CLOROX CO /DE/

FORM 10-K
(Annual Report)

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Address	THE CLOROX COMPANY 1221 BROADWAY
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CIK	0000021076
Industry	Personal & Household Prods.
Sector	Consumer/Non-Cyclical
Fiscal Year	06/30

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the twelve months ended **June 30, 2003**

Commission file number: **1-07151**

THE CLOROX COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**31-0595760**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1221 Broadway , Oakland, California 94612-1888
(Address of principal executive offices) (Zip code)

(510) 271-7000
(Registrant's telephone number, including area code)

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

Title of each class	**Name of each exchange on which registered**
COMMON STOCK—$1 PAR VALUE	New York Stock Exchange Pacific Exchange

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No __

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes X No __

The aggregate market value of the voting stock held by non-affiliates of the Registrant, computed by reference to the closing price of the Registrant's Common Stock as of December 31, 2002 (the last business day of the Company's most recently completed second quarter), was approximately $6.3 billion.

Number of shares of Registrant's Common Stock, par value $1 per share ("Common Stock"), outstanding on July 31, 2003 was 213,889,287.

Documents Incorporated by Reference:

Certain specified portions of the registrant's definitive proxy statement to be filed within 120 days after June 30, 2003, are incorporated herein by reference in response to Part II, Item 9 and Part III, Items 10 through 14, inclusive.

PART I

ITEM 1 BUSINESS

(a) GENERAL DEVELOPMENT OF BUSINESS.

The Company (the term "Company" as used herein includes The Clorox Company (the registrant identified on the facing sheet) and its subsidiaries, unless the context indicates otherwise) was originally founded in Oakland, California in 1913 as the Electro-Alkaline Company. It was reincorporated as Clorox Chemical Corporation in 1922, as Clorox Chemical Co. in 1928 and as The Clorox Company (an Ohio corporation) in 1957, when the business was acquired by The Procter & Gamble Company. The Company was fully divested by The Procter & Gamble Company in 1969 and, as an independent company, was reincorporated in 1973 in California as The Clorox Company. In 1986, the Company was reincorporated in Delaware. In January 1999, the Company acquired First Brands Corporation.

For recent business developments, refer to the information set forth under the caption "Management's Discussion and Analysis," on pages D-2 through D-17 of Exhibit 99-1 hereto, incorporated herein by reference.

(b) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS.

The Company has three business segments: Household Products—North America, Specialty Products, and Household Products—Latin America/Other. Financial information for each of the Company's segments for the last three fiscal years, including net sales, earnings from continuing operations before income taxes, and identifiable assets is described in Note 19 — Industry Segment Information of the Notes to Consolidated Financial Statements, which appears on pages D-48, D-49 and D-50 of Exhibit 99-1 hereto, incorporated herein by reference. Each of the Company's segments accounted for more than 10 percent of the Company's consolidated revenues during the last three fiscal years.

(c) NARRATIVE DESCRIPTION OF BUSINESS.

The Company's business operations, represented by the aggregate of its Household Products—North America, Specialty Products, and Household Products—Latin America/Other, include the production and marketing of non-durable consumer products sold primarily through grocery and other retail stores. For the most part, the factors necessary for an understanding of these three segments are essentially the same.

PRINCIPAL PRODUCTS. The products of the Household Products — North America segment include: (a) plastic bags, wraps and containers, under the Glad brand, (b) household cleaning products such as disinfecting sprays and wipes, toilet bowl cleaners, dilutable, spray and gel household cleaners, stain removers, mopping systems, spray cleaners, glass and surface cleaners, carpet cleaners, reusable cleaning cloths, drain openers, septic-system treatments; all-purpose spray and floor spray cleaners, mild-abrasive liquid and gel cleansers, steel-wool soap pads and scrubber sponges, mildew removers, soap scum and bathroom cleaners; daily shower cleaners and pre-moistened towelettes, primarily under the brands Clorox, Formula 409, Pine Sol, Tilex, Soft Scrub and S.O.S, (c) laundry products, such as liquid bleaches, laundry stain removers and dry and liquid color-safe bleaches under the brands Clorox and Clorox 2, and (d) water filtration systems and filters under the Brita brand.

The products of the Specialty Products segment include: (a) auto care products such as protectants, cleaners and wipes, tire- and wheel-care products and washes, automotive additives and appearance products, primarily under the Armor All and STP brands; (b) cat litter products such as clumping cat litter, scoopable and silica-gel crystals cat litter, primarily under the Fresh Step and Scoop Away brands; (c) food products such as salad dressings and dip mixes; seasoned mini-croutons, sauces, marinades, primarily under the Hidden Valley and K C Masterpiece brands; (d) seasonal products such as charcoal briquets, charcoal lighter and wood chips under the Kingsford and Match Light brands; ant and roach bait stations and aerosols, ant granules and stakes and roach gels under the Combat brand; and (e) products for institutional markets such as bleaches, toilet bowl cleaners, disinfectants, disinfecting sprays and wipes, dilutable cleaners, insecticides, cleaners, food-storage bags, wraps, trash bags, dressings, barbecue sauces, briquets, clog removers, cleaners, steel-wool soap pads, mild-abrasive liquid cleansers, mildew removers, soap scum removers and bathroom cleaners.

The products of the Household Products – Latin America/Other segment include: (a) in the Asia-Pacific region: bleaches, insecticides, disposable gloves, cleaning cloths, sponges and scourers, non-stick baking paper, ice cube bags, non-stick frying pan sheets, aluminum foil, foil trays, plastic covers, oven bags, reclosable bags, paste cleaner, food bags, cling films, trash bags, coolant concentrates, brake fluids and sponges, primarily under the Glad, Chux, Home Mat, Armor All, Combat and Clorox brands, (b) in the Latin American region: laundry additives, waxes, bleaches, spray and gel cleaners, liquid household cleaners, toilet bowl, bathroom cleaners, disinfecting sprays, bleaches,

cleaning utensils, liquid household cleaners, waxes, brooms, cleaning utensils, toilet bowl cleaners, candles, cleaning utensils, air fresheners, laundry additives and fabric refreshers and cleaners primarily distributed under the Clorox, Ayudín, Limpido, Clorinda, Los Conejos, Poett, Mistolin, Lestoil and Bon Bril brands.

PRINCIPAL MARKETS - METHODS OF DISTRIBUTION. Most non-durable household consumer products are nationally advertised and sold within the United States to grocery stores through a network of brokers and sold to mass merchandisers, warehouse clubs, military and other retail stores primarily through a direct sales force. Within the United States, the Company also sells institutional versions of many of its products. Outside the United States, the Company sells consumer products to the retail trade through subsidiaries, licensees, distributors and joint-venture arrangements with local partners.

SOURCES AND AVAILABILITY OF RAW MATERIALS. The Company purchases raw materials, packaging supplies, transportation and other services, products and energy from numerous unaffiliated firms. Interruptions in the delivery of these materials or services could adversely impact the Company. Significant raw materials were available from a sufficient number of sources during fiscal year 2003. Contingency plans have been developed for any significant raw materials sourced from a single supplier.

PATENTS AND TRADEMARKS. Most of the Company's brand name consumer products are protected by registered trademarks. Its brand names and trademarks are highly important to its business and the Company pursues a course of vigorous action against apparent infringements. The Company's patents, patent licenses and similar arrangements are also material to its business.

SEASONALITY. The Specialty Products segment is the only portion of the operations of the Company that has any significant degree of seasonality. Most sales of the Company's charcoal briquets, insecticides and automotive appearance product lines occur in the first six months of each calendar year. Operating cash flow is used to build inventories of those products in the off-season.

CUSTOMERS AND ORDER BACKLOG. During fiscal years 2003, 2002 and 2001, revenues from the Company's sales of its products to Wal-Mart Stores, Inc. and its affiliated companies were 25 percent, 23 percent and 20 percent, respectively, of the Company's consolidated net sales. Except for this relationship, the Company is not dependent upon any other single customer or group of affiliated customers. Order backlog is not a significant factor in the Company's business.

RENEGOTIATION. None of the Company's operations is subject to renegotiation or termination at the election of the federal government.

COMPETITION. The markets for consumer products are highly competitive. Most of the Company's products compete with other nationally advertised brands within each category and with "private label" brands and "generic" non-branded products of grocery chains and wholesale cooperatives. Competition is encountered from similar and alternative products, many of which are produced and marketed by major national concerns having financial resources greater than those of the Company. Depending on the product, the Company's products compete on price, quality or other benefits to consumers. A newly introduced consumer product (whether improved or newly developed) usually encounters intense competition requiring substantial expenditures for advertising and sales promotion. If a product gains consumer acceptance, it normally requires continuing advertising and promotional support to maintain its relative market position.

RESEARCH AND DEVELOPMENT. The Company incurred expenses of approximately $76 million, $66 million and $67 million in fiscal years 2003, 2002 and 2001, respectively, on research activities relating to the development of new products or the maintenance and improvement of existing products. None of this research activity was customer-sponsored.

ENVIRONMENTAL MATTERS. Historically, the Company has not made material capital expenditures for environmental control facilities or to comply with environmental laws and regulations. However, in general, the Company anticipates spending increasing amounts annually for facility upgrades and for environmental programs. The amount of capital expenditures for environmental compliance was not material in fiscal year 2003 and is not expected to be material in the next fiscal year. For non-capital expenditures, see the discussions of Environmental Matters Create Potential Liability Risks below and Legal Proceedings in Item 3 below.

NUMBER OF PERSONS EMPLOYED. At the end of fiscal year 2003, the Company employed approximately 8,900 people.

FORWARD-LOOKING STATEMENTS AND RISK FACTORS. Except for historical information, matters discussed in this Form 10-K, including the "Management's Discussion and Analysis" section and statements about future growth, are forward-looking statements based on management's estimates, assumptions and projections. In addition, from time to time, the Company may make forward-looking statements relating to such matters as anticipated financial performance, business prospects, new products, research and development activities, plans for international expansion, acquisitions and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company notes that a variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. These forward-looking statements are uncertain. The risks and uncertainties that may affect operations, performance, product development and results of the Company's business in a material way, some of which may be beyond the control of the Company, include those discussed elsewhere in this Form 10-K, marketplace conditions and events and the following:

VOLUME GROWTH MAY BE DIFFICULT TO ACHIEVE . A large percentage of the Company's revenues come from mature markets that are subject to increased competition. If the Company is unable to increase market share in existing product lines or develop or acquire and successfully launch new products, it may not achieve its growth objectives.

OPERATING RESULTS AND NET EARNINGS MAY NOT MEET EXPECTATIONS. The Company cannot be sure that its operating results and net earnings will meet its expectations. If the Company's assumptions and estimates are incorrect or do not come to fruition, or if the Company does not achieve all of its key goals, then the Company's actual performance could vary materially from its expectations. The Company's operating results and net earnings may be influenced by a number of factors, including the following:

- the introduction of new products and line extensions by the Company or its competitors;
- the mix of products with varying profitability sold in a given quarter;
- the Company's ability to control its internal costs;
- the effectiveness of the Company's advertising, marketing and promotional programs;
- changes in product pricing policies by the Company or its competitors;
- the ability of the Company to maintain and enhance profit margins in the face of a consolidating retail environment;
- the ability of the Company to achieve business plans, including volume growth and pricing plans, despite high levels of competitive activity;
- the ability to maintain key customer relationships;
- the ability of major customers and other debtors to meet their obligations as they come due;
- the failure of parties contracting with the Company to perform their obligations and the loss of or inability to renew contracts of importance to the Company's performance;
- the ability to successfully manage regulatory, tax and legal matters, including resolution of pending matters within current estimates;
- the ability of the Company to attract and retain qualified personnel;
- disruptions associated with staff reductions;
- expenses for impairment and obsolescence of property, plant and equipment in excess of projections;
- expenses for impairment of goodwill, trademarks and other intangible assets and equity investments in excess of projections;
- significant increases in the costs of key raw materials including but not limited to energy, resin, corrugated boxes, chlorine and caustic soda;
- changes of accounting policies;
- significant increases in interest rates, employee benefit costs, or insurance costs;
- the impact of environmental remediation costs;
- the impact of currency devaluations and fluctuations; and
- the impact of general economic conditions in the United States and in other countries in which the Company currently does business.

In addition, sales volume growth, whether due to acquisitions or to internal growth, can place burdens on the Company's management resources and financial controls that, in turn, can have a negative impact on operating results and net earnings. To some extent, the Company sets its expense levels in anticipation of future revenues. If actual revenue falls short of these expectations, operating results and net earnings are likely to be adversely affected.

OPERATIONS OUTSIDE THE UNITED STATES EXPOSE THE COMPANY TO UNCERTAIN CONDITIONS IN INTERNATIONAL MARKETS. The Company's sales outside the United States were 15 percent of net sales in fiscal year 2003. The Company has been and will continue to be facing substantial risks associated with having foreign operations, including:

- economic or political instability in its international markets; and
- fluctuations in foreign currency exchange rates that may make the Company's products more expensive in its international markets or negatively impact sales or earnings.

Refer to the information set forth under the caption "South America Economic, Social and Political Conditions" in "Management's Discussion and Analysis;" on page D-11 of Exhibit 99-1 hereto, incorporated herein by reference.

These factors contributed to the Company taking substantial impairment charges related to its international operations in fiscal year 2003 and, due to uncertainties and possible deterioration in the overseas markets, the Company may have to take additional charges in the future. Refer to the information set forth under the captions "Household Products-Latin America/Other;" and "Critical Accounting Policies" in "Management's Discussion and Analysis" on pages D-6 and D-7 and D-14 to D-17, respectively, and to Note 6 to "Notes to Consolidated Financial Statements" regarding Goodwill, Trademarks and Other Intangible Assets on pages D-33 and D-34, of Exhibit 99-1 hereto, incorporated herein by reference. In addition, these risks could have a significant impact on the Company's ability to sell its products on a timely and competitive basis in international markets and may have a material adverse effect on the Company's results of operations or financial position. Also, the Company's operations outside the United States are subject to the risk of new and different legal and regulatory requirements in local jurisdictions, potential difficulties in staffing and managing local operations, credit risk of local customers and distributors and potentially adverse tax consequences. The Company's small volume in some countries, relative to some multinational and local competitors, could exacerbate such risks.

IMPLEMENTATION OF ERP SYSTEM MAY NOT BE SUCCESSFUL. The Company is in the process of implementing enterprise resource planning system software. This software is designed to improve internal systems and to support business processes. The order fulfillment process was implemented in fiscal year 2003. In fiscal year 2004, the procurement and manufacturing processes will be implemented. If the Company fails to implement the software successfully, visibility to inventory levels could be adversely impacted resulting in excess inventory and increased working capital requirements or excess out-of-stock conditions and reduced sales. To minimize risk, the Company has dedicated substantial resources to this project and will implement the software in a staged fashion. As a result, the Company will have to manage in a multiple system environment for a significant period of time. Employing multiple systems increases the risk that system interfaces will fail, resulting in loss of data or inability to process transactions.

IDENTIFICATION OF GOOD ACQUISITION CANDIDATES MAY BE DIFFICULT AND INTEGRATION AND MANAGEMENT OF ACQUISITIONS MAY NOT BE SUCCESSFUL. One of the Company's strategies is to increase its sales volumes, earnings and the markets it serves through acquisitions of, or joint ventures with, other businesses in the United States and internationally. There can be no assurance that the Company will be able to identify, acquire, or profitably manage additional companies or operations or that it will be able successfully to integrate future acquisitions into its operations or to identify, negotiate and manage joint venture opportunities. In addition, there can be no assurance that companies or operations acquired or joint ventures created will be profitable at their inception or that they will achieve sales levels and profitability that justify the investments made.

DISPOSITION OF NON-STRATEGIC BUSINESSES MAY NOT BE SUCCESSFUL. The Company engages in an ongoing review of its portfolio of businesses. If it decides that a business no longer supports the Company's strategic direction, the Company may attempt to sell that business. There can be no assurance that any such disposition will occur, that, if it occurs, it will be at a price sufficient to recover the book value of the business disposed of or that the proceeds will be sufficient to avoid reducing earnings.

FINANCIAL PERFORMANCE DEPENDS ON CONTINUOUS AND SUCCESSFUL NEW PRODUCT INTRODUCTIONS. In most categories in which the Company competes, there are frequent introductions of new products and line extensions. An important factor in the Company's future performance will be its ability to identify emerging consumer and technological trends and to maintain and improve the competitiveness of its products. The Company cannot be sure that it will successfully achieve those goals. Continued product development and marketing efforts have inherent risks, including development delays, the failure of new products and line extensions to achieve anticipated levels of market acceptance and the cost of failed product introductions.

GOVERNMENT REGULATIONS COULD IMPOSE MATERIAL COSTS. Generally, the manufacture, packaging, labeling, storage, and distribution of the Company's products and the conduct of the Company's business operations must all comply with extensive federal, state and foreign laws and regulations. For example, in the United States, many of the Company's products are regulated by the Environmental Protection Agency, the Food and Drug Administration and the Consumer Product Safety Commission. Most states have agencies that regulate in parallel to these federal agencies. The failure to comply with applicable laws and regulations in these or other areas, including tax laws, could subject the Company to civil remedies, including fines, injunctions, recalls or asset seizures, as well as potential criminal sanctions, any of which could have a material adverse effect on the Company. Loss of or failure to obtain necessary permits and registrations could delay or prevent the Company from meeting current product demand, introducing new products, building new facilities or acquiring new businesses and could adversely affect operating results, particularly with respect to the Company's charcoal business. It is possible that the government will increase regulation of the transportation, storage or use of certain chemicals to enhance homeland security or protect the environment and that such regulation could negatively impact raw material supply or costs.

ENVIRONMENTAL MATTERS CREATE POTENTIAL LIABILITY RISKS. The Company must comply with various environmental laws and regulations in the jurisdictions in which it operates, including those relating to air emissions, water discharges, the handling and disposal of solid and hazardous wastes and the remediation of contamination associated with the use and disposal of hazardous substances. The Company handles hazardous chemicals in quantity at its plant sites. A release of such chemicals due to accident or an intentional act could result in substantial liability for the Company to governmental authorities or to third parties. The Company has incurred, and will continue to incur, capital and operating expenditures and other costs in complying with environmental laws and regulations and in providing physical security for its worldwide operations. The Company is currently involved in or has potential liability with respect to the remediation of past contamination in the operation of some of its presently and formerly owned and leased facilities. In addition, some of the Company's present and former facilities have been or had been in operation for many years, and over that time, some of these facilities may have used substances or generated and disposed of wastes that are or may be considered hazardous. It is possible that those sites, as well as disposal sites owned by third parties to which the Company has sent waste, may in the future be identified and become the subject of remediation. It is possible that the Company could become subject to additional environmental liabilities in the future that could result in a material adverse effect on the Company's results of operations or financial condition.

FAILURE TO PROTECT OR SUCCESSFULLY TO ASSERT THE COMPANY'S INTELLECTUAL PROPERTY RIGHTS COULD IMPACT ITS COMPETITIVENESS. The Company relies on trademark, trade secret, patent and copyright laws to protect its intellectual property rights. The Company cannot be sure that these intellectual property rights will be protected or maximized such that they can be successfully asserted. There is a risk that the Company will not be able to develop, locate or, where appropriate, license intellectual property rights necessary to support new product introductions. The Company cannot be sure that these rights, if obtained, will not be invalidated, circumvented or challenged in the future. In addition, even if such rights are obtained in the United States, the laws of some of the other countries in which the Company's products are or may be sold do not protect the Company's intellectual property rights to the same extent as the laws of the United States. The failure of the Company to perfect or successfully assert its intellectual property rights could make it less competitive and could have a material adverse effect on the Company's business, operating results and financial condition.

IF THE COMPANY IS FOUND TO HAVE INFRINGED THE INTELLECTUAL PROPERTY RIGHTS OF OTHERS IT COULD IMPACT THE COMPANY'S COMPETITIVENESS. It is possible that the Company will be found to have violated the trademark, trade secret, copyright, patent or other intellectual property rights of others. Such a finding could result in the need to cease use of a trademark, trade secret, copyrighted work or patented invention in the Company's business and to pay a substantial amount for past infringement. It could also be necessary to pay a substantial amount in the future if the rights holder is willing to permit the Company to continue to use the intellectual property right. Either having to cease use or pay such amounts could make the Company less competitive and could have a material adverse impact on the Company's business, operating results and financial condition.

VOLATILITY IN THE INSURANCE MARKET MAY RESULT IN ADDITIONAL COSTS AND REDUCED COVERAGE. The Company will seek to renew or replace various contracts for insurance coverage during the year. Trends in the insurance industry suggest that such contracts may be much more expensive, less protective or even unavailable. In such a case the Company may decide to self-insure more, thereby undertaking additional risks.

The foregoing list of important factors is not all-inclusive. The forward-looking statements are and will be based on management's then current views and assumptions regarding future events and operating performance 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.

(d) FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS.

The following table shows net sales and assets by geographic area for the last three fiscal years:

Net Sales By Geographic Area:			
(Millions)	2003	2002 [1]	2001 [1]
Foreign	$ 604	$ 629	$ 655
United States	$3,540	$3,393	$ 3,204
Assets at June 30:			
(Millions)	2003	2002 [1]	2001 [1]
Foreign	$ 737	$ 729	$ 1,139
United States	$2,915	$ 2,795	$ 2,889

[1] Fiscal year 2002 and 2001 numbers were reclassified to reflect the Company's Brazilian business as a discontinued operation (refer to the information set forth under the caption "Reclassifications," on page D-22 of Exhibit 99-1 hereto, incorporated herein by reference) and to reclassify Puerto Rican sales from foreign to domestic.

(e) AVAILABLE INFORMATION

The Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K are available on the Company's Internet website, free of charge, as soon as reasonably practicable after the reports are electronically filed with or furnished to the United States Securities and Exchange Commission. These reports are available at www.clorox.com, under "Investor Relations."

ITEM 2. PROPERTIES

PRODUCTION AND DISTRIBUTION FACILITIES. The Company owns and operates 22 manufacturing facilities in the United States, 11 of which serve primarily the Household Products — North America segment and 11 of which serve primarily the Specialty Products segment. The Company owns and operates 23 manufacturing facilities internationally, which serve primarily the Household Products—Latin America/Other segment. The Company also leases and operates 3 regional distribution centers in the United States which serve primarily the Household Products—North America and Specialty Products segments, and owns and operates regional distribution centers in Canada and Chile, which serve primarily the Household Products—North America and Household Products—Latin America/Other segments, respectively. Management believes that the Company's production and distribution facilities, together with additional facilities owned or leased and operated by various unaffiliated finished product suppliers and distribution center service providers that serve the Company, are adequate to support the business efficiently and that the Company's properties and equipment have been well maintained.

OFFICES AND RESEARCH AND DEVELOPMENT FACILITIES. The Company owns its general office building located in Oakland, Calif. The Company also owns its Technical Center and Data Center located in Pleasanton, Calif. The Company leases its research and development center and its engineering research facility for *Glad*® and *GladWare*® products, which are located in Willowbrook, Ill. and Kennesaw, Ga., respectively. The Company owns a research and development facility at its plant in Aldo Bonzi, Argentina. The Company also leases its research and development center for *STP*® products located in Brookfield, Conn. and for *Armor All*® products located in Walnut Creek, Calif. Leased sales and other office facilities are located at a number of other locations.

ENCUMBRANCES . None of the Company's owned facilities are encumbered to secure debt owed by the Company.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in certain environmental matters, including Superfund and other response actions at various locations, the most significant of which relates to historical disposals of wood tars by a predecessor of the Company's Kingsford Products Company subsidiary during the 1950's in and around the City of Kingsford, Mich. Although no formal governmental proceedings are pending, response actions at the Michigan site are being performed by the Company and the Ford Motor Company under the supervision of the Michigan Department of Environmental Quality.

The potential cost to the Company related to ongoing environmental matters is uncertain due to such factors as: the unknown magnitude of possible pollution and clean-up costs; the complexity and evolving nature of laws and regulations and their interpretations; and the timing,

varying costs and effectiveness of alternative clean-up technologies. As of June 30, 2003, $17.4 million was accrued for such probable future costs, without discounting for present value.

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

None.

EXECUTIVE OFFICERS OF THE REGISTRANT .

The names, ages as of July 31, 2003 and current positions of the executive officers of the Company are set forth below:

Name, Age and Year Elected to Current Position			Title and Current Position(s)
G. C. Sullivan	(63)	1992	Chairman of the Board
G. E. Johnston	(56)	2003	President and Chief Executive Officer
R. T. Conti	(48)	1999	Group Vice President
L. S. Peiros	(48)	1999	Group Vice President
K. M. Rose [1]	(54)	1997	Group Vice President—Chief Financial Officer
P. D. Bewley	(56)	1998	Senior Vice President—General Counsel and Secretary
F. A. Tataseo	(49)	1999	Senior Vice President—Sales
W. L. Delker	(49)	1999	Vice President—Research & Development
W. L. Every-Burns	(50)	2001	Vice President—General Manager, Asia Pacific
G. S. Frank	(43)	2001	Vice President—Treasurer
D. J. Heinrich [2]	(47)	2003	Vice President—Chief Financial Officer

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[1] Ms. Rose has announced her intention to retire effective October 1, 2003.

[2] Mr. Heinrich, currently vice president-controller, was elected vice president – chief financial officer effective October 1, 2003.

T.D. Johnson [3]	(43)	2003	Vice President—Controller
P. S. Hewitt	(51)	2003	Vice President—Human Resources
M. J. Richenderfer	(42)	2002	Vice President—Supply Chain
G. C. Roeth	(42)	2002	Vice President—Growth and Marketing
G. R. Savage	(47)	2002	Vice President—General Manager, Laundry and Home Care
M. B. Springer	(38)	2002	Vice President—General Manager, Glad Products
K. R. Tandowsky	(45)	1998	Vice President—Chief Information Officer

S. A. Weiss	(46)	2000	Vice President—General Manager, Brita and Canada

[3] Mr. Johnson was elected vice president-controller effective October 1, 2003.

There is no family relationship between any of the above-named persons, or between any of such persons and any of the directors of the Company or any person nominated for election as a director of the Company. See Item 10 of Part III of this Form 10-K.

G.C. Sullivan, P.D. Bewley, K.M. Rose and K.R. Tandowsky have been employed by the Company for at least the past five years in the same respective positions as listed above. Until July 1, 2003, Mr. Sullivan was also chief executive officer.

G. E. Johnston was elected president and chief executive officer effective July 2003. He joined the Company in July 1981 as regional sales manager-special markets. He was vice president-corporate development from June 1992 through November 1993, vice president-Kingsford Products from November 1993 through June 1996, group vice president from July 1996 through January 1999 and president and chief operating officer from January 1999 through June 2003.

R. T. Conti joined the Company in 1981 as associate region sales manager-household products. Prior to his election as group vice president effective September 1999, he was vice president-general manager of Kingsford Products from July 1996 through August 1999 and vice president-international from June 1992 through June 1996.

L. S. Peiros joined the Company in 1982 as a brand assistant. He was elected group vice president effective January 1999. Prior to that, he served as vice president-household products from June 1998 through January 1999, vice president-food products from July 1995 through June 1998 and vice president-corporate marketing services from September 1993 until July 1995.

F. A. Tataseo joined the Company in October 1994 as vice president-sales and was elected as senior vice president-sales effective September 1999.

W. L. Delker joined the Company as vice president-research and development in August 1999. Prior to that, he was general manager of Six Sigma Quality for GE Silicones, a division of GE Plastic, from February 1998 through July 1999 and general manager of technology for GE Silicones from January 1994 through January 1998.

W. L. Every-Burns joined the Company in 1999 as part of the First Brands merger. Prior to his election as vice president-general manager, Asia-Pacific division effective August, 2001, he was vice president-general manager, Australia, New Zealand, Africa and Greater China from November 2000 through July 2001; vice president-general manager, Australia, New Zealand and Africa from September 1999 through October 2000; and general manager of the Glad products companies in Australia and New Zealand, from July 1995 through September 1999.

G. S. Frank joined the Company in 1982 as a staff accountant. Prior to his election as vice president-treasurer effective March 2001, he was vice president-controller from October 1999 through February 2001, general manager-Korea from September 1998 through September 1999, director of finance-Kingsford Products from 1997 through August 1998, director of finance-Armor All products from 1996 to 1997, director of finance-food products from 1995 to 1996 and director of corporate financial planning from 1994 to 1995.

D. J. Heinrich was elected vice president-chief financial officer effective October 2003. Prior to that, he had joined the Company in March 2001 as vice president-controller. From October 1996 through February 2001, he was employed by Transamerica Corporation, most recently as senior vice president-treasurer, Transamerica Finance Corporation. Prior to that, he was employed by Granite Management Corporation, an indirect subsidiary of Ford Motor Company, as senior vice president-treasurer and controller.

P. S. Hewitt joined the Company as vice president–human resources in January 2003. Prior to joining Clorox, Hewitt spent 10 years at The Quaker Oats Company. She joined The Quaker Oats Company in September 1992 as manager-human resources, Pet Foods. In June 1994 she became director-human resources, Quaker Oats Beverages of North America and, in May 1997, she was appointed vice president-human resources for that division. In March 1998, Hewitt was named senior vice president-human resources for The Quaker Oats Company.

T. D. Johnson was elected vice president-controller, effective October 2003. He joined the Company in 1988 as a senior internal auditor and subsequently held positions of increasing responsibility in finance and accounting, business development, and marketing. He served as manager of business development from 1996 to 1999 and as director of finance for the Company's automotive products business from 1999 to 2001. In May 2001, he was appointed vice president of finance and accounting for the Company's specialty products business.

M. J. Richenderfer joined the Company in May, 2002 as vice president-supply chain. Prior to this, fr om June 1993 through April 2002, he was employed by Nestlé S.A., most recently as vice president-supply chain in Vevey, Switzerland (Nestlé Global Headquarters). He held various other positions at Nestlé including vice president-finance & IS for the pet care division and vice president and assistant general manager-Nestlé Distribution Company. Prior to that, he was employed by Kraft General Foods where he held various positions in operations, finance, supply chain and sales.

G. C. Roeth joined the company in 1987 as a brand assistant in the marketing organization. Prior to becoming vice president-growth and marketing effective June 2003, he was vice president-growth and strategy effective August 2002, vice president-marketing from April 2000 through July 2002, vice president-brand marketing from October 1999 through March 2000; marketing director-Brita from February 1998 through September 1999, group marketing manager for Brita from October 1996 through January 1998 and for home cleaning from January 1994 through September 1996.

G. R. Savage joined the Company in 1983 as an associate marketing manager. Prior to his election as vice president-general manager, laundry and home care effective as of August 2002, he was vice president-general manager, Glad products from January 1999 through July 2002. Prior to that, he served as vice president-food products from December 1997 through January 1999 and director of marketing for the household products business from 1993 to November 1997.

M. B. Springer was elected vice president-general manager, Glad Products, effective October 2002. She joined the Company in 1990 as an associate marketing manager in household products and subsequently held marketing positions of increasing responsibility with the Company's litter and home care businesses. In October 1999, Ms. Springer was appointed vice president-marketing, Glad Products where she served until her present appointment except that she worked in the Company's "cut costs everywhere" program during a portion of fiscal year 2002.

S. A. Weiss joined the Company in 1994 as an area general manager for the Pacific-Rim business. He was elected vice president-general manager, Brita and Canada in March 2000. Prior to that, he was vice president-general manager, food & professional products from February 1999 to March 2000, vice president-Asia-Middle East from June 1998 through January 1999 and he held the position of area general manager-Asia-Middle East from 1994 until his election as an officer.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(a) MARKET INFORMATION.

The principal markets for the Company's common stock are the New York Stock Exchange and the Pacific Exchange. The high and low sales prices quoted for New York Stock Exchange-Composite Transactions Report for each quarterly period during the past two fiscal years appear in Note 22 - Quarterly Data (Unaudited) of the Notes to Consolidated Financial Statements, which appears on pages D-51and D-52 of Exhibit 99-1 hereto, incorporated herein by reference.

(b) HOLDERS.

The approximate number of record holders of the Company's common stock as of July 31, 2003 was 14,784 based on information provided by the Company's transfer agent.

(c) DIVIDENDS.

The amount of quarterly dividends paid with respect to the Company's common stock during the past two fiscal years appears in Note 22 - Quarterly Data (Unaudited) of the Notes to Consolidated Financial Statements, which appears on pages D-51 and D-52 of Exhibit 99-1 hereto, incorporated herein by reference.

(d) EQUITY COMPENSATION PLAN INFORMATION.

This information appears in Part III, Item 12(a) hereof.

ITEM 6. SELECTED FINANCIAL DATA

This information appears under "Five-Year Financial Summary," on page D-55 of Exhibit 99-1 hereto, incorporated herein by reference.

