The Procter & Gamble Company
One Procter & Gamble Plaza, Cincinnati, Ohio 45202, USA

Prospectus for the employees of certain European Economic Area ("EEA") subsidiaries of The Procter & Gamble Company in relation to the Amended and Restated International Procter & Gamble Stock Ownership Plan, the Procter & Gamble Ireland Employees Share Ownership Plan, the Procter & Gamble 1-4-1 Plan and the Procter & Gamble UK Share Investment Scheme (together, the "ISOP")

Pursuant to Article 23 of the Law of June 16, 2006 on the public offerings of securities and the admission to trading of securities on a regulated market, the Belgian Financial Services and Markets Authority (the "FSMA") has approved this prospectus on 25 March 2019. This prospectus was established by the issuer, and the issuer is responsible for this prospectus. The prospectus has been approved in connection with the operations proposed to the investors. The approval represents neither an assessment of the transaction's opportunity or quality nor the authentication of the financial and accounting information presented or more generally the issuer's position, by the FSMA.

This prospectus was drafted in accordance with Annexes I and III of the Commission Regulation 809/2004 of April 29, 2004, as amended. This prospectus will be made available to the respective employees of the EEA subsidiaries of The Procter & Gamble Company based in countries in which offerings under the plan listed above are considered public offerings, subject to the applicable legislation in each country, at the respective head offices of their employers. At the time of approval of this prospectus, these jurisdictions are Belgium, Czech Republic, Germany, Greece, Hungary, Ireland, Italy, Poland, Romania, Spain and the United Kingdom. This prospectus will be notified to the competent authorities of these EEA jurisdictions in accordance to Article 18 of Directive 2003/71/EC of November 4, 2003, as amended. In addition, this prospectus along with summary translations (as applicable) will be posted on The Procter & Gamble Company's intranet, and free copies will be available to the employees upon request by contacting the human resources departments of their employers. This prospectus will also be available on the website of the FSMA, *www.fsma.be*.

An investment in the shares as described in this prospectus is subject to risks. An investor faces the risk of losing a part or all of his invested capital. Before participating in the ISOP, prospective investors should carefully read the entire prospectus, containing a description of the offer and the risk factors, with special attention to the risk factors (see Part I (Summary), p. 15 to p. 17 and Part II (Risk Factors), p. 21 to p. 28). Their decision should solely be based on the information contained in the prospectus.

COMPANY REPRESENTATIVE FOR PROSPECTUS

1. The Company is responsible for the information in this prospectus.

2. Having taken all reasonable care to ensure that such is the case, the Company declares that the information contained in the prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

For and on behalf of the Company,

/s/ Valerie L. Sheppard

Valerie L. Sheppard
Vice President, Treasurer and Comptroller
The Procter & Gamble Company
Cincinnati, Ohio, United States of America
25 March, 2019

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I. PROSPECTUS SUMMARY

Summaries are made up of disclosure requirements known as "Elements." These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable."

SECTION A – INTRODUCTION AND WARNINGS		
A.1	**Warning to the reader**	This summary should be read as an introduction to the prospectus. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor. Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States of the European Union or States party to the European Economic Area Agreement, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who have presented the summary including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	**Consent to use of the prospectus**	Not applicable. There is no subsequent resale or final placement of securities by financial intermediaries.
SECTION B – ISSUER		
B.1	**Legal and commercial name of the issuer**	The Procter & Gamble Company (“we”, “us”, “our”, “P&G” or the “Company”).
B.2	**Domicile and legal form of the Company, the legislation under which it operates and its country of incorporation**	The Company’s principal offices are located at One Procter & Gamble Plaza, Cincinnati, Ohio 45202, U.S.A. The Company is a Corporation incorporated under the laws of the State of Ohio, U.S.A.

B.3	**Description of the nature of the Company's current operations and its principal activities**	The Company is focused on providing branded consumer packaged goods of superior quality and value to improve the lives of the world's consumers. The Company was incorporated in Ohio in 1905, having been built from a business founded in 1837 by William Procter and James Gamble. It produces products across five reportable segments covering beauty; grooming; health care; fabric & home care; and baby, feminine & family care. Today, the Company's products are sold in more than 180 countries and territories. The Company's business model relies on the continued growth and success of existing brands and products, as well as the creation of new innovative products. The markets and industry segments in which the Company offers its products are highly competitive. The Company's products are sold in more than 180 countries and territories primarily through mass merchandisers, e-commerce, grocery stores, membership club stores, drug stores, department stores, distributors, wholesalers, baby stores, specialty beauty stores, high-frequency stores and pharmacies. The Company's growth strategy is to deliver meaningful and noticeable superiority in all elements of our consumer proposition - product, packaging, brand communication, retail execution and value equation. The Company uses its research and development and consumer insights to provide superior products and packaging. The Company utilizes our marketing and online presence to deliver superior brand messaging to our consumers. The Company works collaboratively with our customers to deliver superior retail execution, both in-store and online. In conjunction with the above elements, the Company provides superior value to consumers and our retail customers, in each price tier where it competes. Of our total net revenue of $66.8 billion for the fiscal year ended June 30, 2018, 44% originated from North America, 24% from Europe and 32% from the rest of the world. As of June 30, 2018, the Company employed approximately 92,000 people worldwide.

B.4a	**Recent trends**	P&G aspires to serve the world's consumers better than our best competitors in every category and in every country in which we compete, and, as a result, deliver total shareholder return in the top one-third of our peer group. Delivering and sustaining leadership levels of shareholder value creation requires balanced top-line growth, bottom-line growth and strong cash generation. Winning with consumers around the world and against our best competitors requires innovation. Innovation has always been, and continues to be, P&G's lifeblood. Innovation requires consumer insights and technology advancements that lead to product improvements, improved marketing and merchandising programs and game-changing inventions that create new brands and categories. Productivity improvement is critical to delivering our balanced top-line growth, bottom-line growth and value creation objectives. Productivity improvement and sales growth reinforce and fuel each other. We are driving productivity improvement across all elements of cost, including cost of goods sold, marketing and promotional expenses and non-manufacturing overhead. Productivity improvements and cost savings are being reinvested in product and packaging improvements, brand awareness-building advertising and trial-building sampling programs, increased sales coverage and R&D programs. We are improving operational effectiveness and organizational culture through enhanced clarity of roles and responsibilities, accountability and incentive compensation programs. The Company has undertaken an effort to focus and strengthen its business portfolio to compete in categories and with brands that are structurally attractive and that play to P&G's strengths. The ongoing portfolio of businesses consists of 10 product categories. These are categories where P&G has leading market positions, strong brands and consumer-meaningful product technologies. We believe these strategies are right for the long-term health of the Company and our objective of delivering total shareholder return in the top one-third of our peer group. The Company expects the delivery of the following long-term annual financial targets will result in total shareholder returns in the top third of the competitive peer group: • Organic sales growth above market growth rates in the categories and geographies in which we compete; • Core EPS growth of mid-to-high single digits; and • Adjusted free cash flow productivity of 90% or greater. In periods with significant macroeconomic pressures, we intend to maintain a disciplined approach to investing so as not to sacrifice the long-term health of our businesses to meet short-term

		objectives in any given year.
B.5	**Organizational structure**	The Company is the parent company of the Procter & Gamble group. The group's organizational structure is comprised of Global Business Units (GBUs), Selling and Market Operations (SMOs), Global Business Services (GBS) and Corporate Functions (CF).
B.6	**Interests in the Company capital or voting rights**	Not applicable. Pursuant to its Q&A, ESMA considers that Item 18 of Annex I of the Prospectus Regulation is generally not relevant for offers of shares to employees and can thus be omitted from the prospectus in accordance with Article 23.4 of the Prospectus Regulation.
B.7	Financial information for the fiscal years ended June 30, 2018, 2017 and 2016 and for the three-month periods ended December 31, 2018 and 2017.	

The consolidated statement of income and consolidated statement of other comprehensive income data for the years ended, and as of, June 30, 2018, 2017 and 2016 and the balance sheet data for the years as of June 30, 2018, 2017 and 2016 are derived from the Company's audited consolidated financial statements as included in the Annual Report on Form 10-K for the fiscal year ended June 30, 2018, filed on August 7, 2018 and Form 8-K filed October 22, 2018 to update the Form 10-K to revise disclosures to reflect the adoption of the Financial Accounting Standards Board (FASB) ASU 2017-07 and 2016-18 (Exhibit II). Balance sheet data for 2016 was extracted from the Company's form 10-K for the year ended June 30, 2017 filed on August 7, 2017.

SELECTED FINANCIAL DATA
(In millions)

ANNUAL INFORMATION AS OF JUNE 30

Consolidated Statement of Earnings

Amounts in millions except per share amounts: Years ended June 30	**2018**	**2017**	**2016**
NET SALES:	$66,832	$65,058	$65,299
Cost of products sold	$34,432	$32,638	$33,024
Selling, general and administrative expense	$19,037	$18,654	$19,017
OPERATING INCOME:	$13,363	$13,766	$13,258
Interest expense	$506	$465	$579
Interest income	$247	$171	$182
Other non-operating income/(expense), net	$222	($215)	$508
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES:	$13,326	$13,257	$13,369

Income taxes on continuing operations	$3,465	$3,063	$3,342
NET EARNINGS FROM CONTINUING OPERATIONS	$9,861	$10,194	$10,027
NET EARNINGS FROM DISCONTINUED OPERATIONS	-	$5,217	$577
NET EARNINGS:	$9,861	$15,411	$10,604
Less: Net earnings attributable to non-controlling interests	$111	$85	$96
NET EARNINGS ATTRIBUTABLE TO PROCTER & GAMBLE	$9,750	$15,326	$10,508
BASIC NET EARNINGS PER COMMON SHARE:			
Earnings from continuing operations	$3.75	$3.79	$3.59
Earnings from discontinued operations	-	$2.01	$0.21
BASIC NET EARNINGS PER COMMON SHARE	$3.75	$5.80	$3.80
DILUTED NET EARNINGS PER COMMON SHARE:			
Earnings from continuing operations	$3.67	$3.69	$3.49
Earnings from discontinued operations	-	$1.90	$0.20
DILUTED NET EARNINGS PER COMMON SHARE	$3.67	$5.59	$3.69
DIVIDENDS PER COMMON SHARE:	$2.79	$2.70	$2.66

Consolidated Balance Sheet

Amounts in millions: As of June 30	**2018**	**2017**	**2016**[1]
Assets			

[1] Balance sheet data for 2016 was extracted from the Company's Form 10-K for the year ended June 30, 2017 filed on August 7, 2017.

CURRENT ASSETS:			
Cash and cash equivalents	$2,569	$5,569	$7,102
Available for sale investment securities	$9,281	$9,568	$6,246
Accounts receivable	$4,686	$4,594	$4,373
INVENTORIES:			
Materials and supplies	$1,335	$1,308	$1,188
Work in process	$588	$529	$563
Finished goods	$2,815	$2,787	$2,965
Total inventories	$4,738	$4,624	$4,716
Deferred income taxes	-	-	$1,507
Prepaid expenses and other current assets	$2,046	$2,139	$2,653
Current assets held for sale	-	-	$7,185
TOTAL CURRENT ASSETS	$23,320	$26,494	$33,782
PROPERTY, PLANT AND EQUIPMENT, NET	$20,600	$19,893	$19,385
GOODWILL	$45,175	$44,699	$44,350
TRADEMARKS AND OTHER INTANGIBLE ASSETS, NET	$23,902	$24,187	$24,527
OTHER NON-CURRENT ASSETS	$5,313	$5,133	$5,092
TOTAL ASSETS	$118,310	$120,406	$127,136
Liabilities and Shareholders' Equity			
CURRENT LIABILITIES:			
Accounts payable	$10,344	$9,632	$9,325
Accrued and other liabilities	$7,470	$7,024	$7,449
Current liabilities held for sale	-	-	$2,343
Debt due within one year	$10,423	$13,554	$11,653
TOTAL CURRENT LIABILITIES	$28,237	$30,210	$30,770
LONG-TERM DEBT	$20,863	$18,038	$18,945

DEFERRED INCOME TAXES	$6,163	$8,126	$9,113
OTHER NON-CURRENT LIABILITIES	$10,164	$8,254	$10,325
TOTAL LIABILITIES	$65,427	$64,628	$69,153
SHAREHOLDERS' EQUITY:			
Convertible Class A preferred stock, stated value $1 per share (600 shares authorised)	$967	$1,006	$1,038
Non-voting Class B preferred stock, stated value $1 per share (200 shares authorised)	-	-	-
Common stock, stated value $1 per share (10,000 shares authorised; shares issued: 2018 – 4,009.2; 2017: 4,009.2)	$4,009	$4,009	$4,009
Additional paid-in capital	$63,846	$63,641	$63,714
Reserve for ESOP debt retirement	($1,204)	($1,249)	($1,290)
Accumulated other comprehensive income/(loss)	($14,749)	($14,632)	($15,907)
Treasury stock at cost (shares held: 2018 – 1,511.2; 2017 – 1,455.9)	($99,217)	($93,715)	($82,176)
Retained earnings	$98,641	$96,124	$87,953
Non-controlling interest	$590	$594	$642
TOTAL SHAREHOLDERS' EQUITY	$52,883	$55,778	$57,983
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$118,310	$120,406	$127,136

QUARTERLY INFORMATION AS OF DECEMBER 31

Consolidated Statements of Earnings

	Three Months Ended December 31	
<u>**Amounts in millions except per share amounts**</u>	**2018**	**2017**
NET SALES	**$ 17,438**	$ 17,395
Cost of products sold	**8,919**	8,709
Selling, general and administrative expense	**4,623**	4,767
OPERATING INCOME	**3,896**	3,919
Interest expense	**138**	122
Interest income	**63**	66
Other non-operating income, net	**95**	170

EARNINGS BEFORE INCOME TAXES	**3,916**	4,033
Income taxes	**700**	1,472
NET EARNINGS	**3,216**	2,561
Less: Net earnings attributable to noncontrolling interests	**22**	66
NET EARNINGS ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 3,194**	$ 2,495
NET EARNINGS PER SHARE[1]		
Basic	**1.25**	0.96
Diluted	**1.22**	0.93
DIVIDENDS PER COMMON SHARE	**$ 0.7172**	$ 0.6896
Diluted Weighted Average Common Shares Outstanding	**2,623.0**	2,669.6

[1] Basic net earnings per share and Diluted net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

Consolidated Statements of Comprehensive Income

	Three Months Ended December 31	
Amounts in millions	**2018**	**2017**
NET EARNINGS	**$ 3,216**	$ 2,561
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX		
Financial statement foreign currency translation	**(370)**	188
Unrealized gains/(losses) on hedges	**192**	(167)
Unrealized gains/(losses) on investment securities	**58**	(61)
Unrealized gains/(losses) on defined benefit retirement plans	**98**	161
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX	**(22)**	121
TOTAL COMPREHENSIVE INCOME	**3,194**	2,682
Less: Total comprehensive income attributable to noncontrolling interests	**23**	66
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 3,171**	$ 2,616

B.8	**Pro forma financial information**	Not applicable. Pursuant to its Q&A, ESMA considers that Item 20.2 of Annex I of the Prospectus Regulation is not relevant for offers of shares to employees and can thus be omitted from the prospectus in accordance with Article 23.4 of the Prospectus Regulation.
B.9	**Profit forecast**	Not applicable.
B.10	**Qualifications in the audit report on the historical financial information**	Not applicable. There are no such qualifications in the auditors' report.
B.11	**Working capital statement**	Not applicable. The Company's working capital is sufficient for its present requirements.
SECTION C – SECURITIES		
C.1	**Type and class of the securities being offered, including the security identification code**	The Company's shares are listed on the New York Stock Exchange (“NYSE”) under the symbol “PG” (the “Shares”). The Shares issued under the ISOP are or will be, after their issuance, listed on the NYSE and grant to the Members (as defined in Element E.3 below) the same rights as those attached to the Shares of Common Stock currently traded on the NYSE. The CUSIP number for the Shares is 742718109.
C.2	**Currency of the securities issue**	The United States Dollar is the currency of the securities issue.
C.3	**Number of shares issued**	As of December 31, 2018, there were 2,501,579,709 Shares outstanding. In addition, the Company was authorized to issue 10,000,000,000 Shares, without par value. The Company was also authorized to issue 600,000,000 shares of Convertible Class A preferred stock and 200,000,000 Non-Voting Class B preferred stock (both without par value). 2,464,275 Shares are available under the Plan (and these Shares are already issued shares).
C.4.	**Rights attached to the securities**	No Member (as defined in Element E.3 below) shall have any voting, dividend, or other shareholder rights with respect to any offering under the ISOP until the Shares have been purchased and delivered to the Member. Following such purchase and delivery, the Member shall be entitled to the rights attached to the Shares of Common Stock, as further described below: ***Authorized Capital Stock***. The Amended Articles of Incorporation authorize the issuance of 10,000,000,000 shares of Common Stock without par value. As of December 31, 2018, there were 2,501,579,709 shares of Common Stock outstanding.

		Common Stock Outstanding. The outstanding shares of Common Stock are, and the Shares will be, duly authorized, validly issued, fully paid and non-assessable. ***Dividend Rights***. The Board (as defined below), subject to any restrictions contained in (a) the Ohio Revised Code (“ORC”); (b) the Company’s Amended and Restated Articles of Incorporation; or (c) the Company’s Regulations, may declare and pay dividends upon the Shares. Dividends may be paid in cash, in property, or in Shares. The Board may set apart out of any of the Company’s funds available for dividends a reserve or reserves for any proper purpose and may abolish or modify any such reserve. Such purposes shall include, but not be limited to, equalizing dividends, repairing or maintaining any property of the Company, and meeting contingencies. During fiscal 2018, the Company issued three quarterly dividends of \$0.6896 per share of Common Stock and one quarter of \$0.7172 per share of Common Stock. For the first two quarters of fiscal 2019, the Company paid quarterly dividends of \$0.7172 per share of Common Stock. All decisions regarding the declaration and payment of dividends are at the discretion of our Board of Directors and will be evaluated in light of dividend yields, profitability expectations and financing needs. ***Voting Rights***. The holders of Shares of Common Stock shall be entitled to one vote for each such share held of record on the applicable record date on all matters submitted to a vote of holders of Common Stock. The Board is not classified and each member is elected annually. Each nominee for director shall be elected to the Board by a vote of the majority of the votes cast with respect to such nominee at any meeting of shareholders for the election of directors at which a quorum is present; *provided*, *however*, that if the number of nominees for directors exceeds the number of directors to be elected, the nominees receiving the greatest number of votes up to the number of directors to be elected shall be elected. Meetings of shareholders shall be held in Cincinnati, Hamilton County, Ohio, but the shareholders or the Board shall have authority to provide for the holding of meetings of shareholders elsewhere within or without the State of Ohio, except the annual meeting, or a meeting to elect directors. The Board is authorized to determine that a meeting shall not be held at a physical place, but instead may be held solely by means of communications equipment as authorized by Ohio law. The annual meeting of the shareholders shall be held on the second Tuesday of October in each year, or on such other date within 30 days of such date as may be designated by the Board. At the meeting, directors shall be elected and any other proper business may be transacted.

		Special meetings of the Company's shareholders may be called and held as provided by law. Shareholders may adopt an amendment to a corporation's articles of incorporation by the affirmative vote a majority of shares entitled to vote thereon or, if the vote is required to be by classes, by the affirmative vote of a majority of each class or classes entitled to vote thereon as a class. An amendment to the Amended and Restated Articles of Incorporation that purports to do any of the following with respect to a class of the corporation's capital stock would require the separate approval of the shareholders affected by the amendment: (i) increase or decrease the par value of the issued and unissued shares (if the amendment would reduce or eliminate the stated capital of the corporation); (ii) change issued stock of a class into a lesser number of shares or into the same or a different number of shares of any other class theretofore or then authorized (or so change any other class of capital stock if the amendment would reduce or eliminate the stated capital of the corporation); (iii) change the express terms of, or add express terms to, the shares of a class in any manner substantially prejudicial to the holders of such shares; (iv) change the express terms of issued shares of any class senior to the particular class in any manner substantially prejudicial to the holders of shares of the particular class; (v) authorize shares of another class that are convertible into, or authorize the conversion of shares of another class into, such class, or authorize the directors to fix or alter conversion rights of shares of another class that are convertible into such class; (vi) provide that the stated capital of the corporation will be reduced or eliminated as a result of an amendment described under (i) or (ii) above, or provide, in the case of an amendment described in under (v) above, that the stated capital of the corporation will be reduced or eliminated upon the exercise of such conversion rights; (vii) change substantially the purpose of the corporation, or provide that thereafter an amendment to the corporation's articles of incorporation may be adopted that changes substantially the purposes of the corporation; or (viii) change the corporation into a nonprofit corporation. If a combination or majority share acquisition involves the issuance or transfer by the acquiring corporation of a number of its shares that would entitle holders of such shares to exercise one-sixth or more of the voting power of the corporation after the consummation of such transaction, the transaction must be approved at a meeting held for the purpose generally by a majority of shares entitled to vote thereon. Certain material transaction involving the Company or a subsidiary of the Company with, or proposed by or on behalf of, any related person, such as but not limited to any merger of the Company with or into any related person, the purchase by the Company of any of its shares of any class from any related person, generally require the affirmative vote of at least 80% of the outstanding shares of

		capital stock of the Company entitled to vote thereon, voting as a single class. The ORC sets forth certain instances in which the directors of a corporation may adopt an amendment to the articles of incorporation. ***Right to Receive Liquidation Distributions***. Upon a liquidation, dissolution or winding-up of the Company the assets legally available for distribution to stockholders are distributable ratably among the holders of the shares of Common Stock outstanding at that time after payment of any liabilities and liquidation preferences on any outstanding preferred stock. ***No Preemptive, Redemptive or Conversion Provisions.*** Holders of shares of Common Stock do not have any conversion rights and such shares are not subject to any redemption provisions. Holders of Common Stock have no preemptive rights to purchase, subscribe for or otherwise acquire any unissued or treasury shares or other securities. No shares of Common Stock are subject to any sinking fund provisions or to calls, assessments by, or liabilities of the Company.
C.5	**Transferability restrictions**	Not applicable. The Shares in this offering are registered on Form S-8 with the U.S. Securities and Exchange Commission ("SEC") and are generally freely transferable.
C.6	**Admission to trading on a regulated market**	As noted in Element C.1 above, the Shares are listed on the NYSE.
C.7	**Dividend policy**	Dividend rights are provided for in the Company's Bylaws. Holders of Shares of Common Stock will receive ratably any dividends the Company's Board declares out of funds legally available for that purpose. During fiscal 2018, we issued three quarterly dividends of $0.6896 per share and one quarter of $0.7172 per share. For the first two quarters of fiscal 2019, the Company paid quarterly dividends of $0.7172 per share.

SECTION D — RISKS		
D.1	**Key risks related to the Company or its industry**	The following discussion of "risk factors" identifies significant factors that may adversely affect our business, operations, financial position or future financial performance. The following discussion of risks is not all inclusive, but is designed to highlight what we believe are important factors to consider when evaluating our expectations. These and other factors could cause our future results to differ from those in the forward-looking statements and from historical trends. • Our business is subject to numerous risks as a result of our having significant operations and sales in international markets, including foreign currency fluctuations, currency exchange or pricing controls and localized volatility. • Uncertain global economic conditions may adversely impact demand for our products or cause our customers and other business partners to suffer financial hardship, which could adversely impact our business. • Disruptions in credit markets or changes to our credit ratings may reduce our access to credit. • Disruption in our global supply chain may negatively impact our business results. • Our businesses face cost fluctuations and pressures that could affect our business results. • Our ability to meet our growth targets depends on successful product, marketing and operations innovation and successful responses to competitive innovation and changing consumer habits. • The ability to achieve our business objectives is dependent on how well we can compete with our local and global competitors in new and existing markets and channels. • A significant change in customer relationships or in customer demand for our products could have a significant impact on our business. • If the reputation of the Company or one or more of our brands erodes significantly, it could have a material impact on our financial results. • We rely on third parties in many aspects of our business, which creates additional risk. • An information security or operational technology incident, including a cybersecurity breach, or the failure of one or more key information or operations technology systems, networks, hardware, processes, and/or associated sites owned or operated by the Company or one of its service providers could have a material adverse impact on our business or reputation.

		• Changing political conditions could adversely impact our business and financial results. • We must successfully manage compliance with laws and regulations, as well as manage new and pending legal and regulatory matters in the U.S. and abroad. • Changes in applicable tax regulations and resolutions of tax disputes could negatively affect our financial results. • We must successfully manage ongoing acquisition, joint venture and divestiture activities. • Our business results depend on our ability to successfully manage productivity improvements and ongoing organizational change.
D.3	**Key information on the key risks that are specific to the securities**	A participant in the ISOP potentially faces the risk of losing a part or all of his invested capital. Participating employees assume the risk of any currency fluctuations at the time of (i) their contribution to the ISOP by payroll deductions and (ii) the selling of their Shares. The Company's stock price could become more volatile and a stockholder's investment could lose value. Participation in the ISOP is subject to a currency risk (e.g. USD/EUR, USD/CZK or USD/GBP) that could adversely affect the amount invested in the ISOP and anticipated profit resulting from participation in the ISOP. The possible tax and/or social security consequences of participation in the ISOP could adversely affect the anticipated profit resulting from participation in the ISOP. A Member faces the risk of losing the benefit of the tax advantages related to the ISOP if such Member withdraws from the ISOP prior to the end of the Holding Period (as defined below). Employees located in the United Kingdom should be aware that in case the United Kingdom withdraws from the EU without a withdrawal agreement on 29 March 2019 or any other date, there is a risk that this prospectus will no longer be valid for the offering of Shares in the United Kingdom. In addition, should a supplement to this prospectus be required between 29 March 2019 or any other date and 21 July 2019 (i.e. the date of entry into force of Regulation (EU) 2017/1129 pursuant to which no prospectus will have to be published for securities offered to existing employees by their employer or by an affiliated undertaking), it shall not be passported to the UK but shall have to be approved by the UK Financial Conduct Authority. Given that the deductions are held in an unallocated account and that some time may lapse until the purchase of Shares, the investors face a risk of a possible bankruptcy or other insolvency of the Custodian (as defined below). In such case, a Member would be a general creditor of the Custodian (along with other creditors

		of the Custodian). The shares, once purchased, are held in an account in the name of the ISOP (not the Custodian)
SECTION E — OFFER		
E.1	**Net proceeds**	Assuming that each of the 24,708 eligible employees purchases the maximum amount of Shares under the ISOP offered pursuant to this prospectus, that is, a total of 99.7 Shares each, then the gross proceeds of the Company in connection with the offer under the ISOP pursuant to this prospectus would be $226,861,156. After deducting legal and accounting expenses in connection with the offer, which will not exceed $200,000, the net proceeds, based on the above assumptions, would be approximately $226,661,156.
E.2a	**Reasons for the offer and use of proceeds**	The purpose of the ISOP is to encourage eligible employees who are not residents of the United States to make and continue careers with the participating subsidiaries and affiliates of the Company by providing eligible employees with a convenient way (1) to obtain a beneficial interest in the Company and (2) to save on a regular and long-term basis, all as set forth in the ISOP and in the custodial agreement or other fiduciary contracts or custodial arrangements forming a part of the ISOP. The net proceeds will be used for general corporate purposes.
E.3	**Description of the terms and conditions of the offer**	The offering of the ISOP may be considered a public offering of securities pursuant to Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 as amended by Directive 2010/73/EC (as amended, the "Prospectus Directive") in the following EEA countries, subject to the applicable legislation in each of those countries: Belgium, Czech Republic, Germany, Greece, Hungary, Ireland, Italy, Poland, Romania, Spain and the United Kingdom. The offering of the ISOP will also be made in the following EEA countries: Austria, Bulgaria, Croatia, Denmark, Finland, Latvia, Netherlands, Portugal, Slovakia and Sweden. However, such offering is not considered a public offering of securities, under the legislation implementing the Prospectus Directive in such countries. The total amount of the offering of the ISOP in the EEA is more than €1 million over a 12-month period. This prospectus will be made available to employees of the subsidiaries of the Company based in the above countries at the respective head offices of their employers. In addition, this prospectus along with summary translations (as applicable) will be posted on The Company's intranet, and free copies will be available to the employees upon request by contacting the human resources departments of their employers. **The ISOP** The ISOP will be administered locally by the several participating employers in the several jurisdictions for the benefit of their respective employees and will reflect a participating employer's policies and practices, as appropriate. Specifically, payroll deductions and eligibility to participate will occur on a local level.

		The accounts of employees under the ISOP will be separately accounted for in the records maintained under the ISOP by the Company. Generally, full-time employees are eligible to participate in the ISOP on the date that they begin service with the Company or a subsidiary and may enroll in the ISOP at any time thereafter through the procedure(s) designated by the Company. Once an eligible employee ("Member") enrolls, he or she is eligible to make payroll deduction contributions from his or her salary or wages ("Base Pay") commencing on the first day of the pay period coincident with or next following his or her entry date in the ISOP, or as soon as administratively practicable thereafter (the "Entry Date"). A total of 2,464,275 Shares without par value, which are outstanding shares of Procter & Gamble common stock traded on the New York Stock Exchange ("NYSE"), are offered under the ISOP. This potential maximum total represents approximately 0.0985% of the 2,501,579,709 Shares outstanding as of December 31, 2018. Such number is subject to adjustments effected in accordance with the ISOP. When enrolling in the ISOP, Members must specify the percentage (in whole percentages up to 15%) which he/she authorizes for deductions each pay period from his/her Base Pay for the ISOP. Up to the first 5% of Base Pay elected to be contributed to the ISOP ("Basic Deposits") are eligible for a matching contribution made by the Member's employer equal to 50% of the Member's Basic Deposits for that pay period; provided, that during the first year of a Member's participation in the ISOP, the matching contribution will equal 100% of the Basic Deposits for the first 1% of the Member's Base Pay for each pay period during that one-year period. Any excess contributions over 5% are not eligible for a matching contribution ("Additional Deposits"). The Company may also allow Members to make lump sum payments to the ISOP ("Special Additional Deposits") during a plan year in accordance with procedures established by the Company that are not eligible to receive a matching contributions. Members do not have to make an election for each pay period; their election to participate will remain in effect until the Member either changes the rate of contributions or suspends making deposits to the ISOP. A Member may change the percentage of authorized deductions, upward or downward, or resume making deposits, by filing the prescribed election with the Company and/or a subsidiary of the Company that has adopted the ISOP for participation by its employees (a "Participating Company"), with such change taking effect as of the first day of the pay period coincident with or next following the date that the election is received by the Company and/or the Participating Company, or as soon as administratively practicable thereafter. A Member may also suspend his/her participation in the ISOP by filing the prescribed election with the Participating Company. Members will automatically have their participation suspended during the period of time that the Member (i) is no longer an eligible employee even

<table>
<tr><td></td><td></td><td> if still employed by the Company or a Participating Company, (ii) is on a leave of absence, (iii) ceases to receive Base Pay, (iv) incurs a disability (as defined in the ISOP), or remains in service after the termination of the ISOP. The accumulated Basic Deposits, Additional Deposits and Special Additional Deposits are delivered to the Custodian, where they are held in an unallocated account (so the funds can be aggregated for purchase) until they are used to purchase Shares within a reasonable time after the Custodian receives such deposits (generally one business day after the Custodian receives the Deposits). The purchase price per Share is the average price per Share on the date of purchase. Once purchased, the Shares are fully vested and are held in an account in the name of the ISOP (not the Custodian). After purchase, the Shares, which are fully vested, are held in each Member's account under the ISOP. Members may elect to withdraw Shares by filing a withdrawal request in accordance with the Company's procedures. In addition, upon a termination from service, Members are paid their vested interest in their accounts under the ISOP, in either Shares or cash, unless they elect to defer receipt in accordance with the terms of the ISOP. </td></tr>
<tr><td>E.4</td><td>Description of material interest to the offer including conflict of interests</td><td>Not applicable. There are no such interests.</td></tr>
<tr><td>E.5</td><td>Name of the entity offering to sell the security</td><td>The Procter & Gamble Company.</td></tr>
<tr><td>E.6</td><td>Maximum dilution</td><td> Assuming that the Shares offered under this prospectus would all be newly issued, the holdings of a shareholder of the Company currently holding 1% of the total outstanding share capital of the Company as of December 31, 2018 (i.e., 2,501,579,709 shares) and who is not an eligible employee participating in the offer would be diluted as indicated in the following table:
<table>
<tr><th></th><th>Percentage of the total outstanding Shares</th><th>Total number of outstanding Shares</th></tr>
<tr><td>Before the issuance of Shares under the ISOP (as of December 31, 2018)</td><td>1.00%</td><td>2,501,579,709</td></tr>
<tr><td>After issuance of 2,464,275 Shares under the ISOP</td><td>0.999%</td><td>2,504,043,984</td></tr>
</table></td></tr>
</table>

E.7	**Estimated expenses charged to the investor**	Not applicable. There are no such expenses.

