceeds from dispositions of property	38	129	9
Proceeds from sales of investments	127	26	23
Investments in time deposits	(151)	(93)	(212)
Maturities of time deposits	239	94	95
Other	16	(15)	(1)
Cash Used for Investing	(770)	(844)	(1,184)
Financing Activities			
Cash dividends paid	(1,256)	(1,223)	(1,151)
Change in short-term borrowings	721	(287)	271
Debt proceeds	1,257	890	315
Debt repayments	(123)	(544)	(492)
Redemption of redeemable preferred securities of subsidiary	(500)	—	—
Cash paid on redeemable preferred securities of subsidiaries	(34)	(27)	(28)
Proceeds from exercise of stock options	127	232	565
Acquisitions of common stock for the treasury	(1,939)	(1,216)	(1,284)
Cash transferred to Halyard Health, Inc. related to spin-off	(120)	—	—
Other	(26)	(10)	2
Cash Used for Financing	(1,893)	(2,185)	(1,802)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(447)	(63)	40
Increase (Decrease) in Cash and Cash Equivalents	(265)	(52)	342
Cash and Cash Equivalents - Beginning of Year	1,054	1,106	764
Cash and Cash Equivalents - End of Year	$789	$1,054	$1,106

See Notes to Consolidated Financial Statements.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Accounting Policies

Basis of Presentation

The Consolidated Financial Statements present the accounts of Kimberly-Clark Corporation and all subsidiaries in which it has a controlling financial interest as if they were a single economic entity in conformity with accounting principles generally accepted in the United States of America ("GAAP"). All intercompany transactions and accounts are eliminated in consolidation. The terms "Corporation," "Kimberly-Clark," "we," "our," and "us" refer to Kimberly-Clark Corporation and all subsidiaries in which it has a controlling financial interest. Dollar amounts are reported in millions, except per share dollar amounts, unless otherwise noted. Kimberly-Clark’s prior period Consolidated Income Statements and related disclosures have been recast to present the results of the spun-off health care business (see further discussion below) as discontinued operations. Segment results have also been recast to present net sales and operating profit by segment on a continuing operations basis.

On October 31, 2014, we completed the spin-off of our health care business, creating a stand-alone, publicly traded health care company, Halyard Health, Inc. ("Halyard"), by distributing 100 percent of the outstanding shares of Halyard to holders of our common stock. See Note 2 for more information. The spun-off health care business is presented as discontinued operations on the Consolidated Income Statement for all periods presented. The health care business' balance sheet, other comprehensive income and cash flows are included within our Consolidated Balance Sheet, Consolidated Statement of Stockholders' Equity, Consolidated Statement of Comprehensive Income and Consolidated Cash Flow Statement through October 31, 2014.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting periods. Actual results could differ from these estimates, and changes in these estimates are recorded when known. Estimates are used in accounting for, among other things, sales incentives and trade promotion allowances, employee postretirement benefits, and deferred income taxes and potential assessments.

Cash Equivalents

Cash equivalents are short-term investments with an original maturity date of three months or less.

Inventories and Distribution Costs

Most U.S. inventories are valued at the lower of cost, using the Last-In, First-Out (LIFO) method, or market. The balance of the U.S. inventories and inventories of consolidated operations outside the U.S. are valued at the lower of cost, using either the First-In, First-Out (FIFO) or weighted-average cost methods, or market. Distribution costs are classified as cost of products sold.

Property and Depreciation

Property, plant and equipment are stated at cost and are depreciated on the straight-line method. Buildings are depreciated over their estimated useful lives, primarily 40 years. Machinery and equipment are depreciated over their estimated useful lives, primarily ranging from 16 to 20 years. Purchases of computer software, including external costs and certain internal costs (including payroll and payroll-related costs of employees) directly associated with developing significant computer software applications for internal use, are capitalized. Computer software costs are amortized on the straight-line method over the estimated useful life of the software, which generally does not exceed 5 years.

Estimated useful lives are periodically reviewed and, when warranted, changes are made to them. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss would be indicated when estimated undiscounted future cash flows from the use and eventual disposition of an asset group, which are identifiable and largely independent of the cash flows of other asset groups, are less than the carrying amount of the asset group. Measurement of an impairment loss would be based on the excess of the carrying amount of the asset group over its fair value. Fair value is measured using discounted cash flows or independent appraisals, as appropriate. When property is sold or retired, the cost of the property and the related accumulated depreciation are removed from the Consolidated Balance Sheet and any gain or loss on the transaction is included in income.

