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

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2006.

OR

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

For the transition period from _____ to _____

Commission File Number 1-07151

THE CLOROX COMPANY

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

31-0595760

(I.R.S. Employer Identification No.)

**1221 Broadway
Oakland, California**

(Address of principal executive offices)

94612-1888

(Zip code)

(510) 271-7000

(Registrant's telephone number, including area code)

(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 No

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

As of December 31, 2006, there were 151,254,683 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 (Unaudited)

Item 1. Financial Statements.

The Clorox Company

Condensed Consolidated Statements of Earnings

(Dollars in millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	12/31/2006	12/31/2005	12/31/2006	12/31/2005
Net sales	\$ 1,101	\$ 1,064	\$ 2,262	\$ 2,168
Cost of products sold	<u>639</u>	<u>628</u>	<u>1,302</u>	<u>1,266</u>
Gross profit	462	436	960	902
Selling and administrative expenses	162	161	315	305
Advertising costs	109	99	226	212
Research and development costs	27	25	53	48
Restructuring costs	4	—	4	1
Interest expense	29	32	58	62
Other income, net	<u>(5)</u>	<u>(1)</u>	<u>(7)</u>	<u>—</u>
Earnings from continuing operations before income taxes	136	120	311	274
Income taxes on continuing operations	<u>45</u>	<u>37</u>	<u>108</u>	<u>83</u>
Earnings from continuing operations	91	83	203	191
Earnings from discontinued operations	<u>5</u>	<u>—</u>	<u>5</u>	<u>1</u>
Net earnings	<u>\$ 96</u>	<u>\$ 83</u>	<u>\$ 208</u>	<u>\$ 192</u>
Earnings per common share:				
Basic				
Continuing operations	\$ 0.60	\$ 0.56	\$ 1.34	\$ 1.27
Discontinued operations	<u>0.03</u>	<u>—</u>	<u>0.03</u>	<u>0.01</u>
Basic net earnings per common share	<u>\$ 0.63</u>	<u>\$ 0.56</u>	<u>\$ 1.37</u>	<u>\$ 1.28</u>
Diluted				
Continuing operations	\$ 0.59	\$ 0.55	\$ 1.32	\$ 1.25
Discontinued operations	<u>0.03</u>	<u>—</u>	<u>0.03</u>	<u>0.01</u>
Diluted net earnings per common share	<u>\$ 0.62</u>	<u>\$ 0.55</u>	<u>\$ 1.35</u>	<u>\$ 1.26</u>
Weighted average common shares outstanding (in thousands)				
Basic	151,413	150,080	151,278	150,457
Diluted	153,885	152,264	153,705	152,780
Dividends declared per common share	\$ 0.31	\$ 0.29	\$ 0.60	\$ 0.57

See Notes to Condensed Consolidated Financial Statements

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Condensed Consolidated Balance Sheets
(Dollars in millions, except per share amounts)

	<u>12/31/2006</u>	<u>6/30/2006</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 179	\$ 192
Receivables, net	393	435
Inventories	340	292
Other current assets	67	88
Total current assets	<u>979</u>	<u>1,007</u>
Property, plant and equipment, net	985	1,004
Goodwill	801	744
Trademarks and other intangible assets, net	608	604
Other assets	<u>251</u>	<u>257</u>
Total assets	<u>\$ 3,624</u>	<u>\$ 3,616</u>
Liabilities and Stockholders' Deficit		
Current liabilities		
Notes and loans payable	\$ 126	\$ 156
Current maturities of long-term debt	651	152
Accounts payable	283	329
Accrued liabilities	435	474
Income taxes payable	24	19
Total current liabilities	<u>1,519</u>	<u>1,130</u>
Long-term debt	1,464	1,966
Other liabilities	562	547
Deferred income taxes	<u>112</u>	<u>129</u>
Total liabilities	<u>3,657</u>	<u>3,772</u>
Contingencies		
Stockholders' deficit		
Common stock: \$1.00 par value; 750,000,000 shares authorized; 158,741,461 and 249,826,934 shares issued at December 31, 2006 and June 30, 2006, respectively; and 151,254,683 and 151,298,366 shares outstanding at December 31, 2006 and June 30, 2006, respectively	159	250
Additional paid-in capital	437	397
Retained earnings	7	3,939
Treasury shares, at cost: 7,486,778 and 98,528,568 shares at December 31, 2006 and June 30, 2006, respectively	(428)	(4,527)
Accumulated other comprehensive net losses	<u>(208)</u>	<u>(215)</u>
Stockholders' deficit	<u>(33)</u>	<u>(156)</u>
Total liabilities and stockholders' deficit	<u>\$ 3,624</u>	<u>\$ 3,616</u>

See Notes to Condensed Consolidated Financial Statements

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Condensed Consolidated Statements of Cash Flows
(Dollars in millions)

	Six Months Ended	
	12/31/2006	12/31/2005
Operating activities:		
Net earnings	\$ 208	\$ 192
Deduct: Earnings from discontinued operations	5	1
	203	191
Earnings from continuing operations		
Adjustments to reconcile earnings from continuing operations:		
Depreciation and amortization	95	92
Share-based compensation	28	23
Restructuring activities	4	—
Deferred income taxes	(8)	(1)
Other	16	28
Changes in:		
Receivables, net	46	34
Inventories	(46)	(38)
Other current assets	13	1
Accounts payable and accrued liabilities	(107)	(126)
Income taxes payable	13	24
Income tax settlement payment	(2)	(151)
Net cash provided by continuing operations	255	77
Net cash provided by discontinued operations	—	6
	255	83
Net cash provided by operations		
Investing activities:		
Capital expenditures	(68)	(83)
Businesses acquired	(56)	—
Proceeds from life insurance investment	—	41
Low-income housing contributions and other	(2)	(5)
	(126)	(47)
Net cash used for investing activities		
Financing activities:		
Notes and loans payable	(32)	162
Long-term debt repayments	—	(29)
Treasury stock purchases	(89)	(135)
Cash dividends paid	(89)	(85)
Issuance of common stock for employee stock plans and other	67	31
	(143)	(56)
Net cash used for financing activities		
Effect of exchange rate changes on cash and cash equivalents	1	—
Net decrease in cash and cash equivalents	(13)	(20)
Cash and cash equivalents:		
Beginning of period	192	293
End of period	\$ 179	\$ 273

See Notes to Condensed Consolidated Financial Statements

Notes to Condensed Consolidated Financial Statements
(Dollars in millions, except per share amounts)

NOTE 1. INTERIM FINANCIAL STATEMENTS

Basis of Presentation

The unaudited interim condensed consolidated financial statements for the three and six month periods ended December 31, 2006 and 2005, in the opinion of management, reflect all adjustments (consisting of normal recurring 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) for the periods presented. Certain reclassifications were made in the prior periods' condensed consolidated financial statements to conform to the current periods' presentation. The results for the interim periods ended December 31, 2006, are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2007, or for any future period.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been omitted or condensed pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). The information in this report should be read in conjunction with the Company's Annual Report on Form 10-K filed with the SEC for the fiscal year ended June 30, 2006, which includes a complete set of footnote disclosures, including the Company's significant accounting policies.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ materially from estimates and assumptions made.

In determining its quarterly provision for income taxes, the Company uses an estimated annual effective tax rate, which is based on expected annual income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which the Company operates. Certain significant or unusual items are separately recognized in the quarter in which they occur and can be a source of variability in the effective tax rates from quarter to quarter.

New Accounting Standards

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes—an Interpretation of Financial Accounting Standards Board Statement No. 109*. This Interpretation prescribes a consistent recognition threshold and measurement standard, as well as clear criteria for subsequently recognizing, derecognizing, classifying and measuring tax positions for financial statement purposes. The interpretation also requires expanded disclosure with respect to uncertainties as they relate to income tax accounting. FIN 48 will be adopted by the Company at the beginning of its fiscal year ending June 30, 2008, as required. Management is currently evaluating the impact of FIN 48 on its consolidated financial statements. The cumulative effect of the interpretation will be reflected as an adjustment to beginning retained earnings upon adoption.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. This Statement defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosures about fair value measurements. This Statement will be adopted by the Company beginning in its fiscal year ending June 30, 2009, as required. The Company is currently evaluating the impact of SFAS No. 157 on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132-R*. SFAS No. 158 requires an entity to recognize in its balance sheet the funded status of its defined benefit postretirement plans, measured as the difference between the fair value of the plan assets and the benefit obligation. SFAS No. 158 also requires an entity to recognize changes in the funded status of a defined benefit postretirement plan within accumulated other comprehensive income, to the extent such changes are not recognized in earnings as components of net periodic benefit cost. The Company is required to adopt SFAS No. 158 as of the end of its fiscal year ending June 30, 2007, and is currently evaluating the impact of the provisions of SFAS No. 158.

