# CLOROX CO /DE/

## FORM 10-Q
(Quarterly Report)

## Filed 2/14/2000 For Period Ending 12/31/1999

| | |
|---|---|
| Address | THE CLOROX COMPANY 1221 BROADWAY |
| | OAKLAND, California 94612-1888 |
| Telephone | 510-271-7000 |
| CIK | 0000021076 |
| Industry | Personal & Household Prods. |
| Sector | Consumer/Non-Cyclical |
| Fiscal Year | 06/30 |

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

# Form 10-Q

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

For the quarterly period ended December 31, 1999 or

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

For the transition period from to

*Commission file number 1-07151*

# THE CLOROX COMPANY

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 31-0595760 |
| (State or other jurisdiction of Incorporation or organization) | (I.R.S. Employer Identification number |
| 1221 Broadway - Oakland, California | 94612 - 1888 |
| (Address of principal executive offices) | |
| Registrant's telephone number, (including area code) | (510) 271-7000 |

(Former name, former address and former fiscal year, if changed since last report)

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

As of December 31, 1999 there were 236,516,258 shares outstanding of the registrant's common stock (par value - $1.00), the registrant's only outstanding class of stock.

**THE CLOROX COMPANY**


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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements

The Clorox Company and Subsidiaries
Condensed Statements of Consolidated Earnings
(In millions, except share and per-share amounts)

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | 12/31/99 | 12/31/98 | 12/31/99 | 12/31/98 |
| Net Sales | $ 954 | $ 947 | $ 1,896 | $ 1,912 |
| Cost and Expenses | | | | |
| Cost of products sold | 478 | 459 | 940 | 917 |
| Selling, delivery and administration | 192 | 201 | 374 | 392 |
| Advertising | 110 | 122 | 226 | 237 |
| Research and development | 15 | 15 | 29 | 30 |
| Merger, integration and restructuring | 6 | - | 8 | - |
| Interest expense | 23 | 25 | 46 | 53 |
| Other expense, net | 10 | 7 | 16 | 7 |
| Total costs and expenses | 834 | 829 | 1,639 | 1,636 |
| Earnings before income taxes | 120 | 118 | 257 | 276 |
| Income taxes | 44 | 44 | 94 | 102 |
| Net Earnings | $ 76 | $ 74 | $ 163 | $ 174 |
| Earnings per Common Share | | | | |
| Basic | $ 0.32 | $ 0.32 | $ 0.69 | $ 0.74 |
| Diluted | 0.32 | 0.31 | 0.68 | 0.73 |
| Weighted Average Shares Outstanding (in thousands) | | | | |
| Basic | 236,475 | 234,588 | 236,747 | 234,522 |
| Diluted | 239,737 | 239,598 | 240,211 | 239,348 |
| Dividends per Share | $ 0.20 | $ 0.18 | $ 0.40 | $ 0.35 |

**See Notes to Condensed Consolidated Financial Statements.**

The Clorox Company and Subsidiaries
Condensed Consolidated Balance Sheets
(In millions)

| | 12/31/99 | 6/30/99 |
|---|---|---|
| ASSETS | | |
| Current Assets | | |
| Cash and short-term investments | $ 159 | $ 132 |
| Receivables, net | 575 | 610 |
| Inventories | 359 | 319 |
| Prepaid expenses and other | 23 | 29 |
| Deferred income taxes | 24 | 26 |
| Total current assets | 1,140 | 1,116 |
| Property, Plant and Equipment - Net | 1,061 | 1,054 |
| Brands, Trademarks, Patents and Other Intangibles - Net | 1,489 | 1,497 |
| Investments in Affiliates | 115 | 104 |
| Other Assets | 347 | 361 |
| Total | $ 4,152 | $ 4,132 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Accounts payable | $ 214 | $ 206 |
| Accrued liabilities | 325 | 350 |
| Accrued merger, integration, and restructuring | 12 | 23 |
| Short-term debt and notes payable | 697 | 734 |
| Income taxes payable | 36 | 48 |
| Current maturities of long-term debt | 12 | 7 |
| Total current liabilities | 1,296 | 1,368 |
| Long-term Debt | 695 | 702 |
| Other Obligations | 186 | 255 |
| Deferred Income Taxes | 230 | 237 |
| Stockholders' Equity | | |
| Common stock | 250 | 250 |
| Additional paid-in capital | 128 | 50 |
| Retained earnings | 1,923 | 1,842 |
| Treasury shares, at cost | (374) | (392) |
| Accumulated other comprehensive loss | (161) | (160) |
| Other | (21) | (20) |
| Stockholders' equity | 1,745 | 1,570 |
| Total | $ 4,152 | $ 4,132 |

See Notes to Condensed Consolidated Financial Statements.

PART I - FINANCIAL INFORMATION (Continued)
Item 1. Financial Statements
The Clorox Company and Subsidiaries
Condensed Statements of Consolidated Cash Flows
(In millions)

| | Six Months Ended | |
|---|---|---|
| | 12/31/99 | 12/31/98 |
| Operations: | | |
| Net earnings | $ 163 | $ 174 |
| Adjustments to reconcile to net cash provided by operating activities: | | |
| Depreciation and amortization | 98 | 97 |
| Deferred income taxes | 9 | 4 |
| Other | 3 | (7) |
| Changes in (excluding effects of businesses purchased): | | |
| Accounts receivable | 36 | 89 |
| Inventories | (38) | (11) |
| Prepaid expenses and other | 6 | 6 |
| Accounts payable | 8 | (68) |
| Accrued liabilities | (23) | (99) |
| Accrued merger, integration, and restructuring | (11) | (9) |
| Income taxes payable | (12) | 32 |
| Net cash provided by operations | 239 | 208 |
| Investing Activities: | | |
| Purchases of property, plant and equipment | (67) | (69) |
| Proceeds from disposals of property, plant and equipment | 3 | 4 |
| Businesses purchased | (31) | (111) |
| Other | (27) | (46) |
| Net cash used for investing | (122) | (222) |
| Financing Activities: | | |
| Credit facilities and short-term debt repayments, net | (37) | (69) |
| Long-term debt and other borrowings | 14 | 201 |
| Long-term debt and other repayments | (12) | (6) |
| First Brands receivables financing program, net | - | (15) |
| Cash dividends | (95) | (82) |
| Treasury stock purchased | (51) | (33) |
| Settlement of share repurchase and options contracts | 82 | - |
| Issuance of common stock for employee stock plans and other | 8 | 41 |
| Net cash provided by (used for) financing | (91) | 37 |
| Effect on cash of exchange rate changes | 1 | - |
| Net increase in cash and short-term investments | 27 | 23 |
| Cash and short-term investments: | | |
| Beginning of period | 132 | 102 |
| End of period | $ 159 | $ 125 |

See Notes to Condensed Consolidated Financial Statements.

**Item 1. Financial Statements**
The Clorox Company and Subsidiaries

Notes to Condensed Consolidated Financial Statements
(In millions, except share and per-share amounts)

1) The condensed consolidated financial statements for the three and six months ended December 31, 1999 and 1998 has not been audited but, in the opinion of management, include all adjustments (consisting of normal recurring and merger related accruals) necessary for a fair presentation of the consolidated results of operations, financial position, and cash flows of The Clorox Company and its subsidiaries (the "Company"). The Company's results reflect the January 29, 1999 merger with First Brands Corporation ("First Brands"). The merger was accounted for as a pooling of interests and all historical financial information has been restated to include First Brands. The results for the three and six months ended December 31, 1999 and 1998 should not be considered as necessarily indicative of the annual results for the respective years.