II. RISK FACTORS

Any investment in the Shares involves substantial risks. Before deciding to purchase Shares, prospective investors should carefully review and consider the following risk factors and the other information contained in this prospectus. The occurrence of one or more of the risks described below may have a material adverse effect on the Company's cash flows, results of operations and financial condition and endanger the Company's ability to continue as a going concern. Moreover, the Company's share price could fall significantly if any of these risks were to materialize, in which case investors could lose all or part of their investment.

Investors should note that the risks discussed below are not the only risks to which the Company is exposed. Additional risks and uncertainties, which are not currently known to the Company, which the Company currently believes are immaterial or which are inherent in any company, could likewise impair its business operations or have an adverse effect on the Company's cash flows, results of operations, financial condition, the Company's ability to continue as a going concern and the price of its shares. The order in which the risks are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on the Company's cash flows, results of operations and financial condition, the Company's ability to continue as a going concern or the price of the Company's shares. Investors should consider carefully whether an investment in the Shares is suitable for them in light of the information contained in this prospectus and their own personal circumstances.

A. RISKS RELATING TO THE COMPANY'S BUSINESS

Set forth below are summaries of the most significant risks, uncertainties or factors that may affect the Company's operations and future financial results. Other risks and uncertainties, of which the group is not currently aware or which it does not consider as material as of the date of filing this document, could also have a material adverse impact on the Company's future results.

Our business is subject to numerous risks as a result of our having significant operations and sales in international markets, including foreign currency fluctuations, currency exchange or pricing controls and localized volatility.

We are a global company, with operations in approximately 70 countries and products sold in more than 180 countries and territories around the world. We hold assets, incur liabilities, earn revenues and pay expenses in a variety of currencies other than the U.S. dollar, and our operations outside the U.S. generate a significant portion of our net revenue. Fluctuations in exchange rates for foreign currencies may reduce the U.S. dollar value of revenues, profits and cash flows we receive from non-U.S. markets, increase our supply costs (as measured in U.S. dollars) in those markets, negatively impact our competitiveness in those markets or otherwise adversely impact our business results or financial condition. Moreover, discriminatory or conflicting fiscal or trade policies in different countries, including potential changes to tariffs and existing trade policies and agreements, could adversely affect our results.

We also have businesses and maintain local currency cash balances in a number of countries with currency exchange, import authorization, pricing or other controls or restrictions, such as Nigeria, Algeria and Egypt. Our results of operations and financial condition could be adversely impacted if we are unable to successfully manage such controls and restrictions, continue existing business operations and repatriate earnings from overseas, or if new or increased tariffs, quotas, exchange or price controls, trade barriers or similar restrictions are imposed on our business.

Additionally, our business, operations or employees may be adversely affected by political volatility, labor market disruptions or other crises or vulnerabilities in individual countries or regions, including political instability or upheaval, broad economic instability or sovereign risk related to a default by or deterioration in the credit worthiness of local governments, particularly in emerging markets.

Uncertain global economic conditions may adversely impact demand for our products or cause our customers and other business partners to suffer financial hardship, which could adversely impact our business.

Our business could be negatively impacted by reduced demand for our products related to one or more significant local, regional or global economic disruptions, such as: a slow-down in the general economy; reduced market growth rates; tighter credit markets for our suppliers, vendors or customers; a significant shift in government policies; or the inability to conduct day-to-day transactions through our financial intermediaries to pay funds to or collect funds from our customers, vendors and suppliers. Additionally, economic conditions may cause our suppliers, distributors, contractors or other third-party partners to suffer financial difficulties that they cannot overcome, resulting in their inability to provide us with the materials and services we need, in which case our business and results of operations could be adversely affected.

Customers may also suffer financial hardships due to economic conditions such that their accounts become uncollectible or are subject to longer collection cycles. In addition, if we are unable to generate sufficient income and cash flow, it could affect the Company’s ability to achieve expected share repurchase and dividend payments.

Disruptions in credit markets or changes to our credit ratings may reduce our access to credit.

A disruption in the credit markets or a downgrade of our current credit rating could increase our future borrowing costs and impair our ability to access capital and credit markets on terms commercially acceptable to us, which could adversely affect our liquidity and capital resources or significantly increase our cost of capital.

Disruption in our global supply chain may negatively impact our business results.

Our ability to meet our customers’ needs and achieve cost targets depends on our ability to maintain key manufacturing and supply arrangements, including execution of supply chain optimizations and certain sole supplier or sole manufacturing plant arrangements. The loss or disruption of such manufacturing and supply arrangements, including for issues such as labor disputes, loss or impairment of key manufacturing sites, discontinuity in our internal information and data systems, inability to procure sufficient raw or input materials, significant changes in trade policy, natural disasters, increasing severity or frequency of extreme weather events due to climate change or otherwise, acts of war or terrorism or other external factors over which we have no control, could interrupt product supply and, if not effectively managed and remedied, have an adverse impact on our business, financial condition or results of operations.

Our businesses face cost fluctuations and pressures that could affect our business results.

Our costs are subject to fluctuations, particularly due to changes in the prices of commodities and raw materials and the costs of labor, transportation, energy, pension and healthcare. Therefore, our business results are dependent, in part, on our continued ability to manage these fluctuations through pricing actions, cost saving projects and sourcing decisions, while maintaining and improving margins and market share. Failure to manage these fluctuations could adversely impact our financial results.

Our ability to meet our growth targets depends on successful product, marketing and operations innovation and successful responses to competitive innovation and changing consumer habits.

We are a consumer products company that relies on continued global demand for our brands and products. Achieving our business results depends, in part, on successfully developing, introducing and marketing new products and on making significant improvements to our equipment and manufacturing processes. The success of such innovation depends on our ability to correctly anticipate customer and consumer acceptance and trends, to obtain, maintain and enforce necessary intellectual property protections and to avoid infringing upon the intellectual property rights of others. We must also successfully respond to technological advances made by, and intellectual property rights granted to, competitors. Failure to continually innovate, improve and respond to competitive moves and changing consumer habits could compromise our competitive position and adversely impact our results.

The ability to achieve our business objectives is dependent on how well we can compete with our local and global competitors in new and existing markets and channels.

The consumer products industry is highly competitive. Across all of our categories, we compete against a wide variety of global and local competitors. As a result, we experience ongoing competitive pressures in the environments in which we operate, which may result in challenges in maintaining profit margins. To address these challenges, we must be able to successfully respond to competitive factors and emerging retail trends, including pricing, promotional incentives, product delivery windows and trade terms. In addition, evolving sales channels and business models may affect customer and consumer preferences as well as market dynamics, which, for example, may be seen in the growing consumer preference for shopping online and growth in hard discounter channels. Failure to successfully respond to competitive factors and emerging retail trends, and effectively compete in growing sales channels and business models, particularly e-commerce and mobile commerce applications, could negatively impact our results.

A significant change in customer relationships or in customer demand for our products could have a significant impact on our business.

We sell most of our products via retail customers, which include mass merchandisers, e-commerce, grocery stores, membership club stores, drug stores, department stores, distributors, wholesalers, baby stores, specialty beauty stores, high-frequency stores and pharmacies. Our success is dependent on our ability to successfully manage relationships with our retail trade customers, which includes our ability to offer trade terms that are mutually acceptable and are aligned with our pricing and profitability targets. Continued concentration among our retail customers could create significant cost and margin pressure on our business, and our business performance could suffer if we cannot reach agreement with a key customer on trade terms and principles. Our business could also be negatively impacted if a key customer were to significantly reduce the inventory level or shelf space of our products as a result of increased offerings of private label brands and generic non-branded products or for other reasons, significantly tighten product delivery windows or experience a significant business disruption.

If the reputation of the Company or one or more of our brands erodes significantly, it could have a material impact on our financial results.

The Company's reputation, and the reputation of our brands, form the foundation of our relationships with key stakeholders and other constituencies, including consumers, customers and suppliers. The quality and safety of our products are critical to our business. Many of our brands have worldwide recognition and our financial success is directly dependent on the success of our brands. The success of our brands can suffer if our marketing plans or product initiatives do not have the desired impact on a brand's image or its ability to attract consumers. Our results could also be negatively impacted if one of our brands suffers substantial harm to its reputation due to a significant product recall, product-related litigation, defects or impurities in our products, product misuse, changing consumer perceptions of certain ingredients or environmental impacts, allegations of product tampering or the distribution and sale of counterfeit products. Additionally, negative or inaccurate postings or comments on social media or networking websites about the Company or one of its brands could generate adverse publicity that could damage the reputation of our brands or the Company. If we are unable to effectively manage real or perceived issues, including concerns about safety, quality, ingredients, efficacy, environmental impacts or similar matters, sentiments toward the Company or our products could be negatively impacted and our financial results could suffer. Our Company also devotes time and resources to citizenship efforts that are consistent with our corporate values and are designed to strengthen our business and protect and preserve our reputation, including programs driving ethics and corporate responsibility, strong communities, diversity and inclusion, gender equality and environmental sustainability. If these programs are not executed as planned or suffer negative publicity, the Company's reputation and financial results could be adversely impacted.

We rely on third parties in many aspects of our business, which creates additional risk.

Due to the scale and scope of our business, we must rely on relationships with third parties, including our suppliers, distributors, contractors, commercial banks, joint venture partners and external business partners, for certain functions. If we are unable to effectively manage our third-party relationships and the agreements under which our third-party partners operate, our financial results could suffer. Additionally, while we have policies and procedures for managing these relationships, they inherently involve a lesser degree of control over business operations, governance and compliance, thereby potentially increasing our financial, legal, reputational and operational risk.

An information security or operational technology incident, including a cybersecurity breach, or the failure of one or more key information or operations technology systems, networks, hardware, processes, and/or associated sites owned or operated by the Company or one of its service providers could have a material adverse impact on our business or reputation.

As part of the Company's regular review of potential risks, we maintain an information and operational technology ("IT/OT") risk management program that is primarily supervised by information technology management and reviewed by internal cross-functional stakeholders. As part of this program, analyses of emerging cybersecurity threats as well as the Company's plans and strategies to address them are regularly prepared and presented to senior management, the Audit Committee and the Board of Directors. Despite our policies, procedures and programs, including this IT/OT risk management program, we may not be effective in identifying and mitigating every risk to which we are exposed.

We rely extensively on IT/OT systems, networks and services, including internet and intranet sites, data hosting and processing facilities and technologies, physical security systems and other hardware, software and technical applications and platforms, many of which are managed, hosted, provided and/or used by third parties or their vendors, to assist in conducting our business. The various uses of these IT/OT systems, networks and services include, but are not limited to:

- ordering and managing materials from suppliers;
- converting materials to finished products;
- shipping products to customers;

- marketing and selling products to consumers;
- collecting, transferring, storing and/or processing customer, consumer, employee, vendor, investor, and other stakeholder information and personal data, including such data from citizens of the European Union who are covered by the General Data Protection Regulation ("GDPR");
- summarizing and reporting results of operations, including financial reporting;
- managing our banking and other cash liquidity systems and platforms;
- hosting, processing and sharing, as appropriate, confidential and proprietary research, business plans and financial information;
- collaborating via an online and efficient means of global business communications;
- complying with regulatory, legal and tax requirements;
- providing data security; and
- handling other processes necessary to manage our business.

Numerous and evolving information security threats, including advanced persistent cybersecurity threats, pose a risk to the security of our services, systems, networks and supply chain, as well as to the confidentiality, availability and integrity of our data and of our critical business operations. As cybersecurity threats rapidly evolve in sophistication and become more prevalent across the industry globally, the Company is continually increasing its attention to these threats. We assess potential threats and vulnerabilities and make investments seeking to address them, including ongoing monitoring and updating of networks and systems, increasing specialized information security skills, deploying employee security training, and updating security policies for the Company and its third-party providers. However, because the techniques, tools and tactics used in cyber attacks frequently change and may be difficult to detect for periods of time, we may face difficulties in anticipating and implementing adequate preventative measures or fully mitigating harms after such an attack.

Our IT/OT databases and systems and our third-party providers' databases and systems have been, and will likely continue to be, subject to advanced computer viruses or other malicious codes, ransomware, unauthorized access attempts, denial of service attacks, phishing, social engineering, hacking and other cyber-attacks. Such attacks may originate from nation states or attempts by outside parties, hackers, criminal organizations or other threat actors. To date, we have seen no material impact on our business or operations from these attacks; however, we cannot guarantee that our security efforts or the security efforts of our third-party providers will prevent material breaches, operational incidents or other breakdowns to our or our third-party providers' IT/OT databases or systems.

Periodically, we also need to upgrade our IT/OT systems or adopt new technologies. If such a new system or technology does not function properly or otherwise exposes us to increased cybersecurity breaches and failures, it could affect our ability to order materials, make and ship orders, and process payments in addition to other operational and information integrity and loss issues. Further, if the IT/OT systems, networks or service providers we rely upon fail to function properly or cause operational outages or aberrations, or if we or one of our third-party providers suffer significant unavailability of key operations, or inadvertent disclosure of, lack of integrity of, or loss of our sensitive business or stakeholder information, due to any number of causes, ranging from catastrophic events or power outages to improper data handling, security incidents or employee error or malfeasance, and our business continuity plans do not effectively address these failures on a timely basis, we may be exposed to reputational, competitive, operational, financial and business harm as well as litigation and regulatory action. The costs and operational consequences of responding to the above items and implementing remediation measures could be significant and could adversely impact our results.

Changing political conditions could adversely impact our business and financial results.

Changes in the political conditions in markets in which we manufacture, sell or distribute our products may be difficult to predict and may adversely affect our business and financial results. For example, the United Kingdom's decision to leave the European Union has created uncertainty regarding, among other things, the U.K.'s future legal and economic framework and how the U.K. will interact with other countries, including with respect to the free movement of goods, services, capital and people. In addition, results of elections, referendums or other political processes in certain markets in which our products are manufactured, sold or distributed could create uncertainty regarding how existing governmental policies, laws and regulations may change, including with respect to sanctions, taxes, the movement of goods, services, capital and people between countries and other matters. The potential implications of such uncertainty, which include, among others, exchange rate fluctuations, trade barriers and market contraction, could adversely affect the Company's business and financial results.

We must successfully manage compliance with laws and regulations, as well as manage new and pending legal and regulatory matters in the U.S. and abroad.

Our business is subject to a wide variety of laws and regulations across all of the countries in which we do business, including those laws and regulations involving intellectual property, product liability, marketing, antitrust, data protection, environmental (including climate, water, waste), employment, anti-bribery, anti-corruption, tax, accounting and financial reporting or other matters. Rapidly changing laws, regulations and related interpretations, as well as increased enforcement actions, create challenges for the Company, including our compliance and ethics programs, and may alter the environment in which we do business, which could adversely impact our financial results. If we are unable to continue to meet these challenges and comply with all laws, regulations and related interpretations, it could negatively impact our reputation and our business results. Failure to successfully manage regulatory and legal matters and resolve such matters without significant liability or damage to our reputation may materially adversely impact our results of operations and financial position. Furthermore, if pending legal or regulatory matters result in fines or costs in excess of the amounts accrued to date, that may also materially impact our results of operations and financial position.

Changes in applicable tax regulations and resolutions of tax disputes could negatively affect our financial results.

The Company is subject to taxation in the U.S. and numerous foreign jurisdictions. Changes in the various tax laws can and do occur. For example, on December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "U.S. Tax Act"). The changes included in the U.S. Tax Act are broad and complex. The final transition impacts of the U.S. Tax Act may differ from the estimates provided elsewhere in this report, possibly materially, due to, among other things, changes in interpretations of the U.S. Tax Act, any regulatory guidance or legislative action to address questions that arise because of the U.S. Tax Act or any updates or changes to estimates the Company has utilized to calculate the transition impacts, including impacts from changes to current year earnings estimates.

Additionally, longstanding international tax norms that determine each country's jurisdiction to tax cross-border international trade are evolving as a result of the Base Erosion and Profit Shifting reporting requirements ("BEPS") recommended by the G8, G20 and Organization for Economic Cooperation and Development ("OECD"). As these and other tax laws and related regulations change, our financial results could be materially impacted. Given the unpredictability of these possible changes and their potential interdependency, it is very difficult to assess whether the overall effect of such potential tax changes would be cumulatively positive or negative for our earnings and cash flow, but such changes could adversely impact our financial results.

Furthermore, we are subject to regular review and audit by both foreign and domestic tax authorities. While we believe our tax positions will be sustained, the final outcome of tax audits and related litigation, including maintaining our intended tax treatment of divestiture transactions such as the fiscal 2017 Beauty Brands transaction with Coty, may differ materially from the tax amounts recorded in our Consolidated Financial Statements, which could adversely impact our cash flows and financial results.

We must successfully manage ongoing acquisition, joint venture and divestiture activities.

As a company that manages a portfolio of consumer brands, our ongoing business model includes a certain level of acquisition, joint venture and divestiture activities. We must be able to successfully manage the impacts of these activities, while at the same time delivering against our business objectives. Specifically, our financial results could be adversely impacted by the dilutive impacts from the loss of earnings associated with divested brands or dissolution of joint ventures such as the termination of the PGT Healthcare partnership between the Company and Teva Pharmaceutical Industries. Our financial results could also be impacted by acquisitions or joint venture activities, such as the recent acquisition of Merck KGaA's Consumer Health business, if: 1) changes in the cash flows or other market-based assumptions cause the value of acquired assets to fall below book value, or 2) we are not able to deliver the expected cost and growth synergies associated with such acquisitions and joint ventures, including as a result of integration and collaboration challenges, which could also have an impact on goodwill and intangible assets.

Our business results depend on our ability to successfully manage productivity improvements and ongoing organizational change.

Our financial projections assume certain ongoing productivity improvements and cost savings, including staffing adjustments as well as employee departures. Failure to deliver these planned productivity improvements and cost savings, while continuing to invest in business growth, could adversely impact our financial results. Additionally, successfully executing organizational change, including management transitions at leadership levels of the Company and motivation and retention of key employees, is critical to our business success. Factors that may affect our ability to attract and retain sufficient numbers of qualified employees include employee morale, our reputation, competition from other employers and availability of qualified personnel. Our success is dependent on identifying, developing and retaining key employees to provide uninterrupted leadership and direction for our business. This includes developing and retaining organizational capabilities in key growth markets where the depth of skilled or experienced employees may be limited and competition for these resources is intense, as well as continuing the development and execution of robust leadership succession plans.

B. RISKS RELATED TO THE PARTICIPATION IN THE ISOP

The risks related to participation in the ISOP can be summarized as follows:

- Participation in the ISOP is subject to the same risks as inherent to any investment in shares (such as movements in the stock exchange price of the shares). Share prices may go down, and the value of shares cannot be guaranteed. A participant in the ISOP potentially faces the risk of losing a part or all of his invested capital.
- Participation in the ISOP is subject to a currency risk (e.g. USD/EUR, USD/CZK or USD/GBP) that could adversely affect the amount invested in the ISOP and anticipated profit resulting from

participation in the ISOP.

- The possible tax and/or social security consequences of participation in the ISOP could adversely affect the anticipated profit resulting from participation in the ISOP.
- A Member faces the risk of losing the benefit of the tax advantages related to the ISOP if such Member withdraws from the ISOP prior to the end of the Holding Period (as defined below).
- Employees located in the United Kingdom should be aware that in case the United Kingdom withdraws from the EU without a withdrawal agreement on 29 March 2019 or any other date, there is a risk that this prospectus will no longer be valid for the offering of Shares in the United Kingdom. In addition, should a supplement to this prospectus be required between 29 March 2019 or any other date and 21 July 2019 (i.e. the date of entry into force of Regulation (EU) 2017/1129 pursuant which no prospectus will have to be published for securities offered to existing employees by their employer or by an affiliated undertaking), it shall not be passported to the UK but shall have to be approved by the UK Financial Conduct Authority.
- Given that the deductions are held in an unallocated account (and that some time may lapse until the investment in the P&G shares), the investors face a risk of possible a bankruptcy or other insolvency of the Custodian (as defined below). In such case, a Members would be general creditors of the Custodian (along with other creditors of the Custodian). The shares, once purchased, are held in an account in the name of the ISOP (not the Custodian).

III. INFORMATION CONCERNING THE ISOP

The information under this Chapter III is a summary of the provisions of the ISOP, which is attached (in full, together with its appendices which contain country specific modifications) to the prospectus as Exhibit I.

1. STRUCTURE OF THE ISOP

The ISOP consists of (i) an Amended and Restated International Procter & Gamble Stock Ownership Plan, effective September 1991 and representing, at the date of the prospectus, approximately 99% of the total of the shares purchased under the ISOP, and (ii) the Procter & Gamble Ireland Employees Share Ownership Plan (the "ESOP"), the Procter & Gamble 1-4-1 Plan (the "1-4-1 Plan") and the Procter & Gamble UK Share Investment Scheme (together with the ESOP and the 1-4-1 Plan, the "Irish and UK Plans") representing, at the date of the prospectus, approximately 1% of the total of the Shares purchased under the ISOP.

The structure applicable to the ISOP as provided in this prospectus applies to both the Amended and Restated International Procter & Gamble Stock Ownership Plan and the Irish and UK Plans except that the Irish and UK Plans differ on these two points: (i) different Member contribution thresholds (as discussed below) and (ii) favorable tax-qualified status for the ESOP (as defined below) and the 1-4-1 Plan (as discussed in Exhibit IV). Below please find a discussion of the Irish and UK Plans' differences from the Amended and Restated International Procter & Gamble Stock Ownership Plan.

Procter & Gamble Ireland Employees Share Ownership Plan

Effective June 1998, the Company adopted the ESOP. The ESOP permits eligible employees to contribute up to 2.5% of their Base Pay (instead of 15% under the Amended and Restated International Procter & Gamble Stock Ownership Plan) to purchase shares of the Company's common stock at fair market value using employee and employer contributions. It is a qualified Employee Share Scheme under Irish tax legislation.

Procter & Gamble 1-4-1 Plan

Effective August 2002, the Company adopted the P&G 1-4-1 Plan. The 1-4-1 Plan permits eligible employees to contribute up to 2.5% of their Base Pay (instead of 15% under the Amended and Restated International Procter & Gamble Stock Ownership Plan) to purchase shares of the Company's common stock at fair market value using employee and employer contributions. The Plan is a qualified Employee Share Scheme under UK tax legislation.

Procter & Gamble UK Share Investment Scheme

Effective January 1996, the Company adopted the Procter & Gamble UK Share Investment Scheme. The Share Investment Scheme Plan permits eligible employees and retirees to purchase Shares under a direct stock purchase plan designed to encourage long-term investment in Shares. Shares are purchased with employee contributions at fair market value. No employer contributions are contributed under the Share Investment Scheme Plan. The Plan is not qualified under UK tax legislation.

2. THE OUTLINE

2.1 Purpose of the ISOP and use of proceeds

The purpose of the ISOP is to encourage eligible employees who are not residents of the United

States to make and continue careers with the participating subsidiaries and affiliates of P&G by providing eligible employees with a convenient way (i) to obtain a beneficial interest in the Company and (ii) to save on a regular and long-term basis.

The net proceeds will be used for general corporate purposes.

2.2 **Plan Administration**

The Participating Companies (as defined below) are responsible for determining eligible employees and facilitating the payroll deductions under the ISOP. The money received under the ISOP is then sent to the custodian (the "Custodian") for the purchase of Shares under the ISOP. The Custodian is currently Bank of America Merrill Lynch and operates as the custodian for all Participating Companies (as defined below). The Custodian's address is:

Bank of America Merrill Lynch
Mail Code NJ2-140-03-65
Princeton Place at Hopewell Bldg.4
1400 American Blvs
Pennington, NJ 08534

The Custodian is responsible for purchasing the Shares and subsequently selling the Shares when a sale order is placed. The Company is responsible for maintaining records of share ownership for each Member.

2.3 **Shares Offered Under the ISOP**

Generally, full-time employees are eligible to participate in the ISOP on the date that they begin service with the Company or a subsidiary of the Company that has adopted the ISOP for participation by its employees (a "Participating Company") and may enroll in the ISOP at any time thereafter through the procedure(s) designated by the Company. Once an eligible employee ("Member") enrolls, he or she is eligible to make payroll deduction contributions from his or her salary or wages ("Base Pay") commencing on the first day of the pay period coincident with or next following his or her entry date in the ISOP, or as soon as administratively practicable thereafter (the "Entry Date").

A total of 2,464,275 Shares, which are outstanding shares of Procter & Gamble common stock traded on the New York Stock Exchange ("NYSE"), are offered under the ISOP. This potential maximum total represents approximately 0.0985% of the 2,501,579,709 Shares outstanding as of December 31, 2018. Such number is subject to adjustments effected in accordance with the ISOP.

2.4 **Purchase Period**

Shares are purchased by the Custodian (after its receipt of the contribution) for the ISOP within a reasonable time of its receipt of contributions for each pay period. Purchases generally occur on the first business day after the Custodian receives the contributions.

2.5 **Purchase Price**

Shares, which can only be purchased by the Custodian on the NYSE, are purchased at the average price per Share on the purchase date to accommodate multiple purchases on a single date. Shares are purchased at the current fair market value. The price is reported to the Members after purchase along with the number of Shares they purchased.

2.6 **Purchase of the Company Shares**

When enrolling in the ISOP, Members must specify the percentage (in whole percentages up to 15%) which he/she authorizes for deductions each pay period from his/her Base Pay for the ISOP. Up to the first 5% of Base Pay elected to be contributed to the ISOP ("Basic Deposits") are eligible for a matching contribution made by the Member's employer equal to 50% of the Member's Basic Deposits for that pay period; provided, that during the first year of a Member's participation in the ISOP, the matching contribution will equal 100% of the Basic Deposits for the first 1% of the Member's Base Pay for each pay period during that one-year period. Any excess contributions over 5% are not eligible for a matching contribution ("Additional Deposits"). The Company may also allow Members to make lump sum payments to the ISOP ("Special Additional Deposits") during a plan year in accordance with procedures established by the Company that are not eligible to receive a matching contributions.

The accumulated Basic Deposits, Additional Deposits and Special Additional Deposits are delivered to the Custodian, where they are held in an unallocated account (so the funds can be aggregated for purchase) until they are used to purchase Shares within a reasonable time after the Custodian receives such deposits (generally one business day after the Custodian receives the Deposits). The purchase price per Share is the average price per Share on the date of purchase. Once purchased, the Shares are fully vested and are held in an account in the name of the ISOP (not the Custodian).

2.7 **Term of the ISOP**

The ISOP will continue indefinitely, unless otherwise terminated by the Company or by a Participating Company (in the latter case, in respect of that Participating Company's Members only).

2.8 **Amendment or Termination of the ISOP**

The Company reserves the right at any time, either prospectively or retroactively, to amend, suspend or terminate the ISOP any contributions thereunder or the plan fund, in whole or in part, and for any reason and without the consent of any Member, beneficiary or Participating Company and each Participating Company reserves the same right (albeit subject to the prior consent of the Company) in respect of its employees in a jurisdiction, or any contributions thereunder, in whole or in part, and for any reason without the consent of any Member or beneficiary.

With the consent of the Company, any Participating Company may establish a Share-based program or arrangement integrated into the structure of the ISOP. This provision is utilized when exchange controls may prevent the operation of the ISOP.

3. ELIGIBILITY

3.1 **Eligible Employees**

As determined by each Participating Company, any active full-time employee of the Company or a Participating Company, unless otherwise required under applicable local law on an Entry

Date shall be eligible to participate in the ISOP with respect to the pay period commencing on such Entry Date. Membership in the ISOP by eligible employees shall be wholly voluntary.

3.2 **Participation of Eligible Employees**

An employee who is eligible to participate in the ISOP may become a Member by completing and submitting, on or after the date on which they become eligible to participate in the ISOP, the prescribed application forms with the Company and/or the Participating Company in accordance with procedures established by the Company and/or the Participating Company.

Once enrolled in the ISOP, a Member shall continue to participate in the ISOP until he or she withdraws, is deemed to have withdrawn or ceases to be an eligible employee under the terms of the ISOP.

A Member may elect to make a withdrawal by filing a withdrawal request with the Company or a Participating Company during the election period. The amount of the withdrawal shall be paid to the Member as soon as practicable after receipt of the withdrawal request. A Member may make an unlimited number of withdrawals; however, each withdrawal must equal or exceed the lower of ten Shares or 10% of the members Account which are Mature. "Mature" Shares are those Shares (i) attributable to the Member's Basic Deposits and Participating Company contributions the day after the fifth anniversary of the date the Shares were acquired for the Member; (ii) the Member's Additional Deposits, the day the Shares were acquired for the Member; and (iii) for special plan event funds, the date determined prior to such allocation. If Shares are withdrawn which are not considered Mature Shares, the Company Match is suspended for one year.

3.3 **Payroll Deductions**

Members must specify the percentage (up to 15%) which he/she authorizes for deductions each pay period from his/her Base Pay for the ISOP. The percentage specified must be made in 1% multiples for administrative purposes. The Company may also allow Members to make Special Additional Deposits during a plan year in accordance with procedures established by the Company.

