

# The Right Performance

We manage our business for the long term and focus on achieving our annual financial targets. In fiscal 2009, we grew sales, expanded gross margin and delivered 18 percent diluted EPS growth. Importantly, we increased economic profit, the measure we believe most closely aligns with creating value and generating returns for our shareholders. By these measures, we believe The Clorox Company has the right strategy to drive long-term growth in any economic environment.



1. Return on invested capital (ROIC) is non-GAAP measure that is calculated as earnings from continuing operations before income taxes, excluding restructuring and asset impairment costs and interest expense; computed on an after-tax basis as a percentage of adjusted average invested capital. See reconciliation of ROIC in Exhibit 99.2 on Form 8-K filed on August 3, 2009, for the fiscal year ended June 30, 2009 filed on August 25, 2009.

2. Economic profit (EP) is used by management to evaluate business performance. EP represents profit generated over and above the estimated cost of paying for the assets used by the business to generate profit. See reconciliation of EP in Exhibit 99.3 of the company's Annual Report on Form 10-K for the fiscal year ended June 30, 2009.

Condensed Consolidated Statements of Earnings

Years ended June 30

Dollars in millions, except per share amounts

	2009	2008	2007
Net sales	<b>\$ 5,450</b>	\$ 5,273	\$ 4,847
Cost of products sold	<b>3,104</b>	3,098	2,756
Gross profit	<b>2,346</b>	2,175	2,091
Selling and administrative expenses	<b>715</b>	690	642
Advertising costs	<b>499</b>	486	474
Research and development costs	<b>114</b>	111	108
Restructuring and asset impairment costs	<b>20</b>	36	13
Interest expense	<b>161</b>	168	113
Other expense (income), net	<b>26</b>	(9)	(2)
Earnings from continuing operations before income taxes	<b>811</b>	693	743
Income taxes on continuing operations	<b>274</b>	232	247
Earnings from continuing operations	<b>537</b>	461	496
Earnings from discontinued operations	<b>-</b>	-	5
Net earnings	<b>\$ 537</b>	\$ 461	\$ 501
Earnings per share			
Basic			
Continuing operations	<b>\$ 3.86</b>	\$ 3.30	\$ 3.28
Discontinued operations	<b>-</b>	-	0.03
Basic net earnings per share	<b>\$ 3.86</b>	\$ 3.30	\$ 3.31
Diluted			
Continuing operations	<b>\$ 3.81</b>	\$ 3.24	\$ 3.23
Discontinued operations	<b>-</b>	-	0.03
Diluted net earnings per share	<b>\$ 3.81</b>	\$ 3.24	\$ 3.26
Weighted average shares outstanding (in thousands)			
Basic	<b>139,015</b>	139,633	151,445
Diluted	<b>141,063</b>	142,004	153,935

Condensed Consolidated Balance Sheets

As of June 30

Dollars in millions, except share amounts

	2009	2008
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 206	\$ 214
Receivables, net	486	505
Inventories, net	366	384
Other current assets	122	150
Total current assets	1,180	1,253
Property, plant and equipment, net	955	960
Goodwill	1,630	1,658
Trademarks, net	557	560
Other intangible assets, net	105	123
Other assets	149	158
Total assets	\$ 4,576	\$ 4,712
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities		
Notes and loans payable	\$ 421	\$ 755
Current maturities of long-term debt	577	-
Accounts payable	381	418
Accrued liabilities	472	440
Income taxes payable	86	52
Total current liabilities	1,937	1,665
Long-term debt	2,151	2,720
Other liabilities	640	632
Deferred income taxes	23	65
Total liabilities	4,751	5,082
Commitments and contingencies		
Stockholders' deficit		
Common stock: \$1.00 par value; 750,000,000 shares authorized; 158,741,461 shares issued at June 30, 2009 and 2008; and 139,157,976 and 138,038,052 shares outstanding at June 30, 2009 and 2008, respectively	159	159
Additional paid-in capital	579	534
Retained earnings	640	386
Treasury shares, at cost: 19,583,485 and 20,703,409 shares at June 30, 2009 and 2008, respectively	(1,206)	(1,270)
Accumulated other comprehensive net losses	(347)	(179)
Stockholders' deficit	(175)	(370)
Total liabilities and stockholders' deficit	\$ 4,576	\$ 4,712