2) Inventories at December 31, 1999 and at June 30, 1999 consisted of:

| | 12/31/99 | 6/30/99 |
|---|---|---|
| Finished goods and work in process | $ 248 | $ 220 |
| Raw materials and supplies | 111 | 99 |
| Total | $ 359 | $ 319 |

3) International acquisitions since June 30, 1999 totaled $31 and were funded using a combination of cash and debt. These acquisitions included an increase in ownership to 100% in Tecnoclor, S.A. in Colombia (previously 72% owned and fully consolidated) and a rubber glove business purchased in Australia.

4) Basic earnings per share (EPS) is computed by dividing net earnings by the weighted average number of common shares outstanding each period. Diluted EPS is computed by dividing net earnings by the diluted weighted average number of common shares outstanding during each period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options, restricted stock, warrants and other convertible securities. The weighted average number of shares outstanding (denominator) used to calculate basic EPS is reconciled to those used in calculating diluted EPS as follows (in thousands):

| | Weighted Average Number of Shares Outstanding | | | |
|---|---|---|---|---|
| | Three Months Ended | | Six Months Ended | |
| | 12/31/99 | 12/31/98 | 12/31/99 | 12/31/98 |
| Basic | 236,475 | 234,588 | 236,747 | 234,522 |
| Stock options | 3,225 | 4,932 | 3,428 | 4,744 |
| Other | 37 | 78 | 36 | 82 |
| Diluted | 239,737 | 239,598 | 240,211 | 239,348 |

**PART I - FINANCIAL INFORMATION (Continued)**

**Item 1. Financial Statements**
The Clorox Company and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(In millions, except share and per-share amounts)

5) Comprehensive income for the Company includes net income and foreign currency translation adjustments that are excluded from net income but included as a separate component of total stockholders' equity. Comprehensive income for the three and six months ended December 31, 1999 and 1998 is as follows:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | 12/31/99 | 12/31/98 | 12/31/99 | 12/31/98 |

(In millions, except share and per-share amounts)

| | | | | |
|---|---|---|---|---|
| Net Earnings | $ 76 | $ 74 | $ 163 | $ 174 |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustments | 4 | 8 | (1) | (14) |
| Total | $ 80 | $ 82 | $ 162 | $ 160 |

6) On January 29, 1999, the Company completed a merger with First Brands. Related merger, integration, restructuring and asset impairment charges through December 31, 1999 are as follows:

| | Merger and Integration | Restructuring | Sub-Total | Asset Impairment | Total |
|---|---|---|---|---|---|
| Provision for merger, integration, restructuring, and asset impairment: | | | | | |
| For the year ended June 30, 1999 | $36 | $53 | $89 | $91 | $180 |
| For the six months ended December 31, 1999 | 6 | 2 | 8 | - | 8 |
| Total provision for merger, integration, restructuring and asset impairment through December 31, 1999 | 42 | 55 | 97 | $91 | $188 |
| Total paid through December 31, 1999 | (37) | (48) | (85) | | |
| Accrued liability as of December 31, 1999 | $5 | $7 | $12 | | |

Total merger, integration, restructuring and asset impairment costs are estimated to be approximately $210, including $196 recognized through December 31, 1999 (includes $8 of obsolete inventory written off to cost of sales). The Company expects to incur approximately an additional $14 over the remainder of the fiscal year and such costs will be expensed as merger, integration and restructuring costs as incurred.



7) The Company's operating segments are as follows:

Household Products: Includes cleaning, bleach and other home care products, and water filtration products marketed in the United States and all products marketed in Canada.

U. S. Specialty Products: Includes charcoal, automotive care, cat litter, insecticides, dressings, sauces, professional products and food storage and disposal categories.

International: Includes operations outside the United States and Canada.

Corporate, Interest and Other: Includes certain non-allocated administrative and sales costs, goodwill amortization, interest income, interest expense, merger, integration and restructuring, and other income and expense.

Each segment is individually managed with separate operating results that are reviewed regularly by the chief operating decision maker. The following table shows operating segment information.

| | Net Sales |
|---|---|

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | 12/31/99 | 12/31/98 | 12/31/99 | 12/31/98 |
| Household Products | $ 388 | $ 381 | $ 789 | $ 796 |
| U.S. Specialty Products | 400 | 403 | 804 | 812 |
| International | 166 | 163 | 303 | 304 |
| Total Company | $ 954 | $ 947 | $1,896 | $ 1,912 |

Earnings Before Income Taxes

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | 12/31/99 | 12/31/98 | 12/31/99 | 12/31/98 |
| Household Products | $ 120 | $ 122 | $ 252 | $ 258 |
| U.S. Specialty Products | 93 | 90 | 190 | 191 |
| International | 26 | 17 | 39 | 26 |
| Corporate, Interest and Other | (119) | (111) | (224) | (199) |
| Total Company | $ 120 | $ 118 | $ 257 | $ 276 |

As a result of several executive promotions and management realignments which occurred after June 30, 1999, operating segment information for years ending June 30, 1999 and June 30, 1998 has been restated to reflect the Company's current organizational structure and management responsibilities. The restated information is as follows:

**PART I - FINANCIAL INFORMATION (Continued)**

**Item 1. Financial Statements**
The Clorox Company and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(In millions, except share and per-share amounts)

(CAPTION>

| | Fiscal Year | Household Products | U.S. Specialty Products | International | Corporate Interest & Other | Total Company |
|---|---|---|---|---|---|---|
| Net Sales | 1999 | $1,439 | $1,856 | $ 708 | $ - | $4,003 |
| | 1998 | 1,376 | 1,796 | 726 | - | 3,898 |
| Earnings before Tax | 1999 | 496 | 456 | 54 | (576) | 430 |
| | 1998 | 440 | 426 | 96 | (406) | 556 |
| Identifiable Assets | 1999 | 1,253 | 1,251 | 1,020 | 608 | 4,132 |
| | 1998 | 1,192 | 1,138 | 1,025 | 710 | 4,065 |
| Capital Spending | 1999 | 55 | 64 | 27 | 30 | 176 |
| | 1998 | 32 | 99 | 33 | 26 | 190 |
| Depreciation and Amortization | 1999 | 42 | 68 | 41 | 51 | 202 |
| | 1998 | 43 | 61 | 40 | 38 | 182 |
| Interest Expense | 1999 | - | - | - | 97 | 97 |
| | 1998 | - | - | - | 104 | 104 |

8) In September 1999, in response to declines in the Company's stock price in the first quarter, the Board of Directors authorized a common stock repurchase and hedging program intended to reduce or eliminate dilution when shares are issued in accordance with the Company's various stock compensation plans. The Company had canceled a prior share repurchase and hedging program (previously authorized in September 1996 by the Board of Directors to offset the dilutive effects of employee stock exercises) when it merged with First Brands. From inception of the new program through December 31, 1999, a total of 1,123,000 shares were acquired at a cost of $51.

**PART I - FINANCIAL INFORMATION (Continued)**

**Item 2. Management's Discussion and Analysis of**

**Results of Operations and Financial Condition**

**Results of Operations**

Diluted earnings per share increased 3% to 32 cents and decreased 7% to 68 cents for the three and six months ended December 31, 1999, respectively. Net earnings increased 3% to $76 million and decreased 6% to $163 million for the three and six months ended December 31, 1999, respectively. The Company's results reflect the January 29, 1999 merger with First Brands Corporation ("First Brands"). The merger was accounted for as a pooling of interests and all historical financial information has been restated to include First Brands.

