

# CLOROX CO /DE/

## FORM 10-K (Annual Report)

Filed 08/21/15 for the Period Ending 06/30/15

|             |   |
|-------------|---|
| Address     | THE CLOROX COMPANY<br>1221 BROADWAY<br>OAKLAND, CA 94612-1888     |
| Telephone   | 5102717000  |
| CIK         | 0000021076  |
| Symbol      | CLX   |
| SIC Code    | 2842 - Specialty Cleaning, Polishing, and Sanitation Preparations |
| 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

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**FORM 10-K**

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- Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
for the fiscal year ended June 30, 2015  
OR  
 **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the transition period from \_\_\_\_\_ to \_\_\_\_\_.  
Commission file number: 1-07151

**THE CLOROX COMPANY**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**31-0595760**  
(I.R.S. Employer  
Identification 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:**

| <u>Title of each class</u>    | <u>Name of each exchange on which registered</u> |
|-------------------------------|--|
| Common Stock—\$1.00 par value | New York Stock Exchange                          |

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

**None**  
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes . No .

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes . No .

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes . No .

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes . No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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 a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

The aggregate market value of the registrant's common stock held by non-affiliates as of December 31, 2014 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$13.7 billion.

As of July 31, 2015, there were 128,643,834 shares of the registrant's common stock outstanding.

### Documents Incorporated by Reference:

Portions of the registrant's definitive proxy statement for the 2015 Annual Meeting of Stockholders (the "Proxy Statement"), to be filed within 120 days after June 30, 2015, are incorporated by reference into Part III, Items 10 through 14 of this Annual Report on Form 10-K.

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**THE CLOROX COMPANY**  
**ANNUAL REPORT ON FORM 10-K**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
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**PART I**

This Annual Report on Form 10-K for the fiscal year ended June 30, 2015 (this Report), including the exhibits hereto and the information incorporated by reference herein, contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and such forward-looking statements involve risks and uncertainties. Except for historical information, matters discussed below, 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 that reflect our current views with respect to future events and financial performance, 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 below. 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 this Report, as updated from time to time in the Company’s U.S. Securities and Exchange Commission (SEC) filings.

The Company’s forward-looking statements in this Report 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.

In this Report, unless the context requires otherwise, the terms “the Company” and “Clorox” refer to The Clorox Company and its subsidiaries.

**ITEM 1. BUSINESS**

**Overview of Business**

The Clorox Company is a leading multinational manufacturer and marketer of consumer and professional products with approximately 7,700 employees worldwide as of June 30, 2015, and fiscal year 2015 net sales of \$5.7 billion. Clorox sells its products primarily through mass retail outlets, e-commerce channels, wholesale distributors, and medical supply distributors. Clorox markets some of the most trusted and recognized consumer brand names, including its namesake bleach and cleaning products, Pine-Sol<sup>®</sup> cleaners, Liquid-Plumr<sup>®</sup> clog removers, Poett<sup>®</sup> home care products, Fresh Step<sup>®</sup> cat litter, Glad<sup>®</sup> bags, wraps and containers, Kingsford<sup>®</sup> charcoal, Hidden Valley<sup>®</sup> dressings and sauces, Brita<sup>®</sup> water-filtration products and Burt’s Bees<sup>®</sup> natural personal care products. The Company also markets brands through professional services channels, including infection control products for the healthcare industry under Clorox Healthcare<sup>®</sup>, HealthLink<sup>®</sup>, Aplicare<sup>®</sup> and Dispatch<sup>®</sup> brands. The Company manufactures products in more than a dozen countries and markets them in more than 100 countries. More than 80% of the Company’s sales are generated from brands that hold the No. 1 or No. 2 market share positions in their categories. The Company was founded in Oakland, Calif. in 1913 and is incorporated in Delaware.

The Company’s 2020 strategy, which was introduced in fiscal year 2014, focuses on delivering long-term, profitable growth and strong stockholder returns. The Company’s long-term financial goals include annual net sales growth of 3-5%, market share growth, annual EBIT margin growth of between 25-50 basis points and annual free cash flow as a percentage of net sales of about 10-12%.

In fiscal year 2015, the Company delivered strong results including 3% net sales growth and a 4% increase in diluted earnings per share from continuing operations despite a difficult environment, particularly in International markets that included unfavorable foreign exchange rates and slowing economies. The Company focused on driving profitable growth in its U.S. business, including continuing to invest in innovation and increasing brand investments to drive category growth and market share improvements. In particular, the Company launched new products in many categories in fiscal year 2015, including Clorox<sup>®</sup> ScrubSingles<sup>™</sup>; Clorox<sup>®</sup> Triple Action Dust Wipes; Burt’s Bees<sup>®</sup> facial products; Burt’s Bees<sup>®</sup> lip crayons; new flavors of Burt’s Bees<sup>®</sup> lip balms; Glad<sup>®</sup> OdorShield<sup>®</sup> Gain<sup>®</sup> Original Scent; new flavors of Hidden Valley<sup>®</sup> dressings; Fresh Step<sup>®</sup> light weight cat litter; and Kingsford<sup>®</sup> lightweight charcoal, among others. The Company also continued its focus on delivering cost savings to offset the impact of inflation, particularly on the cost of manufacturing and distributing its products.

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Internationally, the Company faced particularly difficult political and economic challenges in Venezuela. For nearly three years and in the first quarter of fiscal year 2015, the Company's affiliate, Corporación Clorox de Venezuela S.A. (Clorox Venezuela), was required to sell more than two-thirds of its products at prices frozen by the Venezuelan government. During this same period, Venezuela experienced cumulative triple-digit inflation resulting in significant increases in Clorox Venezuela's input costs leading to ongoing operating losses. Consequently, Clorox Venezuela discontinued operations in the first quarter of fiscal year 2015 and its results are reflected in discontinued operations in the Company's Consolidated Statements of Earnings.

In fiscal year 2015, the Company also faced economic challenges in Argentina, including significant currency declines and inflation. However, the Company was able to partially offset these economic factors by implementing price increases and delivering cost savings in Argentina.

To partially offset economic challenges in international markets, including foreign currency declines and slowing economies, the Company focused on cost savings, operational efficiencies and, wherever possible, implemented price increases in order to mitigate high inflation. Despite the slowing of certain international economies, the Company's international business continued to play an important strategic role, with No. 1 and No. 2 brands in multiple countries. In addition, the Company continued to expand its Burt's Bees<sup>®</sup> brand internationally.

In fiscal year 2015, the Company repurchased approximately 4 million shares of its common stock for \$434 million, returned \$385 million in dividends to stockholders and announced a 4% increase in its quarterly dividend, payable in August 2015.

Finally, the Company continued its commitment to corporate responsibility by maintaining strong and transparent environmental, social and governance practices. In fiscal year 2015, the Company continued to reduce its water and energy use, waste to landfill and its greenhouse gas emissions, receiving two Climate Leadership Awards from the Environmental Protection Agency. The Company was also recognized as one of the most responsible companies by Corporate Responsibility magazine and one of the greenest companies in the 2015 Newsweek Green Rankings. In fiscal year 2015, The Clorox Company Foundation awarded approximately \$4 million in cash grants, and the Company made product donations valued at approximately \$4 million and contributed another \$1 million to deserving nonprofits through cause marketing programs for social and charitable causes.

For additional information on recent business developments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations," in Exhibit 99.1, incorporated herein by reference.

## Financial Information About Operating Segments and Principal Products

The Company operates through strategic business units that are aggregated into four reportable segments: Cleaning, Household, Lifestyle and International. The four reportable segments consist of the following:

- *Cleaning* consists of laundry, home care and professional products marketed and sold in the United States. Products within this segment include laundry additives, including bleach products under the Clorox<sup>®</sup> brand and Clorox 2<sup>®</sup> stain fighter and color booster; home care products, primarily under the Clorox<sup>®</sup>, Formula 409<sup>®</sup>, Liquid-Plumr<sup>®</sup>, Pine-Sol<sup>®</sup>, S.O.S<sup>®</sup> and Tilex<sup>®</sup> brands; naturally derived products under the Green Works<sup>®</sup> brand; and professional cleaning and disinfecting products under the Clorox<sup>®</sup>, Dispatch<sup>®</sup>, Aplicare<sup>®</sup>, HealthLink<sup>®</sup> and Clorox Healthcare<sup>®</sup> brands.
- *Household* consists of charcoal, cat litter and plastic bags, wraps and container products marketed and sold in the United States. Products within this segment include plastic bags, wraps and containers under the Glad<sup>®</sup> brand; cat litter products under the Fresh Step<sup>®</sup>, Scoop Away<sup>®</sup> and Ever Clean<sup>®</sup> brands; and charcoal products under the Kingsford<sup>®</sup> and Match Light<sup>®</sup> brands.

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- *Lifestyle* consists of food products, water-filtration systems and filters and natural personal care products marketed and sold in the United States. Products within this segment include dressings and sauces, primarily under the Hidden Valley<sup>®</sup>, KC Masterpiece<sup>®</sup> and Soy Vay<sup>®</sup> brands; water-filtration systems and filters under the Brita<sup>®</sup> brand; and natural personal care products under the Burt's Bees<sup>®</sup> brand.
- *International* consists of products sold outside the United States. Products within this segment include laundry, home care, water-filtration, charcoal and cat litter products, dressings and sauces, plastic bags, wraps and containers and natural personal care products, primarily under the Clorox<sup>®</sup>, Glad<sup>®</sup>, PinoLuz<sup>®</sup>, Ayudin<sup>®</sup>, Limpido<sup>®</sup>, Clorinda<sup>®</sup>, Poett<sup>®</sup>, Mistolin<sup>®</sup>, Lestoil<sup>®</sup>, Bon Bril<sup>®</sup>, Brita<sup>®</sup>, Green Works<sup>®</sup>, Pine-Sol<sup>®</sup>, Agua Jane<sup>®</sup>, Chux<sup>®</sup>, Kingsford<sup>®</sup>, Fresh Step<sup>®</sup>, Scoop Away<sup>®</sup>, Ever Clean<sup>®</sup>, KC Masterpiece<sup>®</sup>, Hidden Valley<sup>®</sup> and Burt's Bees<sup>®</sup> brands.

Three of the Company's product lines have accounted for 10% or more of consolidated net sales during each of the past three fiscal years. In fiscal years 2015, 2014 and 2013, sales of liquid bleach represented approximately 14%, 13% and 14% of the Company's consolidated net sales, respectively, approximately 26% of net sales for each such years in the Cleaning segment, and approximately 27%, 28% and 28% of net sales in the International segment, respectively. Sales of trash bags represented approximately 14%, 13% and 13% of the Company's consolidated net sales in each of the fiscal years 2015, 2014 and 2013, respectively, approximately 38%, 36% and 37% of net sales in the Household segment, respectively, and approximately 8%, 8% and 10% of net sales in the International segment, respectively. Sales of charcoal represented approximately 11%, 11% and 10% of the Company's consolidated net sales and approximately 34%, 34% and 32% of net sales in the Household segment in fiscal years 2015, 2014 and 2013, respectively.

Information about the results of each of the Company's reportable segments for the last three fiscal years and total assets as of the end of the last three fiscal years, reconciled to the consolidated amounts, is set forth below. For additional information, refer to the information set forth under the caption "Segment Results from Continuing Operations" in "Management's Discussion and Analysis of Financial Condition and Results of Operations," in Exhibit 99.1.

| (Dollars in millions)  | Fiscal Year | Cleaning | Household | Lifestyle | International | Corporate | Total Company |
|--|-------------|----------|-----------|-----------|---------------|-----------|---------------|
| Net sales  | 2015        | \$ 1,824 | \$ 1,794  | \$ 950    | \$ 1,087      | \$ -      | \$ 5,655      |
|  | 2014        | 1,776    | 1,709     | 936       | 1,093         | -         | 5,514         |
|  | 2013        | 1,783    | 1,693     | 929       | 1,128         | -         | 5,533         |
| Earnings (losses) from continuing operations before income taxes | 2015        | 445      | 375       | 257       | 79            | (235)     | 921           |
|  | 2014        | 428      | 326       | 258       | 99            | (227)     | 884           |
|  | 2013        | 420      | 336       | 259       | 95            | (258)     | 852           |
| Total assets   | 2015        | 876      | 725       | 860       | 1,057         | 646       | 4,164         |
|  | 2014        | 887      | 745       | 869       | 1,190         | 567       | 4,258         |

## Principal Markets and Methods of Distribution

In the United States, most of the Company's products are nationally advertised and sold to mass merchandisers, warehouse clubs, and dollar, military and other types of retail stores primarily through a direct sales force, and to grocery stores and grocery wholesalers primarily through a combination of direct sales teams and a network of brokers. The Company sells institutional, janitorial, and food-service versions of many of its products through distributors, and sells healthcare products through a direct sales force and medical supply distributors. Outside the United States, the Company sells products to the retail trade through subsidiaries, licensees, distributors and joint-venture arrangements with local partners. Additionally, the Company sells many of its products through online retailers and sells its Burt's Bees<sup>®</sup> natural personal care products directly to consumers online.

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### **Financial Information About Foreign and Domestic Operations**

For detailed financial information about the Company's foreign and domestic operations, including net sales and property, plant and equipment, net, by geographic area, see the Notes to Consolidated Financial Statements in Exhibit 99.1.

### **Sources and Availability of Raw Materials**

The Company purchases raw materials from numerous unaffiliated domestic and international suppliers, some of which are sole-source or single-source suppliers. Interruptions in the delivery of these materials could adversely impact the Company. Key raw materials used by the Company include resin, diesel, sodium hypochlorite, corrugated cardboard and agricultural commodities. Sufficient raw materials were available during fiscal year 2015 but costs for many materials continued to increase amid volatility and inflation in some key geographic and commodity markets, which the Company expects to continue in fiscal year 2016. The Company generally utilizes supply and forward-purchase contracts to help ensure availability and help manage the volatility of the pricing of raw materials needed in its operations. However, the Company is nonetheless highly exposed to changes in the prices of commodities used as raw materials in the manufacturing of its products. For further information regarding the impact of changes in commodity prices, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Exhibit 99.1 and "Risk Factors – Volatility and increases in the costs of raw materials, energy, transportation, labor and other necessary supplies or services could harm the Company's profits and cash flow" in Item 1.A.

### **Patents and Trademarks**

Most of the Company's brand name consumer products are protected by registered trademarks. The Company's brand names and trademarks are highly important to its business, and the Company vigorously protects its trademarks from apparent infringements. Maintenance of brand equity value is critical to the Company's success. The Company's patent rights are also material to its business and are asserted, where appropriate, against apparent infringements.

### **Seasonality**

Most sales of the Company's charcoal products occur in the first six months of each calendar year. A moderate seasonality trend also occurs in the net sales of the Company's Burt's Bees<sup>®</sup> natural personal care products, with slightly more than half of the annual net sales occurring during the months of October through March. Short-term borrowings may be used to fund inventories of those products in the off season.

### **Customers**

Net sales to the Company's largest customer, Walmart Stores, Inc. and its affiliates, were 26%, 27% and 27% of consolidated net sales for each of the fiscal years ended June 30, 2015, 2014 and 2013, respectively, and occurred in each of the Company's reportable segments. No other customers accounted for more than 10% of consolidated net sales in any of these fiscal years. During fiscal years 2015, 2014 and 2013, the Company's five largest customers accounted for 45% of its consolidated net sales for each of the three fiscal years.

### **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. Competition comes from similar and alternative products, some of which are produced and marketed by major multinational or national companies having financial resources greater than those of the Company. Depending on the product, the Company's products compete on product performance, brand recognition, price, value or other benefits to consumers. A newly introduced consumer product (whether improved or newly developed) usually encounters intense competition requiring substantial expenditures for advertising, sales promotion and trade merchandising support. If a product gains consumer acceptance, it typically requires continued advertising and promotional support and ongoing product improvements to maintain its relative market position. For further information regarding the intense competition the Company faces, see "Risk Factors – The Company faces intense competition in its markets, which could lead to reduced net sales, profitability and cash flow" in Item 1.A.

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### **Research and Development**

The Company conducts research and development primarily at its facility located in Pleasanton, Calif., which the Company has leased since 2011. The Pleasanton facility consists of approximately 357,000 square feet of leased space, utilizing state-of-the-art labs and open work spaces to encourage creativity, collaboration and innovation. In addition to the leased facility in Pleasanton, Calif., the Company conducts research and development activities in Meriden, Ct.; Kennesaw, Ga.; Willowbrook, Il.; Midland, Mi.; Durham, NC; Cincinnati, Oh.; and Buenos Aires, Argentina.

The Company devotes significant resources and attention to product development, process technology and consumer insight research to develop commercially viable consumer-preferred products with innovative and distinctive features. The Company incurred expenses of \$136 million, \$125 million and \$130 million in fiscal years 2015, 2014 and 2013, respectively, on direct research activities relating to the development of new products and/or the improvement of existing products. In addition, the Company obtains technologies from third parties for use in its products. Royalties relating to such technologies are reflected in the Company's cost of sales. For further information regarding the Company's research and development costs, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Exhibit 99.1.

### **Environmental Matters**

For information regarding noncapital expenditures related to environmental matters, see the discussions below under "Risk Factors – Environmental matters create potential liabilities that could adversely affect the Company's results of operations or financial condition" in Item 1.A. No material capital expenditures relating to environmental compliance are presently anticipated.

### **Number of Persons Employed**

As of June 30, 2015, the Company employed approximately 7,700 people.

### **Available Information**

The Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Exchange Act are available on the Company's website, free of charge, as soon as reasonably practicable after the reports are electronically filed with or furnished to the SEC. These reports are available at [TheCloroxCompany.com](http://TheCloroxCompany.com) under Investors/Financial Reporting/SEC Filings. Information relating to corporate governance at Clorox, including the Company's Code of Conduct, the Clorox Company Board of Directors Governance Guidelines and Board Committee charters, including charters for the Management Development and Compensation Committee, the Audit Committee, and the Nominating and Governance Committee, is available at [TheCloroxCompany.com](http://TheCloroxCompany.com) under Corporate Responsibility/Performance/Corporate Governance or <http://www.thecloroxcompany.com/corporate-responsibility/performance/corporate-governance>. The Company will provide any of the foregoing information without charge upon written request to Corporate Communications, The Clorox Company, 1221 Broadway, Oakland, CA 94612-1888. The information contained on the Company's website is not included as a part of, or incorporated by reference into, this Report.

### **ITEM 1.A. RISK FACTORS**

The risks and uncertainties set forth below, as well as other factors described elsewhere in this Report or in other filings by the Company with the SEC, could adversely affect the Company's business, financial condition and results of operations. Additional risks and uncertainties that are not currently known to the Company or that are not currently believed by the Company to be material may also harm the Company's business operations and financial results.

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### **The Company faces intense competition in its markets, which could lead to reduced net sales, profitability and cash flow.**

The Company faces intense competition from consumer product companies both in the United States and in its international markets. Most of the Company's products compete with other widely advertised brands within each product category. The Company also faces competition from retailers, including club stores, dollar stores and mass merchandisers, which are increasingly offering "private label" brands that are typically sold at lower prices and compete with the Company's products in certain categories. During times of economic uncertainty, consumers tend to purchase more "private label" or other economy brands. Increased purchases of "private label" products could reduce sales volumes of the Company's higher-margin products or there could be a shift in product mix to lower-margin offerings.

The Company's products generally compete on the basis of product performance, brand recognition, price, value or other benefits to consumers. Advertising, promotion, merchandising and packaging also have significant impacts on consumer purchasing decisions, and the Company is increasingly using digital media marketing and promotional programs to reach consumers. A newly introduced consumer product (whether improved or newly developed) usually encounters intense competition requiring substantial expenditures for advertising, sales promotion and trade merchandising. If a product gains consumer acceptance, it typically requires continued advertising, promotional support and product improvements to maintain its relative market position. If the Company's advertising, marketing and promotional programs, including its use of digital media to reach consumers, are not effective or adequate, the Company's sales and volume may be negatively impacted.

Some of the Company's competitors are larger than the Company and have greater financial resources. These competitors may be able to spend more aggressively on advertising and promotional activities, introduce competing products more quickly and respond more effectively to changing business and economic conditions than the Company can. In addition, the Company's competitors may attempt to gain market share by offering products at prices at or below those typically offered by the Company. Competitive activity may require the Company to increase its spending on advertising and promotions and/or reduce prices, which could lead to reduced profits and adversely affect growth.

### **Uncertain worldwide, regional and local economic conditions and financial market volatility may negatively impact the Company and consumers of its products, which would negatively affect the Company's financial performance and liquidity.**

Although the Company continues to devote significant resources to support its brands, uncertain economic conditions may continue to negatively affect consumer demand for the Company's products. Consumers may also be sensitive to economic uncertainty or unfavorable economic conditions and reduce discretionary spending, which may lead to reduced sales volumes or cause a shift in the Company's product mix from higher-margin to lower-margin products. Consumers may increase purchases of lower-priced or "private label" products, and the Company's competitors may increase levels of advertising and promotional activity for lower-priced products as they seek to maintain sales volumes during uncertain economic times, which may negatively impact the Company's sales and volume.

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Global markets continued to experience significant disruptions during fiscal year 2015, and continuing volatility, particularly in Argentina, could continue to harm the Company's business. In addition, financial market volatility could adversely affect the Company's liquidity and capital resources. Uncertain economic conditions and financial market volatility may also adversely affect the financial condition of the Company's customers, suppliers and other business partners. If customers' financial conditions are severely affected, customers may reduce their purchases of the Company's products or the Company may not be able to collect accounts receivable, each of which could have a material adverse impact on the Company's operations or financial results.

### **Sales growth objectives may be difficult to achieve, and price increases, market and category declines and changes to the Company's product and geographic mix may adversely impact the Company's financial results.**

A large percentage of the Company's revenues comes from mature markets that are subject to high levels of competition. During fiscal year 2015, approximately 82% of the Company's net sales were generated in U.S. markets. U.S. markets for cleaning products are generally characterized by high household penetration. The Company's ability to achieve sales growth depends on its ability to drive growth through innovation, expansion into new product categories, channels and countries, investment in its established brands and enhanced merchandising and its ability to capture market share from competitors. If the Company is unable to increase market share in existing product lines, develop product improvements, undertake sales, marketing and advertising initiatives that grow its product categories and develop, acquire or successfully launch new products, it may not achieve its sales growth objectives. Even when the Company is successful in increasing market share within particular product categories, a decline in the markets for such product categories can have a negative impact on the Company's financial results.

In addition, changes to the mix of products the Company sells, as well as the mix of countries in which its products are sold, can adversely impact the Company's operating expenses, the amount of revenue and the timing of revenue recognition, which could cause its profitability and cash flow to suffer. The Company's financial outlook assumes a certain volume and product mix of sales, and if actual results vary from this projected volume and product mix of sales, the Company's operations and results could be negatively affected.

### **The Company is subject to risks related to its international operations.**

In fiscal year 2015, approximately 18% of the Company's net sales were generated in international markets, including approximately 4% of the Company's net sales in Argentina. The Company faces and will continue to face substantial risks associated with having foreign operations, including the following:

- economic or political instability, particularly in Argentina;
- price controls and related government actions, particularly in Argentina where the devaluation of the Argentine peso and high inflation have negatively affected the Company's net sales and net earnings;
- risks related to the Company's discontinued operations in Venezuela;
- foreign currency fluctuations, currency controls and inflation, which may adversely affect the Company's ability to do business in certain markets and reduce the U.S. dollar value of revenues, profits or cash flows it receives from non-U.S. markets;
- difficulty in obtaining non-local currency (e.g., U.S. dollars) to pay for the raw materials needed to manufacture the Company's products and contract-manufactured products;
- restrictions on or costs related to the repatriation of foreign profits to the United States, including possible taxes or withholding obligations on any repatriations, particularly in Argentina;
- the imposition of tariffs, trade restrictions, import and export laws or other government actions generating a negative impact on the Company's business;
- the possibility of nationalization, expropriation of assets or other similar government actions;
- difficulties in hiring and retaining qualified employees;
- civil unrest, work stoppages and labor disputes;
- employment litigation related to employees, contractors and suppliers, particularly in Argentina;

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- difficulties in obtaining or unavailability of raw materials;
- increased credit risk of customers, suppliers and distributors;
- potential harm to third parties, the Company's employees and/or surrounding communities, and related liabilities, from the use, storage and transportation of chlorine in certain international markets where chlorine is used in the production of bleach;
- difficulties in enforcing intellectual property and contractual rights;
- lack of well-established or reliable, and impartial legal systems in certain countries where the Company operates; and
- challenges relating to enforcement of or compliance with local laws and regulations and with U.S. laws affecting operations outside of the United States, including without limitation, the Foreign Corrupt Practices Act.

Argentina presents a difficult operating environment, including price controls on some of the Company's products, a devaluing currency and inflation. More broadly, the risks described above could have a significant adverse impact on the Company's ability to commercialize its products on a competitive basis in international markets and may have a material adverse effect on its results of operations or financial position. For example, the Company's inability to raise prices as a result of price controls could continue to adversely affect the Company's margins, profitability and cash flow, and make it difficult for the Company to offset other risks, such as high inflation. The Company's small sales volume in some countries, relative to some multinational and local competitors, could exacerbate such risks.

In addition, the Company is exposed to foreign currency exchange rate risks with respect to its sales, profits and cash flow driven by movements of the U.S. dollar relative to other currencies. Although the Company uses instruments to hedge certain foreign currency risks, these hedges only offset a small portion of the Company's exposure to foreign currency fluctuations and, therefore, the Company's reported earnings may be negatively affected by changes in foreign exchange rates.

Inflation is another risk associated with the Company's international operations. For example, Argentina could in the future be designated as a highly inflationary economy. Gains and losses resulting from the remeasurement of non-U.S. dollar monetary assets and liabilities of subsidiaries operating in highly inflationary economies are recorded in net earnings. Other countries in which the Company operates may also become highly inflationary or such countries' currencies may be devalued, or both, which may negatively impact the Company's operations and financial results.

For further information regarding Argentina, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Exhibit 99.1.

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### **The Company is subject to risks related to its discontinued operations in Venezuela.**

On September 22, 2014, the Company's Venezuela subsidiary announced that it was discontinuing its operations, effective immediately, and seeking to sell its assets. On September 26, 2014, the Company reported that Venezuelan Vice President Jorge Arreaza announced, with endorsement by President Nicolás Maduro, that the Venezuelan government had occupied the production facilities of the Company's Venezuela subsidiary. On November 6, 2014, the Company reported that the Venezuelan government had published a resolution granting a government-sponsored Special Administrative Board full authority to restart and operate the business formerly operated by the Company's Venezuela subsidiary, thereby reaffirming the government's expropriation of its assets. Further, President Nicolás Maduro announced the government's intention to facilitate the resumed production of bleach and other cleaning products at the Venezuela plants. The Venezuelan government's actions raise grave concerns, as the production of cleaning products, in particular bleach, is a highly specialized and technical process. Any restarting of operations in Venezuela is or would be without the consent or involvement of the Company and its affiliates, and any resumed production processes would be outside the Company's control. The Company has advised repeatedly that it and its affiliates cannot be responsible for the safety of any workers and the surrounding communities or for the safety, quality or effectiveness of any product that may be produced under the Venezuelan government's takeover or any use of the names and trademarks of the Company and its affiliates. Nevertheless, the Company may face liabilities or costs associated with any such unauthorized resumption of operations by the Venezuelan government or others.

### **Volatility and increases in the costs of raw materials, energy, transportation, labor and other necessary supplies or services could harm the Company's profits and cash flow.**

Volatility and increases in the costs of raw materials, including resin, sodium hypochlorite, linerboard, soybean oil, solvent, corrugated cardboard and other chemicals and agricultural commodities, or increases in the cost of energy, transportation, labor and other necessary supplies or services may harm the Company's profits and operating results. We distribute our products and receive raw materials primarily by rail and truck. Reduced availability of rail or trucking could cause us to incur unanticipated expenses and impair our ability to distribute our products or receive our raw materials in a timely manner.

The Company believes commodity and other cost increases are possible in the future. If such increases occur or exceed the Company's estimates and the Company is not able to increase the prices of its products or achieve cost savings to offset such cost increases, its profits and operating results will be harmed. In addition, if the Company increases the prices of its products in response to increases in the cost of commodities, and commodity costs decline, the Company may not be able to sustain its price increases. Sustained price increases may lead to declines in volume as competitors may not adjust their prices or customers may decide not to pay the higher prices, which could lead to sales declines and loss of market share. While the Company seeks to project tradeoffs between price increases and volume, its projections may not accurately predict the volume impact of price increases, which could adversely affect its financial condition and results of operations.

To reduce the cost volatility associated with anticipated commodity purchases, the Company uses derivative instruments, including commodity futures and swaps. The extent of the Company's derivative position at any given time depends on the Company's assessment of the markets for these commodities, the cost volatility in the markets and the cost of the derivative instruments. Many of the commodities used by the Company in its products do not have actively traded derivative instruments. If the Company does not or is unable to take a derivative position and costs subsequently increase, or if it institutes a position and costs subsequently decrease, the Company's costs may be greater than anticipated or higher than its competitors' costs and the Company's financial results could be adversely affected. For further information regarding the Company's use of derivative instruments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Exhibit 99.1.

### **Reliance on a limited base of suppliers may result in disruptions to the Company's business.**

The Company relies on a limited number of suppliers for certain commodities and raw material inputs, including sole-source and single-source suppliers for certain of its raw materials, packaging, product components, finished products and other necessary supplies. New suppliers may have to be qualified under governmental, industry and Company standards, which can require additional investment and time. The Company could experience disruptions in production and its financial results and relationships with customers could be adversely affected if the Company is unable to qualify any needed new suppliers or maintain supplier arrangements and relationships, if it is unable to contract with suppliers at the quantity, quality and price levels needed for its business or if any of the Company's key suppliers becomes insolvent, experiences financial distress or environmental, economic or other outside factors impact its operations.

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### **The Company may not successfully develop and introduce new products and line extensions or successfully expand into adjacent categories and countries, which could adversely impact its financial results.**

The Company's future performance and growth depends on innovation and its ability to successfully develop or license and introduce new products, brands, line extensions and product improvements or enter into or expand into adjacent product categories, sales channels or countries. The Company cannot be certain that it will successfully achieve its innovation goals. The development and introduction of new products require substantial and effective research and development and marketing expenditures, which the Company may be unable to recoup if the new products do not gain widespread market acceptance. In addition, effective and integrated systems are required for the Company to gather and use consumer data and information to successfully market its products. New product development and marketing efforts, including efforts to enter markets or product categories in which the Company has limited or no prior experience, have inherent risks. These risks include product development or launch delays, which could result in the Company not being first to market and the failure of new products, brands and line extensions to achieve anticipated levels of market acceptance. If product introductions or new or expanded adjacencies are not successful, costs associated with these efforts may not be fully recouped and the Company's profits could be adversely affected. In addition, if sales generated by new products cause a decline in sales of the Company's existing products, the Company's operating and financial results could be materially adversely affected.

### **Dependence on key customers could adversely affect the Company's business, financial condition and results of operations.**

A limited number of customers account for a large percentage of the Company's net sales. Net sales to the Company's largest customer, Walmart Stores, Inc. and its affiliates, were 26%, 27% and 27% of consolidated net sales for each of the fiscal years ended June 30, 2015, 2014 and 2013, respectively, and occurred in each of the Company's reportable segments. No other individual customer accounted for more than 10% of consolidated net sales in any of these fiscal years. During fiscal years 2015, 2014 and 2013, the Company's five largest customers accounted for 45% of its consolidated net sales for each of the three fiscal years. The Company expects that a significant portion of its revenues will continue to be derived from a small number of customers. As a result, changes in the strategies of the Company's largest customers, including a reduction in the number of brands they carry or a shift of shelf space to "private label" or competitors' products, may harm the Company's sales and reduce the ability of the Company to offer new innovative and improved products to consumers.

In addition, the Company's business is based primarily upon individual sales orders, and the Company typically does not enter into long-term contracts with its customers. Accordingly, these customers could reduce their purchasing levels or cease buying products from the Company at any time and for any reason. If the Company does not effectively respond to the demands of its customers, they could decrease their purchases from the Company, causing the Company's sales and profits to decline. Furthermore, unfavorable market conditions or competitive pressures may cause the Company's customers to reevaluate the number and mix of brands they sell, resulting in lower purchases of the Company's products by these customers.

The Company continues to see retailer consolidation both in the United States and internationally. This trend has resulted in the increased size and influence of large consolidated retailers, who may change their business strategies, demand lower pricing or special packaging or impose other burdensome requirements on product suppliers. These business demands may relate to inventory practices, logistics, a shift in focus away from branded products toward "private label" or other aspects of the customer-supplier relationship. These large consolidated companies could also exert additional competitive pressure on the Company's other customers, which could in turn lead to such customers demanding lower pricing or special packaging or imposing other onerous requirements on the Company. If the Company ceases doing business with a significant customer or if sales of its products to a significant customer materially decrease due to customer inventory reductions or otherwise, the Company's business, financial condition and results of operations may be harmed.

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### **Government regulations could impose material costs.**

Generally, the manufacture, packaging, labeling, storage, distribution and advertising of the Company's products and the conduct of its 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, and the Company's product claims and advertising are regulated by the Federal Trade Commission, among other regulatory agencies. Most states have agencies that regulate in parallel to these federal agencies. The Company's international operations are also subject to regulation in each of the foreign jurisdictions in which it manufactures or distributes its products. There is also a risk of potentially higher incidence of fraud or corruption in certain foreign jurisdictions and related difficulties in maintaining effective internal controls. Additionally, the Company could be subject to inquiries or investigations by governmental and other regulatory bodies. Any determination that the Company's operations or activities are not in compliance with applicable law could expose the Company to significant fines, penalties or other sanctions that may harm the business and reputation of the Company.

In particular, because of the Company's extensive international operations, we could be adversely affected by violations of the Foreign Corrupt Practices Act and similar worldwide anti-bribery laws. The Foreign Corrupt Practices Act and similar worldwide anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to government officials or other third parties for the purpose of obtaining or retaining business. While our policies mandate compliance with these anti-bribery laws, we cannot provide assurance that our internal control policies and procedures will always protect us from reckless or criminal acts committed by our employees, joint-venture partners or agents. Violations of these laws, or allegations of such violations, could disrupt our business and adversely affect our reputation and our business, results of operations, cash flows and financial condition.

It is expected that federal, state and foreign governments will continue to introduce new and expanded legislation affecting the Company's operations, which may require the Company to increase its resources, capabilities and expertise in such areas. For example, the Company is subject to regulations regarding the transportation, storage or use of certain chemicals to protect the environment, including as a result of evolving climate change standards, and new and increased regulation in other areas, such as with respect to "conflict minerals." Such regulation could negatively impact the Company's ability to obtain raw materials or could increase its acquisition and compliance costs. In addition, pending legislative initiatives and adopted legislation in the areas of healthcare reform and other areas, such as the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act and legislation in the area of taxation of domestic and foreign profits, executive compensation and corporate governance, could also increase the Company's costs. These risks may be increased by the Company's acquisitions of HealthLink and Aplicare, Inc., which manufacture products subject to additional regulations.

If the Company is found to be noncompliant with applicable laws and regulations in these or other areas, it could be subject to civil remedies, including fines, import detentions, injunctions, product withdrawals or recalls or asset seizures, as well as potential criminal sanctions, any of which could have a material adverse effect on its business. Loss of or failure to obtain necessary permits and registrations, particularly with respect to its charcoal business, 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. As the Company expands its natural personal care and healthcare businesses such as through Burt's Bees<sup>®</sup>, HealthLink<sup>®</sup>, Aplicare<sup>®</sup> and Caltech Industries, an increasing number of its products have and will become subject to regulations and laws relating to drugs and medical devices. In order to comply with these laws and regulations, the Company may be required to make changes to product formulation, labeling or marketing claims, perform additional testing to substantiate its product claims, make costly changes in its manufacturing processes or supply chain or stop selling certain products until corrective actions have been taken.

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### **Cyber-attacks, privacy breaches or a failure of key information technology systems could adversely impact the Company's ability to conduct business.**

The Company relies extensively on information technology systems, many of which are managed by third-party service providers, in order to conduct its business. These systems include, but are not limited to, programs and processes relating to communicating within the Company and with customers, consumers and other parties, ordering and managing materials from suppliers, converting materials to finished products, shipping products to customers, processing transactions, summarizing and reporting results of operations, complying with regulatory, legal and tax requirements and implementing other processes involved in managing the business. The Company has made significant progress with its implementation of enterprise-wide upgrades to its hardware, software and operating systems, including its enterprise system in Latin America, which replaced legacy systems and is expected to streamline operations and enable future growth. However, legacy systems remain in countries where the Company conducts business outside of the United States and Latin America. If the Company's existing and/or future technology systems, third-party service providers and processes do not adequately support the future growth of the Company's business, the Company's business may be adversely impacted.

Although the Company has network security measures in place, the systems may be vulnerable to computer viruses, security breaches and other disruptions from unauthorized users or system failures, including Internet outages. While the Company has business continuity plans in place, if the systems are damaged or cease to function properly due to any number of causes, including catastrophic events, power outages, security breaches or other similar events, and if the business continuity plans do not effectively resolve such issues on a timely basis, the Company may suffer interruptions in its ability to manage or conduct business, which may adversely impact the Company's business. Furthermore, the Company sells its Burt's Bees<sup>®</sup> natural personal care products and other products directly to consumers online, provides websites, mobile apps and connected devices, and offers promotions, rebates, customer loyalty and other programs through which it may receive personal information, and it or its vendors could experience cyber-attacks or other incidents that result in unauthorized disclosure of consumer, customer, employee or Company information. The Company understands that in August 2015, the federal government brought an indictment against brokers and hackers for stealing advanced, nonpublic press releases of various public companies from news wires and trading on securities using the information from such press releases. If the Company suffers a loss as a result of a breach or other breakdown in its technology system or such a breach or other breakdown, including such cyber-attack or other incident involving one of the Company's vendors, results in unauthorized disclosure of business, financial, personal or stakeholder information, the Company may suffer reputational, competitive and/or business harm and may be exposed to legal liability, which may adversely affect the Company's results of operations and/or financial condition. In addition, if the Company's service providers, suppliers or customers experience such a breach or unauthorized disclosure or system failure, their businesses could be disrupted or otherwise negatively affected, which may result in a disruption in the Company's supply chain or reduced customer orders, which would adversely affect the Company's operations.

### **Acquisitions, new venture investments and divestitures may not be successful, which could impact the Company's operations and financial results.**

In connection with the Company's strategy, the Company expects to continue to seek to increase growth through acquisitions. Not only is it difficult to identify and successfully negotiate suitable strategic acquisitions at attractive prices, but these transactions also involve numerous risks, including risks relating to the Company's ability to:

- successfully integrate acquired companies, products, systems or personnel into the Company's existing business, especially with respect to businesses or operations that are outside of the United States;
- minimize any potential interruption to the ongoing business of the Company or the acquired company;
- successfully enter categories and markets in which the Company may have limited or no prior experience;
- achieve expected synergies and obtain the desired financial or strategic benefits from acquisitions;
- retain key relationships with employees, customers, partners and suppliers of acquired companies; and
- maintain uniform standards, controls, procedures and policies throughout acquired companies.

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Acquired companies or operations or newly created ventures may not be profitable or may not achieve sales levels and profitability and cash flow that justify the investments. Future acquisitions or ventures could also result in potentially dilutive issuances of equity securities, the incurrence of debt, the assumption of contingent liabilities, including litigation, an increase in expenses related to certain assets and increased operating expenses, all of which could adversely affect the Company's results of operations and financial condition. Future acquisitions of foreign companies or new foreign ventures would subject the Company to local regulations and could potentially lead to risks related to, among other things, increased exposure to foreign exchange rate changes, government price control, repatriation of profits and liabilities relating to the Foreign Corrupt Practices Act. In addition, to the extent that the economic benefits associated with any of the Company's acquisitions diminish in the future, the Company may be required to record impairment charges related to goodwill, intangible assets or other assets associated with such acquisitions, which could adversely affect its operating results.

The Company may also divest certain assets, businesses or brands that do not meet the Company's strategic objectives or growth targets. With respect to any divestiture, the Company may encounter difficulty finding potential acquirers or other divestiture options on favorable terms. Any divestiture could affect the profitability of the Company as a result of the gains or losses on such sale of a business or brand, the loss of the operating income resulting from such sale or the costs or liabilities that are not assumed by the acquirer (i.e., stranded costs) that may negatively impact profitability and cash flow subsequent to any divestiture. The Company may also be required to recognize impairment charges as a result of a divestiture.

In addition, any potential future acquisitions, new ventures or divestitures may divert the attention of management and resources from matters that are core or critical to the Company's business.