Goodwill and Other Intangible Assets

Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill is not amortized, but rather is tested for impairment annually and whenever events and circumstances indicate that impairment may have occurred. Impairment testing compares the reporting unit carrying amount of goodwill with its fair value. Fair value is estimated based on discounted cash flows. If the reporting unit carrying amount of goodwill exceeds its fair value, an impairment charge would be recorded. For 2014, we have completed the required annual testing of goodwill for impairment for all reporting units using the first day of the third quarter as the measurement date, and have determined that goodwill is not impaired.

Intangible assets with finite lives are amortized over their estimated useful lives and are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Estimated useful lives range from 2 to 20 years for trademarks, 5 to 15 years for patents and developed technologies, and 5 to 15 years for other intangible assets. An impairment loss would be indicated when estimated undiscounted future cash flows from the use of the asset are less than its carrying amount. An impairment loss would be measured as the difference between the fair value (based on discounted future cash flows) and the carrying amount of the asset.

Investments in Equity Companies

Investments in companies which we do not control but over which we have the ability to exercise significant influence and that, in general, are at least 20 percent-owned by us, are stated at cost plus equity in undistributed net income. These investments are evaluated for impairment when warranted. An impairment loss would be recorded whenever a decline in value of an equity investment below its carrying amount is determined to be other than temporary. In judging "other than temporary," we would consider the length of time and extent to which the fair value of the equity company investment has been less than the carrying amount, the near-term and longer-term operating and financial prospects of the equity company, and our longer-term intent of retaining the investment in the equity company.

Revenue Recognition

Sales revenue is recognized at the time of product shipment or delivery, depending on when title passes, to unaffiliated customers, and when all of the following have occurred: a firm sales agreement is in place, pricing is fixed or determinable, and collection is reasonably assured. Sales are reported net of returns, consumer and trade promotions, rebates and freight allowed. Taxes imposed by governmental authorities on our revenue-producing activities with customers, such as sales taxes and value-added taxes, are excluded from net sales.

Sales Incentives and Trade Promotion Allowances

The cost of promotion activities provided to customers is classified as a reduction in sales revenue. In addition, the estimated redemption value of consumer coupons is recorded at the time the coupons are issued and classified as a reduction in sales revenue. Estimates of trade promotion liabilities for promotional program costs incurred, but unpaid, are generally based on estimates of the quantity of customer sales, timing of promotional activities and forecasted costs for activities within the promotional programs.

Advertising Expense

Advertising costs are expensed in the year the related advertisement or campaign is first presented by the media. For interim reporting purposes, advertising expenses are charged to operations as a percentage of sales based on estimated sales and related advertising expense for the full year.

Research Expense

Research and development costs are charged to expense as incurred.

Foreign Currency Translation

The income statements of foreign operations, other than those in highly inflationary economies, are translated into U.S. dollars at rates of exchange in effect each month. The balance sheets of these operations are translated at period-end exchange rates, and the differences from historical exchange rates are reflected in stockholders' equity as unrealized translation adjustments.

The income statements and balance sheets of operations in highly inflationary economies are translated into U.S. dollars using both current and historical rates of exchange. 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 this 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 year ended December 31, 2013.

During March 2013, the Venezuelan government announced a complementary currency exchange system, SICAD. Participation in SICAD is controlled by the Venezuelan government. SICAD is intended to function as an auction system, allowing entities in specific sectors to bid for U.S. dollars to be used for specified import transactions. In February 2014, the president of Venezuela announced that another floating rate exchange system (referred to as SICAD II) would be initiated. Initial exchanges under SICAD II began on March 24, 2014.

We have historically measured results in Venezuela at the rate in which we transact our business. We have qualified for access to the official exchange rate because we manufacture and sell price-controlled products. Since March 2013, exchange transactions have taken place through letters of credit which resulted in an effective exchange rate of 6.3 bolivars per U.S. dollar and through approved transactions using the regulated currency exchange system, which were also at a 6.3 exchange rate. To date, we have not been invited to participate in SICAD, and we did not seek exchange at SICAD II because we qualify for the more favorable official 6.3 rate and have chosen to pursue exchange at that rate.