Net sales for the second quarter of fiscal 2000 increased 1% to $954 million mostly due to the results achieved from the Company's household products and international segments partially offset by lower net sales from the Company's U.S. specialty products segment. The increase in household product's net sales resulted mostly from the introduction of new products, such as Clorox Disinfecting Spray, Liquid-Plumr Foaming Pipe Snake, and Clorox FreshCare fabric refresher, partially offset by lower shipments of Brita water filtration systems driven by lower demand for pour-through pitchers, and a decrease in shipments of Clorox liquid bleach and Clorox 2 bleach. International net sales increases reflected higher shipments due to an increase in market share in the Brazilian bleach market and growth in Australia and New Zealand partly attributable to the acquisition of a rubber glove business in Australia; such increases were partially offset by currency devaluations experienced by some of the Company's Latin American businesses. The U.S. specialty products segment's net sales decreased mostly due to the discontinuation of First Brands prior year promotional activities partially offset by higher shipments of charcoal products due to an extended season, and higher shipments of Hidden Valley bottled dressings resulting from strong demand for club-size products.

Net sales for the six month period ended December 31, 1999 decreased 1% to $1,896 million mostly due to the discontinuation of prior year First Brands promotional activities, lower shipments of Tilex Fresh Shower due to higher volumes in the prior year during its launch, an increase in international promotional spending during the first quarter of fiscal 2000, and currency devaluations experienced by some of the Company's Latin American businesses. Partially offsetting these decreases were higher shipments from new product launches, the full year results of the Handi Wipes business acquired in the prior year, higher charcoal shipments and international growth.

Cost of products sold as a percentage of sales increased to 50.1% from 48.5% and increased to 49.6% from 48.0% for the three and six months ended December 31, 1999, respectively. These increases were mostly due to higher resin prices, somewhat offset by cost savings initiatives throughout the Company's domestic and international business units.

Selling, delivery, and administrative expenses decreased 4% to $192 million and decreased 5% to $374 million for the three and six months ended December 31, 1999, respectively, mostly from continued benefits from combining the former First Brands businesses with Clorox. These decreases reflect a savings from lower commission expense primarily due to the consolidation of the Company's broker network.

Advertising expense decreased 10% to $110 million and decreased 5% to $226 million for the three and six months ended December 31, 1999, respectively, mostly due to savings resulting from changing certain of First Brands couponing practices. These savings are partially offset by higher media spending to support former First Brands' businesses and the introduction of new products.

Merger, integration and restructuring for the six months ended December 31, 1999 primarily reflect relocation expenses and retention bonuses paid to former First Brands employees and costs associated with the closure of First Brands distribution centers. The Company expects to incur approximately an additional $14 million over the remainder of the fiscal year and such costs will be expensed as merger, integration and restructuring costs as incurred.

Interest expense decreased to $23 million from $25 million and decreased to $46 million from $53 million for the three and six months ended December 31, 1999, respectively. The decreases are mostly due to the refinancing of former First Brands debt at lower interest rates made possible by Clorox's more favorable credit rating.



**Liquidity and Capital Resources**

The Company's financial position and liquidity remain strong due to cash provided by operations during the quarter. Normal seasonal variations experienced by the Company's seasonal businesses and higher shipment volumes recorded in the fourth quarter of fiscal 1999 were the primary drivers causing reductions in receivables and accrued liabilities and the increase in inventories.

International acquisitions since June 30, 1999 totaled $31 million and were funded using a combination of cash and debt. These acquisitions included an increase in ownership to 100% (from 72%) in Tecnoclor, S.A. in Colombia and a rubber glove business purchased in Australia.

In September 1999, in response to declines in the Company's stock price in the first quarter, the Board of Directors authorized a common stock repurchase and hedging program intended to reduce or eliminate dilution when shares are issued in accordance with the Company's various

stock compensation plans. The Company had canceled a prior share repurchase and hedging program (previously authorized in September 1996 by the Board of Directors to offset the dilutive effects of employee stock exercises) when it merged with First Brands. During the six month period ended December 31, 1999, a total of 1,123,000 shares were acquired at a cost of $51 million.

On September 15, 1999, the Company settled prior share repurchase agreements and options contracts realizing cash proceeds of approximately $82 million. On the same day, the Company entered into two new share repurchase transactions whereby the Company contracted for future delivery of 2,260,000 shares on September 15, 2002 and 2,260,000 shares on September 15, 2004, each for a strike price of $43 per share. In November 1999, the Company entered into an agreement to purchase an additional 1,000,000 shares on December 1, 2003 at a price of $46.32 per share.

On November 17, 1999, the stockholders approved an amendment of the Company's Certificate of Incorporation to increase the authorized capital of the Company to consist of 750,000,000 shares of Common Stock and 5,000,000 shares of Preferred Stock, each with a par value of $1.00 per share.

Management believes the Company has access to sufficient capital through existing lines of credit and, should the need arise, from other public and private sources.

**Year 2000 Compliance**

In 1997, the Company established a comprehensive corporate-wide program to address what is commonly referred to as the "Year 2000" or "Y2K" problem. This effort encompassed software, hardware, electronic data interchange, networks, personal computers, manufacturing and other facilities, embedded chips, century certification, supplier and customer readiness, contingency planning and domestic and international operations. Following the Company's January 29, 1999 merger with First Brands, the Company incorporated First Brands (since renamed The Glad Products Company) and its subsidiaries into the Company's comprehensive Y2K compliance program.

As of December 31, 1999, the Company completed all of its Y2K compliance efforts on all of its critical domestic and international business systems, through retirement, upgrades or replacements, its critical plant floor equipment, instrumentation and facilities, and its third party assessment for all of its operations. The Company developed written contingency plans for its critical operations and third party relationships, including key customers, suppliers and other service providers. The Company did not implement any of its contingency plans because it did not experience any material Y2K related issues with the arrival of the new millennium.

Y2K costs were expensed as incurred and funded through operating cash flows. Through December 31, 1999, the Company has expensed incremental remediation costs of $20 million and accelerated strategic upgrade costs of $20 million. The Company spent approximately 6.4% of its 1999 fiscal year information technology budget on Y2K remediation issues. The Company has not deferred any critical information technology projects because of its Year 2000 program efforts, which were primarily addressed through a joint team of the Company's business and information technology resources.

**PART I - FINANCIAL INFORMATION (Continued)**

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

**Cautionary Statement**

Except for historical information, matters discussed above and in the financial statements and footnotes, including statements about future growth, profitability, costs, expectations, plans or objectives, are forward-looking statements based on management's estimates, assumptions and projections. These forward-looking statements are subject to risks and uncertainties, and actual results could differ materially from those discussed above and in the financial statements and footnotes. Important factors that could affect performance and cause results to differ materially from management's expectations are described in "Forward-Looking Statements and Risk Factors" in the Company's Annual Report on Form 10-K for the year ending June 30, 1999, and in the Company's subsequent SEC filings. Those factors include, but are not limited to, marketplace conditions and events, competitors' actions, the Company's costs, risks inherent in litigation and international operations, the success of new products, the integration of acquisitions and mergers, including First Brands, and environmental, regulatory and intellectual property matters. .