### **Profitability and cash flow could suffer if the Company is unable to successfully implement its strategies, generate anticipated cost savings and efficiencies or efficiently manage supply chain and manufacturing processes.**

The Company continues to implement plans to improve its competitive position by setting aggressive annual cost savings targets, and it expects ongoing cost savings from its continuous improvement activities. The Company anticipates these continuing cost savings will result from reducing material costs and manufacturing inefficiencies and realizing productivity gains, distribution efficiencies and overhead reductions. If the Company cannot successfully implement its cost savings plans or the cost of making these changes increases, the Company may not realize all anticipated benefits, which could adversely affect its financial results or its long-term strategies, such as the 2020 Strategy, which includes financial goals such as annual net sales growth of 3-5%, market share growth, annual EBIT margin growth between 25-50 basis points and annual free cash flow as a percentage of net sales of about 10-12%. The Company also continues to seek to penetrate new markets and introduce new products and product improvements. These goals and strategies may not be implemented or may fail to achieve desired results. In addition, the Company expects to continue to restructure its operations as necessary to improve operational efficiency, including occasionally closing facilities or plants. Gaining additional efficiencies may become increasingly difficult over time, there may be one-time costs relating to facility closures or other restructurings and anticipated cost savings and the Company's strategies may not be implemented or may fail to achieve desired results. If the Company is unable to implement its strategies or if its strategies do not achieve the intended effects, if it does not realize cost savings and other efficiencies or if it is unable to efficiently manage its supply chain and manufacturing processes, the Company's financial results could suffer. These plans and strategies could also have a negative impact on the Company's relationships with employees or customers, which could also adversely affect the Company's financial results.

### **Product liability, commercial claims or other legal proceedings could adversely affect the Company's sales and operating results, including cash flow.**

The Company has in the past paid, and may be required in the future to pay, for losses or injuries purportedly caused by its products. Such claims may be based on allegations that, among other things, the Company's products contain contaminants or provide inadequate instructions or warnings regarding their use, or damage property or persons. Product liability claims could result in negative publicity that could harm the Company's reputation, sales and operating results. In addition, if any of the Company's products is found to be defective, the Company may recall it, which could result in adverse publicity and significant expenses. Although the Company maintains product liability insurance coverage, potential product liability claims may be subject to a retention, exceed the amount of insurance coverage or be excluded under the terms of the policies.

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In addition, the Company is, and may in the future become, a party to litigation and other disputes, including advertising disputes with competitors, consumer class actions, labor claims, securities litigation and litigation in foreign jurisdictions. In general, claims made by or against the Company in litigation, disputes or other proceedings have been and can in the future be expensive and time-consuming to bring or defend against and could result in settlements, injunctions or damages that could significantly affect its business or financial results or condition. It is not possible to predict the final resolution of the litigation, disputes or proceedings with which the Company currently is or may in the future become involved. The impact of these matters on the Company's business, results of operations and financial condition could be material. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Notes to Consolidated Financial Statements in Exhibit 99.1 for additional information related to these matters, including litigation related to its discontinued operations in Brazil.

### **Loss of, or inability to attract, key personnel could adversely impact the Company's business.**

The Company's success depends, in part, on its ability to retain its key personnel, including its executive officers and senior management team. The unexpected loss of one or more of the Company's key employees could disrupt its business. The Company's success also depends, in part, on its continuing ability to identify, hire, train and retain other highly qualified personnel. Competition for these employees can be intense, especially in the San Francisco Bay Area, where the Company's headquarters and largest research facility are located. As the Company expands into new categories or markets, including more regulated businesses, it will also require personnel with relevant training and experience in such categories or markets. The Company may not be able to attract, assimilate or retain qualified personnel in the future, and its failure to do so could adversely affect its business.

### **Harm to the Company's reputation or the reputation of one or more of its leading brands could have an adverse effect on the business.**

Maintaining a strong reputation with consumers, customers and trade partners is critical to the success of the Company's business. The Company devotes significant time and resources to programs designed to protect and preserve the Company's reputation and the reputation of its brands. These programs include ethics and compliance, sustainability and product safety and quality initiatives. Despite these efforts, negative publicity about the Company, including product safety, quality, efficacy or similar concerns, whether real or perceived, could occur, and the Company's products could face withdrawal, recall or other quality issues. The Company also licenses certain of its brands to third parties, which creates additional exposure for those brands to product safety, quality and other concerns. In addition, widespread use of social media and networking sites by consumers has greatly increased the speed and accessibility of information dissemination. Negative or inaccurate publicity, posts or comments about the Company or its brands, or disclosure of non-public sensitive information about the Company, could be widely disseminated through the use of social media. Such events, if they were to occur, could harm the Company's image and adversely affect its business, as well as require resources to rebuild the Company's reputation.

### **Environmental matters create potential liabilities that could adversely affect the Company's results of operations or financial condition.**

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, handling and disposal of solid and hazardous wastes, remediation of contamination associated with the use and disposal of hazardous substances and climate change. The Company has incurred, and will continue to incur, significant expenditures and other costs in complying with environmental laws and regulations and in providing physical security for its worldwide operations, and such expenditures reduce the cash flow available to the Company for other purposes.

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 current and former facilities. In addition, some of its present and former facilities have or had been in operation for many years and, over that time, some of those 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 whom the Company has sent waste, may be identified and become the subject of remediation. The Company could also become subject to additional environmental liabilities in the future that could result in a material adverse effect on its results of operations or financial condition.

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The Company had a recorded liability of \$12 million and \$14 million as of June 30, 2015 and 2014, respectively, for its share of aggregate future remediation costs related to certain environmental matters, including response actions at various locations. One matter in Dickinson County, Michigan, for which the Company is jointly and severally liable, accounts for a substantial majority of the recorded liability as of both June 30, 2015 and 2014. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Notes to Consolidated Financial Statements in Exhibit 99.1 for additional information related to these liabilities.

The Company also handles and/or transports hazardous substances, including but not limited to chlorine, at some of its international plant sites. A release of such chemicals, whether in transit or at the Company’s facilities, due to accident or an intentional act could result in substantial liability and business disruptions.

### **The facilities of the Company and its suppliers are subject to disruption by events beyond the Company’s control.**

Operations at facilities of the Company, its suppliers, service providers and retail customers are subject to disruption for a variety of reasons, including work stoppages, demonstrations, disease outbreaks or pandemics, acts of war, terrorism, fire, earthquakes, flooding or other natural disasters. The Company’s corporate headquarters and primary research and development facility are located near major earthquake fault lines in California. If a major disruption were to occur, it could result in harm to people or the natural environment, temporary loss of access to critical data, delays in shipments of products to customers or suspension of operations. Any such disruption could have a material adverse impact on the Company’s business.

### **Failure to maximize, successfully assert or successfully defend the Company’s intellectual property rights could impact its competitiveness.**

The Company relies on intellectual property rights based on trademark, trade secret, patent and copyright laws to protect its brands, products and packaging for its products. The Company cannot be certain that these intellectual property rights will be maximized or that they can be successfully asserted. There is a risk that the Company will not be able to obtain and perfect its own intellectual property rights or, where appropriate, license intellectual property rights necessary to support new product introductions. The Company cannot be certain that these rights, if obtained, will not later be invalidated, circumvented or challenged, and the Company could incur significant costs in connection with legal actions to assert its intellectual property rights or to defend those rights from assertions of invalidity. 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 may not protect intellectual property rights to the same extent as the laws of the United States. If other parties infringe the Company’s intellectual property rights, they may dilute the value of the Company’s brands in the marketplace, which could diminish the value that consumers associate with the Company’s brands and harm its sales. The failure to perfect or successfully assert its intellectual property rights could make the Company less competitive and could have a material adverse effect on its business, operating results, and financial condition.

### **If the Company is found to have infringed the intellectual property rights of others or cannot obtain necessary intellectual property rights from others, its competitiveness could be negatively impacted.**

If the Company is found to have violated the trademark, trade secret, copyright, patent or other intellectual property rights of others, directly or indirectly, through the use of third-party ideas or technologies, 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 the obligation to pay a substantial amount for past infringement. If holders are willing to permit the Company to continue to use such intellectual property rights, they could require a payment of a substantial amount for continued use of those rights. Either ceasing use or paying such amounts could cause the Company to become less competitive and could have a material adverse impact on the Company’s business, operating results and financial condition.

Even if the Company is not found to infringe a third party’s intellectual property rights, claims of infringement could adversely affect the Company’s business. For example, if the Company seeks proposals from multiple vendors for a new product or innovation and chooses to partner with a particular vendor, another vendor may claim the Company infringed its intellectual property rights by using information gathered from the vendor proposals. The Company could incur material legal costs and related expenses to defend against such claims.

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### **The Company's substantial indebtedness could adversely affect its operations and financial results and prevent the Company from fulfilling its obligations, and the Company may incur substantially more debt in the future, which could exacerbate these risks.**

As of June 30, 2015, the Company had over \$2 billion of debt, including \$300 million of senior unsecured notes that mature in fiscal year 2016. The Company's substantial indebtedness could have important consequences. For example, it could:

- require the Company to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness, which would reduce the availability of its cash flow to fund working capital requirements, capital expenditures, future acquisitions and other general corporate purposes;
- limit the Company's flexibility in planning for or reacting to general adverse economic conditions or changes in its business and the industries in which it operates;
- place the Company at a competitive disadvantage compared to its competitors that have less debt; and
- limit, along with the financial and other restrictive covenants in the Company's debt documents, its ability to borrow additional funds.

Additionally, failure by the Company to comply with the financial and other restrictive covenants in its debt documents could result in an event of default that, if not cured or waived, could have a significant adverse effect on the Company. Further, certain terms of the agreements governing the Company's over-the-counter derivative instruments contain provisions that require the Company's credit ratings, as assigned by Standard & Poor's and Moody's to the Company and its counterparties, to remain at a level equal to or better than the minimum of an investment grade credit rating. As of June 30, 2015, the Company and each of its counterparties had been assigned investment-grade ratings with both Standard & Poor's and Moody's. However, if the Company's credit rating were to fall below investment grade, the counterparties to the derivative instruments in net liability positions could request full collateralization.

The Company may incur substantial additional indebtedness in the future to fund acquisitions, repurchase shares or fund other activities for general business purposes, subject to compliance with the Company's existing restrictive debt covenants. As of June 30, 2015, the Company could add approximately \$2 billion in incremental debt and remain in compliance with restrictive debt covenants, although the actual amount that the Company may be able to borrow in the future may not equal this amount. If new debt is added to the current debt levels, the related risks that the Company now faces could intensify. In addition, the cost of incurring additional debt could increase due to possible downgrades in the Company's credit rating, economic conditions or otherwise.

### **The Company may not continue to pay dividends or repurchase its stock.**

Although the Company has historically declared and paid quarterly cash dividends on its common stock and has been authorized to repurchase its shares subject to certain limitations under its share repurchase programs, any determinations by the board of directors to continue to declare and pay cash dividends on the Company's common stock or to repurchase the Company's common stock will be based primarily upon the Company's financial condition, results of operations and business requirements, the price of its common stock in the case of the repurchase program and the board of directors' continuing determination that the repurchase programs and the declaration and payment of dividends are in the best interests of the Company's stockholders and are in compliance with all laws and agreements applicable to the repurchase and dividend programs. The Company's ability to continue to declare and pay cash dividends will depend upon, among other things, its cash balances and future cash requirements, results of operations, financial condition and net earnings, all of which are subject to general economic, financial, competitive, legislative, regulatory and other factors beyond the Company's control. In the event the Company does not declare and pay a quarterly dividend or discontinues its share repurchases, the Company's stock price could be adversely affected.

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### **The Company's continued growth and expansion and reliance on third-party service providers could adversely affect its internal control over financial reporting, which could harm its business and financial results.**

Clorox management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of the Company's financial statements would be prevented or detected. The Company's continuing growth and expansion in domestic and globally dispersed markets will place significant additional pressure on the Company's system of internal control over financial reporting. Moreover, the Company engages the services of third parties to assist with business operations and financial reporting processes, which injects additional monitoring obligations and risk into the system of internal control. Any failure to maintain an effective system of internal control over financial reporting could limit the Company's ability to report its financial results accurately and on a timely basis, or to detect and prevent fraud.

### **The Company's judgments regarding the accounting for tax positions and the resolution of tax disputes may impact the Company's earnings and cash flow.**

Significant judgment is required to determine the Company's effective tax rate and evaluate its tax positions. The Company provides for uncertain tax positions when such tax positions do not meet the recognition thresholds or measurement criteria prescribed by applicable accounting standards. Fluctuations in federal, state, local and foreign taxes or a change to uncertain tax positions, including related interest and penalties, may impact the Company's effective tax rate and the Company's financial results. When particular tax matters arise, a number of years may elapse before such matters are audited and finally resolved. Unfavorable resolution of any tax matter could increase the effective tax rate, which would have an adverse effect on the Company's operating results. Any resolution of a tax issue may require the use of cash in the year of resolution. For additional information, see the information set forth in the Notes to Consolidated Financial Statements in Exhibit 99.1.

### **The estimates and assumptions on which the Company's financial statement projections are based may prove to be inaccurate, which may cause its actual results to materially differ from such projections, which may adversely affect the Company's future cash flows and stock price.**

The Company's financial statement projections are dependent on certain estimates and assumptions related to, among other things, category growth, market share projections, product pricing, foreign exchange rates, commodity prices, cost savings, accruals for estimated liabilities, including litigation reserves, goodwill, market share projections, measurement of benefit obligations for pension and other postretirement benefit plans and the Company's ability to generate sufficient cash flow to reinvest in its existing business, fund internal growth, repurchase its shares, make acquisitions, pay dividends and meet debt obligations. While the Company's projections are based on historical experience and on various other assumptions that the Company believes to be reasonable under the circumstances and at the time they are made, the Company's actual results may differ materially from its financial outlook. Any material variation between the Company's projections and its actual results may adversely affect the Company's future cash flows and stock price.

### **The Company's business could be negatively impacted as a result of stockholder activism or an unsolicited takeover proposal or a proxy contest.**

In recent years, proxy contests and other forms of stockholder activism have been directed against numerous public companies, including the Company. During fiscal years 2012 and 2011, the Company was the target of an unsolicited takeover proposal from a stockholder activist, which resulted in significant costs to the Company. If such a proposal were to be made again, the Company would incur significant costs, which would have an adverse effect on the Company's financial results. Stockholder activists may also seek to involve themselves in the governance, strategic direction and operations of the Company. Such proposals may disrupt the Company's business and divert the attention of the Company's management and employees, and any perceived uncertainties as to the Company's future direction resulting from such a situation could result in the loss of potential business opportunities, the perception that the Company needs a change in the direction of its business, the perception that the Company is unstable or lacks continuity, which may be exploited by our competitors, and cause concern to our current or potential customers, and may make it more difficult to attract and retain qualified personnel and business partners, which could adversely affect the Company's business. In addition, actions of activist stockholders may cause significant fluctuations in our stock price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

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### **ITEM 1.B. UNRESOLVED STAFF COMMENTS**

None.

### **ITEM 2. PROPERTIES**

#### **Production and Distribution Facilities**

The Company owns or leases and operates 24 manufacturing facilities in North America and owns or leases and operates 13 manufacturing facilities outside North America. The Company also leases six regional distribution centers in North America and several other warehouse facilities in the U.S. and international markets. Management believes the Company's owned and leased production and distribution facilities are adequate to support the business efficiently, and that the Company's properties and equipment have generally been well maintained. The Company is continually performing a supply-chain efficiency analysis, which may lead to closures of domestic and international manufacturing facilities and the redistribution of production between its remaining facilities and contract manufacturers to optimize availability and capacity and to seek to reduce operating costs.

#### **Offices and Research and Development Facilities**

Since 2011, the Company has leased a facility located in Pleasanton, Calif., which houses the Company's research and development group as well as other administrative and operational support personnel. The facility features state-of-the-art labs and open work spaces to encourage creativity, collaboration and innovation. The Company leases office space in Oakland, Calif. for its corporate headquarters. The Company owns a research and development facility located at its plant in Buenos Aires, Argentina. The Company also conducts research and development activities and engineering research in leased facilities in Meriden, Ct.; Kennesaw, Ga.; Willowbrook, Il.; Midland, Mi.; Cincinnati, Oh.; and Durham, NC. Leased sales offices and other 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 subject to routine litigation incidental to its business in the United States and in international locations, including various lawsuits and claims relating to issues such as contract disputes, product liability, patents and trademarks, advertising, commercial, administrative, employment and other matters. Although the results of claims and litigation cannot be predicted with certainty, based on management's analysis, it is the opinion of management that the ultimate disposition of these matters, to the extent not previously provided for or disclosed in the Company's consolidated financial statements in Exhibit 99.1, will not have a material adverse effect, individually or in the aggregate, on the Company's consolidated financial statements taken as a whole.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

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### EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages, year first elected and current titles of each of the executive officers of the Company as of July 31, 2015, are set forth below:

| Name                | Age | Year First Elected Executive Officer | Title   |
|---------------------|-----|--------------------------------------|---|
| Benno Dorer         | 51  | 2009                                 | Chief Executive Officer   |
| James Foster        | 52  | 2009                                 | Executive Vice President – Product Supply, Enterprise Performance and IT                            |
| Jacqueline P. Kane  | 63  | 2004                                 | Executive Vice President – Human Resources & Corporate Affairs                                      |
| Stephen M. Robb     | 50  | 2011                                 | Executive Vice President – Chief Financial Officer  |
| Laura Stein         | 53  | 2005                                 | Executive Vice President – General Counsel  |
| Frank A. Tataseo    | 61  | 2004                                 | Executive Vice President – New Business Development   |
| Nikolaos Vlahos     | 47  | 2013                                 | Executive Vice President – Chief Operating Officer – Household, Lifestyle and Core Global Functions |
| Dawn Willoughby     | 46  | 2013                                 | Executive Vice President – Chief Operating Officer, Cleaning, International & Professional Products |
| Jon Balousek        | 46  | 2013                                 | Senior Vice President – General Manager, Specialty Division   |
| Michael J. Costello | 48  | 2011                                 | Senior Vice President – International   |
| Denise Garner       | 52  | 2015                                 | Senior Vice President – Chief Innovation Officer  |
| Matthew Laszlo      | 45  | 2015                                 | Senior Vice President – Chief Customer Officer  |
| Eric Reynolds       | 45  | 2015                                 | Senior Vice President – Chief Marketing Officer   |

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. See Item 10 of Part III of this Report for additional information.

Benno Dorer was elected chief executive officer of the Company in November 2014. He was executive vice president – chief operating officer, cleaning, international and corporate strategy from January 2013 until November 2014. From March 2011 to December 2012, he served as senior vice president – cleaning division and Canada. He served as senior vice president – general manager, cleaning division from June 2009 to March 2011.

James Foster was elected executive vice president – product supply, enterprise performance and IT in November 2014. He was senior vice president – chief product supply officer from June 2009 to November 2014.

Jacqueline P. Kane was elected executive vice president – human resources & corporate affairs in February 2015. She was senior vice president – human resources & corporate affairs from January 2005 to February 2015.

Stephen M. Robb was elected executive vice president – chief financial officer in November 2014. He was senior vice president – chief financial officer from November 2011 to November 2014. From January 2011 until November 2011, he served as vice president – global finance. He served as vice president – financial planning & analysis from October 2004 to January 2011.

Laura Stein was elected executive vice president – general counsel in February 2015. She was senior vice president – general counsel from January 2005 to February 2015.

Frank A. Tataseo was elected executive vice president – new business development in November 2014. He was executive vice president – professional products division, mergers & acquisitions, partnerships and IT from January 2013 to November 2014. From January 2009 to December 2012, he served as executive vice president – strategy & growth and professional products.

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Nikolaos Vlahos was elected executive vice president – chief operating officer, household, lifestyle, and core global functions in September 2014. He was senior vice president – chief customer officer from March 2013 to September 2014. From March 2011 to February 2013, he served as vice president – general manager, Burt’s Bees<sup>®</sup>. He served as vice president – general manager, laundry, Brita<sup>®</sup> and Green Works<sup>®</sup>, from March 2009 to February 2011.

Dawn Willoughby serves as executive vice president – chief operating officer, cleaning, international and professional products, having taken on responsibility for cleaning and international in September 2014 and for professional products in November 2014. She was senior vice president – general manager, cleaning division from January 2013 to September 2014. She served as vice president – general manager, Home Care, from October 2012 to January 2013, and vice president – general manager, Glad<sup>®</sup> Products from January 2010 to October 2012.

Jon Balousek was elected senior vice president – general manager, specialty division effective January 2013. He served as vice president – general manager, litter, food and charcoal from October 2011 to December 2012, and vice president – marketing, cleaning division from October 2008 to September 2011.

Michael J. Costello was elected senior vice president – international effective September 2013. He served as vice president – general manager, international, from March 2011 to August 2013. From July 2009 through March 2011, he served as vice president – general manager, Latin America and Europe.

Denise Garner was elected senior vice president - chief innovation officer effective January 2015. She served as vice president, R&D – global cleaning & international, from January 2010 to December 2014.

Matthew Laszlo was elected senior vice president – chief customer officer effective October 2014. He served as vice president & general manager – professional products division, from October 2013 to October 2014. From January 2012 to October 2013 he was vice president – sales, professional products division. From January 2010 to January 2012 he was director – field sales, professional products division.

Eric Reynolds was elected senior vice president – chief marketing officer effective January 2015. He served as vice president – general manager, Europe, Middle East, Africa and Asia from May 2012 to January 2015. From May 2011 to April 2012 he was director, international business development. From June 2008 to April 2011 he was general manager, Caribbean.

**PART II**

**ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

**Market Information**

The Company’s common stock is listed on the New York Stock Exchange. The high and low sales prices quoted for the New York Stock Exchange-Composite Transactions Report for each quarterly period during the past two fiscal years appear in the Notes to Consolidated Financial Statements in Exhibit 99.1, incorporated herein by reference.

**Holders**

The number of record holders of the Company’s common stock as of July 31, 2015, was 11,269 based on information provided by the Company’s transfer agent.

**Dividends**

The amount of quarterly dividends declared with respect to the Company’s common stock during the past two fiscal years appears in the Notes to Consolidated Financial Statements in Exhibit 99.1, incorporated herein by reference.

**Equity Compensation Plan Information**

See Part III, Item 12 hereof.

**Issuer Purchases of Equity Securities**

The following table sets forth the purchases of the Company’s securities by the Company and any affiliated purchasers within the meaning of Rule 10b-18(a)(3) (17 CFR 240.10b-18(a)(3)) during the fourth quarter of fiscal year 2015.

| Period              | [a]<br>Total Number of<br>Shares (or Units)<br>Purchased <sup>(1)</sup> | [b]<br>Average Price Paid<br>per Share (or Unit) | [c]<br>Total Number of<br>Shares (or Units)<br>Purchased as Part of<br>Publicly Announced<br>Plans or Programs | [d]<br>Maximum Number (or<br>Approximate Dollar<br>Value) that May Yet<br>Be Purchased Under the<br>Plans or Programs |
|---------------------|---|--|--|---|
| April 1 to 30, 2015 | 1,103,324   | \$ 109.15  | 1,103,324  | (2)   |
| May 1 to 31, 2015   | 1,348,425   | 107.44   | 1,348,425  | (2)   |
| June 1 to 30, 2015  | 100,000   | 107.22   | 100,000  | (2)   |
|                     | 2,551,749   | \$ 108.17  | 2,551,749  |   |

- (1) Shares purchased in April 2015, May 2015 and June 2015 were acquired pursuant to the Company’s share repurchase program to offset the impact of share dilution related to share-based awards (the Evergreen Program).
- (2) The Company has two share repurchase programs: an open-market purchase program with an authorized aggregate purchase amount of up to \$750 million, all of which was available for share repurchases as of June 30, 2015, and the Evergreen Program, the purpose of which is to offset the impact of anticipated share dilution related to share-based awards and which has no specified cap.

**ITEM 6. SELECTED FINANCIAL DATA**

This information appears under “Five-Year Financial Summary” in Exhibit 99.1, incorporated herein by reference.

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### **ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This information appears under “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in Exhibit 99.1, incorporated herein by reference.

#### **ITEM 7.A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

This information appears under “Quantitative and Qualitative Disclosures about Market Risk” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in Exhibit 99.1, incorporated herein by reference.

### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

These statements and data appear in Exhibit 99.1, incorporated herein by reference.

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

None.

#### **ITEM 9.A. CONTROLS AND PROCEDURES**

##### **Disclosure Controls and Procedures**

The Company’s management, with the participation of the Company’s chief executive officer and chief financial officer, evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this Report. Based on that evaluation, the chief executive officer and chief financial officer concluded that the Company’s disclosure controls and procedures, as of the end of the period covered by this Report, were effective such that the information required to be disclosed by the Company in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding disclosure.

##### **Management’s Report on Internal Control Over Financial Reporting**

Management’s report on internal control over financial reporting is set forth in Exhibit 99.1, and is incorporated herein by reference. The Company’s independent registered public accounting firm, Ernst & Young, LLP, has audited the effectiveness of the Company’s internal control over financial reporting as of June 30, 2015. See “Report of Independent Registered Public Accounting Firm,” which appears in Exhibit 99.1.

##### **Change in Internal Control Over Financial Reporting**

No change in the Company’s internal control over financial reporting occurred during the fourth fiscal quarter of the fiscal year ended June 30, 2015, that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

#### **ITEM 9.B. OTHER INFORMATION**

Not applicable.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

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.

The Company has adopted a Code of Conduct that applies to its principal executive officer, principal financial officer and principal accounting officer, among others. The Code of Conduct is located on the Company's website at [TheCloroxCompany.com](http://www.thecloroxcompany.com) under Corporate Responsibility/Performance/Corporate Governance or <http://www.thecloroxcompany.com/corporate-responsibility/performance/corporate-governance>. The Company intends to satisfy the requirement under Item 5.05 of Form 8-K regarding disclosure of amendments to, or waivers from, provisions of its Code of Conduct by posting such information on the Company's website. The Company's website also contains its corporate governance guidelines and the charters of its principal board committees.

Information regarding the Company's directors, compliance with Section 16(a) of the Exchange Act and corporate governance set forth in the Proxy Statement is incorporated herein by reference.

**ITEM 11. EXECUTIVE COMPENSATION**

Information regarding executive and director compensation, Management Development and Compensation Committee interlocks and insider participation and the report of the Management Development and Compensation Committee of the Company's board of directors set forth in the Proxy Statement is incorporated herein by reference.

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

Information regarding security ownership of certain beneficial owners, management and directors and securities authorized for issuance under equity compensation plans set forth in the Proxy Statement is incorporated herein by reference.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Information regarding certain relationships and related transactions and director independence set forth in the Proxy Statement is incorporated herein by reference.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

Information regarding principal accounting fees and services set forth in the Proxy Statement is incorporated herein by reference.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) Financial Statements and Schedules:

Consolidated Financial Statements and Reports of Independent Registered Public Accounting Firm included in Exhibit 99.1, incorporated herein by reference.

Reports of Independent Registered Public Accounting Firm.

Consolidated Statements of Earnings for the fiscal years ended June 30, 2015, 2014 and 2013.

Consolidated Statements of Comprehensive Income for the fiscal years ended June 30, 2015, 2014 and 2013.

Consolidated Balance Sheets as of June 30, 2015 and 2014.

Consolidated Statements of Stockholders' Equity for the fiscal years ended June 30, 2015, 2014 and 2013.

Consolidated Statements of Cash Flows for the fiscal years ended June 30, 2015, 2014 and 2013.

Notes to Consolidated Financial Statements.

Valuation and Qualifying Accounts and Reserves included in Exhibit 99.2, incorporated herein by reference.

(b) Exhibits:

| <b>Exhibit Number</b> | <b>Exhibit Description</b>  | <b>Incorporated by Reference</b> |                 |                |                    |
|-----------------------|---|----------------------------------|-----------------|----------------|--------------------|
|                       |   | <b>Form</b>                      | <b>File No.</b> | <b>Exhibit</b> | <b>Filing Date</b> |
| 3.1                   | Restated Certificate of Incorporation.  | 10-Q                             | 001-07151       | 3(iii)         | February 14, 2000  |
| 3.2                   | Bylaws (amended and restated).  | 8-K                              | 001-07151       | 3.1            | November 20, 2009  |
| 3.3                   | Certificate of Designations for The Clorox Company Series A Junior Participating Preferred Stock.                     | 8-K                              | 001-07151       | 3.1            | July 19, 2011      |
| 4.1                   | Indenture, dated as of December 3, 2004, between the Company and The Bank of New York Trust Company N.A., as trustee. | 8-K                              | 001-07151       | 4.1            | December 3, 2004   |
| 4.2                   | Indenture, dated as of October 9, 2007, between the Company and The Bank of New York Trust Company N.A., as trustee.  | S-3ASR                           | 333-200722      | 4.1            | December 4, 2014   |

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| <b>Exhibit<br/>Number</b> | <b>Exhibit Description</b>  | <b>Incorporated by Reference</b> |                 |                |                    |
|---------------------------|---|----------------------------------|-----------------|----------------|--------------------|
|                           |   | <b>Form</b>                      | <b>File No.</b> | <b>Exhibit</b> | <b>Filing Date</b> |
| 4.3                       | First Supplemental Indenture, dated as of November 9, 2009, among the Company, The Bank of New York Trust Company N.A., and Wells Fargo Bank, National Association, as trustee. | S-3ASR                           | 333-200722      | 4.2            | December 4, 2014   |
| 4.4                       | Second Supplemental Indenture, dated as of November 9, 2009, between the Company and Wells Fargo Bank, National Association, as trustee.  | S-3ASR                           | 333-200722      | 4.3            | December 4, 2014   |
| 4.5                       | Third Supplemental Indenture, dated as of November 17, 2011, between the company and Wells Fargo Bank, National Association, as trustee.  | S-3ASR                           | 333-200722      | 4.4            | December 4, 2014   |
| 4.6                       | Fourth Supplemental Indenture, dated as of September 13, 2012, between the Company and Wells Fargo Bank, National Association, as trustee.                                      | S-3ASR                           | 333-200722      | 4.5            | December 4, 2014   |
| 4.7                       | Fifth Supplemental Indenture, dated as of December 9, 2014, between the Company and Wells Fargo Bank, National Association, as trustee  | 8-K                              | 001-07151       | 4.1            | December 9, 2014   |
| 10.1*                     | The Clorox Company Amended and Restated Independent Directors' Deferred Compensation Plan, effective as of November 16, 2005, and amended and restated as of February 7, 2008.  | 10-Q                             | 001-07151       | 10.55          | May 2, 2008        |
| 10.2*                     | The Clorox Company Non-Qualified Deferred Compensation Plan, adopted as of January 1, 1996, and amended and restated as of July 20, 2004.                                       | 10-K                             | 001-07151       | 10(x)          | August 27, 2004    |
| 10.3*                     | The Clorox Company 1996 Stock Incentive Plan, adopted as of November 28, 2001, and amended and restated as of September 15, 2004.   | 10-Q                             | 001-07151       | 10.4           | November 4, 2004   |
| 10.4*                     | Form of Non-Qualified Stock Option Award Agreement under the Company's 1996 Stock Incentive Plan, amended and restated as of September 15, 2004                                 | 10-Q                             | 001-07151       | 10.5           | November 4, 2004   |
| 10.5*                     | The Clorox Company Annual Incentive Plan, amended and restated as of September 17, 2013.  | 10-K                             | 001-07151       | 10.8           | August 25, 2014    |

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| <b>Exhibit<br/>Number</b> | <b>Exhibit Description</b>  | <b>Incorporated by Reference</b> |                 |                |                    |
|---------------------------|---|----------------------------------|-----------------|----------------|--------------------|
|                           |   | <b>Form</b>                      | <b>File No.</b> | <b>Exhibit</b> | <b>Filing Date</b> |
| 10.6*                     | The Clorox Company 2005 Stock Incentive Plan, amended and restated as of November 14, 2012.                                   | 10-Q                             | 001-07151       | 10.1           | February 5, 2013   |
| 10.7*                     | Form of Performance Share Award Agreement under the Company's 2005 Stock Incentive Plan for awards made in 2012.              | 10-K                             | 001-07151       | 10.12          | August 23, 2013    |
| 10.8*                     | Form of Performance Share Award Agreement under the Company's 2005 Stock Incentive Plan for awards made in 2013.              | 10-K                             | 001-07151       | 10.12          | August 25, 2014    |
| 10.9*                     | Form of Performance Share Award Agreement under the Company's 2005 Stock Incentive Plan for awards made in 2014.              |                                  |                 |                |                    |
| 10.10*                    | Form of Restricted Stock Unit Award Agreement under the Company's 2005 Stock Incentive Plan.                                  | 10-K                             | 001-07151       | 10.13          | August 23, 2013    |
| 10.11*                    | Form of Nonqualified Stock Option Award Agreement under the Company's 2005 Stock Incentive Plan.                              | 10-K                             | 001-07151       | 10.14          | August 25, 2014    |
| 10.12*                    | The Clorox Company Amended and Restated 2005 Nonqualified Deferred Compensation Plan, effective January 1, 2008.              | 10-K                             | 001-07151       | 10.18          | August 19, 2008    |
| 10.13*                    | Amendment No. 1 to The Clorox Company Amended and Restated 2005 Nonqualified Deferred Compensation Plan.                      | 10-K                             | 001-07151       | 10.18          | August 26, 2011    |
| 10.14*                    | The Clorox Company Supplemental Executive Retirement Plan, as restated effective January 5, 2005, as revised August 13, 2009. | 10-Q                             | 001-07151       | 10.17          | November 3, 2009   |
| 10.15*                    | Amendment No. 1 to The Clorox Company Supplemental Executive Retirement Plan, effective as of July 29, 2011.                  | 10-Q                             | 001-07151       | 10.21          | November 3, 2011   |
| 10.16*                    | Amendment No. 2 to The Clorox Company Supplemental Executive Retirement Plan, effective as of September 11, 2012.             | 10-Q                             | 001-07151       | 10.2           | November 2, 2012   |
| 10.17*                    | The Clorox Company Executive Incentive Compensation Plan, amended and restated as of February 7, 2008.                        | 10-Q                             | 001-07151       | 10.58          | May 2, 2008        |
| 10.18*                    | Form of Indemnification Agreement.  | 10-Q                             | 001-07151       | 10.27          | May 4, 2010        |

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| Exhibit Number | Exhibit Description  | Incorporated by Reference |           |         |                  |
|----------------|--|---------------------------|-----------|---------|------------------|
|                |  | Form                      | File No.  | Exhibit | Filing Date      |
| 10.19*         | First Amended and Restated Executive Change in Control Severance Plan, effective November 20, 2014.  | 10-Q                      | 001-07151 | 10.1    | February 5, 2015 |
| 10.20*         | Severance Plan for Clorox Executive Committee Members, amended and restated effective November 20, 2014.   | 10-Q                      | 001-07151 | 10.2    | February 5, 2015 |
| 10.21*         | The Clorox Company Executive Retirement Plan, effective as of July 1, 2011.  | 10-Q                      | 001-07151 | 10.27   | May 4, 2011      |
| 10.22*         | The Clorox Company 2011 Nonqualified Deferred Compensation Plan, effective as of July 1, 2011.   | 10-K                      | 001-07151 | 10.29   | August 26, 2011  |
| 10.23*         | Amended and Restated Employment Agreement between The Clorox Company and Donald R. Knauss, dated as of November 20, 2014.  | 8-K                       | 001-07151 | 10.1    | May 15, 2015     |
| 10.24*         | Amended and Restated Change in Control Agreement between The Clorox Company and Donald R. Knauss, dated as of November 20, 2014.   | 8-K                       | 001-07151 | 10.2    | May 15, 2015     |
| 10.25*         | The Clorox Company Amended and Restated Replacement Supplemental Executive Retirement Plan for the Benefit of Donald R. Knauss, effective as of October 2, 2006.   | 10-Q                      | 001-07151 | 10.19   | February 5, 2009 |
| 10.26          | Credit Agreement, dated as of October 1, 2014 among The Clorox Company, the lenders listed therein, Citibank, N.A., JPMorgan Chase Bank, N.A. and Wells Fargo Bank, National Association, as Administrative Agents, and Citibank, N.A. as Servicing Agent. | 8-K                       | 001-07151 | 10.1    | October 7, 2014  |
| 10.27(+)       | Amended and Restated Joint Venture Agreement dated as of January 31, 2003, between The Glad Products Company and certain affiliates and The Procter and Gamble Company and certain affiliates.   | 10-Q/A                    | 001-07151 | 10      | April 26, 2005   |
| 21             | Subsidiaries.  |                           |           |         |                  |
| 23             | Consent of Independent Registered Public Accounting Firm.  |                           |           |         |                  |
| 31.1           | Certification of the Chief Executive Officer of The Clorox Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  |                           |           |         |                  |
| 31.2           | Certification of the Chief Financial Officer of The Clorox Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  |                           |           |         |                  |
| 32             | Certification of the Chief Executive Officer and Chief Financial Officer of The Clorox Company pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  |                           |           |         |                  |

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| Exhibit Number | Exhibit Description  | Incorporated by Reference |          |         |             |
|----------------|--|---------------------------|----------|---------|-------------|
|                |  | Form                      | File No. | Exhibit | Filing Date |
| 99.1           | Management's Discussion and Analysis of Financial Condition and Results of Operations, Consolidated Financial Statements, Management's Report on Internal Control over Financial Reporting and Reports of Independent Registered Public Accounting Firm.   |                           |          |         |             |
| 99.2           | Valuation and Qualifying Accounts and Reserves.  |                           |          |         |             |
| 99.3           | Reconciliation of Economic Profit. (Unaudited)   |                           |          |         |             |
| 101            | The following materials from The Clorox Company's Annual Report on Form 10-K for the year ended June 30, 2015 are formatted in extensible Business Reporting Language (XBRL): (i) the Consolidated Statements of Earnings, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Stockholders' Equity, (v) the Consolidated Statements of Cash Flows and (vi) Notes to Consolidated Financial Statements. |                           |          |         |             |

(\*) Indicates a management or director contract or compensatory plan or arrangement required to be filed as an exhibit to this report.

(+) Confidential treatment has been granted for certain information contained in this document. Such information has been omitted and filed separately with the Securities and Exchange Commission.

