



NEWS RELEASE

The Clorox Company Reports Slight Sales Growth on Top of Strong Year-Ago Results; Updates Fiscal Year 2014 Outlook

2/4/2014

OAKLAND, Calif., Feb. 4, 2014 - The Clorox Company (NYSE: CLX) today reported about half a percentage point of net sales growth and 5 percent diluted net earnings per share (EPS) decline from continuing operations for its second quarter, which ended Dec. 31, 2013.

"I'm pleased we grew sales on top of 9 percent growth in the year-ago quarter. Excluding the impact of foreign currencies, sales for the quarter grew 2.3 percent," said Chairman and CEO Don Knauss. "I'm also pleased that our total demand-building plans, including product innovation and increased advertising, have positively impacted our results. Still, like many companies, we continue to face significant headwinds from foreign currency declines, sluggish category growth and increasing commodity costs. For the balance of the fiscal year, we remain focused on our plans to help mitigate these challenges, including executing our demand-building programs to improve our market shares and driving efficiencies throughout our operations to support our margins."

All results in this press release are reported on a continuing operations basis unless otherwise indicated. Some information in this release is reported on a non-GAAP basis. See "Non-GAAP Financial Information" below and the tables toward the end of this press release for more information and reconciliations of key second-quarter results to the most directly comparable financial measures calculated in accordance with generally accepted accounting principles in the U.S. (GAAP).

Fiscal Second-Quarter Results

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

2013, unless otherwise stated.

* \$0.88 diluted EPS (5% decrease)

* 1% volume increase

* 0.4% sales increase

In the second quarter, Clorox delivered earnings from continuing operations of \$116 million, or 88 cents diluted EPS, compared to \$123 million, or 93 cents diluted EPS, in the year-ago quarter. Current-quarter results reflect a comparison to the company's prior-year diluted EPS increase of 18 percent. Current-quarter results also reflect higher commodity costs, an increase in manufacturing and logistics costs, the impact of unfavorable foreign currency exchange rates and higher advertising and sales promotion expenses. In addition, a higher effective tax rate of 35.6 percent compared to 34.3 percent in the year-ago quarter resulted in a negative impact of 2 cents diluted EPS. These factors were partially offset by the benefits of strong cost savings and price increases, as well as higher volume.

In the second quarter, Clorox delivered 1 percent volume growth, primarily driven by gains in the company's Professional Products, Home Care and International businesses, partially offset by declines in the Charcoal and Brita businesses. Sales grew about half a percentage point, reflecting the benefit of price increases and higher volume, largely offset by the impact of unfavorable foreign currency exchange rates, as well as unfavorable mix. Excluding the impact of foreign currencies, sales grew 2.3 percent.

The company's current quarter gross margin was 41.9 percent, reflecting a decline of 60 basis points versus the year-ago quarter. In the current quarter, the benefits of strong cost savings and price increases were more than offset by higher commodity costs, as well as higher manufacturing and logistics costs largely due to inflation in international markets.

Year-to-date net cash provided by continuing operations was \$212 million, compared with \$325 million in the year-ago period. Contributing factors to the year-over-year change include higher tax payments of \$67 million and the company's funding of liabilities under certain nonqualified deferred compensation plans of \$26 million. The company anticipates first half fiscal year higher tax payments to be largely offset by lower tax payments over the balance of the fiscal year.

The company continues to anticipate free cash flow to be about 10 percent of sales for the fiscal year. The company defines free cash flow as net cash from operations less capital expenditures.

Key Segment Results

Following is a summary of key second-quarter results by reportable segment. All comparisons are with the second quarter of fiscal 2013, unless otherwise stated.

Cleaning

(Laundry, Home Care, Professional Products)

- 3% volume increase
- 2% sales increase
- 1% pretax earnings increase

Segment volume and sales grew on top of double-digit increases in the year-ago quarter, reflecting overall higher demand-building support as well as gains in the Professional Products and Home Care businesses. The Professional Products business delivered another quarter of double-digit volume growth supported by increased shipments across several brands. Home Care grew volume behind increased merchandising support for Clorox® disinfecting wipes. Laundry volume was flat largely driven by higher shipments of Clorox® bleach products behind increased merchandising support, partially offset by lower shipments of Green Works® laundry detergent due to category softness. Segment volume outpaced sales primarily due to the impact of unfavorable mix, partially offset by the benefit of price increases. Pretax earnings growth reflected continued margin expansion, supported by the benefit of cost savings from the company's year-ago conversion to concentrated bleach, and higher sales partially offset by higher commodity costs.

Household

(Bags and Wraps, Charcoal, Cat Litter)

- 1% volume decrease
- 1% sales decrease
- 27% pretax earnings decrease

Segment volume and sales declines were largely driven by lower volume and sales in Charcoal due to a comparison to double-digit increases in the year-ago period. For perspective, due to the seasonality of the Charcoal business,

the second quarter typically represents approximately 10 percent of annual charcoal sales. Cat Litter grew volume behind increased merchandising support to offset heightened competitive activity. Volume in the Glad® business was essentially flat primarily from lower shipments of base trash offset by continued strength in OdorShield® products. The segment's pretax earnings decline of \$15 million was largely due to higher commodity costs, as well as higher manufacturing and logistics costs, which more than offset the benefit of cost savings.