PART I - FINANCIAL INFORMATION (Continued)

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

(3) (iii) Restated Certificate of Incorporation

(10) Material Contracts

(XIX) Agreement between Henkel KGaA and the Company, November 2, 1999

**S I G N A T U R E**

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

**THE CLOROX COMPANY**
(Registrant)

*DATE: February 14, 2000*

*BY /S/ GREGORY S. FRANK*
*Gregory S. Frank*
*Vice-President - Controller*

**INDEX TO EXHIBITS**

| Exhibit Number | Description of Exhibit |
|---|---|
| 3(iii) | Restated Certificate of Incorporation |
| 10(XIX) | Agreement between Henkel KGaA and the Company, November 2, 1999 |

**ARTICLE 5**

THIS SCHEDULE CONTAINS RESTATED SUMMARY FINANCIAL INFORMATION FROM THE FINANCIAL STATEMENTS OF THE CLOROX COMPANY FOR THE FISCAL QUARTER ENDED DECEMBER 31, 1998, AS PRESENTED IN THE CLOROX COMPANY'S FORM 10-Q FILED FOR SUCH PERIOD, AND AS RESTATED HEREIN, AND IS INCORPORATED BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

RESTATED:

MULTIPLIER: 1000000

| | |
|---|---|
| PERIOD TYPE | 6 MOS |
| FISCAL YEAR END | JUN 30 1999 |
| PERIOD END | DEC 31 1998 |
| CASH | 65 |
| SECURITIES | 60 |
| RECEIVABLES | 464 |
| ALLOWANCES | 4 |
| INVENTORY | 381 |
| CURRENT ASSETS | 1047 |
| PP&E | 1765 |
| DEPRECIATION | 741 |
| TOTAL ASSETS | 4136 |
| CURRENT LIABILITIES | 1146 |
| BONDS | 938 |
| PREFERRED MANDATORY | 0 |
| PREFERRED | 0 |
| COMMON | 249 |
| OTHER SE | 1297 |
| TOTAL LIABILITY AND EQUITY | 4136 |
| SALES | 1912 |
| TOTAL REVENUES | 1912 |
| CGS | 917 |
| TOTAL COSTS | 1576 |
| OTHER EXPENSES | 7 |
| LOSS PROVISION | 0 |
| INTEREST EXPENSE | 53 |
| INCOME PRETAX | 276 |
| INCOME TAX | 102 |
| INCOME CONTINUING | 174 |
| DISCONTINUED | 0 |
| EXTRAORDINARY | 0 |
| CHANGES | 0 |
| NET INCOME | 174 |
| EPS BASIC | 0.74 |
| EPS DILUTED | 0.73 |

**ARTICLE 5**

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION FROM THE FINANCIAL STATEMENTS OF THE CLOROX COMPANY FOR THE FISCAL QUARTER ENDED DECEMBER 31, 1999, AS PRESENTED IN THE CLOROX COMPANY'S FORM 10-Q FILED FOR SUCH PERIOD, AND IS INCORPORATED BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1000000

| | |
|---|---|
| PERIOD TYPE | 6 MOS |
| FISCAL YEAR END | JUN 30 2000 |
| PERIOD END | DEC 31 1999 |
| CASH | 98 |
| SECURITIES | 61 |
| RECEIVABLES | 578 |
| ALLOWANCES | 3 |
| INVENTORY | 359 |
| CURRENT ASSETS | 1140 |
| PP&E | 1889 |
| DEPRECIATION | 828 |
| TOTAL ASSETS | 4152 |
| CURRENT LIABILITIES | 1296 |
| BONDS | 695 |
| PREFERRED MANDATORY | 0 |
| PREFERRED | 0 |
| COMMON | 250 |
| OTHER SE | 1495 |
| TOTAL LIABILITY AND EQUITY | 4152 |
| SALES | 1896 |
| TOTAL REVENUES | 1896 |
| CGS | 940 |
| TOTAL COSTS | 1569 |
| OTHER EXPENSES | 24 |
| LOSS PROVISION | 0 |
| INTEREST EXPENSE | 46 |
| INCOME PRETAX | 257 |
| INCOME TAX | 94 |
| INCOME CONTINUING | 163 |
| DISCONTINUED | 0 |
| EXTRAORDINARY | 0 |
| CHANGES | 0 |
| NET INCOME | 163 |
| EPS BASIC | 0.69 |
| EPS DILUTED | 0.68 |

**RESTATED CERTIFICATE OF INCORPORATION**

**OF**

**THE CLOROX COMPANY**

This corporation was originally incorporated on September 5, 1986.

**ARTICLE ONE**

The name of the corporation is THE CLOROX COMPANY

**ARTICLE TWO**

The address of the registered office of the corporation in the State of Delaware is 1209 Orange Street in the City of Wilmington, County of New Castle. The name of the registered agent of the corporation at such address is The Corporation Trust Company.

**ARTICLE THREE**

The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

**ARTICLE FOUR**

The total number of shares of stock which the corporation shall have authority to issue is 755,000,000, consisting of 750,000,000 shares of Common Stock having a par value of $1.00 per share and 5,000,000 shares of Preferred Stock having a par value of $1.00 per share.

The board of directors of the corporation is authorized, subject to limitations prescribed by law and the provisions of this Article Four, to provide for the issuance of the shares of Preferred Stock in series, and by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof.

The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the Common Stock, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the certificate or certificates establishing the series of Preferred Stock.

**ARTICLE FIVE**

The business and affairs of the corporation shall be managed by the board of directors which shall consist of not less than 9 persons. The exact number of directors shall be fixed from time to time by, or in the manner provided in, the by-laws of the corporation and may be increased or decreased as therein provided. Directors of the corporation need not be elected by ballot unless required by the by-laws. The board of directors is authorized to adopt, amend or repeal the by-laws.

**ARTICLE SIX**

**Part I**

**Vote Required For Certain Business Combinations**

A. In addition to any affirmative vote required by law or this Restated Certificate of Incorporation, and except as otherwise expressly provided in Part II of this Article Six, the following transactions:

(i) or any Subsidiary any merger or consolidation of this corporation (as hereinafter defined) into or with

(a) any Interested Stockholder (as hereinafter defined); or

(b) any other corporation (whether or not it is an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an Interested Stockholder; or

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any

Interested Stockholder or any Affiliate of any Interested Stockholder of any assets of this corporation or any Subsidiary having an aggregate Fair Market Value (as hereinafter defined) of more than ten percent (10%) of the Fair Market Value of the consolidated total assets of this corporation; or

(iii) the issuance or transfer by this corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of this corporation or any Subsidiary to any Interested Stockholder or any Affiliate of any Interested Stockholder in exchange for cash, securities or other property having an aggregate Fair Market Value of more than ten percent (10%) of the Fair Market Value of the consolidated total assets of this corporation; or

(iv) the adoption of any plan or proposal for the liquidation of this corporation proposed by or on behalf of an Interested Stockholder or any Affiliate of any Interested Stockholder; or

(v) any reclassification of this corporation's securities (including any reverse stock split), or recapitalization of this corporation, or any merger or consolidation of this corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of this corporation or any Subsidiary which is directly or indirectly owned by any Interested Stockholder;

shall require the affirmative vote of the holders of at least eighty percent (80%) of the voting power of the then outstanding shares of stock of this corporation entitled to vote regularly in the election of directors (the "Voting Stock") voting as a single class (it being understood that for purposes of this Article Six, each share of the Voting Stock other than Common Stock shall have the number of votes granted to it pursuant to Article Four of this Restated Certificate of Incorporation). Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

B. The term "Business Combination" as used in this Article Six shall mean any transaction which is referred to in any one or more of clauses (i) through (v) of paragraph A of Part I.