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

This information appears under "Management's Discussion and Analysis," on pages D-2 through

D-17 of Exhibit 99-1 hereto, incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This information appears under "Market-Sensitive Derivatives and Financial Instruments" in the "Management's Discussion and Analysis," on pages D-11 and D-12 of Exhibit 99-1 hereto, incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

These statements and data appear on pages D-18 through D-55 of Exhibit 99-1 hereto, incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Audit Committee of the Company's Board of Directors reported last year that, because of a consulting engagement between the Company and Deloitte Consulting, the engagement of Deloitte & Touche LLP as the Company's auditors would be terminated unless Deloitte & Touche LLP and Deloitte Consulting separated from each other before December 31, 2002. The proposed split between the two Deloitte organizations did not occur by that date. The Audit Committee, therefore, dismissed Deloitte & Touche LLP on February 15, 2003, after the review of the Company's financial statements for the quarter ended December 31, 2002 had been completed.

Deloitte & Touche LLP's report on the Company's consolidated financial statements as of and for the fiscal years ended June 30, 2002 and 2001 did not contain an adverse opinion or disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope or accounting principles.

The decision to change accountants was made by the Audit Committee of the Board of Directors of the Company.

During the Company's two most recent fiscal years and the subsequent period through February 15, 2003, there were no disagreements (as that term is used in Item 304(a)(1)(iv) of Regulation S-K) between the Company and Deloitte & Touche LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of Deloitte & Touche LLP, would have caused it to make reference to the subject matter of the disagreement(s) in connection with its reports.

There have been no "reportable events" (as that term is used in Item 304(a)(1)(v) of Regulation S-K) during the Company's last two fiscal years and the subsequent period through February 15, 2003.

The Audit Committee, after reviewing proposals from those accounting firms without prohibited conflicts and conducting interviews with those firms, on February 15, 2003, engaged Ernst & Young LLP as the Company's auditors for fiscal year 2003.

ITEM 9A. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the specified time periods. The chief executive officer and chief financial officer of the Company, with the participation of the Company's management, have evaluated the effectiveness of the Company's disclosure controls and procedures as of June 30, 2003 and, based on that evaluation, which disclosed no significant deficiencies or material weaknesses, have concluded that such disclosure controls and procedures are effective. During the fourth quarter of fiscal year 2003, there have not been any significant changes in the Company's internal controls over financial reporting or in other factors that could significantly affect internal controls over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding each nominee for election as a director, including those who are executive officers of the Company, appears under "Nominees for Election as Directors" of the Proxy Statement, incorporated herein by reference.

Pursuant to Instruction 3 to Item 401(b) of Regulation S-K, information regarding the executive officers of the registrant is reported in Part I of this Report.

Pursuant to the terms of Item 401(h) of Regulation S-K, the board of directors of the Company has determined that the Company has at least one financial expert serving on its audit committee—Robert W. Matschullat, who is "independent" as that term is used in Item 7(d)(3)(iv) of Schedule 14A (17 C.F.R. 240.14a-101) under the Securities Exchange Act of 1934, as amended .

The information required by Item 405 of Regulation S-K appears under "Section 16(a) Beneficial Ownership Reporting Compliance" of the Proxy Statement, incorporated herein by reference.

The Company has adopted a code of ethics that applies to its principal executive officer, principal financial officer and controller, among others. The code of ethics is located on the Company's Internet website at www.clorox.com under "Company Information." The Company intends to satisfy the requirement under Item 10 of Form 8-K regarding disclosure of amendments to, or waivers from, provisions of its code of ethics by posting such information on the Company's Internet website.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 402 of Regulation S-K appears under "Organization of the Board of Directors," "Compensation Interlocks and Insider Participation," "Summary Compensation Table," "Options and Stock Appreciation Rights," "Comparative Stock Performance," and "Pension Benefits" of the Proxy Statement, all incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

(a) EQUITY COMPENSATION PLAN INFORMATION

The following table sets out the number of Company securities to be issued upon exercise of outstanding options, warrants and rights, the weighted average exercise price of outstanding options, warrants and rights and the number of securities available for future issuance under equity compensation plans. Additional information concerning the Company's equity compensation plans appears in Note 14 - Stock Compensation Plans of the Notes to Consolidated Financial Statements, which appears on pages D-40, D-41 and D-42 of Exhibit 99-1 hereto, incorporated herein by reference.

Plan category	[a] Number of securities to be issued upon exercise of outstanding options, warrants and rights (in thousands)	[b] Weighted-average exercise price of outstanding options, warrants and rights	[c] Number of securities remaining for future issuance under non-qualified stock-based compensation programs (excluding securities reflected in column (a)) (in thousands)
Equity compensation plans approved by security holders	15,529	33	11,237
Equity compensation plans not approved by security holders	None		

(b) SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS.

Information concerning the only entity or person known to the Company to be the beneficial owner of more than 5 percent of its common stock appears under "Beneficial Ownership of Voting Securities" of the Proxy Statement, incorporated herein by reference.

(c) SECURITY OWNERSHIP OF MANAGEMENT.

Information concerning the beneficial ownership of the Company's common stock by each nominee for election as a director and by all directors and executive officers as a group appears under "Beneficial Ownership of Voting Securities" of the Proxy Statement, incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning transactions with directors, nominees for election as directors, management and the beneficial owner of more than 5 percent of the Company's common stock appears under "Certain Relationships and Transactions" of the Proxy Statement, incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information concerning principal accountant fees and services appears under "Audit Committee Report" of the Proxy Statement, incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) Financial Statements:

Consolidated Financial Statements and Independent Auditors' Reports included in Exhibit 99-1 hereto, incorporated herein by reference:

Consolidated Statements of Earnings for the years ended June 30, 2003, 2002 and 2001

Consolidated Balance Sheets as of June 30, 2003 and 2002

Consolidated Statements of Stockholders' Equity for the years ended June 30, 2003, 2002 and 2001

Consolidated Statements of Cash Flows for the years ended June 30, 2003, 2002 and 2001

Notes to Consolidated Financial Statements

Independent Auditors' Reports

(2) Financial Statement Schedules have been omitted because of the absence of conditions under which they are required, or because the information is shown elsewhere in this Form 10-K, including Exhibit 99-1, except as follows:

Valuation and Qualifying Accounts and Reserves ($ million)

Column A	Column B	Column C		Column D
Description		Additions		Deductions
	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts	
Allowance for doubtful accounts				
Year ended June 30, 2003	(15)	(4)		9
Year ended June 30, 2002	(15)	(11)	4	7
Year ended June 30, 2001	(12)	(5)		2
Allowance for inventory obsolescence				
Year ended June 30, 2003	(12)	(8)		17
Year ended June 30, 2002	(48)	(15)		51
Year ended June 30, 2001	(15)	(53)		20
Valuation allowance on deferred tax assets				
Year ended June 30, 2003	(66)	(31)		
Year ended June 30, 2002	(28)	(38)		
Year ended June 30, 2001	(29)	1		
Environmental reserve				
Year ended June 30, 2003	(17)	(2)		2
Year ended June 30, 2002	(10)	(9)		2
Year ended June 30, 2001	(7)	(2)	(3)	2
LIFO allowance				
Year ended June 30, 2003	(11)	3		
Year ended June 30, 2002	(11)			
Year ended June 30, 2001	(10)	(1)		
Restructuring reserve				
Year ended June 30, 2003	(14)			8
Year ended June 30, 2002	(11)	(32)		29
Year ended June 30, 2001	(16)	(4)		9

(3) See the Index to Exhibits that is included herein. The following are management contracts and compensatory plans or arrangements:

Long-Term Compensation Program dated October 21, 1987, amended November 17,

1993, which was adopted by the shareholders at the Company's annual meeting of shareholders on November 17, 1993 (filed as Exhibit 10(i) to the Annual Report on Form 10-K for the year ended June 30, 2002, incorporated herein by reference)

1993 Directors' Stock Option Plan dated November 17, 1993, which was adopted by the shareholders at the Company's annual meeting of shareholders on November 17, 1993 (filed as Exhibit 10(vii) to the Annual Report on Form 10-K for the year ended June 30, 2002, incorporated herein by reference)

Supplemental Executive Retirement Plan Restated (July 17, 1991, amended May 18, 1994, January 17, 1996 and January 19, 2000) (filed as Exhibit 10(vi) to the Annual Report on Form 10-K for the year ended June 30, 2002, incorporated herein by reference)

Officer Employment Agreement (form) (filed as Exhibit 10(viii) to the Annual Report on Form 10-K for the year ended June 30, 2002, incorporated herein by reference)

Officer Change of Control Employment Agreement (form) (filed as Exhibit 10(ix) to the Annual Report on Form 10-K for the year ended June 30, 2002, incorporated herein by reference)

Non-Qualified Deferred Compensation Plan (filed as Exhibit 10(x) to the Annual Report on Form 10-K for the year ended June 30, 2002, incorporated herein by reference)

The Clorox Company 1995 Performance Unit Plan (filed as Exhibit 10(xi) to the Annual Report on Form 10-K for the year ended June 30, 2002, incorporated herein by reference)

The Clorox Company 1996 Stock Incentive Plan, amended and restated as of July 19, 2001, which was adopted by the shareholders at the Company's annual meeting of shareholders on November 28, 2001 (filed as Exhibit 10(xii) to the Annual Report on Form 10-K for the year ended June 30, 2001, incorporated herein by this reference)

The Clorox Company 1996 Executive Incentive Compensation Plan, amended and restated as of July 17, 2002, attached hereto as Exhibit 10 (xiii)

The Clorox Company Independent Directors' Stock-Based Compensation Plan (filed as Exhibit 10(xiv) to the Annual Report on Form 10-K for the year ended June 30, 2002, incorporated herein by reference)

The Clorox Company Management Incentive Compensation Plan, amended and restated as of July 17, 2002, attached hereto as Exhibit 10(xvi)

Agreement between The Clorox Company and G. Craig Sullivan, dated effective as of November 1, 2001 (filed as Exhibit 10(xvii) to the Quarterly Report on Form 10-Q for the quarter ended December 31, 2001, incorporated herein by reference)

The Clorox Company 1996 Stock Incentive Plan Non-Qualified Stock Option Award Agreement, Notice of Stock Option Grant, issued to G. Craig Sullivan effective as of November 1, 2001 (filed as Exhibit 10(xviii) to the Quarterly Report on Form 10-Q for the quarter ended December 31, 2001, incorporated herein by reference)

The Clorox Company 1996 Stock Incentive Plan Restricted Stock Award Agreement, entered into by The Clorox Company and G. Craig Sullivan, dated effective as of November 1, 2001 (filed at Exhibit 10(xix) to the Quarterly Report on Form 10-Q for the quarter ended December 31, 2001, incorporated herein by reference)

The Clorox Company 1996 Stock Incentive Plan Restricted Stock Unit Award Agreement entered into by The Clorox Company and Gerald E. Johnson, dated effective as of July 15, 2003 (attached hereto as Exhibit 10(xxi))

(b) Current Reports on Form 8-K during the fourth quarter of fiscal year 2003:

None.

(c) Exhibits:

Index to Exhibits follows.

(d) (Not applicable)

Index to Exhibits

(3) (i) Restated Certificate of Incorporation (filed as Exhibit 3(iii) to the Quarterly Report on Form 10-Q for the quarter ended December 31, 1999, incorporated herein by reference)

(ii) Bylaws (restated) of the Company (attached hereto as Exhibit 3(ii))

(4) Registrant agrees to file a copy of documents defining the rights of holders of long-term debt upon request of the Commission.

(10) Material contracts:

(i) Long-Term Compensation Program dated October 21, 1987, amended November 17, 1993, which was adopted by the shareholders at the Company's annual meeting of shareholders on November 17, 1993 (filed as Exhibit 10(i) to the Annual Report on Form 10-K for the year ended June 30, 2002, incorporated herein by reference)

(ii) Agreement between Henkel KGaA and the Company dated June l8, l981 (filed as Exhibit 10(ii) to the Annual Report on Form 10-K for the year ended June 30, 2002, incorporated herein by reference)

(iii) Agreement between Henkel GmbH (now Henkel KGaA) and the Company dated July 3l, l974 (filed as Exhibit 10(iii) to the Annual Report on Form 10-K for the year ended June 30, 2002, incorporated herein by reference)

(iv) Agreement between Henkel KGaA and the Company dated July 16, 1986 (filed as Exhibit 10(iv) to the Annual Report on Form 10-K for the year ended June 30, 2002, incorporated herein by reference)

(v) Agreement between Henkel KGaA and the Company dated March 18, 1987 (filed as Exhibit 10(v) to the Annual Report on Form 10-K for the year ended June 30, 2002, incorporated herein by reference)

(vi) Supplemental Executive Retirement Plan Restated (July 17, 1991, amended May 18, 1994, January 17, 1996 and January 19, 2000), (filed as Exhibit 10(vi) to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2000, incorporated herein by reference)

(vii) 1993 Directors' Stock Option Plan dated November 17, 1993, which was adopted by the shareholders at the Company's annual meeting of shareholders on November 17, 1993 (filed as Exhibit 10(vii) to the Annual Report on Form 10-K for the year ended June 30, 2002, incorporated herein by reference)

(viii) Officer Employment Agreement (form) (filed as Exhibit 10(viii) to the Annual Report on Form 10-K for the year ended June 30, 2002, incorporated herein by reference)

(ix) Officer Change of Control Employment Agreement (form) (filed as Exhibit 10(ix) to the Annual Report on Form 10-K for the year ended June 30, 2002, incorporated herein by reference)

(x) Non-Qualified Deferred Compensation Plan (filed as Exhibit 10(x) to the Annual Report on Form 10-K for the year ended June 30, 2002, incorporated herein by reference)

(xi) The Clorox Company 1995 Performance Unit Plan (filed as Exhibit 10(xi) to the Annual Report on Form 10-K for the year ended June 30, 2002, incorporated herein by reference)

(xii) The Clorox Company 1996 Stock Incentive Plan, amended and restated as of July 19, 2001, which was adopted by the shareholders at the Company's annual meeting of shareholders on November 28, 2001 (filed as Exhibit 10(xii) to the Annual Report on Form 10-K for the year ended June 30, 2001, incorporated herein by reference)

(xiii) The Clorox Company 1996 Executive Incentive Compensation Plan, amended and restated as of July 17, 2002, attached hereto as Exhibit 10(xiii)

(xiv) The Clorox Company Independent Directors' Stock-Based Compensation Plan, (filed as Exhibit 10(xiv) to the Annual Report on Form 10-K for the year ended June 30, 2002, incorporated herein by reference)

(xv) Agreement between Henkel KGaA and the Company dated November 2, 1999 (filed as Exhibit 10 (xix) to the Quarterly Report on Form 10-Q for the quarter ended December 31, 1999, incorporated herein by reference)

(xvi) The Clorox Company Management Incentive Compensation Plan, amended and restated as of July 17, 2002, attached hereto as Exhibit 10(xvi)

(xvii) Agreement between The Clorox Company and G. Craig Sullivan, dated effective as of November 1, 2001 (filed as Exhibit 10(xvii) to the Quarterly Report on Form 10-Q for the quarter ended December 31, 2001, incorporated herein by reference)

(xviii) The Clorox Company 1996 Stock Incentive Plan Non-Qualified Stock Option Award Agreement, Notice of Stock Option Grant, issued to G. Craig Sullivan effective as of November 1, 2001 (filed as Exhibit 10(xviii) to the Quarterly Report on Form 10-Q for the quarter ended December 31, 2001, incorporated herein by reference)

(xix) The Clorox Company 1996 Stock Incentive Plan Restricted Stock Award Agreement, entered into by The Clorox Company and G. Craig Sullivan, dated effective as of November 1, 2001 (filed at Exhibit 10(xix) to the Quarterly Report on Form 10-Q for the quarter ended December 31, 2001, incorporated herein by reference)

(xx) Agreement between HC Investments, Inc. and the Company dated July 16, 2003 (attached hereto as Exhibit 10(xx)

(xxi) The Clorox Company 1996 Stock Incentive Plan Restricted Stock Unit Award Agreement entered into by The Clorox Company and Gerald E. Johnson, dated effective as of July 15, 2003 (attached hereto as Exhibit 10(xxi))

(16) Letter from Deloitte & Touche LLP ("D&T"), dated September 17, 2003, stating that D&T agrees with the disclosures made in Item 9 above

(21) Subsidiaries of the Company

Ernst & Young LLP Independent Auditors' Consent

Deloitte and Touche LLP Independent Auditors' Consent

(24) Power of Attorney (see pages 21 and 22)

(31-1) Certification by the Chief Executive Officer of The Clorox Company Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, attached hereto as Exhibit 31-1

(31-2) Certification by the Chief Financial Officer of The Clorox Company Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, attached hereto as Exhibit 31-2

(32) Certification by the Chief Executive Officer and Chief Financial Officer of The Clorox Company Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, attached hereto as Exhibit 32

Management's Discussion and Analysis and Financial Statements

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE CLOROX COMPANY

Date: September 17, 2003By: /s/G. E. Johnston

G. E. Johnston, President and Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Peter D. Bewley, Karen M. Rose and Daniel J. Heinrich, jointly and severally, attorneys-in-fact and agents, with full power of substitution, for him or her in any and all capacities to sign any and all amendments to this Form 10-K, and to file the same and all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact and agents, and his, her or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/G. C. Sullivan	Chairman of the Board &	September 17, 2003

G. C. Sullivan	Director	
/s/ G. E. Johnston G. E. Johnston	President, Chief Executive Officer and Director	September 17, 2003
/s/ D. Boggan D. Boggan, Jr.	Director	September 17, 2003
/s/T. M. Friedman T. M. Friedman	Director	September 17, 2003
/s/ C. Henkel C. Henkel	Director	September 17, 2003
/s/ W.R. Johnson W. R. Johnson	Director	September 17, 2003
/s/R. W. Matschullat R. W. Matschullat	Director	September 17, 2003
/s/G. G. Michael G. G. Michael	Director	September 17, 2003
/s/ K. Morwind K. Morwind	Director	September 17, 2003
/s/J. L. Murley J. L. Murley	Director	September 17, 2003
/s/L. R. Scott L. R. Scott	Director	September 17, 2003
________________ M. E. Shannon	Director	September __, 2003
/s/K. M. Rose K. M. Rose	Group Vice President - Chief Financial Officer (Principal Financial Officer)	September 17, 2003
/s/D. J. Heinrich D. J. Heinrich	Vice President-Controller (Principal Accounting Officer)	September 17, 2003

EXHIBIT 3(ii)

THE CLOROX COMPANY

RESTATED BYLAWS

(Including September 1998 and November 1998 Amendments)

ARTICLE I - STOCKHOLDERS

Section 1. Annual Meeting.

The annual meeting of stockholders shall be scheduled annually by the Board of Directors and shall be on a date within six months of the end of the corporation's fiscal year. At the annual meeting of stockholders, directors shall be elected and any other business may be transacted which is within the powers of the stockholders.

Section 2. Special Meetings.

Special meetings of the stockholders, for any purpose or purposes prescribed in the notice of the meeting, may be called by the Board of Directors and shall be held at such place, on such date, and at such time as they shall fix.

Section 3. Notice of Meetings.

Written notice of the place, date, and time of all meetings of the stockholders shall be given, not less than ten nor more than sixty days before the date on which the meeting is to be held, to each stockholder entitled to vote at such meeting, except as otherwise provided herein or required by law (meaning, here and hereinafter, as required from time to time by the Delaware General Corporation Law or the Certificate of Incorporation of the corporation).

When a meeting is adjourned to another place, date or time, written notice need not be given of the adjourned meeting if the place, date and time thereof are announced at the meeting at which the adjournment is taken; provided, however, that if the date of any adjourned meeting is more than thirty days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, written notice of the place, date, and time of the adjourned meeting shall be given in conformity herewith. At any adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

Section 4. Quorum.

At any meeting of the stockholders, the holders of a majority of the shares of stock of the corporation entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum for all purposes, unless or except to the extent that the presence of a larger number may be required by law.

If a quorum shall fail to attend any meeting, the chairman of the meeting or the holders of a majority of the shares of stock entitled to vote who are present, in person or by proxy, may adjourn the meeting to another place, date, or time.

The stockholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment notwithstanding the withdrawal of enough stockholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum.

Section 5. Organization.

The Chairman of the Board or, in his absence, the Vice-Chairman of the Board, if there is a Vice-Chairman, or in his absence, such person as may be designated by the board of directors or, in the absence of such designation, as may be chosen by the holders of a majority of the shares entitled to vote who are present, in person or by proxy, shall call to order any meeting of the stockholders and act as chairman of the meeting. In the absence of the Secretary of the corporation, the secretary of the meeting shall be such person as the chairman appoints.

Section 6. Conduct of Business.

The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to her or him in order.

Section 7. Proxies and Voting.

(a) Except as otherwise provided herein or required by law, each stockholder shall have one vote for every share of stock entitled to vote which is registered in her or his name on the record date for the meeting.

(b) All voting, including on the election of directors but excepting where otherwise required by law, may be by a voice vote; provided, however, that upon demand therefore by a stockholder entitled to vote her or his proxy, a stock vote shall be taken. Every stock vote shall be taken by ballot, each of which shall state such information as may be required under the procedure established for the meeting. Every vote taken by ballot shall be counted by an Inspector or Inspectors appointed pursuant to Section 8 of this Article I.

(c) All elections shall be determined by a plurality of the votes cast, and except as otherwise required by law, all other matters shall be determined by a majority of the votes cast.

(d) Except as otherwise provided by law, only persons in whose names shares entitled to vote stand on the stock records of the corporation on the record date for determining the stockholders entitled to vote at said meeting shall be entitled to vote at such meeting. Shares standing in the names of two or more persons shall be voted or represented in accordance with the determination of the majority of such persons, or, if only one of such persons is present in person or represented by proxy, such person shall have the right to vote such shares and such shares shall be deemed to be represented for the purpose of determining a quorum.

(e) Every person entitled to vote shall have the right to do so either in person or by an agent or agents

authorized by a proxy validly granted by such person or his or her duly authorized agent, which proxy shall be filed with the Secretary of the corporation at or before the meeting at which it is to be used. Said proxy so appointed need not be a stockholder. No proxy may be voted after three years from its date unless the proxy provides for a longer period.

(f) Without limiting the manner in which a stockholder may authorize another person or persons to act for the stockholder as proxy pursuant to subsection (e) of this section, the following shall constitute a valid means by which a stockholder may grant such authority:

(i) A stockholder may execute a writing authorizing another person or persons to act for the stockholder as proxy Execution may be accomplished by the stockholder or the stockholder's authorized officer, director, employee or agent signing such writing or causing her or his signature to be affixed to such writing by any reasonable means including, but not limited to, by facsimile signature.

(ii) A stockholder may authorize another person or persons to act for the stockholder as proxy by transmitting or authorizing the transmission of a telegram, cablegram or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that any such telegram, cablegram or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram or other electronic transmission was authorized by the stockholder. Such authorization can be established by the signature of the stockholder on the proxy, either in writing or by a signature stamp or facsimile signature, or by a number or symbol from which the identity of the stockholder can be determined, or by any other procedure deemed appropriate by the inspectors. If it is determined that such telegrams, cablegrams or other electronic transmissions are valid, the inspectors shall specify the information upon which they relied.

(g) Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to subsection (f) of this section may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

Section 8. Voting Procedures and Inspectors of Elections.

(a) The corporation shall, in advance of any meeting of stockholders, appoint one or more Inspectors to act at the meeting and make a written report thereof. The corporation may designate one or more persons as alternate Inspectors to replace any Inspector who fails to act. If no Inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more Inspectors to act at the meeting. Each Inspector, before entering upon the discharge of her or his duties, shall take and sign an oath faithfully to execute the duties of Inspector with strict impartiality and according to the best of the Inspector's ability.

(b) The Inspectors shall (i) ascertain the number of shares outstanding and the voting power of each, (ii) determine the shares represented at a meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the Inspectors, and (v) certify their determination of the number of shares represented at the meeting, and their count of all votes and ballots. The Inspectors may appoint or retain other persons or entities to assist the Inspectors in the performance of the duties of the Inspectors.

(c) The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting. No ballot, proxies or votes, nor any revocations thereof or changes thereto, shall be accepted by the Inspectors after the closing of the polls unless the Court of Chancery upon application by a stockholder shall determine otherwise.

(d) In determining the validity and counting of proxies and ballots, the Inspectors shall be limited to an examination of the proxies, any envelopes submitted with those proxies, any information provided in accordance with Section 212 (c) (2) of the Delaware General Corporation Law, ballots and the regular books and records of the corporation, except that the Inspectors may consider other reliable information for the limited purpose of reconciling

proxies and ballots submitted by or on behalf of banks, brokers, their nominees or similar persons which represent more votes than the holder of a proxy is authorized by the record owner to cast or more votes than the stockholder holds of record. If the Inspectors consider other reliable information for the limited purpose permitted herein, the Inspectors at the time they make their certification pursuant to subsection (b) (v) of this section shall specify the precise information considered by them including the person or persons from whom they obtained the information, when the information was obtained, the means by which the information was obtained and the basis for the Inspectors' belief that such information is accurate and reliable.

Section 9. Stock List.

A complete list of stockholders of the corporation entitled to vote at any meeting of stockholders, arranged in alphabetical order for each class of stock and showing the address of each such stockholder and the number of shares registered in her or his name, shall be open to the examination of any such stockholder, for any purpose germane to the meeting, during ordinary business hours for period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held.

The stock list shall also be kept at the place of the meeting during the whole time thereof and shall be open to the examination of any stockholder who is present. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

Section 10. Meetings.

At any annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before a meeting, business must be specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors, otherwise properly brought before the meeting by or at the direction of the board of directors or otherwise properly brought before the meeting by a stockholder. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary, The Clorox Company, as prescribed in Section 2 of Article VI of the Bylaws. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting:

(i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the meeting,

(ii) the name and record address of the stockholder proposing such business,

(iii) the class and number of shares of the corporation which are beneficially owned by the stockholder, and

(iv) any material interest of the stockholder in such business.

Notwithstanding anything in the Bylaws to the contrary, no business shall be conducted at a meeting except in accordance with the procedures set forth in this Section 10, provided, however, that nothing in this Section 10 shall be deemed to preclude discussion by any stockholder of any business properly brought before the meeting in accordance with said procedure.

The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 10, and if she or he should so determine, she or he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

Section 11. Nominations of Persons for Election to the Board of Directors.

In addition to any other applicable requirements, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors. Nominations of persons for election to the board of

directors of the corporation may be made at a meeting of stockholders by or at the direction of the board of directors, by any nominating committee or person appointed by the board of directors or by any stockholder of the corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 11. Such nominations, other than those made by or at the direction of the board of directors, shall be made pursuant to timely notice in writing to the Secretary, The Clorox Company, as prescribed in Section 2 of Article VI of the Bylaws. Such stockholders' notice shall set forth:

(a) as to each person whom the stockholder proposes to nominate for election or reelection as a director,

(i) the name, age, business address and residence address of the person,

(ii) the principal occupation or employment of the person,

(iii) the class and number of shares of the corporation which are beneficially owned by the person, and

(iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Rule 14a under the Securities Exchange Act of 1934; and

(b) as to the stockholder giving the notice,

(i) the name and record address of stockholder, and

(ii) the class and number of shares of the corporation which are beneficially owned by the stockholder.

The corporation may require any proposed nominee to furnish such other information as may reasonably be required by the corporation to determine the eligibility of such proposed nominee to serve as a director of the corporation.

No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth herein. These provisions shall not apply to nomination of any persons entitled to be separately elected by holders of preferred stock.

The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if she or he should so determine, she or he shall so declare to the meeting and the defective nomination shall be disregarded.

ARTICLE II - BOARD OF DIRECTORS

Section 1. Number and Term of Office.

The number of directors who shall constitute the whole board shall be such number, not less than nine, as shall be fixed from time to time by resolution of the board of directors. Each director shall be elected for a term of one year and until her or his successor is elected and qualified, except as otherwise provided herein or required by law.

Whenever the authorized number of directors is increased between annual meetings of the stockholders, a majority of the directors then in office shall have the power to elect such new directors for the balance of a term and until their successors are elected and qualified. Any decrease in the authorized number of directors shall not become effective until the expiration of the term of the directors then in office unless, at the time of such decrease, there shall be vacancies on the board which are being eliminated by the decrease.

Section 2. Vacancies.

If the office of any director becomes vacant by reason of death, resignation, disqualification, removal or other cause, a majority of the directors remaining in office, although less than a quorum, may elect a successor for the unexpired term and until her or his successor is elected and qualified.

Section 3. Regular Meetings.

Regular meetings of the board of directors shall be held at such place or places, on such date or dates, and at such time or times as shall have been established by the board of directors and publicized among all directors. A notice of each regular meeting shall not be required.

Section 4. Special Meetings.

Special meetings of the board of directors may be called by the Chairman of the Board or the President or any two directors and shall be held at such place, on such date, and at such time as she or he or they shall fix. Notice of the place, date, and time of each such special meeting shall be given each director (who does not waive notice) by mail, telegraph or by other form of written notice not less than seventy-two hours before the meeting or by telephone not less than twenty-four hours before the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

Section 5. Quorum

At any meeting of the board of directors, a majority of the total number of the whole board shall constitute a quorum for all purposes. If a quorum shall fail to attend any meeting, a majority of those present may adjourn the meeting to another place, date, or time, without further notice or waiver thereof.

Section 6. Participation in Meetings By Conference Telephone.

Members of the board of directors, or of any committee thereof, may participate in a meeting of the board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other and such participation shall constitute presence in person at such meeting.

Section 7. Conduct of Business.

At any meeting of the board of directors, business shall be transacted in such order and manner as the Chairman of the Board may from time to time determine, and all matters shall be determined by the vote of a majority of the directors present, except as otherwise provided herein or required by law. Action may be taken by the board of directors without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the board of directors.

Section 8. Powers.

The business and affairs of the corporation shall be managed by the board of directors and the board of directors may, except as otherwise required by law, exercise all such powers and do all such acts and things as may be exercised or done by the corporation.

Section 9. Fees and Compensation of Directors.

Directors and members of committees of the board may be allowed a fixed or annual fee to be determined by resolution of the board of directors for acting as a director or a member of a committee. Nothing herein contained shall be construed to preclude any director from serving the corporation in another capacity as an officer, agent, employee or otherwise, and receiving compensation therefor.

ARTICLE III - COMMITTEES

Section 1. Committees of the Board of Directors.

The board of directors, by a vote of a majority of the whole board, may from time to time designate committees of the board, with such powers and duties as it thereby confers, to serve at the pleasure of the board and shall, for those

committees and any others provided for herein, elect a director or directors to serve as the member or members, designating, if it desires, other directors as alternate members who may replace any absent or disqualified member at any meeting of the committee. Any committee so designated may exercise the power and authority of the board of directors to declare a dividend or to authorize the issuance of stock if the resolution which designates the committee or a supplemental resolution of the board of directors shall so provide. In the absence or disqualification of any member of any committee and any alternate member in his place, the member or members of the committee present at the meeting and not disqualified from voting, whether or not he or they constitute a quorum, may by unanimous vote appoint another member of the board of directors to act at the meeting in the place of the absent or disqualified member.

Section 2. Conduct of Business.

Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Adequate provision shall be made for notice to members of all meetings; one-third of the members shall constitute a quorum unless the committee shall consist of one or two members, in which event one member shall constitute a quorum; and all matters shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of such committee.

ARTICLE IV - OFFICERS

Section I. Generally.

The officers of the corporation shall be a Chairman of the Board, a President, one or more Vice Presidents and a Secretary. The Board of directors, in its discretion, may designate from among those officers a Chief Executive Officer, a Chief Operating Officer, and/or a Chief Financial Officer. The corporation may also have, at the discretion of the board of directors, one or more Vice Chairmen of the Board, General Managers, a Treasurer, a Controller, one or more Assistant Secretaries, one or more Assistant Treasurers and such other officers as the board of directors may deem expedient. Any number of offices may be held by the same person.

Section 2. Appointment.

The Chairman of the Board, the President, the Vice President or Vice Presidents, the Secretary, the Chief Executive Officer, the Chief operating Officer and the Chief Financial Officer shall be appointed by the Board of Directors. Other officers may be appointed from time to time by the board of directors or by an officer to whom the board shall have delegated the power to appoint. Each officer of the corporation shall serve at the pleasure of the board of directors subject to the rights, if any, of any officer under any contract of employment.

Section 3. Removal and Resignation.

Any officer may be removed either with or without cause, by a majority of the directors attending a duly held directors' meeting at which a quorum is present or, except in the case of an officer chosen by the board of directors, by any officer upon whom such power of removal has been conferred by the board of directors. Any officer may resign at any time by giving written notice to the board of directors, to the President, or to the Secretary prejudice to the rights, if any, contract to which the officer is a party.

Section 4. Vacancies.

A vacancy in any office because of death, resignation, removal or any other cause may be filled by the board of directors or by an officer to whom the board of directors shall have delegated the power to appoint.

Section 5. Chairman of the Board.