Through December 31, 2014, we continued to manufacture and sell products in Venezuela as well as import raw materials and finished goods under approved foreign exchange transactions. However, recent government approvals for imports under letters of credit have not been at a level sufficient to sustain all of our manufacturing capabilities in Venezuela. During December 2014, the volume of exchange transactions approved at the 6.3 exchange rate decreased significantly, and we experienced some level of production curtailment during the fourth quarter of 2014. We continued to measure results at the 6.3 rate through December 2014, however, we are uncertain whether approved exchange transactions at the 6.3 exchange rate will recover to previous levels. Given the level of uncertainty and lack of liquidity in Venezuela, in part due to recent declines in the price of oil, we remeasured our local currency-denominated balance sheet as of December 31, 2014 at the year end floating SICAD II exchange rate of 50 bolivars per U.S. dollar as we believe this was the most accessible rate available in the absence of exchange at 6.3 bolivars per U.S. dollar. This remeasurement resulted in a non-deductible charge of $462 in the Consolidated Income Statement for the year ended December 31, 2014, with $41 recorded in cost of products sold and $421 recorded in other (income) and expense, net.

At December 31, 2014, K-C Venezuela had a bolivar-denominated net monetary asset position (primarily cash) of $59 and our net investment in K-C Venezuela was $152, both valued at 50 bolivars per U.S. dollar. Net sales of K-C Venezuela represented approximately 3 percent of consolidated net sales for the year ended December 31, 2014 and approximately 2 percent of consolidated net sales for the years ended December 31, 2013 and 2012.

While we continue to seek approval for additional imports at the official rate, unless we are able to obtain further approvals for imports through approved letters of credit or through the official government exchange system, we may be forced to curtail some or all of our local manufacturing in the future until such approvals to import additional raw materials are forthcoming. In January 2015, we measured results in Venezuela at the floating SICAD II exchange rate. In mid-February 2015, the government of Venezuela announced changes to their three-tiered currency exchange system. We are evaluating the implications of these changes to assess the impact on our results and reporting for our operations in that country.

Derivative Instruments and Hedging

Our policies allow the use of derivatives for risk management purposes and prohibit their use for speculation. Our policies also prohibit the use of any leveraged derivative instrument. Consistent with our policies, foreign currency derivative instruments, interest rate swaps and locks, and the majority of commodity hedging contracts are entered into with major financial institutions. At inception we formally designate certain derivatives as cash flow, fair value or net investment hedges and establish how the effectiveness of these hedges will be assessed and measured. This process links the derivatives to the transactions or financial balances they are hedging. Changes in the fair value of derivatives not designated as hedging instruments are recorded in earnings as they occur. All derivative instruments are recorded as assets or liabilities on the balance sheet at fair value. Changes in the fair value of derivatives are either recorded in the income statement or other comprehensive income, as appropriate. The gain or loss on derivatives designated as fair value hedges and the offsetting loss or gain on the hedged item attributable to the hedged risk are included in income in the period that changes in fair value occur. The effective portion of the gain or loss on derivatives designated as cash flow hedges is included in other comprehensive income in the period that changes in fair value occur, and is reclassified to income in the same period that the hedged item affects income. The gain or loss on derivatives designated as hedges of investments in foreign subsidiaries is recognized in other comprehensive income to offset the change in value of the net investments being hedged. Any ineffective portion of cash flow hedges and net investment hedges is immediately recognized in income. Certain foreign-currency derivative instruments not designated as hedging instruments have been entered into to manage a portion of our foreign currency transactional exposures. The gain or loss on these derivatives is included in income in the period that changes in their fair values occur. See Note 15 for disclosures about derivative instruments and hedging activities.

New Accounting Standards

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers, which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most current revenue recognition guidance. The standard is effective for public entities for annual and interim periods beginning after December 15, 2016. Early adoption is not permitted. The guidance permits two implementation approaches, one requiring retrospective application of the new standard with restatement of prior years and one requiring prospective application of the new standard with disclosure of results under old standards. The effects of this standard on our financial position, results of operations and cash flows are not yet known.

Note 2. Spin-Off of Health Care Business and Related Costs

On October 31, 2014, we completed the spin-off of our health care business, and each of our shareholders of record as of the close of business on October 23, 2014 (the "Record Date") received one share of Halyard common stock for every 8 shares of our common stock held as of the Record Date. The distribution was structured to be tax free to our U.S. shareholders for U.S. federal income tax purposes. After the distribution, we do not beneficially own any shares of Halyard common stock.

