

CLOROX CO /DE/

FORM 8-K (Unscheduled Material Events)

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

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

FORM 8-K

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

Date of Report (Date of Earliest Event Reported): February 2, 2006

THE CLOROX COMPANY

(Exact name of registrant as specified in its charter)

Delaware
(State or other
jurisdiction of
incorporation or
organization)

1-07151
(Commission File
Number)

31-0595760
(I.R.S. Employer
Identification No.)

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

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

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2.)

- Written communications pursuant to Rule 425 Under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition

This information shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

On February 2, 2006, The Clorox Company issued a press release announcing its financial results for the fiscal quarter ended December 31, 2005. The full text of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

<u>Exhibit</u>	<u>Description</u>
99.1	Press Release dated February 2, 2006 of The Clorox Company

SIGNATURES

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

THE CLOROX COMPANY

Date: February 2, 2006

By: /s/ LAURA STEIN
Senior Vice President –
General Counsel & Secretary

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THE CLOROX COMPANY

FORM 8-K

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<u>Exhibit</u>	<u>Description</u>
99.1	Press Release dated February 2, 2006 of The Clorox Company



Clorox Reports Strong Top-line Growth in Q2; Raises EPS Outlook for FY'06

OAKLAND, Calif., Feb. 2, 2006 — The Clorox Company (NYSE: CLX) (PCX: CLX) today announced that strong sales growth and cost savings contributed to solid results for the company's fiscal second quarter, which ended Dec. 31, 2005.

"I'm very pleased with our second-quarter performance," said Chairman and CEO Jerry Johnston. "Each of our business segments delivered 6 percent sales growth on top of company sales growth of 9 percent in the year-ago quarter. We feel positive about the initial response to our recent price increases and are excited about our third-quarter product launches, including Clorox[®] Anywhere Hard Surface[™] sanitizing spray and Kingsford[®] charcoal with Sure Fire Grooves[™]. Overall, our brands are healthy and we feel confident in our ability to execute our strategies over the long term."

Second-quarter highlights

In accordance with generally accepted accounting principles in the United States (GAAP), Clorox reported second-quarter net earnings from continuing operations of \$83 million, or 55 cents per diluted share, based on weighted average shares outstanding of 152 million. This compares with net earnings from continuing operations in the year-ago quarter of \$136 million, or 72 cents per diluted share, based on weighted average shares outstanding of 190 million, for a decrease of 17 cents per diluted share, or 24 percent. Diluted earnings per share (EPS) from continuing operations in the year-ago quarter included 13 cents associated with the fiscal year 2005 share exchange with Henkel KGaA. In the recent quarter, diluted EPS reflected higher incentive compensation and interest expense, as well as an impact of 4 cents from higher equity-compensation expense following the adoption of Statement of Financial Accounting Standards (SFAS) No. 123-R.

Second-quarter sales grew 6 percent to \$1.06 billion, compared with \$1.00 billion in the year-ago quarter. Volume grew 2 percent, primarily due to increased shipments of home care products, institutional products and Latin America products. Also contributing to volume growth were increased shipments of Glad[®] trash bags and Kingsford[®] charcoal products. Sales growth outpaced volume growth primarily due to the benefit of price increases and favorable product mix.

Gross margin in the second quarter declined 210 basis points versus the year-ago quarter to 41 percent. This decline was primarily due to higher raw-material costs, along with transition costs related to the Kingsford[®] charcoal improvement. These factors were partially offset by the benefits of cost savings and price increases.

In addition to strong sales growth and lower gross margin, diluted EPS from continuing operations in the recent quarter reflected lower income taxes and the continued benefit of a lower share base due to the Henkel share exchange.

Net cash provided by operations in the second quarter was \$142 million, compared with \$189 million in the year-ago quarter. The year-over-year decline was primarily due to lost profits from businesses and investments transferred to Henkel, higher interest expense from debt issued to fund the Henkel share exchange and higher short-term interest rates, and higher working capital resulting from increased receivables due primarily to an increase in sales in the current quarter. These factors were partially offset by lower tax payments versus the year-ago quarter.