The Chairman of the Board shall preside at all meetings of the board of directors and the stockholders. She or He shall have such powers and perform such duties as are incident to her or his office or as may be properly granted to

or required of her or him by the board of directors.

Section 6. Vice Chairman of the Board.

Each Vice Chairman of the Board shall, under the supervision of the Chairman of the Board, have such powers and perform such duties as may be properly granted to or required of her or him by the board of directors or by the Chairman of the Board. During the absence or disability of the Chairman of the Board, a Vice Chairman of the Board, in order of rank as fixed by the board of directors, shall preside at all meetings of the stockholders and of the board of directors.

Section 7. President.

The President shall have such powers and perform such duties as are incident to hers or his office or as may be properly granted to or required of her or him by the board of directors. In the absence or disability of the Chairman and the Vice Chairman, the President shall preside at meetings of the board of directors and stockholders.

Section 8. Vice President.

In the absence or the disability of the President, the Vice Presidents in the order of rank fixed by the board of directors, or if not ranked, the Vice President designated by the board of directors, shall perform the duties of the President and when so acting shall have the powers of, and be subject to the restrictions upon the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the board of directors.

Section 9. Chief Executive Officer.

The board of directors may designate an officer to serve as Chief Executive Officer. The Chief Executive Officer shall, subject to the control of the board of directors, have the ultimate supervision, direction and control of the policies, business affairs and officers of the corporation.

Section 10. Chief Operating Officer.

The board of directors may designate an officer to serve as Chief Operating Officer. The Chief Operating officer shall, subject to the control of the Chief Executive Officer, if any has been designated, and if not, subject to the control of an officer so designated by the board of directors, have general charge, supervision, and authority over all operations of the corporation. In the absence or disability of the Chief Executive Officer, the Chief Operating Officer will assume the powers and responsibilities of the Chief Executive Officer.

Section 11. Chief Financial Officer.

The Chief Financial Officer, who may, but need not, be the Treasurer, shall keep and maintain adequate and correct books and records of accounts of the corporation, and shall see that all moneys and other valuables of the corporation are deposited in the name and to the credit of the corporation with such depositories as may be designated by the board of directors. She or he shall disburse the funds of the corporation as directed by the board of directors, shall render to the President and directors, whenever they request it, an account of all of her or his transactions in her or his official capacity and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the board of directors.

Section 12. Secretary.

The Secretary shall keep, at the principal office of the corporation or such other place as the board of directors may order, a book of minutes of all meetings of directors and stockholders, with the time and place held, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at directors' meetings, the number of shares present or represented at stockholders' meetings and the proceedings thereof. The Secretary shall keep, at the principal office of the corporation, or at the office of the corporation's transfer agent, or

registrar, a record of its stockholders showing the names of the stockholders and their addresses, the number and classes of shares held by each, the number and date of cancellation of every certificate surrendered for cancellation. The Secretary shall give notice of all meetings of the stockholders and of the board of directors required by these Bylaws to be given and shall keep the seal of the corporation in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the board of directors.

Section 13. Treasurer and Assistant Treasurers.

The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as she or he shall select. She or he shall disburse the funds of the corporation and shall issue and sign all checks, drafts, bills of exchange, promissory notes, letters of credit and other evidences of indebtedness; and shall open safe deposit boxes of the corporation. The Treasurer shall also designate employees who shall have authority to sign checks on bank accounts of the corporation.

Checks of the corporation drawn against accounts maintained at any bank, wherever located, may be signed with applied facsimile signature of the Treasurer or any other person designated by her or him. The Secretary is authorized to file with such banks certified specimens of facsimile signatures authorized by this Bylaw.

If required by the board of directors, she or he shall give the corporation a bond (which shall be renewed ever six years) in such sum and with such surety or sureties as shall be satisfactory to the board of directors for the faithful performance of the duties of her or his office and for the restoration to the corporation, in case of her or his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in her or his possession or under his control belonging to the corporation.

The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers in the order determined by the board of directors (or if there be no such determination, then in the order of their election), shall in the absence of the Treasurer or in the event of her or his inability or refusal to act, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the board of directors or the Treasurer may from time to time prescribe.

Section 14. Controller.

The Controller (in case the board of directors establishes such office) shall have supervision and charge of the accounts of the corporation. She or he shall be responsible for the maintenance of adequate accounting records and shall perform such other duties as shall be assigned to her or him by the board of directors or the Chief Financial Officer.

Section 15. Other Officers.

Officers, other than the Chairman of the Board, President, Vice Presidents, Secretary and Chief Financial Officer shall have such powers and perform such duties as may be prescribed by the board of directors.

ARTICLE V - STOCK

Section 1. Certificates of Stock.

Each stockholder shall be entitled to a certificate signed by, or in the name of the corporation by, the Chairman of the Board, the President or a Vice President, and by the Secretary or an Assistant Secretary, or the Treasurer or an Assistant Treasurer, certifying the number of shares owned by her or him. Any of or all the signatures on the certificate may be facsimile.

Section 2. Transfers of Stock.

Transfers of stock shall be made only upon the transfer books of the corporation kept at an office of the

corporation or by transfer agents designated to transfer shares of the stock of the corporation. Except where a certificate is issued in accordance with Section 4 of Article V of these Bylaws, an outstanding certificate for the number of shares involved shall be surrendered for cancellation before a new certificate is issued therefor.

Section 3. Record Date.

(a) In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors, and which record date shall not be more than sixty nor less than ten days before the date of such meeting. If no record date is fixed by the board of directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

(b) In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

Section 4. Lost, Stolen or Destroyed Certificates.

In the event of the loss, theft or destruction of any certificate of stock, another may be issued in its place pursuant to such regulations as the board of directors may establish concerning proof of such loss, theft or destruction and concerning the giving of a satisfactory bond or bonds of indemnity.

Section 5. Regulations.

The issue, transfer, conversion and registration of certificates of stock shall be governed by such other regulations as the board of directors may establish.

ARTICLE VI - NOTICES

Section 1. Notices.

Except as otherwise specifically provided herein or required by law, all notices required to be given to any stockholder, director, officer, employee or agent shall be in writing and may in every instance be effectively given by hand delivery to the recipient thereof, by depositing such notice in the mails, postage paid, or by sending such notice by prepaid telegram or mailgram. Any such notice shall be addressed to such stockholder, director, officer, employee or agent at her or his last known address as the same appears on the books of the corporation. The time when such notice is received, if hand delivered, or dispatched, if delivered through the mails or by telegram or mailgram, shall be the time of the giving of the notice.

Section 2. Timeliness of Notices by Stockholders of Proposals for Consideration at a Meeting of the Stockholders and Nominations of Persons for Election to the Board of Directors. To be timely, a stockholders' notice of nominations of persons for election to the Board of Directors or other business to be properly brought before an annual meeting pursuant to Section 10 or 11 of Article I of the Bylaws shall be delivered to or mailed and received by the Secretary at the principal executive offices of the corporation not less than 70 days nor more than 170 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 20 days, or delayed by more than 70 days, from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the later of the seventieth day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such

meeting is first made.

Section 3. Waivers.

A written waiver of any notice, signed by a stockholder, director, officer, employee or agent, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice required to be given to such stockholder, director, officer, employee or agent. Neither the business nor the purpose of any meeting need be specified in such a waiver.

ARTICLE VII - MISCELLANEOUS

Section 1. Facsimile Signatures.

In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these Bylaws, facsimile signatures of any officer or officers of the corporation may be used whenever and as authorized by the board of directors or a committee thereof.

Section 2. Corporate Seal.

The board of directors may provide a suitable seal, containing the name of the corporation, which seal shall be in the charge of the Secretary. If and when so directed by the board of directors or a committee thereof, duplicates of the seal may be kept and used by the Treasurer or by an Assistant Secretary or Assistant Treasurer.

Section 3. Reliance upon Books, Reports and Records.

Each director, each member of any committee designated by the board of directors, and each officer of the corporation shall, in the performance of his duties, be fully protected in relying in good faith upon the records of the corporation and upon such information, opinions, reports or statements presented to the corporation by any of the corporation's officers or employees, or committees of the board of directors, or by any other person as to matters the member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the corporation.

Section 4. Contracts, Etc. How Executed.

Contracts, deeds, mortgages, leases, bonds, powers of attorney, bills of sale, and all documents and paper requiring the signature of the corporation shall be executed by the President of the corporation or one of the Vice Presidents. A Vice President may, by designation in writing, delegate to employees responsible to her or him the right to execute any of such contracts, deeds, mortgages, leases, bonds, powers of attorney, bills of sale, and any other documents and paper requiring the signature of the corporation. A copy of such delegation shall be deposited with the Secretary of the corporation.

Section 5. Voting of Shares of Other Corporations.

The Chairman of the Board, the President, any Vice President, or any other officer or agent specifically authorized by resolution of the board of directors, or by the Chairman of the Board, the President or any Vice President, is authorized to vote, represent and exercise on behalf of the corporation all rights incident to any shares of any other corporation held by the corporation.

Section 6. Fiscal Year.

The fiscal year of the corporation shall be as fixed by the board of directors.

Section 7. Time Periods.

In applying any provision of these Bylaws which require that an act be done or not done a specified number of

days prior to an event, or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used; the day of the doing of the act shall be excluded and the day of the event shall be included.

ARTICLE VIII - AMENDMENTS

These Bylaws may be amended or repealed by the board of directors at any meeting or by the stockholders at any meeting.

I hereby certify that the foregoing is a full and correct copy of the Bylaws of The Clorox Company, a Delaware corporation, as of this date.

Dated: ____________________________

By: ____________________________

Title: ____________________________

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EXHIBIT 10(xiii)

THE CLOROX COMPANY

EXECUTIVE INCENTIVE COMPENSATION PLAN

Amended and Restated Effective

as of July 17, 2002

1. PURPOSE

The purpose of The Clorox Company Executive Incentive Compensation Plan (the "Plan") is to provide an incentive for corporate officers and to recognize and reward those officers. The Company's executive officers are eligible to earn short-term incentive awards under this Plan and under the Company's Management Incentive Compensation Plan.

2. DEFINITIONS

The following terms will have the following meaning for purposes of the Plan:

(a) "Award" means a bonus paid in cash, Stock and/or restricted Stock.

(b) "Board" means the Board of Directors of the Company.

(c) "Clorox Value Measure" means an economic value-added model the calculation of which links profit to investment by including a capital charge for assets employed in the business.

(d) "Code" means the Internal Revenue Code of 1986, as amended.

(e) "Committee" means the Employee Benefits and Management Compensation Committee of the Board, or such other Committee designated by the Board to administer the Plan provided that the Committee shall consist of two or more persons, each of whom is an "outside director" within the meaning of Section 162(m) of the Code.

(f) "Company" means The Clorox Company.

(g) "Participant" means a corporate officer of the Company or a Subsidiary selected by the Committee to participate in the Plan.

(h) "Performance Criteria" means the following measures of performance: total shareholder return, Stock price, Clorox Value Measure, economic value added, profit margin (gross or net), asset turnover, sales growth, asset growth, return on investment, earnings per share, return on equity, return on assets, return on capital, operating cash flow, cost of capital, net

income, market share, working capital, customer satisfaction, and employee satisfaction.

A Performance Criterion may be applied by the Committee as a measure of the performance of any, all, or any combination of the following: the Company, a Subsidiary, a division, group or other unit of the Company or a Subsidiary, or a particular product category or categories of the Company or a Subsidiary.

"Performance Goal(s)" means the goal or goals established for a Participant by the Committee in accordance with Sectic

(j) “Retirement” means termination of employment with the Company, other than by reason of death or disability, (1) at age 65, (2) at at least age 55 with at least ten years of vesting service under The Clorox Company Pension Plan or (3) with at least 20 years of vesting service under The Clorox Company Pension Plan

(k) "Stock" means common stock of the Company.

(l) "Subsidiary" means any corporation in which the Company, directly or indirectly, controls 50 percent or more of the total combined voting power of all classes of stock.

(m) "Target Award" means the amount of the target award established for each Participant by the Committee in accordance with Section 4(a).

3. TERM

The Plan shall be effective as of July 1, 1996 and shall continue until June 30, 2006, subject to stockholders’ approval unless reapproved by the Company's stockholders or unless amended or terminated pursuant to Section 9 hereof.

4. AWARDS

(a) Within 90 days after the beginning of each fiscal year of the Company (a "year"), the Committee will select Participants for the year and establish in writing (i) an objective Performance Goal or Goals for each Participant for that year based on one or more of the Performance Criteria, (ii) the specific Award amounts that will be paid to each Participant if his or her Performance Goal or Goals are achieved (the "Target Award") and (iii) the method by which such amounts will be calculated. The Committee may specify as to each Target Award the form of payment of the Award (cash, Stock, restricted Stock, and/or other property), provided that if restricted Stock is offered as an incentive to Participants to take some or all of their Award in Stock the amount of the restricted Stock shall be specified and the Target Award, including such restricted Stock, shall not exceed the maximum Award permitted under Section 4(b). The Target Award may provide for payment of all or part of the Target Award in the case of retirement, death, disability or change of ownership of control of the Company or a Subsidiary during the year.

(b) The maximum Award that may be paid to any Participant under the Plan for any year will be $4 million.

(c) The Committee may reduce or eliminate, but may not increase, any Award calculated under the methodology established in accordance with paragraph (a) in order to reflect additional considerations relating to performance.

(d) As soon as practicable following each year while the Plan is in effect, the Committee shall determine and certify, for each Participant, the extent to which the Performance Goal or Goals have been met and the amount of the Award, if any, to be made. Awards will be paid to the Participants following such certification by the Committee and no later than

ninety (90) days following the close of the year with respect to which the Awards are made.

(e) The Company shall withhold from the payment of any Award hereunder any amount required to be withheld for taxes.

5. TERMINATION OF EMPLOYMENT

Except as may be specifically provided in an Award pursuant to Section 4(a), a Participant shall have no right to an Award under the Plan for any year in which the Participant is not actively employed by the Company or its Subsidiaries on June 30 of such year. In establishing Target Awards, the Committee may also provide that in the event a Participant is not employed by the Company or its Subsidiaries on the date on which the Award is paid, the Participant may forfeit his or her right to the Award paid under the Plan.

6. ADMINISTRATION

The Plan will be administered by the Committee. The Committee will have the authority to interpret the Plan, to prescribe rules relating to the Plan and to make all determinations necessary or advisable in administering the Plan. Decisions of the Committee with respect to the Plan will be final and conclusive.

7. UNFUNDED PLAN

Awards under the Plan will be paid from the general assets of the Company, and the rights of Participants under the Plan will be only those of general unsecured creditors of the Company.

8. CODE SECTION 162(M)

It is the intent of the Company that all Awards under the Plan qualify as performance-based compensation for purposes of Code Section 162(m)(4)(C) so that the Company's tax deduction for such Awards is not disallowed in whole or in part under Code Section 162(m). The Plan is to be applied and interpreted accordingly.

9. AMENDMENT OR TERMINATION OF THE PLAN

The Committee may from time to time suspend, revise, amend or terminate the Plan; PROVIDED, that any such amendment or revision which requires approval of the Company's shareholders in order to maintain the qualification of Awards as performance-based compensation pursuant to Code Section 162(m)(4)(C) shall not be made without such approval.

10. APPLICABLE LAW

The Plan will be governed by the laws of California.

11. NO RIGHTS TO EMPLOYMENT

Nothing contained in the Plan shall give any person the right to be retained in the employment of the Company or any of its Subsidiaries. The Company reserves the right to terminate any Participant at any time for any reason notwithstanding the existence of the Plan.

12. NO ASSIGNMENT

Except as otherwise required by applicable law, any interest, benefit, payment, claim or right of any Participant under the Plan shall not be sold, transferred, assigned, pledged, encumbered or hypothecated by any Participant and shall not be subject in any manner to any claims of any creditor of any Participant or beneficiary, and any attempt to take any such action shall be null and void. During the lifetime of any Participant, payment of an Award shall only be made to such Participant. Notwithstanding the foregoing, the Committee may establish such procedures as it deems necessary for a Participant to designate a beneficiary to whom any amounts would be payable in the event of any Participant's death.

13. STOCKHOLDER APPROVAL

This Plan shall be subject to approval by a vote of the stockholders of the Company at the 2001 Annual Meeting, and such stockholder approval shall be a condition to the right of any

Participant to receive any benefits hereunder.

EXHIBIT 10(xvi)

THE CLOROX COMPANY

MANAGEMENT INCENTIVE COMPENSATION PLAN

As Amended and Restated Effective

as of July 17, 2002

1. PURPOSE

The purpose of The Clorox Company Management Incentive Compensation Plan (the "Plan") is to attract and retain the best available personnel for positions of substantial responsibility and to provide an incentive for officers and employees of The Clorox

Company (the "Company") and its subsidiaries and to recognize and reward those officers and employees. The Company's executive officers are eligible to earn short-term incentive awards under this Plan and under the Company's Executive Incentive Compensation Plan.

2. DEFINITIONS

The following terms will have the following meaning for purposes of the Plan:

(a) "Award" means a bonus paid in cash.

(b) "Board" means the Board of Directors of the Company.

(c) "Chief Executive Officer" means the chief executive officer of the Company.

(d) "Committee" means the Employee Benefits and Management Compensation Committee of the Board, or such other Committee designated by the Board to administer the Plan.

(e) "Employee" means any person employed by the Company or any Subsidiary.

(f) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder.

(g) "Participant" means an Employee selected by the Committee to participate in the Plan.

(h) "Retirement" means termination of employment with the Company, other than by reason of death or disability, (1) at age 65, (2) at at least age 55 with at least ten years of

vesting service under The Clorox Company Pension Plan or (3) with at least 20 years of vesting service under The Clorox Company Pension Plan.

(i) "Subsidiary" means any corporation in which the Company, directly or indirectly, controls 50 percent or more of the total combined voting power of all classes of stock.

(j) "Year" means a fiscal year of the Company.

3. AWARDS

(a) Within 90 days after the beginning of each Year, the Committee will select Participants for the Year and establish in writing the method by which the Awards will be calculated for that Year. The Committee may provide for payment of all or part of the Award in the case of retirement, death, disability or change of ownership of control of the Company or a Subsidiary during the Year.

(b) For the Chief Executive Officer and the Executive Committee, the Committee shall determine and certify the amount of the Award, if any, to be made. The Committee may increase, decrease or eliminate, any Award calculated under the methodology established in accordance with paragraph (a) in order to reflect additional considerations relating to performance.

(c) For Officers (other than the Executive Committee) and all other participants, the Chief Executive Officer shall determine and certify the amount of the Award, if any, to be made. The Chief Executive Officer may increase, decrease or eliminate, any Award calculated under the methodology established in accordance with paragraph (a) in order to reflect additional considerations relating to performance.

(e) Awards will be paid to the Participants following certification and no later than ninety (90) days following the close of the Year with respect to which the Awards are made.

(f) The Company shall withhold from the payment of any Award hereunder any amount required to be withheld for taxes.

5. TERMINATION OF EMPLOYMENT

Except as may be specifically provided in an Award pursuant to Section 3(a), a Participant shall have no right to an Award under the Plan for any Year in which the Participant is not actively employed by the Company or its Subsidiaries on June 30 of such Year. When establishing Awards each Year, the Committee may also provide that in the event a Participant is not employed by the Company or its Subsidiaries on the date on which the Award is paid, the Participant may forfeit his or her right to the Award paid under the Plan.

6. ADMINISTRATION

The Plan will be administered by the Committee. The Committee will have the authority to interpret the Plan, to prescribe rules relating to the Plan and to make all determinations necessary or advisable in administering the Plan. Decisions of the Committee with respect to the Plan will be final and conclusive.

7. UNFUNDED PLAN

Awards under the Plan will be paid from the general assets of the Company, and the rights of Participants under the Plan will be only those of general unsecured creditors of the Company.

8. AMENDMENT OR TERMINATION OF THE PLAN

The Committee may from time to time suspend, revise, amend or terminate the Plan.

9. APPLICABLE LAW

The Plan will be governed by the laws of California.

10. NO RIGHTS TO EMPLOYMENT

Nothing contained in the Plan shall give any person the right to be retained in the employment of the Company or any of its Subsidiaries. The Company reserves the right to terminate any Participant at any time for any reason notwithstanding the existence of the Plan.

11. NO ASSIGNMENT

Except as otherwise required by applicable law, any interest, benefit, payment, claim or right of any Participant under the Plan shall not be sold, transferred, assigned, pledged, encumbered or hypothecated by any Participant and shall not be subject in any manner to any claims of any creditor of any Participant or beneficiary, and any attempt to take any such action shall be null and void. During the lifetime of any Participant, payment of an Award shall only be made to such Participant. Notwithstanding the foregoing, the Committee may establish such procedures as it deems necessary for a Participant to designate a beneficiary to

whom any amounts would be payable in the event of any Participant's death.

EXHIBIT 10(xx)

Share Repurchase Agreement

This Share Repurchase Agreement (the “Agreement”) is made this 16th day of July, 2003 (“Effective Date”), by and

between HC Investments, Inc., a Delaware corporation with offices at 1105 North Market Street, Suite 1300, Wilmington, Delaware 19081 ("Henkel"), and The Clorox Company, a Delaware corporation with offices at 1221 Broadway, Oakland, CA 94612 ("Clorox" or the "Company").

Background

Clorox has determined that it is in its stockholders' best interests for Clorox to utilize a portion of its free cash flow to repurchase shares of its common stock, $1 par value (the "Stock"). Henkel is a significant stockholder, with holdings on the Effective Date equal to approximately 29.4% of Clorox's outstanding Stock (which Clorox represents to be two hundred thirteen million seven hundred forty-seven thousand six hundred seventy-five (213,747,675) shares as of the date hereof). Clorox has determined that it does not desire to have its share repurchases result in Henkel's overall percentage ownership in Clorox Stock becoming greater than thirty percent (30%). Accordingly, Henkel and Clorox hereby agree, in accordance with the terms and conditions set forth below, that Henkel will participate in Clorox's Stock repurchase program.

Terms and Conditions

1. **Definitions**

a. "Purchase Date" shall mean December 15, 2003, June 15, 2004, December 15, 2004 and June 15, 2005.

"Calculation Period" shall mean, for the December 15, 2003 Purchase Date, the period from the Effective Date until the eighth business day prior to the Purchase Date and for each subsequent Purchase Date, the period from seven business days prior to the previous Purchase Date to the trading day immediately before the seventh business day prior to such Purchase Date.

"Non-Henkel Purchases" shall mean Clorox's purchases of Stock during any Calculation Period from persons other than Henkel.

"Applicable Non-Henkel Purchases" shall mean those Non-Henkel Purchases during any Calculation Period that are effected at or above the then applicable Minimum Price (as defined below).

"Value" shall mean the total purchase price (neither increased nor reduced by commissions or fees paid by Clorox to its brokers and advisors) of all Applicable Non-Henkel Purchases during the applicable Calculation Period divided by the total number of shares of Stock included in Applicable Non-Henkel Purchases during the Calculation Period.

"Henkel Ratio" for any Calculation Period shall mean the quotient (rounded to the nearest hundredth) resulting from dividing the percentage of Stock owned by Henkel by the percentage of Stock owned by persons other than Henkel, in each case, at the start of such Calculation Period. The "Henkel Ratio" at the Effective Date is 41.64% (arrived at as follows: 29.4% ÷ 70.6%).

"Non-Henkel Ratio" for any Calculation Period shall mean the quotient (rounded to the nearest hundredth) resulting from dividing the percentage of Stock owned by persons other than Henkel by the percentage of Stock owned by Henkel, in each case, at the start of such Calculation Period. The "Non-Henkel Ratio" at the Effective Date is 2.4 (arrived at as follows: 70.6% ÷ 29.4%).

2. **Stock Repurchase** .

A. Time and amount . Subject to and contingent upon the terms and conditions stated in Sections 2 and 3 of this Agreement, Clorox will purchase from Henkel, and Henkel will agree to sell to Clorox on the Purchase Dates the number of shares of Stock that, when multiplied by the Value for the applicable Calculation Period, will have a total value of up to: $50 million on December 15, 2003, $50 million on June 15, 2004, $65 million on December 15, 2004 and $65 million on June 15, 2005. If, during the relevant Calculation Period, Clorox issues any new Stock (including reissuances of treasury shares), other than pursuant to an employee or director compensation plan, including, but not limited to, The Clorox Company 1987 Long-Term Compensation Plan, The Clorox Company 1996 Stock Incentive Plan, The Clorox Company Executive Incentive Compensation Plan, The Clorox Company Independent Directors' Stock-Based Compensation Plan and The Clorox Company 1993 Directors' Stock Option Plan, then, at Henkel's option, the number of shares of Stock that Henkel will agree to sell to Clorox shall be reduced to the number of shares of Stock that, when subtracted from Henkel's then current holdings, will result in Henkel owning no less than the same percentage of Clorox's then aggregate outstanding Stock, as Henkel owned at the start of such Calculation Period. In each case, the purchase price per share of Stock purchased from Henkel shall be equal to the then applicable Value and the payment for such shares shall be made in immediately available funds on the applicable Purchase Date. In order that Henkel may verify the Value as at any Purchase Date, at least five (5) business days prior to such Purchase Date, Clorox will supply to Henkel, in writing, the volume weighted average purchase price calculation, and all supporting documentation, for all Non-Henkel Purchases and Applicable Non –Henkel Purchases for the applicable Calculation Period. Should Henkel object to any of these calculations, Henkel may delay the Purchase Date until it is satisfied with the

information provided and the calculations supported thereby. Upon receipt of the agreed upon Purchase Price, Henkel will transfer the relevant number of shares of Stock to Clorox.

B. 10b5 - 1 Plan . During the period when Clorox may purchase Stock on the open market prior to the end of Clorox's first, second, and fourth quarters in Clorox's 2004 fiscal year and second quarter in Clorox's 2005 fiscal year (each such pre - quarter-end period being hereafter referred to as an "Open Window") Clorox shall enter into 10b5-1 plans obligating Clorox to purchase, prior to the next Purchase Date, a number of shares of Stock from persons other than Henkel, that would be no less than the number of shares of Stock that Clorox chooses to purchase from Henkel on that Purchase Date multiplied by the Non-Henkel Ratio for each relevant Calculation Period

C. Limitations on amount of purchases .

Establishment of minimum and maximum prices . Before Clorox makes any purchases of Stock in any Calculation Period, Henkel has the right to set a minimum purchase price ("Minimum Price") and Clorox has the right to establish a maximum purchase price for such Calculation Period ("Maximum"). Clorox shall supply Henkel with written notice of any Maximum at least ten (10) days prior to the start of each Calculation Period. The Minimum Price for the first Calculation Period is per share, excluding commissions, and the Maximum for the first Calculation Period is per share, excluding commissions. Clorox will request, in writing, Henkel's Minimum Price, at least fifteen (15) days prior to the beginning of any Calculation Period. If Henkel does not provide Clorox with a response, in writing, or otherwise notify Clorox at least five (5) days prior to the beginning of any Calculation Period, the then current Minimum Price shall remain in effect during the next Calculation Period. If Clorox does not timely send such request to Henkel, then Henkel may set the Minimum Price at any time.

Maximum limitation . Clorox shall have the right not to purchase shares of Stock during any Calculation Period at more than the Maximum. If, during any Calculation Period, Non-Henkel Purchases are limited under the applicable 10b5-1 plan because the market price exceeds the Maximum at any time during that Calculation Period, and Clorox's maximum dollar amount of purchases from Henkel, as set forth in Section 2.a. of this Agreement, on a Purchase Date would cause the amount of Stock required to be purchased from Henkel to exceed the applicable Henkel Ratio of all Non-Henkel Purchases during the applicable Calculation Period, any obligation of Clorox to purchase Stock from Henkel on that Purchase Date shall be reduced to a dollar amount equal to the Henkel Ratio of the number of shares of Stock included in Non-Henkel Purchases during the Calculation Period multiplied by the Value for that Calculation Period.

Minimum Limitation . If the number of shares of Stock determined by dividing Clorox's purchase obligation for the applicable Purchase Date under section 2.a. above by the Value would exceed the Henkel Ratio of all Non-Henkel Purchases for that Calculation Period, Clorox's obligation to purchase Stock from Henkel on that Purchase Date shall be reduced to a dollar amount equal to the Henkel Ratio of the number of shares of Stock included in the Non-Henkel Purchases for that Calculation Period multiplied by the Value for that Calculation Period.

Regulatory Limitation . If, in the opinion of Clorox's counsel, (1) Clorox may not enter into a 10b5-1 plan for any Calculation Period because of the existence of material non-public information at the time when such plan would otherwise have been executed during the "Open Window", (2) Clorox may not make Non-Henkel Purchases during any Calculation Period because it is involved in a distribution subject to Rule 102 of Regulation M (17 CFR §242.102) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") or (3) federal or state law otherwise prohibits Clorox from making Non-Henkel Purchases during any Calculation Period, Clorox's obligation to purchase Stock from Henkel on the applicable Purchase Date shall be reduced to an amount equal to the Henkel Ratio of the shares of Stock included in the Non-Henkel Purchases actually made during the applicable Calculation Period multiplied by the Value for that Calculation Period. In the event that one of the regulatory limitation events described in this paragraph prevents Clorox from making Non-Henkel Purchases during only a portion of a Calculation Period, Clorox shall make reasonable good faith efforts during the remainder of the Calculation Period to make Non-Henkel Purchases sufficient to allow it to fulfill its purchase obligation under section 2.a. above. Clorox shall promptly give Notice to Henkel if any circumstance noted in this Section should, in the opinion of Clorox's counsel, be deemed to exist.

D. Option to increase purchases . Subject to Section 2(f) below, Clorox shall have the right to increase the amount of its purchases under Section 2.a. by up to $15 million on any Purchase Date, provided that, if such increase occurs on December 15 of 2003 or 2004, the increased amount shall become Clorox's minimum purchase obligation for the following Purchase Date. If Clorox wishes to increase its purchase amount from Henkel on any Purchase Date, it shall increase its Non-Henkel Purchases during the applicable Calculation Period so that the number of shares of Stock purchased from Henkel on the Purchase Date does not exceed the Henkel Ratio of the shares purchased through Non-Henkel Purchases during the Calculation Period.

E. Option to roll over purchases . If Clorox purchases from Henkel less than the maximum dollar amount of Stock permitted to be purchased on any Purchase Date under Section 2.a. above, Clorox may add the difference between the permitted purchase amount and the actual purchase amount on that Purchase Date to the maximum purchase amount applicable to the next Purchase Date. Such increased maximum purchase amount shall become the maximum purchase amount for that Purchase Date under Section 2.a.

F. Overall Limitation . Notwithstanding any other provision of this Agreement, the maximum amount of Stock that Clorox may purchase from Henkel pursuant to this Agreement shall be limited to Stock with a purchase price under this Agreement no greater than $255 million in the aggregate.

G. Henkel Right to Purchase . If Clorox issues any new Stock (including reissuances of treasury shares), other than pursuant to an employee or director compensation plan, including, but not limited to, The Clorox Company 1987 Long-Term Compensation Plan, The

Clorox Company 1996 Stock Incentive Plan, The Clorox Company Executive Incentive Compensation Plan, The Clorox Company Independent Directors' Stock-Based Compensation Plan and The Clorox Company 1993 Directors' Stock Option Plan, during the period from the Effective Date through December 15, 2005 or, if this Agreement is terminated pursuant to Section 3.b., the date six (6) months after the last purchase from Henkel made hereunder, whichever is earlier , and Henkel's ownership interest in Clorox shall, as a result, be less than 29.4% of the aggregate outstanding Stock on and as of December 15, 2005 or on and as of the date six months after the last purchase from Henkel made hereunder, whichever is applicable, Henkel shall have the right, on notice to Clorox given no later than January 15, 2006 or thirty (30) days after the end of the six month period referred to above in this sentence, whichever is applicable, to re-purchase from Clorox of a number of shares of Stock sold hereunder equal to the lesser of (x) such number of shares of Stock as will increase Henkel's ownership interest in Clorox to 29.4% of the then outstanding Stock (after giving effect to such issuance)and (y) the number of shares of Stock that Henkel had sold to Clorox under this Agreement (or, in either case, such lesser number as Henkel may elect in its notice to Clorox). Re-purchases shall occur sequentially, beginning with the most recent sales. The re-purchase price shall be equal to the price at which Henkel sold the applicable shares to Clorox. Within two (2) weeks of receipt of notice under this Section 2.g., the parties shall hold a closing of the repurchase transaction. The parties shall comply with the Securities Act of 1933 (the "Securities Act") in connection with any repurchase hereunder, provided that Clorox shall not be required to register the sale to Henkel of the shares that Henkel repurchases.