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## 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: August 21, 2015

By: /s/ B. Dorer

B. Dorer  
Chief Executive Officer

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.

| <u>Signature</u>                                  | <u>Title</u>   | <u>Date</u>     |
|---|--|-----------------|
| <u>/s/ R. H. Carmona</u><br>R. H. Carmona         | Director   | August 21, 2015 |
| <u>/s/ S. C. Fleischer</u><br>S. C. Fleischer     | Director   | August 21, 2015 |
| <u>/s/ G. J. Harad</u><br>G. J. Harad             | Director   | August 21, 2015 |
| <u>/s/ E. Lee</u><br>E. Lee                       | Director   | August 21, 2015 |
| <u>/s/ R. W. Matschullat</u><br>R. W. Matschullat | Director   | August 21, 2015 |
| <u>/s/ J. Noddle</u><br>J. Noddle                 | Director   | August 21, 2015 |
| <u>/s/ R. M. Rebolledo</u><br>R. M. Rebolledo     | Director   | August 21, 2015 |
| <u>/s/ P. Thomas-Graham</u><br>P. Thomas-Graham   | Director   | August 21, 2015 |
| <u>/s/ C. M. Ticknor</u><br>C. M. Ticknor         | Director   | August 21, 2015 |
| <u>/s/ C. J. Williams</u><br>C. J. Williams       | Director   | August 21, 2015 |
| <u>/s/ B. Dorer</u><br>B. Dorer                   | Chief Executive Officer and Director<br>(Principal Executive Officer)                                    | August 21, 2015 |
| <u>/s/ S. M. Robb</u><br>S. M. Robb               | Executive Vice President — Chief Financial Officer<br>(Principal Financial Officer)                      | August 21, 2015 |
| <u>/s/ T. Johnson</u><br>T. Johnson               | Vice President — Global Business Services and Chief Accounting Officer<br>(Principal Accounting Officer) | August 21, 2015 |

INDEX OF EXHIBITS

| Exhibit Number | Exhibit Description   | Incorporated by Reference |            |         |                   |
|----------------|---|---------------------------|------------|---------|-------------------|
|                |   | Form                      | File No.   | Exhibit | Filing Date       |
| 3.1            | Restated Certificate of Incorporation.  | 10-Q                      | 001-07151  | 3(iii)  | February 14, 2000 |
| 3.2            | Bylaws (amended and restated).  | 8-K                       | 001-07151  | 3.1     | November 20, 2009 |
| 3.3            | Certificate of Designations for The Clorox Company Series A Junior Participating Preferred Stock.   | 8-K                       | 001-07151  | 3.1     | July 19, 2011     |
| 4.1            | Indenture, dated as of December 3, 2004, between the Company and The Bank of New York Trust Company N.A., as trustee.   | 8-K                       | 001-07151  | 4.1     | December 3, 2004  |
| 4.2            | Indenture, dated as of October 9, 2007, between the Company and The Bank of New York Trust Company N.A., as trustee.  | S-3ASR                    | 333-200722 | 4.1     | December 4, 2014  |
| 4.3            | First Supplemental Indenture, dated as of November 9, 2009, among the Company, The Bank of New York Trust Company N.A., and Wells Fargo Bank, National Association, as trustee. | S-3ASR                    | 333-200722 | 4.2     | December 4, 2014  |
| 4.4            | Second Supplemental Indenture, dated as of November 9, 2009, between the Company and Wells Fargo Bank, National Association, as trustee.  | S-3ASR                    | 333-200722 | 4.3     | December 4, 2014  |
| 4.5            | Third Supplemental Indenture, dated as of November 17, 2011, between the company and Wells Fargo Bank, National Association, as trustee.  | S-3ASR                    | 333-200722 | 4.4     | December 4, 2014  |
| 4.6            | Fourth Supplemental Indenture, dated as of September 13, 2012, between the Company and Wells Fargo Bank, National Association, as trustee.                                      | S-3ASR                    | 333-200722 | 4.5     | December 4, 2014  |
| 4.7            | Fifth Supplemental Indenture, dated as of December 9, 2014, between the Company and Wells Fargo Bank, National Association, as trustee  | 8-K                       | 001-07151  | 4.1     | December 9, 2014  |

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| Exhibit Number | Exhibit Description  | Incorporated by Reference |           |         |                  |
|----------------|--|---------------------------|-----------|---------|------------------|
|                |  | Form                      | File No.  | Exhibit | Filing Date      |
| 10.1*          | The Clorox Company Amended and Restated Independent Directors' Deferred Compensation Plan, effective as of November 16, 2005, and amended and restated as of February 7, 2008. | 10-Q                      | 001-07151 | 10.55   | May 2, 2008      |
| 10.2*          | The Clorox Company Non-Qualified Deferred Compensation Plan, adopted as of January 1, 1996, and amended and restated as of July 20, 2004.                                      | 10-K                      | 001-07151 | 10(x)   | August 27, 2004  |
| 10.3*          | The Clorox Company 1996 Stock Incentive Plan, adopted as of November 28, 2001, and amended and restated as of September 15, 2004.  | 10-Q                      | 001-07151 | 10.4    | November 4, 2004 |
| 10.4*          | Form of Non-Qualified Stock Option Award Agreement under the Company's 1996 Stock Incentive Plan, amended and restated as of September 15, 2004                                | 10-Q                      | 001-07151 | 10.5    | November 4, 2004 |
| 10.5*          | The Clorox Company Annual Incentive Plan, amended and restated as of September 17, 2013.   | 10-K                      | 001-07151 | 10.8    | August 25, 2014  |
| 10.6*          | The Clorox Company 2005 Stock Incentive Plan, amended and restated as of November 14, 2012.  | 10-Q                      | 001-07151 | 10.1    | February 5, 2013 |
| 10.7*          | Form of Performance Share Award Agreement under the Company's 2005 Stock Incentive Plan for awards made in 2012.   | 10-K                      | 001-07151 | 10.12   | August 23, 2013  |
| 10.8*          | Form of Performance Share Award Agreement under the Company's 2005 Stock Incentive Plan for awards made in 2013.   | 10-K                      | 001-07151 | 10.12   | August 25, 2014  |
| 10.9*          | Form of Performance Share Award Agreement under the Company's 2005 Stock Incentive Plan for awards made in 2014.   |                           |           |         |                  |
| 10.10*         | Form of Restricted Stock Unit Award Agreement under the Company's 2005 Stock Incentive Plan.   | 10-K                      | 001-07151 | 10.13   | August 23, 2013  |
| 10.11*         | Form of Nonqualified Stock Option Award Agreement under the Company's 2005 Stock Incentive Plan.   | 10-K                      | 001-07151 | 10.14   | August 25, 2014  |
| 10.12*         | The Clorox Company Amended and Restated 2005 Nonqualified Deferred Compensation Plan, effective January 1, 2008.   | 10-K                      | 001-07151 | 10.18   | August 19, 2008  |
| 10.13*         | Amendment No. 1 to The Clorox Company Amended and Restated 2005 Nonqualified Deferred Compensation Plan.   | 10-K                      | 001-07151 | 10.18   | August 26, 2011  |

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| <b>Exhibit Number</b> | <b>Exhibit Description</b>   | <b>Incorporated by Reference</b> |                 |                |                    |
|-----------------------|--|----------------------------------|-----------------|----------------|--------------------|
|                       |  | <b>Form</b>                      | <b>File No.</b> | <b>Exhibit</b> | <b>Filing Date</b> |
| 10.14*                | The Clorox Company Supplemental Executive Retirement Plan, as restated effective January 5, 2005, as revised August 13, 2009.  | 10-Q                             | 001-07151       | 10.17          | November 3, 2009   |
| 10.15*                | Amendment No. 1 to The Clorox Company Supplemental Executive Retirement Plan, effective as of July 29, 2011.   | 10-Q                             | 001-07151       | 10.21          | November 3, 2011   |
| 10.16*                | Amendment No. 2 to The Clorox Company Supplemental Executive Retirement Plan, effective as of September 11, 2012.  | 10-Q                             | 001-07151       | 10.2           | November 2, 2012   |
| 10.17*                | The Clorox Company Executive Incentive Compensation Plan, amended and restated as of February 7, 2008.   | 10-Q                             | 001-07151       | 10.58          | May 2, 2008        |
| 10.18*                | Form of Indemnification Agreement.   | 10-Q                             | 001-07151       | 10.27          | May 4, 2010        |
| 10.19*                | First Amended and Restated Executive Change in Control Severance Plan, effective November 20, 2014.  | 10-Q                             | 001-07151       | 10.1           | February 5, 2015   |
| 10.20*                | Severance Plan for Clorox Executive Committee Members, amended and restated effective November 20, 2014.   | 10-Q                             | 001-07151       | 10.2           | February 5, 2015   |
| 10.21*                | The Clorox Company Executive Retirement Plan, effective as of July 1, 2011.  | 10-Q                             | 001-07151       | 10.27          | May 4, 2011        |
| 10.22*                | The Clorox Company 2011 Nonqualified Deferred Compensation Plan, effective as of July 1, 2011.   | 10-K                             | 001-07151       | 10.29          | August 26, 2011    |
| 10.23*                | Amended and Restated Employment Agreement between The Clorox Company and Donald R. Knauss, dated as of November 20, 2014.  | 8-K                              | 001-07151       | 10.1           | May 15, 2015       |
| 10.24*                | Amended and Restated Change in Control Agreement between The Clorox Company and Donald R. Knauss, dated as of November 20, 2014.   | 8-K                              | 001-07151       | 10.2           | May 15, 2015       |
| 10.25*                | The Clorox Company Amended and Restated Replacement Supplemental Executive Retirement Plan for the Benefit of Donald R. Knauss, effective as of October 2, 2006.   | 10-Q                             | 001-07151       | 10.19          | February 5, 2009   |
| 10.26                 | Credit Agreement, dated as of October 1, 2014 among The Clorox Company, the lenders listed therein, Citibank, N.A., JPMorgan Chase Bank, N.A. and Wells Fargo Bank, National Association, as Administrative Agents, and Citibank, N.A. as Servicing Agent. | 8-K                              | 001-07151       | 10.1           | October 7, 2014    |
| 10.27(+)              | Amended and Restated Joint Venture Agreement dated as of January 31, 2003, between The Glad Products Company and certain affiliates and The Procter and Gamble Company and certain affiliates.   | 10-Q/A                           | 001-07151       | 10             | April 26, 2005     |

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| Exhibit Number | Exhibit Description  | Incorporated by Reference |          |         |             |
|----------------|--|---------------------------|----------|---------|-------------|
|                |  | Form                      | File No. | Exhibit | Filing Date |
| 21             | Subsidiaries.  |                           |          |         |             |
| 23             | Consent of Independent Registered Public Accounting Firm.  |                           |          |         |             |
| 31.1           | Certification of the Chief Executive Officer of The Clorox Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  |                           |          |         |             |
| 31.2           | Certification of the Chief Financial Officer of The Clorox Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  |                           |          |         |             |
| 32             | Certification of the Chief Executive Officer and Chief Financial Officer of The Clorox Company pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  |                           |          |         |             |
| 99.1           | Management's Discussion and Analysis of Financial Condition and Results of Operations, Consolidated Financial Statements, Management's Report on Internal Control over Financial Reporting and Reports of Independent Registered Public Accounting Firm.   |                           |          |         |             |
| 99.2           | Valuation and Qualifying Accounts and Reserves.  |                           |          |         |             |
| 99.3           | Reconciliation of Economic Profit. (Unaudited)   |                           |          |         |             |
| 101            | The following materials from The Clorox Company's Annual Report on Form 10-K for the year ended June 30, 2015 are formatted in extensible Business Reporting Language (XBRL): (i) the Consolidated Statements of Earnings, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Stockholders' Equity, (v) the Consolidated Statements of Cash Flows and (vi) Notes to Consolidated Financial Statements. |                           |          |         |             |

- (\*) Indicates a management or director contract or compensatory plan or arrangement required to be filed as an exhibit to this report.
- (+) Confidential treatment has been granted for certain information contained in this document. Such information has been omitted and filed separately with the Securities and Exchange Commission.

THE CLOROX COMPANY  
2005 STOCK INCENTIVE PLAN  
PERFORMANCE SHARE AWARD AGREEMENT

**NOTICE OF PERFORMANCE SHARE GRANT**

The Clorox Company, a Delaware company (the "Company"), grants to the Grantee named below, in accordance with the terms of The Clorox Company 2005 Stock Incentive Plan (the "Plan") and this performance share award agreement (the "Agreement"), the following number of Performance Shares on the terms set forth below:

**GRANTEE:** (refer to UBS Financial Services Inc. ("UBS") account for details)  
**TARGET AWARD:** (refer to UBS account for details)  
**PERFORMANCE PERIOD:** July 1, 2014 through June 30, 2017  
**DATE OF GRANT:** September 17, 2014

**SETTLEMENT DATE:** Within 75 days following the last day of the Performance Period, provided the Grantee has remained in the employment or service of the Company or its Subsidiaries through such date (except for a termination of employment or service due to death, Disability or Retirement, as provided below)

**AGREEMENT**

1. Grant of Performance Shares. The Company hereby grants to the Grantee the Target Award set forth above, payment of which is dependent upon the achievement of certain performance goals more fully described in Section 3 of this Agreement. This Award is subject to the terms, definitions and provisions of the Plan and this Agreement. All terms, provisions, and conditions applicable to the Performance Shares set forth in the Plan and not set forth herein are incorporated by reference. To the extent any provision hereof is inconsistent with a provision of the Plan, the provisions of the Plan will govern. All capitalized terms that are used in this Agreement and not otherwise defined herein shall have the meanings ascribed to them in the Plan.
2. Nature and Settlement of Award. The Performance Shares awarded pursuant to this Agreement represent the opportunity to receive Shares of the Company and Dividend Equivalents on such Shares (as described in Section 4 below). The Company shall issue to the Participant one Share for each vested Performance Share (plus any Dividend Equivalents accrued with respect to such vested Performance Shares), rounded down to the nearest whole share, less any Shares withheld in accordance with the provisions of Section 7 of this Agreement. Settlement shall occur on a date chosen by the Committee, which date shall be within seventy-five (75) days following the last day of the Performance Period, or any deferred settlement date established pursuant to Section 6 of this Agreement, whichever is later (the "Settlement Date"), and except as specifically provided in Section 5 of this Agreement, provided the Grantee has remained in the employment or service of the Company or its Subsidiaries through the Settlement Date. Although vested within the meaning of Section 83 of the Internal Revenue Code since no substantial risk of forfeiture exists at the Settlement Date, the Performance Shares (and any associated Dividend Equivalents) will not be earned until the Grantee has fulfilled all of the conditions precedent set forth in this Agreement, including, but not limited to, the obligations set forth in Sections 9(b), 9(c), 9(d), 9(e) and Section 10, and the Grantee shall have no right to retain the Shares or the value thereof upon vesting or settlement of the Performance Shares until all such conditions precedent have been satisfied.
3. Determination of Number of Performance Shares Vested.

The number of Performance Shares vested, if any, for the Performance Period shall be determined in accordance with the following formula:

**# of Performance Shares = Payout Percentage x Target Award**

The “Payout Percentage” is based on cumulative economic profit (“EP”), calculated as described in the paragraph below, at the end of the Performance Period, determined in accordance with the following table:

| <b>FY15 – FY17</b> | <b>Payout</b> |
|--------------------|---------------|
|                    | 0%            |
|                    | 50%           |
|                    | 75%           |
|                    | 100%          |
|                    | 125%          |
|                    | 150%          |

Performance Period is FY15-FY17 Interim percentages to be interpolated

Cumulative EP will be the sum of annual EP results over the Performance Period. Annual EP is defined as Earnings Before Interest & Taxes (“EBIT”), adjusted for non-cash restructuring charges, times one minus the tax rate, less capital charge.

Notwithstanding the above, the EP levels in the preceding table shall be adjusted, fairly and appropriately, in accordance with the Plan and, as provided in this Agreement, to reflect accurately the direct and measurable effect of the impact of each of the following events not otherwise reflected in the determination of the initial EP levels (each, an “Event”) including, without limitation, the financial statement impact on the Company on account of the occurrence or potential occurrence of an Event: (1) the acquisition or divestiture of a business, (2) a Change in Control, (3) U.S. Federal changes in tax statutes or the addition or deletion of taxes to which the Company or any Affiliated Company is subject, (4) force majeure (including events known as “Acts of God”), (5) the adoption of new or revised accounting pronouncements or changes to application of accounting pronouncements, and (6) any extraordinary, unusual or non-recurring item not previously listed. Notwithstanding the foregoing, an event listed in the preceding sentence shall not qualify as an Event, and therefore no adjustment shall be made to the EP levels, unless the impact of the occurrence or potential occurrence of such an event listed in the preceding sentence exceeds \$2 million in EP. The purpose of any adjustments on account of the occurrence of an Event is to keep the probability of achieving the EP levels the same as if the Event triggering such adjustment had either not occurred or had not resulted in any financial statement impact. The determination of any adjustments shall be based on the Company’s accounting as set forth in its books and records (including business projections) and/or in the annual budget and/or long range plan of the Company pursuant to which the EP levels were originally established. The amount of any such adjustment shall be approved by the Committee in its good faith determination in accordance with the provisions of this paragraph. To the extent applicable, the Committee shall condition the determination of the number of Performance Shares vested under this Section 3 upon the satisfaction of the adjusted EP levels. All Performance Shares that are not vested for the Performance Period shall be forfeited as of the last day of the Performance Period.

4. Dividend Equivalent Rights. No Dividend Equivalents shall be paid to the Grantee prior to the settlement of the award. Rather, such Dividend Equivalent payments will accrue and be notionally credited to the Grantee’s Performance Share account and paid out at the Payout Percentage in the form of additional Shares (the “Dividend Equivalent Shares”) upon settlement of the award, as described in Section 2 above.
5. Termination of Continuous Service. Except as otherwise provided below, if the Grantee’s employment or service with the Company and its Subsidiaries is terminated for any reason prior to the Settlement Date, all Performance Shares and Dividend Equivalents subject to this Agreement shall be immediately forfeited.
  - a. Termination due to Death or Disability. If the Grantee’s termination of employment or service is due to death or Disability, all Performance Shares and Dividend Equivalents shall immediately vest and will be paid upon completion of the Performance Period based on the level of performance achieved as of the end of such Performance Period.

- b. Termination due to Retirement. If the Grantee's termination of employment or service is due to Retirement and is more than twelve (12) months from the Date of Grant set forth in this Agreement, the Performance Shares shall vest on a pro rata monthly basis, including full credit for partial months elapsed, and will be paid upon completion of the Performance Period based on the level of performance achieved as of the end of such Performance Period; provided, however, that this provision shall not apply in the event the Grantee's employment or service is terminated for Cause. The amount of the vested Award may be computed under the following formula: Target Award times (number of full months elapsed in Performance Period divided by number of full months in Performance Period) times percent performance level achieved as of the end of the Performance Period. Dividend Equivalents accrued through the Grantee's date of termination due to Retirement shall be paid at the same time as the settlement of the vested Performance Shares.
- c. Definition of "Retirement." For purposes of this Agreement, the term "Retirement" shall mean termination of employment or service as an Employee after (1) twenty (20) or more years of "vesting service," which solely for purposes of this Agreement, shall be calculated under Article III of The Clorox Company 401(k) Plan (the "401(k) Plan") entitled "Service" along with any other relevant provisions of the 401(k) Plan necessary or desirable to give full effect thereto, or any successor provisions, regardless of the status of the Grantee with respect to the 401(k) Plan ("Vesting Service"), or (2) attaining age fifty-five with ten (10) or more years of Vesting Service.
- d. Definition of "Disability." For purposes of this Agreement, the Grantee's employment shall be deemed to have terminated due to the Grantee's Disability if the Grantee is entitled to long-term disability benefits under the Company's long-term disability plan or policy, as in effect on the date of termination of the Grantee's employment.
6. Election to Defer Settlement. Prior to the commencement of the last year of the Performance Period, the Grantee may elect to defer the settlement of the Performance Shares from the last day of the Performance Period until a date at least two years following such date, or until the Grantee's later termination of employment or service. If the Grantee makes such an election, it will become irrevocable on the date of such election. If the Grantee makes such an election, any Dividend Equivalents awarded with respect to such deferred Performance Shares shall also be deferred under the same terms. If the Grantee makes such an election, but a transaction occurs that subjects the Grantee's Performance Shares to Section 19 of the Plan prior to the settlement date, the Grantee's deferral election will terminate and the Grantee's Performance Shares and Dividend Equivalents will be settled as of the date of that transaction. The Company may terminate any deferral hereunder if a change in law requires such termination.
7. Taxes. Pursuant to Section 16 of the Plan, the Committee shall have the power and the right to deduct or withhold, or require the Grantee to remit to the Company, an amount sufficient to satisfy any applicable tax withholding requirements applicable to this Award. The Committee may condition the issuance of Shares upon the Grantee's satisfaction of such withholding obligations. The Grantee may elect to satisfy all or part of such withholding requirement by tendering previously-owned Shares or by having the Company withhold Shares having a Fair Market Value equal to the minimum statutory withholding rate that could be imposed on the transaction (or such other rate that will not result in a negative accounting impact) or in such other manner as is acceptable to the Company. Such election shall be irrevocable, made in writing, signed by the Grantee, and shall be subject to any restriction or limitations that the Committee, in its sole discretion, deems appropriate.
8. Transferability of Performance Shares. Performance Shares shall not be transferable by the Grantee other than by will or by the laws of descent or distribution. For avoidance of doubt, Shares issued to the Grantee in settlement of Performance Shares pursuant to Section 2 of this Agreement shall not be subject to any of the foregoing transferability restrictions.
9. Protection of Trade Secrets and Limitations on Retention.
- a. Definitions.
- i. "Affiliated Company" means any organization controlling, controlled by or under common control with the Company.

- ii. “Confidential Information” means the Company’s technical or business or personnel information not readily available to the public or generally known in the trade, including inventions, developments, trade secrets and other confidential information, knowledge, data and know-how of the Company or any Affiliated Company, whether or not they originated with the Grantee, or information which the Company or any Affiliated Company received from third parties under an obligation of confidentiality.
- iii. “Conflicting Product” means any product, process, machine, or service of any person or organization, other than the Company or any Affiliated Company, in existence or under development that (1) resembles or competes with a product, process, machine, or service upon or with which the Grantee shall have worked during the two years prior to the Grantee’s termination of employment with the Company or any Affiliated Company or (2) with respect to which during that period of time the Grantee, as a result of his/her job performance and duties, shall have acquired knowledge of Confidential Information, and whose use or marketability could be enhanced by application to it of Confidential Information. For purposes of this section, it shall be conclusively presumed that the Grantee has knowledge of information to which s/he has been directly exposed through actual receipt or review of memorandum or documents containing such information or through actual attendance at meetings at which such information was discussed or disclosed.
- iv. “Conflicting Organization” means any person or organization that is engaged in or about to become engaged in research on or development, production, marketing or selling of a Conflicting Product.
- b. Right to Retain Shares Contingent on Protection of Confidential Information. In partial consideration for the award of these Performance Shares, the Grantee agrees that at all times, both during and after the term of the Grantee’s employment with the Company or any Affiliated Company, to hold in the strictest confidence, and not to use (except for the benefit of the Company at the Company’s direction) or disclose (except for the benefit of the Company at the Company’s direction), regardless of when disclosed to the Grantee, any and all Confidential Information of the Company or any Affiliated Company. The Grantee understands that for purposes of this Section 9(b), Confidential Information further includes, but is not limited to, information pertaining to any aspect of the business of the Company or any Affiliated Company which is either information not known (or known as a result of a wrongful act of the Grantee or of others who were under confidentiality obligations as to the item or items involved) by actual or potential competitors of the Company or other third parties not under confidentiality obligations to the Company. If, prior to the expiration of the Performance Period or at any time within one (1) year after the Settlement Date, the Grantee discloses or uses, or threatens to disclose or use, any Confidential Information other than in the course of performing authorized services for the Company (or any Affiliated Company), the Performance Shares, whether vested or not, will be immediately forfeited and cancelled, and the Grantee shall immediately return to the Company the Shares or the pre-tax income derived from any disposition of the Shares.
- c. No Interference with Customers or Suppliers. In partial consideration for the award of these Performance Shares, in order to forestall the disclosure or use of Confidential Information as well as to deter the Grantee’s intentional interference with the contractual relations of the Company or any Affiliated Company, the Grantee’s intentional interference with prospective economic advantage of the Company or any Affiliated Company and to promote fair competition, the Grantee agrees that the Grantee’s right to the Shares upon settlement of the Performance Shares is contingent upon the Grantee refraining, for a period of one (1) year after the date of settlement of the Performance Shares, for himself/herself or any third party, directly or indirectly, from using Confidential Information to (1) divert or attempt to divert from the Company (or any Affiliated Company) any business of any kind in which it is engaged, or (2) intentionally solicit its customers with which it has a contractual relationship as to Conflicting Products, or to interfere with the contractual relationship with any of its suppliers or customers (collectively, “Interfere”). If, during the term of the Performance Period or at any time within one (1) year after the Settlement Date, the Grantee breaches his/her obligation not to Interfere, the Grantee’s right to the Shares upon settlement of the Performance Shares shall not have been earned and the Performance Shares, whether vested or not, will be immediately cancelled, and the Grantee shall immediately return to the Company the Shares or the pre-tax income derived from any disposition of the Shares. For avoidance of doubt, the term “Interfere” shall not include any advertisement of Conflicting Products through the use of media intended to reach a broad public audience (such as television, cable or radio broadcasts, or newspapers or magazines) or the broad distribution of coupons through the use of direct mail or through independent retail outlets. THE GRANTEE UNDERSTANDS THAT THIS PARAGRAPH IS NOT INTENDED TO AND DOES NOT PROHIBIT THE CONDUCT DESCRIBED, BUT PROVIDES FOR THE CANCELLATION OF THE PERFORMANCE SHARES AND A RETURN TO THE COMPANY OF THE SHARES OR THE GROSS TAXABLE PROCEEDS OF THE SHARES IF THE GRANTEE SHOULD CHOOSE TO VIOLATE THIS “NO INTERFERENCE WITH CUSTOMERS OR SUPPLIERS” PROVISION DURING THE TERM OF THE PERFORMANCE PERIOD OR WITHIN ONE (1) YEAR AFTER THE SETTLEMENT DATE.

- d. No Solicitation of Employees. In partial consideration for the award of these Performance Shares, in order to forestall the disclosure or use of Confidential Information, as well as to deter the Grantee's intentional interference with the contractual relations of the Company or any Affiliated Company, the Grantee's intentional interference with prospective economic advantage of the Company or any Affiliated Company, and to promote fair competition, the Grantee agrees that the Grantee's right to the Shares upon settlement of the Performance Shares is contingent upon the Grantee refraining, for a period of one (1) year after the date of settlement of the Performance Shares, for himself/herself or any third party, directly or indirectly, from soliciting for employment any person employed by the Company, or by any Affiliated Company, during the period of the solicited person's employment and for a period of one (1) year after the termination of the solicited person's employment with the Company or any Affiliated Company (collectively "Solicit"). If, during the term of the Performance Period or at any time within one (1) year after the Settlement Date, the Grantee breaches his/her obligation not to Solicit, the Grantee's right to the Shares upon settlement of the Performance Shares shall not have been earned and the Performance Shares, whether vested or not, will be immediately cancelled, and the Grantee shall immediately return to the Company the Shares or the pre-tax income derived from any disposition of the Shares. THE GRANTEE UNDERSTANDS THAT THIS PARAGRAPH IS NOT INTENDED TO AND DOES NOT PROHIBIT THE CONDUCT DESCRIBED, BUT PROVIDES FOR THE CANCELLATION OF THE PERFORMANCE SHARES AND A RETURN TO THE COMPANY OF THE SHARES OR THE GROSS TAXABLE PROCEEDS OF THE SHARES IF THE GRANTEE SHOULD CHOOSE TO VIOLATE THIS NON-SOLICITATION OF EMPLOYEES PROVISION DURING THE TERM OF THE PERFORMANCE PERIOD OR WITHIN ONE (1) YEAR AFTER THE SETTLEMENT DATE.
- e. Injunctive and Other Available Relief. By acceptance of these Performance Shares, the Grantee acknowledges that, if the Grantee were to breach or threaten to breach his/her obligation hereunder not to Interfere or Solicit or not to disclose or use any Confidential Information other than in the course of performing authorized services for the Company (or any Affiliated Company), the harm caused to the Company by such breach or threatened breach would be, by its nature, irreparable because, among other things, damages would be significant and the monetary harm that would ensue would not be able to be readily proven, and that the Company would be entitled to injunctive and other appropriate relief to prevent threatened or continued breach and to such other remedies as may be available at law or in equity. To the extent not prohibited by law, any cancellation of the Performance Shares pursuant to any of Sections 9(b) through 9(d) above shall not restrict, abridge or otherwise limit in any fashion the types and scope of injunctive and other available relief to the Company. Notwithstanding any provision of this Agreement to the contrary, nothing under this Agreement shall limit, abridge, modify or otherwise restrict the Company (or any Affiliated Company) from pursuing any or all legal, equitable or other appropriate remedies to which the Company may be entitled under any other agreement with the Grantee, any other plan, program, policy or arrangement of the Company (or any Affiliated Company) under which the Grantee is covered or participates, or any applicable law, all to the fullest extent not prohibited under applicable law.

10. Right to Retain Shares Contingent on Continuing Non-Conflicting Employment. In partial consideration for the award of these Performance Shares, in order to forestall the disclosure or use of Confidential Information, as well as to deter the Grantee's intentional interference with the contractual relations of the Company or any Affiliated Company, the Grantee's intentional interference with prospective economic advantage of the Company or any Affiliated Company, and to promote fair competition, the Grantee agrees that the Grantee's right to the Shares upon settlement of the Performance Shares is contingent upon the Grantee refraining, during the term of the Performance Period and for a period of one (1) year after the Settlement Date, from rendering services, directly or indirectly, as director, officer, employee, agent, consultant or otherwise, to any Conflicting Organization except a Conflicting Organization whose business is diversified and that, as to that part of its business to which the Grantee renders services, is not a Conflicting Organization, provided that the Company shall receive separate written assurances satisfactory to the Company from the Grantee and the Conflicting Organization that the Grantee shall not render services during such period with respect to a Conflicting Product. If, prior to the expiration of the Performance Period or at any time within one (1) year after the Settlement Date, the Grantee shall render services to any Conflicting Organization other than as expressly permitted herein, the Grantee's right to the Shares upon settlement of the Performance Shares shall not have been earned and the Performance Shares, whether vested or not, will be immediately cancelled, and the Grantee shall immediately return to the Company the Shares or the pre-tax income derived from any disposition of the Shares. THE GRANTEE UNDERSTANDS THAT THIS PARAGRAPH IS NOT INTENDED TO AND DOES NOT PROHIBIT THE GRANTEE FROM RENDERING SERVICES TO A CONFLICTING ORGANIZATION, BUT PROVIDES FOR THE CANCELLATION OF THE PERFORMANCE SHARES AND A RETURN TO THE COMPANY OF THE SHARES OR THE GROSS TAXABLE PROCEEDS OF THE SHARES IF THE GRANTEE SHOULD CHOOSE TO RENDER SUCH SERVICES DURING THE TERM OF THE PERFORMANCE PERIOD OR WITHIN ONE (1) YEAR AFTER THE SETTLEMENT DATE.
11. Repayment Obligation. In the event that (1) the Company issues a restatement of financial results to correct a material error and (2) the Committee determines, in good faith, that the Grantee's fraud or willful misconduct was a significant contributing factor to the need to issue such restatement and (3) some or all of the Performance Shares that were granted and/or vested prior to such restatement would not have been granted and/or vested, as applicable, based upon the restated financial results, the Grantee shall immediately return to the Company the Performance Shares or any Shares or the pre-tax income derived from any disposition of the Shares previously received in settlement of the Performance Shares that would not have been granted and/or vested based upon the restated financial results (the "Repayment Obligation"). The Company shall be able to enforce the Repayment Obligation by all legal means available, including, without limitation, by withholding such amount from other sums owed by the Company to the Grantee.
12. Miscellaneous Provisions.
- a. Rights as a Stockholder. Neither the Grantee nor the Grantee's transferee or representative shall have any rights as a stockholder with respect to any Shares subject to this Award until the Performance Shares have been settled and Share certificates have been issued to the Grantee, transferee or representative, as the case may be.
- b. Choice of Law, Exclusive Jurisdiction and Venue. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction. The courts of the State of Delaware shall have exclusive jurisdiction over any disputes or other proceedings relating to this Agreement, and venue shall reside with the courts in New Castle County, Delaware, including if jurisdiction shall so permit, the U.S. District Court for the District of Delaware. Accordingly, the Grantee agrees that any claim of any type relating to this Agreement must be brought and maintained in the appropriate court located in New Castle County, Delaware, including if jurisdiction will so permit, in the U.S. District Court for the State of Delaware. The Grantee hereby consents to the jurisdiction over the Grantee of any such courts and waives all objections based on venue or inconvenient forum.

- c. Modification or Amendment. This Agreement may be modified or amended by the Board or the Committee at any time; provided, however, no modification or amendment to this Agreement shall be made which would materially and adversely affect the rights of the Grantee, without such Grantee's written consent.
- d. Severability. In the event any provision of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions of this Agreement, and this Agreement shall be construed and enforced to reflect the intent of the parties to the fullest extent not prohibited by law, and in the event that such provision is not able to be so construed and enforced, then this Agreement shall be construed and enforced as if such illegal or invalid provision had not been included. In amplification of the preceding sentence, in the event that the time period or scope of any provision is declared by a court or arbitrator of competent jurisdiction to exceed the maximum time period or scope that such court or arbitrator deems enforceable, then such court or arbitrator shall have the power to reduce the time period or scope to the maximum time period or scope permitted by law.
- e. References to Plan. All references to the Plan shall be deemed references to the Plan as may be amended.
- f. 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.
- g. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by the Grantee or by the Company forthwith to the Board or the Committee, which shall review such dispute at its next regular meeting. The resolution of such dispute by the Board or the Committee shall be final and binding on all persons. It is the intention of the Company and the Grantee to make the promises contained in this Agreement reasonable and binding only to the extent that it may be lawfully done under existing applicable laws. This Agreement and the Plan constitute the entire and exclusive agreement between the Grantee and the Company, and it supersedes all prior agreements or understandings, whether written or oral, with respect to the grant of Performance Shares set forth in this Agreement.
- h. Section 409A Compliance. To the extent applicable, it is intended that the Plan and this Agreement comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and any related regulations or other guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service ("Section 409A"). Any provision of the Plan or this Agreement that would cause this Award to fail to satisfy Section 409A shall have no force or effect until amended to comply with Section 409A, which amendment may be retroactive to the extent permitted by Section 409A.

Notwithstanding any provision of the Plan to the contrary, if the Grantee is a "specified employee" (as defined in Section 1.409A-1 (i) of the Treasury Department Regulations) at the time of the Grantee's "separation from service" (as defined in Section 1.409A-1 (h) of the Treasury Department Regulations), and a payment to the Grantee under this Agreement is subject to Section 409A and is being made to the Grantee on account of the Grantee's separation from service, then to the extent not paid on or before March 15 of the calendar year following the calendar year in which the separation from service occurred, such payment shall be delayed until the earlier of the date which is six (6) months after the date of the Grantee's separation from service or the date of death of the Grantee. Any payments that were scheduled to be paid during the six (6) month period following the Grantee's separation from service, but which were delayed pursuant to this Section 12(h), shall be paid without interest on, or as soon as administratively practicable after, the first day following the six (6) month anniversary of the Grantee's separation from service (or, if earlier, the date of the Grantee's death). Any payments that were originally scheduled to be paid following the six (6) months after the Grantee's separation from service shall continue to be paid in accordance with their predetermined schedule.

- i. Agreement with Terms. Receipt of any benefits under this Agreement by the Grantee shall constitute the Grantee's acceptance of and agreement with all of the provisions of this Agreement and of the Plan that are applicable to this Agreement, and the Company shall administer this Agreement accordingly.

**THE CLOROX COMPANY**

By: /s/ Don Knauss  
Its: Chairman of the Board and CEO

THE GRANTEE ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT IS A UNILATERAL CONTRACT AND THAT THE GRANTEE'S RIGHT TO THE SHARES PURSUANT TO THIS AGREEMENT IS ACCEPTED AND EARNED ONLY BY CONTINUING EMPLOYMENT AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS AWARD OR ACQUIRING SHARES HEREUNDER) AND BY ACHIEVEMENT OF THE PERFORMANCE CRITERIA AND BY COMPLIANCE WITH THE GRANTEE'S VARIOUS OBLIGATIONS UNDER THIS AGREEMENT. THE GRANTEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS AGREEMENT, NOR IN THE PLAN, SHALL CONFER UPON THE GRANTEE ANY RIGHT WITH RESPECT TO CONTINUATION OF EMPLOYMENT BY THE COMPANY, NOR SHALL IT INTERFERE IN ANY WAY WITH THE GRANTEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE THE GRANTEE'S EMPLOYMENT AT ANY TIME, FOR ANY REASON OR NO REASON, WITH OR WITHOUT CAUSE, AND WITH OR WITHOUT ADVANCE NOTICE EXCEPT AS MAY BE REQUIRED BY APPLICABLE LAW.

The Grantee acknowledges that a copy of the Plan, Plan Information and the Company's Annual Report and Proxy Statement (the "Prospectus Information") are available for viewing on the Company's Cloroxweb site at <http://CLOROXWEB.clorox.com/hr/stock> . The Grantee hereby consents to receive the Prospectus Information electronically or, in the alternative, to contact the HR Service Center at 1-800-709-7095 to request a paper copy of the Prospectus Information. The Grantee represents that s/he is familiar with the terms and provisions thereof, and hereby accepts this Agreement subject to all of the terms and provisions thereof. The 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. The Grantee acknowledges and hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan or this Agreement. The Grantee further agrees to notify the Company upon any change in the residence address indicated below.

Dated: \_\_\_\_\_

Signed: \_\_\_\_\_

Grantee

Residence Address:

\_\_\_\_\_  
\_\_\_\_\_

| Name of Company                           | Jurisdiction of Incorporation |
|---|-------------------------------|
| 1221 Olux, LLC                            | Delaware                      |
| 6570 Donlon Group, LLC                    | Delaware                      |
| A & M Products Manufacturing Company      | Delaware                      |
| Andover Properties, Inc.                  | Delaware                      |
| Aplicare, Inc.                            | Connecticut                   |
| Bees International Corporation            | Japan                         |
| Brita Canada Corporation                  | Nova Scotia                   |
| Brita Canada Holdings Corporation         | Nova Scotia                   |
| Brita GP                                  | Ontario                       |
| Brita LP                                  | Ontario                       |
| Brita Manufacturing Company               | Delaware                      |
| The Brita Products Company                | Delaware                      |
| BGP (Switzerland) S. a. r. l.             | Switzerland                   |
| Burt's Bees, Inc.                         | Delaware                      |
| Burt's Bees Australia Pty Ltd.            | Australia                     |
| Burt's Bees International Holdings        | Delaware                      |
| Burt's Bees Licensing, LLC                | Delaware                      |
| The Burt's Bees Products Company          | Delaware                      |
| Caltech Industries, Inc.                  | Michigan                      |
| CBee (Europe) Limited                     | United Kingdom                |
| Chesapeake Assurance Limited              | Hawaii                        |
| Clorox Africa (Proprietary) Ltd.          | South Africa                  |
| Clorox Africa Holdings (Proprietary) Ltd. | South Africa                  |
| Clorox Argentina S.A.                     | Argentina                     |
| Clorox Australia Pty. Ltd.                | Australia                     |
| Clorox Brazil Holdings LLC                | Delaware                      |
| Clorox (Cayman Islands) Ltd.              | Cayman Islands                |
| Clorox Chile S.A.                         | Chile                         |
| Clorox China (Guangzhou) Ltd.             | Guangzhou, P.R.C.             |
| Clorox Commercial Company                 | Delaware                      |
| The Clorox Company of Canada Ltd.         | Canada (Federal)              |
| Clorox de Centro America, S.A.            | Costa Rica                    |
| Clorox de Colombia S.A.                   | Colombia                      |
| Clorox de Mexico, S.A. de C.V.            | Mexico                        |
| Clorox de Panama S.A.                     | Panama                        |
| Clorox del Ecuador S.A. Ecuacolorox       | Ecuador                       |
| Clorox Diamond Production Company         | Delaware                      |
| Clorox Dominicana S.R.L.                  | Dominican Republic            |
| Clorox (Europe) Financing S.a.r.l.        | Luxembourg                    |
| Clorox Healthcare Holdings, LLC           | Delaware                      |
| Clorox Holdings Pty. Limited              | Australia                     |
| Clorox Hong Kong Limited                  | Hong Kong                     |

| <b>Name of Company</b>                                | <b>Jurisdiction of Incorporation</b> |
|---|--------------------------------------|
| Clorox Hungary Liquidity Management Kft               | Hungary                              |
| The Clorox International Company                      | Delaware                             |
| Clorox International Holdings, LLC                    | Delaware                             |
| Clorox International Philippines, Inc.                | The Philippines                      |
| Clorox Luxembourg S.a.r.l.                            | Luxembourg                           |
| Clorox (Malaysia) Sdn. Bhd.                           | Malaysia                             |
| Clorox Manufacturing Company                          | Delaware                             |
| Clorox Manufacturing Company of Puerto Rico, Inc.     | Puerto Rico                          |
| Clorox Mexicana S. de R.L. de C.V.                    | Mexico                               |
| Clorox New Zealand Limited                            | New Zealand                          |
| The Clorox Outdoor Products Company                   | Delaware                             |
| Clorox Peru S.A.                                      | Peru                                 |
| The Clorox Pet Products Company                       | Texas                                |
| 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 Spain, S.L.                                    | Spain                                |
| Clorox Spain Holdings, S.L.                           | Spain                                |
| Clorox Sub-Sahara Africa Limited                      | Kenya                                |
| Clorox (Switzerland) S.a.r.l.                         | Switzerland                          |
| Clorox Uruguay S.A.                                   | Uruguay                              |
| The Consumer Learning Center, Inc.                    | Delaware                             |
| Corporacion Clorox de Venezuela, S.A.                 | Venezuela                            |
| CLX Realty Co.  | Delaware                             |
| Evolution Sociedad S.A.                               | Uruguay                              |
| Fabricante de Productos Plasticos, S.A. de C.V.       | Mexico                               |
| First Brands (Bermuda) Limited                        | Bermuda                              |
| First Brands Corporation                              | Delaware                             |
| First Brands do Brasil Ltda.                          | Brazil                               |
| First Brands Mexicana, S.A. de C.V.                   | Mexico                               |
| Fully Will Limited                                    | Hong Kong                            |
| Gazoontite, LLC                                       | Delaware                             |
| Glad Manufacturing Company                            | Delaware                             |
| The Glad Products Company                             | Delaware                             |
| 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, LLC                   | Delaware                             |
| Lerwood Holdings Limited                              | British Virgin Islands               |

| <b>Name of Company</b>   | <b>Jurisdiction of Incorporation</b> |
|--|--------------------------------------|
| The Mexco Company  | Delaware                             |
| Mohamed Ali Abudawood for Industry and Partners for<br>Industry Company Ltd. | Saudi Arabia                         |
| National Cleaning Products Company Limited                                   | Saudi Arabia                         |
| Paulsboro Packaging Inc.   | New Jersey                           |
| Petroplus Productos Automotivos S.A.   | Brazil                               |
| Petroplus Sul Comercio Exterior S.A.   | Brazil                               |
| Round Ridge Production Company   | Delaware                             |
| Soy Vay Enterprises, Inc.  | California                           |
| STP do Brasil Ltda.  | Brazil                               |
| Yuhan-Clorox Co., Ltd.   | Korea                                |

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-3 No. 333-200722) and in the related Prospectuses of The Clorox Company, and
- (2) Registration Statements (Form S-8 Nos. 33-41131, including post effective amendments No. 1 and No. 2, 33-56565, 33-56563, 333-29375, 333-16969, 333-44675, 333-86783, 333-131487, 333-69455, including post effective amendment No. 1, 333-90386, including the post effective amendment No. 1, and 333-193913) of The Clorox Company;

of our reports dated August 21, 2015, with respect to the consolidated financial statements and schedule of The Clorox Company, and the effectiveness of internal control over financial reporting of The Clorox Company, included in this Annual Report (Form 10-K) for the year ended June 30, 2015.