**Part II**

**When Higher Vote Is Not Required**

The provisions of Part I of this Article Six shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as is required by law and any other provision of this Restated Certificate of Incorporation, if all of the conditions specified in either of the following paragraphs A and B are met:

A. The Business Combination shall have been approved by a majority of the Disinterested Directors (as hereinafter defined).

B. All of the following conditions shall have been met:

(i) The aggregate amount of the cash and the Fair Market Value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of Common Stock in such Business Combination shall be at least equal to the higher of the following:

(a) (if applicable) the highest per share price paid by the Interested Stockholder for any shares of Common Stock acquired by it (1) within the two year period immediately prior to the first public announcement of the proposal of the Business Combination (the "Announcement Date") or (2) in the transaction in which it became an Interested Stockholder, whichever is higher; and

(b) the Fair Market Value per share of Common Stock on the Announcement Date or on the date on which the Interested Stockholder became an Interested Stockholder (such latter date is referred to in this Article Six as the "Determination Date"), whichever is higher.

(ii) The aggregate amount of the cash and the Fair Market Value on the date of the consummation of the Business Combination of consideration other than cash to be received per share by the holders of shares of any other class of outstanding Voting Stock shall be at least equal to the highest of the following (it being intended that the requirements of this paragraph B (ii) shall be required to be met with respect to every class of outstanding Voting Stock, whether or not the Interested Stockholder has previously acquired any shares of a particular class of Voting Stock):

(a) (if applicable) the highest per share price paid by the Interested Stockholder for any shares of such class of Voting Stock acquired by it (1) within the two-year period immediately prior to the Announcement Date or (2) in the transaction in which it became an Interested Stockholder, whichever is higher;

(b) (if applicable) the highest preferential amount per share to which the holders of shares of such class of Voting Stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of this corporation; or

(c) the Fair Market Value per share of such class of Voting Stock on the Announcement Date or on the Determination Date, whichever is

higher.

(iii) The consideration to be received by holders of a particular class of outstanding Voting Stock (including Common Stock) shall be in cash or in the same form as the Interested Stockholder has previously paid for shares of such class of Voting Stock. If the Interested Stockholder has paid for shares of any class of Voting Stock with varying forms of consideration, the form of consideration for such class of Voting Stock shall be either cash or the form used to acquire the largest number of shares of such class of Voting Stock previously acquired by it. The price determined in accordance with paragraphs B(i) and B(ii) shall be subject to appropriate adjustment in the event of any stock dividend, stock split, combination of shares or similar event.

(iv) After such Interested Stockholder has become an Interested Stockholder except as approved by a majority of the Disinterested Directors, there shall have been:

(a) no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on the outstanding Preferred Stock, if any; and

(b) no reduction in the effective annual rate of dividends paid on the Common Stock.

(v) After such Interested Stockholder has become an Interested Stockholder, such Interested Stockholder shall not have received the benefit, directly or indirectly (except proportionately as a stockholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the corporation, whether in anticipation of or in connection with such Business Combination or otherwise.

**Part III**

**Certain Definitions**

For the purpose of this Article Six:

A. A "person" shall mean any individual, firm, corporation or other entity.

B. "Interested Stockholder" shall mean any person (other than this corporation, any Subsidiary or any compensation plan of this corporation) who or which:

(i) is the beneficial owner, directly or indirectly, of more than 5% of the voting power of the outstanding Voting Stock; or

(ii) is an Affiliate of this corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of more than five percent (5%) of the voting power of the then outstanding Voting Stock; or

(iii) is an assignee of or has otherwise acquired or succeeded to any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Stockholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

C. A person shall be a "Beneficial Owner" of any Voting Stock:

(i) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly; or

(ii) which such person or any of its Affiliates or Associates has:

(a) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or

(b) the right to vote pursuant to any agreement, arrangement or understanding; or

(iii) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

D. For the purpose of determining whether a person is an Interested Stockholder pursuant to paragraph B of this Part III, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned through application of paragraph C of this Part III but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

E. "Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations

under the Securities Exchange Act of 1934, as in effect on March 1, 1984.

F. "Subsidiary" means any corporation of which a majority of any class of equity securities is owned, directly or indirectly, by this corporation; provided, however, that for the purposes of the definition of Interested Stockholder set forth in paragraph B of this Part III, the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity securities is owned, directly or indirectly, by this corporation.

G. "Disinterested Director" means any member of the board of directors of this corporation (the "Board") who is unaffiliated with the Interested Stockholder by whom or on whose behalf, directly or indirectly, the Business Combination is proposed or was a member of the Board prior to the time that such Interested Stockholder became an Interested Stockholder, and any successor of a Disinterested Director who is unaffiliated with such Interested Stockholder and is recommended to succeed a Disinterested Director by a majority of Disinterested Directors then on the Board.

H. "Fair Market Value" means:

(i) In the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock as reported in the principal consolidated transaction reporting system for securities listed or admitted to trading on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange, registered under the Securities Exchange Act of 1934 on which stock is listed, or, if such stock is not listed on such an exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period immediately preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotation System or any system then in use, and

(ii) in the case of property other than cash or stock valued under (i) above, the fair market value of such property on the date in question as determined in good faith by a majority of the Disinterested Directors.

I. In the event of any Business Combination in which this corporation is the surviving corporation, the phrase "consideration other than cash to be received" as used in clauses (i) and (ii) of paragraph B of Part II of this Article Six shall include the Fair Market Value of the shares of Common Stock and/or the shares of any other class of outstanding Voting Stock retained by the holders of such shares.

**Part IV**

**Powers of The Board of Directors**

A majority of the Disinterested Directors of this corporation shall have the power and duty to determine for the purposes of this Article Six, on the basis of information known to them after reasonable inquiry:

A. whether a person is an Interested Stockholder;

B. the number of shares of Voting Stock beneficially owned by any person;

C. whether a person is an Affiliate or Association of another; and

D. whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by this corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of more than ten percent (10%) of the Fair Market Value of the consolidated total assets of this corporation.

**Part V**

**Fiduciary Obligations**

Nothing contained in this Article Six shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

**Part VI**

**Amendment Or Repeal**

The provisions set forth in this Article Six may not be amended or repealed in any respect, unless such action is approved by the affirmative vote of the holders of not less than eighty percent (80%) of the then outstanding Voting Stock, voting as a single class.

**ARTICLE SEVEN**

Action shall be taken by stockholders of the corporation only at annual or special meetings of stockholders and stockholders may not act by

written consent.

**ARTICLE EIGHT**

**Part I**

**Right To Indemnification**

Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative ("proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of this corporation or is or was serving at the request of the corporation as a director or officer of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving as a director or officer shall be indemnified and held harmless by the corporation to the fullest extent authorized by the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended, (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than said law permitted the corporation to provide prior to such amendment) against all expenses, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith; provided, however, that the corporation shall indemnify any such person seeking indemnity in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the board of directors of the corporation. Such right shall be a contract right and shall include the right to be paid by the corporation expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of such proceeding, shall be made only upon delivery to the corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it should be determined ultimately that such director or officer is not entitled to be indemnified under this Article Eight or otherwise. The corporation may, by action of the board of directors, provide indemnification to employees and agents of the corporation with a lesser or the same scope and effect as the foregoing indemnification of directors and officers.