3. Term and Termination.

A. Term . The term of this Agreement shall start on the Effective Date and end on January 31, 2006.

B. Termination .

i. Without cause . Either party may terminate this Agreement without cause, for any reason or without reason, by giving at least thirty (30) days prior written notice to the other party. However, obligations, if any, arising prior to such termination with respect to the then current Calculation Period in effect at the time that the notice of termination is provided, shall survive termination.

ii. Extraordinary Cash Needs . Clorox may terminate this Agreement by giving notice if the Clorox Board of Directors approves an acquisition or other capital appropriation or expenditure that individually or, when aggregated with related acquisitions, appropriations or expenditures, over a period of twelve (12) months, requires the total expenditure of more than five hundred million dollars ($500,000,000) in cash.

iii. Change of Control . Either party may terminate this Agreement by giving notice at any time that Clorox has entered into an agreement that will result in a change of control of Clorox or that a change of control of Clorox has occurred. "Change of control" for purposes of this Agreement shall mean:

The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act, (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20%, or in the case of Henkel KGaA, or any person controlled by it ("Henkel Group"), more than the percentage of the Company's issued Stock agreed to in paragraph 4(a) of the June 18, 1981 agreement between the Company and Henkel Group, as amended, of either (i) the then outstanding Stock of the Company (the "Outstanding Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (1), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, including any acquisition which by reducing the number of shares outstanding, is the sole cause for increasing the percentage of shares beneficially owned by any such Person or by Henkel Group to more than the applicable percentage set forth above, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (3) of this Section 3.b.iii; or

Individuals who, as of the date hereof, constitute the Board of Directors of Clorox (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board, and any individual nominated as a representative of Henkel Group pursuant to the agreement between Henkel Group and the Company dated July 16, 1986, shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

Consummation by the Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets

either directly or through one or more subsidiaries), (ii) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(iv) Notwithstanding the foregoing, no termination of this Agreement prior to January 31, 2006, under clause i, ii or iii of this Section 3.b, shall terminate Henkel's right to purchase Stock under Section 2.g in respect of any dilution caused by the issuance of shares of Stock by Clorox on or prior to the date six months after such termination.

4. General

a. Notices . Notices under this Agreement shall be effective when sent by fax, with a confirmation copy then sent by first class, postage paid mail, return receipt requested, or by overnight delivery, to the following fax numbers and addressees:

If to The Clorox Company:

1221 Broadway

Oakland, CA 94612

Attn: General Counsel

Fax: (510) 271-1696

If to HC Investments, Inc.

1105 North Market Street, Suite 1300

Wilmington, Delaware 19081

Attn: James E. Ripka, President

Fax: (610) 270-8104

With a copy to Kenneth R. Piña, Secretary, HC Investments, Inc. at:

2200 Renaissance Blvd.

Gulph Mills, PA 19406

Fax: (610) 270-8219

or to such other address as either party may from time to time specify in writing to the other by like notice.

Entire Agreement . This Agreement constitutes the entire agreement and understanding of the parties hereto with respect to the purchase and sale of shares of Stock provided by this Agreement. No aspect of this Agreement shall be construed to conflict with or supersede any provision contained in any other agreement between Clorox, and any other company within the Henkel Group.

Governing Law . This Agreement shall be deemed to have been made in the State of Delaware, and its form, execution, validity, construction and effect shall be interpreted in accordance with the laws of the State of Delaware, without recourse to the conflict of laws principles thereof. Any disputes arising from this Agreement shall be resolved in the state and/or federal courts located in the State of Delaware. Both parties consent to the jurisdiction of the State of Delaware.

Confidentiality . Each party agrees that, except as required by law (including Section 13under the Exchange Act) or the applicable regulations of a relevant stock exchange, any non-public information learned or obtained by such party from the other party under this Agreement shall be kept confidential and will not be disclosed to any other person. For the avoidance of doubt, each party shall be permitted to disclose publicly the existence and substance of this agreement after it has been executed by both parties.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on their behalf by their authorized officers whose signatures appear below.

THE CLOROX COMPANY	HC INVESTMENTS, INC.
By: ______________________	By: ______________________
Name: ______________________	Name: ______________________
Title: ______________________	Title: ______________________

EXHIBIT 10(xxi)

THE CLOROX COMPANY

1996 STOCK INCENTIVE PLAN

RESTRICTED STOCK UNIT AWARD AGREEMENT

SUMMARY OF RESTRICTED STOCK UNIT AWARD

The Clorox Company (the "Company") grants to the Grantee named below, in accordance with the terms of The Clorox Company 1996 Stock Incentive Plan (the "Plan") and this Agreement, the number of Restricted Stock Units (the "Units") on the terms set forth below:

GRANTEE: Gerald E. Johnston

TOTAL NUMBER OF UNITS AWARDED: 75,000

DATE OF AWARD: July 15, 2003

SERIES NUMBER: 2003 12

VESTING: On July 15, 2007

TERMS OF AGREEMENT

1. Payable only in stock . Units will be settled only in the Company's Common Stock (the "Stock") on a one share for one Unit basis, rounded up or down to the nearest whole share, and not in cash. At the time of settlement, Grantee will recognize taxable income equal to the market value of the shares of Stock received. Grantee may meet any withholding tax obligations by using a Stock Withholding Arrangement. No Stock will be issued to the Grantee or other person pursuant to the settlement of the Units until the Grantee or other person has made arrangements acceptable to the Administrator for the satisfaction of foreign, federal, state, and local income and employment tax withholding obligations.

2. Corporate Transactions/Changes of Control/Subsidiary Dispositions . The Units shall be subject to the provisions of Section 10 of the Plan relating to their vesting or termination in the event of a Corporate Transaction, Change of Control or Subsidiary Disposition.

3. Vesting . The Units shall vest on the Vesting date set forth in the Summary of Restricted Stock Unit Award above. Except as provided in Section 5 below, all Units shall be forfeited if Grantee's Continuous Service terminates prior to the Vesting date.

4. Dividends . Cash payments per Unit equal to per share dividends on the Stock will be accrued to Grantee on dividend payment dates until the latest to occur of the following: (i) the vesting of the Units, either in full or pro-rated pursuant to Section 5, (ii) the settlement of the Units, or (iii) the forfeiture of unvested Units prior to July 15, 2007. Payments accrued shall be converted to Units as of the dividend payment date at the Fair Market Value of the Stock on that date and shall be subject to Vesting under Section 3 above and deferred settlement under Section 6 and 7 below.

5. Death, Disability, or Termination Under Certain Circumstances: . In the event of (a) an involuntary termination of Grantee's Continuous Service after July 15, 2004, other than for "cause" as that term is defined in Section 4 (c) of the Employment Agreement between the Company and Grantee dated July 1, 1996, as amended, or (b) Grantee's death or Disability before the Units vest on July 15, 2007, the Units shall immediately vest.

6. Deferred Settlement . Settlement of Units shall be deferred until January 15 th of the calendar year following termination of Grantee's Continuous Service. After vesting, Grantee shall continue to receive payments in lieu of dividends on Stock on Units until the settlement date. Such payments shall be accrued and converted to Units pursuant to Section 4 above and settlement of such Units shall be deferred pursuant to this Section. If a transaction occurs that subjects Grantee's Units to Section 2 prior to the settlement date, the deferral of settlement shall terminate and Grantee's Units will be settled as of the date of that transaction. The Company may terminate deferral hereunder if a change in law requires such termination or if a change in law, in the opinion of the Company's counsel, makes continued deferral disadvantageous to the Company.

7. The Company's Right to Defer Settlement . No settlement of vested Units upon termination of Grantee's Continuous Service shall be permitted prior to the ninetieth day of the Company's fiscal year following the date of Grantee's termination of Continuous Service to the extent that the Company determines that an earlier settlement would result in the payment of compensation which would not be deductible by the Company under Section 162(m) of the Internal Revenue Code of 1986, as amended. If settlement of Units is deferred by reason of this Section, any reduction in the Fair Market Value of the Stock from the day the Units would otherwise have been settled to the day the Units are actually settled, will be paid to Grantee in the form of additional shares of the Stock based on the Fair Market Value of the Stock on the day of the actual settlement.

8. Accelerated Settlement of Units in Case of an Unforeseeable Emergency . The Administrator may, upon written application, agree to an accelerated settlement of some or all of Grantee's vested Units upon the showing of severe financial hardship to Grantee resulting from (a) the sudden and unexpected illness or accident of Grantee's dependent; (b) loss of Grantee's property due to casualty; or (c) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond Grantee's control. Acceleration will not be granted if the hardship may be relieved (i) through reimbursement or compensation by insurance or otherwise; or (ii) by liquidation of Grantee's assets, to the extent such liquidation will not itself cause severe financial hardship.

9. Adjustment of Units . In the event of any change in the outstanding shares of the Stock, by reason of a stock dividend or split, recapitalization, merger, consolidation, combination, exchange of shares, or other similar corporate change, the number of Units shall be adjusted appropriately by the Administrator, whose determination shall be conclusive.

10. No Funding . A Unit constitutes a mere promise by the Company to make settlements or payments in the future in accordance with the terms of this Agreement and the Plan. Grantees and beneficiaries have the status of general unsecured creditors of the Company. Any cash payments will be paid from the general assets of the Company and nothing in this Agreement or the Plan will be construed to give any Grantee or any other person rights to any specific assets of the Company. In all events, it is the intention of the Company and all Grantees that the Units be treated as unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act.

11. Non-Transferability of Units . Unless otherwise determined by the Administrator, the Units may not be transferred in any manner otherwise than by will or by the laws of descent or distribution.

12. Entire Agreement. The Plan is incorporated herein by reference. The Plan and this Agreement constitute the entire Agreement of the parties with respect to this Performance Unit Award and may not be modified adversely to the Grantee's interest except by means of a writing signed by the Company and the Grantee.

13. Headings . The captions used in this Agreement are inserted for convenience and shall not be deemed a part of this Agreement for construction or interpretation.

14. Interpretation . Any dispute regarding the interpretation of this Agreement shall be submitted by the Grantee or by the Company forthwith to the Administrator, which shall review such dispute at its next regular meeting. The resolution of such dispute by the Administrator shall be final and binding on all persons.

15. Governing Law . This Agreement is governed by California law.

16. Definition of Terms . Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Agreement.

THE CLOROX COMPANY

Dated: ______________________________, 2003. By: _____________________________________

Its: Chairman of the Compensation Committee of the Board of Directors ________________

GRANTEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE UNITS PURSUANT TO THIS AGREEMENT IS EARNED ONLY BY CONTINUING EMPLOYMENT AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS AWARD OR ACQUIRING UNITS HEREUNDER) AND BY ACHIEVEMENT OF THE PERFORMANCE CRITERIA. GRANTEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS AGREEMENT, NOR IN THE PLAN SHALL CONFER UPON GRANTEE ANY RIGHT WITH RESPECT TO CONTINUATION OF EMPLOYMENT BY THE COMPANY, NOR SHALL IT INTERFERE IN ANY WAY WITH GRANTEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE GRANTEE'S EMPLOYMENT AT ANY TIME, WITH OR WITHOUT CAUSE.

Grantee acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Agreement subject to all of the terms and provisions thereof. Grantee has reviewed the Plan and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of the Agreement. Grantee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Agreement. Grantee further agrees to notify the Company upon any change in the residence address indicated below.

Dated: ______________________________ Signed: ___________________________________

Grantee

Residence Address:

____

____

EXHIBIT 16

September 17, 2003

Securities and Exchange Commission
Mail Stop 11-3
450 5 th Street, N.W.
Washington, D.C. 20549

Dear Sirs/Madams:

We have read Item 9 of The Clorox's Company Form 10-K dated

September 18, 2003 and we agree with the statements made therein.

Yours truly,

/s/ DELOITTE & TOUCHE LLP

EXHIBIT 21

LIST OF SUBSIDIARIES

Name of Company	Jurisdiction of Incorporation
1221 Olux, LLC	Delaware
A & M Products Manufacturing Company	Delaware
Andover Properties, Inc.	Delaware
The Armor All/STP Products Company	Delaware
Brita Canada Corporation	Nova Scotia
Brita Canada Holdings Corporation	Nova Scotia
Brita Manufacturing Company	Delaware
The Brita Products Company	Delaware

Chesapeake Assurance Limited	Hawaii
Clorox Argentina S.A.	Argentina
Clorox Australia Pty. Ltd.	Australia
Clorox (Barbados) Inc.	Barbados
Clorox Brazil Holdings LLC	Delaware
Clorox do Brasil Ltda.	Brazil
Clorox Car Care Limited	United Kingdom
Clorox (Cayman Islands) Ltd.	Cayman Islands
Clorox de Centro America, S.A.	Costa Rica
Clorox Chile S.A.	Chile
Clorox China (Guangzhou) Ltd.	Guangzhou, P.R.C.
Clorox de Colombia S.A.	Colombia
Clorox Commercial Company	Delaware
The Clorox Company of Canada Ltd.	Canada (Federal)
The Clorox Company of Puerto Rico	Delaware
Clorox Diamond Production Company	Delaware
Clorox (Europe) Financing S.a.r.l.	Luxembourg
The Clorox Far East Company Limited	Hong Kong
Clorox Germany GmbH	Germany
Clorox Holdings Pty. Limited	Australia
Clorox Hong Kong Limited	Hong Kong
Clorox Hungary Liquidity Management Kft	Hungary
The Clorox International Company	Delaware
Clorox International Philippines, Inc.	The Philippines
Clorox Korea Limited	Korea
Clorox (Malaysia) Industries Sdn. Bhd.	Malaysia
Clorox (Malaysia) Sdn. Bhd.	Malaysia
Clorox Mexicana S. de R.L. de C.V.	Mexico
Clorox de Mexico, S.A. de C.V.	Mexico
Clorox Netherlands B.V.	The Netherlands
Clorox New Zealand Limited	New Zealand
Clorox de Panama S.A.	Panama
Clorox del Peru S.A.	Peru
The Clorox Pet Products Company	Texas
The Clorox Products Company	Delaware
Clorox Products Manufacturing Company	Delaware
Clorox Professional Products Company	Delaware
The Clorox Sales Company	Delaware
Clorox Services Company	Delaware
Clorox Servicios Corporativos S. de R.L. de C.V.	Mexico
Clorox Switzerland S.a.r.l.	Switzerland
Clorox Uruguay S.A.	Uruguay
Corporacion Clorox de Venezuela, S.A..	Venezuela
CLX Realty Co.	Delaware
Electroquimicas Unidas S.A.I.C.	Chile
Evolution S.A.	Uruguay
Fabricante de Productos Plasticos, S.A. de C.V.	Mexico
First Brands (Africa) Holdings Pty. Ltd.	South Africa
First Brands (Africa) Pty. Ltd.	South Africa
First Brands Bermuda Limited	Bermuda
First Brands do Brasil Ltda.	Brazil
First Brands Corporation	Delaware
First Brands Mexicana, S.A. de C.V.	Mexico
Forest Technology Corporation	Delaware
Fully Will Limited	Hong Kong
Glad Manufacturing Company	Delaware

The Glad Products Company	Delaware
Henkel Iberica S.A.	Spain
The Household Cleaning Products Company of Egypt Ltd.	Egypt
The HV Food Products Company	Delaware
HV Manufacturing Company	Delaware
Invermark S.A.	Argentina
Jingles LLC	Delaware
Kaflex S.A.	Argentina
Kingsford Manufacturing Company	Delaware
The Kingsford Products Company	Delaware
Lerwood Holdings Limited	British Virgin Islands
The Mexco Company	Delaware
Mohamed Ali Abudawood and Company for Industry	Saudi Arabia
Multifoil Trading (Pty) Ltd.	South Africa
National Cleaning Products Company Limited	Saudi Arabia
Pacico International Limited	Hong Kong
Pacific Brands (Malaysia) Sdn. Bhd.	Malaysia
Paulsboro Packaging Inc.	New Jersey
Percenta Enterprise Sdn. Bhd.	Malaysia
Petroplus Produtos Automotivos S.A.	Brazil
Petroplus Sul Comercio Exterior S.A.	Brazil
Polysak, Inc.	Connecticut
Productos del Hogar, C. por A.	Dominican Republic
PT Clorox Indonesia	Indonesia
Risse Limited	Republic of Ireland
Round Ridge Production Company	Delaware
STP do Brasil Ltda.	Brazil
STP First Brands Espana, S.L.	Spain
STP Products Manufacturing Company	Delaware
Traisen S.A.	Uruguay
United Cleaning Products Manufacturing Company Limited	Yemen
Yuhan-Clorox Co., Ltd.	Korea
Zao Company “Clorox”	Russia

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-3 No. 333-75455) and in the related Prospectus, and in the Registration Statements (Form S-8 No. 33-41131-including post effective amendments No. 1 and No. 2, and Nos. 33-24582, 33-56565, 33-56563, 333-29375, 333-16969, 333-44675, 333-86783, 333-69455 and 333-90386) of The Clorox Company, of our report dated August 11, 2003, with respect to the consolidated financial statements and schedule of The Clorox Company included in its Annual Report on Form 10-K for the fiscal year ended June 30, 2003.

/s/ Ernst & Young LLP

San Francisco, California

September 16, 2003

Exhibit 23.2

INDEPENDENT AUDITORS’ CONSENT

We consent to the incorporation by reference in The Clorox Company Registration Statements No. 333-75455 on Form

S-3, and Nos. 33-41131 (Post-Effective Amendments No. 1 and No. 2), 33-24582, 33-56565, 33-56563, 333-29375, 333-16969, 333-44675, and 333-90386 on Form S-8 of our report dated September 4, 2002 on the consolidated financial statements of The Clorox Company as of June 30, 2002 and for the fiscal years ended June 30, 2002 and 2001 appearing in and incorporated by reference in this Annual Report on Form 10-K of The Clorox Company for the fiscal year ended June 30, 2003.

/s/ DELOITTE & TOUCHE LLP

Oakland, California

September 17, 2003

Exhibit 31-1

CERTIFICATION

I, Gerald E. Johnston, certify that:

1. I have reviewed this annual report on Form 10-K 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 officers 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) 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) 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

c) 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; and

5. T he registrant's other certifying officer(s) 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) a ll 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: September 19, 2003

/s/ Gerald E. Johnston

Gerald E. Johnston

President and Chief Executive Officer

Exhibit 31-2

CERTIFICATION

I, Karen M. Rose, certify that:

1. I have reviewed this annual report on Form 10-K 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 officers 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) 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) 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

c) 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; and

5. T he registrant's other certifying officer(s) 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) a ll 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: September 19, 2003

/s/ Karen M. Rose

Karen M. Rose

Chief Financial Officer

Exhibit 32

THE CLOROX COMPANY

CERTIFICATION

In connection with the periodic report of The Clorox Company (the "Company") on Form 10-K for the period ended June 30, 2003 as filed with the Securities and Exchange Commission (the "Report"), we, Gerald E. Johnston, Chief Executive Officer and Karen M. Rose, 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:

the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

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.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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

Dated this 19th day of September, 2003.

/s/ Gerald E. Johnston

Gerald E. Johnston

President and Chief Executive Officer

/s/ Karen Rose

Karen Rose

Group Vice President – Chief Financial Officer

Exhibit 99.1

APPENDIX D

FINANCIAL HIGHLIGHTS
The Clorox Company

Years Ended June 30	**2003**	**2002**	**% Change (1)**
In millions, except share and per-share amounts			
Net sales	$ 4,144	$ 4,022	3%
Earnings from continuing operations	$ 514	$ 357	44%
Losses from discontinued operations, net of tax	(21)	(35)	41%
Net earnings	$ 493	$ 322	53%
Earnings (losses) per common share			
Basic			
Continuing operations	$ 2.36	$ 1.54	53%
Discontinued operations	(0.10)	(0.15)	33%
Basic net earnings per common share	$ 2.26	$ 1.39	63%
Diluted			

Continuing operations	$ 2.33	$ 1.52	53%
Discontinued operations	(0.10)	(0.15)	33%
Diluted net earnings per common share	$ 2.23	$ 1.37	63%
Weighted average common shares outstanding (in thousands)			
Basic	218,174	231,849	–6%
Diluted	220,692	234,704	–6%
Stockholders' equity	$ 1,215	$ 1,366	–11%
Dividends per common share	$ 0.88	$ 0.84	5%
Stockholders' equity per common share	$ 5.69	$ 6.13	–7%

(1) Percentages based on unrounded numbers

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF WORLDWIDE OPERATIONS

Management's discussion and analysis of the results of operations, unless otherwise noted, compares fiscal year 2003 to fiscal year 2002 and fiscal year 2002 to fiscal year 2001. As described in Note 1 in the Notes to Consolidated Financial Statements, certain reclassifications have been made to all periods presented to conform to the current year presentation, including the reclassification of the Company's Brazilian business as a discontinued operation.

C ONSOLIDATED R ESULTS

In fiscal year 2003, the Company continued to focus on its priorities and strategic goals that resulted in volume and net sales growth and ongoing improvements in the Company's overall cost structure and working capital. These accomplishments were made despite the slow U.S. economic recovery and continued economic and political challenges in South America.

Diluted net earnings per common share increased to $2.23 in fiscal year 2003 from $1.37 in fiscal year 2002, and net earnings grew to $493 million from $322 million in the prior year. The improvement in diluted net earnings per common share reflects a $241 million improvement in pre-tax earnings from continuing operations as well as a decrease in common shares outstanding during fiscal year 2003, which was driven by 11.7 million shares of treasury stock buybacks. Net earnings growth was principally due to volume and sales growth, reduced manufacturing costs, and a $151 million reduction in restructuring and asset impairment charges versus fiscal year 2002. Despite the continued economic challenges in South America, the Company had higher consolidated net sales and volumes driven by the introduction of new products and a focus on advertising investment.

Diluted net earnings per common share increased to $1.37 in fiscal year 2002 from $1.35 in fiscal year 2001. The Company had higher net sales and volumes led by new product introductions and improvements in gross profit in fiscal year 2002 as compared to fiscal year 2001. In addition, the Company recorded a net pre-tax gain of $33 million on the sales of the *Maxforce* and Himolene businesses in fiscal year 2002. Offsetting these increases were fiscal year 2002 restructuring and asset impairment charges of $184 million (pre-tax) driven by currency devaluations and poor economic conditions in South America and the Company's review of its operations.

Net sales in fiscal year 2003 increased by 3% as compared to fiscal year 2002, which was driven by an overall 2% increase in volume. The improvements in net sales and volumes were driven by a 17% increase in advertising costs and the introduction of several new products in fiscal year 2003, including Clorox® bathroom cleaners with Teflon®, Don't Mop with Dirty Water Again! ™ Pine-Sol® cleaner, Formula 409® wipes, Brita® pour-through pitchers with electronic filter change indicators, Hidden Valley® BBQ Ranch dressing, K C Masterpiece® Dip & Top ™ sauces, Armor All® car wash wipes and Scoop Away® plus crystals cat litter.

Net sales in fiscal year 2002 increased 4% to $4,022 million on a 3% increase in volume versus fiscal year 2001. The improvement in net sales and volumes in fiscal year 2002 compared to fiscal year 2001 similarly reflected the Company's efforts to restore growth in core brands through increased advertising and the introduction of new products.

Cost of products sold decreased by 2% in fiscal year 2003 as compared to fiscal year 2002 and decreased as a percentage of net sales to 54% in fiscal year 2003 from 57% in fiscal year 2002. This improvement was driven by the Company's ongoing cost cutting initiatives which led to supply chain savings, particularly in the procurement, manufacturing and logistics areas. Specific supply chain initiatives included the renegotiation of raw material contracts, the use of new contract manufacturers and the consolidation of manufacturing facilities. These cost

savings were partially offset by increases in resin, soybean oil and other raw material costs.

Cost of products sold as a percentage of net sales decreased to 57% in fiscal year 2002 from 59% in fiscal year 2001. These cost savings were also consistent with the Company's initiatives to reduce its cost structure. In addition, the decrease was reflective of lower inventory write-offs and decreased raw material costs driven by the renegotiation of resin pricing. These improvements were partially offset by costs associated with new product launches in fiscal year 2002.

Selling and administrative expenses increased by 1% to $532 million in fiscal year 2003 from $526 million in fiscal year 2002. The trend was impacted by $12 million of additional fiscal year 2003 pension expense and $9 million of additional depreciation and amortization expense for new systems projects. The Company also recorded $6.6 million of expense in fiscal year 2003 related to its performance unit programs as compared to $7 million of income in fiscal year 2002, resulting in a net increase versus the previous year of $13.6 million. At June 30, 2002, the Company reviewed the vesting criteria for one of its performance unit programs and determined that the initial vesting criteria had not been met as of June 30, 2002. As a result of this determination, the Company reversed a $7 million accrued liability related to this performance unit program. For the year ended June 30, 2003 the Company recorded a $6.6 million expense and liability related to this program because the related performance hurdles were achieved. Offsetting these increases in selling and administrative expenses was a decrease of $23 million in the Household Products — Latin America/Other segment, resulting from the companywide cost-cutting initiative, and other smaller items. The $23 million decrease in Latin America was driven primarily by reductions in bad debt and severance expenses and currency devaluation.

Selling and administrative expenses increased 9% to $526 million in fiscal year 2002 from $483 million in fiscal year 2001. This increase was primarily attributable to performance-based compensation costs of $44 million in fiscal year 2002 as compared with $14 million in fiscal year 2001, a net increase of $10 million in expenses related to the Company's system projects, and an increase in the Company's allowance for doubtful accounts. As a consequence of the economic crisis and political turmoil in South America as well as a softening U.S. economy, the Company increased its allowance for doubtful accounts by $11 million for fiscal year 2002. These increases were partially offset by savings from the elimination of approximately 260 positions from the Company's U.S. divisions and 243 positions from its Latin American division that occurred in December 2001.

Advertising costs as a percentage of net sales increased to 11% in fiscal year 2003 from 10% in the prior year, an increase of 17%. The increase reflects higher advertising levels to support the Company's base business as well as new products introduced in fiscal year 2003. The increase also reflects a full year's advertising costs in fiscal year 2003 for products introduced in fiscal year 2002, such as the *ReadyMop* self contained mopping system and *Clorox Oxygen Action* multipurpose stain remover.

Advertising costs as a percentage of net sales increased from 9% in fiscal year 2001 to 10% in fiscal year 2002. The increase in advertising costs in fiscal year 2002 as compared with fiscal year 2001 was driven by higher media expenditures of approximately $80 million to support the base business and introduction of new products, partly offset by lower non-coupon sales promotion spending of $35 million.

Restructuring and asset impairment costs of $33 million, $184 million and $59 million were recognized in fiscal years 2003, 2002 and 2001, respectively. The $33 million of charges recognized in fiscal year 2003 relate primarily to a $30 million goodwill impairment charge recorded in the second quarter related to Argentina. The $184 million charge recorded in fiscal year 2002 included $139 million for the impairment of goodwill and trademarks associated with the Argentina ($100 million) and Colombia ($39 million) businesses due to significant currency devaluations and weakening market and economic conditions. The remaining fiscal year 2002 charges included a $22 million charge for the write-off of equipment and the closure of certain plants, and severance charges of $17 million and $6 million related to the elimination of domestic and international staff positions, respectively. Restructuring and asset impairment costs of $59 million in fiscal year 2001 included $47 million for the write-off of equipment, $8 million for the write-off of intangible assets, and $4 million for severance and other restructuring costs.

Interest expense decreased from $38 million in fiscal year 2002 to $28 million in fiscal year 2003 primarily due to lower interest rates on the Company's borrowings as average borrowings remained flat. The $50 million decrease in interest expense from fiscal year 2001 to fiscal year 2002 was due to lower levels of commercial paper borrowings as well as lower interest rates.

Other (income) expense, net in fiscal year 2003 of $8 million includes $9 million of equity earnings, an $8 million gain on sale of land from an eminent domain action, a $7 million gain as a result of insurance claims for casualty losses, a $6 million gain from the sale of *Black Flag* , a $4 million gain from mark-to-market adjustments on the Company's resin contracts reflecting current market conditions, $3 million of interest, and various income items of $1 million. These gains were offset by expenses of $11 million from the amortization of intangibles, $2 million in losses related to the Company's investment fund, a $4 million loss from the sale of *Jonny Cat* , and various other expenses.

Other (income) expense, net in fiscal year 2002 of $23 million resulted from a $33 million net gain on the sales of *Maxforce* and Himolene businesses, a $21 million gain from foreign exchange, primarily due to the revaluation of Argentine net monetary assets denominated in currencies other than the peso, $16 million of income from equity earnings, and interest income of $4 million. These gains were offset by $12 million in amortization of intangibles, an $8 million charge for environmental remediation and monitoring of a former plant site, $4 million of losses related to the Company's investment fund, a $4 million write-down of certain international joint venture investments, a $4 million loss from mark-to-market adjustments on the Company's resin contracts reflecting current market conditions and various other expenses.

Other expense, net in fiscal year 2001 of $46 million resulted primarily from $60 million of goodwill amortization and $2 million of losses on the Company's investment fund, offset by $16 million of income from equity interests and $10 million of interest income.

The effective tax rate on continuing operations was 35.9%, 36.4% and 31.9% in fiscal years 2003, 2002 and 2001, respectively. The lower rate in fiscal year 2003 as compared to fiscal year 2002 was principally due to the inability to provide a tax benefit related to the $100 million fiscal year 2002 impairment charge for Argentina. The increase in the tax rate from 31.9% in fiscal year 2001 to 36.4% in fiscal year 2002 was primarily due to a provision recorded to establish valuation allowances against tax benefits resulting from the Company's Colombian and Argentine impairment charges and from tax provided on current Chilean earnings not considered indefinitely reinvested. The increase in the tax provision was partially offset by a net reversal of federal and state tax accruals.

Losses from discontinued operations decreased from $35 million in fiscal year 2002 to $21 million in fiscal year 2003 and relate to the Company's Brazilian business. In the first quarter of fiscal year 2003, the Company announced its intent to sell its business in Brazil, a reporting unit included in the Household Products — Latin America/Other segment, and recorded a pre-tax impairment charge of $19 million to write the related assets down to fair value. This decision was due to the deteriorating economic and market conditions in the region. In addition, in the fourth quarter of fiscal year 2003, the Company recorded an additional $4 million pre-tax charge to recognize additional costs related to the closure of portions of its Brazilian operations. The $35 million loss from discontinued operations in fiscal year 2002 was driven by a $57 million pre-tax charge for the impairment of goodwill and trademarks related to the Brazilian business. Refer to Note 3 in the Notes to Consolidated Financial Statements for further information.

The cumulative effect of the change in accounting principle of $2 million (net of tax benefit of $1 million) in fiscal year 2001 was recognized as a transition adjustment due to the implementation of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended.

SEGMENT RESULTS

Current and prior fiscal year results by segment are presented below:

Net sales (in millions)	2003	2002	2001
Household Products — North America	$2,282	$2,198	$2,097
Specialty Products	1,369	1,304	1,222
Household Products — Latin America/Other	493	520	540
Total	$4,144	$4,022	$3,859

Earnings (losses) from continuing operations before income taxes (in millions)	2003	2002	2001
Household Products — North America	$ 607	$ 535	$ 453
Specialty Products	521	517	397
Household Products — Latin America/Other	66	(66)	74
Corporate Interest and Other	(392)	(425)	(445)
Total	$ 802	$ 561	$ 479

Household Products — North America

Fiscal Year 2003 versus Fiscal Year 2002: The Household Products — North America segment had another year of increases, posting a 2% increase in volume, a 4% increase in net sales and a 14% increase in pre-tax earnings. The increases in volume and net sales were again driven by the introduction of new products, strategic pricing actions and increased advertising spending to support core brands and new products.

Laundry and Home Care's volume increase of 3% was mainly driven by the successful launches of *Clorox ReadyMop, Pine-Sol* Orange Energy, *Clorox* Bathroom Cleaner and Teflon Toilet Bowl Cleaner. In addition, there were volume increases for disinfecting wipes and *Clorox Clean-Up* as a result of increased advertising. Partially offsetting these gains were distribution losses for *SOS* and *Formula 409* carpet cleaner.

The *Glad* bags and wraps business volume increased by 5% as a result of increases in Trash Disposal bags, private label brands and the *GladWare* disposable containers line due to growth in new distribution channels and increased activity at large retailers. These gains were offset slightly by the *Gladlock* categories distribution losses and increased competitive activity.

Total volume for Brita increased 8% due primarily to distribution increases for pour-through systems and filters, volume gains for *Faucet Mount* products and *Memo* pitchers offset by a decrease in *Brita Fill and Go* sports bottles.

The increase in pre-tax earnings was due to increased volumes, reduced trade spending, reduced coupon activities and continued cost-savings initiatives in manufacturing operations, which were partially offset by increased advertising spending to support core brands and new products and increased research and development costs associated with the Glad/P&G Joint Venture.

Fiscal Year 2002 versus Fiscal Year 2001: The Household Products — North America segment rebounded from the prior year's declines to post a 5% increase in both volume and net sales, and an 18% increase in pre-tax earnings. The increase in volume and net sales were driven by the introduction of new products, strategic pricing actions and increased advertising spending to support core brands and new products.