In August 2006, the Pension Protection Act (the Act) was signed into law. The provisions of the Act, which include higher minimum funding levels for qualified pension plans, will become effective for the Company's plan year ending on June 30, 2008. Although the fair value of the Company's domestic qualified pension plan's assets was in excess of its projected benefit obligation as of its last valuation on June 30, 2006, the provisions of the Act could potentially impact the Company's funding plans.

NOTE 2. RESTRUCTURING

In October 2006, the Company entered into an Information Technology Services (ITS) Agreement with a third-party service provider. Upon the terms and subject to the conditions set forth in the ITS Agreement, the third-party service provider will be providing information technology and related services to the Company for a term of seven years. The services will begin in March 2007. The total estimated costs of the ITS Agreement are approximately \$260. As part of the ITS Agreement, the Company will also have an operating lease with its third-party service provider for information technology equipment. Current estimated payments, which are included in the \$260, will be based on an annual service fee that will be adjusted periodically based upon updates to services provided.

In conjunction with implementing the ITS Agreement, the Company is restructuring certain Information Services (IS) activities. As a result, a number of IS positions are being eliminated. The Company expects to incur incremental administrative expenses and restructuring costs of approximately \$20 to \$22 during its fiscal year ending June 30, 2007, primarily associated with transition and severance costs. Transition costs of \$5 and \$8 were recorded in administrative expense during the three and six months ended December 31, 2006, respectively. Severance and other related costs of \$4 were recorded as restructuring costs during the three and six months ended December 31, 2006. These costs are reflected in the Company's Corporate segment. Total accrued restructuring liability at December 31, 2006, was \$4. Approximately \$8 to \$10 of administrative and restructuring costs are expected to be incurred in the combined third and fourth quarters of the Company's fiscal year ending June 30, 2007, which are primarily comprised of transition fees to the third-party service provider and employee severance. The Company expects to complete its restructuring in fiscal year 2007.

NOTE 3. BUSINESSES ACQUIRED

On December 20, 2006, the Company announced that it had entered into a definitive agreement (the Agreement) with Colgate-Palmolive Company (Colgate) to purchase Colgate's bleach businesses in Canada and certain countries in Latin America for an aggregate price of approximately \$126 plus consideration for inventory, with the objective of expanding its global bleach business. Under the Agreement, the Company is acquiring brand trademarks and is also acquiring manufacturing facilities in Canada and Venezuela. Under the Agreement, employees at these facilities transfer to the Company. The transaction is structured as an all cash acquisition.

The Company acquired the bleach business in Canada on December 29, 2006, for \$56. Net assets, acquired at fair value, included inventory of \$1, property, plant and equipment of \$1, goodwill of \$50 and trademarks of \$4 (to be amortized over a life of 5 years). The Company anticipates closing the purchase of the Latin America businesses in the third quarter of its fiscal year 2007. The closing is subject to regulatory and other customary approvals and closing conditions.

Due to the closing date of the acquired bleach business occurring on December 29, 2006, the Company did not recognize any operating results related to the acquired bleach business in Canada during the three and six months ended December 31, 2006. Future operating results of the acquired bleach business in Canada will be included in consolidated net earnings.

NOTE 4. DISCONTINUED OPERATIONS

On December 22, 2006, the Company sold certain assets remaining from its discontinued operation in Brazil, which has been accounted for as a discontinued operation. This transaction resulted in an income tax benefit of \$5, which was recorded in discontinued operations during the three and six months ended December 31, 2006.

The consolidated statements of earnings for the three and six month periods ended December 31, 2005, include discontinued operations related to the Company's exchange of its ownership interest in a subsidiary for Henkel KGaA's (Henkel) interest in the Company's common stock.

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NOTE 5. FINANCIAL INSTRUMENTS

The Company utilizes derivative instruments, principally swaps, forwards and options, to manage the ongoing business risks associated with fluctuations in commodity prices, foreign currencies and interest rates. These contracts are economic hedges for transactions which have notional balances and periods consistent with the related exposures and do not constitute investments independent of these exposures.

At December 31, 2006 and June 30, 2006, the Company's derivative financial instruments are recorded at fair value in the Condensed Consolidated Balance Sheets as assets (liabilities) as follows:

	<u>12/31/2006</u>	<u>6/30/2006</u>
Current assets:		
Commodity purchase contracts	\$ —	\$11
Other assets:		
Commodity purchase contracts	—	1
Current liabilities:		
Commodity purchase contracts	(6)	—

The estimated notional and fair value amounts of the Company's derivative contracts are summarized below at:

	<u>12/31/2006</u>		<u>6/30/2006</u>	
	<u>Notional</u>	<u>Fair Value</u>	<u>Notional</u>	<u>Fair Value</u>
Foreign exchange	\$31	\$ —	\$47	\$ —
Commodity purchase	87	(6)	84	12
Fair value contracts	23	—	21	—

Exposure to counterparty credit risk is considered low because these agreements have been entered into with creditworthy institutions and the contracts contain appropriate margin requirements.

NOTE 6. INVENTORIES

Inventories consisted of the following at:

	<u>12/31/2006</u>	<u>6/30/2006</u>
Finished goods	\$ 279	\$ 224
Raw materials and packaging	83	81
Work in process	3	5
LIFO allowances	(21)	(14)
Allowance for obsolescence	(4)	(4)
Total	<u>\$ 340</u>	<u>\$ 292</u>

NOTE 7. OTHER ASSETS

Other assets consisted of the following at:

	<u>12/31/2006</u>	<u>6/30/2006</u>
Pension benefit assets	\$ 101	\$ 106
Equity investments	46	45
Investment in low-income housing partnerships	25	23
Investment in insurance contracts	38	39
Non-qualified retirement plan assets	14	15
Other	27	29
Total	<u>\$ 251</u>	<u>\$ 257</u>

NOTE 8. OTHER LIABILITIES

Other liabilities consisted of the following at:

	12/31/2006	6/30/2006
Venture agreement net terminal obligation	\$ 262	\$ 261
Retirement healthcare benefits	83	88
Qualified and nonqualified pension plans	50	49
Nonqualified deferred compensation plans	56	50
Environmental remediation	26	27
Long-term disability post-employment obligation	27	24
Other	<u>58</u>	<u>48</u>
Total	<u>\$ 562</u>	<u>\$ 547</u>

NOTE 9. NET EARNINGS PER COMMON SHARE

Net earnings per common share (EPS) is computed by dividing net earnings by the weighted average number of common shares outstanding each period on an unrounded basis. Diluted EPS reflects the earnings dilution that could occur from common shares that may be issued through stock options, restricted stock awards and performance units. The weighted average number of common shares outstanding used to calculate basic and diluted EPS was as follows (in thousands):

	Weighted Average Number of Common Shares Outstanding for the			
	Three Months Ended		Six Months Ended	
	12/31/2006	12/31/2005	12/31/2006	12/31/2005
Basic	151,413	150,080	151,278	150,457
Stock options, restricted stock awards and other	<u>2,472</u>	<u>2,184</u>	<u>2,427</u>	<u>2,323</u>
Diluted	<u>153,885</u>	<u>152,264</u>	<u>153,705</u>	<u>152,780</u>

The following table sets forth the securities not included in the calculation of diluted EPS because to do so would be anti-dilutive (in thousands):

	Three Months Ended		Six Months Ended	
	12/31/2006	12/31/2005	12/31/2006	12/31/2005
Stock options	31	2,634	34	2,625
Performance units	—	135	—	135

During the three and six months ended December 31, 2006, the Company issued 482,259 and 1,354,535 shares of common stock, respectively, and during the three and six months ended December 31, 2005, the Company issued 236,605 and 807,529 shares of common stock, respectively, pursuant to stock option exercises, vested restricted stock awards, performance unit redemption and director fees.

On November 14, 2006, the Company retired 91 million shares of its treasury stock. These shares are now authorized but unissued. In accordance with Accounting Principles Board Opinion No. 6, *Status of Accounting Research Bulletins*, the treasury stock retirement resulted in a reduction of the following on the Company's Condensed Consolidated Balance Sheet: treasury stock by \$4,137, common stock by \$91 and retained earnings by \$4,046. There was no effect to the Company's overall equity position as a result of the retirement.