Members do not have to make an election for each pay period; their election to participate will remain in effect until the Member either changes the rate of contributions or suspend making deposits to the ISOP. A Member may change the percentage of authorized deductions, upward or downward, or resume making deposits, by filing the prescribed election with the Company and/or the Participating Company, with such change taking effect as of the first day of the pay period coincident with or next following the date that the election is received by the Company and/or the Participating Company, or as soon as administratively practicable thereafter

3.4 **Discontinuance of Participation of Members**

A Member may temporarily suspend all Deposits as of the first (1st) day of any pay period as soon as administratively practicable thereafter, without terminating his or her membership in the ISOP, by filing a suspension request in accordance with the Company's procedures..

The membership of a Member in the Plan shall cease for the purposes of making Deposits when he or she is no longer an eligible Employee of the Participating Company in that Jurisdiction.

The membership of an Employee shall cease for all purposes upon payment to the Member of his or her entire vested interest, or upon the Member's death prior to such payment.

Members will automatically have their participation suspended during the period of time that the Member (i) is no longer an eligible employee even if still employed by the Company or a Participating Company, (ii) is on a leave of absence, (iii) ceases to receive Base Pay, (iv) incurs a disability (as defined in the ISOP), or remains in service after the termination of the ISOP. These provisions are designed to facilitate administration of the ISOP when the Member is no longer an eligible employee or is no longer receiving Base Pay (or is receiving a reduced Base Pay).

3.5 **Termination of Employment of Eligible Employees**

Upon a Member’s termination from service, that Member (or upon his or her death, his or her beneficiary) to be paid his/her vested interest, shall elect a distribution in either cash or Shares. The Member shall be paid his or her vested interest as soon as practicable following the first sale date after receipt of the Member's final distribution election or deemed election under the procedures set forth in the ISOP. If no final distribution election is made, upon termination from service, the Member will receive a cash distribution of his/her total account.

In addition, upon a termination from service, Members are paid their vested interest in their accounts under the ISOP, in either Shares or cash, unless they elect to defer receipt in accordance with the terms of the ISOP. The ability to defer receipt applied to terminations by reason of Retirement, Disability, or Redundancy prior to July 1, 2015.

4. DELIVERY AND SALE OF THE COMPANY SHARES

The Company shall establish and maintain (or cause to be established and maintained) in respect of each Member, an account showing the Employee's interest under the Plan, designated in Shares and cash, including separate designations showing, among other things,) the portion of his or her account attributable to Basic Deposits and Additional Deposits, including Special Additional Deposits. Upon either the receipt of a withdrawal request or termination of service, the Custodian shall distribute Shares to the Member unless the Member elects to receive cash pursuant to the Member’s withdrawal request or does not make a final distribution election, in which cases the Custodian shall distribute cash after selling the Shares back into the NYSE. Such cash amount shall be the aggregate average price of a Share on the date of sale, which is the next day of the calendar week following the date the Custodian is in receipt of a sale request that is a business day on both the New York Stock Exchange and in the jurisdiction of the Custodian, or as soon as administratively practical thereafter, and shall be converted into the local currency of the Member’s jurisdiction.

Any cash dividends received by Members on their Shares will be reinvested in additional Company Shares, less any applicable United States Federal income tax withheld at source. In the event of a tender offer, each Member may direct the Company to instruct the Custodian to tender his or her shares. If no such direction is made, such Member will have been deemed to have not elected to have tendered his or her shares and the Member will retain his or her Shares. In the event of any changes in outstanding Shares by reason of share dividend or split, recapitalization, rights issue, merger, consolidation, spin-off, reorganization, combination or exchange of Shares or other similar corporate change, then if the Company so determines that such change equitably requires an adjustment to Members’ accounts or any other adjustment, such adjustments shall be made by the Company under such uniform terms and conditions as it deems appropriate.

Each Member shall file a designation of beneficiary with the Company or Participating Company who shall be entitled to the ISOP amount, if any, payable under the ISOP upon his or her death.

5. RIGHTS RELATED TO THE COMPANY SHARES

5.1 Type and the Class of the Securities Being Offered, Including the Security Identification Code

As of December 31, 2018, the Company was authorized to issue 10,000,000,000 Shares, without par value. The Company was also authorized to issue 600,000,000 shares of convertible Class A preferred stock and 200,000,000 Non-Voting Class B preferred stock (both without par value). 2,464,275 Shares are available under the Plan (and these Shares are already issued shares).

The Shares are listed on the NYSE under the symbol “PG.” The CUSIP number for the Shares is 742718109. The Shares are outstanding shares of Procter & Gamble tradable on the NYSE under the ISOP and have the same rights as those attached to the shares currently traded on the NYSE.

5.2 Legislation Under Which the Securities Have Been Created

The Shares were created under the General Corporation Law of the State of Ohio (US) as provided by the ORC. Except as otherwise expressly required under the laws of a country, the ISOP and all rights thereunder shall be governed by and construed in accordance with the laws of the State of Ohio, United States of America, without resort to conflict of laws principles thereof.

5.3 Form of Securities, Name and Address of the Entity in Charge of Keeping the Records

The Shares are in registered form.

The records are kept by the Company’s Stock Plan Administration division.

Stock Plan Administration can be contacted via email at gethelp.im@pg.com, by telephone at 513-983-5125, or by mail at The Procter & Gamble Company, Stock Plan Administration, Two Procter & Gamble Plaza, Cincinnati, Ohio 45202, USA.

Members are informed of the number of Shares purchased by consulting their account by visiting the online record system established by P&G at My ISOP which can be found within the Life & Career section of the internal P&G intranet, by selecting Benefits & Plans, Rewards & Recognition, Stock Ownership and Plans, and then My ISOP.

Commission

A $0.06 per share commission is charged on both the sale and purchase of Shares under the ISOP.

5.4 Currency of the Securities Issue

The Shares shall be purchased in United States Dollars.

5.5 Rights Attached to the Securities

No Member shall have any voting, dividend, or other shareholder rights with respect to any offering under the ISOP until the Shares have been purchased and delivered to the Member as provided in Paragraph 3 above. Following such purchase and delivery, the Member shall be entitled to the rights attached to the Shares of Common Stock, as further described below.

The following summary is a description of the material terms of the common stock, without par value, of the Company ("Common Stock") and is not meant to be complete. You should also refer to the Company's Amended Articles of Incorporation (the "Amended Articles of Incorporation"), the Company's Regulations (the "Regulations") and the applicable provisions of the ORC.

Authorized Capital Stock. The Amended Articles of Incorporation authorize the issuance of 10,000,000,000 shares of Common Stock, 600,000,000 shares of Class A preferred stock ("Class A Preferred Stock"), and 200,000,000 shares of Class B preferred stock ("Class B Preferred Stock") all without par value. As of December 31, 2018, there were 2,501,579,709 shares of Common Stock, 90,322,975 shares of Class A Preferred Stock and 0 shares of Class B Preferred Stock outstanding.

Common Stock Outstanding. The outstanding shares of Common Stock are, and the Shares will be, duly authorized, validly issued, fully paid and non-assessable.

Dividend Rights; Rights Upon Liquidation. Each holder of Common Stock is entitled to receive, from funds legally available for the payment thereof, dividends when and as declared by resolution of the Company's board of directors (the "Board"), subject to the preferential dividend rights granted to the holders of any outstanding Class A Preferred Stock and Class B Preferred Stock. Dividends may be paid in cash, in property, or in Shares. In the event of any liquidation, dissolution or winding up, each share of Common Stock is entitled to share pro rata in any distribution of the Company's assets after payment or providing for the payment of liabilities and the liquidation preference of any outstanding Class A Preferred Stock and Class B Preferred Stock.

The Board may set apart out of any of the Company’s funds available for dividends a reserve or reserves for any proper purpose and may abolish or modify any such reserve. Such purposes shall include, but not be limited to, equalizing dividends, repairing or maintaining any property of the Company, and meeting contingencies.

The Company paid quarterly dividends of $0.6896 per share of Common Stock for the first three quarters of fiscal 2018. For the fourth quarter of fiscal 2018 and the first two quarters of fiscal 2019, the Company paid quarterly dividends of $0.7172 per share of Common Stock. The Company considers the payment of dividends after reviewing dividend yields, profitability expectations and financing needs, and dividends may be declared from time to time at the discretion of the Board.

Voting Rights. Each holder of Common Stock and each holder of Class A Preferred Stock is entitled to one vote for each share held of record on the applicable record date on all matters submitted to a vote of holders of Common Stock or Class A Preferred Stock, as applicable. The holders of Class B Preferred Stock are not entitled to vote other than as provided by law.

The Board is not classified and each member is elected annually. Each nominee for director shall be elected to the Board by a vote of the majority of the votes cast with respect to such nominee at any meeting of shareholders for the election of directors at which a quorum is present; *provided*, *however*, that if the number of nominees for directors exceeds the number of directors to be elected, the nominees receiving the greatest number of votes up to the number of directors to be elected) shall be elected.

Meetings of shareholders shall be held in Cincinnati, Hamilton County, Ohio, but the shareholders or the Board shall have authority to provide for the holding of meetings of shareholders elsewhere within or without the State of Ohio, except the annual meeting, or a meeting to elect directors. The Board is authorized to determine that a meeting shall not be held at a physical place, but instead may be held solely by means of communications equipment as authorized by Ohio law.

The annual meeting of the shareholders shall be held on the second Tuesday of October in each year, or on such other date within 30 days of such date as may be designated by the Board. At the meeting, directors shall be elected and any other proper business may be transacted.

Special meetings of the Company's shareholders may be called and held as provided by law. Section 1701.40 provides that meetings of shareholders may be called by any of the following: (i) the chairperson of the board, the president, or, in case of the president's absence, death, or disability, the vice-president authorized to exercise the authority of the president; (ii) the directors by action at a meeting, or a majority of the directors acting without a meeting; (iii) persons who hold 25% of all shares outstanding and entitled to vote at the meeting; and (iv) such other officers or persons as the articles or the regulations authorize to call the meetings. The Regulations provide for certain shareholder requirements and procedures that must be followed in order for business to be brought before a meeting by a shareholder. The Regulations may be altered, amended, added to or repealed by the Board (to the extent permitted by the ORC) or by the affirmative vote of the holders of at least a majority of the outstanding shares of capital stock of the Company entitled to vote thereon, voting as a single class.

Under the ORC, shareholders may adopt an amendment to a corporation's articles of incorporation by the affirmative vote of the holders of shares entitling them to exercise two-thirds of the voting power of the corporation on the proposal, unless the articles otherwise provide. The Amended Articles of Incorporation alter this default amendment process, however, by permitting the adoption of an amendment thereto to be taken by the affirmative vote of a majority of shares entitled to vote thereon or, if the vote is required to be by classes, by the affirmative vote of a majority of each class or classes entitled to vote thereon as a class.

Under Section 1701.71 of the ORC, an amendment to a corporations articles of incorporation that purports to do any of the following with respect to a class of the corporation's capital stock would require the separate approval of the shareholders affected by the amendment: (i) increase or decrease the par value of the issued and unissued shares (if the amendment would reduce or eliminate the stated capital of the corporation); (ii) change issued stock of a class into a lesser number of shares or into the same or a different number of shares of any other class theretofore or then authorized (or so change any other class of capital stock if the amendment would reduce or eliminate the stated capital of the corporation); (iii) change the express terms of, or add express terms to, the shares of a class in any manner substantially prejudicial to the holders of such shares; (iv) change the express terms of issued shares of any class senior to the particular class in any manner substantially prejudicial to the holders of shares of the particular class; (v) authorize shares of another class that are convertible into, or authorize the conversion of shares of another class into, such class, or authorize the directors to fix or alter conversion rights of shares of another class that are convertible into such class; (vi) provide that the stated capital of the corporation will be reduced or eliminated as a result of an amendment described under (i) or (ii) above, or provide, in the case of an amendment described in under (v) above, that the stated capital of the corporation will be reduced or eliminated upon the exercise of such conversion rights; (vii) change substantially the purpose of the corporation, or provide that thereafter an amendment to the corporation's articles of incorporation may be adopted that changes substantially the purposes of the corporation; or (viii) change the corporation into a nonprofit corporation.

Under Section 1701.83 of the ORC, if a combination or majority share acquisition involves the issuance or transfer by the acquiring corporation of a number of its shares that would entitle holders of such shares to exercise one-sixth or more of the voting power of the corporation after the consummation of such transaction, the transaction must be approved at a meeting held for the purpose by an affirmative vote of two-thirds of the voting power of the corporation, or a different proportion of the voting power not less than a majority, as the articles of incorporation provide. The Amended Articles of Incorporation provide that the approval of such a transaction generally requires the affirmative vote of a majority of shares entitled to vote thereon.

Notwithstanding the foregoing, the Amended Articles of Incorporation require the affirmative vote of at least 80% of the outstanding shares of capital stock of the Company entitled to vote thereon, voting as a single class, to approve any of the following transactions: (i) the purchase by the Company of any of its shares of any class from any Related Person (as defined therein), if any such shares have been beneficially owned by the Related Person less than two years prior to the date of such purchase or any agreement in respect thereof (except to the extent that such purchase is made as part of any purchase by the Company of its shares made on the same terms to all holders of the shares to be purchased and complying with the applicable requirements of the Securities Exchange Act of 1934); (ii) any merger or consolidation of the Company or a subsidiary of the Company with or into any Related Person, in each case without regard to which entity is the surviving entity; (iii) any sale, lease, exchange, transfer or other disposition of all or any substantial part of the assets of the Company or a subsidiary of the Company to or with any Related Person; (iv) the purchase by the Company from any Related Person of any assets or securities, or a combination thereof, except assets or securities or a combination thereof so acquired in a single transaction or a series of related transactions having an aggregate fair market value of less than $50,000,000; (v) the issuance or transfer of any securities of the Company to any Related Person for cash; (vi) the adoption of any plan or proposal for the voluntary dissolution, liquidation, spin-off, or split-up of any kind of the Company or a subsidiary of the Company, or a recapitalization or reclassification of any securities of the Company, proposed by or on behalf of any Related Person; or (vii) any other material transaction involving the Company or a subsidiary of the Company with, or proposed by or on behalf of, any Related Person; *provided*, *however*, that, with respect to (ii) through (vii) above, such supermajority vote would not be required if the Board shall by resolution have approved a memorandum of understanding with such Related Person with respect to and substantially consistent with such transaction prior to the time the Related Person became such, or if the transaction is approved by a resolution adopted by the affirmative vote of at least two-thirds of the members of the whole Board at any time prior to the consummation thereof.

Section 1701.70 of the ORC sets forth certain instances in which the directors of a corporation may adopt an amendment to the articles of incorporation, including (i) when and to the extent authorized by the articles of incorporation, determining the rights of a class of shares that has not yet been issued, (ii) authorizing sufficient shares to satisfy the conversion rights of convertible security holders and/or of option rights holders as set forth in the articles of incorporation or approved by requisite shareholder vote, (iii) reducing the number of authorized shares in response to redemptions or surrenders of shares, (iv) eliminating any reference to a change of shares following an amendment to the articles of incorporation changing such shares, and (v) eliminating, following a merger in which the surviving or new corporation is a domestic corporation, any provisions pertaining exclusively to that merger and any other appropriate changes required by that elimination. The ORC also provides for several other instances in which the directors of a corporation may adopt an amendment to the articles of incorporation that applies to corporations that have more than 100 shareholders of record, were created on or after May 16, 2002, or have passed amendments to the articles of incorporation authorizing the directors to adopt such amendments to the articles of incorporation. These include (i) changing the name of the corporation, (ii) changing the location within the State of Ohio of the corporation's principal place of business, and (iii) under certain circumstances, increasing the number of authorized shares and decreasing the par value of shares as necessary to execute a stock dividend or stock split, as applicable.

Right to Receive Liquidation Distributions. Upon a liquidation, dissolution or winding-up of the Company the assets legally available for distribution to stockholders are distributable ratably among the holders of the shares of Common Stock outstanding at that time after payment of any liabilities and liquidation preferences on any outstanding preferred stock.

Conversion. Holders of shares of Common Stock do not have any conversion rights and such shares are not subject to any redemption provisions.

Preemption. Holders of Common Stock have no preemptive rights to purchase, subscribe for or otherwise acquire any unissued or treasury shares or other securities. No shares of Common Stock are subject to any sinking fund provisions or to calls, assessments by, or liabilities of the Company.

5.6 Transferability

The Shares in this offering under the ISOP are registered on a registration statement on Form S-8 with the SEC and are freely transferable.

The ISOP is intended to provide Shares for investment and not for resale. The Company does not, however, intend to restrict or influence any Member in the conduct of his or her own affairs. A Member, therefore, may sell Shares purchased under the ISOP at any time he or she chooses, subject to compliance with any applicable securities laws.

5.7 General Provisions Applying to Specific Cases

Section 1701.831 of the ORC requires the prior authorization of the shareholders of certain corporations in order for any person to acquire, either directly or indirectly, shares of that corporation that would entitle the acquiring person to exercise or direct the exercise of 20% or more of the voting power of that corporation in the election of directors or to exceed specified other percentages of voting power. In the event an acquiring person proposes to make such an acquisition, the person is required to deliver to the corporation a statement disclosing, among other things, the number of shares owned, directly or indirectly, by the person, the range of voting power that may result from the proposed acquisition and the identity of the acquiring person. Within ten days after receipt of this statement, the corporation must call a special meeting of shareholders to vote on the proposed acquisition. The acquiring person may complete the proposed acquisition only if the acquisition is approved by the affirmative vote of the holders of at least a majority of the voting power of all shares entitled to vote in the election of directors represented at the meeting excluding the voting power of all “interested shares.” Interested shares include any shares held by the acquiring person and those held by officers and directors of the corporation. Section 1701.831 does not apply to a corporation if its articles of incorporation or code of regulations state that the statute does not apply to a corporation. Our Amended Articles of Incorporation and Regulations do not contain a provision opting out of this statute.

Chapter 1704 of the ORC prohibits certain corporations from engaging in a “chapter 1704 transaction” with an “interested shareholder” for a period of three years after the date of the transaction in which the person became an interested shareholder, unless, among other things:

- the articles of incorporation expressly provide that the corporation is not subject to the statute (we have not made this election); or
- the board of directors of the corporation approves the chapter 1704 transaction or the acquisition of the shares before the date the shares were acquired.

After the three-year moratorium period, the corporation may not consummate a chapter 1704 transaction unless, among other things, it is approved by the affirmative vote of the holders of at least two-thirds of the voting power in the election of directors and the holders of a majority of the voting shares, excluding all shares beneficially owned by an interested shareholder or an affiliate or associate of an interested shareholder, or the shareholders receive certain minimum consideration for their shares. A chapter 1704 transaction includes certain mergers, sales of assets, consolidations, combinations and majority-share acquisitions involving an interested shareholder. An interested shareholder is defined to include, with limited exceptions, any person who, together with affiliates and associates, is the beneficial owner of a sufficient number of shares of the corporation to entitle the person, directly or indirectly, alone or with others, to exercise or direct the exercise of 10% or more of the voting power in the election of directors after taking into account all of the person's beneficially owned shares that are not then outstanding. The application of Chapter 1704 and Section 1701.831 may have the effect of delaying, deferring or preventing a change of control involving the Company.

Section 1707.041 of the ORC regulates certain "control bids" for corporations in Ohio with certain concentrations of Ohio shareholders and permits the Ohio Division of Securities to suspend a control bid if certain information is not provided to offerees.

The Amended Articles of Incorporation and the Regulations contain provisions that, in addition to the provisions of the ORC described above, may have the effect of delaying, deferring or preventing a change of control involving the Company.

Members may be asked to vote if another person were to attempt to acquire shares in which they would be able to exercise or direct the exercise of 20% or more of the voting power of that corporation in the election of directors or to exceed specified other percentages of voting power.

5.8 Tax consequences

The tax consequences of participation in the ISOP are set out in Exhibit IV. To benefit from the tax advantages as provided by the ISOP, a Member must hold its Shares for a certain period of time, depending on the law applicable to each Participating Company (the "Holding Period"). Each Member should seek appropriate professional advice as to when and how these tax advantages apply to their specific situation.

6. MAXIMUM DILUTION AND NET PROCEEDS

6.1 Maximum Dilution

Shares under the ISOP are offered pursuant to this prospectus to approximately 24,708 eligible employees in Belgium, Czech Republic, Germany, Greece, Hungary, Ireland, Italy, Poland, Romania, Spain, Switzerland and the United Kingdom. As noted above, there are limitations on Participation, such as a maximum of 15% of Base Pay may be contributed to the ISOP and limits on contributions by the Member's employer.

Assuming that ISOP limitations are not exceeded, on December 28, 2018, Members would be able to purchase a maximum of 2,464,275 Shares. (Shares are purchased at 100% of the fair market value of the Shares using both the Member and Member's employer contributions).

These amounts are based on an assumed Share fair market value of $92.06 (the average Share price on December 28, 2018), per Share.

Assuming that each eligible employee will be able to purchase the maximum number of Shares in the twelve applicable purchases, the maximum number of Shares offered pursuant to this prospectus amounts to 2,464,275 Shares.

Based on the above assumptions, and assuming that the Shares offered would all be newly issued, the holdings of a shareholder of the Company currently holding 1% of the total outstanding share capital of the Company as of December 31, 2018 (*i.e.*, 2,501,579,709 shares) and who is not an eligible employee participating in the offer would be diluted as indicated in the following table:

	Percentage of the total outstanding Shares	**Total number of outstanding Shares**
Before the issuance of Shares under the ISOP (as of December 31, 2018)	1.00%	2,501,579,709
After issuance of 2,464,275 Shares under the ISOP	0.999%	2,504,043,984

6.2 **Net Proceeds**

Assuming, using the example above, that each of the 24,708 eligible employees purchases the maximum amount of Shares under the ISOP offered pursuant to this prospectus, that is, a total of 2,464,275 Shares, then the gross proceeds of the Company in connection with the offer under the ISOP pursuant to this prospectus would be $226,861,156. After deducting legal and accounting expenses in connection with the offer, the net proceeds, based on the above assumptions, would be approximately $226,661,156. The net proceeds will be used for general corporate purposes.

IV. KEY INFORMATION ON THE COMPANY'S FINANCIAL CONDITION, CAPITALIZATION AND INDEBTEDNESS, AND WORKING CAPITAL

1. STATUTORY AUDITORS

The statutory auditors of the Company over the fiscal years ended on June 30, 2016, 2017 and , 2018 were Deloitte & Touche LLP, Cincinnati, Ohio, U.S.A. The accounts for such years, prepared in accordance with U.S. GAAP, were audited, and the audit reports contained no qualification. Deloitte & Touche LLP is registered with the Public Company Accounting Oversight Board (United States) and is a member of the American Institute of Certified Public Accountants.

2. SHARE CAPITAL

As of December 31, 2018, the aggregate market value of the Company's Common Stock, held by non-affiliates of the Company was $231 billion.

As of December 31, 2018, 2,501,579,709 shares of the Company's Common Stock were outstanding.

There are no shareholders in the Company that, directly or indirectly, singly or jointly, exercise or are capable of exercising control over the Company.

Based on filings made under Section 13(d) and 13(g) of the Exchange Act reporting ownership of Shares and percent of class as of June 30, 2018, as of December 31, 2017 the only persons known by the Company to be beneficial owners of more than 5% of its common stock were as follows:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature	Percent of Class
Common	BlackRock, Inc. 55 East 52nd Street New York, NY 10055	159,639,663[2]	6.3%
Common	The Vanguard Group 100 Vanguard Blvd, Malvern, PA 19355	185,434,627[3]	7.3%

For the fiscal year ended on June 30, 2018, no third parties have attempted a public takeover bid on the Company, by purchase or exchange of Shares of the Company. As of the date of this prospectus, the Company has no knowledge of the existence of any mandatory takeover bids and/or squeeze-out and sell-out rules in relation to the Shares after June 30, 2018.

The Shares are subject to any US and/or Ohio law rules regarding mandatory takeover bids, squeeze-outs and sell-outs.

[2] Based on information as of December 31, 2017 contained in a Schedule 13G/A filed with the SEC on February 8, 2018 by BlackRock, Inc. The Schedule 13G/A indicates that Blackrock, Inc. has (i) sole power to vote or direct to vote with respect to 136,352,872 shares, and (ii) sole dispositive power with respect to 159,639,663 shares.

[3] Based on information as of December 31, 2017 contained in a Schedule 13G/A filed with the SEC on February 12, 2018 by The Vanguard Group. The Schedule 13G indicates that The Vanguard Group has (i) sole power to vote or direct to vote with respect to 3,578,055 shares, (ii) shared voting power with respect to 567,077 shares, (iii) sole dispositive power with respect to 181,376,639 shares, and (iv) shared dispositive power with respect to 4,057,988 shares.

3. STATEMENT OF CAPITALIZATION AND INDEBTEDNESS AS OF DECEMBER 31, 2018

3.1 *Capitalization and Indebtedness (in millions of US$)*

Total Current debt	**12,113**
- Guaranteed	-
- Secured	-
- Unguaranteed / Unsecured	12,113
Total Non-Current debt (excluding current portion of long-term debt)	**21,514**
- Guaranteed	-
- Secured	-
- Unguaranteed / Unsecured	21,514
Shareholder's equity	
a. Share Capital	68,634
b. Legal Reserve	-
c. Other Reserves	(1,178)
Total	67,456

3.2 *Net Indebtedness (in millions of US$)*

A. Cash	3,696
B. Cash equivalents	-
C. Trading securities	8,421
D. Liquidity (A) + (B) + (C)	**12,117**
E. Current Financial Receivables	
F. Current Bank debt	-
G. Current portion of non-current debt[4]	-
H. Other current financial debt	-
I. Current Financial Debt (F) + (G) + (H)	**12,113**
J. Net Current Financial Indebtedness (I) – (E) – (D)	**(4)**

[4] This figure is only disclosed at the end of the fiscal year and is therefore dated as of June 30, 2018. However, there has been no material change in this respect since June 30, 2018.

K. Non-current Bank loans	-
L. Bonds issued	-
M. Other non-current loans	-
N. Non-current Financial Indebtedness (K) + (L) + (M)	**21,514**
O. Net Financial Indebtedness (J) + (N)	**21,510**

3.3 **Indirect and Contingent Indebtedness**

We are involved in legal proceedings and claims, including, but not limited to, antitrust and trade regulation, product liability, advertising, contracts, environmental issues, patent and trademark matters, labor and employment matters and tax.

Please see Item 3. Legal Proceedings page 7 and notes thereto, of our Form 10-K from the year ended June 30, 2018 (Exhibit II). Such Legal Proceedings should not materially affect the financial position of the Company.

There has been no material change in the capitalization and indebtedness of the Company since December 31, 2018.

4. WORKING CAPITAL STATEMENT

As of the date of this prospectus, the Company declares that, in its opinion, the working capital is sufficient for the Company's present requirements.

5. SELECTED FINANCIAL INFORMATION

The selected financial data of the Company set out in this prospectus are derived in part from and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Company's audited consolidated financial statements and notes thereto appearing respectively on pages 34-66 of its Form 10-K for the year ended June 30, 2018 and Form 8-K filed October 22, 2018 to update the Form 10-K to revise disclosures to reflect the adoption of the Financial Accounting Standards Board (FASB) ASU 2017-07 and 2016-18 (Exhibit II). Balance sheet data for 2016 has been extracted from the Company's Form 10-K for the year ended June 30, 2017 filed on August 7, 2017.

SELECTED FINANCIAL DATA
(In millions)

ANNUAL INFORMATION AS OF JUNE 30

Consolidated Statement of Earnings

Amounts in millions except per share amounts: Years ended June 30	**2018**	**2017**	**2016**
NET SALES:	$66,832	$65,058	$65,299
Cost of products sold	$34,432	$32,638	$33,024
Selling, general and administrative expense	$19,037	$18,654	$19,017
OPERATING INCOME:	$13,363	$13,766	$13,258
Interest expense	$506	$465	$579
Interest income	$247	$171	$182
Other non-operating income/(expense), net	$222	($215)	$508
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES:	$13,326	$13,257	$13,369
Income taxes on continuing operations	$3,465	$3,063	$3,342
NET EARNINGS FROM CONTINUING OPERATIONS	$9,861	$10,194	$10,027
NET EARNINGS FROM DISCONTINUED OPERATIONS	-	$5,217	$577
NET EARNINGS:	$9,861	$15,411	$10,604
Less: Net earnings attributable to non-controlling interests	$111	$85	$96
NET EARNINGS ATTRIBUTABLE TO PROCTER & GAMBLE	$9,750	$15,326	$10,508
BASIC NET EARNINGS PER COMMON SHARE:			
Earnings from continuing operations	$3.75	$3.79	$3.59
Earnings from discontinued operations	-	$2.01	$0.21
BASIC NET EARNINGS PER COMMON SHARE	$3.75	$5.80	$3.80
DILUTED NET EARNINGS PER COMMON SHARE:			

Amounts in millions except per share amounts: Years ended June 30	2018	2017	2016
Earnings from continuing operations	$3.67	$3.69	$3.49
Earnings from discontinued operations	-	$1.90	$0.20
DILUTED NET EARNINGS PER COMMON SHARE	$3.67	$5.59	$3.69
DIVIDENDS PER COMMON SHARE:	$2.79	$2.70	$2.66

Consolidated Balance Sheet

Amounts in millions: As of June 30	2018	2017	2016[5]
Assets			
CURRENT ASSETS:			
Cash and cash equivalents	$2,569	$5,569	$7,102
Available for sale investment securities	$9,281	$9,568	$6,246
Accounts receivable	$4,686	$4,594	$4,373
INVENTORIES:			
Materials and supplies	$1,335	$1,308	$1,188
Work in process	$588	$529	$563
Finished goods	$2,815	$2,787	$2,965
Total inventories	$4,738	$4,624	$4,716
Deferred income taxes	-	-	$1,507
Prepaid expenses and other current assets	$2,046	$2,139	$2,653
Current assets held for sale	-	-	$7,185
TOTAL CURRENT ASSETS	$23,320	$26,494	$33,782
PROPERTY, PLANT AND EQUIPMENT, NET	$20,600	$19,893	$19,385
GOODWILL	$45,175	$44,699	$44,350
TRADEMARKS AND OTHER INTANGIBLE ASSETS, NET	$23,902	$24,187	$24,527

[5] Balance sheet data for 2016 was extracted from the Company's Form 10-K for the year ended June 30, 2017 filed on August 7, 2017.