Laundry and Home Care's volume increase of 7% was driven by the introduction of *Clorox ReadyMop* self-contained mopping system and *Clorox Oxygen Action* multipurpose stain remover, increased shipments of *Clorox* disinfecting wipes, and distribution gains for *Clorox* toilet bowl cleaner and Ultra *Clorox* bleach. Partially offsetting these gains were distribution losses for *Clorox* disinfecting spray and *Formula 409* carpet cleaner.

The *Glad* bags and wraps business saw volume increase by 5% due to new products in the *GladWare* disposable-containers line, an improved price-value relationship for trash bags and increased advertising to support wraps and trash bags. These gains were partially offset by distribution losses and increased competitive activity for stand-up bags.

Total volume for Brita was down by 4% due primarily to distribution losses for *Brita Fill & Go* sports bottles, a decline in shipments of pour-through systems and filters, and by lower shipments to Kmart, partially offset by volume gains for faucet-mount systems and filters.

The increase in pre-tax earnings was due to increased volumes, cost-savings initiatives in manufacturing operations, lower raw material costs driven by the renegotiation of resin prices in fiscal year 2002 and lower restructuring and related inventory write-offs. These cost and spending decreases were partially offset by start-up costs associated with new product launches, increased media spending to support core brands and new products, and an increase of $6 million related to mark-to-market adjustments on the Company's resin contracts.

Specialty Products

Fiscal Year 2003 versus Fiscal Year 2002: The Specialty Products segment reported volume, net sales and pre-tax earnings gains of 3%, 5% and 1%, respectively. Net sales growth exceeded volume growth primarily due to a price increase taken by *Kingsford* charcoal effective October 2002.

Food's volume increase of 12% led the segment, driven by growth in all channels behind increased marketing support for *Hidden Valley* dressings and *K C Masterpiece* Barbecue sauces, including the new *Hidden Valley* BBQ line extension and *K C Masterpiece* Dip N Top products. The Seasonal division's volume grew 2% driven mainly by *Kingsford* charcoal, which experienced record setting volumes. These higher volumes were offset in part by the divestiture of *MaxForce* during fiscal year 2002 and *Black Flag* during fiscal year 2003. Charcoal shipments grew across nearly all customers due to incremental promotion events, a continued focus on retail execution, and category share gains, in particular from the food trade. The Cat Litter division experienced volume growth of 1%, driven by growth in both *Fresh Step* and *Scoop Away* behind the product launch of *Scoop Away Plus Crystals* and increased coupon and trade spending. This growth was offset in part by the divestiture of the *Jonny Cat* business in fiscal year 2003. Despite unusually wet and cold weather through much of the second half of the fiscal year,

volume of the Auto business grew 1% driven by *Armor All* wipes and overall increased advertising and sales promotion.

Pre-tax earnings increased 1% due to volume growth, cost-savings initiatives and casualty insurance gains on a warehouse that is being replaced, offset by the fiscal 2002 gain of $36 million on the sale of *Maxforce* , higher commodity prices, increased trade spending primarily in the Food and Litter businesses, and increased advertising in the Food and Auto businesses to support core brands and new product launches.

Fiscal Year 2002 versus Fiscal Year 2001: The Specialty Products segment reported volume and net sales gains of 3% and 7%, respectively, and 30% growth in pre-tax earnings. The difference between net sales growth and volume growth was attributable to lower trade promotion spending in the seasonal, food and cat litter businesses as the Company shifted marketing support towards increased advertising from trade spending, which is accounted for as a reduction in revenue.

Seasonal's volume decrease of 2% was driven primarily by the divestiture of the professional insecticides and firelogs businesses. Offsetting the effects of these divestitures were higher shipments of *Kingsford* charcoal, which were up 12% for the 2002 fiscal year. *Kingsford* charcoal's growth was attributable to a focus on retail execution, increased media spending, a narrowing price gap with private label as a result of private-label price increases, and improved weather conditions. Auto care's volume increase of 7% was driven by growth from the *Armor All* wipes and tire protectant products, including the 2002 launch of *Armor All* leather spray and wipes. The year-to-date growth rate for the auto care business was impacted in the latter part of the year by lower shipments to Kmart and unseasonably warm winter weather in the third quarter of fiscal year 2002 which reduced demand for cold weather performance products. Cat litter's volume growth of 5% was due to product improvements, increased marketing support for *Fresh Step* and line extensions such as *Fresh Step* cedar cat litter. Food's volume increase of 3% reflected higher shipments of *Hidden Valley* dressings and *K C Masterpiece* marinades. The business increased its advertising and consumer promotions of *Hidden Valley* dressings to counteract ongoing competitive activity. *K C Masterpiece* volumes increased behind the introduction of *K C Masterpiece* Caribbean jerk marinade, despite competitive pressures in the fourth quarter of fiscal year 2002.

Pre-tax earnings increased due to volume growth, lower trade spending, savings generated by the Company's ongoing cost reduction initiatives and plant closures, lower restructuring costs and inventory write-offs, and the gain of $36 million recognized in fiscal year 2002 on the sale of the *Maxforce* business. Increased advertising spending to support core brands and new product launches partly offset these improvements.

Household Products — Latin America/Other

Fiscal Year 2003 versus Fiscal Year 2002: Weakening economic conditions, currency devaluations and political turmoil in South America negatively impacted the segment's fiscal year 2003 results. Despite these factors, the Household Products — Latin America/Other segment's pre-tax earnings from continuing operations increased to $66 million while net sales decreased 5% to $493 million. (See further discussion regarding the "South America Economic, Social and Political Conditions" on page D-11 in the Financial Position and Liquidity section).

Net sales decreased 5% while volumes declined by 4%. The decrease in net sales and volumes was driven by the weakening economic conditions and impact of currency devaluations. Volume declines were concentrated in South America, primarily in Argentina, Venezuela and Colombia due to economic conditions and continuing competitive price activity in bleach. Sales and volumes were also reduced by strategic initiatives targeting elimination of low margin stock-keeping-units and customers.

The improvement in pre-tax earnings from continuing operations reflects improved profitability in Latin America, as well as reduced impairment charges associated with continuing operations. The Company recorded a $30 million goodwill impairment charge in the second quarter of fiscal year 2003 related to the Argentina business. Gross margins and pre-tax earnings in Latin America have benefited from the restructuring initiated in fiscal year 2002, strategic initiatives to reduce low-margin products and customers, as well as, continuing cost reduction efforts during fiscal year 2003.

Due to deteriorating economic and market conditions and the Company's lack of scale in Brazil, the Company announced its intent to sell the Brazilian business and recorded pre-tax asset impairment charges of $23 million

in fiscal year 2003. (See further discussion regarding the Brazil Discontinued Operations in Note 3 in the Notes to Consolidated Financial Statements.)

Fiscal Year 2002 versus Fiscal Year 2001: Weakening economic conditions, currency devaluations and political turmoil in South America had a negative impact on the segment's fiscal year 2002 results. The Household Products — Latin America/Other segment's pre-tax earnings from continuing operations declined to a loss of $66 million and net sales decreased 4% to $520 million.

Net sales decreased 4% while volumes grew by less than 1%. The decrease in net sales was driven by the weakening economic conditions in South America that gave rise to a 8% decrease attributable to foreign currency weaknesses primarily in Argentina, Venezuela and Brazil. Volume gains were driven by line extensions of *Lestoil* heavy-duty cleaners, new product launches in Korea, and launches of *Poett* and other fragranced cleaners. Increased levels of advertising also resulted in volume growth in Puerto Rico, Central America and Mexico. Volume gains were partially offset by volume declines in Argentina, Venezuela and Chile driven by the poor economic conditions in South America as well as competitive price activity in the Colombian bleach market.

The decline in pre-tax earnings from continuing operations reflected $139 million of goodwill and trademarks impairment charges and an increase of $9 million for restructuring costs. Asset impairment costs included $100 million and $39 million for the Company's Argentine and Colombian businesses, respectively. The Company took steps to mitigate the impacts from the troubled economic conditions, including the reduction of the cost structure in its Latin America operations, reductions in staff, an increase in advertising spending to drive volume growth, and the implementation of a number of competitive pricing initiatives. Despite the negative impact from the weakening conditions, the segment benefited from the Company's on-going cost-savings initiatives contributing to gross margin improvements and the elimination of positions earlier in fiscal year 2002 resulting in lower administrative expense. In addition, the segment recognized $20 million of gains in foreign exchange from the revaluation of the Argentina net monetary assets denominated in currencies other than the Argentine peso.

Corporate, Interest and Other

Fiscal Year 2003 versus Fiscal Year 2002: "Corporate, Interest and Other" pre-tax loss decreased by $33 million, or 8%, from fiscal year 2002, due to lower interest expense of $18 million, lower expenses associated with the Company's new enterprise resource planning and customer relationship management data processing system projects, and lower restructuring and environmental expenses.

Fiscal Year 2002 versus Fiscal Year 2001: "Corporate, Interest and Other" pre-tax loss decreased $20 million, or 5%, due to lower goodwill amortization and interest expense offset by increased compensation costs, expenses associated with the Company's new enterprise resource planning and customer relationship management data processing system projects, and severance costs.

FINANCIAL POSITION AND LIQUIDITY

Cash Flows from Operations

The Company's financial position and liquidity remain strong due to the continued strength of operating cash flows during the fiscal year ended June 30, 2003.

Net cash provided by continuing operations was $807 million in fiscal year 2003 due to record net earnings from continuing operations and timing of tax payments, partially offset by a $54 million pension contribution. Working capital changes from fiscal year 2002 were partly attributable to the current year payments for new system implementation costs and the pension contribution, partially offset by continued improvements in working capital, including receivables and other current assets, and timing of tax payments. The decline in receivables was due to improved collection of receivables. Other current assets have declined due to the decrease in deferred income tax assets.

Net cash provided by continuing operations increased 18% to $878 million in fiscal year 2002 as compared to fiscal year 2001, and is primarily attributable to improved working capital management and improved earnings. Working capital changes from fiscal year 2001 were partly attributable to the effect of currency devaluations in Argentina and Venezuela, and better management of working capital, including receivables, inventory, accounts payable, accrued

expenses and income taxes payable. The decline in receivables is due to improved collections partly offset by higher receivables driven by increased sales from the 2002 introduction of *Clorox ReadyMop* self-contained mopping system and the charcoal business. Inventory has declined as a result of the Company's enhanced operational planning and continuing efforts to reduce the number of stock keeping units as well as lower charcoal inventories resulting from a 7% increase in sales volume during the fourth quarter of 2002 from that business. A build-up in inventory due to the 2002 launch of *Clorox ReadyMop* self-contained mopping system partially offset this decline. Higher payables and accrued expenses arose from the Company's new system projects, increased advertising, and incentive compensation costs. Higher income taxes payable was attributable to the timing of quarterly tax payments.

Divestitures and Acquisitions

In the first quarter of fiscal year 2003, the Company announced its intent to sell its business in Brazil due to deteriorating economic and market conditions and lack of scale and recorded a pre-tax impairment charge of $19 million to write the assets down to fair value. In the fourth quarter of fiscal year 2003, the Company recorded an additional $4 million pre-tax charge to recognize additional costs related to the closure of its Brazilian operations and sold certain intangible trademarks and related product inventory. The Company continues to actively market the remaining net assets of the Brazil business. The Company also divested its *Jonny Cat* litter business and *Black Flag* insecticides business during fiscal year 2003. The combined sales proceeds and net pre-tax gain on the sale of these businesses were $14 million and $2 million, respectively.

During fiscal years 2002 and 2001, the Company divested certain non-strategic brands in order to focus on its core brands. In fiscal year 2002, the Company sold its *Maxforce* professional insecticides business and the Himolene industrial trash can liner business. The aggregate sales price and net pre-tax gain (included in other income) on divestitures was $65 million and $33 million, respectively. In fiscal year 2001, the Company sold its firelogs business for $2 million, and no gain or loss was recognized on the sale.

During fiscal year 2001, the Company invested $126 million in new business acquisitions that were accounted for as purchases and were funded using a combination of cash and debt. The Company acquired for $122 million (or $116 million, net of cash acquired) from Brita GmbH the rights to the Brita trademark and other intellectual property in North and South America, an increase in the Company's ownership from 50% to 100% in Brita Limited and Brita South America Inc., and certain other net assets. The Company also increased its ownership to 100% in its two joint ventures in Costa Rica, previously 49% and 51% owned. The investments in Brita Limited, Brita South America Inc. and Costa Rica were previously accounted for under the equity method of accounting and were fully consolidated from the date of acquisition. Net assets acquired included net working capital assets of $11 million, property, plant and equipment of $9 million, goodwill of $11 million and trademarks and other intangible assets of $110 million to be amortized over estimated lives of ten years, less the additional investment to acquire the remaining interest for $15 million. Because the Company previously owned 50% to 51% in these equity investments, only the incremental equity and its underlying net book value of the net assets were adjusted to their fair value.

Venture Agreement

On January 31, 2003, the Company entered into an agreement with the Procter & Gamble Company (P&G) to form a venture related to the Company's Glad plastic bags, wraps and containers business. Pursuant to the agreement, P&G contributed certain production and research and development equipment, licenses to use a range of current and future trademarks and other proprietary technologies to the Company in exchange for an interest in the profits, losses and cash flows, as defined, of the Glad business. P&G will also provide research and development support to the Glad business for the first ten years of the venture, subject to renewal options, and will be reimbursed for the cost of providing the research and development support. The Company retains control of the Glad business. The agreement's initial term is twenty years, subject to renewal options. During the period ending December 31, 2003, all profits, losses and cash flow, as defined, of the Glad business will be allocated to the Company. During the 2004 calendar year, profits, losses and cash flow, as defined, of the Glad business will be allocated 95% to the Company and 5% to P&G. For all subsequent periods, the allocation will be 90% to the Company and 10% to P&G. For the first five years of the agreement, P&G has an option to purchase an additional 10% interest in the profits, losses and cash flow of the Glad business at prices set in the agreement. For more information about the venture, refer to Note 8 in the Notes to Consolidated Financial Statements.

Capital Expenditures

Capital expenditures were $205 million in fiscal year 2003, $176 million in fiscal year 2002 and $190 million in fiscal year 2001, and included $91 million, $67 million and $41 million, respectively, for the Company's new enterprise resource planning and customer relationship management data processing systems. Higher capital expenditures in fiscal year 2003 as compared to fiscal year 2002 were primarily due to increased spending for the new systems project as the first phase of the systems were implemented during fiscal year 2003. Despite higher expenditures for the new systems project in fiscal year 2002 as compared to 2001, capital expenditures decreased in fiscal year 2002, principally due to reduced capital spending levels in the Household Products — Latin America/Other segment.

The Company is implementing these new information systems over a three-year period, with total implementation costs estimated to be approximately $310 million. Total inception-to-date expenditures for these systems through June 30, 2003 were $236 million, of which $199 million has been capitalized as property, plant and equipment, and $37 million has been recorded as selling and administrative expense. Project to date, the Company has placed $199 million of capitalized hardware and software with estimated useful lives ranging from three to seven years into service, resulting in depreciation and amortization expense of $19 million, and $10 million in fiscal years 2003 and 2002, respectively. The Company expects to achieve approximately $125 million in one-time working capital reductions and approximately $80 million of annual ongoing savings from the new systems. Some of the working capital reductions and ongoing cost savings are already being realized, with further savings expected when the systems are fully implemented.

Contractual Obligations

The Company has contractual obligations payable or maturing (excluding short term notes and loans payable) in the following fiscal years:

At June 30, 2003 (in millions)	2004	2005	2006	2007	2008	Thereafter	Total
Long-term debt	$213	$ 2	$ 2	$153	$—	$ 338	$708
Operating leases	35	21	15	12	11	25	119
Low income housing partnerships	19	7	3	2	2	2	35
Unconditional commodity purchase obligations	41	29	13	—	—	—	83
Total contractual cash obligations	$308	$59	$33	$167	$13	$ 365	$945

Low income housing partnerships generate tax credits that reduce the Company's income tax liability. The Company has also recorded $125 million as a terminal obligation liability for the venture with Procter and Gamble (P&G), which reflects the fair value of the contractual requirement to repurchase P&G's interest at the termination of the agreement. Refer to Note 8 of the Notes to Consolidated Financial Statements for further discussion on the joint venture with P&G.

Off-Balance Sheet Arrangements

In conjunction with divestitures and other transactions, the Company may provide routine indemnifications relating to the enforceability of trademarks, retention of pre-existing legal, tax, environmental and employee liabilities, as well as provisions for product returns and other items. The Company has several indemnification agreements in effect through 2006 that specify a maximum possible indemnification exposure. The Company's aggregate exposure from these agreements is capped at $42 million, however based on historical experience and evaluation of the specific agreements, the Company does not believe that any significant payments will result. The Company may also be subject through other contracts and agreements to similar types of indemnifications and coverages where the amounts and duration are not explicitly defined. When appropriate, an obligation for such indemnifications is recorded as a liability at inception. No liabilities have been recorded as of June 30, 2003 as the Company believes that such existing obligations are not reasonably likely to have a material future effect on its consolidated financial statements.

As disclosed in more detail in Note 7 in the Notes to Consolidated Financial Statements, the Company owns limited partnership interests in 55 low-income housing partnerships and in an investment fund, all of which are accounted for by the equity method through June 30, 2003. The purpose of the partnerships is to obtain low income housing

tax credits and the purpose of the investment fund is to manage a portion of the Company's emerging markets foreign exchange and economic investment risk. The Company does not expect any cash outflows to the partnerships other than the contractually committed capital contributions, which are disclosed in the table above under the heading "Contractual Obligations." In addition, the Company's risk of loss from the investment fund is limited to the amount of its investment and it has no ongoing capital commitments, loan requirements, guarantees or any other types of arrangements with the fund or its general partner that would require any future cash contributions to the fund.

Credit and Borrowing Information

The Company continues to maintain strong credit ratings. The Company's overall level of indebtedness was approximately $1 billion at both June 30, 2003 and 2002.

In fiscal years 2003, 2002 and 2001, cash flow from continuing operations exceeded cash requirements to fund capital expenditures, dividends and scheduled debt service. A portion of the operating cash flows were used to repurchase shares of the Company's outstanding common stock. The Company believes that cash flow from operations, supplemented by financing expected to be available from external sources, will provide sufficient liquidity during the next twelve months.

At June 30, 2003, the Company had domestic credit agreements with available credit lines totaling $950 million, which expire on various dates through March 2007. At June 30, 2003, there were no borrowings under these agreements, which are available for general corporate purposes and to support additional commercial paper issuance. In addition, the Company had $16 million of foreign working capital credit lines and overdraft facilities at June 30, 2003, of which $3 million is available for borrowing. Certain of the Company's unsecured notes, debentures and credit agreements contain restrictive covenants and limitations, including limitations on certain sale and leaseback transactions to the greater of $100 million, or 15% of the Company's consolidated net tangible assets, as defined, and require the maintenance of a consolidated leverage ratio, as defined. The Company is in compliance with all restrictive covenants and limitations as of June 30, 2003. The Company does not anticipate any problems in securing future credit agreements.

Based on the Company's working capital requirements, the current borrowing availability under its credit agreements, and its ability to generate positive cash flows from operations in the future, the Company believes that it will have the funds necessary to meet all of its above described financing requirements and all other fixed obligations. Should the Company undertake acquisitions requiring funds in excess of its current cash reserves and available credit lines, it might seek additional debt or equity financing. Depending upon future conditions in the financial markets, the availability of acceptable terms, and other factors, the Company may consider the issuance of debt or other securities to finance acquisitions, to refinance debt or to fund other activities for general business purposes.

Pension Obligations

The Company's liability for pension obligations increased from $43 million at June 30, 2002 to $64 million at June 30, 2003, partially due to the reclassification to other assets of $20 million of trust assets previously netted with the pension obligations as discussed in Note 18 in the Notes to Consolidated Financial Statements. An additional minimum pension liability adjustment of $48 million was recognized to reflect the increase in the accumulated benefit obligation over the fair value of assets at June 30, 2003. Overall, the total market value of retirement plan

assets increased by $24 million during fiscal year 2003, which was driven primarily by a $54 million discretionary contribution made in the third fiscal quarter that offset poor market performance. In addition, the Company made a $37 million discretionary pension contribution in July 2003.

Common Stock Dividends and Share Repurchases

On July 16, 2003, the Company announced an increase in the quarterly dividend rate from $0.22 per share to $0.27 per share. Dividends paid in fiscal years 2003, 2002 and 2001 were $193 million, or $.88 per share; $196 million, or $0.84 per share; and $199 million, or $0.84 per share, respectively.

During fiscal year 2003, the Company acquired 11.7 million shares of its common stock at a net cost of $486 million. A portion of the shares purchased was allocated to the Company's ongoing program to offset the potential impact of stock option dilution. The remainder relates to the board-authorized $1 billion repurchase program, bringing the

total number of shares repurchased to approximately 18.2 million at a total cost of $773 million under that program. Treasury share purchases and related premiums were $412 million (10 million shares) in fiscal year 2002 and $10 million in fiscal year 2001.

South America Economic, Social and Political Conditions

During fiscal year 2003, several countries in South America experienced weakening economic, social and political conditions, particularly Venezuela, Argentina, Colombia and Brazil. Argentina's currency has appreciated by 36% against the U.S. Dollar and the Columbian and Venezuelan currencies have depreciated by 15% each against the U.S. Dollar during fiscal year 2003. The Company continues to take steps to mitigate the impact of the unsettled conditions in South America that include its interest in the investment fund, (see Note 7 in the Notes to Consolidated Financial Statements) and current activities such as improving its management of working capital, shortening its Latin America division's payment terms, eliminating low margin and non-core brands in its portfolio, and focusing on strengthening its strategic core brands.

During 2003, the Venezuelan government fixed the buying and selling exchange rates for the Venezuelan Bolivar (VEB) to the U.S. Dollar and issued currency restrictions, which have limited the Company's ability to repatriate earnings and settle U.S. denominated obligations. Since February 2003, the Company has been translating its Venezuelan reported results and remeasuring monetary assets and liabilities using the official exchange rate of 1,598 VEB per U.S. Dollar. An increase of 100 VEB per U.S. Dollar to this exchange rate would result in decreases to the Company's stockholders' equity and net earnings of $500 thousand and $300 thousand, respectively.

Argentina continues to face unique challenges resulting from government-imposed currency restrictions. In fiscal year 2002, Argentina's government decreed that certain trade non-peso denominated currencies be converted to the Argentine peso currency. The Company's Argentine subsidiary has U.S. Dollar cash balances of approximately $7 million that may be subject to repatriation at retroactive conversion rates. The Company is currently holding discussions with the Argentine central bank to obtain relief from converting U.S. Dollar cash balances at retroactive conversion rates. The ultimate outcome of discussions with the Argentine central bank is not known at this time and, based on judgment, an allowance has been recorded for potential losses.

MARKET-SENSITIVE DERIVATIVES AND FINANCIAL INSTRUMENTS

The Company is exposed to the impact of interest rates, foreign currency fluctuations, commodity prices and changes in the market value of its investments. The Company has certain restrictions on the use of derivatives, including a prohibition of the use of any leveraged instrument. Derivative contracts are entered into for non-trading purposes with several major credit-worthy institutions, thereby minimizing the risk of credit loss. In the normal course of business, the Company manages its exposure to changes in interest rates, foreign currencies and commodity prices using a variety of derivative instruments.

The Company's objective in managing its exposure to changes in interest rates, foreign currencies and commodity prices is to limit the impact of fluctuations on earnings, cash flow and, in the case of interest rate changes, to manage interest rate exposure. To achieve its objectives, the Company primarily uses swaps, forward purchase, options and futures contracts to manage its exposures to interest rate changes, foreign currency fluctuations and commodity pricing risks.

As mentioned above, the Company has market risk exposure to foreign currency fluctuations. It uses derivative instruments, as well as operational strategies, such as the matching of foreign currency receipts with payments, to mitigate the effects of foreign exchange exposure. In recent years, the Company has not been able to identify cost-effective hedges for its net investments in foreign subsidiaries and joint ventures that would effectively mitigate fluctuations in value resulting from foreign currency devaluation. Such fluctuations in foreign currency may make the Company's products more expensive in its foreign markets and negatively impact sales or earnings.

Refer to Note 11 of the Notes to Consolidated Financial Statements for a further discussion regarding the Company's financial instruments.

SENSITIVITY ANALYSIS

For fiscal year 2003, the Company's exposure to market risk has been estimated using sensitivity analysis, which is defined as the change in the fair value of a derivative financial instrument assuming a hypothetical 10% adverse change in market rates or prices. The results of the sensitivity analysis for interest rate swaps, foreign currency

derivative contracts and commodity derivative contracts are summarized below. Actual changes in interest rates or market prices may differ from the hypothetical changes.

Sensitivity Analysis — Interest Rate Swaps

The Company has market risk exposure to changing interest rates. Interest rate risk is managed through the use of a combination of fixed and floating rate debt. Interest rate swaps may be used to adjust interest rate risk exposures when appropriate, based on market conditions. These instruments have the effect of converting fixed rate instruments to floating, or floating to fixed.

The Company had three interest rate swap agreements outstanding as of June 30, 2003 which matured or were terminated during July 2003. As a consequence, the Company has no significant interest rate risk related to its interest rate swap agreements as of June 30, 2003.

Sensitivity Analysis — Foreign Currency Derivative Contracts

The Company seeks to minimize the impact of certain foreign currency fluctuations by hedging transactional exposures with foreign currency forward and option contracts. The Company's foreign currency transactional exposures exist primarily with the Canadian Dollar and certain other currencies. Based on a hypothetical adverse change of 10% of the U.S. Dollar against the currencies that the Company is hedging as of June 30, 2003, the estimated impact of the Company's foreign currency losses is $5 million.

Sensitivity Analysis — Commodity Derivative Contracts

Commodity futures and swap contracts are used to manage cost exposures on certain raw material purchases with the objective of ensuring relatively stable costs for these commodities. The commodity price sensitivity analysis includes commodity futures and option contracts affected by commodity price risk. Based on the results of a hypothetical increase of 10% in commodity prices, the Company's estimated market exposure for commodity derivative contracts would increase accumulated other comprehensive income by $11 million.

ENVIRONMENTAL MATTERS

The Company is committed to an ongoing program of comprehensive, long-term environmental assessment of its facilities. This program is monitored by the Company's Department of Health, Safety and Environment with guidance from legal counsel. During each facility assessment, compliance with applicable environmental laws and regulations is evaluated and the facility is reviewed in an effort to identify possible future environmental liabilities. The Company believes that there are no unrecorded potential future environmental liabilities that will have a material adverse effect on its financial position or future operating results, although no assurance can be given with respect to the ultimate outcome of any such matters. Amounts recorded for such liabilities are on an undiscounted basis without reduction for expected insurance proceeds, as there is no certainty to the timing of payments.

NEW ACCOUNTING STANDARDS

The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations," and No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" in June 2001 and May 2003, respectively. These statements did not have a material impact on the Company's consolidated financial statements. In addition, the FASB issued FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," and SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure," in November 2002 and December 2002, respectively. The impact of FIN No. 45 and SFAS No. 148 on the Company's financial statements was limited to additional disclosure. Refer to Note 1 in the Notes to Consolidated Financial Statements for more information.

SFAS No. 144

In August, 2001 the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which replaced SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The Company adopted SFAS

No. 144 on July 1, 2002. This statement requires that

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long-lived assets to be disposed of by sale, including those of discontinued operations, be measured at the lower of carrying value or fair value less costs to sell, whether reported in continuing operations or in discontinued operations. Discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet been incurred. SFAS No. 144 also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and will be eliminated from the ongoing operations of the entity in a disposal transaction. In accordance with the provisions of SFAS No. 144, the Company has reflected its business in Brazil as a discontinued operation as discussed in Note 3 in the Notes to Consolidated Financial Statements.

SFAS No. 146

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which addresses accounting for restructuring and similar costs. SFAS No. 146 supersedes previous accounting guidance, principally Emerging Issues Task Force ("EITF") Issue No. 94-3, and is effective for restructuring activities initiated after December 31, 2002. SFAS No. 146 requires that the liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF Issue No. 94-3, a liability for an exit cost was recognized at the date of the Company's commitment to an exit plan. SFAS No. 146 also establishes that the liability should initially be measured and recorded at fair value. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

FIN No. 46

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 sets forth criteria to be used in determining whether an investment in a variable interest entity ("VIE") should be consolidated and is based on the general premise that companies that control another entity through interests other than voting interests should consolidate the controlled entity. FIN No. 46 requires the immediate consolidation of specified VIEs created after January 31, 2003. For specified VIEs created before February 1, 2003, FIN No. 46 would require consolidation in interim or annual financial statements issued for periods beginning after June 15, 2003.

The Company has evaluated whether the consolidation guidance in FIN No. 46 is applicable to its investments in low income housing partnerships and the investment fund, both of which are described in Note 7. Based on this evaluation, the Company has concluded that only the investment fund will need to be consolidated as of July 1, 2003. At June 30, 2003, the estimated fair value of the investment fund's total assets and liabilities were $109 million and $95 million respectively. The Company continues to evaluate whether any of its other interests will need to be consolidated.

SEC Final Rule

In January, 2003 the Securities and Exchange Commission ("SEC") issued a final rule to amend Item 303 of Regulation S-K to require additional disclosure of off-balance sheet arrangements in a separately-captioned subsection of Management's Discussion and Analysis. These additional disclosure requirements, which are required for financial statements of fiscal years ending on or after June 15, 2003, are presented herein in the subsection entitled "Off-Balance Sheet Arrangements."

SFAS No. 149

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." The Statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under Statement 133. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, except for certain Statement No. 133 implementation issues that are not relevant to the Company's derivative programs. In addition, SFAS 149 is effective for hedging relationships designated after June 30, 2003. The Company is evaluating what impact, if any, SFAS No. 149 may have on its consolidated financial statements issued for periods beginning after June 30, 2003.

FASB Decision on Accounting for Stock-Based Compensation

In April 2003, the FASB decided to require all companies to include the value of employee stock options in reported net earnings and announced that it plans to issue an exposure draft of a new accounting standard addressing this future requirement later in calendar 2003. The new accounting standard could become effective as early as calendar

year 2004 and will require companies to measure the cost of employee stock options according to their fair value based on methods that may differ from the methods described in SFAS No. 123. Prior to the issuance of this exposure draft, the FASB has indicated it will be addressing several significant technical issues related to option valuation, including the extent to which the new accounting standard will permit adjustments to recognized expense for actual option forfeitures and actual performance outcomes. These determinations, among others, will affect the amount of compensation cost that will be required to be recognized in reported net earnings in future periods. The Company currently accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, whereby the options are granted at market price and no compensation cost is recognized. For more information about the Company's current stock option accounting policies and disclosures, please refer to Notes 1 and 14 of the Notes to Consolidated Financial Statements.

CRITICAL ACCOUNTING POLICIES

The methods, estimates and judgments the Company uses in applying its most critical accounting policies have a significant impact on the results the Company reports in its consolidated financial statements. Specific areas requiring the application of management's estimates and judgment include assumptions pertaining to credit worthiness of customers, future product volume and pricing estimates, accruals for coupon and promotion programs, foreign currency exchange rates, interest rates, discount rates, useful lives of assets, future cost trends, investment returns, tax strategies and other external market and economic conditions. Accordingly, a different financial presentation could result depending on the judgments, estimates or assumptions that are used. The U.S. Securities and Exchange Commission has defined the most critical accounting policies as being the ones that are most important to the portrayal of the Company's financial condition and results, and require the Company to make its most difficult and subjective judgments, often estimating the outcome of future events that are inherently uncertain. The Company's most critical accounting policies are: revenue recognition; valuation of inventory; impairment of goodwill, trademarks and other intangible assets and property, plant and equipment; recovery of capitalized software costs; accruals for incentive compensation; valuation of pension benefits; and income taxes. The Company's critical accounting policies have been reviewed with the Audit Committee of the Board of Directors. A summary of the Company's significant accounting policies is contained in Note 1 of the Notes to Consolidated Financial Statements.

Revenue Recognition

Customer sales are recognized as revenue when the risk of loss and title pass to the customer, generally at the time of shipment. Customer sales are recorded net of allowances for damaged goods returns, trade promotions, coupons and other discounts, which are recognized as a deduction from sales at the time of sale. In certain instances, the Company has entered into agreements with customers that provide for the transfer of title of goods shipped when such goods are received by the customer. For these customers, the Company recognizes revenue when the related goods are received by the customer.

The Company routinely commits to one-time or on-going trade promotion and coupon programs with customers that require the Company to estimate and accrue the ultimate costs of such programs. Such programs include introductory marketing funds (slotting fees), cooperative marketing programs, shelf price reductions on the Company's products, advantageous end of aisle or in-store displays, graphics, and other trade promotion activities conducted by the customer. The Company accrues a liability at the end of each period for the estimated expenses incurred, but unpaid for the programs. Trade promotion and coupon expense are recorded as a deduction from sales.