During the quarter, Clorox repurchased 834,000 shares of the company's common stock at a cost of about \$45 million under its ongoing program to offset stock option dilution.

Second-quarter results by business segment

Following is a summary of key second-quarter results by business segment. All comparisons are with the second quarter of fiscal year 2005.

Household Group — North America

Compared with the year-ago quarter, the segment reported 6 percent sales growth, 4 percent volume growth and 5 percent growth in pretax earnings from continuing operations. The segment delivered increased shipments of Clorox[®] disinfecting wipes, Clorox[®] bathroom cleaner, Clorox 2[®] color-safe bleach and institutional products. Also contributing to volume growth were shipments of the Clorox[®] BathWand system. These results were partially offset by lower shipments of Clorox[®] bleach pen, products in Canada and Brita water-filtration systems. Sales growth outpaced volume growth primarily due to the benefits of favorable product mix and price increases on Clorox[®] laundry and cleaning products. Pretax earnings from continuing operations primarily reflected the benefit of volume growth, cost savings, price increases and favorable product mix, partially offset by higher raw-material costs and increased marketing investment.

Specialty Group

Compared with the year-ago quarter, the segment reported 6 percent sales growth, flat volume and 11 percent decline in pretax earnings from continuing operations. Increased shipments of Glad[®] trash bags, all-time record shipments of GladWare[®] food containers and higher shipments of Kingsford[®] charcoal products were offset by lower shipments of food products and cat litter. Sales growth outpaced volume growth primarily due to the benefits of price increases on Glad[®] products and cat litter. Pretax earnings from continuing operations primarily reflected higher raw-material costs, product mix and transition costs related to the Kingsford[®] charcoal improvement, partially offset by the benefits of cost savings and price increases.

International

The segment delivered 6 percent sales growth on top of 16 percent sales growth in the year-ago quarter. The segment also reported 1 percent volume growth compared with 13 percent volume growth in the year-ago quarter, and a 15 percent decline in pretax earnings from continuing operations. Increased Latin America shipments behind new products and home-care category growth were substantially offset by lower volume in Australia from the discontinuation of a low-margin product line, along with decreased shipments to nonstrategic export customers. Sales growth outpaced volume growth primarily due to the benefits of price increases in Latin America and favorable product mix in Latin America and Australia. Lower pretax earnings from continuing operations reflected the benefits of price increases and cost savings in the recent quarter, more than offset by higher raw-material costs and increased marketing investment in Latin America to support new products. In the year-ago quarter, pretax earnings from continuing operations reflected equity earnings and royalties from the company's former Spain joint venture investment with Henkel.

Corporate

The decline in pretax corporate earnings from continuing operations was caused by several factors, including the gain on the exchange of the Spain joint venture investment with Henkel in the year-ago quarter; higher interest expense from debt issued to fund the Henkel share exchange and higher short-term interest rates; higher equity-compensation expense following the adoption of SFAS No. 123-R; and increased accruals for incentive compensation.

Outlook

For the third quarter, Clorox continues to anticipate sales growth of 4-7 percent, reflecting the benefits of volume growth behind new products, price increases and a shift forward in the timing of some merchandising events held in the fourth quarter of fiscal 2005. The company now anticipates third-quarter diluted EPS from continuing operations in the range of 68-73 cents, including the benefit of an anticipated slightly lower tax rate versus the previous outlook. Also included in the company's third-quarter outlook is a significantly higher marketing investment versus the year-ago quarter to support new products.

For the fourth quarter, Clorox's outlook continues to be for sales growth in the range of 3-5 percent and diluted EPS from continuing operations in the range of \$1.04-\$1.14. Included in the company's fourth-quarter outlook are the continuing benefits of price increases, and the company's anticipation that commodity costs in the latter part of the fiscal year will be slightly lower than the extreme post-hurricane levels, although still significantly higher than year-ago levels.