OTHER NON-CURRENT ASSETS	$5,313	$5,133	$5,092
TOTAL ASSETS	$118,310	$120,406	$127,136
Liabilities and Shareholders' Equity			
CURRENT LIABILITIES:			
Accounts payable	$10,344	$9,632	$9,325
Accrued and other liabilities	$7,470	$7,024	$7,449
Current liabilities held for sale	-	-	$2,343
Debt due within one year	$10,423	$13,554	$11,653
TOTAL CURRENT LIABILITIES	$28,237	$30,210	$30,770
LONG-TERM DEBT	$20,863	$18,038	$18,945
DEFERRED INCOME TAXES	$6,163	$8,126	$9,113
OTHER NON-CURRENT LIABILITIES	$10,164	$8,254	$10,325
TOTAL LIABILITIES	$65,427	$64,628	$69,153
SHAREHOLDERS' EQUITY:			
Convertible Class A preferred stock, stated value $1 per share (600 shares authorised)	$967	$1,006	$1,038
Non-voting Class B preferred stock, stated value $1 per share (200 shares authorised)	-	-	-
Common stock, stated value $1 per share (10,000 shares authorised; shares issued: 2018 – 4,009.2; 2017: 4,009.2)	$4,009	$4,009	$4,009
Additional paid-in capital	$63,846	$63,641	$63,714
Reserve for ESOP debt retirement	($1,204)	($1,249)	($1,290)
Accumulated other comprehensive income/(loss)	($14,749)	($14,632)	($15,907)
Treasury stock at cost (shares held: 2018 – 1,511.2; 2017 – 1,455.9)	($99,217)	($93,715)	($82,176)
Retained earnings	$98,641	$96,124	$87,953
Non-controlling interest	$590	$594	$642
TOTAL SHAREHOLDERS' EQUITY	$52,883	$55,778	$57,983
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$118,310	$120,406	$127,136

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QUARTERLY INFORMATION AS OF DECEMBER 31

Consolidated Statements of Earnings

Amounts in millions except per share amounts	Three Months Ended December 31			
	2018		**2017**	
NET SALES	**$**	**17,438**	$	17,395
Cost of products sold		**8,919**		8,709
Selling, general and administrative expense		**4,623**		4,767
OPERATING INCOME		**3,896**		3,919
Interest expense		**138**		122
Interest income		**63**		66
Other non-operating income, net		**95**		170
EARNINGS BEFORE INCOME TAXES		**3,916**		4,033
Income taxes		**700**		1,472
NET EARNINGS		**3,216**		2,561
Less: Net earnings attributable to noncontrolling interests		**22**		66
NET EARNINGS ATTRIBUTABLE TO PROCTER & GAMBLE	**$**	**3,194**	$	2,495
NET EARNINGS PER SHARE[6]				
Basic		**1.25**		0.96
Diluted		**1.22**		0.93
DIVIDENDS PER COMMON SHARE	**$**	**0.7172**	$	0.6896
Diluted Weighted Average Common Shares Outstanding		**2,623.0**		2,669.6

Consolidated Statements of Comprehensive Income

Amounts in millions	Three Months Ended December 31			
	2018		**2017**	
NET EARNINGS	**$**	**3,216**	$	2,561
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX				
Financial statement foreign currency translation		**(370)**		188

[6] Basic net earnings per share and Diluted net earnings per share are calculated on Net earnings attributable to Procter & Gamble

Unrealized gains/(losses) on hedges	**192**	(167)
Unrealized gains/(losses) on investment securities	**58**	(61)
Unrealized gains/(losses) on defined benefit retirement plans	**98**	161
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX	**(22)**	121
TOTAL COMPREHENSIVE INCOME	**3,194**	2,682
Less: Total comprehensive income attributable to noncontrolling interests	**23**	66
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 3,171**	$ 2,616

V. INFORMATION ON THE COMPANY

1. COMPANY HISTORY AND ACTIVITIES

The Procter & Gamble Company is an American multi-national consumer goods corporation headquartered in Cincinnati, Ohio, founded in 1837 by William Procter and James Gamble. It specializes in a wide range of personal health/consumer health, and personal care and hygiene products; these products are organized into several segments including Beauty; Grooming; Health Care; Fabric & Home Care; and Baby, Feminine & Family Care.

2. PARTICULAR PROVISIONS OF THE BYLAWS

The Company's annual meeting of shareholders is held for the purpose of electing directors and conducting other business as may properly come before the meeting and is held each year. The last annual shareholders' meeting was held on October 9, 2018.

3. TRENDS

P&G aspires to serve the world's consumers better than our best competitors in every category and in every country in which we compete, and, as a result, deliver total shareholder return in the top one-third of our peer group. Delivering and sustaining leadership levels of shareholder value creation requires balanced top-line growth, bottom-line growth and strong cash generation.

Winning with consumers around the world and against our best competitors requires innovation. Innovation has always been, and continues to be, P&G's lifeblood. Innovation requires consumer insights and technology advancements that lead to product improvements, improved marketing and merchandising programs and game-changing inventions that create new brands and categories.

Productivity improvement is critical to delivering our balanced top-line growth, bottom-line growth and value creation objectives. Productivity improvement and sales growth reinforce and fuel each other. We are driving productivity improvement across all elements of cost, including cost of goods sold, marketing and promotional expenses and non-manufacturing overhead. Productivity improvements and cost savings are being reinvested in product and packaging improvements, brand awareness-building advertising and trial-building sampling programs, increased sales coverage and R&D programs.

We are improving operational effectiveness and organizational culture through enhanced clarity of roles and responsibilities, accountability and incentive compensation programs.

The Company has undertaken an effort to focus and strengthen its business portfolio to compete in categories and with brands that are structurally attractive and that play to P&G's strengths. The ongoing portfolio of businesses consists of 10 product categories. These are categories where P&G has leading market positions, strong brands and consumer-meaningful product technologies.

We believe these strategies are right for the long-term health of the Company and our objective of delivering total shareholder return in the top one-third of our peer group.

The Company expects the delivery of the following long-term annual financial targets will result in total shareholder returns in the top third of the competitive peer group:

- Organic sales growth above market growth rates in the categories and geographies in which we compete;
- Core EPS growth of mid-to-high single digits; and
- Adjusted free cash flow productivity of 90% or greater.

In periods with significant macroeconomic pressures, we intend to maintain a disciplined approach to investing so as not to sacrifice the long-term health of our businesses to meet short-term objectives in any given year.

4. BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

4.1 Board of Directors as of October 9, 2018

Name	***Age***
Francis S. Blake	69
Angela F. Braly	57
Amy L. Chang	41
Kenneth I. Chenault	67
Scott D. Cook	66
Joseph Jimenez	58
Terry J. Lundgren	66
W. James McNerney, Jr.	69
Nelson Peltz	76
David S. Taylor	60
Margaret C. Whitman	62
Patricia A. Woertz	65
Ernesto Zedillo	66

Francis S. Blake

Mr. Blake is the former Chairman of the Board and Chief Executive Officer of The Home Depot, Inc. (a national retailer). He served as the Chairman of the Board from 2007 to 2015 and as Chief Executive Officer from 2007 to 2014. He previously served as a Director of Southern Company (a super-regional energy company) from 2004 to 2009. Mr. Blake has been a Director of Delta Airlines since 2014 and was appointed non-Executive Chairman of the Board in 2016. He has been a Director at Macy's, Inc. since 2015.

Mr. Blake's former role as Chairman and CEO of Home Depot, where he successfully rebuilt Home Depot's retail strategy and culture during a weak housing and job market, provides him with extensive Consumer Industry/Retail and Marketing knowledge as well as Leadership, Strategy, and Risk Management skills, which Mr. Blake draws upon to give the Board better insight into the evolving marketing practices in the retail consumer industry and the actions necessary to improve the Company's strategy and culture. In addition to the strong Corporate Governance skills that Mr. Blake developed through his experience on other public company boards, including as non-Executive Chairman of Delta Airlines' Board and chair of its Corporate

Governance Committee, he also contributes his significant Government/Regulatory experience to the Board, having previously served as General Counsel for the U.S. Environmental Protection Agency, Deputy Counsel to Vice President George H. W. Bush, and Deputy Secretary for the U.S. Department of Energy.

Member of the Audit and Governance & Public Responsibility Committees.

Angela F. Braly

Ms. Braly is the former Chair of the Board, President and Chief Executive Officer of WellPoint, Inc. (a healthcare insurance company), now known as Anthem, Inc. She served as Chair of the Board from 2010 to 2012 and as President and Chief Executive Officer from 2007 to 2012. She previously served as Executive Vice President, General Counsel, and Chief Public Affairs Officer of WellPoint from 2005 to 2007, and President and Chief Executive Officer of Blue Cross Blue Shield of Missouri from 2003 to 2005. Ms. Braly has been a Director of Lowe's Companies, Inc. since 2013, Brookfield Asset Management since 2015, and ExxonMobil Corporation since 2016.

Ms. Braly's diverse Leadership, Strategy, and Risk Management experience at WellPoint enables her to provide valuable insight about risk management and governance matters, particularly as it pertains to the Consumer Industry/Retail sector, to the Board. Additionally, her role as General Counsel and Chief Public Affairs Officer for WellPoint, where she was responsible for the company's government relations, public policy development, social responsibility, and corporate governance initiatives, and her experience on other public company boards enables her to bring significant Corporate Governance expertise and Government/Regulatory skills to the Board, which is critical during current times of political and economic uncertainty.

Chair of the Governance & Public Responsibility Committee and member of the Audit Committee.

Amy L.Chang

Ms. Chang is Senior Vice President of the Collaboration Technology Group at Cisco Systems, Inc. (a networking technology company). She is the founder and former Chief Executive Officer of Accompany, Inc. (a relationship intelligence company), a position she held from 2013 to 2018. She previously held positions of increasing responsibility at Google, Inc. from 2005 to 2012, most recently serving as Global Head of Product, Google Ads Measurement and Reporting. Prior to joining Google, she held product management and strategy positions at eBay, Inc. and served as a consultant with McKinsey & Company, specializing in semi-conductors, software, and services. Ms. Chang was a Director of Cisco Systems, Inc. from 2016 to 2018, a Director of Informatica from 2012 to 2015, a Director of Splunk, Inc. from 2015 to 2017, and a member of Target Corporation's Digital Advisory Council from 2013 to 2016.

Ms. Chang's mix of extensive Digital, Technology, and Innovation and Marketing experience, including as founder and CEO of Accompany and as Global Head of Product, Google Ads Measurement and Reporting, uniquely situates her to provide important insights about digital industry trends, evolving marketing practices and data analytics to the Board. Additionally, as the founder of a digital startup company, Ms. Chang's Leadership, Strategy, and Risk Management experience in a fast-paced environment gives her critical perspective on understanding consumers and driving innovation.

Member of the Audit and Innovation & Technology Committees.

Kenneth I. Chenault (Ken)

Mr. Chenault is Chairman and Managing Director of General Catalyst Partners (venture capital firm), a position he has held since 2018. He was Chairman and Chief Executive Officer of American Express Company (a global services, payments, and travel company) from 2001 to 2018. He has been a Director of International Business Machines Corporation since 1998 and Facebook since 2018.

Through Mr. Chenault's more than 37 years of experience, including more than 17 years as CEO, at American Express, a company delivering financial products and services to consumers and businesses around the world, he contributes valuable International and Leadership, Strategy, and Risk Management experience, extensive Finance skills, and a deep understanding of Digital, Technology, and Innovation to the Board, enabling him to provide vital perspective on the Company's strategic planning and operations. Mr. Chenault also contributes to the Board his substantial Corporate Governance skills garnered from his early legal career and his experience as a director on other public company boards.

Member of the Audit and Compensation & Leadership Development Committees.

Scott D. Cook

Mr. Cook is Chairman of the Executive Committee of the Board of Intuit Inc. (a software and web services company). He co-founded Intuit, the maker of business and financial management technology solutions, including QuickBooks, Quicken, and TurboTax, in 1983 and has served in various capacities since its founding. He served as President and Chief Executive Officer of Intuit from 1983 to 1994 and as Chairman of the Board from 1993 through 1998. Mr. Cook also served on the Board of eBay Inc. from 1998 to 2015.

Mr. Cook has been a leader in the technology industry for more than 30 years. As co-founder of a global consumer-facing technology company, he has driven innovation and significant growth. Mr. Cook utilizes his wealth of Leadership, Strategy, and Risk Management, Consumer Industry/Retail and Marketing experience to provide the Board with unique insight on the Company's business operations and plans for strategic growth. He also brings valuable Digital, Technology, and Innovation experience to the Innovation & Technology Committee, as well as to the full Board, which he draws upon to guide and foster innovation at the Company and to provide the Board with important perspective on commercial and technology issues.

Member of the Compensation & Leadership Development and Innovation & Technology Committees.

Joseph Jimenez

Mr. Jimenez is the former Chief Executive Officer of Novartis AG (a global health care company), a position he held from 2010 to 2018. Prior to this role, he held several other senior positions at Novartis from April 2007 to 2010, as well as various leadership roles at H. J. Heinz Company in Europe and North America from 1999 to 2006 and at ConAgra Foods from 1993 to 1998. He was also an Advisor to the Blackstone Group L.P. from 2006 to 2007. Mr. Jimenez has been a Director of General Motors since 2015. He was a Director of Colgate-Palmolive from 2010 to 2015.

Mr. Jimenez's demonstrated track record of International business leadership and the Digital, Technology, and Innovation experience he gained through his role as CEO of Novartis and other roles at a range of Consumer Industry/Retail companies, such as H.J. Heinz and ConAgra, enables him to provide unique perspective to the Board on commercial, innovation, Marketing, and strategic issues. The Board also benefits from Mr. Jimenez's extensive knowledge of the health care industry, particularly as the Company works to acquire and integrate Merck KGaA's Consumer Health Business.

Chair of the Innovation & Technology Committee and member of the Compensation & Leadership Development Committee.

Terry J. Lundgren

Mr. Lundgren is the former Chairman and Chief Executive Officer of Macy's, Inc. (a national retailer that includes Macy's, Bloomingdale's, and Blue Mercury), a position he held from 2003 to 2017. Mr. Lundgren then served as Executive Chairman and Chairman of the Board of Macy's, Inc. from 2017 to 2018. From 2003 to 2014, he also held the title of President of the company. He was a Director of Kraft Foods Group from 2012 to 2015. Earlier in his career, Mr. Lundgren was Chairman and CEO of Neiman Marcus.

Mr. Lundgren has extensive Marketing experience, including merchandising, digital and in-store execution, as well as Leadership, Strategy, and Risk Management experience, which was garnered from over 35 years working in the retail Consumer Industry, including 20 combined years as CEO of Neiman Marcus and subsequently Macy's. During his tenure at Macy's, Mr. Lundgren also gained significant experience in acquisitions and integration. His extensive retail career enables him to contribute his deep knowledge of the evolving consumer and retail landscape, plus his broad experience with dynamic marketing practices, including digital marketing, to the Board.

Chair of the Compensation & Leadership Development Committee and member of the Innovation & Technology Committee.

W. James McNerney, Jr.

Mr. McNerney is a Senior Advisor at Clayton, Dubilier & Rice, LLC (a private equity investment firm). He retired as Chairman of the Board of The Boeing Company (aerospace, commercial jetliners and military defense systems) in 2016. He was President of The Boeing Company from 2005 to 2013, Chief Executive Officer from 2005 to 2015, and Chairman of the Board from 2005 to 2016. From 2001 to 2005, Mr. McNerney was Chairman and CEO of 3M Company (a global technology company). Prior to his appointment as CEO of 3M Company, Mr. McNerney was employed by General Electric for nearly 20 years, where he held positions of increasing importance. He was a director of International Business Machines Corporation from 2009 to 2018.

Mr. McNerney brings a wealth of Leadership, Strategy, and Risk Management and Digital, Technology, and Innovation experience to the Board from his roles as CEO of Boeing and 3M, both large, International companies. Mr. McNerney's experience revitalizing Boeing during his tenure as CEO by increasing efficiency and growing revenue while restoring the company as the global leader in commercial airplane deliveries uniquely qualifies him to advise the Board on the Company's overall strategic direction. Additionally, Mr. McNerney contributes significant Corporate Governance experience to the Board, having served as Chairman and CEO of two public companies and as the Company's Lead Director since 2007.

Lead Director, member of the Compensation & Leadership Development and Governance & Public Responsibility Committees.

Nelson Peltz

Mr. Peltz has served as the Chief Executive Officer and Founding Partner of Trian Fund Management, L.P. (an investment management firm) since its formation in 2005. He previously served as Chairman and Chief Executive Officer of Triarc Companies, Inc., the predecessor to The Wendy's Company, from 1993 to 2007 and as Chairman and Chief Executive Officer of Triangle Industries, Inc., the parent company of American National Can Company, from 1983 to 1988. He has been a Director of Sysco Corporation since 2015, The Madison Square Garden Company since 2015 and The Wendy's Company since 2007, where he serves as non-executive Chairman. He was a Director of Mondelēz International, Inc. from 2014 to 2018, Legg Mason, Inc. from 2009 to 2014, MSG Networks Inc. from 2014 to 2015, Ingersoll-Rand from 2012 to 2014, and H. J. Heinz Company from 2006 to 2013.

Mr. Peltz's more than 40 years of business and investment experience and over 20 years of service as the chairman and chief executive officer of public companies enables him to bring significant and diverse Consumer Industry/Retail, Marketing and Leadership, Strategy, and Risk Management experience to the Board. His service on multiple Board governance committees, including as chair of the Legg Mason Nominating & Corporate Governance and as a member of Sysco's Corporate Governance and Nominating Committee, provides Mr. Peltz with substantial Corporate Governance experience. As a result of his role at Trian, which holds approximately 38 million shares of the Company's common stock, Mr. Peltz brings extensive Finance skills and an institutional investor perspective, including strong relationships in the investment community, to the Board and utilizes his unique perspective to provide the Board with critical insight on the Company's business operations and issues the Company faces.

Member of the Governance & Public Responsibility and Innovation & Technology Committees.

David S. Taylor

Mr. Taylor is Chairman of the Board, President and Chief Executive Officer of the Company. Mr. Taylor has been President and CEO since 2015 and was elected Chairman of the Board in 2016. Mr. Taylor joined the Company in 1980 and, since that time, has held numerous positions of increasing responsibility in North America, Europe, and Asia in virtually all of the Company's core businesses. Prior to his current role, Mr. Taylor was Group President-Global Health & Grooming from 2013 to 2015, Group President-Global Home Care from 2007 to 2013, and President-Global Family Care from 2005 to 2007. He also played a key role in the design of the Company's portfolio optimization strategy. Mr. Taylor served as a Director of TRW Automotive Corporation from 2010 to 2015.

With over 38 years of experience in the Company, holding positions of increasing importance across many regions and businesses, Mr. Taylor brings vast International, Marketing, and Consumer Industry/Retail experience to the Board, which, together with his significant Leadership, Strategy, and Risk Management skills and robust knowledge of the Company, enable him to provide valuable insight to and leadership of the Board and the Company.

Margaret C. Whitman

Ms. Whitman is the Chief Executive Officer of NewTV (mobile video company), a position she has held since 2018. She was President and Chief Executive Officer of Hewlett Packard Enterprise (a multinational information technology enterprise) from 2015 to 2017. Prior to her role at Hewlett Packard Enterprise, she was President and Chief Executive Officer of Hewlett-Packard Company from 2011 to 2015, as well as Chairman of the Board from 2014 to 2015. She served as President and Chief Executive Officer of eBay Inc. from 1998 to 2008. She has been a Director of Hewlett Packard Enterprise since 2015 and Dropbox since 2017. Ms. Whitman served as a Director of DXC Technology in 2017 and Zipcar, Inc. from 2011 to 2013 and as Chairman of the Board of HP Inc. from 2015 to 2017. She also served as a Director of the Company from 2003 to 2008, having resigned in preparation for her 2010 California gubernatorial bid.

Ms. Whitman's roles as CEO of Hewlett Packard Enterprise, Hewlett-Packard Company, and eBay provides her extensive Consumer Industry/Retail and Digital, Technology, and Innovation experience, enabling her to contribute valuable perspective to the Board in these areas. Over her ten years as CEO of eBay, Ms. Whitman built the company from $4 million to $8 billion in annual revenue, and, as CEO of Hewlett-Packard Company, she stabilized the company's declining performance and executed a 5-year recovery plan to return the company to growth. Ms. Whitman utilizes her considerable Leadership, Strategy, and Risk Management experience gained in her past management roles to provide the Board with significant insight into the Company's priorities and strategic plans for growth.

Member of the Compensation & Leadership Development and Innovation & Technology Committees.

Patricia A. Woertz

Ms. Woertz is the former Chairman of the Board and Chief Executive Officer of Archer Daniels Midland Company ("ADM") (agricultural processors of oilseeds, corn, wheat, etc.), where she joined in 2006 as Chief Executive Officer and President and was named Chairman in 2007. Ms. Woertz retired as Chief Executive Officer of ADM in 2015 and as Chairman in 2016. Prior to joining ADM, Ms. Woertz was with Chevron Corp. for 29 years and retired as EVP Global Downstream. She began her career as a certified public accountant with Ernst & Ernst. Ms. Woertz has been a Director of 3M Company since 2016. She was a Director of Royal Dutch Shell plc from 2014 to 2017.

With broad executive experience at Chevron and ADM, including as CEO of ADM, and having started her career as a CPA, Ms. Woertz contributes a valuable mix of International and Marketing experience and Finance expertise, enabling her to provide critical perspective on operational and financial aspects of the Company, including accounting and corporate finance matters. Additionally, Ms. Woertz's experience as an executive of public companies and a director on other public company boards provides her with significant Leadership, Strategy, and Risk Management skills and Corporate Governance experience from which she draws to provide a broad perspective on governance matters and issues facing public companies.

Chair of the Audit Committee and member of the Governance & Public Responsibility Committee.

Ernesto Zedillo

Dr. Zedillo has been at Yale University since 2002 and currently serves as Director of the Yale Center for the Study of Globalization and Professor in the field of International Economics and Politics. Dr. Zedillo served as President of Mexico from 1994 to 2000. Prior to that he served in the Federal Government of Mexico as Secretary of Education from 1992 to 1993, as Secretary of Economic Programming and the Budget from 1988 to 1992, and as Undersecretary of the Budget from 1987 to 1988. He has been a Director of Alcoa, Corp. since 2002 and Citigroup, Inc. since 2010. He was a director of Promotora de Informaciones S.A. from 2010 to 2017.

From Dr. Zedillo's prior service as President of Mexico and senior roles in the Federal Government of Mexico, he contributes an abundance of Government/Regulatory, International, and Leadership, Strategy, and Risk Management experience, which he utilizes to provide key perspectives to the Board about the Company's global business operations. He also brings significant Finance experience, garnered from his current position as a member of Alcoa's Audit Committee, his previous service on the Audit Committee of Union Pacific and as the Secretary of Economic Programming and the Budget for Mexico, and the various positions he held at Banco de Mexico.

Member of the Governance & Public Responsibility and Innovation & Technology Committees.

Details of the Board members' management expertise and experience, among other information, is set forth in the Company's Definitive Proxy Statement Form Def 14A, filed by the Company on August 24, 2018 (Exhibit III) on pages 8-14.

4.2 **Executive Officers as of August 7, 2018**

Name	***Age***	***Position***
David S. Taylor	60	Chairman of the Board, President and Chief Executive Officer
Jon R. Moeller	54	Vice Chairman and Chief Financial Officer
Steven D. Bishop	54	Group President - Global Health Care
Mary Lynn Ferguson-McHugh	58	Group President - Global Family Care and P&G Ventures
Carolyn M. Tastad	57	Group President - North America Selling and Market Operations
Gary A. Coombe	54	President - Global Grooming
Kathleen B. Fish	61	Chief Research, Development and Innovation Officer
Fama Francisco	50	President - Global Baby Care and Baby and Feminine Care Sector

M. Tracey Grabowski	50	Chief Human Resources Officer
Shailesh Jejurikar	51	President - Global Fabric Care and Fabric & Home Care Sector
R. Alexandra Keith	50	President - Global Hair Care and Beauty Sector
Deborah P. Majoras	54	Chief Legal Officer and Secretary
Juan Fernando Posada	56	President - Latin America Selling and Market Operations
Matthew Price	52	President - Greater China Selling and Market Operations
Marc S. Pritchard	58	Chief Brand Officer
Loïc Tassel	51	President - Europe Selling and Market Operations
Jeffrey K. Schomburger	56	Global Sales Officer
Valarie L. Sheppard	54	Senior Vice President, Controller and Treasurer
Yannis Skoufalos	61	Global Product Supply Officer
Magesvaran Suranjan	48	President - Asia Pacific Selling and Market Operations and India, Middle East and Africa (IMEA) Selling and Market Operations

David S. Taylor
Chairman of the Board, President and Chief Executive

Prior to becoming CEO, he was Group President of P&G's Global Beauty, Grooming and Health Care sectors with a portfolio of leading brands such as Crest, Oral-B, Head & Shoulders, Olay, Pantene, SK-II, Gillette, Fusion, March 3 and Vicks. David also led P&G's Family Care and Home Care businesses, both of which delivered consistent profit and sales growth under this leadership.

Jon R. Moeller
Vice Chairman and Chief Financial Officer

Since joining P&G in 1988 as a cost analyst, Jon has held various senior leadership roles in categories, sectors and regions, including stints in China, as the company's Treasurer, Global Beauty, Health, Feminine Care Finance VP, and Corporate Forecasting & Analysis. He has led major merger and acquisition operations, including the recent Merck KGaA acquisition and the divestitures of P&G's coffee, snacks, pharmaceuticals, battery and prestige beauty businesses.

Mary Lynn Ferguson-McHugh
Group President, Global Family Care and P&G Ventures

Mary Lynn joined P&G in 1986 as an assistant brand manager on the Vicks NyQuil brand. She has experience across a variety of roles in the Health Care business, including a stint in P&G's Pharmaceutical business. Under Mary Lynn's leadership for North American Personal Health Care, the company secured over-the-counter rights for the Prilosec brand. From there, Mary Lynn was named global Vice President, Personal Health Care.

In 2005, she was named Vice President, Family Care. After a subsequent promotion to Group President, Mary Lynn transferred to the Western Europe Sales & Marketing Operations, ultimately leading the work to combine markets in Central and Eastern Europe with Western Europe into one go-to-market operations. She was then promoted Group President, Global Family Care and P&G Ventures.

Steven D. Bishop
Group President, Global Health Care

Since early 2014, Steve has led P&G's oral care business, featuring a portfolio of a billion-plus-dollar properties under two historic brands, Crest and Oral-B. In 2015, Steve's responsibilities were expanded to include oversight of the company's personal health care business which includes brands such as Vicks, Metamucil, Align, Pepto-Bismol and Prilosec OTC.

The directors and the executive officers of the Company confirmed to the Company that they have not been subject for at least the previous five years (or are currently not being subject) to or part in any:

- convictions in relation to fraudulent offences;
- bankruptcies, receiverships or liquidations when acting in their capacity of directors or executive officers of the Company; or
- official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

There are no family relationships between any of the executive officers and directors listed above. There are no (potential) conflict of interests between any duties to the Company, of the directors and the executive officers and their private interests and or other duties.

As indicated in the Company's Definitive Proxy Statement on Form Def 14A (Exhibit III) on pages 15 and following, the Company has adopted guidelines regarding corporate governance, including of code of ethics contained in the Worldwide Business Conduct Manual, the full text of which is available on the Company's website at www.pg.com. The Worldwide Business Conduct Manual is reviewed each year for appropriate updates, and employees, officers, and Directors are asked to annually certify their understanding of, and compliance with, its requirements. Only the Board may grant a waiver of any provision for a Director or executive officer, and any such waiver, or any amendment to the manual, will be promptly disclosed as required at www.pg.com.

Further information on the Company, including a business overview, its organizational structure and information concerning its property, is set forth in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2018 (Exhibit II) on pages 1-7.

5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Information concerning the Company's operating results, its liquidity and capital resources and trends, among other things, is set forth in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2018 on pages 1-27 and Form 8-K filed October 22, 2018 Exhibit 99.2 on pages 1-16 (Exhibit II).

6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The following tables and footnotes provide information regarding the ownership of the Company's Common Stock by all Directors and nominees, each named executive officer ("NEO"), and all Directors and executive officers as a group on June 30, 2018:

Common Stock Number of shares/options	Amount and Nature of Beneficial Ownership						
Name	Direct[7] and Profit Sharing Plan[8]	Right to Acquire[9]	Trusteeships and Family Holdings[10]	Indirect Holdings	Total	Percent of Class	Restricted Stock Units ("RSU")[11]
Steven D. Bishop	45,683	489,650	2,101		537,434	[12]	27,726
Francis S. Blake	4,323				4,323	[11]	6,616
Angela F. Braly	9,148				9,148	[11]	25,939
Amy L. Chang						[11]	1,940
Kenneth I. Chenault	6,700				6,700	[11]	31,021
Giovanni Ciserani	38,097	676,107			714,204	[11]	45,536
Scott D. Cook	35,139		32,636		67,775	[11]	40,641

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[7] Includes unrestricted Common Stock over which each Director or executive officer has sole voting and investment power and restricted Common Stock over which they have voting power but no investment power (until restrictions lapse).
[8] Common Stock allocated to personal accounts of executive officers under the Retirement Trust pursuant to Profit Sharing Trust and Employee Stock Ownership Plan ("PST"). Plan participants have sole discretion as to voting and, within limitations provided by PST, investment of shares. Shares are voted by the Trustees in accordance with instructions from participants. If instructions are not received by the Trustees as to the voting of particular shares, shares are to be voted in proportion to instructions actually received from other participants in the Retirement Trust.
[9] Total includes stock options that have vested or will vest within 60 days, Common Stock pursuant to the PST that will be allocated to personal accounts of executive officers within 60 days, Performance Stock Program ("PSP") awards that will deliver as Common Stock in August 2018, any Restricted Stock that will vest within 60 days, and any RSUs that will deliver as Common Stock within 60 days.
[10] This column includes shares in which voting and/or investment powers are shared. It also includes shares indirectly held through family members who reside in the household of the director or officer.
[11] RSUs represent the right to receive unrestricted shares of Common Stock upon the lapse of restrictions, at which point the holders will have a non-forfeitable right to delivery of Common Stock on a specific date in the future. Total includes RSUs that will not deliver as Common Stock within 60 days and any PSP awards that will deliver as RSUs in August 2018. RSUs that will not deliver within 60 days of the record date are not considered "beneficially owned" because holders are not entitled to voting rights or investment control until the shares are delivered. RSUs that will deliver within 60 days are listed in the "Right to Acquire" column.
[12] Excluding Mr. Peltz, less than .039% for any one Director or NEO.

Mary Lynn Ferguson-McHugh[13]	27,368	310,382	28,491		366,241	[11]	70,653
Joseph Jimenez	12,468				12,468	[11]	479
Terry J. Lundgren	2,686		530		3,216	[11]	16,495
W. James McNerney, Jr.	32,125				32,125	[11]	40,641
Jon R. Moeller[14]	103,221	853,787	7,949		964,957	[11]	70,895
Nelson Peltz[15]				37,908,621	37,908,621	1.52%	
David Taylor	82,417	883,258			965,675	[11]	118,365
Margaret C. Whitman			11,075		11,075	[11]	17,520
Patricia A. Woertz	1,660				1,660	[11]	26,358
Ernesto Zedillo	5,785				5,785	[11]	41,430
31 Directors and executive officers, as a group	696,990	7,173,525	94,850	37,908,621	45,873,986	1.84%	918,766

Information concerning the Company's directors and senior management, their remuneration, Board practices, the Company's employees and share ownership is set forth in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2018 (Exhibit II) on pages 67-68 and in the Company's Definitive Proxy Statement (Exhibit III) on pages 8-64.