Estimating the costs associated with on-going and routine trade promotion and coupon programs for core brands is based on the Company's experience and available historical information. However, for new products estimating the costs of such programs can be difficult and subject to judgment, because the Company must rely on its assumptions as to the success of the new product and make estimates when it does not have experience with the new products nor readily available historical information.

The Company's current trade promotion system allocates amounts for each customer for promotional activities. These funds are available to pay for promotional activities once earned by the customer. All promotional payments throughout the year to customers are subtracted from amounts available. The Company currently tracks trade spending for its significant accounts and accrues for the estimated incurred but unpaid portion of trade promotion events. In determining liability accruals for trade promotional spending, the Company must rely on judgment and

estimates which include, but are not limited to, the Company's understanding of trade promotional spending patterns, knowledge of the status of trade promotional activities, and interpretation of historical spending trends by customer and category. If the Company's estimates were to differ by 10%, the impact on trade spending accruals would be approximately $11 million.

Valuation of Inventory

When necessary, the Company provides allowances to adjust the carrying value of its inventory to the lower of cost or market (net realizable

value), including any costs to sell or dispose. The Company identifies any slow moving, obsolete or excess inventory to determine whether a valuation allowance is indicated. The determination of whether inventory items are slow moving, obsolete or in excess of needs requires estimates and assumptions about the future demand for the Company's products, technological changes, and new product introductions. The estimates as to future demand used in the valuation of inventory are dependent on the ongoing success of its products. In addition, the Company's allowance for obsolescence may be impacted by the rationalization of the number of stock keeping units. To minimize this risk, the Company evaluates its inventory levels and expected usage on a periodic basis and records adjustments as required. Expenses for inventory obsolescence were $8 million in fiscal year 2003, $15 million in fiscal year 2002 and $53 million in fiscal year 2001.

Impairment of Goodwill, Trademarks and Other Intangible Assets and Property, Plant and Equipment

Carrying values of goodwill, trademarks and other intangible assets are reviewed periodically for possible impairment in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets." The Company's impairment review is based on a discounted cash flow approach that requires significant management judgment with respect to future volume, revenue and expense growth rates, changes in working capital use, foreign exchange rates, devaluation, inflation and the selection of an appropriate discount rate. Impairment occurs when the carrying value of the reporting unit exceeds the discounted present value of the cash flows for that reporting unit. An impairment charge is recorded for the difference between the carrying value and the net present value of estimated future cash flows, which represents the estimated fair value of the asset. The Company uses its judgment in assessing whether assets may have become impaired between annual valuations. Indicators such as unexpected adverse economic factors, unanticipated technological change or competitive activities, loss of key personnel, acts by governments and courts, may signal that an asset has become impaired.

Property, plant and equipment are reviewed periodically for possible impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The Company's impairment review is based on an undiscounted cash flow analysis at the lowest level for which identifiable cash flows exist. The analysis requires management judgment with respect to changes in technology, the continued success of product lines, and future volume, revenue and expense growth rates. The Company conducts annual reviews for idle and underutilized equipment, and reviews business plans for possible impairment implications. Impairment occurs when the carrying value of the asset exceeds its future undiscounted cash flows and the impairment is viewed as other than temporary. When an impairment is indicated, the estimated future cash flows are then discounted to determine the estimated fair value of the asset and an impairment charge is recorded for the difference between the asset carrying value and the net present value of estimated future cash flows.

The estimates and assumptions used are consistent with the business plans and estimates that the Company uses to manage its business operations and to make acquisition and divestiture decisions. The use of different assumptions would increase or decrease the estimated value of future cash flows and would have increased or decreased any impairment charge taken. Future outcomes may also differ. If the Company's products fail to achieve estimated volume and pricing targets, market conditions unfavorably change or other significant estimates are not realized, then the Company's revenue and cost forecasts may not be achieved, and the Company may be required to recognize additional impairment charges.

In fiscal year 2003, the Company recorded a $30 million impairment charge for its Argentina business, of which $8 million was recorded to goodwill, $9 million to deferred charges and $13 million as a reduction in deferred translation. In addition, the Company announced its intent to sell its business in Brazil due to deteriorating economic and market conditions and recorded a pre-tax impairment charge of $19 million in the first quarter of fiscal year 2003 to write the assets down to fair value. In the fourth quarter of fiscal year 2003, the Company recorded an

additional $4 million charge to recognize additional costs related to the closure of parts of its Brazilian operations. If the Company's key growth rate assumptions used in calculating the $30 million Argentine impairment charge in fiscal year 2003 were higher by 10% or lower by 10%, then the recorded impairment charge would have been $6 million lower or $5 million higher, respectively.

Recoverability of Capitalized Software Costs

The Company capitalizes qualifying costs incurred in the acquisition and development of software for internal use, including the costs of the software, materials, consultants, interest, and payroll and payroll-related costs for employees involved in development. The Company follows the accounting guidance as specified in Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." In applying the guidelines outlined in SOP 98-1, the Company must use its judgment in determining whether the costs incurred should be capitalized or expensed. The determination of whether the costs incurred are capitalized may have a significant impact on the Company's financial statements. Determination of whether such costs should be expensed or capitalized is subject to the nature of the activities performed. The Company must make a determination of whether the direct costs of materials and services consumed in developing or obtaining internal-use computer software and an employee's time and travel expenses directly associated with developing software are recoverable and should be capitalized. This determination is based on the nature and the extent of the activity that the employee is performing. The Company believes the basis for its determination is reasonable and that it has adequately determined the costs to be capitalized versus expensed.

As discussed above under the heading "Capital Expenditures," a significant portion of the Company's new information system expenditures are

capitalized as property, plant and equipment and are subject to the Company's expectation that the acquired and developed software will be completed and placed in service as anticipated. Capitalized software costs are amortized on a straight-line basis over three to seven years.

Accruals for Incentive Compensation

The Company has various incentive compensation programs, including performance unit programs and The Clorox Company Employee Retirement Investment Plan (ERIP). Certain payments or contributions under these programs are subject to the Company achieving certain fiscal year performance targets based on sales, operating margins, return on invested capital, market indices and other measures. Accordingly, the quarterly accrual of such costs for these programs is based on the Company's expectations as to whether the performance targets are achievable for the fiscal year.

The Company's performance unit programs provide for the issuance of shares of Company stock to certain officers if the Company's stock performance meets specified hurdle rates based on comparisons with the performance of companies in a selected peer group and/or the Standard & Poors' 500. The Company recorded a $6.6 million expense and liability for the year ended June 30, 2003 related to one of these programs as performance hurdles were achieved, which resulted in 50% vesting. The Company has not recorded a liability related to a second program because the achievement of performance hurdle rates is not probable at this time. Based on the June 30, 2003 market price for the Company's stock, the potential total expense for the second program is $6.1 million.

The ERIP has two components: a 401(k) component and a profit sharing component. Employee contributions made to the 401(k) component are matched with the Company's contributions. The Company's contributions to the profit sharing component are discretionary and are based on achieving financial targets including sales, operating margin, and return on invested capital ("ROIC"). ROIC is defined as net operating earnings after taxes divided by average invested capital. Drivers of ROIC include sales growth, operating margin and asset utilization. These targets are affected by the amount of product that the Company sells, its profitability, and the amount of investment needed to generate those earnings. The Company accrues quarterly for such costs as selling and administrative expense based upon estimated annual results. By fiscal year-end, actual contribution amounts are determined. At June 30, 2003, the Company believes that it has adequately accrued for contributions and anticipates making the contribution to the ERIP plan in the first quarter of fiscal year 2004.

Valuation of Pension Benefits

The valuation of net periodic pension costs is calculated using actuarial assumptions, including discount rates to reflect the time value of money, employee compensation rates, demographic assumptions to determine the probability and timing of benefit payments, and the long-term rate of return on plan assets. The selection of assumptions is based

on historical trends and known economic and market conditions at the time of valuation. Because assumptions and estimates are used, actual results could differ from expected results. At June 30, 2003, the Company is using discount rate assumptions of 6.25% and long-term rate of return on plan assets assumptions of 7% to 8.25% in its calculation of pension expense. The use of a different discount rate or long-term rate of return on plan assets can significantly impact pension expense. For example, a decrease of 1% in the discount rate or the long-term rate of return on plan assets, would impact pension expense by approximately $3 million and $4 million, respectively.

Income Taxes

The Company maintains valuation allowances where it is likely that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances from period to period are included in the Company's income tax provision in the period of change. In determining whether a valuation allowance is warranted, the Company takes into account such factors as prior earnings history, expected future earnings, unsettled circumstances that, if unfavorably resolved, would adversely affect utilization of a deferred tax asset, carry-back and carry-forward periods, and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset.

During the fiscal years ended June 30, 2003 and 2002, the Company determined that valuation allowances were warranted with respect to potential tax benefits stemming from its Argentina and Colombian impairment charges. The valuation allowances established relate to the tax basis in un-amortizable goodwill and other intangible assets, the recovery of which is uncertain. Other significant valuation allowances maintained by the Company relate to its ability to use net operating losses in certain foreign countries. In addition to valuation allowances, the Company maintains an allowance for tax contingencies, the balance of which management believes to be adequate. The Internal Revenue Service is currently examining the Company's tax returns for the fiscal years 1997 through 2000. The examination is expected to be completed by the end of the second quarter of fiscal year 2004.

United States income taxes and foreign withholding taxes are not provided when foreign earnings are indefinitely reinvested in accordance with Accounting Principles Board ("APB") Opinion No. 23, "Accounting for Income Taxes, Special Areas." The Company determines whether its foreign subsidiaries will invest their undistributed earnings indefinitely and reassesses this determination on a periodic basis. Change to the Company's determination may be warranted based on the Company's experience as well as plans regarding future international operations and

expected remittances. Refer to Note 17 in the Notes to Consolidated Financial Statements for a more detailed discussion.

CAUTIONARY STATEMENT

Except for historical information, matters discussed above and in the financial statements and footnotes, including statements about future plans, objectives, expectations, growth or profitability, are forward-looking statements based on management's estimates, assumptions and projections. These forward-looking statements are subject to risks and uncertainties, and actual results could differ materially from those discussed in this Appendix D to the Company's 2003 Proxy Statement. Important factors that could affect performance and cause results to differ materially from management's expectations are described in "Forward-Looking Statements and Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2003, which is expected to be filed with the SEC on or about September 18, 2003, and in subsequent SEC filings. Those factors include, but are not limited to, marketplace conditions and events, the Company's actual cost performance, implementation of the Company's enterprise resource planning system, risks inherent in litigation and international operations, the success of new products, the integration of acquisitions and mergers, divestiture of non-strategic businesses and environmental, regulatory and intellectual property matters. These forward-looking statements speak only as of the date this document is filed with the SEC and the Company assumes no duty to update such statements to reflect information obtained or changes occurring after the date it is filed.

CONSOLIDATED STATEMENTS OF EARNINGS
The Clorox Company

Years ended June 30	2003	2002	2001
In millions, except share and per-share amounts			
Net sales	$ 4,144	$ 4,022	$ 3,859
Cost of products sold	2,225	2,279	2,289
Gross profit	1,919	1,743	1,570
Selling and administrative expenses	532	526	483
Advertising costs	456	391	348
Research and development costs	76	66	67
Restructuring and asset impairment costs	33	184	59
Interest expense	28	38	88
Other (income) expense, net	(8)	(23)	46
Earnings from continuing operations before income taxes	802	561	479
Income taxes	288	204	153
Earnings from continuing operations	514	357	326
Losses from discontinued operations, net of tax benefits of $5, $28 and $2 for the years ended June 30, 2003, 2002 and 2001, respectively	(21)	(35)	(1)
Earnings before cumulative effect of change in accounting principle	493	322	325
Cumulative effect of change in accounting principle (net of tax benefit of $1)	—	—	(2)
Net earnings	$ 493	$ 322	$ 323
Earnings (losses) per common share			
Basic			
Continuing operations	$ 2.36	$ 1.54	$ 1.39
Discontinued operations	(0.10)	(0.15)	(0.01)
Cumulative effect of change in accounting principle	—	—	(0.01)
Basic net earnings per common share	$ 2.26	$ 1.39	$ 1.37
Diluted			
Continuing operations	$ 2.33	$ 1.52	$ 1.37

Discontinued operations	(0.10)	(0.15)	(0.01)
Cumulative effect of change in accounting principle	—	—	(0.01)
Diluted net earnings per common share	$ 2.23	$ 1.37	$ 1.35
Weighted average common shares outstanding (in thousands)			
Basic	218,174	231,849	236,149
Diluted	220,692	234,704	239,483

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS
The Clorox Company

As of June 30	2003	2002
In millions, except share and per-share amounts		
Assets		
Current assets		
Cash and cash equivalents	$ 172	$ 177
Receivables, net	463	481
Inventories	264	252
Other current assets	46	83
Assets held for sale	6	51
Total current assets	951	1,044
Property, plant and equipment, net	1,072	992
Goodwill, net	730	728
Trademarks and other intangible assets, net	651	573
Other assets, net	248	187
Total assets	$ 3,652	$ 3,524
Liabilities and Stockholders' Equity		
Current liabilities		
Notes and loans payable	$ 361	$ 330
Current maturities of long-term debt	213	2
Accounts payable	312	330
Accrued liabilities	537	510
Income taxes payable	28	54
Total current liabilities	1,451	1,226
Long-term debt	495	678
Other liabilities	376	231
Deferred income taxes	115	23

Stockholders' equity		
Common stock, $1.00 par value, 750,000,000 shares authorized, 249,826,934 shares issued and 213,676,668 and 223,009,909 shares outstanding at June 30, 2003 and 2002, respectively	250	250
Additional paid-in capital	255	222
Retained earnings	2,565	2,270
Treasury shares, at cost, 36,150,266 and 26,817,025 shares at June 30, 2003 and 2002, respectively	(1,507)	(1,070)
Accumulated other comprehensive net losses	(339)	(296)
Unearned compensation	(9)	(10)
Stockholders' equity	1,215	1,366
Total liabilities and stockholders' equity	$ 3,652	$ 3,524

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
The Clorox Company

	Common Stock				Treasury Shares		
In millions, except share and per-share amounts	**Shares (000)**	**Amount**	**Additional Paid-in Capital**	**Retained Earnings**	**Shares (000)**	**Amount**	**Accumulated Other Comprehensive Net Losses**
Balance, June 30, 2000	249,827	$250	$175	$2,020	(14,466)	$ (451)	$ (158)
Comprehensive income							
Net earnings				323			
Translation adjustments							(46)
Minimum pension liability adjustments							(3)
Cumulative effect and change in valuation of derivatives, net of tax							5
Total comprehensive income							
Dividends ($0.84 per share)				(199)			
Employee stock plans			20	(2)	1,330	20	
Treasury stock premiums						(10)	
Balance June 30, 2001	249,827	250	195	2,142	(13,136)	(441)	(202)
Comprehensive income							
Net earnings				322			
Translation adjustments							(215)
Tax effect on translation adjustments							107
Translation related to impairment charges							75
Change in valuation of derivatives, net of tax							4
Minimum pension liability adjustments							(65)
Total comprehensive income							

Dividends ($0.84 per share)				(196)			
Employee stock plans			27	(3)	1,839	32	
Treasury stock purchased and related premiums				5	(10,000)	(417)	
Settlement of share repurchase contracts					(5,520)	(244)	
Balance, June 30, 2002	249,827	250	222	2,270	(26,817)	(1,070)	(296)
Comprehensive income							
Net earnings				493			
Translation adjustments							48
Tax effect on translation adjustments							(94)
Translation related to impairment charges							13
Change in valuation of derivatives, net of tax							(5)
Minimum pension liability adjustments, net of tax							(5)
Total comprehensive income							
Dividends ($0.88 per share)				(193)			
Employee stock plans			33	(5)	2,333	49	
Treasury stock purchased					(11,666)	(486)	
Balance, June 30, 2003	249,827	$250	$255	$2,565	(36,150)	$(1,507)	$ (339)

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

The Clorox Company

Years ended June 30	**2003**	**2002**	**2001**
In millions			
Operations:			
Earnings from continuing operations	$ 514	$ 357	$ 326
Adjustments to reconcile earnings from continuing operations to net cash provided by continuing operations:			
Depreciation and amortization	191	189	224
Deferred income taxes	100	(27)	(41)
Restructuring and asset impairment	30	158	59
Net gain on sale of businesses and disposition of assets	(4)	(16)	(1)
Increase (decrease) in defined benefit liability	22	(10)	8
Other	16	22	10
Cash effects of changes in (excluding effects of businesses sold or acquired):			
Receivables, net	17	—	123
Inventories	(11)	3	89
Other current assets	(1)	(3)	8
Accounts payable and accrued liabilities	(84)	106	(81)
Income taxes payable	71	99	21
Pension contribution	(54)	—	—
Net cash provided by continuing operations	807	878	745
Net cash (used for) provided by discontinued operations	(4)	(2)	2

Net cash provided by operations	803	876	747
Investing Activities:			
Capital expenditures	(205)	(176)	(190)
Businesses acquired, net of cash acquired	—	—	(126)
Proceeds from the sale of businesses	15	60	—
Low income housing contributions	(15)	(14)	(16)
Other	2	20	—
Net cash used for investing by continuing operations	(203)	(110)	(332)
Net cash provided by (used for) investing by discontinued operations	10	1	(4)
Net cash used for investing activities	(193)	(109)	(336)
Financing Activities:			
Notes and loans payable, net	30	205	(653)
Collection of forward contract	—	—	150
Long-term debt borrowings	8	3	310
Long-term debt repayments	(27)	(212)	(19)
Cash dividends paid	(193)	(196)	(199)
Treasury stock purchased and related premiums	(486)	(412)	(10)
Settlement of share repurchase contracts	—	(257)	—
Issuance of common stock for employee stock plans, and other	41	35	12
Net cash used for financing by continuing operations	(627)	(834)	(409)
Net cash provided by financing by discontinued operations	10	1	2
Net cash used for financing activities	(617)	(833)	(407)
Effect of exchange rate changes on cash and cash equivalents	2	(8)	(7)
Net decrease in cash and cash equivalents	(5)	(74)	(3)
Cash and cash equivalents:			
Beginning of year	177	251	254
End of year	$ 172	$ 177	$ 251
Supplemental cash flow information:			
Cash paid for:			
Interest, net of amounts capitalized	$ 30	$ 47	$ 83
Income taxes, net of refunds	115	119	156
Non-cash investing activity:			
Venture Agreement			
Equipment and technologies obtained	$ 125	$ —	$ —
Terminal obligation recorded	125	—	—

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
The Clorox Company
Years Ended June 30, 2003, 2002 and 2001
(Millions of Dollars, Except Share and Per-Share Amounts)

1. Significant Accounting Policies

NATURE OF OPERATIONS AND PRINCIPLES OF CONSOLIDATION

The Company is principally engaged in the production and marketing of non-durable consumer products through grocery stores, mass merchandisers and other retail outlets. The consolidated financial statements include the statements of the Company and its majority-owned and controlled subsidiaries. Minority investments in foreign entities are accounted for under the equity method, the most significant of which is an equity investment in Henkel Iberica, S.A. of Spain. All significant intercompany transactions and accounts are eliminated in consolidation.

USE OF ESTIMATES

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and related disclosures. Specific areas, among others, requiring the application of management's estimates and judgment include assumptions pertaining to credit worthiness of customers, future product volume and pricing estimates, accruals for coupon and promotion programs, foreign currency exchange rates, interest rates, discount rates, useful lives of assets, future cost trends, investment returns, tax strategies and other external market and economic conditions. Actual results could differ from estimates and assumptions made.

RECLASSIFICATIONS

Certain reclassifications have been made to all periods presented in the consolidated financial statements to conform to the current year presentation, including the reclassification of the Company's Brazilian business as a discontinued operation (see Note 3) and the reclassification of capitalized software development costs from other assets to property, plant and equipment (approximately $89 at June 30, 2002). Assets for the Brazil business and other pending asset dispositions of $6 and $51 as of June 30, 2003 and June 30, 2002, respectively, have been reclassified to assets held for sale. The Company also reclassified $119 of deferred taxes related to foreign currency translation adjustments from other assets to deferred income taxes in the June 30, 2002 balance sheet, and $20 of investments held in two trust accounts from other liabilities to other assets as of June 30, 2003 as described in Notes 17 and 18.

NEW ACCOUNTING STANDARDS

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." The Company adopted the provisions of this Statement beginning in fiscal year 2002. SFAS No. 142 sets forth new financial accounting and reporting standards for the acquisition of intangible assets, other than those acquired in a business combination, and for goodwill and other intangible assets subsequent to their acquisition. This accounting standard requires that goodwill be reported separately from other identifiable intangible assets and no longer amortized but tested for impairment on an annual basis. The Company's policy is to separately identify, value, and determine the useful lives for all intangible assets acquired. Those assets with a definite life are amortized over such periods, and those with indefinite lives are not amortized, but tested for impairment. The annual impairment tests are performed in the third fiscal quarter of each year unless events suggest an impairment may have occurred in the interim.

The Company tests for impairment by comparing the carrying value with the fair value of each reporting unit. An impairment loss is recorded for the excess of the carrying value over the fair value of the goodwill, trademarks and other intangible assets. In connection with the transition provisions for adopting SFAS No. 142, the Company performed a transitional impairment test and found no impairment, and reviewed the classification of its intangible assets. Amounts determined to be other than goodwill were reallocated as of July 1, 2001. Approximately $301 was assigned to trademarks not subject to amortization and $23 to other intangible assets subject to amortization. In accordance with SFAS No. 142, the Company also discontinued the amortization of goodwill and indefinite-lived

1. Significant Accounting Policies (Continued)

trademarks effective July 1, 2001. The financial statement impact was to reduce amortization expense by $47 and increase net earnings by $34 (net of tax benefits of $13), or $0.14 per basic and diluted share for the year ended June 30, 2002 compared to June 30, 2001.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which addresses financial accounting requirements for retirement obligations associated with tangible long-lived assets. Effective July 1, 2002, the Company adopted SFAS No. 143 which did not have a material effect on the Company's consolidated financial statements.

In August 2001 the FASB issued SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets,” which replaced SFAS No. 121, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of.” The Company adopted SFAS No. 144 on July 1, 2002. This statement requires that long-lived assets to be disposed of by sale, including those of discontinued operations, be measured at the lower of carrying value or fair value less costs to sell, whether reported in continuing operations or in discontinued operations. Discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet been incurred. SFAS No. 144 also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and will be eliminated from the ongoing operations of the entity in a disposal transaction. In accordance with the provisions of SFAS No. 144, the Company has reflected its business in Brazil, a portion of which was sold on April 15, 2003, as a discontinued operation as discussed in Note 3.

In June 2002, the FASB issued SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities,” which addresses accounting for restructuring and similar costs. SFAS No. 146 supersedes previous accounting guidance, principally Emerging Issues Task Force (“EITF”) Issue No. 94-3, and is effective for restructuring activities initiated after December 31, 2002. SFAS No. 146 requires that the liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF Issue No. 94-3, a liability for an exit cost was recognized at the date of the Company’s commitment to an exit plan. SFAS No. 146 also establishes that the liability should initially be measured and recorded at fair value. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

In November 2002, the FASB issued FASB Interpretation (“FIN”) No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.” FIN No. 45 clarifies the requirements relating to a guarantor’s accounting for, and disclosure of, the issuance of certain types of guarantees. FIN No. 45 requires a guarantor to recognize, at inception of a qualified guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions were applicable on a prospective basis to guarantees issued or modified after December 31, 2002 and did not have a material impact on the Company’s consolidated financial statements. The disclosure requirements of FIN No. 45 became effective for the quarter ended December 31, 2002 and are included in Note 20 — Guarantees, Commitments and Contingent Liabilities.

In December 2002, the FASB issued SFAS No. 148, “Accounting for Stock-Based Compensation — Transition and Disclosure.” SFAS No. 148 amends SFAS No. 123, “Accounting for Stock-Based Compensation,” to provide alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation (“transition provisions”). SFAS No. 148 also amends the disclosure requirements of Accounting Principles Board Opinion No. 28, “Interim Financial Reporting,” to require proforma disclosure in interim financial statements by companies that elect to account for stock-based compensation using the intrinsic value method defined in Accounting Principles Board Opinion No. 25, “ Accounting for Stock Issued to Employees.” SFAS No. 148 also amends SFAS No. 123 to require an annual disclosure in the Summary of Significant Accounting Policies footnote regarding the effects on reported net income of an entity’s accounting policy with respect to stock-based compensation.

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1. Significant Accounting Policies (Continued)

The Company continues to use the intrinsic value method of accounting for stock-based compensation. As a result, the transition provisions of SFAS No. 148 did not have any impact on the Company’s consolidated financial statements. The Company adopted the interim disclosure requirements of SFAS No. 148 for the quarter ended December 31, 2002. The annual disclosure requirements of SFAS No. 148 relating to the Summary of Significant Accounting Policies are included below under the heading “Stock-Based Compensation.”

In January 2003, the FASB issued FIN No. 46, “Consolidation of Variable Interest Entities.” FIN No. 46 sets forth criteria to be used in determining whether an investment in a variable interest entity (VIE) should be consolidated and is based on the general premise that companies that control another entity through interests other than voting interests should consolidate the controlled entity. FIN No. 46 requires the immediate consolidation of specified VIEs created after January 31, 2003. For specified VIEs created before February 1, 2003, FIN No. 46 will require consolidation in interim or annual financial statements issued for periods beginning after June 15, 2003.

The Company has evaluated whether the consolidation guidance in FIN No. 46 is applicable to its investments in low income housing partnerships and the investment fund, both of which are described in Note 7. Based on this evaluation, the Company has concluded that only the investment fund will need to be consolidated as of July 1, 2003. At June 30, 2003, the estimated fair value of the investment fund’s total assets and liabilities were $109 and $95 respectively. The Company continues to evaluate whether any of its other interests will need to be consolidated.

In April 2003, the FASB issued SFAS No. 149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities.” The

Statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under Statement 133. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, except for certain Statement No. 133 implementation issues that are not relevant to the Company's derivative programs. In addition, SFAS No. 149 is effective for hedging relationships designated after June 30, 2003. The Company is evaluating what impact, if any, SFAS No. 149 may have on its consolidated financial statements issued for periods ending after June 30, 2003.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement requires that an issuer classify mandatorily redeemable financial instruments, and other specified financial instruments, as liabilities if those financial instruments embody obligations of the issuer. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective for the Company's first quarter of fiscal year 2004. The Company does not currently have any financial instruments subject to the scope of SFAS No. 150.

CASH AND CASH EQUIVALENTS

Cash equivalents consist of money market and other high quality instruments with an initial maturity of three months or less. Such investments are stated at cost, which approximates market value.

INVENTORIES

Inventories are stated at the lower of cost or market. The cost for approximately 44% and 42% of inventories at June 30, 2003 and 2002, respectively, is determined on the last-in, first-out (LIFO) method. The cost method for all other inventories, including inventories of all international businesses, are determined on the first-in, first-out (FIFO) method. When necessary, the Company provides allowances to adjust the carrying value of its inventory to the lower of cost or market, including any costs to sell or dispose. Appropriate consideration is given to obsolescence, excessive inventory levels, product deterioration and other factors in evaluating net realizable value.

1. Significant Accounting Policies (Continued)

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Depreciation and amortization expense are calculated by the straight-line method using the estimated useful lives of the related assets. The following table provides estimated useful lives of property, plant and equipment by category:

Classification	Expected Useful Lives
Land improvements	10 to 30 years
Buildings	10 to 40 years
Machinery and equipment	3 to 15 years
Computer equipment	3 years
Capitalized software costs	3 to 7 years
Furniture and fixtures	5 to 10 years
Transportation equipment	5 to 10 years

Property, Plant and Equipment to be held and used is reviewed periodically for possible impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The Company's impairment review is based on an estimate of the undiscounted cash flow analysis of assets at the lowest level for which identifiable cash flows exist. Impairment occurs when the carrying value of the asset exceeds the estimated future undiscounted cash flows generated by the asset and the impairment is viewed as other than temporary. When an impairment is indicated, the estimated future cash flows are then discounted to determine the estimated fair value of the asset and an impairment charge is recorded for the difference between the carrying value of the asset and the net present value of the estimated future cash flows.

CAPITALIZED SOFTWARE COSTS

The Company follows the accounting guidance as specified in Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". The Company capitalizes significant costs incurred in the acquisition and development of software for internal use, including the costs of the software, materials, consultants, interest and payroll and payroll-related costs for employees incurred in developing internal-use computer software once final selection of the software is made. Costs incurred prior to the final selection of software and costs not qualifying for capitalization are charged to expense. Capitalized software amortization expense was $22, $24, and $18, in fiscal years 2003, 2002 and 2001, respectively.

E MPLOYEE B ENEFITS

The Company has qualified and non-qualified defined benefit plans that cover substantially all of the Company's domestic employees and certain of its international employees and provides certain health care benefits for employees who meet age, participation and length of service requirements at retirement. The Company accounts for its defined benefit and retirement health care plans using actuarial models required by SFAS No. 87, "Employers Accounting for Pensions," and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," respectively. These models use an attribution approach that generally spreads "plan events" over the service lives of plan participants. Examples of plan events are plan amendments and changes in actuarial assumptions such as the expected return on plan assets, discount rate, and rate of compensation increase. The principle underlying the attribution approach is that employees render service over their service lives on a relatively "smooth" basis, and therefore the income statement effects of defined benefit and retirement heath care plans are recognized in the same pattern.

One of the principal assumptions used in the net periodic benefit cost calculation is the expected return on plan assets. The required use of an expected return on plan assets may result in recognized pension expense or income that differs from the actual returns of those plan assets in any given year. Over time, however, the expected long-term returns are anticipated to approximate the actual returns, and therefore result in a pattern of income and expense recognition that more closely matches the pattern of the services provided by the participants. The differences between actual and expected returns are recognized in the net periodic benefit cost calculation over 5 years. In developing its expected return on plan assets, the Company considers the long-term actual returns relative to the

1. Significant Accounting Policies (Continued)

mix of investments that comprise its plan assets and also develops estimates of future investment returns by considering external sources.

The Company follows the accounting guidance as specified in SFAS No. 112, "Employers Accounting for Postemployment Benefits," for the recognition of certain disability benefits. Pursuant to SFAS No. 112, the Company recognizes an obligation for certain benefits awarded to individuals after employment but before retirement. The Company also provides for medical, dental, vision, life and other benefits to its employees and accrues for estimated claims incurred but not reported based on actuarial estimates.

The Company also has various incentive compensation programs, including a performance unit program and The Clorox Company Employee Retirement Investment Plan (ERIP). Certain payments or contributions under these programs are subject to the Company achieving certain fiscal year performance targets. The Company reviews these performance targets on a periodic basis and accrues for incentive compensation costs when it becomes probable that the targets will be achieved.

E NVIRONMENTAL C OSTS

The Company is involved in various environmental remediation and on-going compliance activities. As sites are identified and assessed, the Company determines its potential environmental liability. The Company follows the accounting guidance as specified in SOP 96-1, "Environmental Remediation Liabilities." Based on engineering studies and management judgment, the Company has estimated and accrued for future remediation and on-going monitoring costs on an undiscounted basis due to the uncertainty and timing of future payments. Environmental expenditures are included in other (income) expense, net.

R ESTRUCTURING L IABILITIES

The Company follows the guidance of SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities" for recognition of liabilities and expenses associated with exit and disposal costs when facilities are partially or completely closed. Employee termination and severance costs are recognized at the time the severance plan is approved, the amount of termination and severance costs can be estimated and the impacted group of employees is notified, provided the group will not be retained to render service beyond a minimum retention period.

Other qualified exit and disposal costs are recognized and measured at fair value in the period in which the related liability is incurred.

R EVENUE R ECOGNITION

Customer sales are recognized as revenue when the risk of loss and title pass to the customer, generally at the time of shipment. Customer sales are recorded net of allowances for damaged goods returns, trade promotions, coupons and other discounts, which are recognized as a deduction from sales at the time of sale. Estimated shipping and handling costs are considered in establishing product prices billed to customers and reflected in net customer sales. In certain instances, the Company has entered into agreements with customers that provide for the transfer of title of goods shipped when such goods are received by the customer. For these customers, the Company recognizes revenue when the related goods are received by the customer.

The Company routinely commits to one-time or on-going trade promotion and coupon programs with customers that require the Company to estimate and accrue the ultimate costs of such programs. Such programs include introductory marketing funds (slotting fees), cooperative marketing programs, shelf price reductions on the Company's products, advantageous end of aisle or in-store displays, graphics, and other trade promotion activities conducted by the customer. The Company accrues a liability at the end of each period for the estimated expenses incurred, but unpaid for the programs. Trade promotion and coupon expense are recorded as a deduction from sales.

1. Significant Accounting Policies (Continued)

The Company provides for an allowance for doubtful accounts based on its historical experience and a periodic review of its accounts receivable. Receivables are presented net of an allowance for doubtful accounts of $10 and $15 at June 30, 2003 and 2002, respectively. The Company's provisions for doubtful accounts and deductions for charge-offs of receivables were $4 and $2, respectively, in fiscal year 2003; $11 and $6, respectively, in fiscal year 2002; and $5 and $2, respectively, in fiscal year 2001.