NOTE 10. COMPREHENSIVE INCOME

Comprehensive income includes net earnings and certain adjustments that are excluded from net earnings, but included as a separate component of stockholders' deficit, net of tax. Comprehensive income was as follows:

	Three Months Ended		Six Months Ended	
	12/31/2006	12/31/2005	12/31/2006	12/31/2005
Net earnings	\$ 96	\$ 83	\$ 208	\$ 192
Other comprehensive gains (losses), net of tax:				
Foreign currency translation adjustments	5	(4)	16	7
Net derivative adjustments	(3)	(7)	(9)	(2)
Total comprehensive income	<u>\$ 98</u>	<u>\$ 72</u>	<u>\$ 215</u>	<u>\$ 197</u>

NOTE 11. RETIREMENT INCOME AND HEALTH CARE BENEFIT PLANS

The following table summarizes the components of net periodic benefit cost for the Company's retirement income and health care plans:

	Retirement Income Plans for the			
	Three Months Ended		Six Months Ended	
	12/31/2006	12/31/2005	12/31/2006	12/31/2005
Components of net periodic benefit cost (income):				
Service cost	\$ 2	\$ 3	\$ 5	\$ 6
Interest cost	6	7	13	13
Expected return on plan assets	(6)	(7)	(13)	(13)
Amortization of unrecognized items	2	4	4	8
Total net periodic benefit cost	<u>\$ 4</u>	<u>\$ 7</u>	<u>\$ 9</u>	<u>\$ 14</u>

	Health Care Plans for the			
	Three Months Ended		Six Months Ended	
	12/31/2006	12/31/2005	12/31/2006	12/31/2005
Components of net periodic benefit cost (income):				
Service cost	\$ —	\$ 1	\$ 1	\$ 1
Interest cost	1	1	2	2
Amortization of unrecognized Items	—	—	(1)	—
Total net periodic benefit cost	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 3</u>

NOTE 12. GUARANTEES

In conjunction with divestitures and other transactions, the Company may provide indemnifications relating to the enforceability of trademarks, pre-existing legal, tax, environmental and employee liabilities, as well as provisions for product returns and other items. The Company has indemnification agreements in effect that specify a maximum possible indemnification exposure. The Company's aggregate maximum exposure from these agreements is \$291, which consists primarily of an indemnity of up to \$250 made to Henkel in connection with the Share Exchange Agreement, subject to a minimum threshold of \$12 before any payments would be made. The general representations and warranties made by the Company in connection with the Henkel Share Exchange Agreement were made to guarantee statements of fact at the time of the transaction closing and pertain to environmental, legal and other matters.

In addition to the indemnifications related to the general representations and warranties, the Company entered into an agreement with Henkel regarding certain tax matters. The Company made certain representations of fact as of the closing date of the exchange transaction and certain representations and warranties regarding future performance designed to preserve the tax-free status of the exchange transaction. In general, the Company agreed to be responsible for Henkel's taxes on the transaction if the Company's actions result in a breach of the representations and warranties in a manner that causes the share-exchange to fail to qualify for tax-free treatment. Henkel has agreed to similar obligations. The Company is unable to estimate the amount of maximum potential liability relating to the tax indemnification as the agreement does not specify a maximum amount, and the Company does not have the information that would be required to calculate this exposure. The Company does note, however, that the potential tax exposure, if any, could be very significant as the Company believes Henkel's tax basis in the shares exchanged is low, and the value of the subsidiary stock transferred to Henkel in the exchange transaction was approximately \$2,800. Although the agreement does not specify an indemnification term, any exposure under the agreement would be limited to taxes assessed prior to the expiration of the statute of limitations period for assessing taxes on the share exchange transaction. Based on the nature of the representations and warranties as well as other factors, the Company has not accrued any liability under this indemnity.

The Company is a party to letters of credit of \$20, primarily related to one of its insurance carriers.

The Company has not recorded any liabilities on any of the aforementioned guarantees at December 31, 2006.

NOTE 13. CONTINGENCIES

The Company is involved in certain environmental matters, including Superfund and other response actions at various locations. The Company has a recorded liability of \$26 and \$27 at December 31, 2006 and June 30, 2006, respectively, for its share of the related aggregate future remediation cost. One matter in Dickinson County, Michigan, for which the Company is jointly and severally liable, accounts for a substantial majority of the recorded liability at both December 31, 2006 and June 30, 2006. The Company is subject to a cost-sharing arrangement with another party for this matter, under which Clorox has agreed to be liable for 24.3% of the aggregate remediation and associated costs, other than legal fees, as the Company and the other party are each responsible for their own such fees. If the other party with whom Clorox shares joint and several liability is unable to pay its share of the response and remediation obligations, Clorox would likely be responsible for such obligations. The other party in this matter recently reported a substantial net loss for 2006 and expectations of continuing challenges in 2007. In October 2004, the Company and the other party agreed to a consent judgment with the Michigan Department of Environmental Quality (MDEQ), which sets forth certain remediation goals and monitoring activities. Based on the current status of this matter, and with the assistance of environmental consultants, the Company maintains an undiscounted liability representing its best estimate of its share of costs associated with the capital expenditures, maintenance and other costs to be incurred over an estimated 30-year remediation period. The most significant components of the liability relate to the estimated costs associated with the remediation of groundwater contamination and excess levels of subterranean methane deposits. Currently, the Company cannot accurately predict the timing of the payments that will likely be made under this estimated obligation. In addition, the Company's estimated loss exposure is sensitive to a variety of uncertain factors, including the efficacy of remediation efforts, changes in remediation requirements and the timing, varying costs and alternative clean-up technologies that may become available in the future. Although it is possible that the Company's exposure may exceed the amount recorded, any amount of such additional exposures, or range of exposures, is not estimable at this time.

On August 4, 2006, a derivative action purportedly on behalf of the Company was filed in the Superior Court of California, Alameda County, against certain current and former directors and officers of the Company. Specifically, the plaintiff alleges, among other things, breach of fiduciary duties and waste of corporate assets. These allegations relate to the non-cash compensation expense the Company recorded during the fourth quarter of fiscal year 2006, following a review of its stock option practices. The complaint demands, among other forms of relief, judgment in the form of monetary damages sustained by the Company as a result of such practices. On September 1, 2006, the Company filed a motion to dismiss the case. On November 3, 2006, the plaintiff filed an amended complaint naming additional defendants and asserting additional claims including allegations of violations of Section 16(b) of the Securities Exchange Act of 1934. On December 1, 2006, the Company removed the case to the United States District Court for the Northern District of California. On December 22, 2006, the Company filed a motion to dismiss the amended complaint.

While there can be no assurance as to the ultimate disposition of this action, the Company does not believe that its resolution will have a material adverse effect on its financial position, results of operations or cash flows. Since the Company believes that the likelihood of sustaining material losses is remote, the Company has not accrued a liability at December 31, 2006.

The Company is also subject to various other lawsuits and claims relating to issues such as contract disputes, product liability, patents and trademarks, advertising, employee and other matters. Although the results of claims and litigation cannot be predicted with certainty, it is the opinion of management that the ultimate disposition of these matters, to the extent not previously provided for, will not have a material adverse effect, individually or in the aggregate, on the Company's consolidated financial statements taken as a whole.

NOTE 14. SEGMENT RESULTS

Information regarding the Company's operating segments is shown below. Each segment is individually managed with separate operating results that are reviewed regularly by the chief operating decision makers. The operating segments include:

Household Group — North America: Includes United States bleach, cleaning, water-filtration, automotive-care and professional products; and all products marketed in Canada.

Specialty Group: Includes the plastic bags, wraps and containers businesses marketed in the United States; charcoal; cat litter; and food products.

International: Includes exports and operations outside the United States and Canada.

Corporate includes certain nonallocated administrative costs, amortization of trademarks and other intangible assets, interest income, interest expense, foreign exchange gains and losses, and other nonoperating income and expense.

The table below represents operating segment information.

	Net Sales			
	Three Months Ended		Six Months Ended	
	12/31/2006	12/31/2005	12/31/2006	12/31/2005
Household Group — North America	\$ 484	\$ 495	\$ 1,033	\$ 1,019
Specialty Group	439	405	890	830
International	178	164	339	319
Total Company	\$ 1,101	\$ 1,064	\$ 2,262	\$ 2,168
	Earnings (Losses) from Continuing Operations Before Income Taxes			
	Three Months Ended		Six Months Ended	
	12/31/2006	12/31/2005	12/31/2006	12/31/2005
Household Group — North America	\$ 147	\$ 161	\$ 325	\$ 331
Specialty Group	107	82	216	171
International	34	33	68	68
Corporate	(152)	(156)	(298)	(296)
Total Company	\$ 136	\$ 120	\$ 311	\$ 274

Net sales to the Company's largest customer, Wal-Mart Stores, Inc. and its affiliates, were 26% and 27% of consolidated net sales for the three and six months ended December 31, 2006, respectively, and 27% of consolidated net sales for the three and six months ended December 31, 2005.

**Item 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations**
(Dollars in millions, except per share amounts)

Overview

The Clorox Company and its subsidiaries (the Company or Clorox) is a leading manufacturer and marketer of consumer products. Clorox markets some of consumers' most trusted and recognized brand names, including its namesake bleach and cleaning products, Armor All[®] and STP[®] auto-care products, Fresh Step[®] and Scoop Away[®] cat litters, Kingsford[®] charcoal briquets, Hidden Valley[®] and K C Masterpiece[®] dressings and sauces, Brita[®] water-filtration systems, and Glad[®] bags, wraps and containers. In addition, the Company has a number of leading brands in international markets, including those sold under the Poett[®], Mistolin[®] and Ayudin[®] brand names. With approximately 7,600 employees worldwide, the Company manufactures products in more than 20 countries and markets them in more than 100 countries.