7. ADDITIONAL INFORMATION

More detailed information about the Company, including information about its charter documents, and its businesses, as well as the contact information for certain subsidiaries of the Company, is available on the Company's website (http://www.pg.com). The Annual Report on Form 10-K for the Company and its predecessors for fiscal years ending June 30, 2018, June 30, 2017 and June 30, 2016, as well as Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934, as amended, are also made available on the Company's website (http://pginvestor.com) after the Company electronically files such materials with, or furnishes them to, the SEC. Required filings by the Company's officers and directors and certain third parties with respect to transactions or holdings in Company shares are also made available on the Company's website, as are statements for the Company's

[13] Totals include shares, stock options, and RSUs indirectly held by Ms. Ferguson-McHugh through her spouse, who was previously employed by the Company.
[14] Totals include shares, stock options, and RSUs indirectly held by Mr. Moeller through his spouse, who is also employed by the Company.
[15] These shares are owned by certain funds and investment vehicles (the "Trian Funds") managed by Trian Fund Management, L.P. ("Trian"), an institutional investment manager. None of such shares are held directly by Mr. Peltz. From time to time, certain of these shares are held in the ordinary course of business with other investment securities owned by the Trian Funds in co-mingled margin accounts with a prime broker, which prime broker may, from time to time, extend margin credit to certain Trian Funds, subject to applicable federal margin regulations, stock exchange rules and credit policies. Trian Fund Management GP, LLC, of which Mr. Peltz is a member, is the general partner of Trian, and therefore is in a position to determine the investment and voting decisions made by the Trian Funds. Accordingly, Mr. Peltz and Trian may be deemed to indirectly beneficially own the shares that the Trian Funds directly and beneficially own.

shareholder meetings. The SEC also maintains an internet site (www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. Information about the Company's Board of Directors and Board Committees is available on the Company's website (http://www.pg.com). The Company's Bylaws, Amended Articles of Incorporation and Regulations are available at https://us.pg.com/structure-and-governance. The Bylaws set forth the internal operating rules the Company must follow and detail the roles of Board of Directors and Company officers. The Articles of Incorporation and Regulations create and organize the corporation.

EXHIBITS

EXHIBIT I - THE PROCTER & GAMBLE AMENDED AND RESTATED INTERNATIONAL STOCK OWNERSHIP PLAN, EFFECTIVE AS OF SEPTEMBER 1991

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

SECTION 1. PURPOSE

1.1. ***International Stock Ownership***

The purpose of the Procter & Gamble International Stock Ownership Plan is to encourage eligible employees who are not residents of the United States to make and continue careers with the participating subsidiaries and affiliates of The Procter & Gamble Company by providing eligible employees with a convenient way (1) to obtain a beneficial interest in The Procter & Gamble Company and (2) to save on a regular and long-term basis, all as set forth herein and in the Custodial Agreement or other fiduciary contracts or custodial agreements forming a part of this Plan. However, the benefits provided under this Plan to an employee will depend upon the amount of the contributions made by the employee and his or her participating employer, the investment results achieved and currency exchange fluctuations, and, accordingly, may vary with respect to each employee.

1.2. ***Separate Administration for Each Jurisdiction***

The Procter & Gamble International Stock Ownership Plan is intended to meet the applicable legal requirements of each applicable jurisdiction. The Plan will be administered locally by the several participating employers in the several jurisdictions for the benefit of their respective employees and will reflect a participating employer's policies and practices, as appropriate. The accounts of employees under the Plan will be separately accounted for in the records maintained under the Procter & Gamble International Stock Ownership Plan by P&G. It is intended that the Plan be operated, administered and construed accordingly.

SECTION 2. DEFINITIONS

When used herein the following terms shall have the following meanings:

2.1. "***Account***" means the account or accounts established and maintained in respect of a Member pursuant to Section 3.5, including a Member's Employee Account, consisting of amounts attributable to his or her Deposits under the Plan, and a Member's Company Account, consisting of amounts attributable to the Participating Company Contributions made by the Participating Company on his or her behalf. A Member's Account may also accept and maintain Special Plan Event funds on behalf of Members as the context of the specific event may require.

2.2. "***Additional Deposits***" means the payroll deduction contributions and the lump sum payment of any Special Additional Deposits, if permitted, (or contributions paid by an alternate means if required under local law and authorized by P&G and/or the Participating Company) made to the Fund by a Member under Section 4 that the Participating Company does not Match.

2.3. "***Agency***" means, with respect to each Jurisdiction, any governmental authority charged with the responsibility of administering, interpreting or enforcing those laws of that Jurisdiction that may pertain to the Plan.

2.4. "***Base Pay***" means the portion of an Employee's compensation paid or payable for each Pay Period by the Participating Company while the individual is an Employee for his or her Service to the Participating Company, consisting of salary or wages at the base rate for the Pay Period, but excluding other forms of remuneration. By way of example only and not by way of limitation, Base Pay does not include salary continuance, severance benefits, redundancy pay, termination indemnities and other post-employment benefits, as well as shift differentials, overtime, bonuses and awards.

2.5. "***Basic Deposits***" means the payroll deduction contributions (or contributions paid by an alternate means if required under local law and authorized by P&G and/or the Participating Company) made to the Plan by a Member under Section 4 that the Participating Company will Match, as provided in Section 5.

2.6. "***Beneficiary***" means the beneficiary or beneficiaries designated in accordance with Section 13 to receive the amount, if any, payable under the Plan upon the death of a Member.

2.7. "***Cash Reserves***" means the cash or cash equivalent investments that may be held by the Plan Fund in accordance with Section 7.

2.8. "***Custodian***" means the custodian holding the Plan Fund or any successor.

2.9. "***Custodial Agreement***" means the agreement between the Custodian and P&G establishing or continuing the Plan Fund, and any associated subsidiary custodial agreement or fiduciary agreement.

2.10. "***Deferral Period***" means the five (5) year period described in Section 11.1.2. following a Member's Termination from Service by reason of Retirement, Disability, or Redundancy before July 1, 2015.

2.11. "***Deposits***" means Basic Deposits or Additional Deposits (including any Special Additional Deposits that may be permitted), or both, as the context may require.

2.12. "***Disability***" means the permanent and total disability of a Member, as determined by the Participating Company in accordance with its employment policies and practices.

2.13. ***"Dividends"*** means any cash, stock and/or split stock payments made to the Plan Fund for Shares held under the Fund on behalf of Members.

2.14. "***Duly File***" means that, in accordance with Section 17.10, in particular, the other applicable provisions of the Plan and any rules that P&G and/or the Participating Company may establish, an eligible Employee, Member or other person has timely filed the prescribed duly completed written and/or electronic form required by P&G and/or the Participating Company during an Election Period to apply for an election permitted him or her under the Plan.

2.15. "***Effective Date***" means the first date each Participating Company makes this amended and restated Plan available to its eligible Employees.

2.16. "***Election Period***" means the advance notice period requirements as may be established by P&G or by a Participating Company with the consent of P&G for any Employee election permitted under the Plan.

2.17. "***Employee***" means, as determined by the Participating Company, any individual who is treated as an active employee by the Participating Company and who is on the payroll of the

Participating Company for a Jurisdiction, but excluding any employee who (1) by reason of a negotiated collective bargaining or other trade union agreement, or applicable labor laws or Agency rules for a Jurisdiction, is excluded from membership in the Plan or (2) by reason of Section 16 of the United States Securities and Exchange Act of 1934, is required to report his or her trading in Shares under such Act. In no event will an individual who has a Termination from Service or incurs a Disability be treated as an Employee unless and until he or she resumes Service.

2.18. "***Entry Date***" means (1) the Effective Date for each Participating Company or (2) the day an eligible Employee of a Participating Company in a Jurisdiction elects to become a Member of the Plan and is enrolled in the Plan following the Effective Date for that Jurisdiction.

2.19. ***"Final Distribution Election"*** means a Member's election, upon his or her Termination from Service or, if applicable, upon the end of his or her Deferral Period, to receive a final distribution of his or her Account in Shares or in cash or in a specified combination thereof.

2.20. "***Investment Date***" means the day the Custodian invests Deposits and Participating Company Contributions in Shares which shall be within a reasonable time of receipt of cash or cash equivalents from the Participating Company.

2.21. "***Jurisdiction***" means (1) the laws of a country that may directly or indirectly pertain to the Plan, or its administration or operation or (2) such country.

2.22. "***Match***" means the matching contributions made by the Participating Company for a Member's corresponding Basic Deposits in accordance with Section 5.

2.23. "***Mature***" means, with respect to a Share credited to the portion of a Member's Account attributable to (1) the Member's Basic Deposits or Participating Company Contributions made on behalf of the Member, the day after the fifth (5th) anniversary of the date that the Share was acquired on behalf of the Member, (2) the Member's Additional Deposits, the day that the Share was acquired on behalf of the Member and (3) Special Plan Event funds, the date as determined prior to such allocation and as the context may require.

2.24. "***Member***" means, as determined under Section 3, any Employee participating in the Plan, and any former Employee participating in the Plan who had a Termination from Service by reason of Retirement, Disability, or Redundancy.

2.25. "***Month of Service***" means any portion of a calendar month during which an employee performs any Service.

2.26. "***Net Match***" means the reduced Match contributed to the Plan Fund in accordance with Section 5.2.

2.27. "***One Share Grant Contribution***" means the one-time contribution made by the Participating Company for a Member in accordance with Section 5.3.

2.28. "***P&G***" means The Procter & Gamble Company.

2.29. "***P&G Company***" means (1) P&G, (2) any direct or indirect wholly-owned subsidiary of P&G, (3) any other subsidiary or affiliate of P&G designated as such by P&G, (4) any successor to the foregoing or (5) any of them.

2.30. "***Participating Company***" means a P&G Company with operations outside the United States that has adopted the Plan in accordance with Section 15.1, or any successor that has so adopted the Plan, or any of them, as the context may require.

2.31. "***Participating Company Contributions***" means the One Share Grant Contribution and Match made by a Participating Company on behalf of a Member, or either of them, as the context may require.

2.32. "***Pay Period***" means the pay period used by the Participating Company from time to time.

2.33. "***Plan***" means this Procter & Gamble International Stock Ownership Plan, as the same may be amended from time to time, and, as the context may require, the Custodial Agreement.

2.34. "***Plan Fund***" or "***Fund***" means the assets held under the Custodial Agreement, which can be in the form of shares, cash or such other property the Plan deems eligible for acceptance and maintenance thereunder.

2.35. "***Plan Year***" means the fiscal year of P&G which, as of the Effective Date, is the twelve (12) month period commencing each July 1.

2.36. "***Redundancy***" means a Member' Termination from Service at the instigation of the Participating Company by reason of a reduction in force, facility closing, job elimination, layoff, or such like causes, as determined by the Participating Company; ***provided, however,*** that, in the event the Participating Company terminates the Member for cause, as determined by the Participating Company, then, in no event, will that Member's Termination from Service be by reason of Redundancy; and ***provided further*** that in the event a Member terminates Service at his or her own behest for any reason then, in no event, will that Member's Termination from Service be by reason of Redundancy.

2.37. "***Retirement***" or "***Retire***" means a Member's Termination from Service on or after the earliest date he or she may voluntarily retire under the Participating Company's pension plan or retirement policy.

2.38. "***Sales Date***" means the next day of the calendar week following the date the Custodian is in receipt of a sale request that is a business day on both (1) on the New York Stock Exchange and (2) in the Jurisdiction of the Custodian or as soon as administratively practical thereafter; ***provided, however*** for the sale of any non-P&G Shares held in the Plan Fund, the Sales Date may be as defined herein or any such other date that is determined by P&G.

2.39. "***Service***" means, as determined by the Participating Company, regular full-time active employment by an individual with any P&G Company (whether or not as an eligible Employee), unless otherwise required under applicable local law (as determined by P&G and/or the Participating Company). The period of an employee's Service shall end upon his or her applicable Termination from Service and to compute the length of an employee's Service for any purpose under the Plan, his or her Service before and after a Termination from Service shall be combined. To the extent specified by Supplement for a Jurisdiction, Service may also include any additional period of employment (1) as required by an Agency for a Jurisdiction or (2) with the consent of P&G, upon such uniform terms and conditions as the Participating Company may establish; ***provided, however,*** that, in no event shall any period of time be credited as Service more than once under the Plan.

2.40. "***Share***" means a share of the common stock of P&G and/or the share of common stock of such other company that P&G deems eligible for acceptance and maintenance under the Plan.

2.41. "***Share Transaction Date***" means the Investment Date and the Sales Date, or either of them, as the context may require.

2.42. "***Share Value***" means, subject to Section 8.5, for a Valuation Date, the average price per Share purchased by the Custodian on an Investment Date for purposes of any investment in Shares, or the average price per Share sold by the Custodian on a Sales Date for purposes of any sales of Shares, as the case may be.

2.43. "***Special Additional Deposits***" means Additional Deposits under Section 4.4 that the Participating Company does not Match under Section 5 that may be permitted by P&G and/or the Participating Company but that are not necessarily made by means of payroll deduction.

2.44. ***"Special Plan Events"*** means the context within which P&G approves the acceptance and maintenance of additional funds, securities or other property under the Plan that are not attributable to either Deposits or Participating Company Contributions.

2.45. "***Supplement***" means, with respect to any Jurisdiction, the special rules attached hereto that apply for that Jurisdiction.

2.46. "***Tax Subsidy Payment***" means, with respect to Employees hired prior to July 1, 2000, the cash payment made directly to a Member at the time the Participating Company makes a One Share Grant Contribution to the Plan Fund on behalf of the Member in accordance with Section 5, and/or at such other time the Participating Company determines the context so requires.

2.47. "***Termination from Service***" means the first date a Member no longer performs (or is considered as performing) Service with respect to each continuous period of Service, as determined by the Participating Company.

2.48. "***Unallocated Account***" means the account where cash contributions, earnings, dividends, or Shares, if any, not allocated to Members' Accounts are held in the Plan Fund, unless otherwise determined by P&G.

2.49. "***Valuation Date***" means (1) for purposes of any acquisition of Shares under the Plan, each Investment Date, (2) for purposes of disposing of Shares under the Plan, each Sales Date, and (3) for all other purposes under the Plan, any other date on which a Share Value is obtained by reference to the closing price per Share on a business day on the New York Stock Exchange, unless otherwise determined by P&G.

2.50. "***Vested Interest***" means the portion of a Member's Account and Company Account which has become nonforfeitable pursuant to Section 9.

2.51. "***Year of Service***" means twelve (12) full or partial calendar months, whether or not continuous, during which an employee is in-Service, as determined by the Participating Company.

SECTION 3. MEMBERSHIP

3.1. ***Eligibility***

On and after the Effective Date and subject to the following provisions of this Section 3, each Employee in Service with a Participating Company shall become eligible for membership in the Plan on the date he or she commences Service, subject to any specific eligibility requirements adopted by the applicable Participating Company. Membership in the Plan by eligible Employees shall be wholly voluntary.

3.2. ***Enrollment***

3.2.1. An Employee may, at his or her election, become a Member as of the first Entry Date on which he or she becomes eligible for membership in the Plan under Section 3.1, or at any time thereafter, by Duly Filing the prescribed application forms with P&G and/or the Participating Company in accordance with procedures established by P&G and/or the Participating Company.

3.2.2. If an Employee has Duly Filed under Section 3.2.1, he or she shall be eligible to make Deposits from his or her Base Pay commencing on the first day of the Pay Period coincident with or next following such Entry Date, or as soon as administratively practicable thereafter.

3.3. ***Application Forms***

The written and/or electronic application forms under Section 3.2 shall consist of any forms that are necessary to enroll in the Plan, as determined by P&G and the Participating Company. The Participating Company may, but shall not be obligated to, notify each Employee when he or she becomes eligible to apply for membership in the Plan and, upon the Employee's request, the Participating Company shall furnish an enrollment application to such Employee, and shall take any other necessary or appropriate action to enroll any such eligible Employee.

3.4. ***Termination of Membership***

3.4.1. The Plan membership of an Employee in a Jurisdiction shall cease for purposes of making Deposits when he or she is no longer an eligible Employee of the Participating Company in that Jurisdiction.

3.4.2. An Employee or a Member who incurs a Termination from Service shall be treated as a new employee for purposes of this Section 3 in the event he or she returns to Service. As further set forth in Section 5.1.2 below, in no event will such an Employee be eligible to receive a Bonus Match (as defined in Section 5.1.1) on more than one occasion.

3.4.3. The Plan membership of an Employee shall cease for all purposes upon payment to the Member of his or her entire Vested Interest, or upon the Member's death prior to such payment.

3.5. ***Members' Accounts***

P&G shall establish and maintain or cause to be established and maintained in respect of each of its eligible Employees who are Members an Account showing the Employee's interest under the

Plan, designated in Shares and cash, including separate designations showing (1) the portion of his or her Account attributable to Basic Deposits and Additional Deposits, including Special Additional Deposits under Section 4.4 (his or her "Employee Account"), (2) the portion of his or her Account attributable to the One Share Grant Contribution and the Match made by the Participating Company on his or her behalf (his or her "Company Account"), (3) the Mature and non-Mature portions of his or her Employee Account and Company Account and (4) the respective separate portions of his or her Employee Account and his or her Company Account attributable to contributions, cash and/or stock dividends on Shares, and all other relevant data pertaining thereto. Members shall have access to statements of the value of their Employee Accounts and their Company Accounts and, as the Participating Company deems appropriate or necessary with the consent of P&G, the value of each other separate interest. Members may view such Account statements at any time by electronically accessing the online system established by P&G for such purpose. Any Member without access to the online system shall receive written statements of the value of his or her Account on an annual basis and upon any payment to him or her, unless otherwise determined by P&G. In maintaining the Accounts under the Plan or causing them to be maintained, P&G and the Participating Company may conclusively rely upon the valuation of the Fund in accordance with the Plan and the terms of the Custodial Agreement constituting a part of the Plan and the Plan Fund. Any Special Plan Event funds will be allocated to a Member's Account as the specific context of the event may require.

3.6. ***Limitation of Interests***

The establishment and maintenance of, or allocations and credits to, the Account of any Member shall not give any Member or any other person any right, title or interest in or to any Plan Fund assets or Plan benefits except at the time or times and upon the applicable terms and conditions to the extent expressly set forth in the Plan and in accordance with the applicable terms of the Custodial Agreement constituting a part of the Plan and the Plan Fund.

SECTION 4. MEMBER DEPOSITS

4.1. ***Deposits***

4.1.1. Except for the Special Additional Deposits described in Section 4.4, a Member may make Deposits under the Plan only through payroll deductions authorized by him or her, unless payroll deductions are not permitted under local law, as determined by P&G and/or the Participating Company, in which case Members may be permitted to contribute to the Plan by an alternative method, as determined by P&G and/or the Participating Company.

4.1.2. A Member may elect Deposits under the Plan of up to fifteen percent (15%) of his or her Base Pay for a Pay Period in multiples of one percent (1%). Up to the first (1st) five percent (5%) of his or her Base Pay so elected shall be Basic Deposits, and any excess shall be Additional Deposits.

4.1.3. Subject to Section 4.1.1, the Member's election to make Deposits shall, in accordance with procedures established by the Participating Company, be applied to reduce, in multiples of one percent (1%), the portion of the Member's Base Pay which would otherwise be paid to him or her for any Pay Period during which such election is in effect, and the Participating Company shall pay to the Plan Fund, an amount of Deposits for such Pay Period equal to such reduction in the Member's Base Pay in the manner provided in Section 4.5.

4.1.4. Any Duly Filed election by a Member to make Deposits under this Section 4 shall be a continuing election for all subsequent Pay Periods until changed under Section 4.2 or Section 4.3.

4.2. ***Rate of Deposits Changes***

The Member may change his or her election as to the rate of Deposits, upward or downward, or resume making Deposits, within the limitations of Section 4.1.2, by Duly Filing the prescribed election with P&G and/or the Participating Company, with such change taking effect as of the first (1st) day of the Pay Period coincident with or next following the date that the election is received by P&G and/or the Participating Company, or as soon as administratively practicable thereafter.

4.3. ***Suspension of Deposits***

4.3.1. A Member may temporarily suspend all Deposits as of the first (1st) day of any Pay Period or as soon as administratively practicable thereafter, without terminating his or her membership in the Plan, by Duly Filing the prescribed election with the Participating Company.

4.3.2. Unless otherwise required by applicable local law as determined by P&G and/or the Participating Company, a Member's Deposits for a Jurisdiction shall be automatically suspended during the period of time that the Member (1) is no longer an eligible Employee even if still employed by a P&G Company, (2) is on leave of absence, (3) ceases to receive Base Pay, (4) incurs a Disability or (5) remains in Service after the termination of the Plan.

4.3.3. A Member whose Deposits have been suspended may resume making Deposits only in accordance with Section 4.2 provided he or she is then eligible to do so.

4.4. ***Special Additional Deposits***

4.4.1. In addition to any Deposits a Member may make during a Plan Year, the Member may be able to make Special Additional Deposits, to the extent permitted by P&G and/or the Participating Company. Except as otherwise provided in this Section 4.4, Special Additional Deposits shall be treated as Additional Deposits for all purposes under the Plan.

4.4.2. Special Additional Deposits, if permitted, may be made in a lump sum payment of any amount in accordance with procedures established by P&G and/or the Participating Company. In particular, such procedures may set minimum or maximum currency unit limits on the amount of Special Additional Deposits that may be contributed by a Member or limitations on how frequently Special Additional Deposits may be made.

4.5. ***Payment to Plan Fund***

The Participating Company shall deliver or cause to be delivered, in cash or cash equivalents, to the Custodian all (1) Deposits for Pay Periods and (2) all Special Additional Deposits, within a reasonable period following the date on which the Deposits and Special Additional Deposits are contributed to the Plan.

SECTION 5. PARTICIPATING COMPANY CONTRIBUTIONS

5.1. ***Amount of Match***

5.1.1. Except as provided in Section 5.2 or 10.4, the Participating Company shall contribute to the Plan Fund on behalf of each Member who makes Basic Deposits for a Pay Period a Match equal to fifty percent (50%) of the Member's Basic Deposits for that Pay Period; ***provided, however,*** that starting with the first (1st) day of the Pay Period coincident with or next following the later of (1) July 1, 1995 for an Employee who was then already a Member or (2) for other Employees, the first Entry Date on or after July 1, 1995 that an individual may first become a Member, and ending with the last day of the Pay Period during which the one (1)-year anniversary of such start date occurs, then, notwithstanding the foregoing, such Match shall equal a total of one hundred percent (100%) of the Member's Basic Deposits for the first (1st) one percent (1%) of the Member's Base Pay for each Pay Period during that one-year period of time ("Bonus Match").

5.1.2. The Bonus Match opportunity shall be made available by the Participating Company to an individual only once regardless of the number of times an individual leaves or returns to Service or the number of P&G Companies the individual may perform Service for.

5.1.3. The Match for a Pay Period shall be paid to the Plan Fund in the same manner and at the same time as the corresponding Basic Deposits under Section 4.5.

5.2. ***Net Match***

5.2.1. As specified by Supplement for a Jurisdiction, notwithstanding Section 5.1, and in accordance with the following provisions of this Section 5.2, the amount of the Match that would otherwise be paid to the Plan Fund by the Participating Company on a Member's behalf may be reduced by an amount that the Participating Company determines is required to be withheld under applicable local law to satisfy all income tax, social insurance, payroll tax, payment on account or other tax-related withholding obligations that may be incurred in the Jurisdiction as a result of the Company Match, as determined under such uniform terms, conditions and procedures as the Participating Company may establish with the consent of P&G; ***provided, however,*** that this Net Match shall only apply to a Member in a Jurisdiction where (1) the Member incurs current income tax or social insurance, taxes or fees liability on the Match at the time it is paid to the Plan Fund and (2) the Participating Company is legally required to withhold the amount of such liability from the Member's current pay, as determined by the Participating Company.

5.2.2. Whether the Company Match made on the Member's behalf shall be on a Net Match basis shall be at the election of the Participating Company in accordance with Section 5.2.1.

5.2.3. In the absence of a Net Match, the gross amount of the Match computed in accordance with Section 5.1 for a Member shall be contributed to the Plan Fund on the Member's behalf.

5.3. ***One Share Grant Contribution***

5.3.1. Subject to Section 5.3.2, the Participating Company shall make a single, one-time One Share Grant Contribution to the Plan Fund on behalf of each Member without regard to whether the Member has elected to make Deposits to the Plan.

5.3.2. For each Employee hired prior to July 1, 2000, the One Share Grant Contribution shall be made by the Participating Company on behalf of the Employee as of the Entry Date the Employee may first become a Member. Employees hired on/or after July 1, 2000 will not be eligible for the One Share Grant Contribution. In no event may more than only one (1) One Share Grant Contribution under this Plan or Phantom One Share Award under The Procter & Gamble Company International Phantom One Share Award Plan (the "Phantom Plan") be made by the Participating Company on behalf of any individual regardless of the number of times an individual leaves or returns to Service, the number of P&G Companies the individual may perform Service for or whether any such P&G Company at any time maintained this Plan, the Phantom Plan, or both plans.

5.3.3. The One Share Grant Contribution made by the Participating Company on behalf of an Employee shall be in an amount sufficient to acquire one (1) Share on the Investment Date for the calendar month following the calendar month during which the applicable Entry Date specified in Section 5.3.2. for the Employee occurs, or the next following Investment Date, consistent with the application of Section 4.5.

5.4. ***Tax Subsidy Payment***

5.4.1. Each Member for whom a One Share Grant Contribution is made to the Plan Fund by the Participating Company on his or her behalf shall also be paid directly a cash Tax Subsidy Payment; provided, however, that this Section 5.4 shall only apply to a Member in a Jurisdiction where the Member incurs current income tax or social charges, taxes or fees liability on the One Share Grant Contribution at the time such contribution is paid to the Plan Fund.

5.4.2. The Tax Subsidy Payment shall be paid to the Member as additional cash salary or wages no later than for the Pay Period ending during which the Investment Date for the One Share Grant Contribution occurs.

5.4.3. The amount of the Tax Subsidy Payment paid to a Member by the Participating Company under this Section 5.4 shall be in an amount approximating the current income tax or social charges, taxes or fees liability the Member could incur in the Jurisdiction as a result of the One Share Grant Contribution, as determined under such uniform terms, conditions, and procedures as the Participating Company may establish with the consent of P&G.

5.5. ***Other Share-Based Programs***

By Supplement to this Plan and with the consent of P&G, any Participating Company may, in its discretion, establish a Share-based program or arrangement to be integrated into the structure of this Plan and the Plan Fund for some or all of that Participating Company's employees under such terms and conditions as are deemed appropriate.

SECTION 6. SPECIAL PLAN EVENTS

6.1. ***General***

P&G may at its discretion accept additional funds, securities or other property into the Plan on behalf of Members as a result of a Special Plan Event. These additional funds may be in the form of cash, securities/shares or such other property acceptable to P&G under the terms of the Plan and in such amounts as a given context may require. The allocation of such Special Plan Event funds to Member Accounts will be determined under such terms and conditions as the given context may require and/or as otherwise permitted under the Plan in any applicable jurisdiction (see Supplement). The applicable Terms and Conditions of any such Special Plan Event shall be communicated to all Members prior to any allocation of funds.

SECTION 7. INVESTMENT OF FUNDS

7.1. ***Investments in Shares***

Except as otherwise provided in this Section 7, all amounts of money, securities or other property received under the Plan shall be delivered to the Custodian and initially held in the Unallocated Account, to be invested and reinvested in P&G Shares on the applicable Investment Date at the then Share Value, all in accordance with the Plan and the Custodial Agreement. Dividends and other distributions received and gains realized on Shares held in the Plan Fund shall be similarly invested in P&G Shares only, unless otherwise required by Supplement.

7.2. ***Cash Reserves***

7.2.1. The Custodian may maintain Cash Reserves in the Plan Fund to provide funds for (1) investment in Shares, (2) payment of expenses or taxes of the Plan and the Plan Fund or (3) cash withdrawals under Section 10 and cash distributions under Section 11. Cash Reserves may be invested in an interest bearing account denominated in U.S. dollars that is maintained by the Custodian. Except as otherwise expressly specified by Supplement or in this Plan, all earnings on Cash Reserves shall be credited to the Unallocated Account and no earnings on Cash Reserves shall be credited to any Member's Account or held for the benefit of any Participating Company or P&G.

7.2.2. Any cash or cash equivalent Deposits, Match or Special Plan Event funds awaiting investment in P&G Shares that are not denominated in U.S. dollars when received by the Custodian shall be converted by the Custodian into cash or cash equivalents denominated in U.S. dollars as soon as practicable following the Custodian's receipt of such contributions.

7.2.3. Any currency exchange involving Cash Reserves may be made through the currency exchange facilities of the Custodian unless and until P&G notifies the Custodian to the contrary.

SECTION 8. VALUATION AND MAINTENANCE OF MEMBERS' ACCOUNTS

8.1. ***Valuation***

As of each Valuation Date, the Plan Fund, each Member's Account and each constituent Account in each Member's Account under Section 3.5 shall be valued, pursuant to the following provisions of this Section 8 and the terms of the Custodial Agreement constituting a part of the Plan for each Jurisdiction, to equitably reflect the effect of income received and accrued, realized and unrealized profits and losses, and all other similar transactions. Such valuation shall be conclusive and binding upon all persons having an interest in the Plan Fund.

8.2. ***Contributions and Cash Dividends***

All Deposits, any corresponding Participating Company Contributions and any cash Dividends on Shares received by the Custodian with respect to a Member shall be held in the Unallocated Account and invested by the Custodian in Cash Reserves until the next Investment Date. On that Investment Date, the P&G Shares so acquired shall be credited to the Member's Employee Account or Company Account, as the case may be, on the basis of the Share Value on that Investment Date.

8.3. ***Cash Reserves***

On at least an annual basis, the Custodian shall provide an accounting to P&G of the value of any Cash Reserves. The accounting shall provide the value of Cash Reserves attributable to (1) specific constituent investments in the Cash Reserves and (2) the investment of specific Members.

8.4. ***Expenses and Taxes***

8.4.1. The expenses of administering the Plan, including (1) the fees and expenses of the Custodian for the performance of its duties under the Custodial Agreement, (2) the administrative expenses incurred by P&G and the Participating Company in the performance of its duties under the Plan (including reasonable compensation for any legal counsel, certified public accountants, consultants, and agents and the cost of services rendered in respect of the Plan) and (3) all other proper charges and disbursements of the Custodian, P&G or the Participating Company (including settlements of claims or legal actions with the consent of P&G), and taxes, if any, of any and all kinds whatsoever which are levied or assessed on any assets held or income received by the Custodian, shall be paid out of the earnings on the Cash Reserves, if P&G or the Participating Company does not pay such taxes or expenses directly.