Summary results of operations for the spun-off health care business included in net income from discontinued operations, net of income taxes, were as follows:

	Year Ended December 31		
	2014	2013	2012
Net sales	$ 1,320	$ 1,591	$ 1,596
Income before income taxes	130	304	310
Provision for income taxes	(80)	(101)	(109)
Net income	50	203	201

The results of the health care discontinued operations exclude certain corporate costs which were allocated to the health care segment historically and we expect to continue to incur these costs after the spin-off. These include costs related to supply chain, finance, legal, information technology, human resources, compliance, shared services, insurance, employee benefits and incentives, and stock-based compensation. On a pre-tax basis, through the date of the spin-off, these costs were $70 for the ten months ended October 31, 2014, and $85 in each of the years ended December 31, 2013 and 2012.

To evaluate, plan and execute the spin-off, we incurred $157 of pre-tax charges ($138 after tax) in transaction and related costs, including the exit of one of Halyard's health care glove manufacturing facilities in Thailand and outsourcing of the related production. These charges and the related tax impact are recorded in Income from discontinued operations, net of income taxes.

In connection with the spin-off, we transferred the following assets and liabilities to Halyard:

Assets	
Cash	$120
Accounts receivable, net	37
Inventories	289
Property, plant and equipment, net	271
Goodwill	1,429
Other intangible assets	114
Other assets	66
Total Assets	$2,326
Liabilities	
Accrued expenses	$127
Debt	636
Deferred income taxes	60
Other liabilities	7
Total Liabilities	$830
Net Assets Transferred in the Spin-Off	$1,496

In order to implement the spin-off, we entered into certain agreements with Halyard to effect our legal and structural separation; govern the relationship between us; and allocate various assets, liabilities and obligations between us, including, among other things, employee benefits, intellectual property and tax-related assets and liabilities. We also entered into a transition services agreement with Halyard, whereby we will provide certain administrative and other services for a limited time, a tax matters agreement, an employee matters agreement, intellectual property agreements, manufacturing and supply agreements, distribution agreements and non-competition agreements.

Note 3. 2014 Organization Restructuring

In October 2014, we initiated a restructuring plan in order to improve organization efficiency and offset the impact of stranded overhead costs resulting from the spin-off of our health care business. The restructuring is intended to improve our underlying profitability and increase our flexibility to invest in targeted growth initiatives, brand building and other capabilities critical to delivering future growth.

The restructuring is expected to be completed by the end of 2016, with total costs, primarily severance, anticipated to be $130 to $160 after tax ($190 to $230 pre-tax). Cash costs are projected to be approximately 80 percent of the total charges. Workforce reductions are expected to be in the range of 1,100 to 1,300 and primarily impact salaried employees. The restructuring is expected to impact all of our business segments and our organizations in all major geographies.

Charges in the fourth quarter of 2014 were $133, recorded in the following income statement line items:

	2014
Cost of products sold	$40
Marketing, research and general expenses	93
Provision for income taxes	(38)
Net charges	$95

Cash payments in the fourth quarter of 2014 related to the restructuring were not material. On a geographic basis, $47 of the charges were recorded in North America, $28 in Europe, and $58 in our international operations in Asia, Latin America, the Middle East, Eastern Europe and Africa.

Note 4. European Strategic Changes

In 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 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 affected our consumer businesses, with a modest impact on K-C Professional ("KCP"). The restructuring actions commenced in 2012 and were completed by December 31, 2014.

Restructuring actions related to the strategic changes involved the sale or closure of five of our European manufacturing facilities and streamlining our administrative organization. The following charges were incurred in connection with the European strategic changes:

	Year Ended December 31		
	2014	2013	2012
Asset impairments and other asset-related charges	$2	$53	$165
Charges for workforce reductions	(5)	10	77
Benefit from pension curtailment	—	(31)	—
Other exit costs	14	22	8
Cost of products sold	11	54	250
Charges for workforce reductions and other exit costs included in marketing, research and general expenses and other (income) and expense, net	22	27	49
Provision for income taxes	(3)	(15)	(57)
Net charges	$30	$66	$242

The measurement of the charges for asset impairments was based on the excess of the carrying value of the impacted asset groups over their fair values. These fair values were measured using discounted cash flows expected over the limited time the assets would remain in use, and as a result, the assets were essentially written off. The use of the discounted cash flows represents a level 3 measure under the fair value hierarchy.