The Company reports its operations in three operating segments: the Household Group – North America, Specialty Group and International. The Household – North America segment includes U.S. bleach, cleaning, water-filtration, auto-care and professional products and all products marketed in Canada. The Specialty segment includes the plastic bags, wraps and containers businesses, charcoal, cat litter and food products marketed in the United States. The International segment includes operations outside the United States and Canada.

The Company reported solid net earnings and diluted earnings per common share results for the three and six months ended December 31, 2006. The Company reported net earnings of \$96 and \$208 and diluted earnings per common share of \$0.62 and \$1.35 for the three and six months ended December 31, 2006, respectively. The Company continues to face ongoing challenges from higher commodity costs, the anticipated impacts of price increases on its volume in the short term, and competitive activity in the market place. The Company is addressing these challenges through its on-going cost savings programs, pricing actions, innovative product improvements and new products, and advertising and trade promotional spending to support its brands.

In addition to the focus on delivering the Company's fiscal year 2007 financial targets, the Company is refreshing its corporate strategy to help drive long-term growth. This strategy renewal will build off of the successful strategy that is currently in place.

Other key fiscal year-to-date 2007 highlights are summarized as follows:

- The Company's segments reported an overall 4% increase in net sales for the six months ended December 31, 2006, primarily driven by the continued impact of price increases implemented in the prior fiscal year. These price increases contributed to the Company's overall volume decline of 1%, as anticipated.
- Donald R. Knauss was named chairman and chief executive officer (CEO), effective October 2006. He succeeded Robert W. Matschullat who served as the Company's interim chairman and interim CEO.
- In January 2007, the Company named Larry Peiros as executive vice president and chief operating officer – Clorox North America, Beth Springer as executive vice president – strategy and growth, and Frank Tataseo as executive vice president – functional operations.
- The Company announced on December 20, 2006, that it had entered into a definitive agreement (the Agreement) with Colgate-Palmolive Company (Colgate) to purchase its bleach businesses in Canada and certain countries in Latin America. On December 29, 2006, the Company acquired the bleach business in Canada and the Company anticipates closing the purchase of the Latin America businesses in the third quarter of its fiscal year 2007.
- In October 2006, as part of the Company's continuing efforts to cut costs and enhance margins, it entered into an Information Technology Services Agreement (ITS Agreement) with a third-party service provider. In conjunction with implementing the ITS Agreement, the Company will restructure certain Information Services activities.

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The following discussion of the Company's financial condition and results of operations should be read in conjunction with the Company's consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2006, which was filed with the Securities and Exchange Commission (SEC) on August 25, 2006, and the unaudited condensed consolidated financial statements and related notes contained in this quarterly report on Form 10-Q.

Results of Operations

Management's discussion and analysis of the results of operations, unless otherwise noted, compares the three and six months ended December 31, 2006 (the "current periods"), to the three and six months ended December 31, 2005 (the "prior periods"), using percentages calculated on a rounded basis, except as noted.

	Three Months Ended		% Change	% of Net Sales	
	12/31/2006	12/31/2005		12/31/2006	12/31/2005
Diluted net earnings per common share from continuing operations	\$ 0.59	\$ 0.55	7%		
Net sales	\$1,101	\$1,064	3%	100.0%	100.0%
Gross profit	462	436	6	42.0	41.0
Selling and administrative expenses	162	161	1	14.7	15.1
Advertising costs	109	99	10	9.9	9.3
Research and development costs	27	25	8	2.5	2.3

	Six Months Ended		% Change	% of Net Sales	
	12/31/2006	12/31/2005		12/31/2006	12/31/2005
Diluted net earnings per common share from continuing operations	\$ 1.32	\$ 1.25	6%		
Net sales	\$2,262	\$2,168	4%	100.0%	100.0%
Gross profit	960	902	6	42.4	41.6
Selling and administrative expenses	315	305	3	13.9	14.1
Advertising costs	226	212	7	10.0	9.8
Research and development costs	53	48	10	2.3	2.2

Diluted net earnings per common share from continuing operations increased by \$0.04 and \$0.07 in the current periods, respectively, compared to prior periods. This increase was driven primarily by increased net sales and improved gross profit, partially offset by increased advertising costs, transition and restructuring costs associated with the ITS Agreement and a higher effective tax rate.

Net sales increased 3% and 4% in the current periods, respectively, compared to prior periods, while volume decreased 1% for both periods. Volume declined as competitive activity contributed to reduced shipments of Glad[®] trash bags and certain laundry and home-care products. Also, as anticipated, price increases taken in fiscal year 2006 continued to have an unfavorable impact on volume. These decreases were partially offset by increased shipments of cat litter products as well as increased shipments in Latin America. Net sales growth outpaced the change in volume primarily due to the benefits of prior year price increases.

Gross profit increased by 100 basis points and 80 basis points as a percentage of sales for the current periods, respectively, compared to the prior periods. This increase was primarily driven by price increases and the benefit of on-going cost savings, partially offset by increased commodity, manufacturing and logistics costs.

Selling and administrative expenses increased by 1% and 3% in the current periods, respectively, compared to prior periods, primarily due to higher legal and consulting fees, primarily associated with the ITS Agreement (see Restructuring costs section below). This increase was partially offset in the three months ended December 31, 2006, by lower incentive compensation expense.

Advertising costs increased by 10% and 7% in the current periods, respectively, compared to the prior periods. This increase was driven by higher spending to support the health-and-wellness growth platform and new product launches.

Research and development costs increased by 8% and 10% in the current periods, respectively, compared to the prior periods, due to increased spending to support new product innovations.

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Restructuring costs were \$4 for the current periods. In October 2006, the Company entered into an ITS Agreement with a third-party service provider. Upon the terms and subject to the conditions set forth in the ITS Agreement, the third-party service provider will be providing information technology and related services to the Company for a term of seven years. The services will begin in March 2007. The total estimated costs of the ITS Agreement over seven years are approximately \$260. As part of the ITS Agreement, the Company will also have an operating lease with its third-party service provider for information technology equipment. Current estimated payments, which are included in the \$260, will be based on an annual service fee that will be adjusted periodically based upon updates to services provided.

In conjunction with implementing the ITS Agreement, the Company is restructuring certain Information Services (IS) activities. As a result, a number of IS positions are being eliminated. The Company expects to incur incremental restructuring costs and administrative expenses of approximately \$20 to \$22 during its fiscal year ending June 30, 2007, primarily associated with severance and transition costs. Severance and other related costs of \$4 were recorded as restructuring costs during the three and six months ended December 31, 2006. Transition costs of \$5 and \$8 were recorded in administrative expense during the three and six months ended December 31, 2006, respectively. These costs are reflected in the Company's Corporate segment. Approximately \$8 to \$10 of restructuring and administrative costs are expected to be incurred in the combined third and fourth quarters of the Company's fiscal year ending June 30, 2007, which are primarily comprised of transition fees and employee severance. The Company expects to complete its restructuring in fiscal year 2007.

Interest expense decreased by \$3 and \$4 in the current periods primarily due to reduced commercial paper borrowings in the current periods, partially offset by higher interest rates.

Other income, net was \$5 and \$7, respectively, for the current periods, compared with \$1 and zero, respectively, for the prior periods. Operating losses from the Company's investment in low-income housing partnerships decreased by \$4 and \$6 for the current periods. In addition, the current periods include a \$2 gain on the sale of an international trademark. The increases are partly offset by other smaller items.

The effective tax rate on continuing operations was 33.1% and 34.7% for the current periods, respectively, as compared to 30.5% and 30.3% for the prior periods, respectively, on an unrounded basis. The lower rates for both prior year periods were primarily driven by a reduction in withholding tax on earnings repatriated under the American Jobs Creation Act and changes in the Company's federal and state tax contingency accruals. The rate for the current quarter reflects the benefit of the retroactive extension of the federal research and experimentation credit.

Earnings from discontinued operations were \$5 for the current periods. These amounts represent an income tax benefit related to the sale of certain assets remaining from the Company's discontinued operations in Brazil. The Company discontinued its operations in Brazil in fiscal year 2003.