/s/ Ernst & Young LLP

San Francisco, California  
August 21, 2015

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**CERTIFICATION**

I, Benno Dorer, 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 officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 21, 2015

/s/ Benno Dorer

Benno Dorer

Chief Executive Officer

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**CERTIFICATION**

I, Stephen M. Robb, 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 officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 21, 2015

/s/ Stephen M. Robb

Stephen M. Robb

Executive Vice President - Chief Financial Officer

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**CERTIFICATION**

In connection with the periodic report of The Clorox Company (the "Company") on Form 10-K for the period ended June 30, 2015, as filed with the Securities and Exchange Commission (the "Report"), we, Benno Dorer, Chief Executive Officer of the Company, and Stephen M. Robb, 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 our knowledge:

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

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

Date: August 21, 2015

/s/ Benno Dorer

\_\_\_\_\_  
Benno Dorer

Chief Executive Officer

/s/ Stephen M. Robb

\_\_\_\_\_  
Stephen M. Robb

Executive Vice President – Chief Financial Officer

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS****The Clorox Company****(Dollars in millions, except per share amounts)**

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is designed to provide a reader of The Clorox Company's (the Company or Clorox) financial statements with a narrative from the perspective of management on the Company's financial condition, results of operations, liquidity and certain other factors that may affect future results. In certain instances, parenthetical references are made to relevant sections of the Notes to Consolidated Financial Statements to direct the reader to a further detailed discussion. This section should be read in conjunction with the Consolidated Financial Statements and Supplementary Data included in this Annual Report on Form 10-K.

The following sections are included herein:

- Executive Overview
- Results of Operations
- Financial Position and Liquidity
- Contingencies
- Quantitative and Qualitative Disclosures about Market Risk
- Recently Issued Accounting Pronouncements
- Critical Accounting Policies and Estimates
- Summary of Non-GAAP Financial Measures

**EXECUTIVE OVERVIEW**

Clorox is a leading multinational manufacturer and marketer of consumer and professional products with approximately 7,700 employees worldwide as of June 30, 2015 and fiscal year 2015 net sales of \$5,655. Clorox sells its products primarily through mass retail outlets, e-commerce channels, wholesale distributors and medical supply distributors. Clorox markets some of the most trusted and recognized consumer brand names, including its namesake bleach and cleaning products, Pine-Sol<sup>®</sup> cleaners, Liquid-Plumr<sup>®</sup> clog removers, Poett<sup>®</sup> home care products, Fresh Step<sup>®</sup> cat litter, Glad<sup>®</sup> bags, wraps and containers, Kingsford<sup>®</sup> charcoal, Hidden Valley<sup>®</sup> dressings and sauces, Brita<sup>®</sup> water-filtration products and Burt's Bees<sup>®</sup> natural personal care products. The Company also markets brands through professional services channels, including infection control products for the healthcare industry under Clorox Healthcare<sup>®</sup>, HealthLink<sup>®</sup>, Aplicare<sup>®</sup> and Dispatch<sup>®</sup> brands. The Company manufactures products in more than a dozen countries and markets them in more than 100 countries.

The Company primarily markets its leading brands in mid-sized categories considered to be financially attractive. Most of the Company's products compete with other nationally advertised brands within each category and with "private label" brands.

As discussed more fully below under "Venezuela Discontinued Operations," the Company's Venezuela affiliate, Corporación Clorox de Venezuela S.A. (Clorox Venezuela), discontinued its operations effective September 22, 2014. The Company has reclassified the financial results of Clorox Venezuela as a discontinued operation in the consolidated financial statements for all periods presented herein.

The Company operates through strategic business units that are aggregated into four reportable segments: Cleaning, Household, Lifestyle and International.

- *Cleaning* consists of laundry, home care and professional products marketed and sold in the United States. Products within this segment include laundry additives, including bleach products under the Clorox<sup>®</sup> brand and Clorox 2<sup>®</sup> stain fighter and color booster; home care products, primarily under the Clorox<sup>®</sup>, Formula 409<sup>®</sup>, Liquid-Plumr<sup>®</sup>, Pine-Sol<sup>®</sup>, S.O.S<sup>®</sup> and Tilex<sup>®</sup> brands; naturally derived products under the Green Works<sup>®</sup> brand; and professional cleaning and disinfecting products under the Clorox<sup>®</sup>, Dispatch<sup>®</sup>, Aplicare<sup>®</sup>, HealthLink<sup>®</sup> and Clorox Healthcare<sup>®</sup> brands.
- *Household* consists of charcoal, cat litter and plastic bags, wraps and container products marketed and sold in the United States. Products within this segment include plastic bags, wraps and containers under the Glad<sup>®</sup> brand; cat litter products under the Fresh Step<sup>®</sup>, Scoop Away<sup>®</sup> and Ever Clean<sup>®</sup> brands; and charcoal products under the Kingsford<sup>®</sup> and Match Light<sup>®</sup> brands.
- *Lifestyle* consists of food products, water-filtration systems and filters and natural personal care products marketed and sold in the United States. Products within this segment include dressings and sauces, primarily under the Hidden Valley<sup>®</sup>, KC Masterpiece<sup>®</sup> and Soy Vay<sup>®</sup> brands; water-filtration systems and filters under the Brita<sup>®</sup> brand; and natural personal care products under the Burt's Bees<sup>®</sup> brand.
- *International* consists of products sold outside the United States. Products within this segment include laundry, home care, water-filtration, charcoal and cat litter products, dressings and sauces, plastic bags, wraps and containers and natural personal care products, primarily under the Clorox<sup>®</sup>, Glad<sup>®</sup>, PinoLuz<sup>®</sup>, Ayudin<sup>®</sup>, Limpido<sup>®</sup>, Clorinda<sup>®</sup>, Poett<sup>®</sup>, Mistolin<sup>®</sup>, Lestoil<sup>®</sup>, Bon Bril<sup>®</sup>, Brita<sup>®</sup>, Green Works<sup>®</sup>, Pine-Sol<sup>®</sup>, Agua Jane<sup>®</sup>, Chux<sup>®</sup>, Kingsford<sup>®</sup>, Fresh Step<sup>®</sup>, Scoop Away<sup>®</sup>, Ever Clean<sup>®</sup>, KC Masterpiece<sup>®</sup>, Hidden Valley<sup>®</sup> and Burt's Bees<sup>®</sup> brands.

### **Non-GAAP Financial Measures**

This Executive Overview, the succeeding sections of MD&A and Exhibit 99.3 include certain financial measures that are not defined by accounting principles generally accepted in the United States of America (U.S. GAAP). These measures, which are referred to as non-GAAP measures, are listed below.

- *Currency-neutral net sales growth*
- *Economic profit (EP)*
- *Free cash flow and free cash flow as a percentage of net sales*
- *Earnings from continuing operations before interest and taxes (EBIT) margin (the ratio of EBIT to net sales)*
- *Debt to earnings from continuing operations before interest, taxes, depreciation and amortization, and noncash intangible asset impairment charges ratio (Consolidated Leverage ratio)*

For a discussion of these measures and the reasons management believes they are useful to investors, refer to “*Summary of Non-GAAP Financial Measures*” below. For a discussion of the Consolidated Leverage ratio, please refer to “*Senior Notes and Credit Arrangements*” below. This MD&A and Exhibit 99.3 include reconciliations of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP.

## **Fiscal Year 2015 Financial Highlights**

A detailed discussion of strategic goals, key initiatives and results of operations is included below. Key fiscal year 2015 financial results are summarized as follows:

- The Company delivered diluted net earnings per share from continuing operations in fiscal year 2015 of \$4.57, an increase of approximately 4% from fiscal year 2014 diluted net earnings per share of \$4.39.
- The Company's fiscal year 2015 net sales increased by 3%, from \$5,514 in fiscal year 2014 to \$5,655 in fiscal year 2015, reflecting the benefit of price increases and higher volume, partially offset by unfavorable foreign currency exchange rates. On a currency-neutral basis, net sales increased 5%.
- Gross margin increased 90 basis points to 43.6% in fiscal year 2015 from 42.7% in fiscal year 2014, reflecting the benefits of cost savings and price increases, partially offset by the impact of higher manufacturing and logistics costs.
- The Company reported earnings from continuing operations of \$606 in fiscal year 2015, compared to \$579 in fiscal year 2014.
- EP increased to \$458 in fiscal year 2015 compared to \$423 in fiscal year 2014 (refer to the reconciliation of EP to earnings from continuing operations before income taxes in Exhibit 99.3).
- The Company's net cash flows provided by continuing operations were \$858 in fiscal year 2015, compared to \$786 in fiscal year 2014. Free cash flow was \$733 or 13% of net sales in fiscal year 2015, an increase from \$649 or 12% of net sales in fiscal year 2014.
- The Company returned \$385 in cash dividends to stockholders in fiscal year 2015 compared to \$368 in cash dividends in fiscal year 2014. In May 2015, the Company announced an increase of 4% in the quarterly cash dividend. In fiscal year 2015, the Company repurchased approximately 4 million shares of its common stock at a cost of approximately \$434.

## **Venezuela Discontinued Operations**

On September 22, 2014, Clorox Venezuela announced that it was discontinuing its operations, effective immediately, and seeking to sell its assets. Since fiscal year 2012, Clorox Venezuela was required to sell more than two thirds of its products at prices frozen by the Venezuelan government. During this same period, Clorox Venezuela experienced successive years of hyperinflation resulting in significant sustained increases in its input costs, including packaging, raw materials, transportation and wages. As a result, Clorox Venezuela had been selling its products at a loss, resulting in ongoing operating losses. Clorox Venezuela repeatedly met with government authorities in an effort to help them understand the rapidly declining state of the business, including the need for immediate, significant and ongoing price increases and other critical remedial actions to address these adverse impacts. Based on the Venezuelan government's representations, Clorox Venezuela had expected significant price increases would be forthcoming much earlier; however, the price increases subsequently approved were insufficient and would have caused Clorox Venezuela to continue operating at a significant loss into the foreseeable future. As such, Clorox Venezuela was no longer financially viable and was forced to discontinue its operations.

On September 26, 2014, the Company reported that Venezuelan Vice President Jorge Arreaza announced, with endorsement by President Nicolás Maduro, that the Venezuelan government had occupied the Santa Lucía and Guacara production facilities of Clorox Venezuela. On November 6, 2014, the Company reported that the Venezuelan government had published a resolution granting a government-sponsored Special Administrative Board full authority to restart and operate the business of Clorox Venezuela, thereby reaffirming the government's expropriation of Clorox Venezuela's assets. Further, President Nicolás Maduro announced the government's intention to facilitate the resumed production of bleach and other cleaning products at Clorox Venezuela plants. He also announced his approval of a financial credit to invest in raw materials and production at the plants. These actions by the Venezuelan government were taken without the consent or involvement of Clorox Venezuela, its parent Clorox Spain S.L. (Clorox Spain) or any of their affiliates. Clorox Venezuela, Clorox Spain and their affiliates reserved their rights under all applicable laws and treaties.

## Strategic Goals and Initiatives

The Clorox Company's 2020 Strategy serves as its strategic growth plan, directing the Company to the highest value opportunities for long-term, profitable growth and strong stockholder returns.

The long-term financial goals reflected in the Company's 2020 Strategy include annual net sales growth of 3-5%, market share growth, annual EBIT margin growth between 25-50 basis points and annual free cash flow as a percentage of net sales of about 10-12%. Clorox anticipates using free cash flow to invest in the business, maintain appropriate debt levels and return excess cash to stockholders.

In fiscal year 2016, Clorox anticipates certain continuing challenges to impact its sales and margins, including unfavorable foreign currency exchange rates, particularly in Argentina, and a continuation of slowing international economies. In addition, the Company is monitoring changes to commodities costs and managing rising logistics costs. The Company's priority in fiscal year 2016 is to continue investing strongly in its U.S. business, particularly in its "3D" demand-creation model of Desire, Decide and Delight, including advertising and consumer promotion, as well as trade promotion in order to drive category and market share growth. The Company is also focused on product innovation that will continue to delight and deliver superior value to consumers. Importantly, the Company anticipates supporting its margins by reducing exposure to inflation in its products and operations, continuing to slow the growth of selling and administrative expenses by driving out low-value activity and rebuilding margin in its international businesses.

As the Company executes its 2020 Strategy, a particular focus on "Strategy Accelerators," will help drive investment decisions – with the goal to deliver profitable growth:

- **Accelerating portfolio momentum** takes advantage of tailwinds in faster-growing categories and brands in the portfolio by directing more demand investment to those categories and brands.
- **Accelerating 3D technology transformation** addresses the shift in how today's consumers research, shop and buy their products. The Company is investing in digital marketing and social media and focused on driving its e-commerce business.
- **Accelerating innovation** across the Company's demand-creation model of Desire, Decide and Delight will continue to support category growth and market share improvement. In particular, the Company is focused on delivering superior value to consumers through the introduction of new products and product improvements.
- **Accelerating the Company's growth culture** encourages Clorox employees to be even more consumer-centric and focus on driving out low-value activity and delivering growth for the Company as they conduct their day-to-day activities.

Looking forward, the Company will continue to execute against its 2020 Strategy and seek to achieve its goals to deliver long-term profitable growth.

## RESULTS OF OPERATIONS

Unless otherwise noted, management's discussion and analysis compares results of continuing operations from fiscal year 2015 to fiscal year 2014, and fiscal year 2014 to fiscal year 2013, with percentage and basis point calculations based on rounded numbers, except as noted.

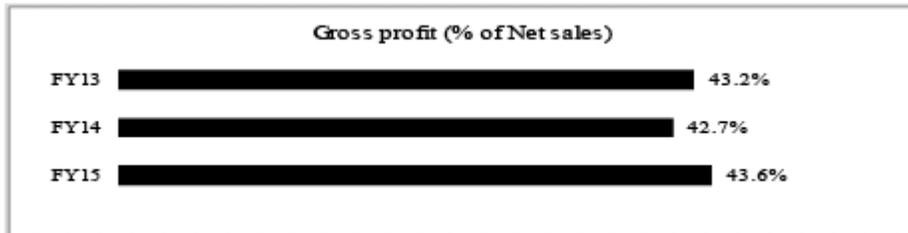
## CONSOLIDATED RESULTS

### Continuing operations



*Net sales* in fiscal year 2015 increased 3%. Volume increased 2%, reflecting higher product shipments in the International segment, primarily due to growth in Latin America, Canada, Europe and Asia; higher shipments of Burt's Bees<sup>®</sup> natural personal care products, largely due to innovation in lip and face care products combined with distribution gains; higher shipments of cleaning and healthcare products in the professional products business; higher shipments of Clorox<sup>®</sup> toilet bowl cleaner due to increased merchandising activities and distribution gains; and higher shipments of Kingsford<sup>®</sup> charcoal products behind increased merchandising support to launch the start of the grilling season. Volume results also reflected lower shipments of Clorox<sup>®</sup> liquid bleach due to the February 2015 price increase, category softness and increased competition; and lower shipments of Brita<sup>®</sup> water-filtration products, primarily due to continuing category softness and increased competition. The variance between volume and net sales was primarily due to the benefit of price increases, partially offset by unfavorable foreign currency exchange rates. On a currency-neutral basis, net sales increased about 5%.

Net sales in fiscal year 2014 remained essentially flat. Volume increased 0.6%, reflecting higher shipments of cleaning and healthcare products in the professional products business; higher shipments of charcoal products, primarily behind strong merchandising activities and improved weather conditions; higher shipments of Clorox<sup>®</sup> liquid bleach, driven by product innovation; and higher shipments of Hidden Valley<sup>®</sup> dry and bottled salad dressings, primarily due to continued category growth and increased merchandising activity. These increases were partially offset by lower shipments due to heightened competitive activity in the disinfecting wipes category, including the distribution loss of Clorox<sup>®</sup> disinfecting wipes at a major club customer; and lower shipments of Glad<sup>®</sup> trash bags, primarily due to a price increase in the second half of the fiscal year. The variance between volume and net sales was primarily due to unfavorable foreign currency exchange rates, partially offset by the benefit of price increases. On a currency-neutral basis, net sales increased about 2%.



**Gross profit** increased 5% in fiscal year 2015, from \$2,356 to \$2,465, and gross margin, defined as gross profit as a percentage of net sales, increased 90 basis points from 42.7% to 43.6%. Gross margin expansion in fiscal year 2015 was driven by the benefits of cost savings and price increases, partially offset by the impact of higher manufacturing and logistics costs.

Gross profit decreased 1% in fiscal year 2014, from \$2,391 to \$2,356, and gross margin decreased 50 basis points from 43.2% to 42.7%. Gross margin decline in fiscal year 2014 was driven by higher manufacturing and logistics costs, including the impact of continued inflation in Argentina, and higher commodity costs. These factors were partially offset by the benefits of cost savings and price increases.

### **Expenses**

|                                     | 2015   | 2014   | 2013   | % Change     |              | % of Net sales |       |       |
|-------------------------------------|--------|--------|--------|--------------|--------------|----------------|-------|-------|
|                                     |        |        |        | 2015 to 2014 | 2014 to 2013 | 2015           | 2014  | 2013  |
| Selling and administrative expenses | \$ 798 | \$ 751 | \$ 793 | 6 %          | (5) %        | 14.1%          | 13.6% | 14.3% |
| Advertising costs                   | 523    | 503    | 498    | 4            | 1            | 9.2            | 9.1   | 9.0   |
| Research and development costs      | 136    | 125    | 130    | 9            | (4)          | 2.4            | 2.3   | 2.3   |

**Selling and administrative expenses** increased 6% in fiscal year 2015, primarily from higher performance-based incentive costs as a result of fiscal year financial performance exceeding financial targets. Expenses in the prior year reflected lower performance-based incentive costs when the Company's results fell below financial targets. In addition, the Company continued to experience inflationary pressures in international markets. These increases were partially offset by the benefit of cost savings, one-time costs in fiscal year 2014 related to the change in information technology (IT) service providers and a one-time impact related to a change in the Company's long-term disability plan in fiscal year 2015 to bring it more in line with the marketplace.

Selling and administrative expenses decreased 5% in fiscal year 2014, primarily driven by lower performance-based incentive costs, cost savings and a comparison to one-time costs associated with an IT systems implementation in Latin America incurred in fiscal year 2013. These decreases were partially offset by one-time costs related to the transition to new IT service providers in fiscal year 2014.

**Advertising costs** as a percentage of net sales increased slightly during fiscal year 2015, reflecting continued support behind the Company's brands, including driving the trial of new products. The Company's U.S. retail advertising spend was approximately 10% of net sales during the year.

Advertising costs as a percentage of net sales increased slightly during fiscal year 2014, reflecting an increase in spending across our U.S. retail and international markets.

**Research and development costs** increased slightly as a percentage of net sales in fiscal year 2015, driven by higher performance-based incentive costs.

Research and development costs were flat as a percentage of net sales in fiscal year 2014, and were impacted by lower performance-based incentive costs.

***Interest expense, other income, net, and the effective tax rate on earnings***

|                                       | 2015   | 2014   | 2013   |
|---------------------------------------|--------|--------|--------|
| Interest expense                      | \$ 100 | \$ 103 | \$ 122 |
| Other income, net                     | (13)   | (10)   | (4)    |
| Income taxes on continuing operations | 315    | 305    | 279    |

**Interest expense** decreased \$3 in fiscal year 2015, primarily due to a lower weighted-average interest rate on long-term debt resulting from the issuance of senior notes in December 2014 and the maturities of senior notes in January 2015, combined with less interest expense on a lower balance of commercial paper throughout fiscal year 2015.

Interest expense decreased \$19 in fiscal year 2014, primarily due to a lower weighted-average interest rate on long-term debt resulting from the issuance of senior notes in September 2012 and the maturities of senior notes in October 2012 and March 2013.

**Other income, net**, of \$(13) in fiscal year 2015 included \$(14) of income from equity investees, \$(13) gain on the sale of real estate assets by a low-income housing partnership and \$(4) of interest income, partially offset by \$9 of foreign currency exchange losses, \$8 of amortization of trademarks and other intangible assets and \$3 of noncash asset impairment charges.

Other income, net, of \$(10) in fiscal year 2014 included \$(13) of income from equity investees, \$(5) of insurance and litigation settlements and other smaller items, partially offset by \$8 of amortization of trademarks and other intangible assets and \$3 of noncash asset impairment charges.

Other income, net, of \$(4) in fiscal year 2013 included \$(12) of income from equity investees, \$(4) from gains on fixed asset sales, net and \$(4) of a gain on the sale of real estate assets by a low-income housing partnership, partially offset by \$9 of amortization of trademarks and other intangible assets and \$8 of foreign currency exchange losses.

*The effective tax rate on earnings* was 34.2%, 34.6% and 32.7% in fiscal years 2015, 2014 and 2013, respectively. The lower effective tax rate in fiscal year 2015 compared to fiscal year 2014 was primarily due to higher uncertain tax position releases, partially offset by higher tax on foreign earnings, in the current period. The higher effective tax rate in fiscal year 2014 compared to fiscal year 2013 was primarily due to favorable tax settlements in fiscal year 2013 and higher tax on foreign earnings in fiscal year 2014.

#### *Diluted net earnings per share*

|   | 2015    | 2014    | 2013    | % Change     |              |
|---|---------|---------|---------|--------------|--------------|
|   |         |         |         | 2015 to 2014 | 2014 to 2013 |
| Diluted net earnings per share from continuing operations | \$ 4.57 | \$ 4.39 | \$ 4.31 | 4 %          | 2 %          |

Diluted net earnings per share (EPS) from continuing operations increased \$0.18 in fiscal year 2015, driven by the benefits of higher sales and gross margin expansion, partially offset by increased selling and administrative expenses, primarily from higher performance-based incentive costs as a result of fiscal year financial performance exceeding financial targets. Expenses in the prior year reflected lower performance-based incentive costs when the Company's results fell below financial targets. Increased investments in total demand-building programs also reduced fiscal year diluted EPS.

Diluted net earnings per share from continuing operations increased \$0.08 in fiscal year 2014, driven by the benefits of cost savings, price increases and lower performance-based incentive costs, reflecting significantly lower year-over-year payouts, as well as lower interest expense. These factors were partially offset by higher manufacturing and logistics costs, higher commodity costs, increased investments in total demand-building programs, unfavorable foreign currency exchange rates and a higher effective tax rate.

#### **Discontinued Operations**

In addition to the \$49 recognized in the fiscal year ended June 30, 2015, the Company believes it is reasonably possible that it will recognize \$11 to \$21 in after-tax exit costs and other related expenses in discontinued operations for Clorox Venezuela during fiscal years 2016 through 2019, for a total of \$60 to \$70 over the entire five-year period. Of this total, the Company believes \$0 to \$5 will be after-tax cash expenditures. Further significant changes to the exchange rate used for financial reporting purposes, among many other external factors, could have a significant impact on the above estimated costs.

See Notes to Consolidated Financial Statements for more information regarding discontinued operations of Clorox Venezuela.

In the fiscal year ended June 30, 2015, the Company recognized \$32 of previously unrecognized tax benefits relating to other discontinued operations upon the expiration of the applicable statute of limitations. Recognition of these previously disclosed tax benefits had no impact on the Company's cash flows or earnings from continuing operations for the fiscal year ended June 30, 2015.

## SEGMENT RESULTS FROM CONTINUING OPERATIONS

The following presents the results from continuing operations of the Company's reportable segments and certain unallocated costs reflected in Corporate (see Notes to Consolidated Financial Statements for a reconciliation of segment results to consolidated results):

### Cleaning

|   | 2015     | 2014     | 2013     | % Change     |              |
|---|----------|----------|----------|--------------|--------------|
|   |          |          |          | 2015 to 2014 | 2014 to 2013 |
| Net sales   | \$ 1,824 | \$ 1,776 | \$ 1,783 | 3 %          | -%           |
| Earnings from continuing operations before income taxes | 445      | 428      | 420      | 4            | 2            |

**Fiscal year 2015 versus fiscal year 2014:** Volume, net sales and earnings from continuing operations before income taxes increased by 2%, 3% and 4%, respectively, during fiscal year 2015. Both volume and net sales grew primarily due to higher shipments of Clorox<sup>®</sup> toilet bowl cleaner and Clorox<sup>®</sup> disinfecting wipes in Home Care, behind increased merchandising activities. The Professional Products Division also grew volume, which was driven primarily by distribution gains across a number of brands. These increases were partially offset by lower shipments of Clorox<sup>®</sup> liquid bleach in Laundry, primarily due to the February 2015 price increase. Net sales growth outpaced volume growth primarily due to the benefit of price increase. The increase in earnings from continuing operations before income taxes was driven by the benefit of sales growth and cost savings, partially offset by an increase in demand-building investments.

**Fiscal year 2014 versus fiscal year 2013:** Net sales were flat and earnings from continuing operations before income taxes increased 2%, while volume decreased 1% during fiscal year 2014. Volume in the Cleaning segment decreased driven by lower shipments due to heightened competitive activity in the disinfecting wipes category, including the distribution loss of Clorox<sup>®</sup> disinfecting wipes at a major club customer. These decreases were partially offset by higher shipments of cleaning and healthcare products in the professional products business, and higher shipments of Clorox<sup>®</sup> liquid bleach driven by product innovation. The variance between net sales and volume was primarily due to the benefit of price increases and other smaller items, partially offset by higher trade-promotion spending. The increase in earnings from continuing operations before income taxes was driven by cost savings, primarily related to the Company's conversion to concentrated bleach in fiscal year 2013; lower performance-based incentive costs; and various manufacturing and other efficiencies. These increases were partially offset by increased commodity costs, primarily resin; incremental demand-building investments; and other individually smaller items.

### Household

|   | 2015     | 2014     | 2013     | % Change     |              |
|---|----------|----------|----------|--------------|--------------|
|   |          |          |          | 2015 to 2014 | 2014 to 2013 |
| Net sales   | \$ 1,794 | \$ 1,709 | \$ 1,693 | 5 %          | 1 %          |
| Earnings from continuing operations before income taxes | 375      | 326      | 336      | 15           | (3)          |

**Fiscal year 2015 versus fiscal year 2014:** Volume, net sales and earnings from continuing operations before income taxes increased by 2%, 5% and 15%, respectively, during fiscal year 2015. Both volume growth and net sales growth were driven by higher shipments of Kingsford<sup>®</sup> charcoal products behind increased merchandising activities. Net sales growth outpaced volume growth primarily due to the benefits of price increases on Glad<sup>®</sup> bags and wraps. The increase in earnings from continuing operations before income taxes was driven by strong sales growth and the benefit of cost savings, partially offset by an increase in demand building investments and manufacturing and logistics costs.

**Fiscal year 2014 versus fiscal year 2013:** Net sales and volume both increased 1%, while earnings from continuing operations before income taxes decreased 3% during fiscal year 2014. The increase in the volume in the Household segment was driven by higher shipments of Kingsford® charcoal products due to strong merchandising activities and improved weather conditions, partially offset by lower shipments of Glad® trash bags, primarily due to a price increase in the second half of fiscal year 2014. The decrease in earnings from continuing operations before income taxes was driven by higher commodity costs, primarily resin, higher manufacturing and logistics costs, including one-time supply chain costs in order to meet strong customer demand for charcoal products, and other individually smaller items. These decreases were partially offset by cost savings, higher net sales and lower performance-based incentive costs.

## Lifestyle

|   | 2015   | 2014   | 2013   | % Change     |              |
|---|--------|--------|--------|--------------|--------------|
|   |        |        |        | 2015 to 2014 | 2014 to 2013 |
| Net sales   | \$ 950 | \$ 936 | \$ 929 | 1 %          | 1 %          |
| Earnings from continuing operations before income taxes | 257    | 258    | 259    | -            | -            |

**Fiscal year 2015 versus fiscal year 2014:** Net sales and volume both increased by 1%, while earnings from continuing operations before income taxes remained flat during fiscal year 2015. Both net sales growth and volume growth were driven by higher shipments of Burt's Bees® natural personal care products, largely due to innovation in lip and face care products combined with distribution gains. The increase was partially offset by lower shipments of Brita® water-filtration products, primarily due to continuing category softness and increased competition. Flat earnings from continuing operations before income taxes reflected lower commodity costs, cost savings and favorable product mix. These increases were offset by higher manufacturing and logistics costs and demand building investments.

**Fiscal year 2014 versus fiscal year 2013:** Net sales and volume both increased 1%, while earnings from continuing operations before income taxes remained flat during fiscal year 2014. Volume in the Lifestyle segment increased, driven by higher shipments of Hidden Valley® dry and bottled salad dressings, primarily due to continued category growth and increased merchandising activity, and higher shipments of Burt's Bees® natural personal care products, driven by product innovation in lip and face care products. These increases were partially offset by lower shipments of Brita® water-filtration products, primarily due to increased private-label competition and category softness, and decreased merchandising activities. Flat earnings from continuing operations before income taxes reflected higher demand-building investments, primarily driven by increased advertising and sales promotion expenses in support of Burt's Bees® natural personal care products, and other individually smaller items, offset by cost savings, primarily related to various manufacturing and other efficiencies and lower performance-based incentive costs.

## International

|   | 2015     | 2014     | 2013     | % Change     |              |
|---|----------|----------|----------|--------------|--------------|
|   |          |          |          | 2015 to 2014 | 2014 to 2013 |
| Net sales   | \$ 1,087 | \$ 1,093 | \$ 1,128 | (1) %        | (3) %        |
| Earnings from continuing operations before income taxes | 79       | 99       | 95       | (20)         | 4            |

**Fiscal year 2015 versus fiscal year 2014:** Volume increased 3%, while net sales and earnings from continuing operations before income taxes decreased 1% and 20%, respectively, during fiscal year 2015. Volume grew primarily due to higher shipments in Latin America, Canada, Europe and Asia. Volume growth outpaced net sales growth primarily due to unfavorable foreign currency exchange rates, partially offset by the benefit of price increases and favorable product mix. The decrease in earnings from continuing operations before income taxes was primarily driven by unfavorable foreign currency exchange rates and inflation across multiple countries, primarily in Argentina (see “Argentina” below), which resulted in higher selling and administrative expenses, higher manufacturing and logistics costs and higher commodity costs. These decreases in earnings were partially offset by the benefit of price increases, favorable product mix and cost savings.

**Fiscal year 2014 versus fiscal year 2013:** Net sales decreased 3%, while volume and earnings from continuing operations before income taxes increased 2% and 4%, respectively, during fiscal year 2014. Volume in the International segment increased driven by higher shipments in Peru, Asia, the Middle East, Europe and Argentina, partially offset by lower shipments in Australia and Colombia. The variance between net sales and volume was primarily due to unfavorable foreign currency exchange rates, partially offset by the benefit of price increases and favorable product mix. While International segment net sales decreased during fiscal year 2014, excluding the negative foreign currency impact of 10%, segment sales grew about 7%. The increase in earnings from continuing operations before income taxes was primarily due to the benefit of price increases; cost savings, primarily related to various manufacturing and other efficiencies; favorable product mix; one-time costs incurred in fiscal year 2013 associated with an IT systems implementation in Latin America and lower performance-based incentive costs. These increases were partially offset by unfavorable foreign currency exchange rates, primarily in Argentina; higher manufacturing and logistics and other supply chain costs and higher selling and administrative costs, both factors mainly driven by continued inflation in Latin America; higher commodity costs, primarily resin; and increased advertising and sales promotion costs, primarily in Latin America. Also impacting fiscal year 2014 results were noncash tax deductible impairment charges on trademark values.

### *Argentina*

The operating environment in Argentina presents business challenges, including price controls on some of the Company’s products, a devaluing currency and inflation. Although Argentina is not currently designated as a highly inflationary economy for accounting purposes, further volatility and declines in the exchange rate are expected. For the fiscal years ended June 30, 2015, 2014 and 2013, the official value of the Argentine peso (ARS) declined 10%, 34% and 16%, respectively, as compared to the U.S. dollar.

Net sales from the Company’s Argentine subsidiary represented approximately 4%, 3% and 4% of the Company’s consolidated net sales for each of the fiscal years ended June 30, 2015, 2014 and 2013, respectively. As such, and notwithstanding any actions the Company may undertake in the market in the event of further devaluations, significant future declines in the Argentine currency as compared to the U.S. dollar in the range of up to 50% or more, for example, could have a material impact on the Company’s total reported net sales and net earnings.

Further devaluations of the Argentine peso could also increase the risk for impairment of intangible assets and goodwill. As of June 30, 2015, using an exchange rate of 9.1 ARS per USD, the Company’s Argentine subsidiary had total assets of \$100, including cash and cash equivalents of \$35, net receivables of \$18, inventories of \$19, net property, plant and equipment of \$19 and intangible assets excluding goodwill of \$4. Goodwill for Argentina is aggregated and assessed for impairment at the Latin America reporting unit level, which is a component of the Company’s International segment. Based on the results of the annual impairment test performed in the fourth quarter of fiscal year 2015, the fair value of the Latin America reporting unit exceeded its recorded value by more than 79% and reflected the Company’s expectations of continued challenges from the Argentina business consistent with the Company’s current long-range projections.

The Company is closely monitoring developments in Argentina and is taking steps intended to mitigate the adverse conditions, but there can be no assurances that these actions will mitigate these conditions.

## Corporate

|   | 2015     | 2014     | 2013     | % Change           |                    |
|---|----------|----------|----------|--------------------|--------------------|
|   |          |          |          | 2015<br>to<br>2014 | 2014<br>to<br>2013 |
| Losses from continuing operations before income taxes | \$ (235) | \$ (227) | \$ (258) | 4 %                | (12) %             |

Corporate includes certain non-allocated administrative costs, interest income, interest expense and other non-operating income and expenses. Corporate assets include cash and cash equivalents, property and equipment, other investments and deferred taxes.

**Fiscal year 2015 versus fiscal year 2014:** The increase in losses from continuing operations before income taxes was primarily due to higher performance-based incentive costs as a result of fiscal year financial performance exceeding financial targets, compared to the prior year which reflected lower performance-based incentive costs when the Company's results fell below financial targets. This factor was partially offset by cost savings, a gain on the sale of real estate assets by a low-income housing partnership and benefits from a change in the Company's long-term disability plan to bring it more in line with the marketplace.

**Fiscal year 2014 versus fiscal year 2013:** The decrease in losses from continuing operations before income taxes was primarily due to lower interest expense and lower performance-based incentive costs in fiscal year 2014. These factors were partially offset by one-time costs related to the transition to new IT service providers in fiscal year 2014, higher wages and employee benefit costs in fiscal year 2014 and the gain recorded upon the sale-leaseback of the Company's Oakland, Calif., general office building in fiscal year 2013.

## FINANCIAL POSITION AND LIQUIDITY

Management's discussion and analysis of the Company's financial position and liquidity describes its consolidated operating, investing and financing activities from continuing operations, contractual obligations and off-balance sheet arrangements.

The following table summarizes cash activities from continuing operations for the years ended June 30:

|  | 2015   | 2014   | 2013   |
|--|--------|--------|--------|
| Net cash provided by operations        | \$ 858 | \$ 786 | \$ 780 |
| Net cash used for investing activities | (106)  | (137)  | (51)   |
| Net cash used for financing activities | (696)  | (592)  | (685)  |

The Company's cash position includes amounts held by foreign subsidiaries and, as a result, the repatriation of certain cash balances from some of the Company's foreign subsidiaries could result in additional tax costs in excess of tax benefits. Additionally, as of June 30, 2015 the Company's Argentine subsidiary held cash and cash equivalents of \$35, with no government-approved mechanism to convert local currency into U.S. dollars, which restricts the Company's ability to repatriate these funds. However, these cash balances held by foreign subsidiaries are generally available without legal restriction to fund local business operations.

In addition, a portion of the Company's cash balance is held in U.S. dollars by foreign subsidiaries, whose functional currency is their local currency. Such U.S. dollar balances are reported on the foreign subsidiaries' books, in their functional currency, with the impact from foreign currency exchange rate differences recorded in other income, net. The Company's cash holdings at June 30 were as follows:

|   | 2015          | 2014          | 2013          |
|---|---------------|---------------|---------------|
| U.S. dollar balances held by U.S. dollar functional currency subsidiaries and at parent | \$ 221        | \$ 180        | \$ 130        |
| Non-U.S. dollar balances held by non-U.S. dollar functional currency subsidiaries       | 142           | 132           | 115           |
| U.S. dollar balances held by non-U.S. dollar functional currency subsidiaries           | 19            | 12            | 36            |
| Non-U.S. dollar balances held by U.S. dollar functional currency subsidiaries           | -             | 5             | 18            |
| <b>Total</b>  | <b>\$ 382</b> | <b>\$ 329</b> | <b>\$ 299</b> |

The Company's total cash balance was \$382 as of June 30, 2015, as compared to \$329 as of June 30, 2014. The increase of \$53 was primarily attributable to \$858 of net cash provided by continuing operations, \$495 of net proceeds from the December 2014 long-term debt issuance and \$251 of proceeds from the issuance of common stock for employee stock plans. These increases were partially offset by \$575 of repayments of long-term debt, \$434 of share repurchases, \$385 of dividend payments, \$125 of capital expenditures and \$48 of repayments of commercial paper borrowings.

The Company's total cash balance was \$329 as of June 30, 2014, as compared to \$299 as of June 30, 2013. The increase of \$30 was primarily attributable to \$786 of net cash provided by continuing operations and \$96 of proceeds from the issuance of common stock for employee stock plans, partially offset by \$368 of dividend payments, \$260 of share repurchases, \$137 of capital expenditures and \$60 of repayments of commercial paper borrowings.

As of June 30, 2015, total current assets exceeded total current liabilities by \$24, and as of June 30, 2014, total current liabilities exceeded total current assets by \$243. The year-over-year change was primarily attributable to \$575 of current maturities of long-term debt, which matured in January 2015, partially offset by current maturities of long-term debt of \$300 maturing in November 2015. The Company anticipates that the debt repayment will be made with a combination of debt refinancing and the use of operating cash flows.

### Operating Activities

Net cash provided by continuing operations increased to \$858 in fiscal year 2015 from \$786 in fiscal year 2014. The increase reflects the company's fiscal year performance, including solid net sales growth and margin expansion. Other contributing factors include lower performance-based incentive payments related to the company's fiscal year 2014 performance and lower tax payments in the current period, as well as the initial funding of the company's non-qualified deferred compensation plan in the year-ago period. These benefits were partially offset by \$25 in payments to settle interest-rate hedges related to the company's issuance of long-term debt in December 2014.

Net cash provided by continuing operations increased to \$786 in fiscal year 2014 from \$780 in fiscal year 2013. The increase was primarily due to favorable changes in working capital and higher earnings, partially offset by higher tax payments and the company's funding of liabilities under certain nonqualified deferred compensation plans in fiscal year 2014.

## Investing Activities

Capital expenditures were \$125, \$137 and \$190, respectively, in fiscal years 2015, 2014 and 2013. Capital spending as a percentage of net sales was 2.2%, 2.5% and 3.4% for fiscal years 2015, 2014 and 2013, respectively. The relatively flat fiscal year 2015 capital spending as a percentage of net sales was due to prudent management of capital spending against manufacturing, technology and facility projects which meet growth, efficiency, replacement or compliance requirements. The decrease in fiscal year 2014 capital spending as a percentage of net sales was driven by prior-period investments in the Company's Pleasanton, Calif., research and office facility and IT systems implementation in Latin America.

In April 2015, a low-income housing partnership, in which the Company was a limited partner, sold its real estate holdings. The real property sale resulted in \$15 in cash proceeds from investing activities and a gain of \$14 recorded to other income, net, on the consolidated statement of earnings for the year ended June 30, 2015. The sale is also expected to result in approximately \$8 of cash income tax payments that will be paid in the first quarter of fiscal year 2016 and reflected as operating activities in the condensed consolidated statement of cash flows for the three months ended September 30, 2015.

In fiscal year 2013, the Company completed sale-leaseback transactions under which it sold its general office building in Oakland, Calif., and former Technical and Data Center in Pleasanton, Calif., to unrelated parties for combined net proceeds of \$135. The Company entered into operating lease agreements with the respective buyers for portions of the buildings for up to 15 years, all of which contain renewal options.