For fiscal 2006, Clorox now anticipates sales growth in the range of 4-6 percent and diluted EPS from continuing operations in the range of \$2.97-\$3.07, reflecting the company's strong second-quarter results. Clorox's fiscal-year outlook also includes an estimated incremental impact of 14-16 cents from expensing equity compensation following the adoption of SFAS No. 123-R.

For more information

For supplemental financial information, including definitions of financial terms used in this earnings release and on today's conference call with the investment community (details below), visit the Financial Results area within the Investors section of the company's Web site at www.TheCloroxCompany.com.

Note: Percentage and basis-point changes noted in this news release are calculated based on rounded numbers.

Today's webcast

Today at 10:30 a.m. Pacific time (1:30 p.m. Eastern time), Clorox will host a live audio webcast of a discussion with the investment community regarding the company's second-quarter results. The webcast can be accessed at www.TheCloroxCompany.com/investors/index.html. Following a live discussion, a replay of the webcast will be archived for one week on the company's Web site.

The Clorox Company

The Clorox Company is a leading manufacturer and marketer of consumer products with fiscal year 2005 revenues of \$4.4 billion. Clorox markets some of consumers' most trusted and recognized brand names, including its namesake bleach and cleaning products, Armor All[®] and STP[®] auto care products, Fresh Step[®] and Scoop Away[®] cat litters, Kingsford[®] charcoal briquets, Hidden Valley[®] and K C Masterpiece[®] dressings and sauces, Brita[®] water-filtration systems, and Glad[®] bags, wraps and containers. With 7,600 employees worldwide, the company manufactures products in 25 countries and markets them in more than 100 countries. Clorox is committed to making a positive difference in the communities where its employees work and live. Founded in 1980, The Clorox Company Foundation has awarded cash grants totaling more than \$62.3 million to nonprofit organizations, schools and colleges; and in fiscal year 2005 alone made product donations valued at \$4.9 million. For more information about Clorox, visit www.TheCloroxCompany.com.

Forward-looking statements

Except for historical information, matters discussed above, including statements about future volume, sales, costs, cost savings, earnings, cash outflows, plans, objectives, expectations, growth, or profitability, are forward-looking statements based on management's estimates, assumptions and projections. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," and variations on such words, and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are only predictions, subject to risks and uncertainties, and actual results could differ materially from those discussed above. Important factors that could affect performance and cause results to differ materially from management's expectations are described in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the company's Annual Report on Form 10-K for the fiscal year ended June 30, 2005, as updated from time to time in the company's SEC filings. These factors include, but are not limited to, general economic and marketplace conditions and events; competitors' actions; the company's costs, including changes in exposure to commodity costs such as resin, diesel and chlor-alkali; increases in energy costs; consumer and customer reaction to price increases; the company's actual cost performance; any future supply constraints which may affect key commodities; risks inherent in sole-supplier relationships; risks arising out of natural disasters; risks inherent in litigation and international operations; the ability to manage and realize the benefits of joint ventures and other cooperative relationships, including the company's joint venture with The Procter & Gamble Company ("P&G") regarding the company's Glad[®] plastic bags, wraps and containers business; the success of new products; the integration of acquisitions and mergers; the divestiture of non-strategic businesses; the implementation of the company's strategy; and the ability of the company to successfully manage tax, regulatory, product liability, intellectual property and environmental matters, including the risk resulting from joint and several liability for environmental contingencies. In addition, the company's future performance is subject to risks particular to the share exchange transaction with Henkel KGaA ("Henkel"), including the sustainability of cash flows and the actual level of debt costs. Declines in cash flow, whether resulting from tax payments, debt payments, share repurchases, P&G's increased equity in the joint venture, interest cost increases greater than management expects, or otherwise, could adversely affect the company's earnings.