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Segment Results

The table below represents operating segment information:

	Net Sales			
	Three Months Ended		Six Months Ended	
	12/31/2006	12/31/2005	12/31/2006	12/31/2005
Household Group — North America	\$ 484	\$ 495	\$ 1,033	\$ 1,019
Specialty Group	439	405	890	830
International	178	164	339	319
Total Company	<u>\$ 1,101</u>	<u>\$ 1,064</u>	<u>\$ 2,262</u>	<u>\$ 2,168</u>

	Earnings (Losses) from Continuing Operations Before Income Taxes			
	Three Months Ended		Six Months Ended	
	12/31/2006	12/31/2005	12/31/2006	12/31/2005
Household Group — North America	\$ 147	\$ 161	\$ 325	\$ 331
Specialty Group	107	82	216	171
International	34	33	68	68
Corporate	<u>(152)</u>	<u>(156)</u>	<u>(298)</u>	<u>(296)</u>
Total Company	<u>\$ 136</u>	<u>\$ 120</u>	<u>\$ 311</u>	<u>\$ 274</u>

Household Group — North America

The Household Group – North America reported a 2% net sales decline, 5% volume decrease and 9% decrease in earnings from continuing operations before income taxes (herein defined as “earnings” for the Segment Results section) in the current quarter as compared to the year-ago quarter. The segment also reported 1% net sales growth, 3% volume decrease and 2% decrease in earnings during the six months ended December 31, 2006, as compared to the year-ago period. Volumes declined, as anticipated, in the current periods due to the impact of price increases on Clorox[®] bleach and auto-care products. Additionally, lower shipments resulted from competitive activity in certain products, including Clorox[®] disinfecting wipes and Clorox 2[®] color-safe bleach. The variance between net sales and volume was primarily due to the impact of price increases. The decrease in earnings primarily reflected higher commodity and transportation costs and unfavorable product mix. These results were partially offset by the benefits of price increases and cost savings.

Specialty Group

The Specialty Group reported 8% net sales growth, flat volume and a 30% increase in earnings for the current quarter as compared to the year-ago quarter. The segment also reported 7% net sales growth, 1% volume decrease and a 26% increase in earnings during the six months ended December 31, 2006, as compared to the year-ago period. Net sales growth outpaced the change in volume primarily due to the benefits of price increases and favorable product mix. The segment delivered increased shipments of Fresh Step[®] scoopable cat litter behind a significant product improvement as well as increased shipments of Kingsford[®] grilling products as a result of a product improvement and favorable December 2006 weather. These results were offset by decreased shipments of Glad[®] products, particularly trash bags, due to the anticipated impact of fiscal year 2006 price increases and intense competitive activity in the trash bag category. Growth in earnings primarily reflected the benefit of price increases, cost savings and favorable product mix, partially offset by higher commodity costs and other energy-related manufacturing and transportation costs.

International

The International segment reported 9% net sales growth, a 10% volume increase and a 3% increase in earnings in the current quarter as compared to the year-ago quarter. The increase in net sales was primarily driven by price increases and strong volume growth in Latin America. The volume growth was driven by category growth in bleach and cleaners and new product launches. The increase in earnings was driven by net sales growth, cost savings and a gain of \$2 on the sale of a trademark, partially offset by higher commodity costs and increased marketing spending to support new cleaning products in certain markets.

Compared with the year-ago six month period, the segment reported 6% net sales and volume growth, and flat earnings during the six months ended December 31, 2006. Drivers impacting the year-to-date net sales, volume and earnings results are consistent with the second quarter results (as noted above). However, the year-to-date results were unfavorably impacted by lower volume from the Company's Australian business. Australia's volume has been unfavorably impacted by category softness, strong competitive activity and the discontinuation of a non-strategic product in the prior year.

Corporate

Losses from continuing operations before income taxes attributable to the corporate segment decreased by 3% and increased by 1% for the current periods, respectively, as compared to prior periods. The decrease of 3% in the three months ended December 31, 2006, as compared to the year ago quarter, was primarily attributable to decreased incentive compensation expense, decreased operating losses from the Company's investment in low-income housing partnerships and lower interest expense. These results were partially offset by transition and restructuring costs associated with the ITS Agreement (see Restructuring costs section above) and higher equity compensation following the adoption of Statement of Financial Accounting Standards (SFAS) No. 123-R, *Share-Based Payment*. The increase of 1% in the six months ended December 31, 2006, as compared to the year ago period, was primarily attributable to increased transition and restructuring costs associated with the ITS Agreement and higher equity compensation following the adoption of SFAS No. 123-R. These results were partially offset by decreased operating losses from the Company's investment in low-income housing partnerships and lower interest expense.

Financial Condition, Liquidity and Capital Resources

Operating Activities

The Company's financial condition and liquidity remain strong as of December 31, 2006. Net cash provided by operations was \$255 for the six months ended December 31, 2006, compared with \$83 in the comparable year-ago period. The increase in operating cash flows was primarily due to a \$151 income tax settlement payment in the first quarter of fiscal year 2006. Also contributing to the increase were decreases in payments of accounts payable and accrued liabilities primarily due to the timing of payments.

Working Capital

The Company's balance of working capital, defined in this context as total current assets net of total current liabilities, decreased from June 30, 2006 to December 31, 2006, principally due to increases in current maturities of long-term debt and decreases in receivables, net, partially offset by increases in inventories and decreases in accounts payable and accrued liabilities.

The increase in current maturities of long-term debt was principally due to the reclassification of a \$500 note from long-term debt to short term due to its maturity in December, 2007. The \$42 decrease in receivables, net was primarily driven by the seasonality of sales in the charcoal and food categories.

The decrease of \$85 in accounts payable and accrued liabilities was primarily driven by \$61 of profit sharing and incentive compensation payments, partially offset by year-to-date accruals, and the timing of payments. The \$48 increase in inventories was primarily due to the build up in both the charcoal and food categories' inventory to support seasonal sales.

Investing Activities

Capital expenditures were \$68 during the six months ended December 31, 2006, compared to \$83 in the comparable year-ago period. Capital spending as a percentage of net sales was 3.0% during the six months ended December 31, 2006, compared to 3.8% during the six months ended December 31, 2005. Lower capital expenditures for the six months ended December 31, 2006, were driven primarily by higher spending related to software technology system enhancement projects in the year-ago period.

As part of the Company's agreement with Colgate to purchase its bleach businesses in Canada and certain countries in Latin America, the Company acquired the bleach business in Canada for \$56, effective December 29, 2006. The Company anticipates closing the purchase of the Latin America businesses in the third quarter of its 2007 fiscal year. The Company is acquiring brand trademarks, and manufacturing facilities in Canada and Venezuela.

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Financing Activities

Net cash used for financing activities was \$143 for the six months ended December 31, 2006, as compared with \$56 in the comparable year-ago period. The increase reflects higher net repayments of borrowings as compared to the year-ago period.

Credit Arrangements

As of December 31, 2006, the Company had a \$1,300 domestic credit agreement, \$165 of which expires in December 2009 with the remainder expiring in December 2010. There were no borrowings under this credit agreement, which is available for general corporate purposes and to support commercial paper issuances. In addition, the Company had \$51 of foreign working capital credit lines and other facilities at December 31, 2006, of which \$26 was available for borrowing. The Company is in compliance with all restrictive covenants and limitations as of December 31, 2006. The Company does not anticipate any problems in securing future credit agreements.

Share Repurchases

The Company has three share repurchase programs: two open market programs authorized by the Board of Directors in 2002 and 2003, and a program to offset the impact of share dilution related to share-based awards (evergreen program). The 2002 open market program is currently subject to a price cap of \$65.00 per share and has \$68 remaining authorized for repurchase; the 2003 open market program is currently subject to a price cap of \$55.00 per share and has \$700 remaining authorized for repurchase. There were no repurchases under the open market programs during the three and six month periods ended December 31, 2006 and 2005.

During the six month period ended December 31, 2006, the Company acquired 1.4 million shares of its common stock at a total cost of \$89 under the evergreen program. In fiscal year 2007, the Company anticipates repurchasing a total of approximately 2 to 3 million shares under this program to offset the impact of share dilution from the expected number of annual stock option exercises.

During the six month period ended December 31, 2005, the Company acquired 2.4 million shares of its common stock at a total cost of \$135 under the evergreen program.

Guarantees

In conjunction with divestitures and other transactions, the Company may provide indemnifications relating to the enforceability of trademarks, pre-existing legal, tax, environmental and employee liabilities, as well as provisions for product returns and other items. The Company has indemnification agreements in effect that specify a maximum possible indemnification exposure. The Company's aggregate maximum exposure from these agreements is \$291, which consists primarily of an indemnity of up to \$250 made to Henkel KGaA (Henkel) in connection with the Share Exchange Agreement, subject to a minimum threshold of \$12 before any payments would be made. The general representations and warranties made by the Company in connection with the Henkel Share Exchange Agreement were made to guarantee statements of fact at the time of the transaction closing and pertain to environmental, legal and other matters.

In addition to the indemnifications related to the general representations and warranties, the Company entered into an agreement with Henkel regarding certain tax matters. The Company made certain representations of fact as of the closing date of the exchange transaction and certain representations and warranties regarding future performance designed to preserve the tax-free status of the exchange transaction. In general, the Company agreed to be responsible for Henkel's taxes on the transaction if the Company's actions result in a breach of the representations and warranties in a manner that causes the share-exchange to fail to qualify for tax-free treatment. Henkel has agreed to similar obligations. The Company is unable to estimate the amount of maximum potential liability relating to the tax indemnification as the agreement does not specify a maximum amount, and the Company does not have the information that would be required to calculate this exposure. The Company does note, however, that the potential tax exposure, if any, could be very significant as the Company believes Henkel's tax basis in the shares exchanged is low, and the value of the subsidiary stock transferred to Henkel in the exchange transaction was approximately \$2,800. Although the agreement does not specify an indemnification term, any exposure under the agreement would be limited to taxes assessed prior to the expiration of the statute of limitations period for assessing taxes on the share exchange transaction. Based on the nature of the representations and warranties as well as other factors, the Company has not accrued any liability under this indemnity.