### *Free cash flow*

|   | 2015   | 2014   | 2013   |
|---|--------|--------|--------|
| Net cash provided by continuing operations  | \$ 858 | \$ 786 | \$ 780 |
| Less: capital expenditures                  | (125)  | (137)  | (190)  |
| Free cash flow                              | \$ 733 | \$ 649 | \$ 590 |
| Free cash flow as a percentage of net sales | 13.0%  | 11.8%  | 10.7%  |

*Free cash flow as a percentage of net sales* increased in fiscal year 2015, primarily due to higher net cash provided by continuing operations and lower capital expenditures.

Free cash flow as a percentage of net sales increased in fiscal year 2014, primarily due to lower capital expenditures.

## Financing Activities

### *Capital Resources and Liquidity*

Net cash used for financing activities was \$696 in fiscal year 2015, as compared to \$592 in fiscal year 2014. Net cash used for financing activities was higher in fiscal year 2015 due to a net reduction in long-term debt and an increase in share repurchases and dividends paid. These factors were partially offset by an increase in proceeds from the issuance of common stock for employee stock plans.

Net cash used for financing activities was \$592 in fiscal year 2014, as compared to \$685 in fiscal year 2013. Net cash used for financing activities was higher in fiscal year 2013 due to repayment of company borrowings following the Company's sale-leaseback transactions under which it sold its general office building in Oakland, Calif., and former Technical and Data Center in Pleasanton, Calif. This factor was partially offset by an increase in share repurchases and higher dividends paid in fiscal year 2014.

### *Senior Notes and Credit Arrangements*

In January 2015, \$575 of the Company's senior notes with an annual fixed interest rate of 5.00% became due and were repaid using the net proceeds from the December 2014 debt issuance and commercial paper borrowings.

In December 2014, under a shelf registration statement filed with the SEC that will expire in December 2017, the Company issued \$500 of senior notes with an annual fixed interest rate of 3.50%. Interest on the notes is payable semi-annually in June and December and the notes have a maturity date of December 15, 2024. The notes carry an effective interest rate of 4.10%, which includes the impact from the settlement of interest rate forward contracts in December 2014 (see Notes to Consolidated Financial Statements). The notes rank equally with all of the Company's existing senior indebtedness.

In March 2013, \$500 in senior notes with an annual fixed interest rate of 5.00% became due and were repaid. The repayment was funded in part with commercial paper borrowings and in part with a portion of the proceeds from the sale-leaseback transaction of the Company's Oakland, Calif., general office building.

In October 2012, \$350 in senior notes with an annual fixed interest rate of 5.45% became due and were repaid. The repayment was funded with a portion of the proceeds from the September 2012 issuance of \$600 in senior notes with an annual fixed interest rate of 3.05%, payable semi-annually in March and September, and a maturity date of September 15, 2022. The remaining proceeds from the September 2012 issuance were used to repay commercial paper. The September 2012 notes were issued under the Company's shelf registration statement filed in November 2011 and rank equally with all of the Company's existing senior indebtedness.

As of June 30, 2015, the Company had a \$1,100 revolving credit agreement (the Credit Agreement), which expires in October 2019. The Credit Agreement replaced a prior \$1,100 revolving credit agreement in place since May 2012. There were no borrowings under the Credit Agreement as of June 30, 2015 or 2014, and the Company believes that borrowings under the Credit Agreement are and will continue to be available for general corporate purposes. The agreement includes certain restrictive covenants and limitations. The primary restrictive covenant is a maximum ratio of total debt to earnings before interest, taxes, depreciation and amortization and intangible asset impairment (Consolidated EBITDA) for the trailing four quarters (Consolidated Leverage ratio), as defined and described in the Credit Agreement, of 3.50.

The following table sets forth the calculation of the Consolidated Leverage ratio as of June 30, using Consolidated EBITDA for the trailing four quarters, as contractually defined:

|   | 2015               |
|---|--------------------|
| Earnings from continuing operations         | \$ 606             |
| Add back:                                   |                    |
| Interest expense                            | 100                |
| Income tax expense                          | 315                |
| Depreciation and amortization               | 169                |
| Noncash intangible asset impairment charges | 3                  |
| Deduct:                                     |                    |
| Interest income                             | 4                  |
| Consolidated EBITDA                         | <u>\$ 1,189</u>    |
| Total debt                                  | <u>\$ 2,191</u>    |
| Consolidated Leverage ratio                 | <u><b>1.84</b></u> |

The Company is in compliance with all restrictive covenants and limitations in the credit agreement as of June 30, 2015, and anticipates being in compliance with all restrictive covenants for the foreseeable future. The Company continues to monitor the financial markets and assess its ability to fully draw on its revolving credit agreement, and currently expects that any drawing on the agreement will be fully funded.

The Company had \$29 of foreign and other credit lines as of June 30, 2015; \$4 was outstanding and the remainder of \$25 was available for borrowing.

Based on the Company's working capital requirements, anticipated ability to generate positive cash flows from operations in the future, investment-grade credit ratings, demonstrated access to long- and short-term credit markets and current borrowing availability under credit agreements, the Company believes it will have the funds necessary to meet its financing requirements and other fixed obligations as they become due. Should the Company undertake other transactions requiring funds in excess of its current cash levels and available credit lines, it would consider the issuance of additional debt or other securities to finance acquisitions, repurchase shares, refinance debt or fund other activities for general business purposes. The Company's access to or cost of such additional funds could be adversely affected by any decrease in credit ratings, which were the following as of June 30:

|                     | 2015       |             | 2014       |           |
|---------------------|------------|-------------|------------|-----------|
|                     | Short-term | Long-term   | Short-term | Long-term |
| Standard and Poor's | <b>A-2</b> | <b>BBB+</b> | A-2        | BBB+      |
| Moody's             | <b>P-2</b> | <b>Baa1</b> | P-2        | Baa1      |

### ***Share Repurchases and Dividend Payments***

On May 13, 2013, the Company's board of directors terminated the share repurchase programs previously authorized on May 13, 2008, and May 18, 2011, and authorized a new share repurchase program for an aggregate purchase amount of up to \$750. This open market share repurchase program is in addition to the Company's evergreen repurchase program (Evergreen Program), the purpose of which is to offset the impact of stock dilution related to stock-based awards. The Evergreen Program has no authorization limit as to amount or timing of repurchases.

Share repurchases under authorized programs were as follows during the fiscal years ended June 30:

|                               | 2015          |              | 2014          |              | 2013          |              |
|-------------------------------|---------------|--------------|---------------|--------------|---------------|--------------|
|                               | Amount        | Shares (000) | Amount        | Shares (000) | Amount        | Shares (000) |
| Open-market purchase programs | \$ -          | -            | \$ -          | -            | \$ -          | -            |
| Evergreen Program             | 434           | 4,016        | 260           | 3,046        | 128           | 1,500        |
| <b>Total</b>                  | <b>\$ 434</b> | <b>4,016</b> | <b>\$ 260</b> | <b>3,046</b> | <b>\$ 128</b> | <b>1,500</b> |

During fiscal years 2015, 2014 and 2013, the Company declared dividends per share of \$2.99, \$2.87 and \$2.63, respectively. During fiscal years 2015, 2014 and 2013, the Company paid dividends per share of \$2.96, \$2.84 and \$2.56, respectively, equivalent to \$385, \$368 and \$335, respectively.

### ***Contractual Obligations***

The Company had contractual obligations as of June 30, 2015, payable or maturing in the following fiscal years:

|  | 2016          | 2017          | 2018          | 2019          | 2020          | Thereafter      | Total           |
|--|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|
| Long-term debt maturities including interest payments                | \$ 377        | \$ 72         | \$ 460        | \$ 48         | \$ 47         | \$ 1,542        | \$ 2,546        |
| Notes and loans payable  | 95            | -             | -             | -             | -             | -               | 95              |
| Purchase obligations <sup>(1)</sup>                                  | 176           | 57            | 37            | 30            | 7             | -               | 307             |
| Capital leases   | 3             | 3             | 2             | 1             | -             | -               | 9               |
| Operating leases   | 50            | 46            | 42            | 34            | 29            | 100             | 301             |
| Payments related to nonqualified postretirement plans <sup>(2)</sup> | 20            | 21            | 21            | 17            | 18            | 75              | 172             |
| Venture Agreement net terminal obligation <sup>(3)</sup>             | -             | -             | -             | -             | -             | 294             | 294             |
| <b>Total</b>   | <b>\$ 721</b> | <b>\$ 199</b> | <b>\$ 562</b> | <b>\$ 130</b> | <b>\$ 101</b> | <b>\$ 2,011</b> | <b>\$ 3,724</b> |

- (1) Purchase obligations are defined as purchase agreements that are enforceable and legally binding and that contain specified or determinable significant terms, including quantity, price and the approximate timing of the transaction. For purchase obligations subject to variable price and/or quantity provisions, an estimate of the price and/or quantity has been made. Examples of the Company's purchase obligations include contracts to purchase raw materials, commitments to contract manufacturers, commitments for information technology and related services, advertising contracts, capital expenditure agreements, software acquisition and license commitments and service contracts. The raw material contracts included above are entered into during the regular course of business based on expectations of future purchases. Many of these raw material contracts are flexible to allow for changes in the Company's business and related requirements. If such changes were to occur, the Company believes its exposure could differ from the amounts listed above. Any amounts reflected in the consolidated balance sheets as accounts payable and accrued liabilities are excluded from the table above.
- (2) Represents expected payments through 2025. Based on the accounting rules for retirement and postretirement benefit plans, the liabilities reflected in the Company's consolidated balance sheets differ from these expected future payments (see Notes to Consolidated Financial Statements).
- (3) This amount represents the net liability related to the Company's venture agreement with The Procter and Gamble Company (P&G), as further described in the Notes to Consolidated Financial Statements. Upon termination of the agreement, the Company will purchase P&G's interest for cash at fair value. As such, the amount of the ultimate settlement of the agreement, which could be impacted by a number of factors including the estimated value of the Glad business at the time of termination, could differ from the current carrying value of the obligation.

As of June 30, 2015, the liability recorded for uncertain tax positions, excluding associated interest and penalties, was approximately \$38. During the fiscal year ended June 30, 2015, \$32 of gross unrecognized tax benefits relating to other discontinued operations for periods prior to fiscal year 2015 were recognized upon the expiration of the applicable statute of limitations. Recognition of these previously disclosed tax benefits had no impact on the Company's cash flow or earnings from continuing operations for the fiscal years ended June 30, 2015, 2014 and 2013. Since audit outcomes and the timing of audit settlements are subject to significant uncertainty, liabilities for uncertain tax positions are excluded from the contractual obligations table (see Notes to Consolidated Financial Statements).

### ***Off-Balance Sheet Arrangements***

In conjunction with divestitures and other transactions, the Company may provide typical indemnifications (e.g., indemnifications for representations and warranties and retention of previously existing environmental, tax and employee liabilities) that have terms that vary in duration and in the potential amount of the total obligation and, in many circumstances, are not explicitly defined. The Company has not made, nor does it believe that it is probable that it will make, any payments relating to its indemnifications, and believes that any reasonably possible payments would not have a material adverse effect, individually or in the aggregate, on the Company's consolidated financial statements taken as a whole.

The Company had not recorded any liabilities on the aforementioned indemnifications as of June 30, 2015 and 2014.

As of June 30, 2015, the Company was a party to letters of credit of \$11, primarily related to one of its insurance carriers, of which \$0 had been drawn upon.

### **CONTINGENCIES**

The Company is involved in certain environmental matters, including response actions at various locations. The Company had a recorded liability of \$12 and \$14 as of June 30, 2015 and 2014, respectively, for its share of aggregate future remediation costs related to these matters. One matter in Dickinson County, Michigan, for which the Company is jointly and severally liable, accounted for a substantial majority of the recorded liability as of both June 30, 2015 and 2014. The Company has agreed to be liable for 24.3% of the aggregate remediation and associated costs for this matter pursuant to a cost-sharing arrangement with a third party. With the assistance of environmental consultants, the Company maintains an undiscounted liability representing its current best estimate of its share of the capital expenditures, maintenance and other costs that may be incurred over an estimated 30-year remediation period. Currently, the Company cannot accurately predict the timing of future payments that may be made under this obligation. In addition, the Company's estimated loss exposure is sensitive to a variety of uncertain factors, including the efficacy of remediation efforts, changes in remediation requirements and the future availability of alternative clean-up technologies. Although it is reasonably possible that the Company's exposure may exceed the amount recorded, any amount of such additional exposures, or range of exposures, is not estimable at this time.

In October 2012, a Brazilian appellate court issued an adverse decision in a lawsuit pending in Brazil against the Company and one of its wholly owned subsidiaries, The Glad Products Company (Glad). The lawsuit, which was initially filed in a Brazilian lower court in 2002 by two Brazilian companies and one Uruguayan company (collectively, Petroplus), relates to joint venture agreements for the distribution of STP auto-care products in Brazil with three companies that became subsidiaries of the Company as a result of the Company's merger with First Brands Corporation in January 1999 (collectively, Clorox Subsidiaries). The pending lawsuit seeks indemnification for damages and losses for alleged breaches of the joint venture agreements and abuse of economic power by the Company and Glad. Petroplus had previously unsuccessfully raised the same claims and sought damages from the Company and the Clorox Subsidiaries in an International Chamber of Commerce (ICC) arbitration proceeding in Miami, Florida, filed in 2001. The ICC arbitration panel unanimously ruled against Petroplus in a final decision in November 2003 (Final ICC Arbitration Award). The Final ICC Arbitration Award was ratified by the Superior Court of Justice of Brazil in May 2007 (Foreign Judgment), and the United States District Court for the Southern District of Florida subsequently confirmed the Final ICC Arbitration Award and recognized and adopted the Foreign Judgment as a judgment of the United States District Court for the Southern District of Florida (U.S. Judgment). Despite this, in March 2008, a Brazilian lower court ruled against the Company and Glad in the pending lawsuit. The value of the judgment against the Company, including interest and foreign exchange fluctuations as of June 30, 2015, was approximately \$32.

Among other defenses, because the Final ICC Arbitration Award, the Foreign Judgment and the U.S. Judgment relate to the same claims as those in the pending lawsuit, the Company believes that Petroplus is precluded from re-litigating these claims. Based on the unfavorable appellate court decision, however, the Company believes that it is reasonably possible that a loss could be incurred in this matter in excess of amounts accrued, and that the estimated range of such loss in this matter is from \$0 to \$26.

The Company continues to believe that its defenses are meritorious, and has appealed the decision to the highest courts of Brazil. In December 2013, in the first stage of the appellate process, the appellate court declined to admit the Company's appeals to the highest courts. The Company then appealed directly to the highest courts. While in May 2014 the Superior Court of Justice originally agreed to consider the Company's appeal, in December 2014 the same court declined to admit the appeal based on procedural grounds. The Company successfully appealed that decision and the court agreed to admit the appeal in March 2015. The appeal is currently pending and it is possible that a final decision in this case could be issued as early as the first quarter of fiscal year 2016. Expenses related to this litigation have been, and any potential additional loss would be, reflected in discontinued operations, consistent with the Company's classification of expenses related to its discontinued Brazil operations.

In a separate action filed in 2004 by Petroplus, in January 2013, a lower Brazilian court nullified the Final ICC Arbitration Award. The Company believes this judgment is inconsistent with the Foreign Judgment and the U.S. Judgment and that it is without merit. The Company appealed this decision, and the lower court decision was overturned by the appellate court in April 2014. Petroplus has appealed this decision to Brazil's highest court.

Glad and the Clorox Subsidiaries have also filed separate lawsuits against Petroplus alleging misuse of the STP trademark and related matters, which are currently pending before Brazilian courts, and have taken other legal actions against Petroplus, which are pending. Additionally, in November 2013, the Clorox Subsidiaries initiated a new ICC arbitration seeking damages against Petroplus.

The Company is subject to various other lawsuits, claims and loss contingencies relating to issues such as contract disputes, product liability, patents and trademarks, advertising, commercial, administrative, employee and other matters. Based on management's analysis, it is the opinion of management that the ultimate disposition of these matters, to the extent not previously provided for, will not have a material adverse effect, individually or in the aggregate, on the Company's consolidated financial statements taken as a whole.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a multinational company, the Company is exposed to the impact of foreign currency fluctuations, changes in commodity prices, interest-rate risk and other types of market risk.

In the normal course of business, where available at a reasonable cost, the Company manages its exposure to market risk using contractual agreements and a variety of derivative instruments. The Company's objective in managing its exposure to market risk is to limit the impact of fluctuations on earnings and cash flow through the use of swaps, forward purchases and futures contracts. Derivative contracts are entered into for non-trading purposes with major credit-worthy institutions, thereby decreasing the risk of credit loss.

The Company uses different methodologies, when necessary, to estimate the fair value of its derivative contracts. The estimated fair values of the majority of the Company's 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.

### **Sensitivity Analysis for Derivative Contracts**

For fiscal years 2015 and 2014, the Company's exposure to market risk was estimated using sensitivity analyses, which illustrate the change in the fair value of a derivative financial instrument assuming hypothetical changes in foreign exchange rates, commodity prices or interest rates. The results of the sensitivity analyses for foreign currency derivative contracts, commodity derivative contracts and interest rate contracts are summarized below. Actual changes in foreign exchange rates, commodity prices or interest rates may differ from the hypothetical changes, and any changes in the fair value of the contracts, real or hypothetical, would be partly to fully offset by an inverse change in the value of the underlying hedged items.

The changes in the fair value of derivatives are recorded as either assets or liabilities in the consolidated balance sheets with an offset to net earnings or other comprehensive income, depending on whether or not, for accounting purposes, the derivative is designated and qualified as a cash flow hedge. During the fiscal years ended June 30, 2015, 2014 and 2013, the Company had no hedging instruments designated as fair value hedges. In the event the Company has contracts not designated as hedges for accounting purposes, the Company recognizes the changes in the fair value of these contracts in other income, net.

### ***Foreign Currency Risk***

The Company seeks to minimize the impact of certain foreign currency fluctuations by hedging transactional exposures with foreign currency forward contracts. As of June 30, 2015 and 2014, the Company's foreign currency transactional exposures pertaining to derivative contracts existed with the Canadian, Australian and New Zealand dollars. Based on a hypothetical decrease of 10% in the value of the U.S. dollar against the Canadian, Australian and New Zealand dollars as of June 30, 2015, the estimated fair value of the Company's then-existing foreign currency derivative contracts would decrease by \$12. Based on a hypothetical increase of 10% in the value of the U.S. dollar against the Canadian, Australian and New Zealand dollars as of June 30, 2015, the estimated fair value of the Company's then-existing foreign currency derivative contracts would increase by \$10. Based on a hypothetical decrease of 10% in the value of the U.S. dollar against the Canadian, Australian and New Zealand dollars as of June 30, 2014, the estimated fair value of the Company's then-existing foreign currency derivative contracts would decrease by \$10. Based on a hypothetical increase of 10% in the value of the U.S. dollar against the Canadian, Australian and New Zealand dollars as of June 30, 2014, the estimated fair value of the Company's then-existing foreign currency derivative contracts would increase by \$8.

### ***Commodity Price Risk***

The Company is exposed to changes in the price of commodities used as raw materials in the manufacturing of its products. The Company uses various strategies to manage cost exposures on certain raw material purchases with the objective of obtaining more predictable costs for these commodities, including long-term commodity purchase contracts and commodity derivative contracts, where available at a reasonable cost. During fiscal years 2015 and 2014, the Company's raw materials exposures pertaining to derivative contracts existed with jet fuel, soybean oil and crude oil. Based on a hypothetical decrease or increase of 10% in these commodity prices as of June 30, 2015, and June 30, 2014, the estimated fair value of the Company's then-existing commodity derivative contracts would decrease or increase by \$4 in both fiscal years, with the corresponding impact included in accumulated other comprehensive income.

### ***Interest Rate Risk***

The Company is exposed to interest rate volatility with regard to existing and anticipated future issuances of debt. Primary exposures related to existing debt include movements in U.S. commercial paper rates. Weighted average interest rates for commercial paper have been less than 1% during fiscal years 2015 and 2014. Assuming average variable rate debt levels during fiscal years 2015 and 2014, a 100 basis point increase in interest rates would increase interest expense from commercial paper by approximately \$1 and \$3, respectively. Assuming average variable rate debt levels in fiscal years 2015 and 2014, a decrease in interest rates to zero percent would decrease interest expense from commercial paper by \$1 in both fiscal years.

The Company is also exposed to interest rate volatility with regard to anticipated future issuances of debt. Primary exposures include movements in U.S. Treasury rates. The Company used interest rate forward contracts to reduce interest rate volatility on fixed rate long-term debt during fiscal year 2015 and 2014. The Company had no outstanding interest rate forward contracts as of June 30, 2015.

### **RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

A summary of recently issued accounting pronouncements is contained in Note 1 of Notes to Consolidated Financial Statements.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

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, among others, assumptions pertaining to accruals for consumer and trade-promotion programs, stock-based compensation costs, pension and post-employment benefit costs, future cash flows associated with impairment testing of goodwill and other long-lived assets, credit worthiness of customers, uncertain tax positions, tax valuation allowances and legal, environmental and insurance matters. Accordingly, a different financial presentation could result depending on the judgments, estimates or assumptions that are used. The most critical accounting policies are those that are most important to the portrayal of the Company's financial condition and results, and require the Company to make the most difficult and subjective judgments, often estimating the outcome of future events that are inherently uncertain. The Company's most critical accounting policies are related to: revenue recognition; valuation of intangible assets and property, plant and equipment; employee benefits, including estimates related to stock-based compensation; 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 Notes to Consolidated Financial Statements.

#### **Revenue Recognition**

Sales are recognized as revenue when the risk of loss and title pass to the customer and when all of the following have occurred: a firm sales arrangement exists, pricing is fixed or determinable and collection is reasonably assured. Sales are recorded net of allowances for returns, trade promotions, coupons and other discounts. The Company routinely commits to one-time or ongoing trade-promotion programs with customers. Programs include shelf-price reductions, end-of-aisle or in-store displays of the Company's products and graphics and other trade-promotion activities conducted by the customer. Costs related to these programs are recorded as a reduction of sales. The Company's estimated costs of trade promotions incorporate historical sales and spending trends by customer and category. The determination of these estimated costs requires judgment and may change in the future as a result of changes in customer promotion participation, particularly for new programs and for programs related to the introduction of new products. Final determination of the total cost of a promotion is dependent upon customers providing information about proof of performance and other information related to the promotional event. This process of analyzing and settling trade-promotion programs with customers could impact the Company's results of operations and trade spending accruals depending on how actual results of the programs compare to original estimates. If the Company's trade spending accrual estimates as of June 30, 2015 were to differ by 10%, the impact on net sales would be approximately \$11.

#### **Valuation of Intangible Assets and Property, Plant and Equipment**

The Company tests its goodwill and other indefinite-lived intangible assets for impairment annually in the fiscal fourth quarter unless there are indications during a different interim period that these assets may have become impaired.

## ***Goodwill***

Consistent with fiscal year 2014, the Company's reporting units for goodwill impairment testing purposes are its domestic Strategic Business Units (SBUs), Canada, Latin America and AMEA (Asia, Middle East, Europe and Australia), previously referred to as Rest of World. These reporting units are components of the Company's business that are either operating segments or one level below an operating segment and for which discrete financial information is available that is reviewed by the managers of the respective operating segments. No instances of impairment were identified during the fiscal year 2015 annual impairment review and all of the Company's reporting units had fair values that significantly exceeded recorded values. However, future changes in the judgments, assumptions and estimates that are used in the impairment testing for goodwill and indefinite-lived intangible assets as described below could result in significantly different estimates of the fair values.

In its evaluation of goodwill impairment, the Company has the option to first assess qualitative factors such as maturity and stability of the reporting unit, magnitude of excess fair value over book value from the prior year's impairment testing, other reporting unit operating results as well as new events and circumstances impacting the operations at the reporting unit level. If the result of a qualitative test indicates a potential for impairment, a quantitative test is performed. The quantitative test is a two-step process. In the first step, the Company compares the estimated fair value of each reporting unit to its carrying value. In all instances, the estimated fair value exceeded the carrying value of the reporting unit. Had the estimated fair value of any reporting unit been less than its carrying value, the Company would have performed a second step to determine the implied fair value of the reporting unit's goodwill. If the carrying amount of a reporting unit's goodwill had exceeded its implied fair value, an impairment charge would have been recorded for the difference between the carrying amount and the implied fair value of the reporting unit's goodwill.

To determine the fair value of a reporting unit as part of its quantitative test, the Company uses a discounted cash flow (DCF) approach, as it believes that this approach is the most reliable indicator of the fair value of its businesses and the fair value of their future earnings and cash flows. Under this approach, the Company estimates the future cash flows of each reporting unit and discounts these cash flows at a rate of return that reflects their relative risk. The cash flows used in the DCF are consistent with those the Company uses in its internal planning, which gives consideration to actual business trends experienced, and the broader business strategy for the long term. The other key estimates and factors used in the DCF include, but are not limited to, future sales volumes, revenue and expense growth rates, changes in working capital, foreign exchange rates, currency devaluation, inflation and a perpetuity growth rate. Changes in such estimates or the application of alternative assumptions could produce different results.

### ***Trademarks and Other Indefinite-Lived Intangible Assets***

For trademarks and other intangible assets with indefinite lives, the Company performs a quantitative analysis to test for impairment. When a quantitative test is performed, the estimated fair value of an asset is compared to its carrying amount. If the carrying amount of such asset exceeds its estimated fair value, an impairment charge is recorded for the difference between the carrying amount and the estimated fair value. The Company uses the income approach to estimate the fair value of its trademarks and other intangible assets with indefinite lives. This approach requires significant judgments in determining both the assets' estimated cash flows as well as the appropriate discount and foreign exchange rates applied to those cash flows to determine fair value. Changes in such estimates or the use of alternative assumptions could produce different results.

As a result of the effective devaluation of the Venezuelan currency in the third quarter of fiscal year 2014, the Company assessed whether recorded values of intangible assets attributable to Clorox Venezuela and goodwill of the reporting unit, which included Venezuela, were impaired. As a result of its assessment, the Company identified indications of impairment and recorded noncash tax deductible impairment charges on trademark values totaling \$4. The Company used the income approach to estimate the fair value of the trademarks. The \$4 impairment charge was reflected in the International reportable segment, of which \$3 relates to continuing operations and is reflected in other income, net and \$1 relates to trademarks held on the books of Clorox Venezuela and is reflected in earnings from discontinued operations, net. Based on the results of the annual impairment test performed in the fourth quarter of fiscal year 2015, there were no additional indications of impairment of assets in Venezuela. There were no instances of impairment identified during fiscal years 2013.

### ***Property, Plant and Equipment and Finite-Lived Intangible Assets***

Property, plant and equipment and finite-lived intangible assets are reviewed for possible impairment whenever events or changes in circumstances occur that indicate that the carrying amount of an asset (or asset group) may not be recoverable. The Company's impairment review requires significant management judgment, including estimating the future success of product lines, future sales volumes, revenue and expense growth rates, alternative uses for the assets and estimated proceeds from the disposal of the assets. The Company conducts quarterly reviews of idle and underutilized equipment, and reviews business plans for possible impairment indicators. Impairment occurs when the carrying amount of the asset (or asset group) exceeds its estimated future undiscounted cash flows and the impairment is viewed as other than temporary. When impairment is indicated, an impairment charge is recorded for the difference between the asset's book value and its estimated fair value. Depending on the asset, estimated fair value may be determined either by use of a DCF model or by reference to estimated selling values of assets in similar condition. The use of different assumptions would increase or decrease the estimated fair value of assets and would increase or decrease any impairment measurement.

### ***Employee Benefits***

The Company's critical accounting policies in this area relate to its stock-based compensation and retirement income programs.

#### ***Stock-based Compensation***

The Company grants various nonqualified stock-based compensation awards to eligible employees, including stock options, performance units and restricted stock. The stock-based compensation expense and related income tax benefit recognized in the consolidated statement of earnings in fiscal year 2015 were \$32 and \$12, respectively. As of June 30, 2015, there was \$34 of unrecognized compensation costs related to non-vested stock options, restricted stock and performance unit awards, which are expected to be recognized over a weighted average remaining vesting period of one year. The Company estimates the fair value of each stock option award on the date of grant using the Black-Scholes valuation model, which requires management to make estimates regarding expected option life, stock price volatility and other assumptions. Groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The total number of stock options expected to vest is adjusted by actual and estimated forfeitures. Changes to the actual and estimated forfeitures will result in a cumulative catch-up adjustment in the period of change.

The use of different assumptions in the Black-Scholes valuation model could lead to a different estimate of the fair value of each stock option. The expected volatility is based on implied volatility from publicly traded options on the Company's stock at the date of grant, historical implied volatility of the Company's publicly traded options and other factors. If the Company's assumption for the volatility rate is increased by one percentage point, the fair value of options granted in fiscal year 2015 would have increased by \$1. The expected life of the stock options is based on observed historical exercise patterns. If the Company's assumption for the expected life is increased by one year, the fair value of options granted in fiscal year 2015 would have increased by less than \$1.

The Company's performance unit grants provide for the issuance of common stock to certain managerial staff and executive management if the Company achieves specified performance targets. The performance period is three years and the payout determination is made at the end of the three-year performance period. The fair value of each grant issued is estimated on the date of grant based on the current market price of the stock. The total amount of compensation expense recognized reflects estimated forfeiture rates and the initial assumption that performance goals will be achieved. Compensation expense is adjusted based on management's assessment of the probability that performance goals will be achieved. If such goals are not met or it is determined that achievement of performance goals is not probable, previously recognized compensation expense is trued up in the current period to reflect the expected payout level. If it is determined that the performance goals will be exceeded, additional compensation expense is recognized, subject to a cap of 150% of target.

## ***Retirement Income Plans***

The determination of net periodic pension cost is based on actuarial assumptions including a discount rate to reflect the time value of money, the long-term rate of return on plan assets, employee compensation rates and demographic assumptions to determine the probability and timing of benefit payments. The selection of assumptions is based on historical trends and known economic and market conditions at the time of valuation. The expected long-term rate of return assumption is based on an analysis of historical experience of the portfolio and the summation of prospective returns for each asset class in proportion to the fund's current asset allocation. The actual net periodic pension cost could differ from the expected results because actuarial assumptions and estimates are used. In the calculation of pension expense related to domestic plans for 2015, the Company used a beginning-of-year discount rate assumption of 4.0% and a long-term rate of return on plan assets assumption of 5.3%. The use of a different discount rate or long-term rate of return on domestic plan assets can significantly impact pension expense. For example, as of June 30, 2015, a decrease of 100 basis points in the discount rate would increase pension liability by approximately \$39, and decrease fiscal year 2015 pension expense by less than \$1. A 100 basis point decrease in the long-term rate of return on plan assets would increase fiscal year 2015 pension expense by \$4. At the end of fiscal year 2015, the long-term rate of return is assumed to be 4.3% for the domestic plan assets. This change is a result of the change in the plan's target investment allocation. The Company also has defined benefit pension plans for eligible international employees, including Canadian and Australian employees, and different assumptions are used in the determination of pension expense for those plans, as appropriate. See Notes to Consolidated Financial Statements for further discussion of pension and other retirement plan obligations.

## **Income Taxes**

The Company's effective tax rate is based on income by tax jurisdiction, statutory tax rates and tax planning opportunities available to the Company in the various jurisdictions in which the Company operates. Significant judgment is required in determining the Company's effective tax rate and in evaluating its tax positions.

The Company maintains valuation allowances when 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 the utilization of a deferred tax asset, statutory carry-back and carry-forward periods and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset. Valuation allowances maintained by the Company relate mostly to deferred tax assets arising from the Company's currently anticipated inability to use net operating losses in certain foreign countries.

In addition to valuation allowances, the Company provides for uncertain tax positions when such tax positions do not meet certain recognition thresholds or measurement standards. Amounts for uncertain tax positions are adjusted in quarters when new information becomes available or when positions are effectively settled.

United States income taxes and foreign withholding taxes are not provided when foreign earnings are indefinitely reinvested. The Company determines whether its foreign subsidiaries will invest their undistributed earnings indefinitely and reassesses this determination on a periodic basis. A 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. Changes in the Company's determination would likely require an adjustment to the income tax provision in the quarter in which the determination is made.

## SUMMARY OF NON-GAAP FINANCIAL MEASURES

The non-GAAP financial measures included in this MD&A and Exhibit 99.3 and the reasons management believes they are useful to investors are described below. These measures should be considered supplemental in nature and are not intended to be a substitute for the related financial information prepared in accordance with U.S. GAAP. In addition, these measures may not be the same as similarly named measures presented by other companies.

*Free cash flow* is calculated as net cash provided by continuing operations less capital expenditures related to continuing operations. The Company's management uses this measure and *free cash flow as a percentage of net 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. Refer to "Free cash flow" and "Free cash flow as a percentage of net sales" above for a reconciliation of these non-GAAP measures.

*EBIT* represents earnings from continuing operations before income taxes, interest income and interest expense. *EBIT margin* is the ratio of EBIT to net sales. The company's management believes these measures provide useful additional information to investors about trends in the company's operations and are useful for period-over-period comparisons.

*Currency-neutral net sales growth* represents U.S. GAAP net sales growth excluding the impact of foreign currency exchange rates. The Company's management believes these measures provide useful additional information to investors about trends in the Company's core business operations. The following table presents the *currency-neutral net sales growth* reconciliation for fiscal year 2015:

|  | 2015 |
|--|------|
| Net sales growth – GAAP                      | 3 %  |
| Less: foreign exchange impact                | (2)  |
| Currency-neutral net sales growth – non-GAAP | 5 %  |

*Economic profit (EP)* is defined by the Company as earnings from continuing operations before income taxes, excluding noncash U.S. GAAP restructuring and intangible asset impairment costs, and interest expense; less an amount of tax based on the effective tax rate and less a charge equal to average capital employed multiplied by the weighted-average cost of capital. EP is a key financial metric the Company's management uses to evaluate business performance and allocate resources, and is a component in determining management's incentive compensation. The Company's management believes EP provides additional perspective to investors about financial returns generated by the business and represents profit generated over and above the cost of capital used by the business to generate that profit. Refer to Exhibit 99.3 for a reconciliation of EP to earnings from continuing operations before income taxes.

## CAUTIONARY STATEMENT

This Annual Report on Form 10-K (this Report), including the exhibits hereto and the information incorporated by reference herein, 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 below, including statements about future volume, sales, foreign currencies, costs, cost savings, margin, earnings, earnings per share, diluted earnings per share, foreign currency exchange rates, 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 that reflect our current views with respect to future events and financial performance, 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 below. 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 this Report, as updated from time to time in the Company’s Securities and Exchange Commission filings. These factors include, but are not limited to:

- intense competition in the Company’s markets;
- worldwide, regional and local economic conditions and financial market volatility;
- the ability of the Company to drive sales growth, increase price and market share, grow its product categories and achieve favorable product and geographic mix;
- risks related to international operations, including political instability; government-imposed price controls or other regulations; foreign currency exchange rate controls, including periodic changes in such controls, fluctuations and devaluations; labor claims, labor unrest and inflationary pressures, particularly in Argentina; and potential harm and liabilities from the use, storage and transportation of chlorine in certain international markets where chlorine is used in the production of bleach;
- risks related to the possibility of nationalization, expropriation of assets or other government action in foreign jurisdictions;
- risks related to the Company’s discontinuation of operations in Venezuela;
- volatility and increases in commodity costs such as resin, sodium hypochlorite and agricultural commodities, and increases in energy, transportation or other costs;
- supply disruptions and other risks inherent in reliance on a limited base of suppliers;
- the ability of the Company to develop and introduce commercially successful products;
- dependence on key customers and risks related to customer consolidation and ordering patterns;
- 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;
- risks related to reliance on information technology systems, including potential security breaches, cyber-attacks or privacy breaches that result in the unauthorized disclosure of consumer, customer, employee or Company information, or service interruptions;
- risks relating to acquisitions, new ventures and divestitures, and associated costs, including the potential for asset impairment charges related to, among others, intangible assets and goodwill;

- the success of the Company's business strategies;
- the ability of the Company to implement and generate anticipated cost savings and efficiencies;
- 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 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 or claimed infringement by the Company of third-party intellectual property rights;
- the effect of the Company's indebtedness and credit rating on its operations and financial results;
- the Company's ability to maintain an effective system of internal controls;
- uncertainties relating to tax positions, tax disputes and changes in the Company's tax rate;
- the accuracy of the Company's estimates and assumptions on which its financial statement projections are based;
- the Company's ability to pay and declare dividends or repurchase its stock in the future; and
- the impacts of potential stockholder activism.

The Company's forward-looking statements in this Report 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.

## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of its Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting in accordance with accounting principles generally accepted in the United States of America. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management evaluated the effectiveness of the Company's internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework* published in 2013. Management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting at June 30, 2015, and concluded that it is effective.