Condensed Consolidated Statements of Stockholders' (Deficit) Equity

Dollars in millions, except share amounts	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Shares		Accumulated Other Comprehensive Net Losses	Total	Total Comprehensive Income
	Shares (000)	Amount			Shares (000)	Amount			
Balance at June 30, 2006	249,827	\$250	\$397	\$3,939	(98,529)	\$(4,527)	\$(215)	\$(156)	
Comprehensive income									
Net earnings				501				501	\$501
Translation adjustments, net of tax of \$3							47	47	47
Change in valuation of derivatives, net of tax of \$1							(3)	(3)	(3)
Minimum pension liability adjustments, net of tax of \$0							1	1	1
Total comprehensive income									\$546
Adjustment to initially apply SFAS No. 158, net of tax of \$(23)							(39)	(39)	
Dividends				(200)				(200)	
Employee stock plans			84	(9)	2,358	100		175	
Treasury stock purchased					(2,400)	(155)		(155)	
Treasury stock retirement	(91,086)	(91)		(4,046)	91,086	4,137		-	
Balance at June 30, 2007	158,741	159	481	185	(7,485)	(445)	(209)	171	
Comprehensive income									
Net earnings				461				461	\$461
Translation adjustments, net of tax of \$(2)							26	26	26
Change in valuation of derivatives, net of tax of \$17							27	27	27
Pension and postretirement benefit adjustments, net of tax of \$(15)							(23)	(23)	(23)
Total comprehensive income									\$491
Cumulative effect of adopting Interpretation No. 48				(10)				(10)	
Dividends				(231)				(231)	
Employee stock plans			53	(19)	862	48		82	
Treasury stock purchased					(14,080)	(868)		(868)	
Other						(5)		(5)	
Balance at June 30, 2008	158,741	159	534	386	(20,703)	(1,270)	(179)	(370)	
Comprehensive income									
Net earnings				537				537	\$ 537
Translation adjustments, net of tax of \$(5)							(78)	(78)	(78)
Change in valuation of derivatives, net of tax of \$(24)							(39)	(39)	(39)
Pension and postretirement benefit adjustments, net of tax of \$(31)							(51)	(51)	(51)
Total comprehensive income									\$ 369
Dividends				(264)				(264)	
Employee stock plans			40	(17)	1,120	64		87	
Other			5	(2)				3	
<b>Balance at June 30, 2009</b>	<b>158,741</b>	<b>\$159</b>	<b>\$579</b>	<b>\$ 640</b>	<b>(19,583)</b>	<b>\$(1,206)</b>	<b>\$(347)</b>	<b>\$ (175)</b>	

Condensed Consolidated Statements of Cash Flows

Years ended June 30

Dollars in millions

	2009	2008	2007
Operating activities:			
Net earnings	\$ 537	\$ 461	\$ 501
Deduct: Earnings from discontinued operations	-	-	5
Earnings from continuing operations	537	461	496
Adjustments to reconcile earnings from continuing operations to net cash provided by continuing operations:			
Depreciation and amortization	190	205	192
Share-based compensation	58	47	49
Deferred income taxes	(1)	(51)	(19)
Asset impairment costs	3	29	4
Other	33	23	26
Changes in:			
Receivables, net	(2)	(8)	(15)
Inventories, net	-	(26)	(8)
Other current assets	(4)	11	13
Accounts payable and accrued liabilities	(40)	63	(30)
Income taxes payable	(6)	(24)	11
Pension contributions to qualified plans	(30)	-	(10)
Net cash provided by operations	738	730	709
Investing activities:			
Capital expenditures	(197)	(170)	(147)
Businesses acquired	-	(913)	(123)
Other	-	1	2
Net cash used for investing activities	(197)	(1,082)	(268)
Financing activities:			
Notes and loans payable, net	(334)	681	(87)
Long-term debt borrowings	11	1,256	-
Long-term debt repayments	-	(500)	(150)
Treasury stock purchased	-	(868)	(155)
Cash dividends paid	(258)	(228)	(183)
Issuance of common stock for employee stock plans and other	41	39	119
Net cash (used for) provided by financing activities	(540)	380	(456)
Effect of exchange rate changes on cash and cash equivalents	(9)	4	5
Net (decrease) increase in cash and cash equivalents	(8)	32	(10)
Cash and cash equivalents:			
Beginning of year	214	182	192
End of year	\$ 206	\$ 214	\$ 182
Supplemental cash flow information:			
Cash paid for:			
Interest	\$ 161	\$ 153	\$ 117
Income taxes, net of refunds	275	299	272
Non-cash financing activities:			
Dividends declared and accrued but not paid	70	64	61