C OST OF P RODUCTS S OLD

Cost of products sold represents the costs directly related to the manufacture and distribution of the Company's products and primarily includes raw materials and packaging, contract packer fees, shipping and handling, warehousing, package design, direct labor and operating costs for the Company's manufacturing facilities, and manufacturing-related expenses including salary, bonuses and benefit costs.

Costs associated with developing and designing new packaging are expensed as incurred and include design, artwork, films, and labeling. Expenses for fiscal years ended June 30, 2003, 2002 and 2001 were $18, $13 and $21, respectively, of which $18, $10, and $10 were classified as cost of products sold, and the remainder was classified as selling and administrative expenses, respectively.

S ELLING AND A DMINISTRATIVE E XPENSES

Selling and administrative expenses represent costs incurred by the Company in generating revenues and managing the business of the Company. They include market research, commissions, and certain administrative expenses. Administrative expenses include salary, bonuses, benefits, professional fees and services, software and licensing fees, and other operating costs associated with the Company's non-manufacturing, non-research and development staff, facilities and equipment.

A DVERTISING

The Company expenses advertising costs in the period incurred.

I NCOME T AXES

The Company uses the asset and liability method to account for income taxes. Deferred tax assets and liabilities are recognized for the anticipated future tax consequences attributable to differences between financial statement amounts and their respective tax bases. Income tax expense is recognized currently for taxes payable on remittances of foreign earnings and on unremitted foreign earnings that are not indefinitely reinvested. Where unremitted foreign earnings are indefinitely reinvested, no provision for federal and state tax expense is made. Management reviews the Company's deferred tax assets for realizability. A valuation allowance is established when management believes that it is more likely than not that some portion of its deferred tax assets will not be realized. Changes in valuation allowances from period to period are

included in the Company's tax provision in the period of change.

FOREIGN CURRENCY TRANSLATION

Local currencies are the functional currencies for most of the Company's foreign operations. Assets and liabilities of foreign operations are translated using the exchange rates in effect at the balance sheet date. Income and expenses are translated at the average exchange rates during the year. Translation gains and losses not reflected in earnings are reported as a component of accumulated other comprehensive net losses. Deferred taxes are not provided on cumulative translation adjustments where the Company expects earnings of a foreign subsidiary to be indefinitely reinvested. The income tax effect of currency translation adjustments related to foreign earnings from certain countries and joint ventures that are not considered indefinitely reinvested are recorded as a component of deferred

1. Significant Accounting Policies (Continued)

taxes with an offset to accumulated other comprehensive net losses. Transaction gains and losses where the transactional currency is different than the functional currency are included as a component of other (income) expense, net.

NET EARNINGS PER COMMON SHARE

Basic net earnings per common share is computed by dividing net earnings by the weighted average number of common shares outstanding each period. Diluted net earnings per common share is computed by dividing net earnings by the diluted weighted average number of common shares outstanding during the period. Diluted net earnings per common share reflects the potential dilution from common shares issuable through the stock option, performance unit, restricted stock and share repurchase programs.

DERIVATIVE INSTRUMENTS

Effective July 1, 2000, the Company adopted SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The statement requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. The effect of this new standard was a reduction of fiscal year 2001 net earnings of $2 (net of tax benefit of $1), which was recognized as a cumulative effect of a change in accounting principle and an increase in fiscal year 2001 accumulated other comprehensive income of $10 (net of tax benefit of $7). The ongoing effects are dependent on future market conditions and the Company's hedging activities.

The use of derivative instruments, principally swap, forward and option contracts, is limited to non-trading purposes and includes management of interest rate movements, foreign currency exposure and commodity price exposure. Most interest rate swaps and commodity purchase and foreign exchange contracts are designated as fair-value or cash-flow hedges of fixed and variable rate debt obligations, raw material purchase obligations, or foreign currency denominated debt instruments, based on certain hedge criteria. The criteria used to determine if hedge accounting treatment is appropriate are (a) the designation of the hedge to an underlying exposure, (b) whether overall risk is being reduced and (c) if there is correlation between the value of the derivative instrument and the underlying obligation. Changes in the fair value of such derivatives are recorded as either assets or liabilities in the balance sheet with an offset to current earnings or other comprehensive income, depending on whether the derivative is designated as a hedge transaction and the type of hedge transaction. For fair-value hedge transactions, changes in fair value of the derivative and changes in the fair value of the item being hedged are recorded in earnings. For cash-flow hedge transactions, changes in fair value of derivatives are reported as a component of other comprehensive income and are recognized in the period or periods during which the hedge transaction effects earnings. The Company also has contracts with no hedging designations. In fiscal year 2002, the Company elected to discontinue hedge accounting treatment for certain of its foreign exchange contracts that are considered immaterial. The financial statement impact of this change was insignificant. These contracts are accounted for by adjusting the carrying amount of the contracts to market and recognizing any gain or loss in other (income) expense, net.

The Company uses several different methodologies to estimate the fair value of its derivative contracts. The estimated fair values of the Company's interest rate swaps, certain commodity derivative contracts and foreign exchange contracts are based on quoted market prices, traded exchange market prices or broker price quotations and represent the estimated amounts that the Company would pay or receive to terminate the contracts. The estimated fair values of the Company's resin commodity contracts were previously determined using valuation models with forward resin market price curves provided by market makers. Starting in fiscal year 2002, the Company began using forward

resin market price curves provided by other external sources because of a lack of available

1. Significant Accounting Policies (Continued)

market quotations. Factors used to determine the fair value of the resin forward curve are based on resin market information, which reflects many economic factors, including technology, labor, material and capital costs, capacity, and supply and demand.

STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board (“APB”) Opinion No. 25 whereby the options are granted at market price, and therefore no compensation costs are recognized. Compensation cost for stock options, if any, would be measured as the excess of the quoted market price of the Company’s stock at the date of grant over the amount an employee must pay to acquire the stock. Restricted stock awards are recorded as compensation cost over the requisite vesting periods based on the market value on the date of grant. Unearned compensation cost on restricted stock awards is recorded as a reduction to stockholders’ equity. SFAS No. 123, “Accounting for Stock-Based Compensation,” and SFAS No. 148 established accounting and disclosure requirements using a fair-value based method of accounting for stock-based employee compensation plans. The Company has elected to retain its current method of accounting as described above and has adopted the disclosure requirements of SFAS Nos. 123 and 148. (See Note 14).

If compensation expense for the Company’s various stock option plans had been determined based upon estimated fair values at the grant dates for awards under those plans in accordance with SFAS No. 123, the Company’s pro-forma net earnings, and basic and diluted earnings per common share would have been as follows for the fiscal years ended June 30:

	2003	2002	2001
Net earnings:			
As reported	$ 493	$ 322	$ 323
Fair value-based expense, net of tax	(21)	(26)	(37)
Pro forma	$ 472	$ 296	$ 286
Net earnings per common share:			
Basic			
As reported	$2.26	$1.39	$1.37
Pro forma	2.16	1.28	1.21
Diluted			
As reported	$2.23	$1.37	$1.35
Pro forma	2.14	1.26	1.19

In April 2003, the FASB decided to require all companies to include the value of employee stock options in reported net earnings and announced that it plans to issue an exposure draft of a new accounting standard addressing this future requirement later this calendar year. The new accounting standard could become effective as early as calendar year 2004 and will require companies to measure the cost of employee stock options according to their fair value based on methods that may differ from the methods described in SFAS No. 123. Prior to the issuance of this exposure draft, the FASB has indicated it will be addressing several significant technical issues related to option valuation, including the extent to which the new accounting standard will permit adjustments to recognized expense for actual option forfeitures and actual performance outcomes. These determinations, among others, will affect the amount of compensation cost that will be required to be recognized in reported net earnings in future periods.

2. Restructuring and Asset Impairment Costs

Restructuring and asset impairment charges were $33, $184 and $59 in fiscal years 2003, 2002 and 2001, respectively.

	2003	2002	2001
Restructuring:			
Severance costs	$ —	$ 23	$ 1
Plant closure costs and other	—	9	3
Total restructuring	—	32	4
Asset impairment:			
Goodwill and other intangibles (including deferred translation and deferred charges)	33	139	8
Machinery and equipment	—	13	47
Total asset impairment	33	152	55
Total expense	$ 33	$184	$ 59
Accrued restructuring at beginning of year	$ 14	$ 11	$ 16
Payments	(8)	(29)	(9)
Restructuring expense	—	32	4
Accrued restructuring at end of year	$ 6	$ 14	$ 11

Restructuring and asset impairment costs of $33 for fiscal year 2003 were due primarily to a $30 goodwill impairment charge recorded in the second quarter related to the Company's Argentina business as described in Note 6.

During fiscal year 2002, the Company recorded $139 for the impairment of goodwill and trademarks associated with its businesses in Argentina and Colombia. Other charges include severance related to the elimination of positions in the Company's Latin America and U.S. divisions, the write-off of equipment and the closure of certain plants.

The $59 of merger, restructuring and asset impairment charges in fiscal year 2001 relates primarily to obsolete equipment that was written off due to changes in technology, elimination of redundancies and discontinued product lines. The Company also closed its cat litter manufacturing plant in Wrens, Georgia during fiscal year 2001.

3. Businesses Sold and Acquired

In the first quarter of fiscal year 2003, the Company announced its intent to sell its business in Brazil, a reporting unit included in the Household Products — Latin America/Other segment, and recorded a pre-tax impairment charge of $19 to write the related assets down to fair value. This decision was due to the deteriorating economic and market conditions and the Company's lack of scale in the region.

In the fourth quarter of fiscal year 2003, the Company recorded an additional $4 pre-tax charge to recognize additional costs related to the closure of its Brazilian operations and sold certain intangible trademarks and related product inventory. The Company continues to actively market the remaining net assets of the Brazil business.

The following table presents the net sales and losses from the remaining Brazil discontinued operations, which are classified separately in the consolidated statements of earnings.

3. Businesses Sold and Acquired (Continued)

	2003	2002	2001
Net sales	$ 27	$ 38	$44
Losses from discontinued operations before income taxes	$ 3	$ 6	$ 3
Asset impairment charges	23	57	—
Income tax benefits	(5)	(28)	(2)
Losses from discontinued operations	$ 21	$ 35	$ 1

Assets held for sale, including those related to the remaining discontinued Brazil operations, are as follows at June 30:

	2003	2002
Brazil	$ 5	$ 34
Other, including former manufacturing facilities held for sale	1	17
Assets held for sale	$ 6	$ 51

In fiscal year 2003, the Company also divested the *Jonny Cat* litter and *Black Flag* insecticides businesses. The combined sales price and net pre-tax gain on the sale of the these businesses was $14 and $2, respectively.

In fiscal year 2002, the Company sold the *Maxforce* professional insecticides business and the Himolene industrial trash can liner business. The combined sales price and net pre-tax gain on the sale of the *Maxforce* and Himolene businesses was $65 and $33, respectively.

In fiscal year 2001, the Company sold the *Hearthlogg* firelogs business for an aggregate sales price of $2. There was no gain or loss recorded on the sale. Acquisitions in fiscal year 2001 totaled $126. These acquisitions included the purchase for $122 (or $116, net of cash acquired) from Brita GmbH of the rights to the *Brita* trademark and other intellectual property in North and South America, an increase in the Company's ownership from 50% to 100% in Brita Limited and Brita South America Inc. and certain other net assets. The Company also increased its ownership to 100% in its two joint ventures in Costa Rica, previously 49% and 51% owned. The investments in Brita Limited, Brita South America Inc. and Costa Rica were previously accounted for under the equity method of accounting and are fully consolidated from the date of acquisition. Net assets acquired included net working capital assets of $11, property, plant and equipment of $9, goodwill of $11 and trademarks and other intangible assets of $110 to be amortized over estimated lives of ten years, less the additional investment to acquire the remaining interest for $15. Because the Company previously owned 50% to 51% in these equity investments, only the incremental equity and the underlying net book value of the net assets were adjusted to their fair value.

Operating results of acquired businesses are included in the consolidated net earnings from the date of acquisition. All acquisitions were funded from cash provided by operations or debt and the operating results of businesses acquired were not significant to the consolidated results. All gains (or losses) from the sale of businesses are recorded as a component of other income and expense.

4. Inventories

Inventories at June 30 are comprised of the following:

	2003	2002
Finished goods	$179	$175
Work in process	9	14
Raw materials and packaging	87	86
LIFO allowances	(8)	(11)
Allowances for obsolescence	(3)	(12)
Total	$264	$252

The LIFO method was used to value approximately 44% and 42% of inventories at June 30, 2003, and 2002, respectively. If the cost of LIFO inventories had been determined using the FIFO method, inventory amounts would have increased by approximately $8 and $11 at June 30, 2003 and 2002, respectively. The effect on earnings of the liquidation of any LIFO layers was not material for the fiscal years ended June 30, 2003, 2002 and 2001.

Inventories at June 30 are presented net of an allowance for inventory obsolescence as follows:

	2003	2002
Allowance for inventory obsolescence at beginning of year	$(12)	$(48)
Provision for inventory obsolescence	(8)	(15)
Deductions for inventory write-offs	17	51
Allowance for inventory obsolescence at end of year	$ (3)	$(12)

Provision for inventory obsolescence totaling $8, $15 and $53 was charged to cost of products sold during the fiscal years ended June 30, 2003, 2002 and 2001 respectively, and included charges of $39 in fiscal year 2001 that were related primarily to discontinued products, packaging, and unsuccessful product launches.

5. Property, Plant and Equipment

The components of property, plant and equipment at June 30 are as follows:

	2003	2002
Land and improvements	$ 95	$ 93
Buildings	461	452
Machinery and equipment	1,211	1,155
Computer hardware	101	98
Capitalized software costs	109	10
Construction in progress	129	121
	2,106	1,929
Less accumulated depreciation and amortization	(1,034)	(937)
Net	$ 1,072	$ 992

Depreciation expense was $149, $147 and $133 in fiscal years 2003, 2002 and 2001, respectively.

6. Goodwill, Trademarks and Other Intangible Assets

Changes in the carrying amount of goodwill for the years ended June 30, 2003 and 2002 by operating segment are summarized below. Goodwill is net of accumulated amortization of $357 and $365 at June 30, 2003 and June 30, 2002, respectively.

	Household Products				
	North America	Latin America and Other	Specialty Products	Corporate Interest and Other	Total
Balance as of June 30, 2001	$121	$ 300	$375	$ 69	$ 865
Asset impairment	—	(29)	—	—	(29)
Translation adjustments and other	(2)	(101)	(5)	—	(108)
Balance as of June 30, 2002	119	170	370	69	728
Acquisitions and sales	1	—	(1)	—	—
Asset impairment	—	(8)	—	—	(8)
Reclassification (to) from trademarks	—	(11)	15	—	4
Translation adjustments and other	5	4	(3)	—	6
Balance as of June 30, 2003	$125	$ 155	$381	$ 69	$ 730

Changes in trademarks and other intangible assets for the years ended June 30, 2003 and 2002 are summarized below. Trademarks and other intangible assets subject to amortization are net of accumulated amortization of $137 and $123 at June 30, 2003 and 2002, respectively. Estimated amortization expense of trademarks and other intangible assets are $15 for fiscal year 2004 and $13 for each of the fiscal years 2005, 2006, 2007 and 2008. Trademarks and other intangible assets are amortized over lives ranging from 5 to 40 years.

	Trademarks and other intangible assets subject to amortization					
	Patents	Technology	Other	Sub-Total	Trademarks not subject to amortization	Total
Net balance as of June 30, 2001	$ 13	$ 15	$ 65	$ 93	$ 575	$668
Asset impairment	—	—	(8)	(8)	(27)	(35)
Sales	—	—	—	—	(6)	(6)
Translation adjustments	—	—	(19)	(19)	(23)	(42)
Amortization	(5)	(2)	(5)	(12)	—	(12)
Net balance as of June 30, 2002	8	13	33	54	519	573
Venture agreement	—	96	—	96	—	96
Translation adjustments and other	—	1	(1)	—	—	—
Reclassification to						

goodwill	—	—	—	—	(4)	(4)
Amortization	(5)	(5)	(4)	(14)	—	(14)
Net balance as of June 30, 2003	$ 3	$ 105	$ 28	$ 136	$ 515	$651

During fiscal years 2002 and 2003, the Company undertook a review of its domestic and international operations for impairment. The Company's impairment review and methodology are based on internal valuations using a discounted cash flow approach that requires significant management judgment with respect to future volume, revenue and expense growth rates, changes in working capital use, foreign exchange rates, devaluation, inflation and the selection of an appropriate discount rate.

Based on results of the review performed in fiscal year 2002, the Company concluded that the goodwill, trademarks and other intangible assets associated with its domestic operations were not impaired but that certain international assets were impaired. The Company recognized a pre-tax charge of $139 for the year ended June 30, 2002, to write-down goodwill and trademarks associated with its businesses in Argentina and Colombia. The Company recognized a pre-tax impairment loss of $39 in the year ended June 30, 2002 related to its Colombian business due to a weakening market and poor economic conditions in that country, of which $8 was recorded to goodwill, $22 to trademarks, and $9 as a reduction in deferred translation. The Company also recognized a pre-tax impairment loss of $100 for the year ended June 30, 2002 related to its Argentina business due to significant currency devaluations, a weakening market and poor economic conditions, of which $21 was recorded to goodwill, $13 to trademarks, and $66 as a reduction in deferred translation.

6. Goodwill, Trademarks and Other Intangible Assets (Continued)

The Company completed impairment reviews of all goodwill and intangible assets in fiscal year 2003, including follow-up reviews of the Argentine and Colombia reporting units. Based on the results of these reviews, no impairment of goodwill or intangible assets was indicated for Colombia. The Argentine business was determined to be further impaired and the Company recorded a $30 impairment charge, of which $8 was recorded to goodwill, $9 to deferred charges and $13 as a reduction in deferred translation. Continued unsettling conditions in the local market and significant changes in competitor actions resulted in a change in the Company's marketing strategy for Argentina. Any further local market deterioration or failure to achieve the assumptions used in the valuation may lead to future impairment charges.

The Company's fiscal year 2003 valuation updates included a review of the Venezuela reporting unit. The results of the analysis indicated that no impairment charge was necessary. Conditions in Venezuela remain particularly unsettled, but are not believed at this time to have had a permanent impact on the value of the reporting unit to the extent that an impairment charge would be required. If the present unsettled conditions within Venezuela continue for an extended period of time, the valuation of that business could be adversely affected.

7. Other Assets

Other assets at June 30 are comprised of the following:

	2003	2002
Equity investments in:		
Henkel Iberica, S.A. of Spain	$ 67	$ 65
Other entities	39	39
Investment in low income housing partnerships	46	44
Derivative contracts	41	15
Investment fund	14	15
Non-qualified retirement plan assets	22	—
Other	19	9
Total	$248	$187

NON-QUALIFIED RETIREMENT PLAN ASSETS

Non-qualified retirement plan assets include a reclassification of $20 of investments held in two trust accounts from accrued liabilities to other assets (see Note 18). The majority of the assets, $16, are held in a Trust Owned Life Insurance Policy, whose investment assets are a separately managed portfolio administered by an insurance company. The assets held under this insurance policy are recorded at estimated fair value with changes in value recorded in net earnings.

LOW INCOME HOUSING

The Company owns, directly or indirectly, limited partnership interests of up to 99% in 55 low-income housing partnerships which are accounted for on the equity basis. The purpose of the partnerships is to develop and operate low-income housing rental properties. The general partners, who typically hold 1% of the partnership interests, are third parties unrelated to the Company and its affiliates, and are responsible for controlling and managing the business and financial operations of the partnerships. The Company's primary purpose in investing in the projects is to obtain low-income housing tax credits, which are accounted for in accordance with Emerging Issues Task Force Issue 94-1, "Accounting for Tax Benefits Resulting from Investments in Affordable Housing Projects." Tax benefits, net of amortization of the investment in the low-income housing partnerships, were $14, $11, and $11 in fiscal years 2003, 2002 and 2001, respectively. The Company's estimated future capital commitments to the partnerships are approximately $19, $7, $3, $2, $2 and $2 in fiscal years 2004, 2005, 2006, 2007, 2008 and thereafter, respectively.

7. Other Assets (Continued)

Other than the expected tax credits, the Company does not anticipate any cash distributions from these partnerships nor does the Company expect any additional cash outflows to the partnerships other than the contractually committed capital contributions. As a limited partner, the Company is not responsible for any of the liabilities and obligations of the partnerships nor do the partnerships or their creditors have any recourse to the Company other than the contractually committed capital contributions. Recovery of the Company's investments in the partnerships is accomplished through the utilization of low-income housing tax credits. The risk of these tax credits being unavailable to the Company is considered very low.

INVESTMENT FUND

The Company is a 99% limited partner in an investment fund with a $14 and $15 interest at June 30, 2003 and 2002, respectively, which is accounted for on the equity basis. The Company invested in the fund as a hedging strategy to manage a portion of its emerging markets foreign exchange and economic investment risk. The general partner, an unrelated party, manages the investment fund. Certain assets in the investment fund carry a tax basis significantly in excess of book basis. The Company does not control the investment decisions of the fund, and therefore the amounts and timing of any realization of such tax basis differences are uncertain. The Company's risk of loss from the fund is limited to the amount of its investment and it has no ongoing capital commitments, loan requirements, guarantees or any other types of arrangements with the fund or its general partner that would require any future cash contributions or disbursements to the fund.

The fund's financial instruments include foreign currency denominated zero coupon notes, binary options, and forward purchase contracts, which are measured and recorded at their estimated fair values based on prices obtained from securities exchanges or over-the-counter markets, quotations from brokers, or estimates of fair value when market quotations are not readily available. When market quotations are not readily available, such estimates are based on counter-party quotes and pricing models utilizing quoted values. Because of the inherent uncertainty of valuing these investments, the estimate of fair value may differ from the values that would have been used had a ready market existed and the differences could be material.

The fund's liabilities primarily include non-recourse Euro and Danish Krone denominated borrowings secured by Euro and Danish Krone denominated call options. The borrowings are carried at fair value plus accrued interest payable and have varying maturity dates and can be terminated by the fund at any time. The interest rates for the borrowings are based on three-month Euro and Danish Krone interest rates plus or minus a specified spread, depending on the borrowing. The spread varies between (.375%) and 1.0%.

At June 30, 2003 and 2002, the investment fund consisted, at estimated fair value, of assets of $109 and liabilities of $95 and $94, respectively.

Mark-to-market losses were $2, $4 and $2 for the fiscal years ended June 30, 2003, 2002 and 2001, respectively. As discussed in Note 1, the Company has completed its analysis of FIN No. 46 and concluded that the financial statements of the investment fund will need to be consolidated for interim and annual periods beginning after June 15, 2003. The Company will reflect the investment fund on a fully consolidated basis as of July 1, 2003.

8. Venture Agreement

On January 31, 2003, the Company entered into an agreement with the Procter & Gamble Company (P&G) to form a venture related to the Company's Glad plastic bags, wraps and containers business. Pursuant to the agreement, P&G contributed certain production and research and development equipment, licenses to use a range of current and future trademarks and other proprietary technologies to the Company in exchange for an interest in the profits, losses and cash flows, as defined, of the Glad business. P&G will also provide research and development support to the Glad business for the first ten years of the venture, subject to renewal options, and will be reimbursed for the cost of providing the research and development. The Company retains control of the business. The agreement's

8. Venture Agreement (Continued)

initial term is twenty years, subject to renewal options. During the period ending December 31, 2003, all profits, losses and cash flow, as defined, of the Glad business will be allocated to the Company. During calendar year 2004, profits, losses and cash flow, as defined, of the Glad business will be allocated 95% to the Company and 5% to P&G. For all subsequent periods, the allocation will be 90% to the Company and 10% to P&G. For the first five years of the agreement, P&G has an option to purchase an additional 10% interest in the profits, losses and cash flow of the Glad business at prices set in the agreement.

The agreement can be terminated under certain circumstances including, at the option of P&G, upon a change in control of the Company, or, at either party's option, upon the sale by the Company of the Glad business. Upon termination of the agreement, the Company will purchase P&G's interest for cash in an amount equal to the fair value of such interest as determined pursuant to an agreed valuation procedure. Following termination of the agreement, the Glad business will retain the exclusive intellectual property license contributed by P&G for the licensed products the business markets.

At inception of the agreement, the production and research and development equipment, and technologies contributed by P&G were initially valued and recorded at $29 and $96, respectively. The production and research and development equipment is being depreciated on a straight-line basis over useful lives of two to ten years. The intangible assets contributed by P&G are being amortized on a straight-line basis over a twelve-year period. For the year ended June 30, 2003, the Company recorded $1 and $3 of depreciation expense related to the equipment and intangible assets, respectively. The Company also recorded approximately $125 as a net terminal obligation liability at inception of the agreement, which reflected the initial fair value of the contractual requirement to repurchase P&G's interest at the termination of the agreement. The terminal obligation is being adjusted to fair value on a periodic basis. This terminal obligation is included in other liabilities in the accompanying consolidated balance sheet. Beginning in calendar year 2004, P&G's proportionate share of the Glad business profits and losses, as defined, will be recorded as a component of cost of sales.

9. Accrued Liabilities

Accrued liabilities at June 30 consist of the following:

	2003	2002
Taxes and other	$308	$280
Trade and sales promotion	135	140
Compensation and employee benefit costs	94	90
Total	$537	$510

10. Debt

Notes and loans payable, which mature in less than one year include the following at June 30:

	2003	2002
Canadian dollar-denominated commercial paper	$ —	$163
U.S. dollar-commercial paper	358	158
Notes payable	3	9
Total	$361	$330

At June 30, 2002 the Canadian dollar-denominated commercial paper was fully hedged by a forward currency contract. The terms of the forward currency contract matched the terms of the underlying commercial paper.

The weighted average interest rate for notes and loans payable was 2.3%, 2.8% and 6.1% for fiscal years 2003, 2002 and 2001, respectively. The carrying value of notes and loans payable at June 30, 2003 and 2002 approximates the fair value of such debt.

10. Debt (Continued)

Long-term debt at June 30 includes the following:

	2003	2002
Senior unsecured notes and debentures:		
6.125%, $300 due February 2011	$ 338	$314
7.25%, $150 due March 2007	150	150
Preferred interest transferable securities, $200 due July 2003, with a preferred dividend rate of 4.6%	198	192
Industrial revenue bond, $13 due October 2003, interest at bond market association index	13	13
Foreign bank loans, due in full June 2007	9	11
Total	708	680
Less: current maturities	(213)	(2)
Long-term debt	$ 495	$678

The weighted average interest rate on long-term debt, including the effect of interest rate swaps, was 3.1%, 5.0% and 6.3% for fiscal years 2003, 2002 and 2001, respectively. The estimated fair value of long-term debt at June 30, 2003 and 2002 is $734 and $693, respectively.

At June 30, 2003 the Company had the following interest rate swaps:

		Interest Rate		
Maturity Dates	Notional Principal Amount	Paid	Received	Variable Rate Index
February 2011	$ 100	2.11%	6.125%	3 month LIBOR
February 2011	100	1.86%	6.125%	6 month LIBOR

July 2003	200	1.75%	5.78%	3 month LIBOR

The swaps with February, 2011 maturity dates were terminated by the Company in July, 2003. In addition, the Company's $200 preferred interest transferable securities, along with the corresponding interest rate swap, matured in July, 2003. The Company has domestic credit agreements of $950 that expire on various dates through March 2007. At June 30, 2003 there were no borrowings under any of these agreements, which are available for general corporate purposes and to support commercial paper issuance. In addition, the Company had $16 of foreign working capital credit lines and overdraft facilities at June 30, 2003, of which $3 is available for borrowing.

Certain of the Company's unsecured notes, debentures and credit agreements contain restrictive covenants and limitations, including limitations on certain sale and leaseback transactions to the greater of $100, or 15% of the Company's consolidated net tangible assets, as defined, and require the maintenance of a consolidated leverage ratio, as defined. The Company is in compliance with all restrictive covenants and limitations at June 30, 2003.

Debt maturities as of June 30, 2003 are $213, $2, $2, $153, $0 and $338 in fiscal years 2004, 2005, 2006, 2007, 2008 and thereafter, respectively.

11. Fair Value of Financial Instruments

The Company's derivative financial instruments are recorded at fair value in the consolidated balance sheets as assets (liabilities) at June 30 as follows:

	2003	2002
Current assets:		
Foreign exchange contracts	$ 1	$ 2
Commodity purchase contracts	—	1
Other assets:		
Interest rate swaps	39	15
Commodity purchase contracts	2	—
Current liabilities:		
Interest rate swaps	2	—
Foreign exchange contracts	—	(3)
Long-term debt:		
Interest rate swaps	—	(6)
Foreign exchange contracts	—	(1)
Other long-term obligations — commodity option contracts	—	(9)

The Company utilizes derivative instruments, principally swap, forward and option contracts to enhance its ability to manage the risks associated with fluctuations in interest rates, foreign currencies, and commodity prices, which exist as part of the Company's ongoing business operations. These contracts hedge transactions and balances for periods consistent with the related exposures and do not constitute investments independent of these exposures.

The Company has policies with restrictions on the use of derivatives, including a prohibition of the use of any leveraged instrument. Derivative contracts are entered into with several major creditworthy institutions, thereby minimizing the risk of credit loss. Exposure to counterparty credit risk is considered low because these agreements have been entered into with major credit-worthy institutions with strong credit ratings, and they are expected to perform fully under the terms of the agreements.

Most of the Company's derivative instruments are designated as fair-value or cash-flow hedges of fixed and variable rate debt obligations, foreign currency-denominated debt instruments, or raw material purchase obligations. All hedges accorded hedge accounting treatment are considered highly effective. At June 30, 2003 and 2002, the Company also had certain foreign currency-related derivative contracts with no

specific hedging designations. These contracts, which have been entered into to manage a portion of the Company's foreign exchange risk, are accounted for by adjusting the carrying amount of the contracts to market value and recognizing any gain or loss in other (income) expense.

The Company uses interest rate swap agreements to manage interest rate exposure and to achieve a desired proportion of variable and fixed rate debt. As of June 30, 2003, the Company also had preferred interest transferable securities, which is a Euro Dollar (EUR) denominated financing arrangement that expired in July 2003. The Company manages its interest rate and Euro Dollar risks from these securities through a series of swaps with notional amounts totaling $200. This interest rate swap effectively converts the Company's 5.8% fixed Euro Dollar obligation to a floating U.S. Dollar rate of 90-day LIBOR. In addition, the Company effectively pays a 4.5% fixed rate and receives a 4.6% Euro rate with its currency swap position. The estimated amount of existing pre-tax gains for these swap agreements in accumulated other comprehensive net losses at June 30, 2003 was reclassified into earnings in July 2003 was $2.

The Company uses foreign exchange contracts, including forward, swap and option contracts, to hedge existing foreign exchange exposures. Foreign currency contracts require the Company, at a future date, to either buy or sell foreign currency in exchange for U.S. Dollars and other currencies. Such currency contracts existed at June 30, 2003 and 2002 for Canadian dollars and certain other currencies. Contracts outstanding as of June 30, 2003 will mature over the next fiscal year.

11. Fair Value of Financial Instruments (Continued)

The Company also uses commodity futures and swap contracts to fix the price of a portion of its raw material requirements. Contract maturities, which extend to fiscal year 2006, are matched to the length of the raw material purchase contracts and contract gains and losses are reflected as adjustments to the cost of the raw materials. The estimated amount of existing pre-tax net losses for commodity contracts in accumulated other comprehensive net losses that is expected to be reclassified into earnings during the year ended June 30, 2004 is less than $1.

The notional and estimated fair values of the Company's derivative instruments are summarized below as of June 30:

	2003		2002	
	Notional	Fair Value	Notional	Fair Value
Derivative Instruments				
Debt-related contracts	$400	$ 41	$400	$ 8
Foreign exchange contracts	259	—	393	(1)
Commodity purchase contracts	125	2	90	1
Commodity option contracts	—	—	35	(9)

The carrying values of cash, short-term investments, accounts and notes receivable, accounts payable and other derivative instruments approximate their fair values at June 30, 2003 and 2002. The Company has used market information for similar instruments and applied judgment in estimating fair values. See Note 10 for fair values of notes and loans payable and long-term debt.

12. Other Liabilities

Other liabilities consist of the following at June 30:

	2003	2002
Retirement healthcare benefits	$ 78	$ 81
Qualified and nonqualified pension plans	64	43
Non-qualified retirement income plans (non-pension) and deferred compensation plans	47	25
Venture agreement terminal obligation	125	—
Environmental remediation	17	17

Other	45	65
Total	$376	$231

13. Stockholders' Equity

During fiscal year 2003, the Company acquired 11.7 million shares of its common stock at a net cost of $486. A portion of the shares purchased was allocated to the Company's ongoing program to offset the potential impact of stock option dilution. The remainder relates to the board-authorized $1 billion repurchase program, bringing the total number of shares repurchased to approximately 18.2 million at a total cost of $773 under that program. Treasury share purchases and related premiums were $412 in fiscal year 2002 and $10 in fiscal year 2001, respectively.