The Company's independent registered public accounting firm, Ernst & Young LLP, has audited the effectiveness of the Company's internal control over financial reporting as of June 30, 2015.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of The Clorox Company

We have audited the accompanying consolidated balance sheets of The Clorox Company as of June 30, 2015 and 2014, and the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended June 30, 2015. Our audits also included the financial statement schedule in Exhibit 99.2. 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 audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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 audits provide 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 at June 30, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 2015, in conformity with U.S. generally accepted accounting principles. 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.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), The Clorox Company's internal control over financial reporting as of June 30, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated August 21, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP  
San Francisco, CA  
August 21, 2015

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of The Clorox Company

We have audited The Clorox Company's internal control over financial reporting as of June 30, 2015, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). The Clorox Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, The Clorox Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2015, based on the COSO criteria (2013 framework).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of The Clorox Company as of June 30, 2015 and 2014, and the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2015 of The Clorox Company and our report dated August 21, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP  
San Francisco, CA  
August 21, 2015

**CONSOLIDATED STATEMENTS OF EARNINGS***The Clorox Company*

Years ended June 30

Dollars in millions, except per share amounts

|   | 2015           | 2014           | 2013           |
|---|----------------|----------------|----------------|
| Net sales   | \$ 5,655       | \$ 5,514       | \$ 5,533       |
| Cost of products sold                                   | 3,190          | 3,158          | 3,142          |
| Gross profit  | 2,465          | 2,356          | 2,391          |
| Selling and administrative expenses                     | 798            | 751            | 793            |
| Advertising costs                                       | 523            | 503            | 498            |
| Research and development costs                          | 136            | 125            | 130            |
| Interest expense  | 100            | 103            | 122            |
| Other income, net                                       | (13)           | (10)           | (4)            |
| Earnings from continuing operations before income taxes | 921            | 884            | 852            |
| Income taxes on continuing operations                   | 315            | 305            | 279            |
| Earnings from continuing operations                     | 606            | 579            | 573            |
| Losses from discontinued operations, net of tax         | (26)           | (21)           | (1)            |
| Net earnings  | <u>\$ 580</u>  | <u>\$ 558</u>  | <u>\$ 572</u>  |
| Net earnings (losses) per share                         |                |                |                |
| Basic   |                |                |                |
| Continuing operations                                   | \$ 4.65        | \$ 4.47        | \$ 4.37        |
| Discontinued operations                                 | (0.20)         | (0.16)         | -              |
| Basic net earnings per share                            | <u>\$ 4.45</u> | <u>\$ 4.31</u> | <u>\$ 4.37</u> |
| Diluted   |                |                |                |
| Continuing operations                                   | \$ 4.57        | \$ 4.39        | \$ 4.31        |
| Discontinued operations                                 | (0.20)         | (0.16)         | (0.01)         |
| Diluted net earnings per share                          | <u>\$ 4.37</u> | <u>\$ 4.23</u> | <u>\$ 4.30</u> |
| Weighted average shares outstanding (in thousands)      |                |                |                |
| Basic   | 130,310        | 129,558        | 131,075        |
| Diluted   | 132,776        | 131,742        | 132,969        |

See Notes to Consolidated Financial Statements

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME***The Clorox Company*

Years ended June 30

Dollars in millions

|  | <u>2015</u>   | <u>2014</u>   | <u>2013</u>   |
|--|---------------|---------------|---------------|
| Earnings from continuing operations                        | \$ 606        | \$ 579        | \$ 573        |
| Losses from discontinued operations, net of tax            | (26)          | (21)          | (1)           |
| Net earnings   | <u>580</u>    | <u>558</u>    | <u>572</u>    |
| Other comprehensive (losses) income:                       |               |               |               |
| Foreign currency adjustments, net of tax                   | (54)          | (37)          | (11)          |
| Net unrealized (losses) gains on derivatives, net of tax   | (14)          | (9)           | 3             |
| Pension and postretirement benefit adjustments, net of tax | (17)          | (4)           | 37            |
| Total other comprehensive (losses) income, net of tax      | <u>(85)</u>   | <u>(50)</u>   | <u>29</u>     |
| Comprehensive income                                       | <u>\$ 495</u> | <u>\$ 508</u> | <u>\$ 601</u> |

See Notes to Consolidated Financial Statements

**CONSOLIDATED BALANCE SHEETS***The Clorox Company*

As of June 30

Dollars in millions, except per share amounts

|  | 2015            | 2014            |
|--|-----------------|-----------------|
| <b>ASSETS</b>  |                 |                 |
| Current assets   |                 |                 |
| Cash and cash equivalents  | \$ 382          | \$ 329          |
| Receivables, net   | 519             | 546             |
| Inventories, net   | 385             | 386             |
| Other current assets   | 143             | 134             |
| Total current assets   | 1,429           | 1,395           |
| Property, plant and equipment, net   | 918             | 977             |
| Goodwill   | 1,067           | 1,101           |
| Trademarks, net  | 535             | 547             |
| Other intangible assets, net   | 50              | 64              |
| Other assets   | 165             | 174             |
| Total assets   | <u>\$ 4,164</u> | <u>\$ 4,258</u> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                 |                 |
| Current liabilities  |                 |                 |
| Notes and loans payable  | \$ 95           | \$ 143          |
| Current maturities of long-term debt   | 300             | 575             |
| Accounts payable   | 431             | 440             |
| Accrued liabilities  | 548             | 472             |
| Income taxes payable   | 31              | 8               |
| Total current liabilities  | 1,405           | 1,638           |
| Long-term debt   | 1,796           | 1,595           |
| Other liabilities  | 750             | 768             |
| Deferred income taxes  | 95              | 103             |
| Total liabilities  | <u>4,046</u>    | <u>4,104</u>    |
| Commitments and contingencies  |                 |                 |
| Stockholders' equity   |                 |                 |
| Preferred stock: \$1.00 par value; 5,000,000 shares authorized; none issued or outstanding   | -               | -               |
| Common stock: \$1.00 par value; 750,000,000 shares authorized; 158,741,461 shares issued at June 30, 2015 and 2014; and 128,614,310 and 128,796,228 shares outstanding at June 30, 2015 and 2014, respectively | 159             | 159             |
| Additional paid-in capital   | 775             | 709             |
| Retained earnings  | 1,923           | 1,739           |
| Treasury shares, at cost: 30,127,151 and 29,945,233 shares at June 30, 2015 and 2014, respectively   | (2,237)         | (2,036)         |
| Accumulated other comprehensive net loss   | (502)           | (417)           |
| Stockholders' equity   | 118             | 154             |
| Total liabilities and stockholders' equity   | <u>\$ 4,164</u> | <u>\$ 4,258</u> |

See Notes to Consolidated Financial Statements

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

The Clorox Company

| Dollars in millions                  | Common Stock    |        | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Treasury<br>Shares |            | Accumulated<br>Other<br>Comprehensive<br>Net (Losses) Income | Total    |
|--------------------------------------|-----------------|--------|----------------------------------|----------------------|--------------------|------------|--|----------|
|                                      | Shares<br>(000) | Amount |                                  |                      | Shares<br>(000)    | Amount     |  |          |
| <b>Balance at June 30, 2012</b>      | 158,741         | \$ 159 | \$ 633                           | \$ 1,350             | (29,179)           | \$ (1,881) | \$ (396)   | \$ (135) |
| Net earnings                         |                 |        |                                  | 572                  |                    |            |  | 572      |
| Other comprehensive income           |                 |        |                                  |                      |                    |            | 29   | 29       |
| Accrued dividends                    |                 |        |                                  | (348)                |                    |            |  | (348)    |
| Stock-based compensation             |                 |        | 35                               |                      |                    |            |  | 35       |
| Other employee stock plan activities |                 |        | (7)                              | (13)                 | 2,304              | 141        |  | 121      |
| Treasury stock purchased             |                 |        |                                  |                      | (1,500)            | (128)      |  | (128)    |
| <b>Balance at June 30, 2013</b>      | 158,741         | 159    | 661                              | 1,561                | (28,375)           | (1,868)    | (367)  | 146      |
| Net earnings                         |                 |        |                                  | 558                  |                    |            |  | 558      |
| Other comprehensive loss             |                 |        |                                  |                      |                    |            | (50)   | (50)     |
| Accrued dividends                    |                 |        |                                  | (374)                |                    |            |  | (374)    |
| Stock-based compensation             |                 |        | 36                               |                      |                    |            |  | 36       |
| Other employee stock plan activities |                 |        | 12                               | (6)                  | 1,476              | 92         |  | 98       |
| Treasury stock purchased             |                 |        |                                  |                      | (3,046)            | (260)      |  | (260)    |
| <b>Balance at June 30, 2014</b>      | 158,741         | 159    | 709                              | 1,739                | (29,945)           | (2,036)    | (417)  | 154      |
| Net earnings                         |                 |        |                                  | 580                  |                    |            |  | 580      |
| Other comprehensive loss             |                 |        |                                  |                      |                    |            | (85)   | (85)     |
| Accrued dividends                    |                 |        |                                  | (391)                |                    |            |  | (391)    |
| Stock-based compensation             |                 |        | 32                               |                      |                    |            |  | 32       |
| Other employee stock plan activities |                 |        | 34                               | (5)                  | (4,198)            | 233        |  | 262      |
| Treasury stock purchased             |                 |        |                                  |                      | 4,016              | (434)      |  | (434)    |
| <b>Balance at June 30, 2015</b>      | 158,741         | \$ 159 | \$ 775                           | \$ 1,923             | (30,127)           | \$ (2,237) | \$ (502)   | \$ 118   |

See Notes to Consolidated Financial Statements

**CONSOLIDATED STATEMENTS OF CASH FLOWS***The Clorox Company*

Years ended June 30

Dollars in millions

|   | 2015   | 2014   | 2013   |
|---|--------|--------|--------|
| <b>Operating activities:</b>  |        |        |        |
| Net earnings  | \$ 580 | \$ 558 | \$ 572 |
| Deduct: Losses from discontinued operations, net of tax   | (26)   | (21)   | (1)    |
| Earnings from continuing operations   | 606    | 579    | 573    |
| Adjustments to reconcile earnings from continuing operations to net cash provided by continuing operations: |        |        |        |
| Depreciation and amortization   | 169    | 177    | 180    |
| Stock-based compensation  | 32     | 36     | 35     |
| Deferred income taxes   | (16)   | (21)   | (8)    |
| Settlement of interest rate forward contracts   | (25)   | -      | -      |
| Other   | (17)   | 6      | 20     |
| Changes in:   |        |        |        |
| Receivables, net  | 6      | 20     | (10)   |
| Inventories, net  | (25)   | 1      | (11)   |
| Other current assets  | 6      | 5      | 12     |
| Accounts payable and accrued liabilities  | 93     | (12)   | (29)   |
| Income taxes payable  | 29     | (5)    | 18     |
| Net cash provided by continuing operations  | 858    | 786    | 780    |
| Net cash provided by (used for) discontinued operations   | 16     | (19)   | (5)    |
| Net cash provided by operations   | 874    | 767    | 775    |
| <b>Investing activities:</b>  |        |        |        |
| Capital expenditures  | (125)  | (137)  | (190)  |
| Proceeds from sale-leasebacks, net of transaction costs   | -      | -      | 135    |
| Other   | 19     | -      | 4      |
| Net cash used for investing activities from continuing operations   | (106)  | (137)  | (51)   |
| Net cash used for investing activities by discontinued operations   | -      | (1)    | (4)    |
| Net cash used for investing activities  | (106)  | (138)  | (55)   |
| <b>Financing activities:</b>  |        |        |        |
| Notes and loans payable, net  | (48)   | (60)   | (98)   |
| Long-term debt borrowings, net of issuance costs  | 495    | -      | 593    |
| Long-term debt repayments   | (575)  | -      | (850)  |
| Treasury stock purchased  | (434)  | (260)  | (128)  |
| Cash dividends paid   | (385)  | (368)  | (335)  |
| Issuance of common stock for employee stock plans and other   | 251    | 96     | 133    |
| Net cash used for financing activities  | (696)  | (592)  | (685)  |
| Effect of exchange rate changes on cash and cash equivalents  | (19)   | (7)    | (3)    |
| Net increase in cash and cash equivalents   | 53     | 30     | 32     |
| <b>Cash and cash equivalents:</b>   |        |        |        |
| Beginning of year   | 329    | 299    | 267    |
| End of year   | \$ 382 | \$ 329 | \$ 299 |
| <b>Supplemental cash flow information:</b>  |        |        |        |
| Interest paid   | \$ 104 | \$ 76  | \$ 129 |
| Income taxes paid, net of refunds   | 236    | 312    | 263    |
| <b>Noncash financing activities:</b>  |        |        |        |
| Cash dividends declared and accrued, but not paid   | 99     | 95     | 93     |

See Notes to Consolidated Financial Statements

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**The Clorox Company**  
(Dollars in millions, except per share amounts)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations and Basis of Presentation**

The Company is principally engaged in the production, marketing and sales of consumer products through mass retail outlets, e-commerce channels, distributors and medical supply distributors. The consolidated financial statements include the statements of the Company and its wholly owned and controlled subsidiaries. All significant intercompany transactions and accounts were eliminated in consolidation. Certain prior year reclassifications were made in the consolidated financial statements and related notes to the consolidated financial statements to conform to the current year presentation.

Effective September 22, 2014, the Company's Venezuela affiliate, Corporación Clorox de Venezuela S.A. (Clorox Venezuela), discontinued its operations. Consequently, the Company reclassified the financial results of Clorox Venezuela as a discontinued operation in the consolidated financial statements for all periods presented herein.

**Use of Estimates**

The preparation of these consolidated financial statements in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) requires management to reach opinions as to estimates and assumptions that affect reported amounts and related disclosures. Specific areas requiring management's opinion on estimates and judgments include assumptions pertaining to accruals for consumer and trade-promotion programs, stock-based compensation costs, pension and post-employment benefit costs, future cash flows associated with impairment testing of goodwill and other long-lived assets, the credit worthiness of customers, uncertain tax positions, tax valuation allowances and legal, environmental and insurance matters. Actual results could materially differ from estimates and assumptions made.

**Cash and Cash Equivalents**

Cash equivalents consist of highly liquid instruments, time deposits and money market funds with an initial maturity at purchase of three months or less. The fair value of cash and cash equivalents approximates the carrying amount.

The Company's cash position includes amounts held by foreign subsidiaries and, as a result, the repatriation of certain cash balances from some of the Company's foreign subsidiaries could result in additional tax costs in the United States and in certain foreign jurisdictions. However, these cash balances are generally available without legal restriction to fund local business operations. In addition, a portion of the Company's cash balance is held in U.S. dollars by foreign subsidiaries, whose functional currency is their local currency. Such U.S. dollar balances are reported on the foreign subsidiaries' books, in their functional currency, with the impact from foreign currency exchange rate differences recorded in other income, net. The Company's cash holdings were as follows as of June 30:

|   | 2015          | 2014          |
|---|---------------|---------------|
| U.S. dollar balances held by U.S. dollar functional currency subsidiaries and at parent | \$ 221        | \$ 180        |
| Non-U.S. dollar balances held by non-U.S. dollar functional currency subsidiaries       | 142           | 132           |
| U.S. dollar balances held by non-U.S. dollar functional currency subsidiaries           | 19            | 12            |
| Non-U.S. dollar balances held by U.S. dollar functional currency subsidiaries           | -             | 5             |
| <b>Total</b>  | <b>\$ 382</b> | <b>\$ 329</b> |

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Inventories

Inventories are stated at the lower of cost or market. 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 for the purposes of determining the lower of cost or market.

### Property, Plant and Equipment and Finite-Lived Intangible Assets

Property, plant and equipment and finite-lived intangible assets are stated at cost. Depreciation and amortization expense are calculated by the straight-line method using the estimated useful lives or lives determined by lease contracts for the related assets. The table below provides estimated useful lives of property, plant and equipment by asset classification.

|                                      | Estimated<br>Useful Lives |
|--------------------------------------|---------------------------|
| Buildings and leasehold improvements | 10 - 40 years             |
| Land improvements                    | 10 - 30 years             |
| Machinery and equipment              | 3 - 15 years              |
| Computer equipment                   | 3 - 5 years               |
| Capitalized software costs           | 3 - 7 years               |

Property, plant and equipment and finite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances occur that indicate that the carrying amount of an asset (or asset group) may not be fully recoverable. The risk of impairment is initially assessed based on an estimate of the undiscounted cash flows at the lowest level for which identifiable cash flows exist. Impairment occurs when the book value of the asset exceeds the estimated future undiscounted cash flows generated by the asset. When impairment is indicated, an impairment charge is recorded for the difference between the book value of the asset and its estimated fair market value. Depending on the asset, estimated fair market value may be determined either by use of a discounted cash flow model or by reference to estimated selling values of assets in similar condition.

### Capitalization of Software Costs

The Company capitalizes certain 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 during the application development stage. Internal and external costs incurred during the preliminary project stage and post implementation-operation stage, mainly training and maintenance costs, are expensed as incurred. Once the application is substantially complete and ready for its intended use, qualifying costs are amortized on a straight-line basis over the software's useful life.

### Impairment Review of Goodwill and Indefinite-Lived Intangible Assets

The Company tests its goodwill, trademarks with indefinite lives and other indefinite-lived intangible assets annually for impairment in the fiscal fourth quarter unless there are indications during a different interim period that these assets may have become impaired.

With respect to goodwill, the Company has the option to first assess qualitative factors such as maturity and stability of the reporting unit, magnitude of excess fair value over book value from the prior year's impairment testing, other reporting unit specific operating results as well as new events and circumstances impacting the operations at the reporting unit level. If the result of a qualitative test indicates a potential for impairment of a reporting unit, a quantitative test is performed. The quantitative test is a two-step process. In the first step, the Company compares the estimated fair value of the reporting unit to its carrying value. In all instances, the estimated fair value exceeded the carrying value of the reporting unit. Had the estimated fair value of any reporting unit been less than its carrying value, the Company would have performed a second step to determine the implied fair value of the reporting unit's goodwill. If the carrying amount of a reporting unit's goodwill had exceeded its implied fair value, an impairment charge would have been recorded for the difference between the carrying amount and the implied fair value of the reporting unit's goodwill.

## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

To determine the fair value of a reporting unit as part of its quantitative test, the Company uses a discounted cash flow (DCF) approach, as it believes that this approach is the most reliable indicator of the fair value of its businesses and the fair value of their future earnings and cash flows. Under this approach, the Company estimates the future cash flows of each reporting unit and discounts these cash flows at a rate of return that reflects their relative risk. The cash flows used in the DCF are consistent with those the Company uses in its internal planning, which gives consideration to actual business trends experienced, and the broader business strategy for the long term. The other key estimates and factors used in the DCF include, but are not limited to, future sales volumes, revenue and expense growth rates, changes in working capital, foreign exchange rates, currency devaluation, inflation and a perpetuity growth rate. Changes in such estimates or the application of alternative assumptions could produce different results.

For trademarks and other intangible assets with indefinite lives, the Company performs a quantitative analysis to test for impairment and compares the estimated fair value of an asset to its carrying amount. If the carrying amount of such asset exceeds its estimated fair value, an impairment charge is recorded for the difference between the carrying amount and the estimated fair value. The Company uses the income approach to estimate the fair value of its trademarks and other intangible assets with indefinite lives. This approach requires significant judgments in determining both the assets' estimated cash flows as well as the appropriate discount and foreign exchange rates applied to those cash flows to determine fair value. Changes in such estimates or the use of alternative assumptions could produce different results.

### **Stock-based Compensation**

The Company grants various nonqualified stock-based compensation awards to eligible employees, including stock options and performance units.

For stock options, the Company estimates the fair value of each award on the date of grant using the Black-Scholes valuation model, which requires management to make estimates regarding expected option life, stock price volatility and other assumptions. Groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The Company estimates stock option forfeitures based on historical data for each employee grouping. The total number of stock options expected to vest is adjusted by actual and estimated forfeitures. Changes to the actual and estimated forfeitures will result in a cumulative catch-up adjustment in the period of change. Compensation expense is recorded by amortizing the grant date fair values on a straight-line basis over the vesting period, adjusted for estimated forfeitures.

The Company's performance unit grants provide for the issuance of common stock to certain managerial staff and executive management if the Company achieves specified performance targets. The performance period is three years and the payout determination is made at the end of the three-year performance period. The fair value of each grant issued is estimated on the date of grant based on the current market price of the stock. The total amount of compensation expense recognized reflects estimated forfeiture rates and the initial assumption that performance goals will be achieved. Compensation expense is adjusted based on management's assessment of the probability that performance goals will be achieved. If such goals are not met or it is determined that achievement of performance goals is not probable, previously recognized compensation expense is trued up in the current period to reflect the expected payout level. If it is determined that the performance goals will be exceeded, additional compensation expense is recognized, subject to a cap of 150% of target.

Cash flows resulting from tax deductions in excess of the cumulative compensation cost recognized for stock-based payment arrangements (excess tax benefits) are primarily classified as financing cash inflows.

## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Employee Benefits**

The Company accounts for its defined benefit retirement income and retirement health care plans using actuarial methods. These methods use an attribution approach that generally spreads “plan events” over the service lives or expected lifetime (for frozen plans) 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, rate of compensation increase and certain employee-related factors, such as retirement age and mortality. The principle underlying the attribution approach is that employees render service over their employment period on a relatively “smooth” basis and, therefore, the statement of earnings effects of retirement income and retirement health 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 goal is for the expected long-term returns to approximate the actual returns and, therefore, the expectation is that the pattern of income and expense recognition should closely match the pattern of the services provided by the participants. The Company uses a market-related value method for calculating plan assets for purposes of determining the amortization of actuarial gains and losses. The differences between actual and expected returns are recognized in the net periodic benefit cost calculation over the average remaining service period or expected lifetime (for frozen plans) of the plan participants using the corridor approach. Under this approach, only actuarial gains (losses) that exceed 5% of the greater of the projected benefit obligation or the market-related value of assets are amortized to pension expense by the Company. In developing its expected return on plan assets, the Company considers the long-term actual returns relative to the mix of investments that comprise its plan assets and also develops estimates of future investment returns by considering external sources.

The Company recognizes an actuarial-based obligation at the onset of disability for certain benefits provided to individuals after employment, but before retirement, that include medical, dental, vision, life and other benefits.

### **Environmental Costs**

The Company is involved in certain environmental remediation and ongoing compliance activities. Accruals for environmental matters are recorded on a site-by-site basis when it is probable that a liability has been incurred and based upon a reasonable estimate of the liability. The Company’s accruals reflect the anticipated participation of other potentially responsible parties in those instances where it is probable that such parties are legally responsible and financially capable of paying their respective shares of the relevant costs. These accruals are adjusted periodically as assessment and remediation efforts progress or as additional technical or legal information become available. Actual costs to be incurred at identified sites in future periods may vary from the estimates, given the inherent uncertainties in evaluating environmental exposures. The accrual for environmental matters is included in Other liabilities in the Company’s consolidated balance sheets on an undiscounted basis due to uncertainty regarding the timing of future payments.

### **Revenue Recognition**

Sales are recognized as revenue when the risk of loss and title pass to the customer and when all of the following have occurred: a firm sales arrangement exists, pricing is fixed or determinable and collection is reasonably assured. Sales are recorded net of allowances for returns, trade promotions, coupons and other discounts. The Company routinely commits to one-time or ongoing trade-promotion programs with customers and consumer coupon programs that require the Company to estimate and accrue the expected costs of such programs. Programs include shelf price reductions, end-of-aisle or in-store displays of the Company’s products and graphics and other trade-promotion activities conducted by the customer. Coupons are recognized as a liability when distributed based upon expected consumer redemptions. The Company maintains liabilities related to these programs for the estimated expenses incurred, but not paid, at the end of each period. Trade-promotion and coupon redemption costs are recorded as a reduction of sales.

The Company provides an allowance for doubtful accounts based on its historical experience and ongoing assessment of its customers’ credit risk. Receivables were presented net of an allowance for doubtful accounts of \$4 and \$3 as of June 30, 2015 and 2014, respectively. Receivables, net, included non-customer receivables of \$12 and \$15 as of June 30, 2015 and 2014, respectively.

## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Cost of Products Sold**

Cost of products sold represents the costs directly related to the manufacture and distribution of the Company's products and primarily includes raw materials, packaging, contract packer fees, shipping and handling, warehousing, package design, depreciation, amortization, direct and indirect labor and operating costs for the Company's manufacturing and distribution facilities including salary, benefit costs and incentive compensation, and royalties and amortization related to the Company's Glad Venture Agreement (see Note 9).

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, 2015, 2014 and 2013 were \$11, \$12 and \$10, respectively, all of which were reflected in cost of products sold or discontinued operations, as appropriate, in the consolidated statements of earnings.

### **Selling and Administrative Expenses**

Selling and administrative expenses represent costs incurred by the Company in generating revenues and managing the business and include market research, commissions and certain administrative expenses. Administrative expenses include salary, benefits, incentive compensation, 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.

### **Advertising and Research and Development Costs**

The Company expenses advertising and research and development costs in the period incurred.

### **Income Taxes**

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. Management reviews the Company's deferred tax assets to determine whether their value can be realized based upon available evidence. 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. In addition to valuation allowances, the Company provides for uncertain tax positions when such tax positions do not meet certain recognition thresholds or measurement standards. Amounts for uncertain tax positions are adjusted in quarters when new information becomes available or when positions are effectively settled.

U.S. income tax expense and foreign withholding taxes are provided on unremitted foreign earnings that are not indefinitely reinvested at the time the earnings are generated. Where foreign earnings are indefinitely reinvested, no provision for U.S. income or foreign withholding taxes is made. When circumstances change and the Company determines that some or all of the undistributed earnings will be remitted in the foreseeable future, the Company accrues an expense in the current period for U.S. income taxes and foreign withholding taxes attributable to the anticipated remittance.

## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Foreign Currency Transactions and Translation**

Local currencies are the functional currencies for substantially all of the Company's foreign operations. When the transactional currency is different than the functional currency, transaction gains and losses are included as a component of other income, net. In addition, certain assets and liabilities denominated in currencies different than a foreign subsidiary's functional currency are reported on the subsidiary's books in its functional currency, with the impact from exchange rate differences recorded in other income, net. Assets and liabilities of foreign operations are translated into U.S. dollars using the exchange rates in effect at the balance sheet date, while income and expenses are translated at the average monthly exchange rates during the year.

Gains and losses on foreign currency translations are reported as a component of other comprehensive income. 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 subsidiaries and joint ventures for which earnings are not considered indefinitely reinvested is recorded as a component of deferred taxes with an offset to other comprehensive income.

### **Derivative Instruments**

The Company's use of derivative instruments, principally swaps, futures and forward contracts, is limited to non-trading purposes and is designed to partially manage exposure to changes in commodity prices, interest rates and foreign currencies. The Company's contracts are hedges for transactions with notional amounts and periods consistent with the related exposures and do not constitute investments independent of these exposures.

The changes in the fair value (i.e., gains or losses) of a derivative instrument are recorded as either assets or liabilities in the consolidated balance sheets with an offset to net earnings or other comprehensive income depending on whether, for accounting purposes, it has been designated and qualifies as an accounting hedge and, if so, on the type of hedging relationship. The criteria used to determine if hedge accounting treatment is appropriate are: (a) formal designation and documentation of the hedging relationship, the risk management objective and hedging strategy at hedge inception; (b) eligibility of hedged items, transactions and corresponding hedging instrument; and (c) effectiveness of the hedging relationship both at inception of the hedge and on an ongoing basis in achieving the hedging objectives. For those derivative instruments designated and qualifying as hedging instruments, the Company must designate the hedging instrument either as a fair value hedge or as a cash flow hedge. The Company designates its commodity forward and future contracts for forecasted purchases of raw materials, interest rate forward contracts for forecasted interest payments, and foreign currency forward contracts for forecasted purchases of inventory as cash flow hedges. During the fiscal years ended June 30, 2015, 2014 and 2013, the Company had no hedging instruments designated as fair value hedges.

For derivative instruments designated and qualifying as cash flow hedges, the effective portion of gains or losses is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. From time to time, the Company may have contracts not designated as hedges for accounting purposes, for which it recognizes changes in the fair value in other income, net. Cash flows from hedging activities are classified as operating activities in the consolidated statements of cash flows.

## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Company de-designates cash flow hedge relationships when it determines that the hedge relationships are no longer highly effective or that the forecasted transaction is no longer probable. Upon de-designation of a hedge, the portion of gains or losses on the derivative instrument that was previously accumulated in other comprehensive income remains in accumulated other comprehensive income until the forecasted transaction is recognized in net earnings, or is recognized in net earnings immediately if it is determined that there is any ineffectiveness or the forecasted transaction is no longer probable.

The Company uses different methodologies, when necessary, to estimate the fair value of its derivative contracts. The estimated fair values of the majority of the Company's 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.

### **Recently Issued Accounting Pronouncements**

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, "Simplifying the Presentation of Debt Issuance Cost," which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The new guidance is effective for the Company beginning in the first quarter of fiscal year 2017, with early adoption permitted. The Company is currently evaluating the impact that adoption of ASU 2015-03 will have on its consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, "Amendments to the Consolidation Analysis," which changes the guidance for evaluating whether to consolidate certain legal entities. The amendments modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities. The new guidance is effective for the Company beginning in the first quarter of fiscal year 2017, with early adoption permitted. The Company is currently evaluating the impact that adoption of ASU 2015-02 will have on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," which replaces most existing U.S. GAAP revenue recognition guidance and is intended to improve and converge with international standards the financial reporting requirements for revenue from contracts with customers. The core principle of ASU 2014-09 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. ASU 2014-09 also requires additional disclosures about the nature, timing and uncertainty of revenue and cash flows arising from contracts with customers, including information about significant judgments and changes in judgments. The new guidance is effective for the Company beginning in the first quarter of fiscal year 2019, with the option to early adopt in the first quarter of fiscal year 2018. The Company is currently evaluating the impact that adoption of ASU 2014-09 will have on its consolidated financial statements.

In April 2014, the FASB issued ASU No. 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (Topic 205)," which will change the criteria for reporting discontinued operations. The amendments will also require new disclosures about discontinued operations and disposals of components of an entity that do not qualify for discontinued operations reporting. The amendments are effective for the Company for new disposals (or classifications as held for sale) of components of the Company, should they occur, beginning in the first quarter of fiscal year 2016. Early adoption is permitted for disposals (or classifications as held for sale) that have not been previously reported. The Company will adopt this ASU beginning in the first quarter of fiscal year 2016, as required. Adoption of the new standard will not impact the Company's reporting or disclosures for discontinued operations of Clorox Venezuela or other previously discontinued operations.

## NOTE 2. DISCONTINUED OPERATIONS

On September 22, 2014, Clorox Venezuela announced that it was discontinuing its operations, effective immediately, and seeking to sell its assets. Since fiscal year 2012, Clorox Venezuela was required to sell more than two thirds of its products at prices frozen by the Venezuelan government. During this same period, Clorox Venezuela experienced successive years of hyperinflation resulting in significant sustained increases in its input costs, including packaging, raw materials, transportation and wages. As a result, Clorox Venezuela had been selling its products at a loss, resulting in ongoing operating losses. Clorox Venezuela repeatedly met with government authorities in an effort to help them understand the rapidly declining state of the business, including the need for immediate, significant and ongoing price increases and other critical remedial actions to address these adverse impacts. Based on the Venezuelan government's representations, Clorox Venezuela had expected significant price increases would be forthcoming much earlier; however, the price increases subsequently approved were insufficient and would have caused Clorox Venezuela to continue operating at a significant loss into the foreseeable future. As such, Clorox Venezuela was no longer financially viable and was forced to discontinue its operations.

On September 26, 2014, the Company reported that Venezuelan Vice President Jorge Arreaza announced, with endorsement by President Nicolás Maduro, that the Venezuelan government had occupied the Santa Lucía and Guacara production facilities of Clorox Venezuela. On November 6, 2014, the Company reported that the Venezuelan government had published a resolution granting a government-sponsored Special Administrative Board full authority to restart and operate the business of Clorox Venezuela, thereby reaffirming the government's expropriation of Clorox Venezuela's assets. Further, President Nicolás Maduro announced the government's intention to facilitate the resumed production of bleach and other cleaning products at Clorox Venezuela plants. He also announced his approval of a financial credit to invest in raw materials and production at the plants. These actions by the Venezuelan government were taken without the consent or involvement of Clorox Venezuela, its parent Clorox Spain S.L. (Clorox Spain) or any of their affiliates. Clorox Venezuela, Clorox Spain and their affiliates reserved their rights under all applicable laws and treaties.

With this exit, the financial results of Clorox Venezuela are reflected as discontinued operations in the Company's consolidated financial statements. The results of Clorox Venezuela have historically been part of the International reportable segment.

Net sales for Clorox Venezuela were \$11, \$77 and \$90 for the fiscal years ended June 30, 2015, 2014 and 2013, respectively.

The following table provides a summary of (losses) gains from discontinued operations for Clorox Venezuela and gains (losses) from discontinued operations other than Clorox Venezuela for the years ended June 30:

|  | 2015    | 2014    | 2013   |
|--|---------|---------|--------|
| Operating (losses) earnings from Clorox Venezuela before income taxes                  | \$ (6)  | \$ (23) | \$ 1   |
| Exit costs and other related expenses for Clorox Venezuela                             | (78)    | -       | -      |
| Total losses from Clorox Venezuela before income taxes                                 | (84)    | (23)    | 1      |
| Income tax benefit attributable to Clorox Venezuela                                    | 29      | 6       | -      |
| Total (losses) gains from Clorox Venezuela, net of tax                                 | (55)    | (17)    | 1      |
| Gains (losses) from discontinued operations other than<br>Clorox Venezuela, net of tax | 29      | (4)     | (2)    |
| Losses from discontinued operations, net of tax  | \$ (26) | \$ (21) | \$ (1) |

Unrelated to Clorox Venezuela, in the fiscal year ended June 30, 2015, \$32 of gross unrecognized tax benefits relating to other discontinued operations for periods prior to fiscal year 2015 were recognized upon the expiration of the applicable statute of limitations. Recognition of these previously disclosed tax benefits had no impact on the Company's cash flow or earnings from continuing operations for the fiscal years ended June 30, 2015, 2014 and 2013. (See Note 17.)

**NOTE 2. DISCONTINUED OPERATIONS (Continued)*****Summary of Operating Losses, Asset Charges and Other Costs***

The following provides a breakdown of (losses) gains from discontinued operations for Clorox Venezuela and gains from discontinued operations other than Clorox Venezuela for the fiscal year ended June 30:

|   | <u>2015</u>          |
|---|----------------------|
| Operating losses from Clorox Venezuela before income taxes                    | \$ (6)               |
| Net asset charges:  |                      |
| Inventories   | (11)                 |
| Property, plant and equipment   | (16)                 |
| Trademark and other intangible assets   | (6)                  |
| Other assets  | (2)                  |
| Other exit and business termination costs:                                    |                      |
| Severance   | (3)                  |
| Recognition of deferred foreign currency translation loss                     | (30)                 |
| Other   | (10)                 |
| Total losses from Clorox Venezuela before income taxes                        | (84)                 |
| Income tax benefit attributable to Clorox Venezuela                           | 29                   |
| Total losses from Clorox Venezuela, net of tax                                | <u>(55)</u>          |
| Gains from discontinued operations other than<br>Clorox Venezuela, net of tax | <u>29</u>            |
| Losses from discontinued operations, net of tax                               | <u><u>\$(26)</u></u> |

Prior to Clorox Venezuela being consolidated under the rules governing the preparation of financial statements in a highly inflationary economy, cumulative translation gains (losses) were included as a component of accumulated other comprehensive net (losses) income. The charge of \$30 to discontinued operations in September 2014 represents the recognition of these losses as a result of Clorox Venezuela discontinuing its operations effective September 22, 2014.

Goodwill related to Clorox Venezuela was previously aggregated and assessed for impairment at the Latin America reporting unit level, which is a component of the Company's International segment. In the first quarter of fiscal year 2015, after Clorox Venezuela discontinued its operations, the Company reviewed the relative fair value of its components of the Latin America reporting unit and concluded that no goodwill should be allocated to the Clorox Venezuela component and that there were no indicators of impairment within the remaining Latin America reporting unit. Based on the results of the annual impairment test performed in the fourth quarter of fiscal year 2015, the fair value of the Latin America reporting unit exceeded its recorded value by approximately 79%.

## NOTE 2. DISCONTINUED OPERATIONS (Continued)

### *Financial Reporting: Hyperinflation and the Selection of Exchange Rates*

Due to a sustained inflationary environment, the financial statements of Clorox Venezuela are consolidated under the rules governing the preparation of financial statements in a highly inflationary economy. As such, Clorox Venezuela's non-U.S. dollar (non-USD) monetary assets and liabilities were remeasured into U.S. dollars (USD) each reporting period with the resulting gains and losses now reflected in discontinued operations.

Subsequent to Clorox Venezuela discontinuing operations in September 2014, the Venezuelan government has continued to evolve its currency exchange mechanisms; however, these changes have not had a material impact on the Company's financial results because the balance of net bolivar assets and liabilities on the local books of Clorox Venezuela was \$0 as of June 30, 2015. As of June 30, 2014, the local books of Clorox Venezuela carried a net asset position of \$42. In addition, as of June 30, 2015 and 2014, the Company held \$13 and \$17, respectively, of tax asset balances related to Clorox Venezuela in Corporate in the reconciliation of the results of the Company's reportable segments to consolidated results.

## NOTE 3. INVENTORIES

Inventories consisted of the following as of June 30:

|                             | 2015          | 2014          |
|-----------------------------|---------------|---------------|
| Finished goods              | \$ 316        | \$ 312        |
| Raw materials and packaging | 101           | 108           |
| Work in process             | 3             | 2             |
| LIFO allowances             | (35)          | (36)          |
| Total                       | <u>\$ 385</u> | <u>\$ 386</u> |

The last-in, first-out (LIFO) method was used to value approximately 38% and 34% of inventories as of June 30, 2015 and 2014, respectively. The carrying values for all other inventories, including inventories of all international businesses, are determined on the first-in, first-out (FIFO) method. The effect on earnings of the liquidation of LIFO layers was a benefit of \$0, \$2 and \$3 for the fiscal years ended June 30, 2015, 2014 and 2013, respectively.

The Company had inventory consigned to others of \$2 and \$4 as of June 30, 2015 and 2014, respectively.

## NOTE 4. OTHER CURRENT ASSETS

Other current assets consisted of the following as of June 30:

|                     | 2015          | 2014          |
|---------------------|---------------|---------------|
| Deferred tax assets | \$ 99         | \$ 81         |
| Prepaid expenses    | 39            | 42            |
| Other               | 5             | 11            |
| Total               | <u>\$ 143</u> | <u>\$ 134</u> |

As of June 30, 2015 and 2014, Other in the table above included \$3 and \$9 of restricted cash, respectively. As of June 30, 2015 and 2014, the Company had restricted cash of \$3 and \$3, respectively, held in escrow related to fiscal year 2012 acquisitions. Additionally, as of June 30, 2015 and 2014, restricted cash of \$0 and \$5, respectively, was held by a foreign subsidiary as a prepayment received for intercompany services.

## NOTE 5. PROPERTY, PLANT AND EQUIPMENT, NET

The components of property, plant and equipment, net, consisted of the following as of June 30:

|   | 2015          | 2014          |
|---|---------------|---------------|
| Machinery and equipment                         | \$ 1,608      | \$ 1,593      |
| Buildings                                       | 515           | 506           |
| Capitalized software costs                      | 371           | 374           |
| Land and improvements                           | 122           | 122           |
| Construction in progress                        | 65            | 79            |
| Computer equipment                              | 76            | 79            |
|   | <u>2,757</u>  | <u>2,753</u>  |
| Less: accumulated depreciation and amortization | (1,839)       | (1,776)       |
| Total   | <u>\$ 918</u> | <u>\$ 977</u> |

Included in Machinery and equipment above are \$12 and \$0 of equipment under capital leases as of June 30, 2015 and 2014, respectively. Accumulated depreciation for assets under capital leases was \$2 and \$0 as of June 30, 2015 and 2014, respectively.

Included in Land and improvements above are \$2 and \$0 of asset retirement obligations as of June 30, 2015 and 2014, respectively, for two leased properties. The liability of \$2 incurred in fiscal year 2015 was recorded in Other liabilities.

Depreciation and amortization expense related to property, plant and equipment, net, was \$157, \$161 and \$162 in fiscal years 2015, 2014 and 2013, respectively, which includes depreciation of assets under capital leases. This also includes amortization of capitalized software of \$19, \$22 and \$21 in fiscal years 2015, 2014 and 2013, respectively.

Non-cash capital expenditures were \$18, \$0 and \$0 in fiscal years 2015, 2014 and 2013, respectively.

## NOTE 6. GOODWILL, TRADEMARKS AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill by reportable segment for the fiscal years ended June 30, 2015 and 2014 were as follows:

|  | Goodwill |           |           |               |          |
|--|----------|-----------|-----------|---------------|----------|
|  | Cleaning | Lifestyle | Household | International | Total    |
| Balance June 30, 2013                  | \$ 323   | \$ 244    | \$ 85     | \$ 453        | \$ 1,105 |
| Effect of foreign currency translation | -        | -         | -         | (4)           | (4)      |
| Balance June 30, 2014                  | 323      | 244       | 85        | 449           | 1,101    |
| Effect of foreign currency translation | -        | -         | -         | (34)          | (34)     |
| Balance June 30, 2015                  | \$ 323   | \$ 244    | \$ 85     | \$ 415        | \$ 1,067 |

During the fourth quarter of fiscal years 2015, 2014 and 2013, the Company completed its annual impairment tests of goodwill and no instances of impairment were identified.

The changes in the carrying amount of trademarks and other intangible assets for the fiscal years ended June 30, 2015 and 2014 were as follows:

|  | As of June 30, 2015   |                          |                     | As of June 30, 2014   |                          |                     |
|--|-----------------------|--------------------------|---------------------|-----------------------|--------------------------|---------------------|
|  | Gross carrying amount | Accumulated amortization | Net carrying amount | Gross carrying amount | Accumulated amortization | Net carrying amount |
| Trademarks not subject to amortization | \$ 524                | \$ -                     | \$ 524              | \$ 533                | \$ -                     | \$ 533              |
| Trademarks subject to amortization     | 33                    | 22                       | 11                  | 36                    | 22                       | 14                  |
| Other intangible assets:               |                       |                          |                     |                       |                          |                     |
| Technology and product formulae        | 137                   | 133                      | 4                   | 139                   | 129                      | 10                  |
| Other                                  | 188                   | 142                      | 46                  | 194                   | 140                      | 54                  |
| Total                                  | \$ 882                | \$ 297                   | \$ 585              | \$ 902                | \$ 291                   | \$ 611              |

## NOTE 6. GOODWILL, TRADEMARKS AND OTHER INTANGIBLE ASSETS (Continued)

Amortization expense relating to our intangible assets was \$12, \$15 and \$15 for the years ended June 30, 2015, 2014 and 2013, respectively. Estimated amortization expense for these intangible assets is \$8, \$8, \$7, \$7 and \$6 for fiscal years 2016, 2017, 2018, 2019 and 2020, respectively.

In the first quarter of fiscal year 2015, the Company recorded impairment of trademarks and other intangible assets of \$6 related to the discontinuation of operations in Venezuela. This amount is included as part of losses from discontinued operations, net of tax.

In fiscal year 2014, as a result of the effective devaluation of the Venezuelan currency in the third quarter, the Company assessed whether recorded values of intangible assets attributable to the Venezuela subsidiary and goodwill of the reporting unit that included Venezuela were impaired. As a result of its assessment, the Company identified indications of impairment and recorded noncash tax deductible impairment charges on trademark values totaling \$4, which is reflected in the International reportable segment. Of this amount, \$3 is related to continuing operations and is reflected in Other income, net and \$1 is related to trademarks held on the books of Clorox Venezuela and is reflected in losses from discontinued operations, net. The Company used the income approach to estimate the fair value of the trademarks, and as such, the fair value measurement was classified as Level 3. For a further discussion of Clorox Venezuela's intangible and other asset balances, see Note 2.

In fiscal year 2014, the Company entered into an exclusivity agreement with a manufacturer. In connection with the agreement, the Company recorded an Other intangible asset valued at \$4 that will be amortized over the 7 year term of the agreement. The agreement may be renewed for an additional 3 years at no cost upon mutual consent.

During the fourth quarter of fiscal years 2015, 2014 and 2013, the Company completed its annual impairment tests of indefinite-lived intangible assets and no instances of impairment were identified.