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

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Condensed Consolidated Statements of Earnings (Unaudited)

Dollars in millions, except per-share amounts

	Three Months Ended		Six Months Ended	
	12/31/2005	12/31/2004	12/31/2005	12/31/2004
Net sales	\$ 1,064	\$ 1,000	\$ 2,168	\$ 2,048
Cost of products sold	628	569	1,266	1,160
Gross profit	436	431	902	888
Selling and administrative expenses	161	134	305	264
Advertising costs	99	92	212	197
Research and development costs	25	21	48	42
Restructuring and asset impairment costs	—	2	1	32
Interest expense	32	17	62	25
Other income:				
Equity earnings and gain on exchange of Henkel Iberica, S.A.	—	(22)	—	(25)
Other, net	(1)	(7)	—	(8)
Earnings from continuing operations before income taxes	120	194	274	361
Income taxes on continuing operations	37	60	83	118
Reversal of deferred taxes from equity investment in Henkel Iberica, S.A.	—	(2)	—	(2)
Earnings from continuing operations	83	136	191	245
Discontinued operations:				
Gain on exchange	—	550	—	550
Earnings from exchanged businesses	—	11	1	33
Reversal of deferred taxes from exchanged businesses	—	6	—	6
Income tax (expense) benefit on discontinued operations	—	(4)	—	(12)
Earnings from discontinued operations	—	563	1	577
Net earnings	\$ 83	\$ 699	\$ 192	\$ 822
Earnings per common share:				
Basic				
Continuing operations	\$ 0.56	\$ 0.73	\$ 1.27	\$ 1.22
Discontinued operations	—	3.00	0.01	2.89
Basic net earnings per common share	\$ 0.56	\$ 3.73	\$ 1.28	\$ 4.11
Diluted				
Continuing operations	\$ 0.55	\$ 0.72	\$ 1.25	\$ 1.21
Discontinued operations	—	2.96	0.01	2.85
Diluted net earnings per common share	\$ 0.55	\$ 3.68	\$ 1.26	\$ 4.06
Weighted average common shares outstanding (in thousands)				
Basic	150,080	187,310	150,457	200,107
Diluted	152,264	189,806	152,780	202,555

Segment Information (Unaudited)

Dollars in millions

Second Quarter

	Net Sales			Earnings/(Losses) from Continuing Operations Before Income Taxes		
	Three Months Ended			Three Months Ended		
	12/31/2005	12/31/2004	% Change ⁽¹⁾	12/31/2005	12/31/2004	% Change ⁽¹⁾
Household Group — North America	\$ 495	\$ 465	6%	\$ 161	\$ 154	5%
Specialty Group	405	381	6%	82	92	-11%
International	164	154	6%	33	39	-15%
Corporate	—	—	—	(156)	(91)	-71%
Total Company	\$ 1,064	\$ 1,000	6%	\$ 120	\$ 194	-38%

Year To Date

	Net Sales			Earnings/(Losses) from Continuing Operations Before Income Taxes		
	Six Months Ended			Six Months Ended		
	12/31/2005	12/31/2004	% Change ⁽¹⁾	12/31/2005	12/31/2004	% Change ⁽¹⁾
Household Group — North America	\$ 1,019	\$ 973	5%	\$ 331	\$ 321	3%
Specialty Group	830	793	5%	171	165	4%
International	319	282	13%	68	67	1%
Corporate	—	—	—	(296)	(192)	-54%
Total Company	\$ 2,168	\$ 2,048	6%	\$ 274	\$ 361	-24%

⁽¹⁾ Percentages based on rounded numbers.

Condensed Consolidated Balance Sheets (Unaudited)