Lifestyle

(Dressings and Sauces, Water Filtration, Natural Personal Care)

- 1% volume decrease
- Flat sales
- 1% pretax earnings decrease

Segment volume results were driven by declines in Water Filtration, primarily due to expanded distribution of competitive private-label filter products, partially offset by gains in the Food business from higher shipments of Hidden Valley® dry dips and salad dressings. Burt's Bees® volume was flat as the brand lapped the introduction of lip color innovation in the year-ago quarter. Sales outpaced volume due to the benefit of price increases and lower trade promotion spending. Pretax earnings declined primarily due to increased advertising and sales promotion spending for Burt's Bees lip care lines and product innovation.

International

(All countries outside of the U.S.)

- 2% volume increase
- 1% sales increase
- 20% pretax earnings growth

Segment volume growth reflected gains in Argentina, Canada and in the Middle East, partially offset by declines in Venezuela. Segment sales grew due to the benefit of price increases, favorable mix and higher volume, largely offset by unfavorable foreign currency exchange rates across multiple countries, including Argentina, Australia, Canada and Venezuela. Although segment sales increased 1 percent for the quarter, excluding the impact of 8 percentage points from foreign currency declines, segment sales grew about 9 percent. Volume outpaced segment

sales due to foreign currency declines, partially offset by price increases and favorable mix. Pretax earnings growth reflects the benefits of price increases and cost savings, as well as a comparison to one-time costs associated with an IT systems implementation in Latin America in the year-ago quarter, which more than offset the impact of unfavorable foreign currency exchange rates and higher manufacturing and logistics costs from inflationary pressures.

Clorox Updates Fiscal Year 2014 Outlook

- * 1%-2% sales growth
- * Flat to 25 basis points of EBIT margin expansion
- * \$4.40-\$4.55 diluted EPS range

"We've updated our outlook to reflect even more pressure from unfavorable foreign currency exchange rates, particularly in light of the significant devaluation of the Argentine peso that took place in January. In addition, our outlook reflects continued impact from sluggish category growth and higher commodity costs," said Chief Financial Officer Steve Robb. "We're committed to addressing these challenges through strong execution of our demand-building plans, which include delivering product innovation and higher trade promotion spending that will help grow our categories and support our brands, as well as strong cost savings across our operations."

Clorox now anticipates sales growth for fiscal 2014 to be in the range of 1 to 2 percent, reflecting a greater impact from unfavorable foreign currencies in Argentina and other countries, which are now expected to negatively affect fiscal year sales by more than 2 percentage points. This range reflects up to 3 percentage points of negative impact from foreign currency declines in the second half of the fiscal year. On a currency-neutral basis, the company's fiscal year sales outlook is about 3 to 4 percent growth.

Clorox continues to anticipate EBIT margin to be in the range of flat to up 25 basis points, driven by lower selling and administrative expense as a percentage of sales, partially offset by higher commodity costs, which are expected to negatively impact margins by more than 100 basis points, as well as continued inflation in some international markets. The company continues to anticipate offsetting these factors by delivering cost savings of about 150 basis points.

Clorox continues to anticipate an effective tax rate of about 34 percent for fiscal 2014.

Net of all these factors, Clorox now anticipates fiscal 2014 diluted EPS from continuing operations in the range of \$4.40 to \$4.55. This 5-cent reduction versus the previous outlook reflects the company's new foreign currency

assumption primarily for Argentina.

Although potentially significant currency devaluations are likely to occur in Venezuela in the future, due to the unpredictability of the timing, form and amount, the company's outlook does not assume further currency devaluations in Venezuela beyond the February 2013 devaluation.

For More Detailed Financial Information

Visit the Investors: Financial Reporting: Financial Results section of the company's website at **TheCloroxCompany.com** for the following:

- * Supplemental volume and sales growth information
- * Supplemental gross margin driver information
- * Reconciliation of certain non-GAAP financial information, including earnings from continuing operations before interest and taxes (EBIT) and earnings from continuing operations before interest, taxes, depreciation and amortization (EBITDA)
- * Supplemental balance sheet and cash flow information and free cash flow reconciliation
- * Supplemental price-change information

Note: Percentage and basis-point changes noted in this press release are calculated based on rounded numbers. Supplemental materials are available in the Investors: Financial Reporting: Financial Results section of the company's website at **TheCloroxCompany.com**.