## NOTE 7. ACCRUED LIABILITIES

Accrued liabilities consisted of the following as of June 30:

|   | 2015          | 2014          |
|---|---------------|---------------|
| Compensation and employee benefit costs | \$ 189        | \$ 102        |
| Trade and sales promotion               | 115           | 113           |
| Dividends                               | 103           | 100           |
| Royalties                               | 16            | 11            |
| Insurance                               | 15            | 18            |
| Interest                                | 14            | 27            |
| Derivatives                             | 8             | 17            |
| Other                                   | 88            | 84            |
| Total                                   | <u>\$ 548</u> | <u>\$ 472</u> |

## NOTE 8. DEBT

Notes and loans payable, which mature in less than one year, included the following as of June 30:

|                    | 2015         | 2014          |
|--------------------|--------------|---------------|
| Commercial paper   | \$ 93        | \$ 141        |
| Foreign borrowings | 2            | 2             |
| Total              | <u>\$ 95</u> | <u>\$ 143</u> |

The weighted average interest rates incurred on average outstanding notes and loans payable during the fiscal years ended June 30, 2015, 2014 and 2013, including fees associated with the Company's undrawn revolving credit facility, were 2.05%, 0.97% and 1.68%, respectively. The weighted average effective interest rates on commercial paper balances as of June 30, 2015 and 2014, were 0.39% and 0.28%, respectively.

Long-term debt, carried at face value net of unamortized discounts or premiums, included the following as of June 30:

|  | 2015            | 2014            |
|--|-----------------|-----------------|
| Senior unsecured notes and debentures:     |                 |                 |
| 5.00%, \$575 due January 2015              | \$ -            | \$ 575          |
| 3.55%, \$300 due November 2015             | 300             | 300             |
| 5.95%, \$400 due October 2017              | 399             | 399             |
| 3.80%, \$300 due November 2021             | 298             | 298             |
| 3.05%, \$600 due September 2022            | 599             | 598             |
| 3.50%, \$500 due December 2024             | 500             | -               |
| Total                                      | 2,096           | 2,170           |
| Less: Current maturities of long-term debt | (300)           | (575)           |
| Long-term debt                             | <u>\$ 1,796</u> | <u>\$ 1,595</u> |

The weighted average interest rates incurred on average outstanding long-term debt during the fiscal years ended June 30, 2015, 2014 and 2013, were 4.44%, 4.56% and 4.76%, respectively. The weighted average effective interest rates on long-term debt balances as of June 30, 2015 and 2014, were 4.31% and 4.56%, respectively.

In January 2015, \$575 of the Company's senior notes with an annual fixed interest rate of 5.00% became due and were repaid using the net proceeds from the December 2014 debt issuance and commercial paper borrowings.

## NOTE 8. DEBT (Continued)

In December 2014, under a shelf registration statement filed with the SEC that will expire in December 2017, the Company issued \$500 of senior notes with an annual fixed interest rate of 3.50%. Interest on the notes is payable semi-annually in June and December and the notes have a maturity date of December 15, 2024. The notes carry an effective interest rate of 4.10%, which includes the impact from the settlement of interest rate forward contracts in December 2014 (see Note 10). The notes rank equally with all of the Company's existing senior indebtedness.

In March 2013, \$500 in senior notes with an annual fixed interest rate of 5.00% became due and were repaid. The repayment was funded in part with commercial paper borrowings and in part with a portion of the proceeds from the sale-leaseback transaction of the Company's Oakland, Calif., general office building (see Note 9).

In October 2012, \$350 in senior notes with an annual fixed interest rate of 5.45% became due and were repaid. The repayment was funded with a portion of the proceeds from the September 2012 issuance of \$600 in senior notes with an annual fixed interest rate of 3.05%, payable semi-annually in March and September, and a maturity date of September 15, 2022. The remaining proceeds from the September 2012 issuance were used to repay commercial paper. The September 2012 notes were issued under the Company's shelf registration statement filed in November 2011 and rank equally with all of the Company's existing senior indebtedness.

The Company's borrowing capacity under other financing arrangements as of June 30 was as follows:

|                           | 2015            | 2014            |
|---------------------------|-----------------|-----------------|
| Revolving credit facility | \$ 1,100        | \$ 1,100        |
| Foreign credit lines      | 11              | 31              |
| Other credit lines        | 18              | 13              |
| Total                     | <u>\$ 1,129</u> | <u>\$ 1,144</u> |

As of June 30, 2015, the Company had a \$1,100 revolving credit agreement (the Credit Agreement), which expires in October 2019. The Credit Agreement replaced a prior \$1,100 revolving credit agreement in place since May 2012. There were no borrowings under the Credit Agreement as of June 30, 2015 or 2014, and the Company believes that borrowings under the Credit Agreement are and will continue to be available for general corporate purposes. The agreement includes certain restrictive covenants and limitations, with which the Company was in compliance as of June 30, 2015.

Of the \$29 of foreign and other credit lines as of June 30, 2015, \$4 was outstanding and the remainder of \$25 was available for borrowing. Of the \$44 of foreign and other credit lines as of June 30, 2014, \$5 was outstanding and the remainder of \$39 was available for borrowing. As of June 30, 2014, \$7 of the foreign credit lines related to Clorox Venezuela, of which \$1 was outstanding.

Long-term debt maturities as of June 30, 2015, are \$300, \$0, \$400, \$0, \$0 and \$1,400 in fiscal years 2016, 2017, 2018, 2019, 2020 and thereafter, respectively.

## NOTE 9. OTHER LIABILITIES

Other liabilities consisted of the following as of June 30:

|   | 2015          | 2014          |
|---|---------------|---------------|
| Employee benefit obligations              | \$ 299        | \$ 289        |
| Venture agreement net terminal obligation | 294           | 290           |
| Taxes                                     | 38            | 76            |
| Other                                     | 119           | 113           |
| Total                                     | <u>\$ 750</u> | <u>\$ 768</u> |

### Venture Agreement

The Company has an agreement with The Procter & Gamble Company (P&G) for its Glad<sup>®</sup> plastic bags, wraps and containers business. The Company maintains a net terminal obligation liability, which reflects the estimated value of the contractual requirement to repurchase P&G's interest at the termination of the agreement. As of June 30, 2015 and 2014, P&G had a 20% interest in the venture. The Company pays a royalty to P&G for its interest in the profits, losses and cash flows, as contractually defined, of the Glad<sup>®</sup> business, which is included in cost of products sold.

The agreement, entered into in 2003, has a 20-year term, with a 10-year renewal option by mutual agreement and can be terminated under certain circumstances, including at P&G's option upon a change in control of the Company or, at either party's option, upon the sale of the Glad<sup>®</sup> business by the Company. Upon termination of the agreement, the Company will purchase P&G's interest for cash at fair value as established by predetermined valuation procedures. Following termination, the Glad<sup>®</sup> business will retain the exclusive core intellectual property licenses contributed by P&G on a royalty-free basis for the licensed products marketed.

### Deferred Gain on Sale-leaseback Transaction

In December 2012, the Company completed a sale-leaseback transaction under which it sold its general office building in Oakland, Calif. to an unrelated third party for net proceeds of \$108 and entered into a 15-year operating lease agreement with renewal options with the buyer for a portion of the building. The Company deferred recognition of the portion of the total gain on the sale that was equivalent to the present value of the lease payments and will continue to amortize such amount to earnings ratably over the lease term. As of June 30, 2015 and 2014, the long-term portion of the deferred gain of \$40 and \$43, respectively, was included in Other in the table above.

## **NOTE 10. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS**

Financial assets and liabilities measured at fair value on a recurring basis in the consolidated balance sheets are required to be classified and disclosed in one of the following three categories of the fair value hierarchy:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs reflecting the reporting entity's own assumptions.

As of June 30, 2015 and 2014, the Company's financial assets and liabilities that were measured at fair value on a recurring basis during the period included derivative financial instruments, which were all classified as Level 2, and trust assets to fund certain of the Company's nonqualified deferred compensation plans, which were classified as Level 1.

### **Financial Risk Management and Derivative Instruments**

The Company is exposed to certain commodity, interest rate and foreign currency risks related to its ongoing business operations and uses derivative instruments to mitigate its exposure to these risks.

#### ***Commodity Price Risk Management***

The Company may use commodity exchange traded futures and over-the-counter swap contracts to fix the price of a portion of its forecasted raw material requirements. Contract maturities, which are generally no longer than 2 years, are matched to the length of the raw material purchase contracts. Commodity purchase contracts are measured at fair value using market quotations obtained from commodity derivative dealers.

As of June 30, 2015, the notional amount of commodity derivatives was \$47, of which \$27 related to jet fuel swaps and \$20 related to soybean oil futures. As of June 30, 2014, the notional amount of commodity derivatives was \$36, of which \$19 related to jet fuel swaps and \$17 related to soybean oil futures.

## **NOTE 10. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

### ***Interest Rate Risk Management***

The Company may enter into over-the-counter interest rate forward contracts to fix a portion of the benchmark interest rate prior to the anticipated issuance of fixed rate debt. These interest rate forward contracts generally have durations of less than 12 months. The interest rate contracts are measured at fair value using information quoted by U.S. government bond dealers.

As of June 30, 2015 and 2014, the notional amount of interest rate forward contracts was \$0 and \$288, respectively.

During fiscal year 2015, the Company paid \$25 to settle interest rate forward contracts related to the December 2014 issuance of \$500 in senior notes. The settlement payments are reflected as operating cash flows in the consolidated statements of cash flows for the fiscal year ended June 30, 2015. The loss is reflected in accumulated other comprehensive net loss on the consolidated balance sheet as of June 30, 2015, and will be amortized into interest expense on the consolidated statements of earnings over the 10-year term of the notes.

### ***Foreign Currency Risk Management***

The Company may also enter into certain over-the-counter foreign currency-related derivative contracts to manage a portion of the Company's forecasted foreign currency exposure associated with the purchase of inventory and certain intercompany transactions. These foreign currency contracts generally have durations of no longer than 16 months. The foreign exchange contracts are measured at fair value using information quoted by foreign exchange dealers.

The notional amounts of outstanding foreign currency forward contracts used by the Company's subsidiaries in Canada, Australia and New Zealand to hedge forecasted purchases of inventory were \$64, \$35 and \$6, respectively, as of June 30, 2015, and \$54, \$28 and \$5, respectively, as of June 30, 2014.

### ***Counterparty Risk Management***

The Company utilizes a variety of financial institutions as counterparties for over-the-counter derivative instruments. The Company enters into agreements governing the use of over-the-counter derivative instruments and sets internal limits on the aggregate over-the-counter derivative instrument positions held with each counterparty. Certain terms of these agreements require the Company or the counterparty to post collateral when the fair value of the derivative instruments exceeds contractually defined counterparty liability position limits. Of the \$8 and \$17 of the derivative instruments reflected in accrued liabilities as of June 30, 2015 and 2014, respectively, \$8 and \$11, respectively, contained such terms. As of both June 30, 2015 and 2014, neither the Company nor any counterparty was required to post any collateral.

Certain terms of the agreements governing the Company's over-the-counter derivative instruments require the credit ratings, as assigned by Standard & Poor's and Moody's to the Company and its counterparties, to remain at a level equal to or better than the minimum of an investment grade credit rating. If the Company's credit ratings were to fall below investment grade, the counterparties to the derivative instruments could request full collateralization on derivative instruments in net liability positions.

As of both June 30, 2015 and 2014, the Company and each of its counterparties had been assigned investment grade ratings by both Standard & Poor's and Moody's.

Certain of the Company's exchange-traded futures contracts used for commodity price risk management include requirements for the Company to post collateral in the form of a cash margin account held by the Company's broker for trades conducted on that exchange. As of June 30, 2015 and June 30, 2014, the Company maintained cash margin balances related to exchange-traded futures contracts of \$2 and \$1, respectively, which are classified as Other current assets on the consolidated balance sheets.

## NOTE 10. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (Continued)

### Fair Value of Financial Instruments

The following table summarizes the Company's assets and liabilities that were measured at fair value in the consolidated balance sheets as of June 30:

|   | Balance sheet classification | Fair value hierarchy level | 2015            |                      | 2014            |                      |
|---|------------------------------|----------------------------|-----------------|----------------------|-----------------|----------------------|
|   |                              |                            | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value |
| <b>Assets</b>   |                              |                            |                 |                      |                 |                      |
| Investments including money market funds <sup>(a)</sup>   | Cash and cash equivalents    | 1                          | \$ 212          | \$ 212               | \$ 150          | \$ 150               |
| Time deposits <sup>(a)</sup>                              | Cash and cash equivalents    | 2                          | 84              | 84                   | 75              | 75                   |
| Foreign exchange derivative contracts                     | Other current assets         | 2                          | 1               | 1                    | -               | -                    |
| Interest rate contracts                                   | Other current assets         | 2                          | -               | -                    | -               | -                    |
| Commodity purchase derivative contracts                   | Other current assets         | 2                          | -               | -                    | 1               | 1                    |
| Trust assets for nonqualified deferred compensation plans | Other assets                 | 1                          | 38              | 38                   | 31              | 31                   |
|   |                              |                            | <u>\$ 335</u>   | <u>\$ 335</u>        | <u>\$ 257</u>   | <u>\$ 257</u>        |
| <b>Liabilities</b>  |                              |                            |                 |                      |                 |                      |
| Commodity purchase derivative contracts                   | Accrued liabilities          | 2                          | \$ 8            | \$ 8                 | \$ 1            | \$ 1                 |
| Interest rate derivative contracts                        | Accrued liabilities          | 2                          | -               | -                    | 13              | 13                   |
| Foreign exchange derivative contracts                     | Accrued liabilities          | 2                          | -               | -                    | 3               | 3                    |
| Commodity purchase derivative contracts                   | Other liabilities            | 2                          | -               | -                    | -               | -                    |
| Notes and loans payable <sup>(b)</sup>                    | Notes and loans payable      | 2                          | 95              | 95                   | 143             | 143                  |
| Long-term debt <sup>(c)</sup>                             | Other liabilities            | 2                          | 2,096           | 2,137                | 2,170           | 2,265                |
|   |                              |                            | <u>\$ 2,199</u> | <u>\$ 2,240</u>      | <u>\$ 2,330</u> | <u>\$ 2,425</u>      |

(a) Cash equivalents are composed of time deposits and other interest bearing investments including money market funds with original maturity dates of 90 days or less. Cash equivalents are recorded at cost, which approximates fair value.

(b) Short-term debt is composed of U.S. commercial paper and/or other similar short-term debts issued by non-U.S. subsidiaries, all of which are recorded at cost, which approximates fair value.

(c) Long-term debt, which is recorded at cost, includes the current portion of debt instruments, which approximates fair value. The fair value of long-term debt was determined using secondary market prices quoted by corporate bond dealers, and was classified as Level 2.

**NOTE 10. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (Continued)*****Derivatives***

The Company designates its commodity forward and future contracts for forecasted purchases of raw materials, interest rate forward contracts for forecasted interest payments, and foreign currency forward contracts for forecasted purchases of inventory as cash flow hedges.

The effects of derivative instruments designated as hedging instruments on other comprehensive net (losses) income and the consolidated statements of earnings and the consolidated statements of comprehensive income were as follows during the fiscal years ended June 30:

|                                       | Gains (losses)<br>recognized in other comprehensive net loss |                |             | Gains (losses) reclassified from accumulated<br>other comprehensive net loss and recognized<br>in earnings |             |               |
|---------------------------------------|--|----------------|-------------|--|-------------|---------------|
|                                       | 2015   | 2014           | 2013        | 2015   | 2014        | 2013          |
|                                       | Commodity purchase derivative contracts                      | \$ (13)        | \$ 2        | \$ (1)   | \$ (5)      | \$ -          |
| Interest rate derivative contracts    | (12)   | (13)           | (1)         | (5)  | (4)         | (3)           |
| Foreign exchange derivative contracts | 7  | (3)            | 3           | 3  | 4           | -             |
| Total                                 | <u>\$ (18)</u>   | <u>\$ (14)</u> | <u>\$ 1</u> | <u>\$ (7)</u>  | <u>\$ -</u> | <u>\$ (3)</u> |

The gains (losses) reclassified from accumulated other comprehensive net (losses) income and recognized in earnings during the fiscal years ended June 30, 2015, 2014 and 2013, for commodity purchase and foreign exchange contracts were included in cost of products sold. The losses reclassified from accumulated other comprehensive net (losses) income and recognized in earnings during the fiscal years ended June 30, 2015, 2014 and 2013, for interest rate contracts were included in interest expense.

The estimated amount of the existing net loss in accumulated other comprehensive net (losses) income as of June 30, 2015, which is expected to be reclassified into earnings within the next twelve months, is \$13. Gains and losses on derivative instruments representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. During each of the fiscal years ended June 30, 2015, 2014 and 2013, hedge ineffectiveness was not significant.

***Trust Assets***

The Company has held interests in mutual funds and cash equivalents as part of trust assets related to certain of its nonqualified deferred compensation plans. The trusts represent variable interest entities for which the Company is considered the primary beneficiary, and therefore, trust assets are consolidated and included in Other assets in the consolidated balance sheets. The interests in mutual funds are measured at fair value using quoted market prices. The Company has designated these marketable securities as trading investments. The participants in the deferred compensation plans may select among certain mutual funds in which their compensation deferrals are invested in accordance with the terms of the plans and within the confines of the trusts which hold the marketable securities.

The value of the trust assets related to certain of the Company's nonqualified deferred compensation plans increased by \$7 as compared to June 30, 2014, primarily due to current quarter employees' contributions to these plans and market returns.

## NOTE 11. OTHER CONTINGENCIES AND GUARANTEES

### Contingencies

The Company is involved in certain environmental matters, including response actions at various locations. The Company had a recorded liability of \$12 and \$14 as of June 30, 2015 and 2014, respectively, for its share of aggregate future remediation costs related to these matters. One matter in Dickinson County, Michigan, for which the Company is jointly and severally liable, accounted for a substantial majority of the recorded liability as of both June 30, 2015 and 2014. The Company has agreed to be liable for 24.3% of the aggregate remediation and associated costs for this matter pursuant to a cost-sharing arrangement with a third party. With the assistance of environmental consultants, the Company maintains an undiscounted liability representing its current best estimate of its share of the capital expenditures, maintenance and other costs that may be incurred over an estimated 30-year remediation period. Currently, the Company cannot accurately predict the timing of future payments that may be made under this obligation. In addition, the Company's estimated loss exposure is sensitive to a variety of uncertain factors, including the efficacy of remediation efforts, changes in remediation requirements and the future availability of alternative clean-up technologies. Although it is reasonably possible that the Company's exposure may exceed the amount recorded, any amount of such additional exposures, or range of exposures, is not estimable at this time.

In October 2012, a Brazilian appellate court issued an adverse decision in a lawsuit pending in Brazil against the Company and one of its wholly owned subsidiaries, The Glad Products Company (Glad). The lawsuit, which was initially filed in a Brazilian lower court in 2002 by two Brazilian companies and one Uruguayan company (collectively, Petroplus), relates to joint venture agreements for the distribution of STP auto-care products in Brazil with three companies that became subsidiaries of the Company as a result of the Company's merger with First Brands Corporation in January 1999 (collectively, Clorox Subsidiaries). The pending lawsuit seeks indemnification for damages and losses for alleged breaches of the joint venture agreements and abuse of economic power by the Company and Glad. Petroplus had previously unsuccessfully raised the same claims and sought damages from the Company and the Clorox Subsidiaries in an International Chamber of Commerce (ICC) arbitration proceeding in Miami, Florida, filed in 2001. The ICC arbitration panel unanimously ruled against Petroplus in a final decision in November 2003 (Final ICC Arbitration Award). The Final ICC Arbitration Award was ratified by the Superior Court of Justice of Brazil in May 2007 (Foreign Judgment), and the United States District Court for the Southern District of Florida subsequently confirmed the Final ICC Arbitration Award and recognized and adopted the Foreign Judgment as a judgment of the United States District Court for the Southern District of Florida (U.S. Judgment). Despite this, in March 2008, a Brazilian lower court ruled against the Company and Glad in the pending lawsuit. The value of the judgment against the Company, including interest and foreign exchange fluctuations as of June 30, 2015, was approximately \$32.

## **NOTE 11. OTHER CONTINGENCIES AND GUARANTEES (Continued)**

Among other defenses, because the Final ICC Arbitration Award, the Foreign Judgment and the U.S. Judgment relate to the same claims as those in the pending lawsuit, the Company believes that Petroplus is precluded from re-litigating these claims. Based on the unfavorable appellate court decision, however, the Company believes that it is reasonably possible that a loss could be incurred in this matter in excess of amounts accrued, and that the estimated range of such loss in this matter is from \$0 to \$26.

The Company continues to believe that its defenses are meritorious, and has appealed the decision to the highest courts of Brazil. In December 2013, in the first stage of the appellate process, the appellate court declined to admit the Company's appeals to the highest courts. The Company then appealed directly to the highest courts. While in May 2014 the Superior Court of Justice originally agreed to consider the Company's appeal, in December 2014 the same court declined to admit the appeal based on procedural grounds. The Company successfully appealed that decision and the court agreed to admit the appeal in March 2015. The appeal is currently pending and it is possible that a final decision in this case could be issued as early as the first quarter of fiscal year 2016. Expenses related to this litigation have been, and any potential additional loss would be, reflected in discontinued operations, consistent with the Company's classification of expenses related to its discontinued Brazil operations.

In a separate action filed in 2004 by Petroplus, in January 2013, a lower Brazilian court nullified the Final ICC Arbitration Award. The Company believes this judgment is inconsistent with the Foreign Judgment and the U.S. Judgment and that it is without merit. The Company appealed this decision, and the lower court decision was overturned by the appellate court in April 2014. Petroplus has appealed this decision to Brazil's highest court.

Glad and the Clorox Subsidiaries have also filed separate lawsuits against Petroplus alleging misuse of the STP trademark and related matters, which are currently pending before Brazilian courts, and have taken other legal actions against Petroplus, which are pending. Additionally, in November 2013, the Clorox Subsidiaries initiated a new ICC arbitration seeking damages against Petroplus.

The Company is subject to various other lawsuits, claims and loss contingencies relating to issues such as contract disputes, product liability, patents and trademarks, advertising, commercial, administrative, employment claims and other matters. Based on management's analysis, it is the opinion of management that the ultimate disposition of these matters, to the extent not previously provided for, will not have a material adverse effect, individually or in the aggregate, on the Company's consolidated financial statements taken as a whole.

### **Guarantees**

In conjunction with divestitures and other transactions, the Company may provide typical indemnifications (e.g., indemnifications for representations and warranties and retention of previously existing environmental, tax and employee liabilities) that have terms that vary in duration and in the potential amount of the total obligation and, in many circumstances, are not explicitly defined. The Company has not made, nor does it believe that it is probable that it will make, any material payments relating to its indemnifications, and believes that any reasonably possible payments would not have a material adverse effect, individually or in the aggregate, on the Company's consolidated financial statements taken as a whole.

The Company had not recorded any liabilities on the aforementioned indemnifications as of June 30, 2015 and 2014.

As of June 30, 2015, the Company was a party to letters of credit of \$11, primarily related to one of its insurance carriers, of which \$0 had been drawn upon.

## NOTE 12. LEASES AND OTHER COMMITMENTS

The Company leases transportation and manufacturing equipment, certain information technology equipment and various manufacturing, warehousing, and office facilities. The majority of the Company's leases are classified as operating leases, and the Company's existing contracts will expire by 2027. The Company expects that, in the normal course of business, existing contracts will be renewed or replaced by other leases. Rental expense for all operating leases was \$76, \$71 and \$71 in fiscal years 2015, 2014 and 2013, respectively.

The future minimum annual lease commitments required under the Company's existing non-cancelable operating and capital lease agreements as of June 30, 2015, were as follows:

| Year       | Operating leases | Capital leases |
|------------|------------------|----------------|
| 2016       | \$ 50            | \$ 3           |
| 2017       | 46               | 3              |
| 2018       | 42               | 2              |
| 2019       | 34               | 1              |
| 2020       | 29               | -              |
| Thereafter | 100              | -              |
| Total      | <u>\$ 301</u>    | <u>\$ 9</u>    |

Included within the future minimum lease commitments for operating leases disclosed above are future minimum rental payments required under the Company's existing non-cancelable lease agreements for the corporate headquarters and primary research and development facility as of June 30, 2015, in the amounts of \$6, \$7, \$7, \$7, \$7 and \$22 in fiscal years 2016, 2017, 2018, 2019, 2020 and thereafter, respectively.

The Company is also a party to certain purchase obligations, which are defined as purchase agreements that are enforceable and legally binding and that contain specified or determinable significant terms, including quantity, price and the approximate timing of the transaction. Examples of the Company's purchase obligations include contracts to purchase raw materials, commitments to contract manufacturers, commitments for information technology and related services, advertising contracts, capital expenditure agreements, software acquisition and license commitments and service contracts. The Company enters into purchase obligations during the regular course of business based on expectations of future needs. Many of these purchase obligations contracts are short term in nature and are flexible to allow for changes in the Company's business and related requirements. As of June 30, 2015, the Company's purchase obligations totaled \$176, \$57, \$37, \$30, \$7 and \$0 for fiscal years 2016, 2017, 2018, 2019, 2020 and thereafter, respectively.

## NOTE 13. STOCKHOLDERS' EQUITY

On May 13, 2013, the Company's board of directors terminated the share repurchase programs previously authorized on May 13, 2008, and May 18, 2011, and authorized a new share repurchase program for an aggregate purchase amount of up to \$750. This open market share repurchase program is in addition to the Company's evergreen repurchase program (Evergreen Program), the purpose of which is to offset the impact of stock dilution related to stock-based awards. The Evergreen Program has no authorization limit as to amount or timing of repurchases.

**NOTE 13. STOCKHOLDERS' EQUITY (Continued)**

Share repurchases under authorized programs were as follows during the fiscal years ended June 30:

|                               | 2015          |                      | 2014          |                      | 2013          |                      |
|-------------------------------|---------------|----------------------|---------------|----------------------|---------------|----------------------|
|                               | Amount        | Shares<br>(in 000's) | Amount        | Shares<br>(in 000's) | Amount        | Shares<br>(in 000's) |
| Open-market purchase programs | \$ -          | -                    | \$ -          | -                    | \$ -          | -                    |
| Evergreen Program             | 434           | 4,016                | 260           | 3,046                | 128           | 1,500                |
| <b>Total</b>                  | <b>\$ 434</b> | <b>4,016</b>         | <b>\$ 260</b> | <b>3,046</b>         | <b>\$ 128</b> | <b>1,500</b>         |

During fiscal years 2015, 2014 and 2013, the Company declared dividends per share of \$2.99, \$2.87 and \$2.63, respectively, and paid dividends per share of \$2.96, \$2.84 and \$2.56, respectively.

Changes in accumulated other comprehensive net (losses) income by component were as follows for the fiscal years ended June 30:

|   | 2015           | 2014           | 2013           |
|---|----------------|----------------|----------------|
| <b>Foreign currency adjustments</b>                                     |                |                |                |
| Other comprehensive (loss) income before reclassifications              | \$ (92)        | \$ (26)        | \$ (16)        |
| Amounts reclassified from accumulated other comprehensive net losses:   |                |                |                |
| Recognition of deferred foreign currency translation loss               | 30             | -              | -              |
| Income tax benefit (expense)  | 8              | (11)           | 5              |
| Foreign currency adjustments, net of tax                                | <u>\$ (54)</u> | <u>\$ (37)</u> | <u>\$ (11)</u> |
| <b>Net unrealized (losses) gains on derivatives</b>                     |                |                |                |
| Other comprehensive income (loss) before reclassifications              | \$ (18)        | \$ (15)        | \$ 1           |
| Amounts reclassified from accumulated other comprehensive net losses    | 7              | -              | 3              |
| Income tax (expense) benefit  | (3)            | 6              | (1)            |
| Net unrealized (losses) gains on derivatives, net of tax                | <u>\$ (14)</u> | <u>\$ (9)</u>  | <u>\$ 3</u>    |
| <b>Pension and postretirement benefit adjustments</b>                   |                |                |                |
| Other comprehensive (loss) income before reclassifications              | \$ (29)        | \$ (16)        | \$ 49          |
| Amounts reclassified from accumulated other comprehensive net losses    | -              | 8              | 10             |
| Income tax benefit (expense)  | 12             | 4              | (22)           |
| Pension and postretirement benefit adjustments, net of tax              | <u>\$ (17)</u> | <u>\$ (4)</u>  | <u>\$ 37</u>   |
| <b>Total changes in other comprehensive (losses) income, net of tax</b> | <u>\$ (85)</u> | <u>\$ (50)</u> | <u>\$ 29</u>   |

**NOTE 13. STOCKHOLDERS' EQUITY (Continued)**

Included in foreign currency adjustments are re-measurement losses on long-term intercompany loans where settlement is not planned or anticipated in the foreseeable future. For the fiscal years ended June 30, 2015, 2014 and 2013, other comprehensive losses on these loans totaled \$9, \$12 and \$1, respectively, and there were no amounts reclassified from accumulated other comprehensive net (losses) income.

Pension and postretirement benefit reclassification adjustments are reflected in cost of products sold and selling and administrative expenses.

**NOTE 14. NET EARNINGS PER SHARE (EPS)**

The following is the reconciliation of the weighted average number of shares outstanding (in thousands) used to calculate basic net EPS to those used to calculate diluted net EPS:

|  | 2015           | 2014           | 2013           |
|--|----------------|----------------|----------------|
| Basic                                      | 130,310        | 129,558        | 131,075        |
| Dilutive effect of stock options and other | 2,466          | 2,184          | 1,894          |
| Diluted                                    | <u>132,776</u> | <u>131,742</u> | <u>132,969</u> |

During fiscal years 2015, 2014 and 2013, there were approximately zero stock options and restricted stock units that were considered antidilutive and excluded from the diluted net EPS calculation.

**NOTE 15. STOCK-BASED COMPENSATION PLANS**

In November 2012, the Company's stockholders voted to approve the amended and restated 2005 Stock Incentive Plan (the Plan). The Plan permits the Company to grant various nonqualified stock-based compensation awards, including stock options, restricted stock, performance units, deferred stock units, stock appreciation rights and other stock-based awards. The primary amendment reflected in the Plan was an increase of approximately 3 million common shares that may be issued for stock-based compensation purposes. Pursuant to the Plan, the Company is authorized to issue up to 7 million common shares. As of June 30, 2015, approximately 7 million common shares were available for grant under the plan.

Compensation cost and the related income tax benefit recognized for stock-based compensation plans were classified as indicated below for the fiscal years ended June 30.

|                                     | 2015         | 2014         | 2013         |
|-------------------------------------|--------------|--------------|--------------|
| Cost of products sold               | \$ 4         | \$ 4         | \$ 4         |
| Selling and administrative expenses | 25           | 29           | 28           |
| Research and development costs      | 3            | 3            | 3            |
| Total compensation cost             | <u>\$ 32</u> | <u>\$ 36</u> | <u>\$ 35</u> |
| Related income tax benefit          | \$ 12        | \$ 13        | \$ 13        |

Cash received during fiscal years 2015, 2014 and 2013 from stock options exercised under all stock-based payment arrangements was \$230, \$86 and \$121, respectively. The Company issues shares for stock-based compensation plans from treasury stock. The Company may repurchase shares under its Evergreen Program to offset the estimated impact of share dilution related to stock-based awards (see Note 13).

Details regarding the valuation and accounting for stock options, restricted stock awards, performance units and deferred stock units for non-employee directors follow.

**NOTE 15. STOCK-BASED COMPENSATION PLANS (Continued)****Stock Options**

The fair value of each stock option award granted during fiscal years 2015, 2014 and 2013 was estimated on the date of grant using the Black-Scholes valuation model and assumptions noted in the following table:

|  | 2015             | 2014           | 2013           |
|--|------------------|----------------|----------------|
| Expected life                            | 5.6 to 5.8 years | 5.7 years      | 5.7 years      |
| Weighted-average expected life           | 5.7 years        | 5.7 years      | 5.7 years      |
| Expected volatility                      | 16.3% to 18.6%   | 18.4% to 18.5% | 18.7% to 19.2% |
| Weighted-average volatility              | 16.6%            | 18.5%          | 19.1%          |
| Risk-free interest rate                  | 1.4% to 2.0%     | 1.8% to 1.9%   | 0.6% to 0.8%   |
| Weighted-average risk-free interest rate | 1.9%             | 1.8%           | 0.7%           |
| Dividend yield                           | 2.8% to 3.4%     | 3.4%           | 3.2%-3.6%      |
| Weighted-average dividend yield          | 3.3%             | 3.4%           | 3.6%           |

The expected life of the stock options is based on observed historical exercise patterns. Groups of employees having similar historical exercise behavior are considered separately for valuation purposes. The Company estimates stock option forfeitures based on historical data for employee groups. The total number of stock options expected to vest is adjusted by actual and estimated forfeitures.

The expected volatility is based on implied volatility from publicly traded options on the Company's stock at the date of grant, historical implied volatility of the Company's publicly traded options and other factors. The risk-free interest rate is based on the implied yield on a U.S. Treasury zero-coupon issue with a remaining term equal to the expected term of the option. The dividend yield is based on the projected annual dividend payment per share, divided by the stock price at the date of grant.

Details of the Company's stock option activities are summarized below:

|   | Number of<br>Shares<br>(In thousands) | Weighted-<br>Average<br>Exercise<br>Price<br>per Share | Average<br>Remaining<br>Contractual<br>Life | Aggregate<br>Intrinsic<br>Value |
|---|---------------------------------------|--|---|---------------------------------|
| Options outstanding as of June 30, 2014 | 10,368                                | \$ 69  | 6 years                                     | \$ 232                          |
| Granted                                 | 1,895                                 | 91   |   |                                 |
| Exercised                               | (3,605)                               | 64   |   |                                 |
| Cancelled                               | (301)                                 | 82   |   |                                 |
| Options outstanding as of June 30, 2015 | <u>8,357</u>                          | \$ 76  | 7 years                                     | \$ 236                          |
| Options vested as of June 30, 2015      | 4,094                                 | \$ 68  | 5 years                                     | \$ 148                          |

The weighted-average fair value per share of each option granted during fiscal years 2015, 2014 and 2013, estimated at the grant date using the Black-Scholes option pricing model was \$9.65, \$9.69 and \$6.96, respectively. The total intrinsic value of options exercised in fiscal years 2015, 2014 and 2013 was \$140, \$42 and \$45, respectively.

Stock option awards outstanding as of June 30, 2015, have been granted at prices that are equal to the market value of the stock on the date of grant. Stock option grants generally vest over four years and expire no later than ten years after the grant date. The Company recognizes compensation expense ratably over the vesting period. As of June 30, 2015, there was \$17 of total unrecognized compensation cost related to non-vested options, which is expected to be recognized over a remaining weighted-average vesting period of one year, subject to forfeiture changes.

## NOTE 15. STOCK-BASED COMPENSATION PLANS (Continued)

### Restricted Stock Awards

The fair value of restricted stock awards is estimated on the date of grant based on the market price of the stock and is amortized to compensation expense on a straight-line basis over the related vesting periods, which are generally three to four years. The total number of restricted stock awards expected to vest is adjusted by actual and estimated forfeitures. Restricted stock grants receive dividend distributions earned during the vesting period upon vesting.

As of June 30, 2015, there was \$1 of total unrecognized compensation cost related to non-vested restricted stock awards, which is expected to be recognized over a remaining weighted-average vesting period of one year. The total fair value of the shares that vested in each of the fiscal years 2015, 2014 and 2013 was \$1. The weighted-average grant-date fair value of awards granted was \$95.67, \$89.25 and \$72.28 per share for fiscal years 2015, 2014 and 2013, respectively.

A summary of the status of the Company's restricted stock awards is presented below:

|   | Number of<br>Shares<br>(In thousands) | Weighted-Average<br>Grant Date<br>Fair Value<br>per Share |
|---|---------------------------------------|---|
| Restricted stock awards as of June 30, 2014 | 21                                    | \$ 81   |
| Granted                                     | 10                                    | 96  |
| Vested                                      | (8)                                   | 78  |
| Forfeited                                   | (5)                                   | 81  |
| Restricted stock awards as of June 30, 2015 | <u>18</u>                             | <u>\$ 91</u>  |

### Performance Units

The Company's performance unit grants provide for the issuance of common stock to certain managerial staff and executive management if the Company achieves certain performance targets. The performance period is three years and the final payout determination is made at the end of the three-year performance period. Performance unit grants receive dividends earned during the vesting period upon vesting.

The fair value of each grant issued is estimated on the date of grant based on the current market price of the stock. The total amount of compensation expense recognized reflects actual and estimated forfeitures, and the initial assumption that performance goals will be achieved. Compensation expense is adjusted, as necessary, on a quarterly basis based on management's assessment of the probability that performance goals will be achieved. If such goals are not met or it is determined that achievement of performance goals is not probable, any previously recognized compensation expense is adjusted in the current period to reflect the expected payout level. If it is determined that the performance goals will be exceeded, additional compensation expense is recognized, subject to a cap of 150% of the grant day target.

The number of shares issued will be dependent upon vesting and the achievement of specified performance targets. As of June 30, 2015, there was \$16 in unrecognized compensation cost related to non-vested performance unit grants that is expected to be recognized over a remaining weighted-average performance period of one year. The weighted-average grant-date fair value of awards granted was \$89.75, \$84.45 and \$72.11 per share for fiscal years 2015, 2014 and 2013, respectively.

**NOTE 15. STOCK-BASED COMPENSATION PLANS (Continued)**

A summary of the status of the Company's performance unit awards is presented below:

|   | Number of<br>Shares<br>(In thousands) | Weighted-Average<br>Grant Date<br>Fair Value<br>per Share |
|---|---------------------------------------|---|
| Performance unit awards as of June 30, 2014               | 1,221                                 | \$ 73   |
| Granted   | 332                                   | 90  |
| Distributed   | (349)                                 | 68  |
| Forfeited   | (81)                                  | 80  |
| Performance unit awards as of June 30, 2015               | <u>1,123</u>                          | \$ 79   |
| Performance units vested and deferred as of June 30, 2015 | 179                                   | \$ 58   |

The non-vested performance units outstanding as of June 30, 2015 and 2014 were 944,000 and 1,053,000, respectively, and the weighted average grant date fair value was \$81.92 and \$74.68 per share, respectively. Total shares vested during fiscal year 2015 were 357,000, which had a weighted average grant date fair value per share of \$68.15. During fiscal year 2015, \$23 of the vested awards was paid by the issuance of shares and \$1 of the vested awards was deferred. Deferred shares continue to earn dividends, which are also deferred. The total fair value of shares vested was \$24, \$0 and \$14 during fiscal years 2015, 2014 and 2013, respectively. Upon vesting, the recipients of the grants receive the distribution as shares or, if previously elected by eligible recipients, as deferred stock.

**Deferred Stock Units for Nonemployee Directors**

Nonemployee directors receive annual grants of deferred stock units under the Company's director compensation program and can elect to receive all or a portion of their annual retainers and fees in the form of deferred stock units. The deferred stock units receive dividend distributions, which are reinvested as deferred stock units, and are recognized at their fair value on the date of grant. Each deferred stock unit represents the right to receive one share of the Company's common stock following the completion of a director's service.

During fiscal year 2015, the Company granted 14,000 deferred stock units, reinvested dividends of 7,000 units and distributed 14,000 shares, which had a weighted-average fair value on grant date of \$103.99, \$100.59 and \$62.82 per share, respectively. As of June 30, 2015, 241,000 units were outstanding, which had a weighted-average fair value on the grant date of \$66.26 per share.

**NOTE 16. OTHER INCOME, NET**

The major components of other income, net, for the fiscal years ended June 30 were:

|  | 2015           | 2014           | 2013          |
|--|----------------|----------------|---------------|
| Income from equity investees                           | \$ (14)        | \$ (13)        | \$ (12)       |
| Low income housing partnership gains, net              | (13)           | -              | (2)           |
| Interest income  | (4)            | (3)            | (3)           |
| Income from transition and related services            | (1)            | (1)            | (3)           |
| Foreign exchange transaction losses, net               | 9              | 1              | 8             |
| Amortization of trademarks and other intangible assets | 8              | 8              | 9             |
| Intangible asset impairment charges                    | 3              | 3              | -             |
| Restructuring charges                                  | 2              | -              | -             |
| Insurance and other settlements                        | -              | (5)            | -             |
| Other  | (3)            | -              | (1)           |
| Total  | <u>\$ (13)</u> | <u>\$ (10)</u> | <u>\$ (4)</u> |

**NOTE 16. OTHER INCOME, NET (Continued)****Investment in Low-Income Housing Partnerships**

The Company owns, directly or indirectly, limited partnership interests in low-income housing partnerships, which are accounted for using the equity method of accounting. The Company's investment balance as of June 30, 2015 and 2014, was \$0 and \$4, respectively. These partnerships are considered to be variable interest entities; however, the Company does not consolidate them because it does not have the power to direct the partnerships' activities that significantly impact their economic performance. 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. 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 for the capital requirements. All available tax benefits from low-income housing tax credits provided by the partnerships were claimed as of fiscal year 2012. The risk that previously claimed low-income housing tax credits might be recaptured or otherwise retroactively invalidated is considered remote.

In April 2015, a low-income housing partnership, in which the Company was a limited partner, sold its real estate holdings. The real property sale resulted in \$15 in cash proceeds from investing activities and a gain of \$14 recorded to Other income, net, on the consolidated statement of earnings for the year ended June 30, 2015.