Dollars in millions

	12/31/2005	6/30/2005
Assets		
Current assets		
Cash and cash equivalents	\$ 273	\$ 293
Receivables, net	377	411
Inventories	359	323
Other current assets	58	63
Total current assets	1,067	1,090
Property, plant and equipment, net	993	999
Goodwill, net	747	743
Trademarks and other intangible assets, net	595	599
Other assets, net	165	186
Total assets	<u>\$ 3,567</u>	<u>\$ 3,617</u>
Liabilities and Stockholders' Deficit		
Current liabilities		
Notes and loans payable	\$ 521	\$ 359
Current maturities of long-term debt	3	2
Accounts payable	274	347
Accrued liabilities	450	614
Income taxes payable	24	26
Total current liabilities	1,272	1,348
Long-term debt	2,119	2,122
Other liabilities	631	618
Deferred income taxes	73	82
Total liabilities	<u>4,095</u>	<u>4,170</u>
Stockholders' deficit		
Common stock	250	250
Additional paid-in capital	342	328
Retained earnings	3,781	3,684
Treasury shares, at cost: 99,717,120 and 98,143,620 shares at December 31, 2005, and June 30, 2005, respectively	(4,570)	(4,463)
Accumulated other comprehensive net losses	(331)	(336)
Unearned compensation	—	(16)
Stockholders' deficit	<u>(528)</u>	<u>(553)</u>
Total liabilities and stockholders' deficit	<u>\$ 3,567</u>	<u>\$ 3,617</u>



Supplemental Information — Volume Growth

Business Segment	% Change vs. Prior Year								
	FY05					FY06			
	Q1	Q2	Q3	Q4	FY	Q1	Q2	YTD	
Laundry / Home Care	7%	9%	3%	8%	7%	-2%	5%	1%	Q2 i Clor of C Clor
Water Filtration / Canada / Auto / PPD*	-4%	2%	-1%	-3%	-2%	5%	0%	3%	Stro Brite
Total Household Group – North America	4%	7%	1%	5%	4%	0%	4%	2%	
Bags & Wraps	14%	9%	3%	3%	7%	-7%	1%	-3%	Q2 s bags
Litter / Food / Charcoal	-2%	5%	1%	-1%	0%	3%	-2%	1%	Q2 s groc ship
Total Specialty Group	5%	6%	2%	0%	3%	-1%	0%	-1%	
Total International	7%	13%	9%	13%	10%	14%	1%	7%	Q2 v acro
Total Clorox	5%	8%	3%	4%	5%	1%	2%	2%	

* Professional Products Division

Note: Q1 FY05 has been reclassified for discontinued operations treatment of businesses transferred to Henkel.



Supplemental Information — Sales Growth

Business Segment	% Change vs. Prior Year								
	FY05					FY06			
	Q1	Q2	Q3	Q4	FY	Q1	Q2	YTD	
Laundry / Home Care	5%	7%	2%	4%	5%	1%	7%	4%	Q2 incr
Water Filtration / Canada / Auto / PPD*	-4%	4%	0%	-2%	-1%	8%	5%	7%	High doll:
Total Household Group – North America	2%	7%	0%	2%	3%	3%	6%	5%	
Bags & Wraps	16%	12%	12%	22%	15%	6%	14%	10%	Q2 lowe bag
Litter / Food / Charcoal	-1%	5%	2%	1%	2%	1%	-1%	0%	Dec char
Total Specialty Group	6%	9%	5%	7%	7%	3%	6%	5%	
Total International	6%	16%	8%	20%	12%	21%	6%	13%	Q2 offs
Total Clorox	4%	9%	3%	6%	5%	5%	6%	6%	

* Professional Products Division

Note A: Q1 FY05 has been reclassified for discontinued operations treatment of businesses transferred to Henkel.

Note B: Segment totals for Household Group — North America, Specialty, and International include minor corporate adjustments.



Adjusted Operating Profit

Reconciliation schedule of adjusted operating profit to earnings from continuing operations before income taxes*In millions*

	Three months ended		Six months ended	
	12/31/05	12/31/04	12/31/05	12/31/04
Net sales	\$ 1,064	\$ 1,000	\$ 2,168	\$ 2,048
Gross profit	\$ 436	\$ 431	\$ 902	\$ 888
<i>Gross margin (1)</i>	41.0 %	43.1 %	41.6 %	43.4 %
Adjusted operating expenses (2)	\$ 285	\$ 247	\$ 565	\$ 503
Adjusted operating profit (3)	\$ 151	\$ 184	\$ 337	\$ 385
<i>Adjusted operating profit margin (1)</i>	14.2 %	18.4 %	15.5 %	18.8 %
Restructuring and asset impairment costs	\$ —	\$ 2	\$ 1	\$ 32
Interest expense	\$ 32	\$ 17	\$ 62	\$ 25
Other expense (income), net	(\$1)	(\$29)	\$ —	(\$33)
Earnings from continuing operations before income taxes	\$ 120	\$ 194	\$ 274	\$ 361

(1) Percentages based on rounded numbers

(2) Adjusted operating expenses = selling and administrative expenses, advertising costs and research and development costs

In accordance with SEC's Regulation G, this schedule provides the definition of a non-GAAP measure and the reconciliation to the most closely related GAAP measure.