**Part II**

**Right of Claimant To Bring Suit**

If a claim under Part I of this Article Eight is not paid in full by the corporation within ninety days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking has been tendered to the corporation) that the claimant has not met the standards of conduct which make it permissible under the General Corporation Law of the State of Delaware for the corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its board of directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in said law, nor an actual determination by the corporation (including its board of directors, independent legal counsel, or its stockholders) that the claimant had not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant had not met the applicable standard of conduct.

**Part III**

**Non-Exclusivity Of Rights**

The rights conferred on any person by Parts I and II of this Article Eight shall not be exclusive of any other right which such person may have or hereafter acquire under any statute, provision of this Restated Certificate of Incorporation, by-law, agreement, vote of stockholders or disinterested directors or otherwise.

**Part IV**

**Insurance**

The corporation may maintain insurance, at its expense, to protect itself and any such director or officer of the corporation or of another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware.

**ARTICLE NINE**

A director of this corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derived an improper personal benefit.

This Restated Certificate of Incorporation of THE CLOROX COMPANY was adopted by The Board of Directors of this corporation in accordance with Section 245 & 242 of the General Corporation Law of the State of Delaware. It restates. integrates and further amends the provisions of this corporation's Certificate of Incorporation.

**THE CLOROX COMPANY**

*Date: November 19, 1999* *By: /S/ G. C. SULLIVAN*
*G.C. Sullivan*
*Chairman of the Board and*
*Chief Executive Officer*

*Attest: /S/ PETER D. BEWLEY*
*Peter D. Bewley*
*Secretary*

THE UNDERSIGNED, the duly elected, and qualified Assistant Secretary of THE CLOROX COMPANY, a Delaware corporation, does hereby certify the foregoing to be the Restated Certificate of Incorporation of said Corporation.

*Date: November 19, 1999* */S/ THOMAS W. HUCKABY*
*Thomas W. Huckaby*

This Agreement, made and entered into as of this 2nd day of November, 1999
between

THE CLOROX Company, 1221 Broadway, Oakland, California 94612, USA (hereinafter referred to as "CLOROX")

and

HENKEL KGaA, Henkelstrasse 67, D-40191 Duesseldorf, Federal Republic of Germany (hereinafter referred to as "HENKEL")

**WITNESSETH:**

WHEREAS, CLOROX and HENKEL have concluded an agreement dated January 16, 1992, providing for cooperative research and development in the field of consumer products excluding cosmetics; and

WHEREAS, CLOROX and HENKEL have also concluded a Joint Venture Agreement dated October 1, 1985, and

WHEREAS, CLOROX and HENKEL, in light of the progress made and the experience so far gathered, wish to renew and extend their cooperation on a basis mutually beneficial, and to revise their prior agreements related to ownership and licensing of their inventions, know how and patents to enhance such cooperative efforts and MAXIMIZE the mutual benefits thereof to both parties.

NOW, THEREFORE, the Parties hereto have agreed as follows:

(1)

**SUPERSEDES PRIOR AGREEMENTS**

This Agreement supersedes and replaces in their entirety the agreement of January 16, 1992, the provisions of section 9.2 of the Joint Venture Agreement of October 1, 1985.

(2)

**DEFINITIONS**

"Affiliate" shall mean an entity or party controlled by a party hereto, either directly or indirectly.

"Cleaning Product Categories" shall mean all consumer chlorine laundry bleach, fabric deodorizer products and household cleaning products, except the "Excepted Cleaning Product Categories."

"Excepted Cleaning Product Categories" shall mean consumer dish detergents and in-home dry cleaning products, including products for cleaning, deodorizing, freshening, softening, static control or spot removal in a clothes dryer.

"Clorox Territory" shall mean the United States, Canada, Argentina and Caribbean countries.

"Henkel Territory" shall mean Western Europe, as defined below.

"Other Territory" shall mean all territories other than the Clorox Territory and the Henkel Territory.

"Western Europe" shall comprise the following countries:
Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, Malta, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey and the United Kingdom.

"Technology" shall mean, with respect to Cleaning Product Categories, all rights to any developments, trade secrets, know how, inventions, patent applications and patents wholly owned by a party including its Affiliates, or jointly with Affiliates, but excluding any rights jointly owned by a party with third parties other than Affiliates.

(3)

**LICENSES OF TECHNOLOGY**

To facilitate the communication, sharing and cooperative development efforts of the parties with respect to Technology in the Cleaning Product Categories, CLOROX and HENKEL agree that all rights in their respective Technology with respect to the Cleaning Product Categories shall

upon request of the other party be licensed to the other party as follows:

(a) CLOROX shall grant to HENKEL an exclusive, royalty free license under its Technology rights with respect to the Cleaning Product Categories in the HENKEL Territory.

(b) HENKEL shall grant to CLOROX an exclusive, royalty free license under its Technology rights with respect to the Cleaning Product Categories in the CLOROX Territory.

(c) Neither party shall have any rights in the other's Technology in the Other Territory unless the other party gives written notice to it at any time within nine (9) months after first launching a product utilizing such Technology in any country, at its sole option, that it does not choose to use a specific Technology, or launch a specific product, in one or more specific countries of the Other Territory, (a "Disclaimed Country"), whereupon the party so notified, including its Affiliates and joint ventures, (the "Notified Party"), shall have a period of nine (9) months from such notice of the owning party during which it may launch a product utilizing the same Technology in the Disclaimed Countries. (If a party does not give such notice within nine
(9) months after first launch of a product utilizing any specific Technology in a country, then this subsection (c) shall be inapplicable with respect to such Technology.) If the Notified Party launches such a product in a Disclaimed Country within this period, it will have an exclusive, royalty free license in such Technology in every Disclaimed Country where it launched the product within such period. For each of the Disclaimed Countries in which it does not launch such a product within this time period it will have no further rights to a license in such Technology, and the owning party shall be free to license others under such Technology. The date of the first launch shall be the last day of the month in which a product is first generally available to the consumer. Each party further agrees not to license its Technology in the Other Territory to any third party without giving notice to the other party as provided in Article 3(c).

(d) Such licenses shall include Technology developed prior to this agreement to the extent not previously licensed to others. Hereafter, the right to grant licenses to others in areas outside the granting party's territory shall be limited by the rights granted herein.

(e) It is understood that if Technology developed for the Excepted Cleaning Product Categories can be applied to the fields included in the Cleaning Product Categories, the license provisions of Article 3(a) through (c) will extend to such application within the Cleaning Product Categories unless otherwise restricted by agreements entered into before the effective date of this agreement.

(f) The licenses and rights provided for herein shall include the right to sublicense Affiliates, including subsidiaries and joint ventures.

(g) The parties recognize that conflicts may arise with respect to the non-exclusive licenses outside the Territories of the respective parties, and, accordingly, either party may bring to the attention of the other the existence of a conflict or potential conflict with respect to any specific product, whereupon the senior management of the parties shall confer in good faith to try to resolve any conflicts or potential conflicts.

(h) In the event that either party acquires a business in the other party's Territory, the exclusive licenses of sections (3)(a) and (b) shall not apply to Technology acquired with such business or to Technology subsequently developed by such party to the extent that such Technology has application to such business.



**COOPERATIVE RESEARCH AND DEVELOPMENT**

The parties shall cooperate on research and development in the Cleaning Product Categories as follows:

1) Joint Projects The parties agree to undertake joint research and development projects ("Joint Projects") in the Cleaning Product Categories in areas of mutual interest as may be agreed upon from time to time by the parties. Each party shall bear its own costs for work done pursuant to a Joint Project.