8.4.2. Except as provided in Section 8.5, any residual taxes or expenses after application of Section 8.4.1 shall be equitably allocated among and paid by the corresponding Participating Company or P&G.

8.5. ***Share Transaction Expenses***

Brokerage fees, transfer taxes and any other expenses incident to the purchase or sale of Shares or other securities by the Custodian shall be deemed to be part of the cost of the purchase or sale of such securities and are thus borne by the Member.

SECTION 9. VESTED INTERESTS

9.1. ***Full and Immediate Vesting***

Each Member in Service on or after the Effective Date shall always have a fully Vested Interest in all amounts credited to his or her Account under the Plan on or after the Effective Date, except as may be required under the terms and conditions applicable to the payment of Special Plan Event funds, stock Dividends and/or other special, non-recurring Participating Company Contributions to the Plan Fund and/or as otherwise required by Supplement. In the event that a Member does not have a Vested Interest in any amount credited to his or her Account under the

Plan, any portion of the Account that is forfeited by the Member will be returned to the Member's Participating Company, unless otherwise required by P&G. In such case, the Participating Company will receive a cash payment consisting of any cash contributions, earnings or Dividends that have been forfeited by the Member plus the aggregate Share Value obtained by liquidating any forfeited Shares on the applicable Sales Date.

SECTION 10. WITHDRAWALS

10.1. ***In General***

Subject to the following provisions of this Section 10, a Member in Service, or a Member described in Section 11.1.2 who then has an Account balance, may elect to make a withdrawal from his or her Vested Interest, by Duly Filing a withdrawal request with P&G and/or the Participating Company during the appropriate Election Period. The amount of the withdrawal shall be paid to the Member as soon as practicable following the first Sales Date after the receipt of the Member's withdrawal request.

10.2. ***Amount of Withdrawal***

10.2.1. The Member's Duly Filed withdrawal request shall specify the number of non-P&G Shares and/or the number of whole P&G Shares the Member wishes to withdraw or liquidate for the withdrawal. In no event may the number of Shares selected by the Member exceed the lesser of the number of Shares credited to his or her Account (1) in which he or she has a Vested Interest or (2) which are in the categories specified in Section 10.3, determined as of the Sales Date next preceding the date the Member's withdrawal request was Duly Filed.

10.2.2 A Member whose Account only has Mature Shares may specify that all Shares in the Account may be liquidated.

10.2.3. The number of Shares the eligible Member has selected (or such lesser number that may be liquidated by reason of Section 10.2.1) shall be liquidated or transferred to the Member's account with P&G on the Sales Date specified in Section 10.1.

10.2.4. In the case of a cash withdrawal, the cash amount to be paid to the Member shall be the aggregate Share Value obtained by application of Section 10.2.3 on the Sales Date specified in Section 10.1, converted, if necessary, into the appropriate currency for the Member's Jurisdiction as soon as practicable after such Sales Date.

10.3. ***Priority of Withdrawal/ Liquidation***

For purposes of any withdrawal under this Section 10, the Shares credited to an eligible Member's Account shall be liquidated in the following priority order of categories: (1) Mature non-P&G Shares credited to his or her Employee Account and/or Company Account, (2) Mature P&G Shares credited to his or her Employee Account, (3) Mature P&G Shares credited to his or her Company Account, (4) Non-Mature Non-P&G Shares credited to his or her Member Account, and (5) Non-Mature P&G Shares credited to the Member's Employee Account.

10.4. ***Suspension of Company Match***

In the event that P&G Shares that are not Mature are applied to meet the Member's withdrawal request, then for Basic Deposits from Base Pay earned by the Member commencing with the first (1st) Pay Period next following the Sales Date specified in Section 10.2.1, no Match shall be made on behalf of the Member. Such suspension of the Member's Match shall continue to apply until the first (1st) Pay Period that starts on a date coincident with or next following the first (1st) anniversary of the date such suspension commenced.

10.5. ***Limitation on Withdrawals***

10.5.1. There is no limit on the number of withdrawals a Member may make during a Plan Year; ***provided, however,*** that at each withdrawal the Member must withdraw at least ten (10) Shares or ten percent (10%) of the number of Shares credited to the Member's Account that are Mature, whichever is lower.

10.5.2. A Member will not be permitted to make any fractional Share withdrawals unless the Member has elected to, and is eligible to, request the withdrawal of all of the Shares in his or her Account or the Member elects a full Share distribution on his or her Final Distribution Election, as set forth in Section 11. In either case, as soon as practicable after the Sales Date specified in Section 10.1, the Member shall receive all of the number of whole Shares in his or her Account plus the cash Share Value of any fractional Share, determined as of such Sales Date.

10.6. ***Form of Payment***

The form of payment to be made to a Member who has made a withdrawal under this Section 10 shall be made in either a single sum cash payment or Shares as soon as practicable after the Sales Date specified in Section 10.1. Only P&G Shares can be distributed in the form of Shares. Non-P&G Shares liquidated under this Section 10.3 can only be payable in cash, unless otherwise determined by P&G.

SECTION 11. DISTRIBUTIONS DUE TO TERMINATION FROM SERVICE

11.1. ***Termination From Service Distribution***

11.1.1. Upon Termination from Service, a Member (or upon his or her death, his or her Beneficiary) shall be paid his or her Vested Interest as soon as practicable following the first Sales Date after receipt of the Member's Final Distribution Election or deemed election under the procedures set forth in this Section 11.

11.1.2. Notwithstanding the foregoing provisions of this Section 11.1, any Employee who has a Termination from Service by reason of Retirement, Disability, or Redundancy before July 1, 2015 may defer payment during the Deferral Period which ends on the Sales Date coincident with or next following the fifth (5th) anniversary of the date such Member's Termination from Service occurs. During the Deferral Period such Member may (1) make no Deposits, (2) request withdrawals under the provisions of Section 10 except that all Shares shall be considered Mature upon such Member's Termination from Service, and (3) elect a total Account distribution. In the event such Member dies during the Deferral Period, his or her Beneficiary shall be paid the balance of the Member's Account in cash as soon as practicable thereafter. In the event there remains any amounts in such Member's Account at the end of the Deferral Period, then the Member shall be paid the balance of his or her Account as if the Member then had a Termination from Service for a reason other than Retirement, Disability, or Redundancy under the provisions of this Section 11 at that time. The Deferral Period is not available to any Member who has a Termination from Service by reason of Retirement, Disability, or Redundancy on or after July 1, 2015.

11.2. ***Share Distribution***

11.2.1. At the time of Termination from Service or at the end of the Deferral Period, a Member (but not his or her Beneficiary, in the case of the Member's death) may elect to receive a Share distribution representing all or any portion of the number of whole Shares then credited to his or her Account by Duly Filing a Final Distribution Election with P&G and/or the Participating Company no later than thirty (30) days following the date of such Termination from Service, or such other period specified by P&G.

11.2.2. At any time during the Deferral Period, a Member may elect a Share distribution representing all or any portion of the number of whole Shares then credited to his or her Account by Duly Filing the prescribed election with P&G and/or the Participating Company.

11.2.3. A Member who Duly Files the prescribed election or Final Distribution Election and requests a Share distribution shall, as soon as practicable after the first Sales Date following the receipt of the Member's request, receive all of the number of whole Shares he or she had specified for the Share Distribution plus the cash Share Value of any fractional Share, determined as of such Sales Date.

11.2.4. For purposes of this Section 11.2, only P&G Shares can be distributed in the form of Shares. Non-P&G Shares eligible for distribution are payable in cash only, unless otherwise determined by P&G.

11.3. ***Cash Distribution***

11.3.1. Upon a Member's Termination from Service or at the end of the Deferral Period, if the Member has not made a Final Distribution Election within the Election Period set forth in Section 11.2.1 above, the Member will be deemed to have elected to receive a cash distribution of his or her total Account in accordance with this Section 11.3. Accordingly, as soon as practicable after the first Sales Date following the end of the prescribed Election Period, the Member shall receive a lump sum payment in an amount equal to the aggregate Share Value obtained by liquidating the Member's Shares on such Sales Date.

11.3.2. To the extent the Member has elected a Share distribution in accordance with Section 11.2, as soon as practicable after the first Sales Date following the receipt of the Member's request, the Member shall receive a lump sum payment in an amount equal to the sum of the aggregate value obtained by liquidating any non-P&G Shares on such Sales Date.

11.4. ***Currency Exchange***

The cash amount to be paid to a Member under Section 11.2 or Section 11.3, as the case may be, shall be converted, if necessary, into the appropriate currency for the Member's Jurisdiction as soon as practicable after the Sales Date specified in Section 11.1.

SECTION 12. RIGHTS AND RESTRICTIONS APPLICABLE TO SHARES

12.1. ***Voting***

12.1.1. Before each annual or special meeting of Shareholders of P&G, P&G shall cause to be promptly sent to each Member who has P&G Shares credited to his or her Account on the record date of such meeting, all materials that a Shareholder of P&G would receive with respect to such meeting, including, but not limited to, notices, proxies, financial statements and P&G's proxy solicitation materials. Each Member shall have the right to vote the total number of P&G Shares allocated to his or her Account as of the record date established by P&G.

12.1.2. In the event consents, authorizations or other such solicitations are made with respect to P&G Shares in lieu of a meeting, then the Members shall direct any vote or action on any such solicitation with respect to P&G Shares held in the Plan Fund in a manner that is consistent with this Section 12.1.

12.2. ***Tender Offers***

12.2.1. In the event any transaction which is evidenced by the filing of a Statement on Schedule 14D-1 with the Securities and Exchange Commission under the United States Securities Exchange Act of 1934, or in the event of any other similar transaction (a "Tender Offer"), including, but not limited to, a "self-tender", then, notwithstanding any other provision of the Plan or the Custodial Agreement to the contrary, all, any part or none of the P&G Shares held in the Plan Fund shall be tendered and sold or exchanged pursuant to such Tender Offer by the Custodian at the direction it receives from P&G, which is pursuant to the instruction of Members in accordance with this Section 12.2.

12.2.2. Promptly upon written receipt of such Tender Offer, P&G shall notify each Member in writing of such Tender Offer and the principal terms thereof and shall cause to be delivered to each Member copies of all materials that they would receive as a Shareholder with respect to such Tender Offer, including, but not limited to, prospectuses and financial statements. P&G shall also notify each Member of how they may provide instructions to P&G pursuant to 12.2.3.

12.2.3. Each Member shall have the right to instruct P&G to direct the Custodian to tender and sell or exchange, pursuant to such Tender Offer, all, any part or none of that number of P&G Shares credited to the Member's Account as of the Valuation Date next preceding the date the Members are notified of the initiation of such Tender Offer. In the event a Member fails to provide instructions to P&G, such Member shall be deemed to have elected not to tender those P&G Shares to which the instruction would have related.

12.2.4. Subject to Section 12.2.5, and in accordance with the directions it receives from P&G that are pursuant to the Member's instructions, the Custodian shall tender, sell or exchange, to the extent that the Tender Offer is accepted, that number of P&G Shares for which valid and timely directions to do so have been received by P&G and not subsequently been revoked by Members prior to the expiration date of the Tender Offer to which such directions relate. In addition, the Custodian shall withdraw, prior to the withdrawal date of the Tender Offer, that number of P&G Shares for which the

Custodian receives timely directions from P&G, in accordance with Member instructions, to withdraw.

12.2.5. Except as to P&G Shares sold or tendered under this Section 12.2, the Custodian is prohibited from tendering or otherwise selling or exchanging, or depositing or forwarding for sale or exchange, any P&G Shares held by it pursuant to the Plan and the Custodial Agreement, and from making any purchases of P&G Shares pursuant to the Plan and Custodial Agreement, during the pendency of the Tender Offer.

12.3. ***Certificates for Shares***

12.3.1. Shares held or distributed by the Custodian may include such legends or may be subject to such terms, conditions, stop-transfer orders or other restrictions on transferability as P&G may reasonably require in order to assure compliance with the applicable (1) securities or other laws of any Jurisdiction (2) Agency rules thereunder or (3) terms of the Plan or the Custodial Agreement.

12.3.2. Each Member who has P&G Shares distributed to him or her from the Plan Fund under Section 10 or otherwise under the Plan shall have an account opened on his or her behalf with P&G Shareholder Services (or any successor) to which the P&G Shares shall be transferred and held on the Member's behalf. Certificates for P&G Shares shall be issued to a Member only upon his or her written request to P&G Shareholder Services (or any successor). Any such certificates issued shall be registered in the name of the recipient, and, in accordance with Section 12.3.1, may bear an appropriate legend reciting the terms, conditions, and restrictions applicable to such, P&G Shares, if any, and may be subject to appropriate stop-transfer orders.

12.3.3. Non-P&G Shares held under the Plan Fund cannot be exchanged for P&G Shares, unless authorized by P&G.

12.4. ***Cash Dividends***

Cash Dividends received under the Plan Fund, less any applicable United States Federal income tax withheld at source, will be reinvested in P&G Shares only and allocated to Member Accounts accordingly. If and to the extent that reinvestment of cash Dividends in P&G Shares is not permitted under local law, the amount of the Dividends may be paid currently to the Member either directly by P&G or indirectly through the Plan Fund not later than the end of the Plan Year during which such Dividends were paid or otherwise payable to the Custodian. If and to the extent that Members in a Jurisdiction incur current income tax liability on the amount of cash Dividends that are earned on Shares and paid to the Plan Fund, or on any imputed earnings of the Plan Fund, the Members shall be solely responsible for the payment of such income taxes.

12.5. ***Reasonable Actions***

P&G and each Participating Company shall take all reasonable actions to assure that as of each Sales Date (or other relevant date) specified in the foregoing provisions of this Section 12, they each have an accurate list of all Members and the number of Shares credited to their Accounts. For purposes of this Section 12, P&G and each Participating Company agree to render any reasonably necessary and appropriate assistance that the Custodian requests to assure a proper distribution of cash Dividends, an accurate and confidential collection and tabulation of directions and, for purposes of Section 12.2, a timely tender by the Custodian in accordance with such directions, including, but not limited to, reasonable compliance with applicable securities or other laws for each Jurisdiction, or Agency rules thereunder. All Member information will be handled by P&G pursuant to and in accordance with the ISOP Privacy Statement attached hereto as Exhibit ___.

12.6. ***Dilution and Other Adjustments***

In the event of any changes in the outstanding Shares by reason of any Share dividend or split, recapitalization, rights issue, merger, consolidation, spin-off, reorganization, combination or exchange of Shares or other similar corporate change, then, if P&G so determines that such change equitably requires an adjustment to Members' Accounts or any other adjustment, such adjustments shall be made by P&G under such uniform terms and conditions as it deems appropriate.

12.7. ***No Restriction on Right to Effect Corporate Changes***

The Plan shall not affect in any way the right or power of P&G or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in P&G's capital structure or its business, or any merger or consolidation of P&G, or any issue of stock or shares or of options, warrants or rights to purchase stock or shares or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect Shares or the rights thereof or which are convertible into or exchangeable for Shares, or the dissolution or liquidation of P&G, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

SECTION 13. DESIGNATION OF BENEFICIARIES

13.1. ***Beneficiary Designation***

Each Member shall Duly File with P&G and/or the Participating Company on the prescribed Beneficiary designation form, a designation of one or more persons as the Beneficiary who shall be entitled to receive the amount, if any, payable under the Plan upon his or her death. A Member may from time to time revoke or change his or her Beneficiary designation without the consent of any prior Beneficiary by Duly Filing a new designation form with P&G and/or the Participating Company. The last such designation form received by P&G and/or the Participating Company shall be controlling; ***provided, however,*** that no designation, or change or revocation thereof, shall be effective unless received by P&G and/or the Participating Company prior to the Member's death, and in no event shall it be effective as of a date prior to such receipt.

13.2. ***No Designation***

If no Beneficiary designation meeting the requirements of Section 13.1 is in effect at the time of a Member's death, or if no Beneficiary survives the Member, the amount, if any, payable under the Plan upon the Member's death shall be paid to the Member's spouse, if any, or if the Member has no spouse, then to his or her estate.

13.3. ***Proof of Death***

13.3.1. The Participating Company and/or P&G may require and rely upon such proof of death and such other evidence of the right of any Beneficiary or other person to receive the amount, if any, payable under the Plan upon a Member's death, as the Participating Company and/or P&G may deem appropriate.

13.3.2. If the Participating Company or P&G is in doubt as to the right of any person to receive such amount, the Participating Company or P&G may direct the Custodian to pay such amount into any court of appropriate jurisdiction and such payment, as well as any other payment the Participating Company or P&G directs be made under this Section 13, shall be a complete discharge of the liability of the Plan, the Plan Fund and any P&G Company therefor.

SECTION 14. ADMINISTRATION OF THE PLAN

14.1. ***Administrative Responsibility***

The Participating Company in each Jurisdiction shall have general responsibility for the administration and interpretation of the Plan with respect to its employees and P&G shall have overall responsibility for the administration, interpretation and operation of the Plan in all Jurisdictions. All decisions, determinations, constructions or interpretations the Participating Company or P&G may make under the Plan or the Custodial Agreement shall be made in the sole discretion of the Participating Company or P&G, as the case may be, and shall be final, binding and conclusive on all interested persons and both the Participating Company and P&G shall be afforded the maximum deference permitted in a Jurisdiction for their actions hereunder; ***provided, however,*** that, in the case of any inconsistency or conflict between a decision, determination, construction or interpretation by P&G and the Participating Company, the decision, determination, construction or interpretation by P&G shall control unless P&G elects otherwise.

14.2. ***Custodian***

The Custodian shall have responsibility under the Plan for the management and control of the assets of the Plan Fund. P&G shall periodically audit and review the performance and methods of the Custodian under the Plan and may appoint and remove or change any such Custodian.

14.3. ***Use of Agents***

P&G or the Participating Company may engage such certified public accountants, who may be accountants for P&G or the Participating Company, such legal counsel, who may be counsel for P&G or the Participating Company, and make use of such agents and clerical or other personnel, as P&G or the Participating Company shall require or may deem advisable for purposes of meeting their responsibilities under the Plan. P&G or the Participating Company may rely upon the written opinion of such counsel and such accountants or such other experts it reasonably delegates responsibilities to. P&G or the Participating Company may delegate to any such agent its authority to perform any of its responsibilities hereunder; ***provided, however,*** that such delegation shall be subject to revocation at any time at the discretion of P&G or the Participating Company, as the case may be.

14.4. ***No Personal Liability***

No employee, officer or member of the board of directors or equivalent governing body of P&G or any P&G Company shall be personally liable by reason of any contract or other instrument duly executed by him or her, or on his or her behalf, in respect of the Plan, nor for any mistake of judgment made in good faith.

SECTION 15. ADOPTION AND WITHDRAWAL BY A P&G COMPANY

15.1. ***Adoption of Plan***

Any P&G Company may adopt the Plan by appropriate action of its board of directors or equivalent governing body with the consent of P&G. Any P&G Company which so adopts the Plan shall be deemed thereby to appoint P&G and the Custodian its exclusive agents to exercise on its behalf all of the power and authority conferred upon P&G or the Custodian, as the case may be, under the Plan and the Custodial Agreement. The authority of P&G and the Custodian to act as such agents shall continue until the Participating Company withdraws from the Plan and the portion of the Plan Fund attributable to employees of that Participating Company has been distributed by the Custodian and/or P&G as provided in this Section 15.

15.2. ***Withdrawal Procedures***

15.2.1. Any Participating Company may withdraw from its participation in the Plan by giving P&G and the Custodian prior notice specifying a withdrawal date which shall be a Valuation Date at least sixty (60) days (or such shorter period as P&G may consent to) subsequent to the date such notice is received by P&G. P&G may terminate any Participating Company's participation in the Plan, as of any withdrawal date it specifies, for any reason, including, but not limited to, the failure of the Participating Company to make proper Participating Company Contributions or to take appropriate action to assure compliance with any other provision of the Plan, the Custodial Agreement, or with any applicable requirements of any Jurisdiction or Agency. Notice of any withdrawal of a Participating Company from the Plan by P&G shall be given to the Custodian and the withdrawing Participating Company.

15.2.2. Notwithstanding Section 15.2.1, the transfer of a Participating Company or a division, facility, operation or trade or business of a Participating Company to an entity that is not a P&G Company with respect to a group of Members, shall be treated as a withdrawal of a Participating Company for purposes of this Section 15 without further action by P&G or any Participating Company.

15.3. ***Contributions Upon Withdrawal***

Upon the withdrawal of any Participating Company, no further Deposits or Participating Company Contributions on behalf of affected Members shall be made for Pay Periods ending after the withdrawal date, and no amount shall thereafter be payable under the Plan to or in respect of any affected Members except as provided in this Section 15. Any rights of Members who had been or are employed by other P&G Companies shall be unaffected by such withdrawal and any transfers, distributions or other dispositions of the assets of the Plan Fund attributable to the employees of a withdrawing Participating Company as provided in this Section 15 shall constitute a complete discharge of all liabilities under the Plan and the Custodial Agreement with respect to such Participating Company's participation in the Plan and with respect to any affected Member or Beneficiary.

15.4. ***Effect of Withdrawal***

Upon a Participating Company's withdrawal from the Plan, P&G may direct that the Accounts of affected Members continue to be maintained under the Plan as if such withdrawal had not occurred, or, after payment of or provision for expenses and charges and appropriate adjustment of the Accounts of all such Members as described in Section 16.3 (as if the withdrawal date were the termination date), the value of such Accounts may be paid from the Plan Fund in the manner described in Section 16.4.

SECTION 16. AMENDMENT OR TERMINATION OF THE PLAN AND PLAN FUND

16.1. ***Amendment and Termination***

16.1.1. P&G reserves the right at any time, either prospectively or retroactively, to amend, suspend or terminate the Plan, any contributions thereunder or the Plan Fund, in whole or in part, and for any reason and without the consent of any Member, Beneficiary or P&G Company.

16.1.2. The Participating Company reserves the right, with the consent of P&G, at any time either prospectively or retroactively, to amend or suspend the Plan with respect to its employees in a Jurisdiction, or any contributions thereunder, in whole or in part, and for any reason without the consent of any Member or Beneficiary.

16.1.3. Notwithstanding the foregoing, and except as provided in Section 15 and this Section 16, no action contemplated by this Section 16.1 shall reduce the number of Shares credited to any Member's Account as of the Sales Date coincident with or next preceding such action, nor shall such action materially and substantially diminish any Member's rights with respect to such Account balance under the Plan prior to such action, as determined by P&G, or the Participating Company with P&G's consent, as the case may be.

16.1.4. Prompt notice specifying the adoption date and effective date of any amendment, modification, suspension or termination of the Plan shall be given by P&G or the Participating Company, whichever adopts the action, to the Custodian and, for actions pursuant to Section 16.1.1, to all Participating Companies.

16.2. ***Complete Termination of the Plan***

Upon complete termination of the Plan by P&G with respect to all Participating Companies, no further Deposits or Participating Company Contributions on behalf of Members shall be made for Pay Periods ending after the effective date of such termination (the "termination date"), and no amount shall thereafter be payable under the Plan to or in respect of any Member except as provided in this Section 16. Transfers, distributions or other dispositions of the assets of the Plan Fund as provided in this Section 16 shall constitute a complete discharge of all liabilities under the Plan and the Custodial Agreement. The authority of P&G and the Participating Company with respect to the Plan and the Plan Fund, and all of the provisions of the Plan and the Custodial Agreement which in the opinion of P&G are necessary for the execution of the Plan and the Plan Fund, and the administration and distribution, transfer or other disposition of the assets of the Plan Fund in accordance with this Section 16, shall remain in force until final disposition of the assets of the Plan Fund under this Section 16.

16.3. ***Final Valuation***

Upon complete termination of the Plan, final valuation of the Plan Fund and each constituent part shall be made in a manner consistent with the provisions of Section 8, to the extent P&G determines it is practicable. Then, any remaining amounts credited to the Unallocated Account shall be credited to each Member's Account in a manner consistent with Section 8 to the extent P&G determines it is practicable.

16.4. ***Final Distribution***

Subject to receipt of such Agency determinations, approvals or notifications as P&G may deem necessary or advisable for a Jurisdiction with the advice of the corresponding Participating Company, as soon as practicable after the final valuation of the Plan Fund in accordance with Section 16.3, the entire balance of the Account of each Member in Service shall be distributed to the Member (or, in the case of the Member's death, his or her Beneficiary) in a lump sum payment, in cash or Shares, at the election of P&G, and in accordance with such other uniform terms and conditions as P&G shall establish without regard to whether the affected Member had a fully Vested Interest in all of his or her Account or whether his or her entire Account balance was Mature immediately before the complete termination of the Plan.

SECTION 17. GENERAL LIMITATIONS AND PROVISIONS

17.1. ***Decrease in Value of Plan Fund Assets***

Each Member, Beneficiary or other person shall bear all risks in connection with any decrease in the value of the assets of the Plan Fund and the Member's Account, including, but not limited to, decreases in the value of Shares and losses incurred as a result of changes in the currency exchange rates, and neither P&G nor the Participating Company, nor any employee, officer or director thereof, shall be liable or responsible therefor.

17.2. ***Withholding***

The appropriate P&G Company may cause to be made, as a condition precedent to any dividend, withdrawal, distribution or other payment in connection with the Plan, appropriate arrangements for the withholding of any taxes or social insurance contributions, taxes or fees required for a Jurisdiction, including an appropriate reduction in the amount of any such payment.

17.3. ***Sole Source of Benefits***

The Account maintained for a Member by P&G as a constituent part of the Plan Fund shall be the sole source of benefits under the Plan for that Member and, P&G and the Participating Company shall not have any responsibility for payment of such benefits, and each Member, Beneficiary or other person who shall claim the right to any payment under the Plan shall be entitled to look only to such Account for such payment and shall not have any right, claim or demand therefor against any other separate account of the Plan Fund, the Custodian, P&G or any other P&G Company, or any employee, officer or director thereof.

17.4. ***No Right to Employment***

Nothing contained in the Plan shall give any employee the right to be retained in the employment of any P&G Company or affect the right of any such employer to dismiss any employee. The adoption and maintenance of the Plan shall not constitute a contract between any Participating Company and any employee or consideration for, or an inducement to or condition of, the employment of any employee.

17.5. ***Alienation***

No amount payable at any time under the Plan and the Plan Fund shall be subject in any manner to alienation by anticipation, sale, transfer, assignment, bankruptcy, pledge, attachment, charge or encumbrance of any kind nor in any manner be subject to the debts or liabilities of any person, and any attempt to so alienate or subject any such amount, whether presently or thereafter payable, shall be void. If any person shall, or attempt to, alienate, sell, transfer, assign, pledge, attach, charge or otherwise encumber any amount payable under the Plan and the Plan Fund or any part thereof, or if, by reason of his or her bankruptcy or other event happening at any such time, such amount would be made subject to his or her debts or liabilities or would otherwise not be enjoyed by him or her, then P&G and/or the Participating Company, if either party so elects, may direct that such amount be withheld and that the same or any part thereof be paid or applied to or for the benefit of such person, his or her spouse, children or other dependents, or any of them, in such manner and proportion as P&G and/or the Participating Company may deem proper.

17.6. ***Lost Member or Beneficiary***

17.6.1. If P&G and/or the Participating Company cannot ascertain the whereabouts of any person to whom a payment is due under the Plan, and if, after eighteen (18) months from the date such payment is due, a notice of such payment due is mailed to the last known address of such person, as shown on the records of P&G and/or the Participating Company, and, within three (3) months after such mailing, such person has not made written claim therefor, P&G, if it so elects, may direct that such payment and all remaining payments otherwise due to such person be canceled on the records of the Plan and the amount thereof shall be credited to the Unallocated Account as of the next Sales Date after P&G makes such direction. In the Participating Company's discretion and subject to the consent of P&G, such amounts may be applied to defray the Participating Company's obligation for administrative expenses of the Plan and the Plan Fund or to help satisfy the obligation for Participating Company Contributions.

17.6.2. The Plan and the Plan Fund shall have no further liability for these amounts except that, in the event such lost beneficiary later notifies P&G and/or the Participating Company of his or her whereabouts and requests the payment or payments due to him or her under the Plan, the cash value of the amounts so applied shall be paid to him or her, after any necessary Participating Company Contribution is made to the Plan Fund on the Member's behalf to restore the Member's Account to its cash value, denominated in the currency of the Member's Jurisdiction, as of the Sales Date the amounts had been credited to the Unallocated Account, no later than ninety (90) days following the Sales Date coincident or next following the date such notification is received by the Participating Company, in a single sum cash distribution in a manner consistent with Section 11.4, to the extent the Participating Company determines it is applicable.

17.7. ***Filing Information***

Each Member or other interested person shall file with P&G and/or the Participating Company such pertinent information concerning himself or herself and his or her Beneficiary as P&G and/or the Participating Company may specify, and no Member, Beneficiary, or other person shall have any rights or be entitled to any benefit under the Plan unless such information is filed by or with respect to him or her.

17.8. ***The Plan Fund***

17.8.1. The Custodial Agreement constitutes a part of the Plan. Any and all rights or benefits accruing to any person under the Plan shall be subject to the terms of the Custodial Agreement.

17.8.2. Except as otherwise provided in the Plan, in no event shall any part of any constituent separate Member's Account of the Plan Fund be used for or diverted to any purposes other than for the exclusive benefit of corresponding Members and their Beneficiaries under the Plan.

17.9. ***Return of Contributions***

17.9.1. Notwithstanding any other provisions of the Plan or the Custodial Agreement, if any Participating Company Contribution or Deposit is made by mistake of fact or law, an amount shall be returned upon the direction of the Participating Company to the Custodian and P&G.

17.9.2. The amount to be returned under Section 17.9.1 shall be the lesser of (1) the amount paid to the Plan Fund or (2) the value of the portion of the Plan Fund attributable to such Participating Company Contribution or Deposit, as of the Sales Date next following the date of such direction. Such amount shall be returned as soon as practicable after such Sales Date.

17.9.3. In the event the amount under 17.9.2(2) exceeds the amount under 17.9.2(1), any excess shall be credited to the Unallocated Account as of such Sales Date.

17.10. ***Communications to P&G and the Participating Company***

All elections, designations, requests, notices, instructions and other transmittals or communications from a Member, Beneficiary or other person to P&G or the Participating Company required or permitted under the Plan shall be in writing or via electronic media, made in accordance with such procedures as P&G or the Participating Company may establish, shall be in such form as is prescribed from time to time by P&G or the Participating Company, shall be mailed or delivered to such location as shall be specified by P&G or the Participating Company and shall be deemed to have been given and delivered only upon actual receipt thereof by such party, at the location specified thereby.

17.11. ***Communications to Members***

All notices, statements, reports and other transmittals or communications from P&G or the Participating Company to any Employee, Member, Beneficiary or other person required under the Plan shall be in writing and deemed to have been duly given when delivered personally or sent by confirmed email, or when mailed, postage prepaid and addressed to, such Employee, Member, Beneficiary or other person at his or her address last appearing on the records of P&G or the Participating Company.