(3) Adjusted operating profit (a non-GAAP measure) represents earnings from continuing operations before income taxes (a GAAP measure), excluding restructuring and asset impairment costs, interest expense and other expense (income), net, as reported in the Condensed Consolidated Statements of Earnings (Unaudited). Adjusted operating profit margin is a measure of adjusted operating profit as a percentage of net sales.

Management believes the presentation of adjusted operating profit and margin provides additional useful information to investors about current trends in the business. Adjusted operating profit is a component for the calculation of management incentive compensation and employee profit sharing plans.



Supplemental Balance Sheet Information
Preliminary* (Unaudited)
For the three months ended December 31, 2005

Working Capital Update

	Q2		Change (\$ millions)	Days FY 2006	Days FY 2005	Change
	FY 2006 (\$ millions)	FY 2005 (\$ millions)				
Receivables, net	\$377	\$354	+\$23	31	33	-2 days
Inventories	359	342	+\$17	50	51	-1 days
Accounts payable	274	293	-\$19	41	43	-2 days
Accrued liabilities	450	629	-\$179			
Total WC ⁽¹⁾	\$46	-\$175	+\$221			
Total WC % net sales ^(2,4)	1.1%	-4.4%				
Avg WC ^(1,4)	\$52	-\$171	+\$223			
Avg WC % net sales ^(3,4)	1.2%	-4.3%				

- Receivables were higher driven by sales growth, however Days Sales Outstanding declined due to improved collections and shorter payment terms.
- Inventory was higher due to commodities cost increases, as well as the build-up for new product launches.
- Accounts payable declined due to the timing of payments, while Accrued liabilities decreased primarily as a result of tax payments related to the IRS settlement.

Supplemental Cash Flow Information
Preliminary* (Unaudited)
For the three months ended December 31, 2005

Capital expenditures were \$46 million (YTD = \$83 million)

Depreciation and amortization was \$47 million (YTD = \$92 million) ⁵

Cash provided by operations

- Net cash provided by operations in the second quarter was \$142 million, compared with \$189 million in the year-ago quarter. The year-over-year decline was primarily due to lost profits from businesses transferred to Henkel, higher interest expense from debt issued to fund the Henkel share exchange and higher short-term interest rates, and higher working capital resulting from increased receivables. These factors were partially offset by lower tax payments versus the year-ago quarter.

* Preliminary estimates. Final quarterly numbers will be published in our Form 10-Q.

- (1) Working capital is defined as current assets minus current liabilities excluding cash and short-term debt. Total working capital is based on working capital at the end of the period. Average working capital is based on a two points average working capital. (Note: Q1'05 working capital does not include \$120 million in current assets attributable to assets held for exchange as part of the Henkel transaction.)
- (2) Based on working capital at the end of the period divided by annualized net sales (*current quarter net sales x 4*).
- (3) Based on a two points average working capital divided by annualized net sales (*current quarter net sales x 4*).
- (4) Q1'05 working capital as a percentage of net sales and days in receivables, net, inventories and accounts payable are calculated based on balances as reported in our Form 10-Q filed for the quarter ended September 30, 2004, and do not reflect reclassification of operating results of businesses transferred to Henkel as discontinued operations.

(5) Depreciation and amortization excludes non-cash impact of share-based compensation. In Q1, the company reported depreciation and amortization expense of \$54 million including \$10 million of share-based compensation. The YTD number does not include any share-based compensation expenses, which is now reported as a separate line item on the Cash Flow Statement.