**NOTE 17. INCOME TAXES**

The provision for income taxes on continuing operations, by tax jurisdiction, consisted of the following as of June 30:

|                | 2015          | 2014          | 2013          |
|----------------|---------------|---------------|---------------|
| Current        |               |               |               |
| Federal        | \$ 265        | \$ 247        | \$ 245        |
| State          | 28            | 34            | 23            |
| Foreign        | 38            | 45            | 19            |
| Total current  | <u>331</u>    | <u>326</u>    | <u>287</u>    |
| Deferred       |               |               |               |
| Federal        | (13)          | (19)          | (1)           |
| State          | (1)           | 2             | (2)           |
| Foreign        | (2)           | (4)           | (5)           |
| Total deferred | <u>(16)</u>   | <u>(21)</u>   | <u>(8)</u>    |
| Total          | <u>\$ 315</u> | <u>\$ 305</u> | <u>\$ 279</u> |

The components of earnings from continuing operations before income taxes, by tax jurisdiction, consisted of the following as of June 30:

|               | 2015          | 2014          | 2013          |
|---------------|---------------|---------------|---------------|
| United States | \$ 829        | \$ 754        | \$ 724        |
| Foreign       | 92            | 130           | 128           |
| Total         | <u>\$ 921</u> | <u>\$ 884</u> | <u>\$ 852</u> |

**NOTE 17. INCOME TAXES (Continued)**

A reconciliation of the statutory federal income tax rate to the Company's effective tax rate on continuing operations follows as of June 30:

|   | 2015          | 2014          | 2013          |
|---|---------------|---------------|---------------|
| Statutory federal tax rate                | 35.0 %        | 35.0 %        | 35.0 %        |
| State taxes (net of federal tax benefits) | 2.1           | 2.6           | 1.7           |
| Tax differential on foreign earnings      | (0.3)         | (0.3)         | (2.9)         |
| Domestic manufacturing deduction          | (2.1)         | (2.3)         | (2.3)         |
| Change in valuation allowance             | 0.6           | 0.6           | 0.7           |
| Other differences                         | (1.1)         | (1.0)         | 0.5           |
| Effective tax rate                        | <u>34.2 %</u> | <u>34.6 %</u> | <u>32.7 %</u> |

The lower effective tax rate for fiscal year 2015 compared to fiscal year 2014 was primarily due to higher uncertain tax position releases, partially offset by higher tax on foreign earnings.

Applicable U.S. income taxes and foreign withholding taxes have not been provided on approximately \$204 of undistributed earnings of certain foreign subsidiaries as of June 30, 2015, because these earnings are considered indefinitely reinvested. The estimated net federal income tax liability that could arise if these earnings were not indefinitely reinvested is approximately \$54. Applicable U.S. income and foreign withholding taxes are provided on these earnings in the periods in which they are no longer considered indefinitely reinvested.

Tax benefits resulting from stock-based payment arrangements that are in excess of the tax benefits recorded in net earnings over the vesting period of those arrangements (excess tax benefits) are recorded as increases to additional paid-in capital. Excess tax benefits of approximately \$42, \$11, and \$11, were realized and recorded to additional paid-in capital for fiscal years 2015, 2014 and 2013, respectively.

The components of net deferred tax assets (liabilities) as of June 30 are shown below:

|   | 2015         | 2014          |
|---|--------------|---------------|
| <b>Deferred tax assets</b>                      |              |               |
| Compensation and benefit programs               | \$ 191       | \$ 171        |
| Basis difference related to Venture Agreement   | 30           | 30            |
| Accruals and reserves                           | 43           | 53            |
| Inventory costs                                 | 19           | 20            |
| Net operating loss and tax credit carryforwards | 41           | 37            |
| Other   | 61           | 63            |
| Subtotal  | <u>385</u>   | <u>374</u>    |
| Valuation allowance                             | (34)         | (51)          |
| Total deferred tax assets                       | <u>351</u>   | <u>323</u>    |
| <b>Deferred tax liabilities</b>                 |              |               |
| Fixed and intangible assets                     | (277)        | (269)         |
| Low-income housing partnerships                 | (22)         | (24)          |
| Unremitted foreign earnings                     | (7)          | (8)           |
| Other   | (24)         | (26)          |
| Total deferred tax liabilities                  | <u>(330)</u> | <u>(327)</u>  |
| Net deferred tax assets (liabilities)           | <u>\$ 21</u> | <u>\$ (4)</u> |

**NOTE 17. INCOME TAXES (Continued)**

The Company periodically 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 have been provided to reduce deferred tax assets to amounts considered recoverable. Details of the valuation allowance were as follows as of June 30:

|  | 2015           | 2014           |
|--|----------------|----------------|
| Valuation allowance at beginning of year   | \$ (51)        | \$ (36)        |
| Net decrease/(increase) for other foreign deferred tax assets                        | 15             | (12)           |
| Net decrease/(increase) for foreign net operating loss carryforwards and tax credits | 2              | (3)            |
| Valuation allowance at end of year   | <u>\$ (34)</u> | <u>\$ (51)</u> |

As of June 30, 2015, the Company had foreign tax credit carryforwards of \$24 for U.S. income tax purposes with expiration dates between fiscal years 2023 and 2025. Tax credit carryforwards in foreign jurisdictions of \$18 have expiration dates in fiscal year 2016. Tax benefits from foreign net operating loss carryforwards of \$13 have expiration dates between fiscal years 2016 and 2025. Tax benefits from foreign net operating loss carryforwards of \$10 may be carried forward indefinitely.

The Company files income tax returns in the U.S. federal and various state, local and foreign jurisdictions. The federal statute of limitations has expired for all tax years through June 30, 2011. Various income tax returns in state and foreign jurisdictions are currently in the process of examination.

The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense. As of June 30, 2015 and 2014, the total balance of accrued interest and penalties related to uncertain tax positions was \$10 and \$11, respectively. Interest and penalties related to uncertain tax positions included in income tax expense resulted in a net benefit of \$1, a net expense of \$3, and a net expense of \$1 in fiscal years 2015, 2014 and 2013, respectively.

The following is a reconciliation of the beginning and ending amounts of the Company's gross unrecognized tax benefits:

|  | 2015         | 2014         | 2013         |
|--|--------------|--------------|--------------|
| Unrecognized tax benefits at beginning of year   | \$ 71        | \$ 69        | \$ 80        |
| Gross increases - tax positions in prior periods | 3            | 3            | 3            |
| Gross decreases - tax positions in prior periods | (8)          | (5)          | (19)         |
| Gross increases - current period tax positions   | 6            | 7            | 7            |
| Gross decreases - current period tax positions   | -            | -            | -            |
| Lapse of applicable statute of limitations       | (34)         | (1)          | (2)          |
| Settlements                                      | -            | (2)          | -            |
| Unrecognized tax benefits at end of year         | <u>\$ 38</u> | <u>\$ 71</u> | <u>\$ 69</u> |

**NOTE 17. INCOME TAXES (Continued)**

Included in the balance of unrecognized tax benefits as of June 30, 2015, 2014 and 2013, are potential benefits of \$27, \$58 and \$56, respectively, which if recognized, would affect net earnings. During the fiscal year ended June 30, 2015, \$32 of gross unrecognized tax benefits relating to other discontinued operations for periods prior to fiscal year 2015 were recognized upon the expiration of the applicable statute of limitations. Recognition of these previously disclosed tax benefits had no impact on the Company's cash flow or earnings from continuing operations for the fiscal years ended June 30, 2015, 2014 and 2013.

**NOTE 18. EMPLOYEE BENEFIT PLANS****Retirement Income Plans**

Effective July 1, 2011, and as part of a set of long-term, cost-neutral enhancements to the Company's overall employee benefit plans, the domestic qualified retirement income pension plan was frozen for service accrual and eligibility purposes for most participants, however, interest credits have continued to accrue on participant balances. As of June 30, 2015 and 2014, the benefits of the domestic qualified plan 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 plan in amounts deemed necessary to provide benefits and to the extent deductible for federal income tax purposes. Assets of the plan consist primarily of investments in cash equivalents and common collective trusts.

The Company did not make any contributions to its domestic qualified retirement income plan during fiscal years 2015, 2014 and 2013. The Company's funding policy for its qualified plans is to contribute amounts sufficient to meet minimum funding requirements as set forth in employee benefit tax laws plus additional amounts as the Company may determine to be appropriate. Subsequent to June 30, 2015, the Company made a \$15 discretionary contribution to the pension plan.

Contributions made to the domestic nonqualified retirement income plans were \$13, \$13 and \$11 in fiscal years 2015, 2014 and 2013, respectively. Contributions made to the foreign retirement income plans were \$1, \$2 and \$1 in fiscal years 2015, 2014 and 2013, respectively.

**Retirement Health Care Plans**

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 or stated reimbursements up to a specified dollar subsidy amount. Benefits paid take into consideration payments by Medicare for the domestic plan. The plans are funded as claims are paid, and the Company has the right to modify or terminate certain plans.

The assumed domestic health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 7.1% for medical and 7.2% for prescription drugs for fiscal year 2015. These rates have been assumed to gradually decrease each year until an assumed ultimate trend of 4.5% is reached in 2028. The health care cost trend rate assumption has a minimal effect on the amounts reported due primarily to the existence of benefit cap provisions in the Company's domestic plan. As such, the effect of a hypothetical 100 basis point increase or decrease in the assumed domestic health care cost trend rate on the total service and interest cost components as well as the postretirement benefit obligation would have been immaterial for each of the fiscal years ended June 30, 2015, 2014 and 2013.

**NOTE 18. EMPLOYEE BENEFIT PLANS (Continued)**

**Financial Information Related to Retirement Income and Retirement Health Care**

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

|  | Retirement<br>Income |                 | Retirement<br>Health Care |                |
|--|----------------------|-----------------|---------------------------|----------------|
|  | 2015                 | 2014            | 2015                      | 2014           |
| <b>Change in benefit obligations:</b>                |                      |                 |                           |                |
| Projected benefit obligation as of beginning of year | \$ 641               | \$ 612          | \$ 49                     | \$ 51          |
| Service cost   | 2                    | 3               | -                         | 1              |
| Interest cost  | 25                   | 27              | 2                         | 2              |
| Actuarial loss (gain)                                | 14                   | 47              | -                         | (2)            |
| Plan amendments                                      | -                    | -               | (1)                       | (2)            |
| Translation and other adjustments                    | (5)                  | (6)             | (2)                       | -              |
| Benefits paid  | (38)                 | (42)            | (3)                       | (1)            |
| Projected benefit obligation as of end of year       | <u>639</u>           | <u>641</u>      | <u>45</u>                 | <u>49</u>      |
| <b>Change in plan assets:</b>                        |                      |                 |                           |                |
| Fair value of assets as of beginning of year         | \$ 432               | \$ 408          | \$ -                      | \$ -           |
| Actual return on plan assets                         | 6                    | 51              | -                         | -              |
| Employer contributions to nonqualified plans         | 13                   | 15              | 3                         | 1              |
| Benefits paid  | (38)                 | (42)            | (3)                       | (1)            |
| Translation adjustment                               | (4)                  | -               | -                         | -              |
| Fair value of plan assets as of end of year          | <u>409</u>           | <u>432</u>      | <u>-</u>                  | <u>-</u>       |
| Accrued benefit cost, net funded status              | <u>\$ (230)</u>      | <u>\$ (209)</u> | <u>\$ (45)</u>            | <u>\$ (49)</u> |
| Amount recognized in the balance sheets consists of: |                      |                 |                           |                |
| Pension benefit assets                               | \$ 2                 | \$ 2            | \$ -                      | \$ -           |
| Current accrued benefit liability                    | (16)                 | (14)            | (3)                       | (4)            |
| Non-current accrued benefit liability                | (216)                | (197)           | (42)                      | (45)           |
| Accrued benefit cost, net                            | <u>\$ (230)</u>      | <u>\$ (209)</u> | <u>\$ (45)</u>            | <u>\$ (49)</u> |

Retirement income plans with an accumulated benefit obligation (ABO) in excess of plan assets as of June 30 were as follows:

|                                | Pension Plans |        | Other<br>Retirement Plans |       |
|--------------------------------|---------------|--------|---------------------------|-------|
|                                | 2015          | 2014   | 2015                      | 2014  |
| Projected benefit obligation   | \$ 538        | \$ 538 | \$ 80                     | \$ 78 |
| Accumulated benefit obligation | 538           | 538    | 80                        | 78    |
| Fair value of plan assets      | 385           | 405    | -                         | -     |

The ABO for all pension plans was \$559, \$563 and \$530 as of June 30, 2015, 2014 and 2013, respectively.

**NOTE 18. EMPLOYEE BENEFIT PLANS (Continued)**

The net costs of the retirement income and health care plans for the fiscal years ended June 30 included the following components:

|                                    | Retirement Income |              |              | Retirement Health Care |               |             |
|------------------------------------|-------------------|--------------|--------------|------------------------|---------------|-------------|
|                                    | 2015              | 2014         | 2013         | 2015                   | 2014          | 2013        |
| Service cost                       | \$ 2              | \$ 3         | \$ 4         | \$ -                   | \$ 1          | \$ 1        |
| Interest cost                      | 25                | 27           | 24           | 2                      | 2             | 2           |
| Expected return on plan assets     | (20)              | (25)         | (29)         | -                      | -             | -           |
| Amortization of unrecognized items | 12                | 11           | 12           | 2                      | (4)           | (2)         |
| <b>Total</b>                       | <u>\$ 19</u>      | <u>\$ 16</u> | <u>\$ 11</u> | <u>\$ 4</u>            | <u>\$ (1)</u> | <u>\$ 1</u> |

Items not yet recognized as a component of postretirement expense as of June 30, 2015, consisted of:

|   | Retirement Income | Retirement Health Care |
|---|-------------------|------------------------|
| Net actuarial loss (gain)                     | \$ 264            | \$ (17)                |
| Prior service benefit                         | -                 | (7)                    |
| Net deferred income tax (assets) liabilities  | (98)              | 8                      |
| Accumulated other comprehensive loss (income) | <u>\$ 166</u>     | <u>\$ (16)</u>         |

Net actuarial loss (gain) recorded in accumulated other comprehensive net (losses) income for the fiscal year ended June 30, 2015, included the following:

|   | Retirement Income | Retirement Health Care |
|---|-------------------|------------------------|
| Net actuarial loss (gain) as of beginning of year | \$ 247            | \$ (29)                |
| Amortization during the year                      | (12)              | 13                     |
| Loss (gain) during the year                       | 29                | (1)                    |
| Net actuarial loss (gain) as of end of year       | <u>\$ 264</u>     | <u>\$ (17)</u>         |

The Company uses the straight-line amortization method for unrecognized prior service costs and benefits. In fiscal year 2016, the Company expects to recognize, on a pre-tax basis, \$10 of the net actuarial loss as a component of net periodic benefit cost for the retirement income plans. In addition, in fiscal year 2016, the Company expects to recognize, on a pre-tax basis, \$2 of the net actuarial gain as a component of net periodic benefit cost for the retirement health care plans.

Weighted-average assumptions used to estimate the actuarial present value of benefit obligations as of June 30 were as follows:

|                               | Retirement Income |       | Retirement Health Care |       |
|-------------------------------|-------------------|-------|------------------------|-------|
|                               | 2015              | 2014  | 2015                   | 2014  |
| Discount rate                 | 4.20%             | 4.05% | 4.16%                  | 4.00% |
| Rate of compensation increase | 3.37%             | 4.46% | n/a                    | n/a   |

**NOTE 18. EMPLOYEE BENEFIT PLANS (Continued)**

Weighted-average assumptions used to estimate the net periodic pension and other postretirement benefit costs as of June 30 were as follows:

|                                | Retirement Income |       |       |
|--------------------------------|-------------------|-------|-------|
|                                | 2015              | 2014  | 2013  |
| Discount rate                  | 4.05%             | 4.39% | 3.87% |
| Rate of compensation increase  | 4.46%             | 3.44% | 3.71% |
| Expected return on plan assets | 5.28%             | 6.61% | 7.50% |

|               | Retirement Health Care |       |       |
|---------------|------------------------|-------|-------|
|               | 2015                   | 2014  | 2013  |
| Discount rate | 4.00%                  | 4.33% | 3.86% |

The expected long-term rate of return assumption is based on an analysis of historical experience of the portfolio and the summation of prospective returns for each asset class in proportion to the fund's current asset allocation.

Expected benefit payments for the Company's pension and other postretirement plans as of June 30, 2015, were as follows:

|                                | Retirement<br>Income | Retirement<br>Health Care |
|--------------------------------|----------------------|---------------------------|
| 2016                           | \$ 41                | \$ 4                      |
| 2017                           | 42                   | 3                         |
| 2018                           | 43                   | 3                         |
| 2019                           | 40                   | 3                         |
| 2020                           | 41                   | 3                         |
| Fiscal years 2021 through 2025 | 210                  | 12                        |

Expected benefit payments are based on the same assumptions used to measure the benefit obligations and include estimated future employee service.

The target allocations and weighted average asset allocations by asset category of the investment portfolio for the Company's domestic retirement income plans as of June 30 were:

|                      | % Target Allocation |      | % of Plan Assets |      |
|----------------------|---------------------|------|------------------|------|
|                      | 2015                | 2014 | 2015             | 2014 |
| U.S. equity          | 11%                 | 11%  | 11%              | 11%  |
| International equity | 12                  | 12   | 12               | 12   |
| Fixed income         | 74                  | 74   | 74               | 74   |
| Other                | 3                   | 3    | 3                | 3    |
| Total                | 100%                | 100% | 100%             | 100% |

The target asset allocation is determined based on the optimal balance between risk and return and, at times, may be adjusted to achieve the plan's overall investment objective to generate sufficient resources to pay current and projected plan obligations over the life of the domestic qualified retirement income plan.

**NOTE 18. EMPLOYEE BENEFIT PLANS (Continued)**

The following table sets forth by level within the fair value hierarchy, the retirement income plans' assets carried at fair value as of June 30:

|                                | 2015    |         |        |
|--------------------------------|---------|---------|--------|
|                                | Level 1 | Level 2 | Total  |
| Cash equivalents               | \$ 3    | \$ -    | \$ 3   |
| Common collective trusts       |         |         |        |
| Bond funds                     | -       | 295     | 295    |
| International equity funds     | -       | 59      | 59     |
| Domestic equity funds          | -       | 41      | 41     |
| Real estate fund               | -       | 11      | 11     |
| Total common collective trusts | -       | 406     | 406    |
| Total assets at fair value     | \$ 3    | \$ 406  | \$ 409 |

|                                | 2014    |         |        |
|--------------------------------|---------|---------|--------|
|                                | Level 1 | Level 2 | Total  |
| Cash equivalents               | \$ 3    | \$ -    | \$ 3   |
| Common collective trusts       |         |         |        |
| Bond funds                     | -       | 309     | 309    |
| International equity funds     | -       | 64      | 64     |
| Domestic equity funds          | -       | 44      | 44     |
| Real estate fund               | -       | 12      | 12     |
| Total common collective trusts | -       | 429     | 429    |
| Total assets at fair value     | \$ 3    | \$ 429  | \$ 432 |

The carrying value of cash equivalents approximates its fair value as of June 30, 2015 and 2014.

Common collective trust funds are not publicly traded and, therefore, are classified as Level 2. They are valued at a net asset value unit price determined by the portfolio's sponsor based on the fair value of underlying assets held by the common collective trust fund on June 30, 2015 and 2014.

The common collective trusts are invested in various trusts that attempt to achieve their investment objectives by investing primarily in other collective investment funds which have characteristics consistent with each trust's overall investment objective and strategy.

**Defined Contribution Plans**

The Company has defined contribution plans for most of its domestic employees. The plans include The Clorox Company 401(k) Plan, The Clorox Company 2011 Nonqualified Defined Benefit Plan and the Executive Retirement Plan. The aggregate cost of the domestic defined contribution plans was \$45, \$43 and \$45 in fiscal years 2015, 2014 and 2013, respectively. Included in the aggregate cost was the cost of The Clorox Company 401(k) Plan of \$42, \$38 and \$40 in fiscal years 2015, 2014 and 2013, respectively. The Company also has defined contribution plans for certain international employees. The aggregate cost of these foreign plans was \$3, \$3 and \$1 for the fiscal years ended June 30, 2015, 2014 and 2013, respectively.

**NOTE 19. SEGMENT REPORTING**

The Company operates through strategic business units that are aggregated into four reportable segments: Cleaning, Household, Lifestyle and International.

- *Cleaning* consists of laundry, home care and professional products marketed and sold in the United States. Products within this segment include laundry additives, including bleach products under the Clorox<sup>®</sup> brand and Clorox 2<sup>®</sup> stain fighter and color booster; home care products, primarily under the Clorox<sup>®</sup>, Formula 409<sup>®</sup>, Liquid-Plumr<sup>®</sup>, Pine-Sol<sup>®</sup>, S.O.S<sup>®</sup> and Tilex<sup>®</sup> brands; naturally derived products under the Green Works<sup>®</sup> brand; and professional cleaning and disinfecting products under the Clorox<sup>®</sup>, Dispatch<sup>®</sup>, Aplicare<sup>®</sup>, HealthLink<sup>®</sup> and Clorox Healthcare<sup>®</sup> brands.

**NOTE 19. SEGMENT REPORTING (Continued)**

- *Household* consists of charcoal, cat litter and plastic bags, wraps and container products marketed and sold in the United States. Products within this segment include plastic bags, wraps and containers under the Glad<sup>®</sup> brand; cat litter products under the Fresh Step<sup>®</sup>, Scoop Away<sup>®</sup> and Ever Clean<sup>®</sup> brands; and charcoal products under the Kingsford<sup>®</sup> and Match Light<sup>®</sup> brands.
- *Lifestyle* consists of food products, water-filtration systems and filters, and natural personal care products marketed and sold in the United States. Products within this segment include dressings and sauces, primarily under the Hidden Valley<sup>®</sup>, KC Masterpiece<sup>®</sup> and Soy Vay<sup>®</sup> brands; water-filtration systems and filters under the Brita<sup>®</sup> brand; and natural personal care products under the Burt's Bees<sup>®</sup> brand.
- *International* consists of products sold outside the United States. Products within this segment include laundry, home care, water-filtration, charcoal and cat litter products, dressings and sauces, plastic bags, wraps and containers and natural personal care products, primarily under the Clorox<sup>®</sup>, Glad<sup>®</sup>, PinoLuz<sup>®</sup>, Ayudin<sup>®</sup>, Limpido<sup>®</sup>, Clorinda<sup>®</sup>, Poett<sup>®</sup>, Mistolin<sup>®</sup>, Lestoil<sup>®</sup>, Bon Bril<sup>®</sup>, Brita<sup>®</sup>, Green Works<sup>®</sup>, Pine-Sol<sup>®</sup>, Agua Jane<sup>®</sup>, Chux<sup>®</sup>, Kingsford<sup>®</sup>, Fresh Step<sup>®</sup>, Scoop Away<sup>®</sup>, Ever Clean<sup>®</sup>, KC Masterpiece<sup>®</sup>, Hidden Valley<sup>®</sup> and Burt's Bees<sup>®</sup> brands.

Certain non-allocated administrative costs, interest income, interest expense and various other non-operating income and expenses are reflected in Corporate. Corporate assets include cash and cash equivalents, property and equipment, other investments and deferred taxes.

|  | Year | Cleaning | Household | Lifestyle | International | Corporate | Company  |
|--|------|----------|-----------|-----------|---------------|-----------|----------|
| Net sales  | 2015 | \$ 1,824 | \$ 1,794  | \$ 950    | \$ 1,087      | \$ -      | \$ 5,655 |
|  | 2014 | 1,776    | 1,709     | 936       | 1,093         | -         | 5,514    |
|  | 2013 | 1,783    | 1,693     | 929       | 1,128         | -         | 5,533    |
| Earnings (losses) from continuing operations before income taxes                                 | 2015 | 445      | 375       | 257       | 79            | (235)     | 921      |
|  | 2014 | 428      | 326       | 258       | 99            | (227)     | 884      |
|  | 2013 | 420      | 336       | 259       | 95            | (258)     | 852      |
| Income from equity investees   | 2015 | -        | -         | -         | 14            | -         | 14       |
|  | 2014 | -        | -         | -         | 13            | -         | 13       |
|  | 2013 | -        | -         | -         | 12            | -         | 12       |
| Total assets   | 2015 | 876      | 725       | 860       | 1,057         | 646       | 4,164    |
|  | 2014 | 887      | 745       | 869       | 1,190         | 567       | 4,258    |
| Capital expenditures   | 2015 | 35       | 50        | 11        | 25            | 4         | 125      |
|  | 2014 | 37       | 53        | 11        | 31            | 5         | 137      |
|  | 2013 | 57       | 72        | 19        | 24            | 18        | 190      |
| Depreciation and amortization  | 2015 | 52       | 67        | 19        | 24            | 7         | 169      |
|  | 2014 | 49       | 67        | 19        | 25            | 17        | 177      |
|  | 2013 | 52       | 69        | 19        | 26            | 14        | 180      |
| Significant noncash charges included in earnings from continuing operations before income taxes: |      |          |           |           |               |           |          |
| Share-based compensation   | 2015 | 8        | 7         | 4         | 1             | 12        | 32       |
|  | 2014 | 11       | 9         | 5         | 1             | 10        | 36       |
|  | 2013 | 10       | 9         | 5         | 1             | 10        | 35       |

**NOTE 19. SEGMENT REPORTING (Continued)**

All intersegment sales are eliminated and are not included in the Company's reportable segments' net sales.

Net sales to the Company's largest customer, Walmart Stores, Inc. and its affiliates, were 26%, 27% and 27% of consolidated net sales for each of the fiscal years ended June 30, 2015, 2014 and 2013, respectively, and occurred in each of the Company's reportable segments. No other customers accounted for more than 10% of consolidated net sales in any of these fiscal years. During fiscal years 2015, 2014 and 2013, the Company's five largest customers accounted for 45% of its consolidated net sales for each of the three fiscal years.

Three of the Company's product lines have accounted for 10% or more of consolidated net sales during each of the past three fiscal years. In fiscal years 2015, 2014 and 2013, sales of liquid bleach represented approximately 14%, 13% and 14% of the Company's consolidated net sales, respectively, approximately 26% of net sales in the Cleaning segment for each such years, and approximately 27%, 28% and 28% of net sales in the International segment, respectively. Sales of trash bags represented approximately 14%, 13% and 13% of the Company's consolidated net sales in each of the fiscal years 2015, 2014 and 2013, respectively, approximately 38%, 36% and 37% of net sales in the Household segment, respectively, and approximately 8%, 8% and 10% of net sales in the International segment, respectively. Sales of charcoal represented approximately 11%, 11% and 10% of the Company's consolidated net sales and approximately 34%, 34% and 32% of net sales in the Household segment in fiscal years 2015, 2014 and 2013, respectively.

Net sales and property, plant and equipment, net, by geographic area as of and for the fiscal years ended June 30 were as follows:

|                                    | <b>Fiscal<br/>Year</b> | <b>United<br/>States</b> | <b>Foreign</b> | <b>Total<br/>Company</b> |
|------------------------------------|------------------------|--------------------------|----------------|--------------------------|
| Net sales                          | 2015                   | \$ 4,609                 | \$ 1,046       | \$ 5,655                 |
|                                    | 2014                   | 4,466                    | 1,048          | 5,514                    |
|                                    | 2013                   | 4,448                    | 1,085          | 5,533                    |
| Property, plant and equipment, net | 2015                   | \$ 801                   | \$ 117         | \$ 918                   |
|                                    | 2014                   | 825                      | 152            | 977                      |

**NOTE 20. RELATED PARTY TRANSACTIONS**

The Company holds various equity investments with ownership percentages of up to 50% in a number of consumer products businesses, most of which operate outside the United States. The Company has no ongoing capital commitments, loan requirements, guarantees or any other types of arrangements under the terms of its agreements that would require any future cash contributions or disbursements arising out of an equity investment.

Transactions with the Company's equity investees typically represent payments for contract manufacturing and purchases of raw materials. Payments to related parties, including equity investees, for such transactions during the fiscal years ended June 30, 2015, 2014 and 2013 were \$55, \$57 and \$50, respectively. Receipts from and ending accounts receivable and payable balances related to the Company's related parties were not significant during or as of the end of each of the fiscal years presented.

**NOTE 21. UNAUDITED QUARTERLY DATA**

|   | Quarters Ended |             |           |          | Total Year |
|---|----------------|-------------|-----------|----------|------------|
|   | September 30   | December 31 | March 31  | June 30  |            |
| <b>Fiscal year ended June 30, 2015</b>                        |                |             |           |          |            |
| Net sales   | \$ 1,352       | \$ 1,345    | \$ 1,401  | \$ 1,557 | \$ 5,655   |
| Cost of products sold   | \$ 774         | \$ 773      | \$ 796    | \$ 847   | \$ 3,190   |
| Earnings from continuing operations                           | \$ 145         | \$ 128      | \$ 144    | \$ 189   | \$ 606     |
| (Losses) earnings from discontinued operations,<br>net of tax | \$ (55)        | \$ (3)      | \$ 30     | \$ 2     | \$ (26)    |
| Net earnings  | \$ 90          | \$ 125      | \$ 174    | \$ 191   | \$ 580     |
| Per common share:   |                |             |           |          |            |
| Basic   |                |             |           |          |            |
| Continuing operations   | \$ 1.12        | \$ 0.98     | \$ 1.09   | \$ 1.46  | \$ 4.65    |
| Discontinued operations                                       | (0.42)         | (0.02)      | 0.22      | 0.02     | (0.20)     |
| Basic net earnings per share                                  | \$ 0.70        | \$ 0.96     | \$ 1.31   | \$ 1.48  | \$ 4.45    |
| Diluted   |                |             |           |          |            |
| Continuing operations   | \$ 1.10        | \$ 0.97     | \$ 1.08   | \$ 1.44  | \$ 4.57    |
| Discontinued operations                                       | (0.42)         | (0.02)      | 0.22      | 0.02     | (0.20)     |
| Diluted net earnings per share                                | \$ 0.68        | \$ 0.95     | \$ 1.30   | \$ 1.46  | \$ 4.37    |
| Dividends declared per common share                           | \$ 0.74        | \$ 0.74     | \$ 0.74   | \$ 0.77  | \$ 2.99    |
| Market price (NYSE)   |                |             |           |          |            |
| High  | \$ 112.70      | \$ 112.65   | \$ 106.36 | \$ 98.31 | \$ 112.70  |
| Low   | 103.77         | 102.95      | 95.19     | 86.03    | 86.03      |
| Year-end  |                |             |           |          | 104.02     |
| <b>Fiscal year ended June 30, 2014</b>                        |                |             |           |          |            |
| Net sales   | \$ 1,343       | \$ 1,308    | \$ 1,366  | \$ 1,497 | \$ 5,514   |
| Cost of products sold   | \$ 759         | \$ 753      | \$ 791    | \$ 855   | \$ 3,158   |
| Earnings from continuing operations                           | \$ 139         | \$ 118      | \$ 151    | \$ 171   | \$ 579     |
| Losses from discontinued operations,<br>net of tax            | \$ (3)         | \$ (3)      | \$ (14)   | \$ (1)   | \$ (21)    |
| Net earnings  | \$ 136         | \$ 115      | \$ 137    | \$ 170   | \$ 558     |
| Per common share:   |                |             |           |          |            |
| Basic   |                |             |           |          |            |
| Continuing operations   | \$ 1.07        | \$ 0.91     | \$ 1.16   | \$ 1.32  | \$ 4.47    |
| Discontinued operations                                       | (0.03)         | (0.02)      | (0.11)    | -        | (0.16)     |
| Basic net earnings per share                                  | \$ 1.04        | \$ 0.89     | \$ 1.05   | \$ 1.32  | \$ 4.31    |
| Diluted   |                |             |           |          |            |
| Continuing operations   | \$ 1.05        | \$ 0.90     | \$ 1.14   | \$ 1.30  | \$ 4.39    |
| Discontinued operations                                       | (0.02)         | (0.03)      | (0.10)    | (0.01)   | (0.16)     |
| Diluted net earnings per share                                | \$ 1.03        | \$ 0.87     | \$ 1.04   | \$ 1.29  | \$ 4.23    |
| Dividends declared per common share                           | \$ 0.71        | \$ 0.71     | \$ 0.71   | \$ 0.74  | \$ 2.87    |
| Market price (NYSE)   |                |             |           |          |            |
| High  | \$ 87.60       | \$ 96.76    | \$ 92.75  | \$ 93.43 | \$ 96.76   |
| Low   | 81.25          | 80.20       | 83.70     | 86.56    | 80.20      |
| Year-end  |                |             |           |          | 91.40      |

**FIVE-YEAR FINANCIAL SUMMARY***The Clorox Company*

| Dollars in millions, except per share data                    | Years ended June 30 |          |          |          |                        |
|---|---------------------|----------|----------|----------|------------------------|
|   | 2015                | 2014     | 2013     | 2012     | 2011 <sup>(1)(2)</sup> |
| <b>OPERATIONS</b>   |                     |          |          |          |                        |
| Net sales   | \$ 5,655            | \$ 5,514 | \$ 5,533 | \$ 5,379 | \$ 5,144               |
| Gross profit  | 2,465               | 2,356    | 2,391    | 2,272    | 2,232                  |
| Earnings from continuing operations                           | \$ 606              | \$ 579   | \$ 573   | \$ 535   | \$ 268                 |
| (Losses) earnings from discontinued operations,<br>net of tax | (26)                | (21)     | (1)      | 6        | 289                    |
| Net earnings  | \$ 580              | \$ 558   | \$ 572   | \$ 541   | \$ 557                 |

**COMMON STOCK**

|                              |         |         |         |         |         |
|------------------------------|---------|---------|---------|---------|---------|
| Earnings per share           |         |         |         |         |         |
| Continuing operations        |         |         |         |         |         |
| Basic                        | \$ 4.65 | \$ 4.47 | \$ 4.37 | \$ 4.09 | \$ 1.96 |
| Diluted                      | 4.57    | 4.39    | 4.31    | 4.05    | 1.94    |
| Dividends declared per share | \$ 2.99 | \$ 2.87 | \$ 2.63 | \$ 2.44 | \$ 2.25 |

| Dollars in millions | As of June 30 |          |          |          |                        |
|---------------------|---------------|----------|----------|----------|------------------------|
|                     | 2015          | 2014     | 2013     | 2012     | 2011 <sup>(1)(2)</sup> |
| <b>OTHER DATA</b>   |               |          |          |          |                        |
| Total assets        | \$ 4,164      | \$ 4,258 | \$ 4,311 | \$ 4,355 | \$ 4,163               |
| Long-term debt      | 1,796         | 1,595    | 2,170    | 1,571    | 2,125                  |

(1) In November 2010, the Company completed the sale of its global auto care businesses pursuant to the terms of a Purchase and Sale Agreement and received cash consideration of \$755. Included in earnings from discontinued operations for the fiscal year ended June 30, 2011, is an after-tax gain on the transaction of \$247.

(2) Earnings from continuing operations and net earnings included the \$258 noncash goodwill impairment charge recognized in fiscal year 2011 related to the Burt's Bees<sup>®</sup> business. Diluted net earnings per share from continuing operations included the impact of \$1.86 from this noncash goodwill impairment charge.

## VALUATION AND QUALIFYING ACCOUNTS AND RESERVES (Dollars in millions)

| Column A  | Column B                       | Column C                                   | Column D                       |                            | Column E                 |
|---|--------------------------------|--|--------------------------------|----------------------------|--------------------------|
| Description                                       | Balance at beginning of period | Additions<br>Charged to costs and expenses | Deductions                     |                            | Balance at end of period |
|   |                                |  | Credited to costs and expenses | Credited to other accounts |                          |
| <b>Allowance for doubtful accounts</b>            |                                |  |                                |                            |                          |
| Year ended June 30, 2015                          | \$ (3)                         | \$ (1)                                     | \$ -                           | \$ -                       | \$ (4)                   |
| Year ended June 30, 2014                          | (5)                            | -  | 2                              | -                          | (3)                      |
| Year ended June 30, 2013                          | (7)                            | -  | 2                              | -                          | (5)                      |
| <b>LIFO allowance</b>                             |                                |  |                                |                            |                          |
| Year ended June 30, 2015                          | \$ (36)                        | \$ -                                       | \$ -                           | \$ 2                       | \$ (34)                  |
| Year ended June 30, 2014                          | (40)                           | -  | 3                              | 1                          | (36)                     |
| Year ended June 30, 2013                          | (37)                           | (3)  | -                              | -                          | (40)                     |
| <b>Valuation allowance on deferred tax assets</b> |                                |  |                                |                            |                          |
| Year ended June 30, 2015                          | \$ (51)                        | \$ (4)                                     | \$ -                           | \$ 21                      | \$ (34)                  |
| Year ended June 30, 2014                          | (36)                           | (25)                                       | -                              | 10                         | (51)                     |
| Year ended June 30, 2013                          | (20)                           | (16)                                       | -                              | -                          | (36)                     |

**THE CLOROX COMPANY**  
**RECONCILIATION OF ECONOMIC PROFIT (UNAUDITED) <sup>(1)</sup>**

| Dollars in millions  | FY15            | FY14          | FY13          |
|--|-----------------|---------------|---------------|
| <b>Earnings from continuing operations before income taxes</b>   | <b>\$ 921</b>   | <b>\$ 884</b> | <b>\$ 852</b> |
| Noncash U.S. GAAP restructuring and intangible asset impairment costs  | 1               | 3             | -             |
| Interest expense   | 100             | 103           | 122           |
| Earnings from continuing operations before income taxes,<br>noncash U.S. GAAP restructuring and intangible asset<br>costs, and interest expense  | <u>\$ 1,022</u> | <u>\$ 990</u> | <u>\$ 974</u> |
| Income taxes on earnings from continuing operations before<br>income taxes, noncash U.S. GAAP restructuring and intangible asset<br>impairment costs and interest expense <sup>(2)</sup> | 350             | 342           | 318           |
| <b>Adjusted after tax profit</b>   | <b>\$ 672</b>   | <b>\$ 648</b> | <b>\$ 656</b> |
| Average capital employed <sup>(3)</sup>  | 2,393           | 2,494         | 2,552         |
| <b>Capital charge <sup>(4)</sup></b>   | <b>214</b>      | <b>225</b>    | <b>230</b>    |
| <b>Economic profit <sup>(1)</sup> (Adjusted after tax profit less capital charge)</b>  | <b>\$ 458</b>   | <b>\$ 423</b> | <b>\$ 426</b> |

- (1) Economic profit (EP) is defined by the Company as earnings from continuing operations before income taxes, excluding noncash U.S. GAAP restructuring and intangible asset impairment costs, and interest expense; less an amount of tax based on the effective tax rate, and less a charge equal to average capital employed multiplied by the weighted-average cost of capital. EP is a key financial metric that the Company's management uses to evaluate business performance and allocate resources, and is a component in determining management's incentive compensation. The Company's management believes EP provides additional perspective to investors about financial returns generated by the business and represents profit generated over and above the cost of capital used by the business to generate that profit.
- (2) The tax rate applied is the effective tax rate on continuing operations, which was 34.2%, 34.6% and 32.7% in fiscal years 2015, 2014 and 2013, respectively.
- (3) Total capital employed represents total assets less non-interest bearing liabilities. Adjusted capital employed represents total capital employed adjusted to add back current year after tax noncash U.S. GAAP restructuring and intangible asset impairment costs. Average capital employed is the average of adjusted capital employed for the current year and total capital employed for the prior year, based on year-end balances. See below for details of the average capital employed calculation:

|  | FY15            | FY14            | FY13            |
|--|-----------------|-----------------|-----------------|
| Total assets   | \$ 4,164        | \$ 4,258        | \$ 4,311        |
| Less:  |                 |                 |                 |
| Accounts payable   | 431             | 440             | 413             |
| Accrued liabilities  | 545             | 472             | 490             |
| Income taxes payable   | 31              | 8               | 29              |
| Other liabilities  | 745             | 768             | 742             |
| Deferred income taxes  | 95              | 103             | 119             |
| Non-interest bearing liabilities   | <u>1,847</u>    | <u>1,791</u>    | <u>1,793</u>    |
| <b>Total capital employed</b>  | <b>2,317</b>    | <b>2,467</b>    | <b>2,518</b>    |
| After tax noncash U.S. GAAP restructuring<br>and intangible asset impairment costs | 1               | 2               | -               |
| <b>Adjusted capital employed</b>   | <b>\$ 2,318</b> | <b>\$ 2,469</b> | <b>\$ 2,518</b> |
| <b>Average capital employed</b>  | <b>\$ 2,393</b> | <b>\$ 2,494</b> | <b>\$ 2,552</b> |

- (4) Capital charge represents average capital employed multiplied by the weighted-average cost of capital. The weighted-average cost of capital used to calculate capital charge was 9% for all fiscal years presented. The calculation of capital charge includes the impact of rounding numbers.