Cash payments of $41, $156 and $4 were made during 2014, 2013 and 2012, respectively, related to the restructuring. See Note 18 for charges by segment.

Note 5. 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. The restructuring resulted in cumulative pre-tax charges of $550 ($375 after tax). During 2012, charges of $135 were recorded primarily in cost of products sold for the restructuring actions, and a related benefit of $49 was recorded in provision for income taxes. See Note 18 for charges by segment.

Note 6. 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 2014 and 2013, there were no significant transfers among level 1, 2 or 3 fair value determinations.
Company-owned life insurance ("COLI") assets and derivative assets and liabilities are measured on a recurring basis at fair value. COLI assets were $58 and $55 at December 31, 2014 and 2013, respectively. The COLI policies are a source of funding primarily for our nonqualified employee benefits and are included in other assets. The fair value of the COLI policies is considered a level 2 measurement and is derived from investments in a mix of money market, fixed income and equity funds managed by unrelated fund managers. At December 31, 2014 and 2013, derivative assets were $54 and $62, respectively, and derivative liabilities were $116 and $49, respectively. 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. Measurement of our derivative assets and liabilities is considered a level 2 measurement. Additional information on our classification and use of derivative instruments is contained in Note 15.
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	Estimated Fair Value	Carrying Amount	Estimated Fair Value
		December 31, 2014		December 31, 2013	
Assets					
Cash and cash equivalents[a]	1	$789	$789	$1,054	$1,054
Time deposits[b]	1	130	130	222	222
Liabilities and redeemable securities of subsidiaries					
Short-term debt[c]	2	777	777	63	63
Long-term debt[d]	2	6,179	6,963	5,698	6,721
Redeemable securities of subsidiaries[e]	3	72	72	578	598

(a) Cash equivalents are composed 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 composed 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.

(c) Short-term debt is composed of U.S. commercial paper and/or other similar short-term debt issued by non-U.S. subsidiaries, all of which are recorded at cost, which approximates fair value.

(d) Long-term debt includes the current portion of these debt instruments. Fair values were estimated based on quoted prices for financial instruments for which all significant inputs were observable, either directly or indirectly.

(e) The redeemable securities of subsidiaries are not traded in active markets. For certain instruments, 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 or dividend payment dates. Additionally, the fair value of the remaining redeemable securities was based on various inputs, including an independent third-party appraisal, adjusted for current market conditions.

Note 7. Acquisitions and Intangible Assets

The changes in the carrying amount of goodwill by business segment are as follows:

	Personal Care	Consumer Tissue	K-C Professional	Health Care Business	Total
Balance at December 31, 2012	$764	$695	$442	$1,436	$3,337
Acquisitions	6	—	—	3	9
Currency and other	(86)	(54)	(18)	(7)	(165)
Balance at December 31, 2013	684	641	424	1,432	3,181
Currency and other	(59)	(47)	(15)	(3)	(124)
Spin-off of health care business	—	—	—	(1,429)	(1,429)
Balance at December 31, 2014	$625	$594	$409	$—	$1,628

Intangible assets subject to amortization consist of the following at December 31:

	2014 Gross Carrying Amount	2014 Accumulated Amortization	2013 Gross Carrying Amount	2013 Accumulated Amortization
Trademarks	$117	$79	$252	$163
Patents and developed technologies	49	9	201	85
Other	64	33	93	62
Total	$230	$121	$546	$310

Note 8. Debt

Long-term debt is composed of the following:

	Weighted-Average Interest Rate	Maturities	December 31 2014	December 31 2013
Notes and debentures	4.7%	2015 - 2043	$5,656	$5,163
Dealer remarketable securities	4.3%	2015 - 2016	200	200
Industrial development revenue bonds	0.2%	2015 - 2034	261	261
Bank loans and other financings in various currencies	5.8%	2015 - 2025	62	74
Total long-term debt			6,179	5,698
Less current portion			549	312
Long-term portion			$5,630	$5,386

Scheduled maturities of long-term debt for the next five years are $549 in 2015, $607 in 2016, $963 in 2017, $905 in 2018 and $311 in 2019.

On October 17, 2014, we issued debt of $640 aggregate principal amount that was transferred to Halyard as part of the spin-off.