2) Experimental Work The parties also agree to individually undertake Experimental Work in the Cleaning Product Categories which is not of mutual interest and which is unrelated to any experimental or other work undertaken as a part of a Joint Project. Such work may be requested from time to time by either party and shall be carried out at the expense of the requesting party, subject to mutual agreement, and consistent with each party's available capacity for undertaking such work.

3) Disclosure of Individual Developments The parties also agree to disclose to each other their own individual inventions and product developments as follows:

(a) Each party shall provide the other with a quarterly listing (informative title) of all patent applications first filed anywhere in the world relating to the Cleaning Product Categories making the patent application itself available for review by the other party if so requested.

(b) Each party shall supply the other with a description and sample of each consumer product in the Cleaning Product Categories for which they conduct market testing within four weeks after initiation of such market testing test.

(c) Each party shall disclose to the other all analytical techniques and test methods that they employ or develop related to consumer products in the Cleaning Product Categories and deliver copies of technical reports primarily related thereto on request.

(d) Each party will inform the other of any new chemical product developments relating to the Cleaning Product Categories in, to the extent that such information can be of use in formulating end products in the Cleaning Product Categories , provided however, that such exchange of information, per se, shall not confer any rights in such information.

4) Visiting Scientists The parties also agree that, from time to time, and upon their mutual agreement, one or more scientists of a party will be temporarily assigned to work at the research facilities and with the scientists of the other party in connection with said other party's own research. Such visiting scientists shall at all times remain the employees of their normal employer, which will continue to be responsible for all salary and benefits for the visiting scientists.



**JOINT PROJECTS**

1) Establishment CLOROX and HENKEL shall identify areas of mutual interest in the Cleaning Product Categories from time to time. They shall undertake Joint Projects in such areas as the parties may agree upon from time to time. Each agrees to use its reasonable best efforts in implementing the Joint Projects instituted under this Agreement, taking into account the available research and development capacity of each party.

Upon the commencement of any Joint Project, each party will disclose to the other party any prior invention and patent which it owns, which dominates, or is likely to dominate, any inventions arising from the Joint Project, and any licenses which have been granted under such patent unless such disclosure is not permitted according to the terms of such license agreements.

At the commencement of Joint Projects under this Agreement the parties shall promptly prepare a formal project proposal for approval of management of each party which, to the extent possible, shall set forth,:

(a) objectives and scope of the projects to be undertaken, equipment needs, personnel needs, and the like;

(b) provisions for the administration of the project, including budget provisions, project organization, the respective parties' responsibilities, and the like;

(c) prior developments of each of the parties that relate to the proposed Joint Project; and

(d) inventions which dominate, or are likely to dominate, inventions arising from the Joint Project.

2) Communication of Joint Project Information

The parties shall keep each other fully informed of their progress in all Joint Project work performed under this Agreement. The parties' research and development management shall meet from time to time (at least once a year) to review the progress of the work and outline and agree upon any changes in the program which may be necessary or desirable in view of the results, and to select additional areas of cooperation.

In addition, working meetings of scientists participating directly in a Joint Project will be held as needed. Scientist employees of each party shall have access to the laboratories of the other to participate in work conducted with respect to the Joint Project.

Copies of all written work reports prepared by either party for its own internal use will be supplied to the other party within a reasonable time to the extent as they relate to Joint Projects or Experimental Work under this Agreement.

3) Termination of Joint Projects

Joint Projects established hereunder may be terminated by either party at any time by giving the other party sixty (60) days written notice thereof.

Upon such termination of a Joint Project the parties shall prepare a written summary of the Joint Project, including an identification of all developments made during the Joint Project and the contributions of each party to the Joint Project, as well as identification of any prior dominating inventions of either party.

All developments made on a Joint Project up to the time of termination shall be owned and treated as Joint Project inventions as provided in Article (7), and all information obtained from the other party during the course of the Joint Project shall continue to be treated as provided in Article (9).

Developments related to a terminated Joint Project made by a party after termination of the Joint Project shall not be considered Joint Project developments. However, they should be treated as other inventions, and disclosed pursuant to Article (4) Paragraph 3), and shall be licensed to the other pursuant to Article (3) . If a Joint Project is reinstituted after such a termination developments made after reinstitution of the Joint Project shall be Joint Project developments, but developments made while the Joint Project was terminated shall not become Joint Project developments.

4) Joint Projects with Third Parties

Upon agreement of both parties, a third party may be included in a Joint Project, either at its inception or at any other time, provided the third party agrees to the terms of this agreement related to Joint Projects, namely:

Disclosure of and agreement to license prior dominating inventions,

- Full disclosure and reports on Joint Project work and developments, and

- Prior disclosure and agreement on filing patents on Joint Project inventions, as well as any territorial restrictions on rights to Joint Project developments that the parties deem appropriate.



**EXPERIMENTAL WORK**

Each party performing Experimental Work under this Agreement shall be compensated by the other party for the true and accurate costs incurred by it.

The cost shall be computed on the basis of the hourly manpower rates prevailing at the time of the performance of the work in the party performing the Experimental Work and shall consist of the following:

1) cost of the personnel performing the work under this Agreement plus prorated overhead cost of the respective department;

2) other costs directly incurred in the performance of the work under this Agreement, e.g.consumption of factory supplies, energy and the like, depreciation on buildings and machinery, services of other departments, travel expenses, transportation costs plus prorated overhead costs for the administration of the foregoing.

In addition to the compensation of actual cost hereunder the party performing the project work shall be entitled to a surplus benefit of ten percent (10%) of the true and accurate costs incurred by it as consideration for making laboratory capacity available.

The aforementioned costs and surplus benefits shall be computed on a quarterly basis by the party performing the project work under this Agreement and be paid by the other party no later than thirty (30) days after presentation of the invoice.



**PATENT RIGHTS**

1) Ownership of Inventions

(a) Generally Inventions and developments, and patents thereon, will be owned by the party whose employees made such inventions, except as provided in (b) or (c) below. Inventorship of employees of the parties shall be determined in accordance with the applicable laws of the USA and the Federal Republic of Germany. Where inventorship is unclear, inventorship shall be reviewed and resolved jointly by research and development management and patent attorneys in keeping with the patent laws of the applicable countries..

(b) Joint Inventions All inventions made and trade secrets and know-how developed in the course of a Joint Project or otherwise determined to be joint inventions of employees of both parties shall be assigned to and owned by one of the parties herein, regardless of inventorship, such owning party to be chosen by joint agreement of the parties pursuant to consideration of the relative investments and contributions of the parties, and the relevance and importance of the invention to each party's markets and other patents. Such Technology shall be subject to the licensing provisions of Article (3). However, outside of each parties' Territories such licenses shall be exclusive except for the owning party and its Affiliates. Each party shall agree to the other party's licensing or sublicensing third parties as to such inventions, trade secrets and know-how if that is necessary or reasonable to avert mandatory licensing according to the applicable laws.

c) Experimental work All patent rights covering inventions made by employees of either party, whether solely or jointly, in the course of any Experimental Work requested under this Agreement shall be the property of the party requesting and paying for such work. To the extent that they relate to the Cleaning Product Categories, they shall be subject to the licensing provisions of section (3). Otherwise, the other party, who did the experimental work, shall have a non-exclusive royalty-free license with the right to sublicense.

2) Patent Filing

a) General
(i) Each party shall file such patent applications in its Territory on its own inventions that it deems warranted, and shall file corresponding patent applications thereon in the other party's Territory unless otherwise instructed by the other party. In other territories, if the owning party chooses not file an application or maintain a patent, it will so advise the other party at least ninety (90) days prior to any deadline set in the subject case for taking action and it will give the other party a right to do so upon request.