17.12. ***Captions and References***

The captions preceding the Sections of the Plan have been inserted solely as a matter of convenience and in no way define or limit the scope or intent of any provision of the Plan. Except where indicated to the contrary, all references to Sections are to Sections of this Plan.

17.13. ***Governing Law***

17.13.1. Except as otherwise expressly required under the laws of a Jurisdiction, the Plan and all rights thereunder shall be governed by and construed in accordance with the laws of the State of Ohio, United States of America, without resort to the conflict of laws principles thereof.

17.13.2. Should any provision of this Plan be determined by a court of competent jurisdiction to be unlawful or unenforceable for a Jurisdiction, such determination shall in no way affect the remaining provisions of the Plan or the application of that provision in any other Jurisdiction.

PROCTER & GAMBLE
AMENDED AND RESTATED INTERNATIONAL STOCK OWNERSHIP PLAN
Effective: February 1, 2007

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Procter & Gamble
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APPENDIX A
ARGENTINA

EFFECTIVE DATE: May 1, 2002

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

SUPPLEMENTAL RETIREMENT COVERAGE OFFERED: In accordance with Section 5.5 of the Plan, employees in Argentina may also participate in a share-based retirement program via an additional ISOP account. Shares held in this account are governed by the rules of the Argentina Supplemental Retirement Coverage program to the extent those rules are inconsistent or in addition to the rules of the ISOP Plan.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX B
<u>AUSTRALIA</u>

EFFECTIVE DATE: October 1, 1997

ELIGIBILITY: All regular and permanent part-time Employees are eligible to become Members of the Plan. A Member must make an election under Section 139E(1) of the Income Tax Assessment Act so that he or she is subject to current income tax on the amount of any Participating Company Match made on his or her behalf at the time the Participating Company Match is made to the Plan.

PARTICIPATING COMPANY MATCH: The Participating Company Match made on behalf of a Member for a pay period shall be made on the first A$1,000 of the Member's Basic Deposits for each year. For additional Basic Deposits made by the Member for the year, the Participating Company Match will equal 25% of the Member's additional Basic Deposits for each pay period.

PROCTER & GAMBLE
AMENDED AND RESTATED
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APPENDIX C
<u>AUSTRIA</u>

EFFECTIVE DATE: May 1, 2002

BONUS MATCH: The Bonus Match will not be made available to employees in Austria.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX D
<u>BELGIUM</u>

EFFECTIVE DATE: May 1, 2002

PARTICIPATING COMPANY MATCH: In no event will a Participating Company Match made on behalf of a Member for a Pay Period be permitted to exceed 50% of the Member's Basic Deposits for the Pay Period. Thus, the Bonus Match will not be made available to Members in Belgium.

MEMBER DEPOSITS: Section 4.1 provides that a Member may elect Deposits under the Plan of up to 15% of his or her Base Pay for a Pay Period in multiples of one percent (1%). Up to the first (1^{st}) five percent (5%) of his or her Base Pay so elected shall be Basic Deposits, and any excess shall be Additional Depostis.

Belgium shall be paid Base Pay in 14 Pay Periods, and shall be permitted to increase the monthly contribution above 15% as long as the annual contribution does not exceed 15% of annual Base Pay, and as long as the Company Match of 50% does not exceed 5% of annual Base Pay.

Special Retirees are treated as active ISOP participants and are entitled to Basic and Company Contributions.

EFFECTIVE DATE: January 1^{st}, 2013

WITHDRAWLS: All Basic and Company contributed deposits must remain blocked (i.e. cannot be withdrawn under any circumstance) for a period of two years. If Basic contributions are withdrawn after two years but before the 5-year maturity period lapses, a one-year suspension on the company match occurs. Company contrituted deposits continue to have a 5-year maturity period.

The two year blocking continues to apply for Basic and Company contributed deposits regardless of localization out of Belgium, termination, separation, retirement, disability, and death.

This is applicable to all deposits made as of January 1^{st}, 2011.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX E
BRAZIL

EFFECTIVE DATE: May 1, 2002 (revised November 1, 2005)

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX F
<u>BULGARIA</u>

EFFECTIVE DATE: May 1, 2002

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

PROCTER & GAMBLE
AMENDED AND RESTATED
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APPENDIX G
CANADA

EFFECTIVE DATE: May 1, 2002

CONTRIBUTIONS: Any P&G Shares transferred from the Stock Purchase Plan (the "SPP") to this Plan and any P&G Shares purchased under this Plan with funds originally contributed to the SPP will be treated as P&G Shares purchased with Additional Deposits under the Plan. In addition, any P&G Shares purchased with all or any portion of an Employee's Flex Plan allocation will be treated as P&G Shares purchased with Additional Deposits under the Plan.

PARTICIPATING COMPANY MATCH: In no event shall the Participating Company make Participating Company Contributions unless these can be made out of the accumulated undistributed profits of the Participating Company for its current and any prior fiscal year. Subject to this limitation, the Participating Company Contributions in respect of each Member for a calendar year will be at least 1% of the Member's Base Pay during the period in the calendar year for which the Member made Basic Deposits or, if less, CAN100.

MATURITY: P&G Shares purchased with a Member's Flex Plan allocation will become Mature immediately upon acquisition.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX H
<u>CHILE</u>

EFFECTIVE DATE: May 1, 2002

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX I
CHINA

EFFECTIVE DATE: April 1, 2008

ELIGIBILITY: China foreign permanent employees will be eligible to participate only in the Hong Kong ISOP.

CONTRIBUTIONS: Only Basic Deposits will be available to participants and no Member is eligible for Additional Deposits.

DISTRIBUTIONS: All distributions will be in cash and no Member may elect to receive a distribution in the form of shares.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX J
COLOMBIA

EFFECTIVE DATE: May 1, 2002

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX K
COSTA RICA

EFFECTIVE DATE: May 1, 2002; Amended January 1, 2019

SPECIAL ADDITIONAL DEPOSITS: Any P&G shares purchased with all or any portion of an employee's Flex Plan allocation will be treated as P&G shares purchased with Additional Deposits under the Plan.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX L
CZECH REPUBLIC

EFFECTIVE DATE: May 1, 2002 (Revised October 1, 2009)

CONTRIBUTIONS: Notwithstanding whether a Member elects to make Basic Deposits, the Participating Company will contribute an award for service ("Service Award Contribution") on behalf of each qualifying eligible Employee. The Service Award Contributon will be made for the month during which an eligible Employee completes a five-year period of continuous employment with the Participating Company and Retirement. Any P&G Shares purchased with the Service Award allocation will be treated as P&G Shares purchased with Additional Deposits under the Plan.

SUPPLEMENTAL RETIREMENT COVERAGE NO LONGER OFFERED: The Czech Republic Pension Plan was discontinued 1/1/04. Shares held in existing pension accounts are governed by the rules of the Czech Republic Pension Plan to the extent those rules are inconsistent or in addition to the rules of the ISOP Plan.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX M
DENMARK

EFFECTIVE DATE: May 1, 2002

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX N
DOMINICAN REPUBLIC

EFFECTIVE DATE: October 1, 2006

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX O
EGYPT

EFFECTIVE DATE: May 1, 2002

ADDITIONAL PAYMENT IN JUNE: Each June, when Members receive their 13-month salary payment, Member and Participating Company contributions to the ISOP are doubled.

SUPPLEMENTAL RETIREMENT COVERAGE OFFERED: In accordance with Section 5.5 of the Plan, employees in Egypt may also participate in a share-based retirement program via an additional ISOP account. Shares held in this account are governed by the rules of the Egypt Supplemental Retirement Coverage program to the extent those rules are inconsistent or in addition to the rules of the ISOP Plan.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX P
EL SALVADOR

EFFECTIVE DATE: May 1, 2002

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

Procter & Gamble
Amended & Restated
International Stock Ownership Plan

APPENDIX Q
ESTONIA

Effective Date: March 1, 2013

THE ESTONIA ISOP IS TERMINATED CONCURRENT WITH THE SHUT DOWN OF THE LOCAL OFFICE.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX R
FINLAND

EFFECTIVE DATE: May 1, 2002

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX S
GERMANY

EFFECTIVE DATE: May 1, 2002 (Revised October 1, 2009)

ELIGIBILITY: Local permanent Employees, part-time workers and apprentices who customarily work at least 20 hours per week, and employees classified as DE Old Age Part Time shall be included in the active employee population eligible for ISOP.

CONTRIBUTIONS: The full amount of all Participating Company Contributions are made to the Plan and are never reduced by a Member's tax or social fees liability. Vacation and Christmas allowance will be included in Annual Base Salary.

WITHDRAWALS: If non-Mature P&G Shares credited to a Member's SSPP Account are sold to meet a Member's withdrawal request, no Participating Company Match will be made on behalf of the Member during the one-year period following that withdrawal. P&G Shares held in the SSPP Account will be the last Shares available to meet a withdrawal request.

DISTRIBUTIONS: Any Member who terminates Service while Shares credited to his or her SSPP Account are not Mature may elect to defer distribution of his or her SSPP Account until such Shares are Mature. During the deferral period the Member will be treated as if he or she had deferred distribution of his or her SSPP Account due to a Termination from Service by reason of Retirement, Redundancy, or Disability. ISOP distributions can be garnished.

MATURITY: For basic and company contributions, the records matures on 12/31 five years after the year in the settle date.

BONUS MATCH: The Bonus Match will not be available to employees in Germany.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX T
GREECE

EFFECTIVE DATE: May 1, 2002

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX U
GUATEMALA

EFFECTIVE DATE: May 1, 2002

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX V
HONG KONG

EFFECTIVE DATE: May 1, 2002

ELIGIBILITY: China foreign permantent employees will participate in the Honk Kong ISOP.

DISTRIBUTIONS: Upon a Member's Termination from Service or at the end of the Deferral Period, if the Member has not made a Final Distribution Election within the Election Period set forth in Section 11.2.1 of the Plan, the Member will be deemed to have elected to receive a stock distribution of his or her total Account. Accordingly, as soon as practicable after the first Sales Date following the end of the prescribed Election Period, the Member shall receive all of the number of whole Shares in his or her account plus the cash Share Value of any fractional Share, determined as of such Sales Date.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX W
HUNGARY

EFFECTIVE DATE: May 1, 2002

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

SUPPLEMENTAL RETIREMENT COVERAGE OFFERED: In accordance with Section 5.5 of the Plan, employees in Hungary may also participate in a share-based retirement program via an additional ISOP account. Shares held in this account are governed by the rules of the Hungary Supplemental Retirement Coverage program to the extent those rules are inconsistent or in addition to the rules of the ISOP Plan.

PROCTER & GAMBLE AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX X
INDIA

EFFECTIVE DATE: May 1, 2002 (revised October 1, 2009)

DIVIDENDS: Dividends earned on Shares credited to a Member's Account will be reinvested in P&G Shares.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX Y
INDONESIA

EFFECTIVE DATE: May 1, 2002

CONTRIBUTIONS: Notwithstanding whether a Member elects to make Basic Deposits, the Participating Company will contribute an award for long service ("Long Service Award Contribution") on behalf of each qualifying eligible Employee who has duly filed the necessary enrollment materials to become a Member of the Plan. The Long Service Award Contribution will be made for the month during which an eligible Employee completes a five-year period of continuous employment with the Participating Company. The amount of the Long Service Award Contribution on behalf of a qualifying eligible Employee will be two-fifths of the Employee's current monthly Base Pay for each full five-year period of continuous employment that the Employee has completed (up to 35 years). A Long Service Award Contribution will be treated as a Special Additional Contribution.

DISTRIBUTIONS: All distributions due to a Member's Termination from Service will be in cash and no Member may elect to receive a distribution in the form of Shares.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX Z
ISRAEL

EFFECTIVE DATE: 2007

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

DISTRIBUTIONS: All distributions due to a Member's Termination from Service will be in cash and no Member may elect to receive a distribution in the form of Shares.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX AA
ITALY

EFFECTIVE DATE: May 1, 2002

MATURITY: All Shares credited to a Member's Account will become Mature when a certain type of amendment to the Plan first becomes effective. For the Shares then credited to the Member's Account to be Mature, the amendment must (1) apply to all Employees generally; and (2) "materially and substantially diminish" the Employee's benefit under the Plan.

CONTRIBUTIONS: The amount of the Company Contribution will be limited to meet the statutory limit on contributions during a taxable year (calendar year).

AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX BB
KENYA

EFFECTIVE DATE: May 1, 2002

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX CC
KOREA

EFFECTIVE DATE: May 1, 2002 (revised September 1, 2005)

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX DD
<u>LATVIA</u>

EFFECTIVE DATE: May 1, 2002 (revised September 1, 2005)(revised October 1,2009)

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

Procter & Gamble
Amended & Restated
International Stock Ownership Plan

APPENDIX EE
LEBANON

Effective Date: December 31, 2012

THE LEBANON ISOP IS TERMINATED CONCURRENT WITH THE SHUT DOWN OF THE LOCAL OFFICE.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX FF
MALAYSIA

EFFECTIVE DATE: May 1, 2002 (revised October 1, 2009)

CONTRIBUTIONS: The aggregate payroll deduction for Employees earning up to MYR$1,500 per month may not exceed 50% of the Employee's Base Pay. The aggregate payroll deduction for employees may not exceed 15% of annual Base Pay or MYR10,000, whichever is higher, unless written permission has been obtained from the Human Resource Manager**.**

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX GG
MEXICO

EFFECTIVE DATE: May 1, 2002

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX HH
MOROCCO

EFFECTIVE DATE: May 1, 2002

CONTRIBUTIONS: For purposes of the amount that can be contributed to the Plan, Base Pay will not include the 13th and 14th months salary paid to Members in Morocco.

WITHDRAWALS: Distributions in P&G Shares are not permitted. Distributions shall be in cash only.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX II
NETHERLANDS

EFFECTIVE DATE: May 1, 2002

ELIGIBILITY: All regular part-time Employees are eligible to become Members of the Plan provided they are eligible for membership in the Participating Company's pension plan.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX JJ
NEW ZEALAND

EFFECTIVE DATE: May 1, 2002

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX KK
NIGERIA

EFFECTIVE DATE: May 1, 2002 (Revised October 1, 2009)

ELIGIBILITY: NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX LL
NORWAY

EFFECTIVE DATE: May 1, 2002

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX MM
PAKISTAN

EFFECTIVE DATE: May 1, 2002

DIVIDENDS: Dividends earned on Shares credited to a Member's Account will be paid to the Member annually after conversion from U.S. dollars to the local currency. Such Dividends will not be reinvested in P&G Shares.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX NN
PERU

EFFECTIVE DATE: May 1, 2002

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX OO
PHILIPPINES

EFFECTIVE DATE: May 1, 2002

CONTRIBUTIONS: Any Member who makes payroll deduction Deposits into the Plan of at least 3% of his or her Base Pay may be eligible for a payment from the Participating Company ("Stock Purchase Allowance"), depending on (i) the employee classification of the Member and (ii) whether Deposits were made for the applicable Pay Periods specified in accordance with the following schedule:

Class of Employees	Effective for Pay Periods Starting On or After
Managers	September 1, 1995
Tamo Administrative and Technical Employees	December 1, 1995
Tondo Administrative and Technical Employees	April 1, 1996

A Member who is eligible will be paid a Stock Purchase Allowance by the Participating Company of 3% of his or her Base Pay for each applicable Pay Period specified in the table above during which the Member contributed Deposits to the Plan of at least that amount.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX PP
POLAND

EFFECTIVE DATE: May 1, 2002

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

SUPPLEMENTAL RETIREMENT COVERAGE OFFERED: In accordance with Section 5.5 of the Plan, employees in Poland may also participate in a share-based retirement program via an additional ISOP account. Shares held in this account are governed by the rules of the Poland Supplemental Retirement Coverage program to the extent those rules are inconsistent or in addition to the rules of the ISOP Plan.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX QQ
PORTUGAL

EFFECTIVE DATE: April 1, 2006

ELIGIBILITY: Regular Employees who have completed one year of employment with a P&G Company are eligible to become Members of the Plan.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX RR
ROMANIA

EFFECTIVE DATE: June 1, 2005

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX SS
<u>RUSSIAN FEDERATION</u>

EFFECTIVE DATE: October 1, 2002 (revised October 1, 2009)

ELIGIBILITY: Regular Employees who have completed one year of employment with a P&G Company are eligible to become Members of the Plan.

WITHDRAWALS: All withdrawals from the Plan a Member makes while in Service shall be in cash, and no Member may elect to make an in-Service withdrawal in the form of Shares.

DISTRIBUTION: All distributions by reason of a Member's Termination from Service shall be in cash and no Member may elect to receive a distribution in the form of Shares.

<u>SUPPLEMENTAL RETIREMENT COVERAGE OFFERED</u>: In accordance with Section 5.5 of the Plan, employees in the Russian Federation may also participate in a share-based retirement program via an additional ISOP account. Shares held in this account are governed by the rules of the Russian Federation Long-Term Saving Program pension program to the extent those rules are inconsistent or in addition to the rules of the ISOP Plan.

Procter & Gamble
Amended & Restated
International Stock Ownership Plan

APPENDIX TT
SAUDI ARABIA

Effective Date: January 1, 2013

The Procter & Gamble International Stock Ownership Plan (ISOP) provides its employees with an opportunity to share in P&G's success. As a plan participant, employees contribute money through automatic payroll deduction (up to 15% of pay). The Company then matches on a portion of their contribution, and that money is used to purchase P&G stock. First, employee needs to consider the benefits of joining. Then, complete the enrollment process. The International Stock Ownership Plan allows International employees to purchase Procter & Gamble common stock. Employees can contribute to the plan and watch their investment in the Company grow. Here's how it works:

- Employee can deposit up to 15% of base pay, made through automatic payroll deduction being 5% of base pay as "Basic Deposits" and from 1 to 10% of base pay (over and above the basic 5% deposit) as "Additional Deposits".

- The Company matching contribution starts at 25% of basic deposits, reaching a 100% match.

- Employee owns part of the Company, because all deposits are used to purchase Procter & Gamble stock.

- Employee participates in opportunities to share in any increase in the value of Procter & Gamble stock.

- Employee may withdraw a portion of his/her plan money while employed at Procter & Gamble.

Eligibility: All permanent employees of the Company (people who are on the Company regular monthly payroll but doesn't include contract, temporary or daily wages workers) are eligible to participate in the International Stock Ownership Plan (ISOP).

Enrolling In The Plan: Enrollment to ISOP is not automatic. Employees connected to the P&G Intranet must log on to "My ISOP" and complete the enrollment process. Employees without Intranet access must contact their ISOP Administrator or Site/ Organization Contact to complete enrollment documents. Once enrolled, Payroll deduction of deposits will begin as of the next payroll.

Making Deposits: There are two different types of deposits that an employee may make: basic deposits and additional deposits. The basic and additional deposits combined may not exceed 15% of base pay. These deposits are automatically made by payroll deduction, as directed by the employee, and are used to purchase Procter & Gamble common stock on his/her behalf.

Basic deposits are the first 5% of employee's base pay. The Company matches a portion of these deposits (details below). The Company's deposits are *also* used to purchase Procter & Gamble common stock on behalf of employee.

Employee may also contribute an additional 1% to 10% of his/her base pay as additional deposits. Additional deposits are not matched by the Company.

Company Matching Deposits: Every month, payroll will deduct 5% of employee's base pay (Basic Deposits) to be transferred to the ISOP account along with a Company matching contribution on the following basis:

Length of Membership In the Plan	Company match as a % of employee Contribution
1st year of membership	25%
2nd year of membership	30%
3rd year of membership	35%
4th year of membership	40%
5th year of membership	50%
6th year of membership	60%
7th year of membership	70%
8th year of membership	80%
9th year of membership	90%
10th year of membership	100%

Base pay is defined as basic remuneration paid to employees. This does not include any overtime, bonuses, housing allowance, transportation or any other allowances. Note that 5% of base pay is the minimum requirement to participate in the plan.

Company Stock Ownership: Potential returns from dividends and increases in share value are two of the reasons why people invest in a company's stock. Another reason is company ownership.

When an employee participates in the International Stock Ownership Plan, he/she becomes a Procter & Gamble stockholder — in effect, an owner of P&G. Ownership gives the employee and other P&G stockholders the right to vote on major issues affecting the Company. Employee will receive information on such issues whenever there is a stockholder vote.

To better understand the concept of Company stock ownership, it is recommended to thoroughly read the plan Prospectus available at this link:
http://my.pg.com/rgs/AWE/pages/pg/default.asp?type=folder&index=394.benefits.11&scope=EmployeeResources.

ISOP Accounts: All deposits — employees' *and* Procter & Gamble's — are used to purchase Procter & Gamble common stock on behalf of employees.

To keep track of plan deposits, two accounts are established— an "employee account" for all of *employees'* deposits (basic and additional) and a "Company account" for the Company matching contribution.

Any increases or decreases in the value of employee's stock are reflected in employee's accounts as they occur. Any dividends the stock earns (less applicable withholding taxes) are also credited to employee's account at the time they are paid by Procter & Gamble. Dividends are the portion of a company's profits that are paid to stockholders.

Statement Of Account: Employees connected to the P&G Intranet will be able to log-on to "My ISOP" at any time to see the status of account, including: total shares, current value, deposits made, dividends credited, and any withdrawals made. Employees without access to "My ISOP" will receive an annual statement of account showing the same information.

Vesting: Company matching contributions and relevant profits to employee's account in the Savings and Thrift Plan need to be vested when you terminate employment for you to get them. Vesting is done on the following basis:

From date of membership Or renewed membership	%of accrued contributions
Less than 3 years	Nil
Full 3 years	30%
Full 4 years	40%
Full 5 years	50%
Full 6 years	60%
Full 7 years	70%
Full 8 years	80%
Full 9 years	90%
Full 10 years	100%

Needless to say, employee's own basic deposits, additional deposits and profits on both are employee's own money from the time they have been deposited.

Making Changes: Once employee enrolls in the plan, he/she may increase, decrease, stop, or resume his/her deposits as outlined below. Connected employees should log-on to "My ISOP". Employees without access to the P&G Intranet should contact their ISOP Administrator or Site/Organization Contact for the necessary forms.

Increasing Or Decreasing Deposits: Employees may change their contribution percentage at any time.

Stopping Or Starting Deposits: Employees may stop their deposits at any time. *However,* if employee stops *his/her* deposits, Company matching deposits will *also* stop. Employee will continue to be a plan member and the stock previously purchased with his/her deposits and the Company's deposits will continue to earn dividends. Employee can resume deposits at any time.

Accessing Money While Employed: While the plan is designed as a long-term investment, employees *are* allowed to access portions of their accounts while employed at Procter & Gamble. There are two types of withdrawals: withdrawals of mature amounts and withdrawals of non-mature amounts.

Mature and Non-Mature Amounts: Any stock purchased with employee's additional deposits is considered mature at the time of purchase. Stock purchased with basic deposits or P&G Company deposits is considered mature five years from the date acquired. Any dividends credited to employee's accounts mature immediately.

Withdrawing Mature Amounts: The mature portion of employee's accounts is available for withdrawal at any time, as long as the withdrawal is at least 10 shares (or no less than 10% of the Mature Shares).

Withdrawing Non-Mature Amounts: Employee may also withdraw from the non-mature portion of "employee account" (basic deposits). *However, if employee makes this type of withdrawal, Company deposits will be stopped for one year, even if he/she continues making basic deposits.* As an active employee, he/she may NOT withdraw from the non-mature portion of his/her "Company account".

Making A Withdrawal: Withdrawals can be made in the form of shares or cash. If cash is requested, shares of stock will be sold, and the proceeds of the sale will be distributed to the employee in cash after conversion to his/her local currency.

To make a withdrawal, connected employees should log-on to "My ISOP" and complete the withdrawal request. Employees without intranet access should contact their ISOP Administrator or Site/Organization Contact to complete the necessary form. Sales will occur on a daily basis; however, the time it takes to get money from sales will vary by country.

Distributions When Employment Ends: When the employee is terminated from the Company, he/she will need to request distribution of his/her accounts by submitting the proper form. If he/she does not submit request prior to termination, he/she will receive a cash payment within 30 days of separation.

When an employee retires (or separates with a package), he/she may elect to receive a cash payment *or* defer distribution for up to five years from the date of retirement. In that case, he/she will continue to benefit from the potential increase in the value of Procter & Gamble stock, and will continue to earn dividends. At the end of the five year period, his/her account will be distributed in cash unless previously elected to receive shares of stock.

Costs of The Plan: Procter & Gamble will absorb administrative costs related to the plan. Employees pay any brokerage commissions and fees on shares purchased or sold for them under the plan. Since purchases and sales for all participants are consolidated, employee's proportional share of brokerage commissions and fees may be lower than what he/she would pay on his/her own.

Taxes: Tax laws differ among the countries that participate in the plan. Please read the Prospectus for details.

Participating in the **Procter & Gamble International Stock Ownership Plan** is entirely voluntary. There are many good reasons to join. The sooner you join, the sooner you can enjoy all the benefits the plan has to offer — including a 100% Company match in accordance with the details given above.

For additional information on the plan, please be sure to read the Plan and the Prospectus materials, which are available from your ISOP Administrator or online at:
http://my.pg.com/rgs/AWE/pages/pg/default.asp?type=folder&index=394.benefits.11&scope=EmployeeResources
Contact your ISOP Administrator or your local call center if you have any questions.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX UU
SINGAPORE

EFFECTIVE DATE: May 1, 2002 Revised Effective September 1, 2009

ELIGIBILITY: Employees are immediately eligible to become become Members of the Plan upon employment with a P&G Company.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX VV
<u>SLOVAK REPUBLIC</u>

EFFECTIVE DATE: May 1, 2002

ELIGIBILITY: Employees who have completed one year of employment with a P&G Company are eligible to become Members of the Plan.

<u>SUPPLEMENTAL RETIREMENT COVERAGE OFFERED</u>: In accordance with Section 5.5 of the Plan, employees in the Slovak Republic may also participate in a share-based retirement program via an additional ISOP account. Shares held in this account are governed by the rules of the Slovak Republic Supplemental Retirement Coverage program to the extent those rules are inconsistent or in addition to the rules of the ISOP Plan.

Procter & Gamble
Amended & Restated
International Stock Ownership Plan

APPENDIX WW
SLOVENIA

Effective Date: May 1, 2012

THE SLOVENIA ISOP IS TERMINATED CONCURRENT WITH THE SHUT DOWN OF THE LOCAL OFFICE.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX XX
<u>SOUTH AFRICA</u>

EFFECTIVE DATE: May 1, 2002

CONTRIBUTIONS: In no event may the total combined amount of Deposits and Participating Company Contributions paid to the Plan for one Member exceed SAR2,000,000.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX YY
SPAIN

EFFECTIVE DATE: April 1, 2006

ELIGIBILITY: Employees who have completed one year of employment with a P&G Company are eligible to become Members of the Plan.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX ZZ
SWEDEN

EFFECTIVE DATE: May 1, 2002

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX AAA
<u>SWITZERLAND</u>

EFFECTIVE DATE: July 1, 2000

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX BBB
(REPUBLIC OF CHINA) TAIWAN

EFFECTIVE DATE: May 1, 2002

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX CCC
<u>THAILAND</u>

EFFECTIVE DATE: May 1, 2002

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX DDD
TURKEY

EFFECTIVE DATE: May 1, 2002

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

SUPPLEMENTAL RETIREMENT COVERAGE NO LONGER OFFERED: The Turkey Supplemental Retirement Coverage program was discontinued on 12/31/11. Shares held in existing pension accounts are governed by the rules of the Turkey Supplemental Retirement Coverage program to the extent those rules are inconsistent or in addition to the rules of the ISOP Plan.

Procter & Gamble
Amended & Restated
International Stock Ownership Plan

APPENDIX EEE
VENEZUELA

EFFECTIVE DATE: January 1, 2017

CONTRIBUTIONS: Company contributions into the International Stock Ownership Plan will be 7.5%. No Employee contributions are required.

SUPPLEMENTAL RETIREMENT COVERAGE OFFERED: In accordance with Section 5.5 of the Plan, employees in Venezuela may also participate in a share-based retirement program via an additional ISOP account. Shares held in this account are governed by the rules of the Venezuela Supplemental Retirement Coverage program to the extent those rules are inconsistent or in addition to the rules of the ISOP Plan.

PERFORMANCE BONUS PROGRAM: In accordance with Section 5.5 of the Plan, certain employees in Venezuela may be selected to participate in a share-based performance bonus program. Participants in the bonus program may elect to have the USD-denominated bonus delivered as a special contribution to their ISOP account. All stock delivered under the program will be vested and mature. This program is governed by the rules of the Performance Bonus Policy to the extent those rules are inconsistent or in addition to the ISOP Plan.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX FFF
<u>YEMEN</u>

EFFECTIVE DATE: May 2002

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX GGG
UNITED ARAB EMIRATES

EFFECTIVE DATE: June 2003

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

Procter & Gamble
Amended & Restated
International Stock Ownership Plan

APPENDIX HHH
LITHUANIA

Effective Date: March 1, 2013

THE LITHUANIA ISOP IS TERMINATED CONCURRENT WITH THE SHUT DOWN OF THE LOCAL OFFICE.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX III
CROATIA

EFFECTIVE DATE: January 1, 2010

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

SUPPLEMENTAL RETIREMENT COVERAGE OFFERED: In accordance with Section 5.5 of the Plan, employees in Croatia may also participate in a share-based retirement program via an additional ISOP account. Shares held in this account are governed by the rules of the Croatia Supplemental Retirement Coverage program to the extent those rules are inconsistent or in addition to the rules of the ISOP Plan.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX JJJ
AZERBAIJAN

EFFECTIVE DATE: FEBRUARY 2000

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX KKK
KAZAKHSTAN

EFFECTIVE DATE: FEBRUARY 2, 2000

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX LLL
PANAMA

EFFECTIVE DATE: FEBRUARY 2, 2000

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

PROCTER & GAMBLE
AMENDED AND RESTATED
INTERNATIONAL STOCK OWNERSHIP PLAN

APPENDIX MMM
SERBIA

EFFECTIVE DATE: JANUARY 1, 2017

NO COUNTRY SPECIFIC MODIFICATIONS HAVE BEEN MADE TO THE PLAN.

Dated ______________________ 1996

TRUST DEED

of

THE PROCTER & GAMBLE LIMITED
SHARE INVESTMENT
SCHEME

TRUST DEED AND RULES OF THE PROCTER & GAMBLE LIMITED SHARE INVESTMENT SCHEME

THIS TRUST DEED is made the   day of   1996 BETWEEN Procter & Gamble Limited whose registered office is at Hedley House, St. Nicholas Avenue, Gosforth, Newcastle upon Tyne, NE99 1EE of the one part ("the Company"), and David John Hammond of 61 Wansdyke, Lancaster Park, Morpeth, Northumberland, NE61 3RA, Robert Brian Marr of Langdales, 3 Grant Walk, Sunningdale, Berkshire, SL5 9TT, Thomas Corps of 9 Riverside Park, South Hylton, Sunderland, SR4 ORT and Christine Mary Simmen of 2l Crescent Way, Forest Hall, Newcastle upon Tyne, NE12 9AQ ("the Trustees") of the other part.