Accumulated other comprehensive net losses at June 30, 2003, 2002, and 2001 included net of tax translation adjustments of $270, $237, and $204 respectively, estimated fair value of the Company's derivative contracts, net of tax, of ($3), ($9) and ($5) respectively, and minimum pension liability adjustments of $72 (net of tax), $68 and $3, respectively.

At June 30, 2001, the Company had share repurchase agreements totaling approximately $246, whereby the Company contracted for future delivery of 2,260,000 shares at a strike price of $43 per share on September 15,

13. Stockholders' Equity (Continued)

2002 and on September 15, 2004, and for future delivery of 1,000,000 shares on November 1, 2003 at a strike price of $51.70 per share. The Company applied the "equity" treatment of accounting to the share repurchase agreements, which allows for classification of such agreements as treasury shares. All share repurchase contracts were settled as of June 30, 2002, including the settlement and delivery of 5,520,000 shares for $257 in fiscal year 2002 and the settlement and receipt of net cash proceeds of $76 in fiscal year 2000.

14. Stock Compensation Plans

At June 30, 2003, the Company has various non-qualified stock-based compensation programs, which include stock options, performance units and restricted stock awards. The Company's various stock options plans, which include the pre-merger plans of First Brands, provide for the granting of stock options to officers, key employees and directors. The 1996 Stock Incentive Plan ("1996 Plan") and the 1993 Directors' Stock Option Plan are the only plans with stock option awards currently available for grant. The 1996 Plan, the 1993 Directors' Stock Option Plan and prior plans have shares exercisable at June 30, 2003. The Company is authorized to grant options for up to 25.5 million common shares under the 1996 Plan, of which 11.2 million common shares are remaining and could be granted in the future. The Company is authorized to grant options for up to 400,000 common shares under the 1993 Directors' Stock Option Plan, of which 74,000 common shares are remaining and could be granted in the future. Options outstanding under the Company's plans (except First Brands options, which became exercisable upon the merger) have been granted at prices which are either equal to or above the market value of the stock on the date of grant, vest over a one to seven-year period, and expire no later than ten years after the grant date.

The following table gives information about the Company's common stock that may be issued upon the exercise of options, performance units and restricted stock awards under all the Company's existing non-qualified stock-based compensation programs at June 30, 2003:

Number of shares to be issued upon exercise (in thousands)	15,529
Weighted-average exercise price	$ 33
Number of shares remaining for future issuance (in thousands)	11,237

14. Stock Compensation Plans (Continued)

The status of the Company's stock option plans at June 30, 2003 is summarized below:

	Number of Shares (in thousands)	Weighted-Average Exercise Price
Outstanding at June 30, 2000	15,062	$ 36
Granted	3,077	36
Exercised	(1,077)	19
Cancelled	(3,367)	62
Outstanding at June 30, 2001	13,695	31
Granted	3,785	35
Exercised	(1,591)	23
Cancelled	(677)	38
Outstanding at June 30, 2002	15,212	33
Granted	2,009	41
Exercised	(2,202)	25
Cancelled	(424)	41
Outstanding at June 30, 2003	14,595	$ 35
Options exercisable at:		
June 30, 2003	9,208	$ 32
June 30, 2002	9,063	29
June 30, 2001	8,570	26

The Company accounts for stock-based compensation using the intrinsic value method prescribed in APB Opinion No. 25 whereby the options are granted at market price, and therefore no compensation costs are recognized. Pro-forma disclosures of net earnings, basic and diluted earnings per common share reflecting the Company's financial results if compensation expense for the various stock option plans had been determined based upon fair values at the grant date are presented in Note 1.

The weighted-average fair value per share of each option granted during fiscal years 2003, 2002 and 2001, estimated as of the grant date using the Black-Scholes option pricing model, was $11.59, $11.53 and $12.76, respectively.

The following assumptions were used to estimate the fair value of fiscal year 2003, 2002 and 2001 option grants:

	2003	2002	2001
Dividend yield	2.11%	2.07%	2.28%
Expected volatility	35.0%	38.4%	38.9%
Risk-free interest rate	2.1% to 4.1%	3.5% to 4.8%	4.6% to 6.5%
Expected life	5 years	4 to 5 years	4 to 5 years

Summary information about the Company's stock options outstanding at June 30, 2003 is as follows (number of shares in thousands):

14. Stock Compensation Plans (Continued)

Range of Exercise Price	Options Outstanding	Weighted-Average Remaining Contractual Life in Years	Weighted-Average Exercise Price	Options Exercisable	Weighted-Average Exercise Price
$ 7 – $13	425	1.0	$ 13	425	$ 13
13 – 20	449	1.9	17	448	17
20 – 27	2,318	2.8	22	2,318	22
27 – 34	73	4.8	33	69	33
34 – 40	9,793	7.4	37	5,357	37
40 – 47	714	8.3	43	197	44
47 – 54	54	5.6	50	54	50
54 – 61	323	5.8	54	323	54
61 – 67	446	5.8	67	17	67
$ 7 – $67	14,595	6.2	$ 35	9,208	$ 32

Compensation expense related to restricted stock programs was $6, $5, and $7 for the fiscal years ended 2003, 2002 and 2001, respectively. The Company also has performance unit programs whereby shares of Company stock are issued to certain officers if the Company's stock performance meets specified hurdle rates based on comparisons with the performance of companies in a selected peer group and/or the Standard & Poors' 500. The Company recorded a $6.6 expense and liability for the year ended June 30, 2003 related to one of these programs as performance hurdles were achieved, which resulted in 50% vesting. The Company has not recorded a liability for a second program because the achievement of performance hurdle rates is not probable at this time. Based on the June 30, 2003 market price for the Company's stock, the potential total expense for this second program is $6.1. Compensation expense related to the performance unit programs was a $7 credit and a $2 charge for the fiscal years ending 2002 and 2001, respectively.

15. Leases

The company leases transportation equipment and various manufacturing, warehousing, and office facilities. Leases are classified as operating leases and will expire over the next 15 years. The Company expects that in the normal course of business, leases will be renewed or replaced by other leases. The following is a schedule by fiscal year of future minimum rental payments required under the non-cancelable operating lease agreements:

Fiscal Year	Future Minimum Rental Payments
2004	$ 35
2005	21
2006	15
2007	12
2008	11
Thereafter	25
Total	$ 119

Rental expense for all operating leases was $56, $56 and $50 in fiscal years 2003, 2002 and 2001, respectively. Space not occupied by the Company in its headquarters building is rented to other tenants under operating leases expiring in 2012. Future minimum rentals to be received total $8 and do not exceed $2 in any one year.

16. Other (Income) Expense, Net

The major components of other (income) expense, net for the fiscal years ended June 30 are:

	2003	2002	2001
Amortization of trademarks and other intangible assets (and goodwill in 2001)	$11	$ 12	$ 60
Equity in earnings of unconsolidated affiliates	(9)	(16)	(16)
Interest income	(3)	(4)	(10)
Gain on sale of businesses, net	(2)	(33)	—
Foreign exchange losses (gains), net	2	(21)	(3)
Other, net	(7)	39	15
Total other (income) expense, net	$ (8)	$(23)	$ 46

17. Income Taxes

The provision for income taxes consists of the following for the fiscal years ended June 30:

	2003	2002	2001
Current			
Federal	$145	$172	$132
State	15	16	23
Foreign	25	31	19
Total current	185	219	174
Deferred			
Federal	98	1	(21)
State	7	(3)	(1)
Foreign	(2)	(13)	1
Total deferred	103	(15)	(21)
Total expense (net of tax benefit of $1 on cumulative effect of change in accounting principle in fiscal year 2001)	$288	$204	$153

The components of earnings (loss) from continuing operations before income taxes are as follows for the fiscal years ended June 30:

	2003	2002	2001
United States	$719	$620	$427
Foreign	83	(59)	52
Total	$802	$561	$479

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
The Clorox Company
Years Ended June 30, 2003, 2002 and 2001
(Millions of Dollars, Except Share and Per-Share Amounts)

17. Income Taxes (Continued)

A reconciliation of the statutory federal income tax rate to the Company's effective tax rate follows for the fiscal years ended June 30:

	2003	2002	2001
Statutory federal tax rate	35.0%	35.0%	35.0%
State taxes (net of federal tax benefits)	1.8	1.6	2.9
Tax differential on foreign earnings	(0.9)	1.0	0.6
Net adjustment of prior year federal and state tax accruals	0.1	(3.2)	(3.3)
Change in valuation allowance	3.0	6.8	(0.3)
Low income housing tax credits	(1.7)	(2.0)	(2.4)
Other differences	(1.4)	(2.8)	(0.6)
Effective tax rate	35.9%	36.4%	31.9%

Applicable U.S. income and foreign withholding taxes have not been provided on approximately $168 of undistributed earnings of certain foreign subsidiaries at June 30, 2003 since these earnings are considered indefinitely reinvested. Determining the tax liability that would arise if these earnings were remitted is not practicable.

The tax benefit related to the Company's stock option plans is recorded as an increase to equity when realized. In fiscal years 2003, 2002 and 2001, the Company realized tax benefits of approximately $16, $12 and $9, respectively. Stock option tax benefits are reflected as part of operating cash flows.

Net deferred income tax assets (liabilities), both current and non-current at June 30, result from the tax effects of the following temporary differences:

	2003	2002
Deferred taxes — current		
Compensation and benefit programs	$ 12	$ 11
Net operating loss and tax credit carryforwards	7	1
Inventory costs	5	6
Accruals and reserves	(13)	37
Other, net	4	3
Subtotal	15	58
Valuation allowance	(5)	(1)
Total current assets, net	10	57
Deferred taxes — noncurrent		
Basis difference in fixed and intangible assets	(154)	(118)
Safe harbor lease agreements	(12)	(11)
Unremitted foreign earnings	(4)	(11)
Compensation and benefit programs	67	43
Merger and restructuring costs	7	7
Net operating loss and tax credit carryforwards	33	33

Accruals and reserves	14	5
Tax effect of deferred translation	13	119
Other, net	13	(25)
Subtotal	(23)	42
Valuation allowance	(92)	(65)
Total noncurrent liabilities, net	(115)	(23)
Deferred tax liabilities — net	$(105)	$ 34

17. Income Taxes (Continued)

At June 30, 2003 and 2002, the Company has $13 and $119, respectively, of tax effects associated with cumulative translation adjustments for certain of its foreign subsidiary and equity investments. Previously, these tax balances were classified in other assets and have now been reclassified to deferred income taxes. In computing tax effects of cumulative translation adjustments for certain of its foreign subsidiaries and equity investments in 2003, the Company applied its statutory tax rate to cumulative translation adjustments arising only with respect to earnings of its foreign affiliates that are not indefinitely reinvested, resulting in a deferred tax asset of $13.

As of June 30, 2003, the Company has foreign tax credit carryforwards of $4 with expiration dates between fiscal years 2004 and 2008. The Company also has income tax credit carryforwards in foreign jurisdictions of $3, which have expiration dates between fiscal years 2004 and 2012, and $1, which may be carried forward indefinitely. The tax benefits from foreign net operating loss carryforwards of $29 have expiration dates between fiscal year 2004 and 2013. Additionally, the tax benefit from foreign net operating loss carryforwards of $3 may be carried forward indefinitely.

The Company reviews its deferred tax assets for recoverability. A valuation allowance is established when the Company believes that it is more likely than not that some portion of its deferred tax assets will not be realized. Valuation allowances as of June 30, 2003 and 2002 were $97 and $66 respectively and have been provided to reduce deferred tax assets to amounts considered recoverable. Details of the valuation allowance at June 30 are as follows:

	2003	2002
Valuation allowance at beginning of year	$(66)	$(28)
Impairment losses	(12)	(45)
Other	(19)	7
Valuation allowance at end of year	$(97)	$(66)

The Internal Revenue Service is currently examining the Company’s tax returns for the fiscal years 1997 through 2000. The examination is expected to be completed by the end of the second quarter of fiscal year 2004. The Company maintains an allowance for tax contingencies, the balance of which management believes to be adequate.

18. Employee Benefit Plans

Retirement Income Plans

The Company has qualified and non-qualified defined benefit plans that cover substantially all of the Company’s domestic employees and

certain of its international employees. Benefits are based on either employee years of service and compensation or a stated dollar amount per year of service. The Company is the sole contributor to the plans in amounts deemed necessary to provide benefits and to the extent deductible for federal income tax purposes. Assets of the plans consist primarily of marketable equity and debt security investments. The Company made discretionary qualified domestic pension contributions of $54 and $37 to its domestic qualified retirement income plans in March 2003 and July 2003, respectively.

During the year ended June 30, 2003, the Company recorded $11 of additional pension expense associated with two of its supplemental employee retirement plans. During the mid 1990s, the Company began partially funding these plans by placing assets into two investment trust accounts. In determining the actuarial pension expense for the two plans, the estimated earnings from these assets were included in the calculations. This had the effect of reducing the amount of pension expense recognized in prior periods. The Company has now determined that the earnings from these assets should not have been included in the actuarial calculation of pension expense for the two plans. The $11 charge reflects the cumulative effect of removing the asset return assumptions from the calculations. The Company does not believe the additional expense amounts are material to the periods in which they should have been and were recorded and therefore has not restated prior periods. In its June 30, 2002 balance

18. Employee Benefit Plans (Continued)

sheet, the Company presented the accrued liabilities for the two plans net of the assets in the trusts. For purposes of the current year presentation, the Company has reclassified $20 of trust assets to other assets and has reflected the plan’s accrued liabilities at their gross amounts in the June 30, 2003 balance sheet.

At June 30, 2003 and 2002, the Company had minimum gross pension liabilities of $116 and $68, respectively, which were included in accumulated other comprehensive net losses, with an offset to other liabilities. These balances represent the excess of the accumulated benefit obligation over the market value of plan assets. At June 30, 2003, the Company has recorded deferred taxes of $44 associated with the minimum gross pension liabilities with an offset to accumulated other comprehensive net losses.

The projected benefit obligation, accumulated benefit obligation (“ABO”) and fair value of plan assets for those pension plans with an ABO in excess of plan assets were $346, $334 and $269, respectively, as of June 30, 2003 and $288, $273 and $222, respectively, as of June 30, 2002.

Retirement Health Care

The Company provides certain health care benefits for employees who meet age, participation and length of service requirements at retirement. The plans pay stated percentages of covered expenses after annual deductibles have been met. Benefits paid take into consideration payments by Medicare. The plans are unfunded, and the Company has the right to modify or terminate certain of these plans.

The assumed health care cost trend rate used in measuring the accumulated post-retirement benefit obligation (“APBO”) was 13% for 2003-2004. These rates were assumed to gradually decrease by 2% for the next two years, then by 1% each year thereafter with the final year decreasing by 0.5% until an ultimate trend of 5.5% is reached in 2010. Changes in these rates can have a significant effect on amounts reported. A one percentage point increase or decrease in the trend rates would decrease or increase the June 30, 2003 APBO by $0.7 and decrease or increase the fiscal year 2003 expense by less than $0.1.

18. Employee Benefit Plans (Continued)

Summarized information for the Company's retirement income and health care plans are as follows as of and for the fiscal years ended June 30:

	Retirement Income Plans		Retirement Health Care	
	2003	2002	2003	2002
Change in benefit obligations				
Benefit obligation at beginning of year	$ 335	$308	$ 75	$ 77
Service cost	10	11	2	2
Interest cost	24	23	5	5
Plan amendments	1	1	(4)	(7)
Plan adjustments	—	—	(4)	—
Employee contributions to deferred compensation plans	8	3	—	—
Actuarial loss	31	14	4	4
Benefits paid	(26)	(25)	(4)	(6)
Benefit obligation at end of year	383	335	74	75
Change in plan assets				
Fair value of assets at beginning of year	245	288	—	—
Actual return on plan assets	10	(21)	—	—
Plan adjustments	(20)	—	—	—
Employer contribution	60	3	4	6
Benefits paid	(26)	(25)	(4)	(6)
Fair value of plan assets at end of year	269	245	—	—
Unfunded status	(114)	(90)	(74)	(75)
Unrecognized prior service cost	(4)	(5)	(13)	(11)
Unrecognized loss	135	95	9	5
Prepaid/(accrued) benefit cost	$ 17	$ —	$(78)	$(81)
Amount recognized in the balance sheets consists of:				
Prepaid benefit cost	$ —	$ 9	$ —	$ —
Accrued benefit liability	(99)	(77)	(78)	(81)
Accumulated other comprehensive net losses	116	68	—	—
Net amount recognized	$ 17	$ —	$(78)	$(81)

	Retirement Income Plans		Retirement Health Plans	
	2003	2002	2003	2002
Weighted-average assumptions as of June 30:				
Discount rate	6.25%	6.75% to 7.25%	6.25%	7.25%
Rate of compensation increase	3.5% to 5.50%	3.5% to 7.25%	N/A	N/A
Expected return on plan assets	7% to 8.25%	8% to 9.5%	N/A	N/A

18. Employee Benefit Plans (Continued)

	Retirement Income Plans			Retirement Health Plans		
	2003	2002	2001	2003	2002	2001
Components of net periodic benefit cost						
Service cost	$ 10	$ 11	$ 12	$ 2	$ 2	$ 2
Interest cost	24	23	21	5	5	5
Expected return on plan assets	(30)	(31)	(31)	—	—	—
Plan adjustments	11	—	—	(4)	—	—
Amortization of unrecognized items	(1)	(1)	(7)	(1)	(1)	1
Total net periodic benefit cost (income)	$ 14	$ 2	$ (5)	$ 2	$ 6	$ 8

The Company has defined contribution plans for most of its domestic employees not covered by collective bargaining agreements. The cost of those plans is based on the Company's profitability and participants' deferrals. The plans include The Clorox Company Employee Retirement Investment Plan (ERIP) which has two components, a 401(k) component and a profit sharing component. Employee contributions made to the 401(k) component are partially matched with the Company's contributions. Company contributions to the profit sharing component are discretionary and are based on performance targets based on sales, operating margins, and return on invested capital ("ROIC"). ROIC is defined as net operating earnings after taxes divided by average invested capital. The aggregate cost of the defined contribution plans, including the ERIP, was $33 in fiscal year 2003, $38 in fiscal year 2002 and $3 in fiscal year 2001.

19. Industry Segment Information

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. Information presented below for prior years has been reclassified to conform to the current year's presentation of segment results. Intersegment sales are insignificant. The operating segments include:

- Household Products — North America: Includes cleaning, bleach, water filtration products, and the food storage and disposal categories marketed in the United States and all products marketed in Canada.

- Specialty Products: Includes charcoal, the United States and European automotive care businesses, cat litter, insecticides, food products and professional products.

- Household Products — Latin America/Other: Includes operations outside the United States and Canada, excluding the European automotive care business.

19. Industry Segment Information (Continued)

The table below represents operating segment information as of and for the fiscal years ended June 30:

	Fiscal Year	Household Products North America	Specialty Products	Household Products Latin America/ Other	Corporate Interest and Other	Total Company
Net sales	2003	$ 2,282	$1,369	$ 493	$ —	$ 4,144
	2002	2,198	1,304	520	—	4,022

	2001	2,097	1,222	540	—	3,859
Earnings (losses) from continuing operations before income taxes	2003	607	521	66	(392)	802
	2002	535	517	(66)	(425)	561
	2001	453	397	74	(445)	479
Equity in earnings of affiliates	2003	—	—	9	—	9
	2002	—	—	16	—	16
	2001	—	—	16	—	16
Identifiable assets	2003	1,494	733	591	834	3,652
	2002	1,397	876	640	611	3,524
Capital expenditures	2003	47	37	9	112	205
	2002	46	30	9	91	176
	2001	62	32	29	67	190
Depreciation and amortization	2003	78	26	16	71	191
	2002	82	26	22	59	189
	2001	92	38	41	53	224
Non-cash charges included in costs of products sold and merger, restructuring and asset impairment	2003	126	—	33	—	159
	2002	9	—	143	—	152
	2001	60	24	10	—	94

Corporate, Interest and Other includes certain non-allocated administrative costs, amortization of trademarks and other intangible assets (and goodwill in fiscal year 2001), interest income, interest expense, and other income and expense. Merger, restructuring and asset impairment costs and related inventory write-offs totaling $159, $180, and $98 in fiscal years 2003, 2002 and 2001, respectively, have been allocated to the applicable segment. These charges by segment, have been allocated as follows: Household Products — North America, $126 in fiscal year 2003, $14 in fiscal year 2002 and $61 in fiscal year 2001; Specialty Products, $26 in fiscal year 2001; Household Products — Latin America/Other, $33 in fiscal year 2003, $159 in fiscal year 2002, $11 in fiscal year 2001; and Corporate, Interest and Other, $7 in fiscal year 2002. Corporate assets include cash and cash equivalents, the Company's headquarters and research and development facilities. The aggregate net pre-tax gain on divestitures totaling $2 for fiscal year ended 2003, $33 for fiscal year ended 2002 is included in the Specialty Products and Household Products — North America segments.

Net sales to the Company's largest customer, Wal-Mart Stores, Inc. and its affiliates, were 25%, 23%, and 20% of consolidated net sales in fiscal years 2003, 2002 and 2001, respectively. The Household Products — North America and Specialty Products segments net sales to Wal-Mart Stores, Inc. and its affiliates were no greater than 30% and 24%, respectively, of net sales for those segments for any of the fiscal years ended June 30, 2003, 2002 and 2001. No other customer exceeded 6% of net sales in any year.

Sales of *Clorox* liquid bleach represent approximately 10% of total Company net sales. No other brand exceeded 10% of net sales in any year.

20. Guarantees, Commitments and Contingent Liabilities

In conjunction with divestitures and other transactions, the Company may provide routine indemnifications relating to the enforceability of trademarks, retention of pre-existing legal, tax, environmental and employee liabilities, as well as provisions for product returns and other items. The Company has several indemnification agreements in effect through 2006 that specify a maximum possible indemnification exposure. The Company's aggregate exposure from these agreements is capped at $42, however based on historical experience and evaluation of the specific agreements, the Company does not believe that any significant payments will result. The Company may also be subject through other contracts and agreements to similar types of indemnifications and coverages where the amounts and duration are not explicitly defined. Where appropriate, an obligation for such indemnifications is recorded as a liability at inception.

The Company is also subject to various lawsuits and claims, which include contract disputes, product liability, patent and trademark, advertising and tax matters. Although the results of claims and litigation cannot be predicted with certainty, it is the opinion of management, after consultation with counsel, 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. The potential cost to the Company related to ongoing environmental matters is uncertain due to such factors as: the unknown magnitude of possible pollution and clean-up costs; the complexity and evolving nature of laws and regulations and their interpretations; and the timing, varying costs and effectiveness of alternative clean-up technologies. As of June 30, 2003, approximately $17 was accrued for such probable future costs, without discounting for present value.

In addition, the Company is under contract to purchase raw materials at various indexed prices through 2006. Estimated annual purchase commitments based on annual requirements and current market prices are $41, $29, and $13 in each of fiscal years 2004 through 2006.

21. Earnings per Share

A reconciliation of the weighted average number of common shares outstanding (in thousands) used to calculate basic and diluted earnings per common share is as follows for the fiscal years ended June 30:

	2003	2002	2001
Basic	218,174	231,849	236,149
Stock options and other	2,518	2,855	3,334
Diluted	220,692	234,704	239,483

Stock options to purchase 1,045,413, 1,141,797, and 2,989,105 shares of common stock for the fiscal years ended June 30, 2003, 2002 and 2001, respectively, were not included in the computation of diluted net earnings per common share because the exercise price of the stock options was greater than the average market price of the common shares and therefore the effect would be antidilutive.

22. Quarterly Data (Unaudited)

The Company's quarterly data is as follows:

	Quarters Ended				
In millions, except market price and per-share amounts.	September 30	December 31	March 31	June 30	Total Year (4)
Fiscal year ended June 30, 2003					
Net sales	$1,047	$ 926	$1,019	$1,152	$4,144
Cost of products sold	544	496	555	630	2,225
Earnings from continuing operations	$ 158	$ 87	$ 112	$ 157	$ 514
Earnings (losses) from discontinued operations, net of tax	(13)	2	(2)	(8)	(21)
Net earnings (1)	$ 145	$ 89	$ 110	$ 149	$ 493
Per common share:					
Net earnings					
Basic					
Continuing operations	$ 0.71	$ 0.40	$ 0.52	$ 0.73	$ 2.36

Discontinued operations	(0.06)	0.01	(0.01)	(0.04)	(0.10)
Net earnings	$ 0.65	$ 0.41	$ 0.51	$ 0.69	$ 2.26
Diluted					
Continuing operations	$ 0.71	$ 0.39	$ 0.51	$ 0.72	$ 2.33
Discontinued operations	(0.06)	0.01	(0.01)	(0.04)	(0.10)
Net earnings	$ 0.65	$ 0.40	$ 0.50	$ 0.68	$ 2.23
Dividends	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.88
Market price (NYSE)					
High	$43.85	$46.59	$47.11	$48.37	$48.37
Low	31.92	38.33	37.40	41.40	31.92
Year-end					42.65

22. Quarterly Data (Unaudited) (Continued)

	Quarters Ended				
	September 30	December 31	March 31	June 30	Total Year (4)
In millions, except market price and per-share amounts.					
Fiscal year ended June 30, 2002					
Net sales	$ 984	$ 887	$1,023	$1,128	$4,022
Cost of products sold	560	505	589	625	2,279
Earnings from continuing operations	$ 111	$ 42	$ 50	$ 154	$ 357
Earnings (losses) from discontinued operations	(32)	9	(4)	(8)	(35)
Net earnings (1), (2), (3)	$ 79	$ 51	$ 46	$ 146	$ 322
Per common share:					
Net earnings					
Basic					
Continuing operations	$ 0.47	$ 0.18	$ 0.22	$ 0.68	$ 1.54
Discontinued operations	(0.13)	0.04	(0.02)	(0.04)	(0.15)
Net earnings	$ 0.34	$ 0.22	$ 0.20	$ 0.64	$ 1.39
Diluted					
Continuing operations	$ 0.46	$ 0.18	$ 0.21	$ 0.67	$ 1.52
Discontinued operations	(0.13)	0.04	(0.01)	(0.04)	(0.15)
Net earnings	$ 0.33	$ 0.22	$ 0.20	$ 0.63	$ 1.37
Dividends	$ 0.21	$ 0.21	$ 0.21	$ 0.21	$ 0.84
Market price (NYSE)					
High	$39.71	$40.85	$45.35	$47.95	$47.95

Low	33.85	34.83	38.45	40.60	33.85
Year-end					41.35

(1) Net earnings for the first and second quarters of fiscal year 2003 include the pre-tax effect of restructuring and asset impairment charges of $3 and $30, respectively. Net earnings for the first, second, third and fourth quarters of fiscal year 2002 include the pre-tax effect of restructuring and asset impairment charges of $12, $66, $100 and $6, respectively.
(2) Net earnings for the third quarter of fiscal year 2002 include the pre-tax effect of the net gain of $33 recognized on the sales of the *Maxforce* and Himolene businesses.
(3) Net earnings for the fourth quarter of fiscal year 2002 includes the pre-tax effect of the reversal to income of the net accrued liability of $10 related to one of the Company's performance unit programs.
(4) Due to rounding, totals for the years may not equal the sum of the quarterly amounts.

RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Company's management is responsible for the preparation of the accompanying consolidated financial statements and for their content as well as other information contained in this annual report. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include amounts which are based on management's best estimates and judgments.

The Company maintains a system of internal accounting controls that includes selection and development of employees, division of duties, and written accounting and operating policies and procedures augmented by a continuing internal audit program. Although there are inherent limitations in the effectiveness of any system of accounting controls, the Company believes that its system provides reasonable, but not absolute, assurance that its assets are safeguarded from unauthorized use or disposition and that its accounting records are sufficiently reliable to permit the preparation of financial statements that conform in all material respects with accounting principles generally accepted in the United States of America. See also the certifications attached as Exhibits 31-1, 31-2 and 32 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2003.

The Company has retained Ernst & Young LLP, independent public accountants, to audit the 2003 financial statements. Their accompanying report is based on an examination conducted in accordance with auditing standards generally accepted in the United States of America, which includes a review of the Company's systems of internal control as well as tests of accounting records and procedures sufficient to enable them to render an opinion on the Company's financial statements, taken as a whole.

The Board of Directors has an audit committee composed of independent directors. The Committee meets periodically and independently throughout the year with management, internal auditors and the independent accountants to discuss the Company's internal accounting controls, auditing and financial reporting matters. The internal auditors and independent accountants have unrestricted access to the audit committee.

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors of The Clorox Company:

We have audited the accompanying consolidated balance sheet of The Clorox Company and subsidiaries as of June 30, 2003, and the related consolidated statements of earnings, stockholders' equity, and cash flows for the year then ended. Our audit also included the financial statement schedule listed in the index at Item 15(a)(2) for the year ended June 30, 2003. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Clorox Company and subsidiaries at June 30, 2003, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth

therein.

/s/ ERNST & YOUNG LLP

San Francisco, California
August 11, 2003

INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors of The Clorox Company:

We have audited the accompanying consolidated balance sheet of The Clorox Company and its subsidiaries (the "Company") as of June 30, 2002, and the related consolidated statements of earnings, stockholders' equity and cash flows for the fiscal years ended June 30, 2002 and 2001. Our audits also included the financial statement schedule listed in the index at Item 15(a)(2) for the fiscal years ended June 30, 2002 and 2001. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2002, and the results of its operations and its cash flows for the fiscal years ended June 30, 2002 and 2001 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

Oakland, California
September 4, 2002

FIVE-YEAR FINANCIAL SUMMARY

The Clorox Company

Years ended June 30	**2003**	**2002**	**2001**	**2000**	**1999**
In millions, except share and per-share data.					
OPERATIONS					
Net sales	$ 4,144	$ 4,022	$ 3,859	$ 3,941	$ 3,828
Cost of products sold	2,225	2,279	2,289	2,215	2,144
Operating expenses	1,064	983	898	939	949
Interest and other expense, net	20	15	134	132	129
Merger, restructuring and asset impairment	33	184	59	36	180
Total costs and expenses	3,342	3,461	3,380	3,322	3,402
Earnings from continuing operations before income taxes	802	561	479	619	426
Income taxes	288	204	153	218	173

Earnings from continuing operations	514	357	326	401	253
Losses from discontinued operations, net of tax	(21)	(35)	(1)	(7)	(7)
Cumulative effect of change in accounting principle	—	—	(2)	—	—
Net earnings	$ 493	$ 322	$ 323	$ 394	$ 246
Change in net sales	3%	4%	–2%	3%	3%
Change in net earnings	53%	—	–18%	60%	–28%
COMMON STOCK					
Weighted average shares outstanding (in thousands)					
Basic	218,174	231,849	236,149	236,108	235,364
Diluted	220,692	234,704	239,483	239,614	240,002
Earnings (losses) per common share					
Basic					
Continuing operations	$ 2.36	$ 1.54	$ 1.39	$ 1.70	$ 1.08
Discontinued operations	(0.10)	(0.15)	(0.01)	(0.03)	(0.03)
Cumulative effect of change in accounting principle	—	—	(0.01)	—	—
Basic net earnings per common share	$ 2.26	$ 1.39	$ 1.37	$ 1.67	$ 1.05
Diluted					
Continuing operations	$ 2.33	$ 1.52	$ 1.37	$ 1.67	$ 1.06
Discontinued operations	(0.10)	(0.15)	(0.01)	(0.03)	(0.03)
Cumulative effect of change in accounting principle	—	—	(0.01)	—	—
Diluted net earnings per common share	$ 2.23	$ 1.37	$ 1.35	$ 1.64	$ 1.03
Dividends per common share	$ 0.88	$ 0.84	$ 0.84	$ 0.80	$ 0.71
Stockholders’ equity per common share at end of year	$ 5.69	$ 6.13	$ 8.17	$ 7.73	$ 6.78
OTHER DATA					
Property, plant and equipment, net	$ 1,072	$ 992	$ 1,036	$ 1,070	$ 1,040
Capital expenditures	205	176	190	154	173
Long-term debt	495	678	685	590	702
Total assets	3,652	3,524	4,028	4,377	4,156
Stockholders’ equity	1,215	1,366	1,933	1,819	1,594
Return on net sales (1)	12%	8%	8%	10%	6%
Return on average stockholders’ equity (2)	38%	19%	18%	23%	16%

(1) Return on net sales is calculated by dividing net earnings by net sales.

(2) Return on average stockholders’ equity is calculated by dividing net earnings by the average of the last five quarters of stockholders’ equity.

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