The Company is a party to letters of credit of \$20, primarily related to one of its insurance carriers.

The Company has not recorded any liabilities on any of the aforementioned guarantees at December 31, 2006.

Contingencies

The Company is involved in certain environmental matters, including Superfund and other response actions at various locations. The Company has a recorded liability of \$26 and \$27 at December 31, 2006 and June 30, 2006, respectively, for its share of the related aggregate future remediation cost. One matter in Dickinson County, Michigan, for which the Company is jointly and severally liable, accounts for a substantial majority of the recorded liability at both December 31, 2006 and June 30, 2006. The Company is subject to a cost-sharing arrangement with another party for this matter, under which Clorox has agreed to be liable for 24.3% of the aggregate remediation and associated costs, other than legal fees, as the Company and the other party are each responsible for their own such fees. If the other party with whom Clorox shares joint and several liability is unable to pay its share of the response and remediation obligations, Clorox would likely be responsible for such obligations. The other party in this matter recently reported a substantial net loss for 2006 and expectations of continuing challenges in 2007. In October 2004, the Company and the other party agreed to a consent judgment with the Michigan Department of Environmental Quality (MDEQ), which sets forth certain remediation goals and monitoring activities. Based on the current status of this matter, and with the assistance of environmental consultants, the Company maintains an undiscounted liability representing its best estimate of its share of costs associated with the capital expenditures, maintenance and other costs to be incurred over an estimated 30-year remediation period. The most significant components of the liability relate to the estimated costs associated with the remediation of groundwater contamination and excess levels of subterranean methane deposits. Currently, the Company cannot accurately predict the timing of the payments that will likely be made under this estimated obligation. In addition, the Company's estimated loss exposure is sensitive to a variety of uncertain factors, including the efficacy of remediation efforts, changes in remediation requirements and the timing, varying costs and alternative clean-up technologies that may become available in the future. Although it is possible that the Company's exposure may exceed the amount recorded, any amount of such additional exposures, or range of exposures, is not estimable at this time.

New Accounting Standards

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes—an Interpretation of Financial Accounting Standards Board Statement No. 109*. This Interpretation prescribes a consistent recognition threshold and measurement standard, as well as clear criteria for subsequently recognizing, derecognizing, classifying and measuring tax positions for financial statement purposes. The interpretation also requires expanded disclosure with respect to uncertainties as they relate to income tax accounting. FIN 48 will be adopted by the Company at the beginning of its fiscal year ending June 30, 2008, as required. Management is currently evaluating the impact of FIN 48 on its consolidated financial statements. The cumulative effect of the interpretation will be reflected as an adjustment to beginning retained earnings upon adoption.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. This Statement defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and expands disclosures about fair value measurements. This Statement will be adopted by the Company beginning in its fiscal year ending June 30, 2009, as required. The Company is currently evaluating the impact of SFAS No. 157 on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132-R*. SFAS No. 158 requires an entity to recognize in its balance sheet the funded status of its defined benefit postretirement plans, measured as the difference between the fair value of the plan assets and the benefit obligation. SFAS No. 158 also requires an entity to recognize changes in the funded status of a defined benefit postretirement plan within accumulated other comprehensive income, to the extent such changes are not recognized in earnings as components of net periodic benefit cost. The Company is required to adopt SFAS No. 158 as of the end of its fiscal year ending June 30, 2007, and is currently evaluating the impact of the provisions of SFAS No. 158.

In August 2006, the Pension Protection Act (the Act) was signed into law. The provisions of the Act, which include higher minimum funding levels for qualified pension plans, will become effective for the Company's plan year ending on June 30, 2008. Although the fair value of the Company's domestic qualified pension plan's assets was in excess of its projected benefit obligation as of its last valuation on June 30, 2006, the provisions of the Act could potentially impact the Company's funding plans.

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Cautionary Statement

Except for historical information, matters discussed above, including statements about future volume, sales, costs, cost savings, earnings, cash outflows, plans, objectives, expectations, growth, or profitability, are forward-looking statements based on management's estimates, assumptions and projections. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," and variations on such words, and similar expressions, are intended to identify such forward-looking statements. These forward-looking statements are only predictions, subject to risks and uncertainties, and actual results could differ materially from those discussed above. Important factors that could affect performance and cause results to differ materially from management's expectations are described in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, as updated from time to time in the Company's SEC filings. These factors include, but are not limited to, general economic and marketplace conditions and events; competitors' actions; the Company's costs, including changes in exposure to commodity costs such as resin, diesel and chlor-alkali; increases in energy costs; consumer and customer reaction to price increases; customer-specific ordering patterns and trends; the Company's actual cost performance; changes in the Company's tax rate; any future supply constraints which may affect key commodities; risks inherent in sole-supplier relationships; risks related to customer concentration; risks arising out of natural disasters; risks related to the handling and/or transportation of hazardous substances, including but not limited to chlorine; risks inherent in litigation, including the litigation relating to the cumulative charge resulting from additional stock option compensation expenses relating to prior periods; international operations; risks inherent in maintaining an effective system of internal controls including the potential impact of acquisitions or the use of third-party service providers; the ability to manage and realize the benefit of joint ventures and other cooperative relationships, including the Company's joint venture regarding the Company's Glad[®] plastic bags, wraps and containers business, and the agreement relating to the provision of information technology and related services by a third party; the success of new products; the integration of acquisitions and mergers; the divestiture of non-strategic businesses; the implementation of the Company's updated long-term strategy; and the ability of the Company to successfully manage tax, regulatory, product liability, intellectual property, environmental and other legal matters, including the risk resulting from joint and several liability for environmental contingencies. In addition, the Company's future performance is subject to risks particular to the share exchange transaction with Henkel KGaA, including the sustainability of cash flows, the tax indemnification obligations and the actual level of debt costs. Declines in cash flow, whether resulting from tax payments, debt payments, share repurchases, interest cost increases greater than management expects, or otherwise, could adversely affect the Company's earnings.

The Company's forward-looking statements in this document are and will be based on management's then current views and assumptions regarding future events and speak only as of their dates. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by the federal securities laws.

Item 3. Quantitative and Qualitative Disclosure about Market Risk.

Although the Company has taken a number of measures, including price increases, to respond to the economic conditions that have led to increased raw-material and energy costs, there have not been any material changes to the Company's market risk during the three months and six months ended December 31, 2006. For additional information, refer to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2006.

Item 4. Controls and Procedures.

The Company's management, with the participation of the Company's chief executive officer and chief financial officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures, as of the end of the period covered by this report, were designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to management, including the chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding disclosure. There was no change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. On October 3, 2006, the Company entered into an agreement with Hewlett-Packard (HP) to provide information technology and related services to the Company beginning during its third quarter of fiscal year 2007. Under the terms of this agreement, HP will provide application development and maintenance, data center operations, and network and end-user support for the Company's business. The Company is implementing certain new control activities in its third fiscal quarter to ensure that internal controls over financial reporting remain effective.

PART II – OTHER INFORMATION (Unaudited)

Item 1. Legal Proceedings.

For information regarding Legal Proceedings, please refer to Note 13 under Part I, Item 1 of this report.

Item 1.A. Risk Factors.

For information regarding Risk Factors, please refer to Item 1.A. in the Company's Annual Report on Form 10-K for the year ended June 30, 2006.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table sets out the purchases of the Company's securities by the Company and any affiliated purchasers within the meaning of Rule 10b-18(a)(3) (17 CFR 240.10b-18(a)(3)) during the second quarter of fiscal year 2007.

Period	[a] Total Number of Shares (or Units) Purchased(1)	[b] Average Price Paid per Share (or Unit)	[c] Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	[d] Maximum Number (or Approximate Dollar Value) that May Yet Be Purchased Under the Plans or Programs(2)
October 1 to 31, 2006	—	—	—	\$767,723,099
November 1 to 30, 2006	1,069,800	\$64.46	1,069,600	\$767,723,099
December 1 to 31, 2006	2,860	\$64.15	—	\$767,723,099

- (1) Of the shares purchased in November 2006, 1,069,600 shares were acquired pursuant to the share repurchase program to offset the potential impact of dilution resulting from the exercise of stock options, which the Company announced on September 1, 1999, and the Board of Directors extended on November 15, 2005. The remaining 200 shares relate to the surrender to the Company of shares of common stock to satisfy withholding obligations in connection with the vesting of restricted stock granted to employees. The shares purchased in December 2006 relate entirely to the surrender to the Company of shares of common stock to satisfy withholding obligations in connection with the vesting of restricted stock granted to employees.
- (2) The Board of Directors approved a \$500,000,000 share repurchase program on August 7, 2001, all of which has been utilized; a \$500,000,000 share repurchase program on July 17, 2002, of which \$67,723,099 remains available for repurchases; and a \$700,000,000 share repurchase program on July 16, 2003, all of which remains available for repurchases. The July 17, 2002, program is limited to share repurchases at prices not to exceed \$65.00 per share. The July 16, 2003, program is limited to share repurchases at prices not to exceed \$55.00 per share. On September 1, 1999, the Company also announced a share repurchase program to reduce or eliminate dilution upon the issuance of shares pursuant to the Company's stock compensation plans. The program initiated in 1999 has no specified caps on the price per share or total dollars to be repurchased and therefore is not included in column [d] above. On November 15, 2005, the Board of Directors authorized the extension of the 1999 program to reduce or eliminate dilution in connection with issuances of common stock pursuant to the Company's 2005 Stock Incentive Plan. None of these programs has a specified termination date.