On May 22, 2014, we issued $300 aggregate principal amount of floating rate notes due May 19, 2016 and $300 aggregate principal amount of 1.9% notes due May 22, 2019. Proceeds from the offering were used for general corporate purposes and repurchases of common stock.

In 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.

In 2012, we issued $300 aggregate principal amount of 2.4% notes due March 1, 2022. Proceeds from the offering were used for general corporate purposes and repayment of debt.

In 2006, we issued $200 of dealer remarketable securities that have a final maturity in 2016. The remarketing provisions of these debt instruments require that each year the securities either be remarketed by the dealer or repaid. In both 2014 and 2013, the dealer exercised its option to remarket the securities for another year, and remarketed the securities to third parties.

In June 2014, we entered into a $2.0 billion revolving credit facility which expires in 2019. This facility, currently unused, replaced a similar facility for $1.5 billion, supports our commercial paper program, and would provide liquidity in the event our access to the commercial paper markets is unavailable for any reason.

Note 9. Redeemable Securities of Subsidiaries

In February 2001, we, together with a non-affiliated third party entity, (the "Third Party"), formed a Luxembourg-based financing subsidiary. Prior to December 2014, the Third Party had an investment in certain redeemable preferred securities of the subsidiary. Kimberly-Clark holds investments in certain preferred securities and all of the common securities of the subsidiary. Approximately 98 percent of the total cash contributed to the subsidiary was loaned to Kimberly-Clark. We are the primary beneficiary of the subsidiary and, accordingly, consolidated the subsidiary in our Consolidated Financial Statements.

In December 2013, the subsidiary elected to redeem the preferred securities held by the Third Party in December 2014, and as a result, the $500 redemption value of the subsidiary’s preferred securities held by the Third Party was included in current liabilities as of December 31, 2013 in our Consolidated Balance Sheet. These preferred securities were redeemed in December 2014, and accordingly, the subsidiary became wholly-owned by Kimberly-Clark.

The preferred and common securities of the subsidiary held by Kimberly-Clark and the intercompany loans have been eliminated in our Consolidated Financial Statements. The return on the preferred securities previously held by the Third Party was $26, $27 and $27 in 2014, 2013 and 2012, respectively, which is included in net income attributable to noncontrolling interests in our Consolidated Income Statement.

In addition, our subsidiary in Central America has outstanding redeemable securities that are held by a noncontrolling interest, which were exchanged from common to preferred securities in December 2014, and another noncontrolling interest holds certain redeemable preferred securities issued by one of our subsidiaries in North America.

Note 10. Stock-Based Compensation

We have a stock-based Equity Participation Plan and an Outside Directors' Compensation Plan (the "Plans"), under which we can grant stock options, restricted shares and restricted share units to employees and outside directors. As of December 31, 2014, the number of shares of common stock available for grants under the Plans aggregated 22 million shares.

Stock options are granted at an exercise price equal to the fair market value of our common stock on the date of grant, and they have a term of 10 years. Stock options are subject to graded vesting whereby options vest 30 percent at the end of each of the first two 12-month periods following the grant and 40 percent at the end of the third 12-month period.

Restricted shares, time-vested restricted share units and performance-based restricted share units granted to employees are valued at the closing market price of our common stock on the grant date and vest generally at the end of three years. The number of performance-based share units that ultimately vest ranges from zero to 200 percent of the number granted, based on performance tied to return on invested capital ("ROIC") and net sales during the three-year performance period. ROIC and net sales targets are set at the beginning of the performance period. Restricted share units granted to outside directors are valued at the closing market price of our common stock on the grant date and vest when they are granted. The restricted period begins on the date of grant and expires on the date the outside director retires from or otherwise terminates service on our Board.

At the time stock options are exercised or restricted shares and restricted share units become payable, common stock is issued from our accumulated treasury shares. Dividend equivalents are credited on restricted share units on the same date and at the same rate as dividends are paid on Kimberly-Clark's common stock. These dividend equivalents, net of estimated forfeitures, are charged to retained earnings.

In connection with the spin-off of our health care business, under the provisions of our existing Plans, employee stock options, time-vested restricted share units and performance-based restricted share units were adjusted as follows:

- The number of stock options was increased and the exercise price was decreased to maintain the fair value of outstanding options immediately before and after the spin-off.
- The time-vested restricted share units and performance-based restricted share units were credited with a reinvested dividend equivalent equal to the value of the spin-off stock dividend to maintain the value of these awards immediately before and after the spin-off.