(ii) Each party shall pay for or reimburse the other for all maintenance costs related to the other party's patent applications and patents licensed to it in its Territory pursuant to Article (3).

(b) Joint Project Inventions Prior to filing any patent application on a Joint Project invention, the parties shall discuss the contents of such applications including claims, initial filing country, countries of mutual interest, and the party to undertake initial preparation and filing as promptly as feasible in order not to jeopardize priority. Rights in such Joint Project Inventions, and the costs of maintenance of such patent applications and patents, shall be in accordance with Article (3) and Article (7) section (1)(b).

However, prior to the first filing of an application on a Joint Project invention or any other joint invention, a copy of the application shall be provided to the other party with an opportunity for review and comment, at least two weeks before filing. If the reviewing party notifies the filing party that there is a disagreement as to inventorship or the use of the reviewing party's information in the application that cannot be resolved by the Technical and Legal staffs of the parties, the application will not be filed until the matter is resolved, except with the agreement of the Vice President of Research and Development for each party.

Also, each party shall disclose to the other party any patent applications on their own individual projects which utilize or disclose any information derived from Joint Project disclosures or any information of the other party obtained in the course of cooperation under this Agreement, whether or not any related Joint Project has been terminated, as soon as reasonably possible, but in any event at least ten (10) days prior to filing to allow the other party to review and comment on or object to such a utilization or disclosure.

(c) Experimental Work Inventions Each party shall notify the other as to all countries in which it intends to apply for patent rights on inventions made in the course of the Experimental Work performed under this Agreement which it owns under the terms hereof and, if so requested, shall grant to the other the right to apply in the other's own name and at its own expense for patents with respect to such inventions in any country where the first party does not intend to apply; and if either party intends to abandon any of the aforementioned patent rights covering such inventions, it shall first advise the other, who shall then have the right to receive an assignment of such patent or patent application and to maintain such patent right or to continue its prosecution at its own expense.

3) Visiting Scientists
(a) Ownership and Licensing of Inventions Any inventions made by an employee of a party while assigned to work with scientists of the other party on research or development work not falling within Article 4, Section 1, whether or not the sole invention of the employee, or an invention made jointly with scientists of the other party, shall be owned by the party to whose research project the invention relates (typically the host company). However, the other party shall have a right to a license under such inventions and any patents granted thereon. as provided in Article (3).

(b) Any employee assigned to work with scientists of the other party shall receive compensation (inventors fees and the like) for inventions made and covered by these provisions from his employer.



**MARKETING RIGHTS**

Henkel and Clorox shall inform each other about all new consumer products that they develop in the Cleaning Product Categories and make them available to the other party for manufacture or marketing in accordance with the provisions of Article (3) with respect to rights in Technology.



**CONFIDENTIALITY**

Each party shall retain in strict confidence and disclose to no one without the prior written consent to the other party, any information which it first acquires as a result of any Joint Project work, or which otherwise is disclosed to it by the other party under this Agreement, provided, however, that this obligation:

1) shall not prevent the disclosure under a like condition of confidence and trust of information to companies at least 50% of which one of the parties hereto owns or controls;

2) shall not apply to information already lawfully known to the receiving party prior to the date of this Agreement, or to information which is or becomes part of the public domain through no fault of the receiving party; and

3) shall be limited to a period of ten (10) years from the date of such disclosure.

The foregoing shall not be interpreted to allow either party to disclose information concerning test marketing of the other party disclosed to it according to Article (4) Paragraph 3) b).



**INDEMNITY**

Marketing any of the products and substances developed under this Agreement or utilization of any Technology as provided in this Agreement remains the sole responsibility of the party deciding so to do. Therefore, the party marketing any product developed or disclosed pursuant to this Agreement shall indemnify the other party against any and all loss, liability, damage and expense of every character whatsoever for loss of, or damage to, property, or for personal injury, sickness and disease (including death) sustained by any person, if such loss, damage or injury is caused by, or is in any way connected with products developed under this Agreement.

Neither party shall have any liability to the other for patent infringement, or the like, for utilization of its Technology by the other party pursuant to this Agreement. However, each party will use its reasonable best efforts to insure that it has obtained all inventor's rights in its Technology that it makes available to the other pursuant to this Agreement.



**TERMINATION**

The term of this Agreement shall commence on the date and day first written above and shall continue for ten (10) years thereafter, unless sooner terminated as herein provided.

This Agreement may be terminated by either party on twelve
(12) calendar months prior written notice given as of any date after one (1) year from the commencement date of this Agreement.

Either party may terminate this Agreement forthwith in any of the following events:

1) if at any time and for any reason HENKEL should hold directly or indirectly less than 15 per cent of the then outstanding shares of CLOROX common stock; or

2) if at any time one or more corporations or individuals acting in concert or as a syndicate or other group, or any persons so acting on behalf of any of the foregoing, shall acquire without HENKEL's consent or hold more than 15 percent of the then outstanding shares of CLOROX common stock; or

3) if either party is subject to corporate reorganization and as a result thereof is not the surviving or controlling corporation.

Also, this agreement shall terminate immediately upon any termination of the Joint Venture Agreement dated October 1, 1985.



**SURVIVABILITY**

Upon the expiration or sooner termination of the term hereof, all rights and obligations of the parties shall come to an end except that:

1) the non-disclosure provisions of Article (9) shall not immediately terminate but shall remain in full force and effect for the period provided in Article (9) and shall then terminate;

2) with respect to Technology for which a party has developed plans for use or actually made use in a commercial product prior to such expiration or termination the provisions of Article (3) and (7) relating to licenses under patent, trade secret and know-how rights shall not terminate but shall continue in full force and effect, as to patents, until expiration of the patents and, as to trade secrets and know-how, perpetually;



**ENTIRE AGREEMENT**

This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof. Any alteration,

amendment or termination of this Agreement shall be valid only if made in written form.



**SEVERABILITY**

In the event that any provision of this Agreement shall be held illegal, void or in effective, the remaining portions hereof shall remain in full force and effect. In this case, the parties hereto shall replace the illegal, void or ineffective provision by a provision which has the same or similar economic effect.



**NOTICES**

All notices given under this Agreement shall be in writing and as to CLOROX shall be addressed to:
**THE CLOROX COMPANY**
Attention: General Counsel
1221 Broadway
Oakland, California 94612
**U S A**

and as to HENKEL shall be addressed to
**HENKEL KGaA**
Attention: General Counsel
Henkelstrasse 67
D-40191 Duesseldorf Germany

or as modified from time to time by the parties hereto.



**ASSIGNABILITY**

This Agreement shall be assignable in whole or in part by either party to any assignee controlled by the parties hereto. Otherwise, this Agreement shall be assignable in whole or in part only with the prior written consent of the other party.



**GOVERNING LAW**

This Agreement shall be construed and interpreted in accordance with and its performance governed by the laws of the State of New York, USA.

All disputes arising in connection with this Agreement shall be finally settled by the courts of the State of New York, USA.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

**THE CLOROX COMPANY**

*/S/ G. CRAIG SULLIVAN*
*G. Craig Sullivan*
*Chairman of the Board and*
*Chief Executive Officer*

**HENKEL KGaA**

*/S/ DR. KLAUS MORWIND*
*Dr. Klaus Morwind*
*Executive Vice President, Personally Liable*
*Associate and Member of Management Board*

**End of Filing**