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Item 4. Submission of Matters to a Vote of Security Holders.

At the Company's 2006 Annual Meeting of Stockholders held on November 15, 2006, the following actions were taken:

The following Directors were elected to hold office until the next annual election of directors:

	<u>FOR</u>	<u>AGAINST</u>	<u>ABSTAINED</u>
Daniel Boggan, Jr.	129,415,948	2,385,612	1,059,072
Tully M. Friedman	131,377,704	425,838	1,057,090
George Harad	131,375,122	423,481	1,062,029
Donald R. Knauss	129,198,078	2,558,882	1,103,671
Robert W. Matschullat	129,866,651	1,632,812	1,361,170
Gary G. Michael	127,681,477	4,092,719	1,086,436
Jan L. Murley	131,300,877	482,146	1,077,610
Michael E. Shannon	131,139,434	557,588	1,163,610
Pamela Thomas-Graham	131,232,642	528,401	1,099,589
Carolyn M. Ticknor	131,416,624	381,527	1,062,481

A proposal to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accountants for the fiscal year ending June 30, 2007, was approved by the stockholders. The stockholders cast 130,517,505 votes in favor of this proposal and 729,820 votes against. There were 1,013,307 abstentions.

Item 6. Exhibits.

(a) Exhibits

- 10.1 The Clorox Company Replacement Supplemental Executive Retirement Plan for the Benefit of Donald R. Knauss.
- 31.1 Certification by the Chief Executive Officer of the Company Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification by the Chief Financial Officer of the Company Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certification by the Chief Executive Officer and Chief Financial Officer of the Company Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

EXHIBIT INDEX

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**THE CLOROX COMPANY
REPLACEMENT SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
FOR THE BENEFIT OF DONALD R. KNAUSS**

I. General.

(A). Purpose.

- (i). The Clorox Company (the “Company”) hereby establishes this Replacement Supplemental Executive Retirement Plan For the Benefit of Donald R. Knauss (the “Plan”), which is intended to provide benefits to Donald R. Knauss (the “Executive”) (and his surviving spouse in the event of the Executive’s death) that duplicate the rights and benefits the Executive would have been entitled to under the Employee Retirement Plan of The Coca-Cola Company, attached hereto as Exhibit A (the “Retirement Plan”) and the defined benefit provisions of The Coca-Cola Company Supplemental Benefit Plan, attached hereto as Exhibit B (the “Coca-Cola SERP”), as each was in effect on August 25, 2006 (collectively the “Coca-Cola Plans”), had the Executive’s employment with The Coca-Cola Company continued until the Executive’s retirement or other termination of employment with the Company.

(B). Conflicts.

- (i). Except as otherwise provided herein, all terms and conditions of the Coca-Cola Plans shall apply under the Plan for purposes of calculating the Executive’s benefit under the Plan. In the event of any conflict between the terms of the Plan and the terms of the Coca-Cola Plans, the Plan shall govern.

(C). Unfunded Status.

- (i). The Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for a “select group of management or highly-compensated employees” within the meaning of Sections 201, 301, and 401 of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

II. Plan Benefits.

The Executive’s accrued benefit under the Plan shall be equal to the benefit the Executive would have accrued under the Coca-Cola Plans had the Executive’s employment with The Coca-Cola Company continued until the date of the Executive’s retirement or other termination of employment with the Company, as determined under the terms and conditions of the Coca-Cola Plans, and shall be payable at the time, and in the manner, provided for in the Coca-Cola Plans, except as superseded and/or as clarified by the following:

(A). Benefit Offset.

- (i). The Executive's accrued benefit under the Plan, if any, calculated according to Section II(B) below, shall be offset by the value of any benefits to which the Executive is entitled to receive under the Retirement Plan and the defined benefit provisions of the Coca-Cola SERP, subject to Section II(H)(i) below. For purposes of this offset, the benefits to which the Executive is entitled to receive under the Retirement Plan and the defined benefit provisions of the Coca-Cola SERP shall be calculated based on the assumption that the Executive begins to receive his benefit under such plans on the same date on which he begins to receive benefits under the Plan.

(B). Benefit Limit.

- (i). Notwithstanding anything herein to the contrary, the benefit payable to the Executive shall be equal to the greater of (1) the dollar amount of the Executive's accrued benefit under the Plan as provided herein payable in the normal payment form as of the date of determination as provided in the Coca-Cola SERP, or (2) the dollar amount of the Executive's accrued benefit under The Clorox Company Supplemental Executive Retirement Plan (the "Clorox SERP"), payable in the normal payment form as of the date of determination as provided in the Clorox SERP.
- (ii). If the dollar amount of the Executive's accrued benefit under the Clorox SERP is greater than the dollar amount of the Executive's accrued benefit under the Plan as determined in Section II(B)(i) above, the Executive's benefit shall be determined and payable solely in accordance with the terms and conditions of the Clorox SERP and no benefit shall be payable from the Plan. In no event shall the Executive receive a benefit under both the Clorox SERP and the Plan.

(C). Change in Control.

- (i). All references to "Change in Control" in the Coca-Cola Plans shall mean a "Change in Control" as defined in the Clorox SERP.

(D). Defined Contribution Plan Disregarded.

- (i). All provisions in the Coca-Cola SERP relating to the Supplemental Thrift Benefit under the Coca-Cola SERP are disregarded under the Plan and shall not be part of the Executive's benefit under the Plan.

(E). Vesting.

- (i). Subject to Section II(H)(ii) below, the Executive shall be fully vested at all times in his benefit under the Plan.

(F). Years of Benefit Service.

- (i). The Executive's Years of Benefit Service (as defined in the Retirement Plan) shall include the Executive's service with the Company plus the Executive's service with The Coca-Cola Company from February 7, 1994 through September 15, 2006, the date the Executive terminated employment with The Coca-Cola Company, and shall also include the period of time from September 16, 2006 through October 2, 2006, the date the Executive commenced employment with the Company.
- (ii). In the event that the Executive's employment with the Company terminates prior to the third anniversary of the Effective Date (as defined in the Employment Agreement between the Executive and the Company dated August 25, 2006), the Executive shall be credited with a minimum of three (3) Years of Benefit Service with the Company and three (3) years of age for purposes of benefit accruals under the Plan; provided, however, that in the event the Executive's employment with the Company terminates after the third anniversary of the Effective Date, the Years of Benefit Service and age credited to the Executive shall be based on the Executive's actual service with the Company as well as such prior service as provided in Section II(F)(i) above and the Executive's actual age.

(G). Compensation.

- (i). For purposes of calculating the Executive's "Average Compensation" (as defined in the Retirement Plan) all references to "Compensation" in the Coca-Cola Plans shall mean the annual base salary and bonus paid by the Company to the Executive and, to the extent needed to obtain five years of consecutive annual compensation, the Executive's annual base salary and bonus paid by The Coca-Cola Company prior to the Executive's retirement.

(H). Non-Competition.

- (i). For purposes of the benefit offset set forth in Section II(A)(i), non-payment by The Coca-Cola Company of any benefit under the Coca-Cola SERP by virtue of the enforcement of the non-competition provision in Section 4.3 of the Coca-Cola SERP shall be disregarded.
- (ii). Any obligation of the Company to make payments to the Executive under the Plan shall cease, and all rights of the Executive under the Plan shall be extinguished, if the Executive terminates employment with the Company and without the Company's written consent is subsequently employed by

or in any manner provides services for any organization that is engaged in a business that is directly competitive with the products sold by the Company at the time of the Executive's termination. If a court of competent jurisdiction finds that the restrictions provided in this Section II(H)(ii) are unenforceable in any respect, then such restrictions shall be construed so as thereafter to be limited or reduced to be enforceable to the extent compatible with the applicable law.

(I). Beneficiary.

- (i). All references to "Beneficiary" in the Coca-Cola Plans shall mean the Executive's surviving spouse.