As a result, we did not record any incremental compensation expenses related to the conversion of these awards. These awards continue to vest over the original vesting period.

Stock-based compensation costs of $52, $92 and $67 and related deferred income tax benefits of $19, $35 and $20 were recognized for 2014, 2013 and 2012, respectively.

The fair value of stock option awards was determined using a Black-Scholes-Merton option-pricing model utilizing a range of assumptions related to dividend yield, volatility, risk-free interest rate, and employee exercise behavior. Dividend yield is based on historical experience and expected future dividend actions. Expected volatility is based on a blend of historical volatility and implied volatility from traded options on Kimberly-Clark's common stock. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. We estimate forfeitures based on historical data.

The weighted-average fair value of options granted was estimated at $7.89, $7.15 and $3.25, in 2014, 2013 and 2012, respectively, per option on the date of grant based on the following assumptions:

	Year Ended December 31					
	2014		2013		2012	
Dividend yield	3.50	%	3.70	%	4.50	%
Volatility	13.41	%	15.40	%	12.86	%
Risk-free interest rate	1.73	%	0.87	%	1.08	%
Expected life—years	5.0		5.1		5.8	

Total remaining unrecognized compensation costs and amortization period are as follows:

	December 31, 2014	Weighted-Average Service Years
Nonvested stock options	$8	1.0
Restricted shares and time-vested restricted share units	5	0.5
Nonvested performance-based restricted share units	44	1.2

Excess tax benefits, resulting from tax deductions in excess of the compensation cost recognized, aggregating $37, $50 and $50 were classified as other cash inflows under Financing Activities in the Consolidated Cash Flow Statement for the years ended December 31, 2014, 2013 and 2012, respectively.

A summary of stock-based compensation is presented below:

Stock Options	Shares (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2014	7,223	$75.77		
Granted	1,798	112.26		
Exercised	(1,860)	68.02		
Forfeited or expired	(506)	97.57		
Conversion for spin-off of health care business	306	82.26		
Outstanding at December 31, 2014	6,961	82.32	6.51	$231
Exercisable at December 31, 2014	3,846	68.26	4.76	$182

The total intrinsic value of options exercised during the years ended December 31, 2014, 2013 and 2012 was $79, $138 and $161, respectively.

	Time-Vested Restricted Share Units		Performance-Based Restricted Share Units	
Other Stock-Based Awards	Shares (in thousands)	Weighted-Average Grant-Date Fair Value	Shares (in thousands)	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2014	257	$81.38	2,083	$79.98
Granted	73	100.95	842	111.77
Vested	(70)	81.97	(894)	65.02
Forfeited	(38)	84.01	(301)	94.73
Dividend equivalent for spin-off of health care business	22	78.04	79	95.80
Nonvested at December 31, 2014	244	86.34	1,809	96.35

The total fair value of restricted share units that were distributed to participants during 2014, 2013 and 2012 was $102, $45 and $101, respectively.

Note 11. Employee Postretirement Benefits

Substantially all regular employees in North America and the United Kingdom are covered by defined benefit pension plans (the "Principal Plans") and/or defined contribution retirement plans. Certain other subsidiaries have defined benefit pension plans or, in certain countries, termination pay plans covering substantially all regular employees. The funding policy for our qualified defined benefit pension plans is to contribute assets at least equal in amount to regulatory minimum requirements. Nonqualified U.S. plans providing pension benefits in excess of limitations imposed by the U.S. income tax code are not funded.

Substantially all U.S. retirees and employees have access to our unfunded healthcare and life insurance benefit plans. The annual increase in the consolidated weighted-average healthcare cost trend rate is expected to be 6.3 percent in 2015 and to decline to 5.1 percent in 2023 and thereafter. Assumed healthcare cost trend rates affect the amounts reported for postretirement healthcare benefit plans. A one-percentage-point change in assumed healthcare trend rates would not have a significant effect on our financial results.

Summarized financial information about postretirement plans, excluding defined contribution retirement plans, is presented below:

	Pension Benefits		Other Benefits	
	Year Ended December 31			
	2014	2013	2014	2013
Change in Benefit Obligation				
Benefit obligation at beginning of year	$6,164	$6,590	$761	$824
Service cost	46	53	13	17
Interest cost	279	257	35	32
Actuarial loss (gain)	986	(422)	39	(60)
Currency and other	(207)	47		