The Clorox Company

The Clorox Company is a leading multinational manufacturer and marketer of consumer and professional products with approximately 8,400 employees and fiscal year 2013 revenues of \$5.6 billion. Clorox markets some of the most trusted and recognized brand names, including its namesake bleach and cleaning products, Clorox Healthcare™, HealthLink®, Aplicare® and Dispatch® products, Green Works® naturally derived products, Pine-Sol® cleaners, Poett® home care products, Fresh Step® cat litter, Glad® bags, wraps and containers, Kingsford® charcoal, Hidden Valley® and KC Masterpiece® dressings and sauces, Brita® water-filtration products, and Burt's Bees® and gud® natural personal care products. Nearly 90 percent of the company's brands hold the No. 1 or No. 2 market share positions in their categories. Clorox's commitment to corporate responsibility includes making a positive difference in its communities. In fiscal year 2013, The Clorox Company Foundation awarded about \$4 million in cash grants,

and Clorox made product donations valued at nearly \$15 million. For more information, visit TheCloroxCompany.com.

Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and such forward-looking statements involve risks and uncertainties. Except for historical information, matters discussed above, including statements about future volume, sales, costs, cost savings, earnings, cash flows, plans, objectives, expectations, growth, or profitability, are forward-looking statements based on management's estimates, assumptions and projections. Words such as "could," "may," "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 Annual Report on Form 10-K for the fiscal year ended June 30, 2013, as updated from time to time in the company's SEC filings. These factors include, but are not limited to: worldwide, regional and local economic conditions and financial market volatility; risks related to international operations, including political instability, foreign currency exchange rate controls, fluctuations and devaluations, government-imposed price controls or other regulations, labor unrest and inflationary pressures, particularly in Venezuela, as well as Argentina and other challenging markets; risks related to the possibility of nationalization, expropriation of assets or other government action in foreign jurisdictions, especially in Venezuela; intense competition in the company's markets; volatility and increases in commodity costs such as resin, sodium hypochlorite and agricultural commodities and increases in energy or transportation costs; the ability of the company to drive sales growth, increase market share and grow its product categories, and achieve favorable product and geographic mix; dependence on key customers and risks related to customer ordering patterns; the ability of the company to implement and generate anticipated cost savings and efficiencies; costs resulting from government regulations; the ability of the company to successfully manage global political, legal, tax and regulatory risks, including changes in regulatory or administrative activity; the impact of product liability claims, labor claims and other legal proceedings, including in foreign jurisdictions and the company's litigation related to its discontinued operations in Brazil; the success of the company's business strategies; the ability of the company to develop and introduce commercially successful products; risks relating to acquisitions, new ventures and divestitures and associated costs; supply disruptions and other risks inherent in reliance on a limited base of suppliers; the company's ability to attract and retain key personnel; the company's ability to maintain its business reputation and the reputation of its brands; environmental matters including costs associated with the remediation of past contamination and the handling

and/or transportation of hazardous substances; the impact of natural disasters, terrorism and other events beyond the company's control; the company's ability to maximize, assert and defend its intellectual property rights; any infringement by the company of third-party intellectual property rights; the effect of the company's indebtedness on its operations and financial results; changes to the company's credit rating; the sufficiency of the company's cash flow; the company's ability to maintain an effective system of internal controls; risks related to reliance on information technology systems, including potential security breaches or cyber attacks that result in the unauthorized disclosure of consumer, customer, employee or company information, or service interruptions; uncertainties relating to tax positions, tax disputes and changes in the company's tax rate; the potential for asset impairment charges, including intangible assets and goodwill; the accuracy of the company's estimates and assumptions on which its financial statement projections are based; and the company's ability to declare dividends or repurchase its stock in the future.

The company's forward-looking statements in this press release are based on management's 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.

Condensed Consolidated Statements of Earnings, Reportable Segment Information and Condensed Consolidated Balance Sheets

Reconciliations of Sales Growth, EBIT Margin and Free Cash Flow

Supplemental Volume and Sales Growth Information

Supplemental Gross Margin Driver Information

Supplemental Balance Sheet and Cash Flow Information

Reconciliation of Certain Non-GAAP Financial Information, Including EBIT and EBITDA

Supplemental Pricing Actions Information

Non-GAAP Financial Information

This press release contains non-GAAP financial information relating to sales growth, EBIT margin and free cash flow. The company has included reconciliations of these non-GAAP financial measures to the most directly comparable financial measure calculated in accordance with GAAP. See the end of this press release for these reconciliations.

The company disclosed these non-GAAP financial measures to supplement its condensed consolidated financial statements presented in accordance with GAAP. These non-GAAP financial measures exclude certain items that are included in the company's results reported in accordance with GAAP, including income taxes, interest income, interest expense and foreign exchange impact. Management believes these non-GAAP financial measures provide useful additional information to investors about trends in the company's operations and are useful for period-over-period comparisons. Management uses free cash flow and free cash flow as a percent of sales to help assess the cash generation ability of the business and funds available for investing activities, such as acquisitions, investing in the business to drive growth, and financing activities, including debt payments, dividend payments and share repurchases. Free cash flow does not represent cash available only for discretionary expenditures, since the company has mandatory debt service requirements and other contractual and non-discretionary expenditures. These non-GAAP financial measures should not be considered in isolation or as a substitute for the comparable GAAP measures. In addition, these non-GAAP measures may not be the same as similar measures provided by other companies due to potential differences in methods of calculation and items being excluded. They should be read in connection with the company's condensed consolidated financial statements presented in accordance with GAAP.

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