III. Administration.

- (A). The Clorox Company Management Development and Compensation Committee (the "Committee") shall administer the Plan. The Committee shall have the discretion and authority to take all actions and to make all decisions necessary and proper to carry out the Plan including, but not limited to, (1) making, amending, interpreting and enforcing all appropriate rules and regulations for the administration of the Plan and (2) deciding or resolving any and all questions including interpretations of the Plan as may arise in connection with the Plan. Without limiting the generality of the foregoing, the Committee hereby designates the Employee Benefits Committee of the Company to control and manage the operation and administration of the Plan. The Committee shall have the authority to allocate among themselves or to the Employee Benefits Committee or to delegate to any other person, any administrative responsibility with respect to the Plan.

IV. Claims and Review Procedure.

- (A). The Executive or his surviving spouse may make a written request for review of any matter concerning the Executive's benefits under the Plan. The claim must be addressed to The Clorox Company, Supplemental Executive Retirement Plan, 1221 Broadway, Oakland, California, 94612-1888. The Committee shall decide the action to be taken with respect to any such request and may require additional information if necessary to process the request. The Committee shall review the request and shall issue its decision, in writing, no later than 90 days after the date the request is received, unless the circumstances require an extension of time. If such an extension is required, written notice of the extension shall be furnished to the person making the request within the initial 90-day period, and the notice shall state the circumstances requiring the extension and the date by which the Committee expects to reach a decision on the request. In no event shall the extension exceed a period of 90 days from the end of the initial period.

- (B). If the Committee denies a request in whole or in part, it shall provide the person making the request with written notice of the denial within the period specified in paragraph (A) above. The notice shall set forth the specific reason for the denial, reference to the specific Plan provisions upon which the denial is based, a description of any additional material or information necessary to perfect the request, an explanation of why such information is required, and an explanation of the Plan's appeal procedures and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review.
- (C). Decision on Appeal.
- (i). A person whose request has been denied in whole or in part (or such person's authorized representative) may file an appeal of the decision in writing with the Committee within 60 days of receipt of the notification of denial. The appeal must be addressed to: The Clorox Company Supplemental Executive Retirement Plan, 1221 Broadway, Oakland, California 94612-1888. The Committee, for good cause shown, may extend the period during which the appeal may be filed for another 60 days. The appellant and/or his or her authorized representative shall be permitted to submit written comments, documents, records and other information relating to the claim for benefits. Upon request and free of charge, the applicant should be provided reasonable access to and copies of, all documents, records or other information relevant to the appellant's claim.
 - (ii). The Committee's review shall take into account all comments, documents, records and other information submitted by the appellant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Committee shall not be restricted in its review to those provisions of the Plan cited in the original denial of the claim.
 - (iii). The Committee shall issue a written decision within a reasonable period of time but not later than 60 days after receipt of the appeal, unless special circumstances require an extension of time for processing, in which case the written decision shall be issued as soon as possible, but not later than 120 days after receipt of an appeal. If such an extension is required, written notice shall be furnished to the appellant within the initial 60-day period. This notice shall state the circumstances requiring the extension and the date by which the Committee expects to reach a decision on the appeal.
 - (iv). If the decision on the appeal denies the claim in whole or in part written notice shall be furnished to the appellant. Such notice shall state the

reason(s) for the denial, including references to specific Plan provisions upon which the denial was based. The notice shall state that the appellant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits. The notice shall describe any voluntary appeal procedures offered by the Plan and the appellant's right to obtain the information about such procedures. The notice shall also include a statement of the appellant's right to bring an action under Section 502(a) of ERISA.

- (v). The decision of the Committee on the appeal shall be final, conclusive and binding upon all persons and shall be given the maximum possible deference allowed by law.
- (D). No legal or equitable action for benefits under the Plan shall be brought unless and until the claimant has submitted a written claim for benefits in accordance with paragraph (A) above, has been notified that the claim is denied in accordance with paragraph (B) above, has filed a written request for a review of the claim in accordance with paragraph (C) above, and has been notified in writing that the Committee has affirmed the denial of the claim in accordance with paragraph (C)(iv) above; provided, however, that an action for benefits may be brought after the Committee has failed to act on the claim within the time prescribed in paragraph (A) and paragraph (C)(iii), respectively.

V. Amendment, Suspension, Termination.

- (A). The Board of Directors may at any time and from time to time, amend, suspend or terminate the Plan in whole or in part with the prior written consent of the Executive or, in the event the Executive is deceased, the Executive's surviving spouse, which consent shall not be unreasonably withheld; provided, however, that no such consent shall be required for the Board of Directors to amend, suspend or terminate the Plan to the extent required by law or to conform the Plan with any such modifications made by The Coca-Cola Company to the Coca-Cola Plans, in either case as is determined necessary by the Board of Directors in its sole discretion and provided any such amendment required by law shall in all material respects preserve the Executive's then-current and projected economic benefit provided under the Plan and his rights therein unless he shall otherwise give his prior written consent.

VI. Section 409A; Delayed Distribution.

- (A). To the extent applicable, it is intended that the Plan and all payments made hereunder comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and any related regulations or other guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service ("Section 409A").

Any provision that would cause the Plan or any payment made hereunder to fail to satisfy Section 409A shall have no force or effect until amended to comply with Section 409A, which amendment may be retroactive to the extent permitted by Section 409A. Notwithstanding the foregoing, it is intended that no amendment to the Plan made pursuant to Section 409A shall reduce or limit the amount of the Executive's benefit hereunder, but only, as applicable, the time and form of such payment.

- (B). Notwithstanding anything herein or in the Coca-Cola Plans to the contrary, any distribution of benefits under the Plan to the Executive shall be delayed for a minimum of six (6) months following the Executive's separation from service with the Company if required under Section 409A and any payment that would have otherwise been made during such six-month period shall be made on the first day of the month following the date that is the six-month anniversary of the Executive's separation from service with the Company, unless an earlier payment date is permitted under Section 409A.

VII. Miscellaneous.

- (A). Notwithstanding any other provision of the Plan or the Coca-Cola Plans, the Executive and his surviving spouse shall be unsecured general creditors, with no secured or preferential rights to any assets of the Company or any other party for payment of benefits under the Plan. Any property held by the Company for the purpose of generating the cash flow for benefit payments shall remain its general, unpledged and unrestricted assets. The Company's obligation under the Plan shall be an unfunded and unsecured promise to pay money in the future.
- (B). The Company shall be responsible for the payment of all benefits provided under the Plan. At its discretion, the Company may establish one or more trusts, with such trustees as the Committee may approve, for the purpose of assisting in the payment of such benefits. Although such a trust may be irrevocable, its assets shall be held for payment of all Company's general creditors in the event of insolvency. To the extent any benefits provided under the Plan are paid from any such trust, the Company shall have no further obligation to pay them. If not paid from the trust, such benefits shall remain the obligation of the Company.
- (C). The Plan shall be construed, governed and administered in accordance with the laws of California, to the extent not preempted by federal law, without regard to the conflicts of law principles thereof.
- (D). Nothing in the establishment of the Plan is to be construed as giving the Executive the right to be retained in the employ of the Company.
- (E). Neither the Executive nor his surviving spouse shall have any power or right to transfer, assign, anticipate, hypothecate, mortgage, commute, modify, or otherwise encumber in advance any of the benefits payable hereunder, nor shall

any of said benefits be subject to seizure for the payment of any debts, judgments, alimony, or separate maintenance owed by the Executive or his surviving spouse to be transferable by operation of law in the event of bankruptcy, insolvency, or otherwise. In the event the Executive or his surviving spouse attempts assignment, commutation, hypothecation, transfer, or disposal of the benefit hereunder, the Company's liabilities shall forthwith cease and terminate.

- (F). The provisions of the Plan shall bind and inure to the benefit of the Company and its successors and assigns. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise acquire all or substantially all of the business and assets of the Company, and successors of any such corporation or other business entity.

The Clorox Company Replacement Supplement Executive Retirement Plan For the Benefit of Donald R. Knauss is hereby adopted this 14th day of November, 2006, and effective as of October 2, 2006.

THE CLOROX COMPANY

/s/ Jackie Kane

Senior — Vice President, Human Resources and Corporate Affairs

CERTIFICATION

I, Donald R. Knauss, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Clorox Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 5, 2007

/s/ Donald R. Knauss

Donald R. Knauss
Chairman and Chief Executive Officer

CERTIFICATION

I, Daniel J. Heinrich, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Clorox Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 5, 2007

/s/ Daniel J. Heinrich

Daniel J. Heinrich
Senior Vice President — Chief Financial Officer

CERTIFICATION

In connection with the periodic report of The Clorox Company (the "Company") on Form 10-Q for the period ended December 31, 2006 as filed with the Securities and Exchange Commission (the "Report"), we, Donald R. Knauss, Chief Executive Officer of the Company, and Daniel J. Heinrich, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of our knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Date: February 5, 2007

/s/ Donald R. Knauss

Donald R. Knauss
Chairman and Chief Executive Officer

/s/ Daniel J. Heinrich

Daniel J. Heinrich
Senior Vice President – Chief Financial Officer