WHEREAS:

A. The Company wishes to establish a scheme to be known as the Procter & Gamble Limited Share Investment Scheme ("the Scheme") to enable such directors and employees of the Company (as defined in the Rules hereinafter referred to) as shall be eligible in accordance with the Rules to acquire shares of the common stock of The Procter & Gamble Company ("The Parent Company") on the terms and in the manner appearing in this Deed and within the Rules.

B. The Scheme is established pursuant to an ordinary resolution of the Company passed on the 15th day of January 1996.

C. The Trustees shall be the same Trustees who are from time to time the Trustees appointed under The Procter & Gamble Limited Matched Savings Share Purchase Plan ("the Plan") and shall purchase shares under this Scheme jointly with shares to be purchased under the Plan, but such shares purchased under this Scheme shall thereafter be held on the terms of this Deed and the Rules contained in the First Schedule hereto as from time to time amended.

D. The Trustees have agreed to act as the first Trustees for the purposes of the Scheme on the terms of this Deed and the rules contained in the First Schedule as from time to time amended ("the Rules").

NOW THIS DEED WITNESSES AS FOLLOWS:

1. **Definitions**
The definitions contained in the Rules or as amended from time to time as therein provided shall apply to this Deed.

2. **Trustees' funds**
Subject to the further provisions of this Deed and the Rules, the Trustees shall apply the sums of money transferred to them in the acquisition of Shares or the payment of expenses or other liabilities (as the case may be) in accordance with the Rules, and shall hold the Shares once Allocated and all other property deriving therefrom upon trust for Members to whom Shares have been Allocated and shall apply and deal with the same in accordance with the Rules.

3. **Investment**

The Trustees shall invest any monies from time to time held by them and not required immediately for the purchase of Shares in such short term investments as they may think appropriate. Any income arising on any such short term investments shall be used to meet taxation or other liabilities or expenses incurred from time to time in the operation and administration of the Scheme.

4. **Trustee's obligations**

4.1 The Trustees shall Allocate the Shares held by them to Members in accordance with the Rules.

4.2 The Trustees shall, in accordance with the Rules, issue quarterly statements to all Members who have instructed them to buy shares specifying the number and description of the Shares purchased and Allocated and stating their initial purchase price and the date on which such Shares were so Allocated.

4.3 The Trustees shall pay over to the Member any money or money's worth received by them in respect of, or by reference to, any of his Shares and shall only deal pursuant to a direction given by or on behalf of the Member or any person in whom the beneficial interest in his Shares is for the time being vested with any right conferred in respect of any of the Shares to be allotted other shares, securities or rights of any description.

4.4 The Trustees will take all reasonable steps to notify Members of the principal terms of any offer, compromise, arrangement or scheme affecting any of a Member's Allocated Shares. In the absence of any direction from a Member concerned how the Trustees should act in respect of the Shares following any offer, compromise, arrangement or scheme the Trustees shall not take any action in respect thereof.

5. **Trustees' regulations**

5.1 The number of Trustees hereof shall be not less than two persons unless a company is appointed as sole Trustee and if at any time the number of the Trustees shall fall below such limits, the surviving or continuing Trustee shall have power to act only for the purpose of doing all things necessary to concur in or secure the appointment of a new Trustee or Trustees.

5.2 Subject to 5.1 any Trustees may at any time resign office by giving notice in writing to the Board.

5.3 The Board may at any time and without giving any reason therefor appoint a new or additional Trustee or Trustees or may remove from office any Trustee and appoint a new Trustee or Trustees in the place of any Trustee who is removed from office or whose office is vacated for any reason. Any such new or additional Trustee or (as the case may require) the existing Trustees shall thereupon execute such documents and do such things as may be necessary to give proper effect to such appointment or removal.

5.4 The power of appointing new or additional Trustees shall be exerciseable by the Company by resolution of the Board and any Trustee so appointed shall hold office for the term of five years from the date of such appointment and shall thereafter be eligible for re-appointment as a new Trustee.

5.5 At all times at least one of the Trustees of the Scheme shall be resident in the United Kingdom.

5.6 A person shall not be disqualified from acting as a Trustee of the Scheme by reason of the fact that he is or has been an employee of the Company or is, or has been, a Member.

6. **Trustees' powers**

6.1 The Trustees shall have power (notwithstanding any rule of law to the contrary) by deed or deeds revocable during the perpetuity period or irrevocable to delegate to any person the execution or exercise all or any of the trust's powers conferred on the Trustees by this Deed or by law in respect of all or such part or parts of the capital or the income subject to these trusts as are specified in such deed or deeds.

6.2 The Trustees shall have power to open current or deposit accounts with any commercial bank in the United Kingdom in the name of the Scheme to make such arrangements for the operation of those account(s) as they shall in their absolute discretion think fit including (but not by way of limitation) arrangements as to the number of Trustees (not being less than two) to be required to sign cheques drawn on such accounts as to any maximum sum which may be withdrawn at any one time on such signatures.

7. **Trustees' meetings**

7.1 If and so long as there is more than one trustee the Trustees shall meet together as often as may be necessary for the administration of the Scheme.

7.2 All decisions of the Trustees shall be taken by resolution and each trustee shall have one vote. Any resolution passed by a majority of the Trustees present at any meeting of the Trustees of which due notice has been given to all the Trustees (and at which at least two Trustees shall be present) shall be effective for all purposes.

7.3 A resolution in writing signed by all the Trustees shall be as valid and effective as if it had been passed at a meeting of the Trustees duly called and constituted and may consist of several documents in the like form each signed by one or more of the Trustees.

8. **Exoneration of Trustees**

8.1 In the administration of the Scheme no trustee shall be liable for any loss arising by reason of any mistake or omission made in good faith by any of the Trustees or by reason of any other matter or thing except wilful fraud or wrongdoing on the part of the trustee who is sought to be made liable or in the case of a body corporate which is a trustee of the Scheme the wilful fraud or wrongdoing of any officer or employee of such body corporate.

8.2 The Trustees shall be entitled to rely without further enquiry on all information supplied to them by the Company for the purposes of the Scheme and in particular, but without prejudice to the generality of the foregoing, any notice given by the Company to the Trustees in respect of the eligibility of any person to become or remain a Member in the Scheme shall be inclusive in favour of the Trustees.

9. **Remuneration of Trustees**

9.1 Any of the Trustees who is a solicitor accountant or stockbroker or who is engaged in any other profession or business or any such person associated with such trustee or in the case of a corporate trustee associated or beneficially interested or in any way connected with such trustee may act in relation to these trusts and shall be entitled to charge and be paid all proper and reasonable professional and other charges (including out-of-pocket expenses) for business transacted time expended or services rendered by him or his firm in the execution of these trusts and powers including acts which a trustee not being engaged as described above could have done personally.

9.2 Any of the Trustees which is a corporate body shall be entitled to charge and be paid such proper and reasonable charges and expenses as may from time to time be agreed between such trustee and the Company and may unless otherwise agreed act in accordance with its general terms and conditions from time to time in force (if any) and shall have the right to be paid and retain remuneration in accordance with the scale and other fees usually charged by it from time to time (if and so far as altered after the date of this Deed) for such services as are set out in clause 9.1.

10. **Termination of Plan**

10.1 The perpetuity period applicable to this Deed shall be the period of 80 years from the date hereof.

10.2 The Scheme shall be terminated at the end of the said perpetuity period or if earlier upon the date on which the Board shall resolve to terminate the Scheme.

10.3 On the date of termination any shares in The Procter & Gamble Company registered in the names of the Trustees to which any Member is absolutely entitled shall be immediately transferable to the Member. Any other assets representing the Trust Property shall be paid to the Company in proportion to the total monies provided by them to the Trustees.

11.1 **Costs and Expenses**

The reasonable costs and expenses of the execution of this Deed, the Rules and all other documents and of the management and administration of the Scheme (including the charges and expenses of the Trustees) shall be borne by the Company with the exception of the costs of sale or transfer of Shares which shall be borne by the Member whose Shares are sold or transferred.

12.1 **Amendments**

The Company may at any time by a deed supplemental to this Deed modify the trusts of this Deed.

13.1 **Governing Law**

This Deed and the Rules shall be governed by and construed in all respects in accordance with English Law.

IN WITNESS whereof the Company has hereunto affixed its common seal and the Trustees have hereunto set their hands and seals the day and year first before written.

Executed as a deed by the affixing of the Common Seal of Procter & Gamble Limited in the presence of:

Director ____________________

Secretary ____________________

Signed as a Deed by the above named David John Hammond in the presence of:

____

Signed as a Deed by the above named Robert Brian Marr in the presence of:

____

Signed as a Deed by the above named Thomas Corps in the presence of:

____

Signed as a Deed by the above named Christine Mary Simmen in the presence of:

____

FIRST SCHEDULE

Rules of the Procter & Gamble Limited Share Investment Scheme

1. Definitions, Purpose and Interpretation

1.1 In the Trust Deed and Rules the following words and expressions have the following meanings:-

"Administrator"	Independent Registrars Group or other such organisation as the Company might appoint
"Allocate"	To vest a beneficial interest in Shares in a Member
"the Company"	Procter & Gamble Limited and it's U.K.subsidiary companies.
"Employee"	A person employed on Procter & Gamble limited terms and conditions including employees of other overseas Procter & Gamble companies on assignment in the U.K.
"Minimum Fee"	An amount of money established by the Company to be charged to a member who sells Shares.
"Member"	An Employee who satisfies the conditions of Rule 2
"the Parent Company"	The Procter & Gamble Company, Cincinnati,Ohio,U.S.A.
"Retiree"	An Employee whose employment was terminated by reason of retirement (including disability retirement).
"the Scheme"	The Procter & Gamble Limited Share Investment Scheme
"Shares"	Shares of the common stock of the Parent Company
"the Trustees"	The Trustees defined in the Trust Deed

1.2 The Scheme is a voluntary Scheme designed to enable Employees and Retirees to invest in Shares of the Parent Company easily and at lower administrative cost than through normal open market channels.

1.3 Matters concerning the interpretation of the Rules shall be decided by the Company.

1.4 Words of masculine gender shall include the feminine unless the context requires otherwise.

2. Eligibility

2.1 All permanent Employees of the Company including those on unpaid leave of absence or temporary assignment overseas and Retirees are eligible to purchase Shares through this Scheme.

2.2 An eligible Employee or Retiree will become a Member of the Scheme upon receipt by the Administrator of a correctly completed contribution form indicating

2.3.1 that he agrees to be bound by the Rules

2.3.2 the frequency and amount of contribution to be made

3. Contributions to the Scheme

3.1 A Member may provide moneys to the Trustees to purchase Shares in any or all of the following three ways

3.1.1 by lump sum contribution.

3.1.2 by regular monthly,bi-monthly or quarterly contributions

3.1.3 by re-investment of the dividends accruing from P&G Shares held for him in this Scheme and the P&G Matched Savings Share Purchase Plan.

3.2 Contributions by lump sum payment or regular contributions are subject to a minimum of £10.00 at each transaction.

3.3 Contributions for Share purchase will be held prior to purchase by the Trustees. No interest will be paid in respect of these moneys.

3.4 Contributions paid to the Trustees in excess of the amount needed to buy a whole number of Shares will be credited to the individual and held for later Share purchase unless the individual requests their return.

3.5 Members may change their ongoing contribution amounts at any time by giving notice to the Administrator on the contribution form.

3.6 A Retiree who is or who becomes a Member of the Scheme may transfer to the Scheme for the Trustees to hold any shares held by him in the P&G Matched Savings Share Purchase Plan which are available for sale or transfer under the rules of that plan.

3.7 The Trustees shall at their discretion refuse to accept any contribution from an Employee or Retiree for investment in the Scheme if they have reasonable grounds to believe that the contribution is being made on behalf of another person.

4. Purchase, Allocation and Sale of Shares

4.1 Trustees will buy in the open market or alternatively buy Shares from Members wishing to sell.

4.2 The Trustees will buy Shares monthly with contributions from Members. Moneys received by the Administrator on or before the last working day of one month will be used to purchase shares the following month.

4.3 The Trustees will establish the purchase price of a Share for each month as being the total cost of the purchase (excluding broker's fee) divided by the number of Shares purchased. If any Shares remain from the previous purchase then an average cost of all available Shares will be calculated prior to Allocation.

4.4 Immediately following purchase the Trustees will Allocate to each Member the largest whole number of Shares which at the price determined in Rule 4.3 the Member's accumulated contributions will purchase.

4.5 Except as defined under Rule 6 Shares will be held by the Trustees until written instructions are given by the Member for sale or transfer.

4.6 Unless explicit instructions are given by the Member in writing for the Shares to be sold immediately, the Trustees will buy the Shares from a Member wishing to sell at the next time they buy or would buy Shares on the open market. In this event they will pay the same price for Shares bought from Members wishing to sell as they paid or would have paid for Shares bought on the open market at the same time.

4.7 Shares which the Trustees are instructed to sell immediately will be sold on the open market. If open market sale is not possible the Member will be informed.

4.8 When the Trustees buy Shares from a Member they will charge the Minimum Fee for the sale. When upon instruction the Trustees sell Shares on the open market the Member will be charged the greater of the Minimum Fee or the full cost of selling the Shares charged by the broker.

5. Members Rights with respect to Shares

5.1 During the time the Shares are held on behalf of Members then the Trustees will:

5.1.1 pay out dividends on Allocated Shares as soon as practicable or re-invest them if requested and provide appropriate tax statements.
5.1.2 seek and comply with any direction from the Members as to the exercise of any voting rights entitled to be exercised by them in respect of Shares held. In the absence of any directions the Trustees will not vote.
5.1.3 act on any lawful instruction from a Member regarding the Shares Allocated to him.
5.1.4 notify the Members of any offer the Parent Company makes to Shareholders of any rights attributable to Shares Allocated to them and act on their instruction.

5.2 The Trustees shall account to the Member as soon as practicable for any money arising from the sale or transfer of Shares or rights.

5.3 The Trustees will issue a statement to each Member quarterly showing the transactions that have taken place during the quarter and the Shares held on his behalf.

6. Termination of employment

6.1 Unless he becomes a Retiree a Member whose employment with the Company is terminated for whatever reason shall be required within one month of the date of termination to instruct the Trustees as to the sale or transfer into his name of Shares held on his behalf. In the absence of such instruction the Trustees will sell the Shares and send the proceeds of the sale to his last known address.

6.2 In the event of the death of a Member his Shares will be held until instructions are received as to their disposal from the executor or administrator of his estate.

7. **Administration costs of the Scheme**

7.1 Subject to Rule 4.8 the Company shall pay all incidental administrative costs to operate the Scheme. However under no circumstances will the Company be liable for any income tax or other charges levied on a Member arising from the operation of this Scheme.

7.2 Any incidental income to the Scheme such as interest, fees charged under Rule 4.8 or dividend on unallocated Shares will be used by the Trustees to defray expenses of the Scheme.

8. **Alterations to the Scheme**

The Company reserves the right to amend or withdraw this Scheme in any way and at any time.

SIP.DOC 11 January 1996

DATED 2002

THE PROCTER & GAMBLE COMPANY

and

PROCTER & GAMBLE SHARE INCENTIVE PLAN TRUSTEE LIMITED

TRUST DEED AND RULES

OF

THE PROCTER & GAMBLE COMPANY

INLAND REVENUE APPROVED

SHARE INCENTIVE PLAN

Adopted by the Directors on:

Approved by the Inland Revenue on:

Inland Revenue reference no: A1506/SY

Settled by Landwell on behalf of PricewaterhouseCoopers
Landwell
Southwark Towers
32 London Bridge Street
London
SE1 9AE

Reference: JAC/SRN/ZD/8356

CONTENTS

Trust Deed
Clause

Schedule
Rules of the The Procter & Gamble Company Inland Revenue Approved Share Incentive Plan

Rule

THIS DEED of TRUST is made on [ ] 2002

BETWEEN:

(1) The Procter & Gamble Company (incorporated in Ohio, USA) whose principal office is situated at Cincinnati, Hamilton County, Ohio, USA ("the Company");

(2) Procter & Gamble Share Incentive Plan Trustee Limited (incorporated in England and Wales under company number 4304207) whose registered office is situated at The Heights, Brooklands, Weybridge, Surrey, KT13 0XP ("the Original Trustee");

(3) Procter & Gamble Technical Centres Limited (incorporated in England and Wales under company number 3281294) whose registered office is situated at The Heights, Brooklands, Weybridge, Surrey, KT13 0XP;

(4) Procter & Gamble (Health & Beauty Care) Limited (incorporated in England and Wales under company number 436549) whose registered office is situated at The Heights, Brooklands, Weybridge, Surrey, KT13 0XP;

(5) Procter & Gamble (L&CP) Limited (incorporated in England and Wales under company number 3288185) whose registered office is situated at The Heights, Brooklands, Weybridge, Surrey, KT13 0XP;

(6) Procter & Gamble Product Supply (UK) Limited (incorporated in England and Wales under company number 3074536) whose registered office is situated at The Heights, Brooklands, Weybridge, Surrey, KT13 0XP;

(7) Procter & Gamble Pharmaceuticals UK, Limited (incorporated in England and Wales under company number 202929) whose registered office is situated at The Heights, Brooklands, Weybridge, Surrey, KT13 0XP;

(8) Clairol Limited (incorporated in England and Wales under company number 2486615) whose registered office is situated at The Heights, Brooklands, Weybridge, Surrey, KT13 0XP; and

(9) IAMS UK Limited (incorporated in England and Wales under company number 3169339) whose registered office is situated at Centurion Way, Meridian Business Park, Leicester, LE19 1WH.

PRELIMINARY:

(A) The Company wishes to establish a share incentive plan to be known as the Procter & Gamble 1-4-1 Plan approved in accordance with the provisions of Schedule 8 and constituting an Employees' Share Scheme.

(B) The Plan was adopted by the Directors on [ ].

(C) The Original Trustee has agreed to act as the first trustee of the Plan.

(D) The Original Trustee has received the sum of £50 from the Company as an initial contribution to the trusts established by this Trust Deed.

THE TRUST DEED WITNESSES as follows:

1 INTERPRETATION

In this Trust Deed:

1.1 unless the context otherwise requires the definitions set out in Rule 1.1 of the Schedule shall apply and the following words and expressions shall have the following meanings:

Beneficiary	a bona fide employee or former employee of a Subsidiary;
Charitable	exclusively charitable under English law;
Trust Deed	this trust deed in its present form or as amended from time to time;

Trust Period	the period commencing on the date of this Trust Deed an ending on the expiry of 80 years from the date of this Trust Deed and so that the period of 80 years from the date of this Trust Deed shall be the perpetuity period for the purpose of section 1 of the Perpetuities and Accumulations Act 1964; and
Trustee	the Original Trustee and any additional or replacement trustee from time to time of the Plan.

1.2 Unless otherwise specified, the interpretation provisions of Rule 1.2 of the Schedule shall apply.

1.3 References to clauses are to clauses of this Trust Deed.

2 OBJECT OF TRUST

All Plan Shares held by the Trustee will be held UPON TRUST for the Beneficiaries respectively entitled to them under the Plan subject to the provisions set out below and to the power of the Trustee to transfer or cause to be transferred to the person beneficially entitled to them any Plan Shares in accordance with the Plan.

3 ACHIEVING OBJECT OF TRUST

3.1 Monies received from Participating Companies

Subject to the provisions set out below the Trustee shall apply monies it receives from the Participating Companies in the acquisition of Shares for Appropriation or for the purposes of clause 4.1 and to hold such Shares once Appropriated and all other trust property deriving from such Shares on trust for the Participants to whom such Shares have been Appropriated and to apply and deal with the same in accordance with the Plan provided always that:

3.1.1 the Trustee shall not dispose of a Participant's Free Shares during the Free Shares Holding Period, Matching Shares during the Matching Shares Holding Period or Dividend Shares during the Dividend Shares Holding Period (whether by transfer to the Participant or otherwise) except as provided in the Rules;

3.1.2 the Trustee shall not (subject to the Rules) dispose of any of a Participant's Free Shares after the end of the Free Shares Holding Period, Matching Shares after the end of the Matching Shares Holding Period or Dividend Shares after the end of the Dividend Shares Holding Period except pursuant to a direction validly given by or on behalf of the Participant or any person in whom the beneficial interest in those Shares is for the time being vested;

3.1.3 the Trustee shall deal with any right attaching to Free Shares, Matching Shares or Dividend Shares to be allotted or to acquire other shares, securities or rights of any description only pursuant to a written direction given by or on behalf of the Participant or any person in whom the beneficial interest in such Free Shares, Matching Shares or Dividend Shares is for the time being vested.

3.2 **Contributory Share Money**

Subject to the provisions set out below the Trustee shall apply Contributory Share Money in the acquisition of Contributory Shares and shall hold such shares once acquired on trust for the Participants on whose respective behalves they have been acquired and apply and deal with the same in accordance with the Plan provided always that:

3.2.1 the Trustee shall not (subject to the Rules) dispose of a Participant's Contributory Shares (whether by transfer to the Participant or otherwise) except pursuant to a direction validly given by or on behalf of the Participant or any person in whom the beneficial interest in those Contributory Shares is for the time being vested;

3.2.2 the Trustee shall deal with any right attaching to Contributory Shares to acquire other shares securities or rights of any description only pursuant to a written direction given by or on behalf of the Participant or any person in whom the beneficial interest in the Contributory Shares is for the time being vested.

4 UNUSED FUNDS

4.1 **Trustee to apply unused funds for costs etc**

Where pursuant to the Plan the Trustee holds any monies, shares, securities or other assets which represent or represent income derived from:

4.1.1 any monies or assets received from the Participating Companies for the purposes of the Plan but which have not been applied and which are not required to be applied under the Plan in an Appropriation; or

4.1.2 any assets relating to the Plan (including any amounts specifically paid to the Trustee as a contribution to any costs, charges and expenses incurred in connection with the establishment and operation of the Plan) which are not held for the benefit of a Participant in consequence of an Appropriation to him or any acquisition of Contributory Shares by him and which are not required to be applied under the Plan.

then the Trustee may apply such assets or the sale proceeds in or towards any reasonable costs, charges and expenses of the Plan and may during the Trust Period and subject to the law relating to accumulations accumulate any income thereon and hold the same for the general purposes of the Plan. The Trustee shall notify the Company or any Participating Company on request of all amounts and assets held for such purposes.

4.2 Trustee to account for monies upon termination of Plan

If at any time the Plan is terminated the Trustee shall account to the Participating Companies for any unused monies then held on the trusts of clause 4.1. Notwithstanding such termination the Trustee shall continue to administer the Plan in accordance with the Trust Deed and the Rules. At the earlier of the expiry of the Trust Period and the third anniversary of the termination of the Plan the Trustee shall convert into money any trust property held subject to the trusts of the Plan declared in the Trust Deed and which are not either Contributory Shares, or Dividend Shares nor Appropriated to Participants and shall pay such money to such one or more Charitable organisations and if more than one in such proportions as the Trustee shall, in its absolute discretion determine. The receipt of the proper officer of the recipient Charitable organisation shall be a valid discharge of the Trustee for the benefit received by it.

5 RIGHT TO DEAL WITH RECONSTRUCTIONS, ETC

5.1 Trustee to act on Participant's directions

The Trustee may at any time on behalf of any Participant who has given a direction to the Trustee under the Rules (but not otherwise) enter into any compromise or arrangement with respect to or may release or forbear to exercise all or any of its rights as shareholder whether in connection with a scheme of reconstruction or amalgamation or otherwise and may accept in or towards satisfaction of all or any of such rights such consideration as such Participant shall direct whether in the form of cash, stock, shares, debentures, debenture stock or obligations or securities without the Trustee being in any way liable or responsible for any loss resulting from complying with any such direction or any liability or increased liability of such Participant to tax or in respect of any inadequacy or alleged inadequacy in the nature or amount of such consideration.

5.2 **Trustee to use reasonable endeavours to obtain directions**

The Trustee shall use reasonable endeavours to ensure that the directions of Participants are obtained in respect of any matters affecting the rights of holders of Plan Shares.

5.3 **No liability for acting on directions**

The Trustee shall not be liable or responsible for any loss or any liability or increased liability of a Participant to tax arising out of the failure of such Participant to give a direction to the Trustee or the failure of such Participant to give a direction to the Trustee within a particular time or if the Participant has directed the Trustee to use its discretion in any way arising out of the bona fide exercise by the Trustee of that discretion.

6 ACCOUNTABILITY FOR PAYE AND OTHER DEDUCTIONS

The Company, any Participating Company or the Trustee may account to the Inland Revenue or other authority concerned for any amounts deducted from payments made, or assets transferred, pursuant to the Plan in respect of income tax or any other deductions required by statute or regulations made thereunder.

7 MAINTENANCE OF TRUST RECORDS

7.1 **Trustee to procure preparation of Trust records**

The Trustee shall maintain all necessary accounts (including the accounts of individual employees) records and other documents necessary to carry out its obligations in connection with:

7.1.1 the proper administration of the Plan; and

7.1.2 the PAYE obligations of the employer company (as that expression is defined in paragraph 95 of Schedule 8) so far as they relate to the Plan.

7.2 **Duty to keep records of PAYE deductions**

The Trustee shall keep records of all PAYE deductions, including payments to the Participating Companies in respect of PAYE obligations.

7.3 **Trustee to submit Trust records to Company and any Participating Company**

The Trustee shall submit to the Company and any Participating Company such reports or other information as it may reasonably require for the purpose of ensuring that the Plan is properly administered and without prejudice to the generality of the foregoing the Trustee shall submit to the Company and any Participating Company copies of all documents including the annual returns which have been supplied to the Board of Inland Revenue within twenty-one days of their being so supplied.

7.4 **Company's and any Participating Company's right to inspect Trust records**

The Company and any Participating Company shall at all times be entitled on service of 3 days written notice or as otherwise agreed between the Company or the Participating Company respectively and the Trustee to inspect all accounts, documents and records maintained by the Trustee for the purposes of the Plan and may at any time and at its absolute discretion audit or cause to be audited those accounts, documents and records.

8 SECURITIES AND TITLE

8.1 **Securities may be placed in custody**

The Trustee may place the documents of title for the time being in its possession in any bank or safe deposit and shall not be responsible for any losses incurred by so doing.

8.2 **More than one Trustee may be registered proprietor**

At any time when there is more than one Trustee, the Trustee shall be entitled to procure that any one or more of them may be registered as proprietor of any property held by them upon the trusts of the Trust Deed.

9 APPLICATION OF PLAN TO SUBSIDIARIES

9.1 **Extension of Plan to Subsidiaries**

The Plan may with the consent of the Company be extended to any Subsidiary by a deed of adherence in a form approved by the Directors executed by that Subsidiary and the Company.

9.2 **Circumstances where Plan may cease to apply to Subsidiary**

The Plan shall cease to extend to a Participating Company when:

9.2.1 such Participating Company ceases to be a Subsidiary; or

9.2.2 a notice is served by the Company upon the Trustee and the Participating Company that the Plan shall cease to apply to that Participating Company; or

9.2.3 a Participating Company withdraws from the Plan on such conditions as may be agreed by the Company

but such cessation shall not affect the subsisting rights of Beneficiaries under the Plan which have arisen under the Plan prior to such cessation.

9.3 **Trustee not liable to account to former Participating Companies**

Where the Plan ceases to extend to a Participating Company in accordance with clause 9.2 then the Trustee shall not be liable to account to such Participating Company for any unused monies then held on the trusts of clause 4.1.

10 DUTIES OF PARTICIPATING COMPANIES

10.1 **Duty to contribute sums and provide information**

If and so long as any company is a Participating Company it shall:

10.1.1 contribute and pay to the Trustee such sums as are required by the Trustee to purchase or subscribe for Shares to be Appropriated to Participants of that Participating Company together with a fair proportion of the sums required to meet:

10.1.1.1 the reasonable expenses of the Trustee in operating and administering the Plan; and

10.1.1.2 any remuneration payable to the Trustee

to the extent that such expenses and remuneration cannot be met out of such of the assets held by the Trustee as are applicable for that purpose.

10.1.2 provide the Trustee with all information reasonably required from it for the purposes of the administration and operation of the Plan in such form as the Trustee may reasonably require.

10.2 **Continuing liability of former Participating Companies**

Any company that ceases to be a Participating Company shall remain liable to meet its fair proportion of the expenses of the Trustee.

11 PROTECTION OF THE TRUSTEE

11.1 Limited liability for monetary obligations

The Trustee shall not be liable to satisfy any monetary obligations under the Plan (including but without prejudice to the generality of the foregoing any monetary obligations to Eligible Employees) beyond the sums of money (including income) from time to time in its hands or under its control as Trustee of the Plan and properly applicable for that purpose.

11.2 Trustee to comply with Company's directions

The Trustee shall comply with any directions given by the Company (including for the avoidance of doubt any person to whom any delegation under clause 18.1 has been made) under the Rules and shall not be under any liability in respect of such compliance to the Company (or such other person under clause 18.1) or to any Eligible Employee.

11.3 Indemnity

Subject to any agreement to the contrary between the Company or any Participating Company and the Trustee, the Company shall pay to or reimburse the Trustee all expenses properly incurred by it in connection with the Trust and shall fully indemnify the Trustee against all actions, claims, losses, demands, proceedings, charges, expenses, costs, damages, taxes, duties and other liabilities incurred by it in connection with the Trust or in connection with the proper administration and operation of the Plan provided that a Trustee shall not be paid, reimbursed or indemnified in respect of:

11.3.1 any sum which can under clause 4.1 be recovered by the Trustee either out of the assets held subject to the Plan or from Participating Companies; and

11.3.2 any fraud, wilful misconduct, or in the case of a Trustee receiving remuneration for acting as a Trustee, negligence by it or any of its officers or employees.

In addition, the Trustee shall have the benefit of all indemnities conferred on trustees by the Trustee Act 1925 and generally by law.

11.4 No obligation to become involved in management

The Trustee shall not be under any obligation to:

11.4.1 become a director or other officer, or interfere in the management or affairs, of any company, any of the shares, debentures, debenture stock or securities which are held on the trusts created by the Trust Deed or of any company associated with any such company, notwithstanding that the Trustee may have (whether directly or indirectly) a substantial holding in, or control of, any such company; or

11.4.2 seek information about the affairs of any such company but may leave the conduct of the affairs of any such company to its directors, officers or other persons managing the company provided the Trustee has no actual notice of any act of dishonesty on the part of such persons in connection with the management of the company.

12 ADDITIONAL POWERS

12.1 Additional powers of the Trustee

In addition and without prejudice to the powers vested in it by the other provisions of the Trust Deed and by law, the Trustee shall have the following powers and discretions:

12.1.1 to agree with the Company (or as appropriate such other person to whom powers are delegated under clause 18.1) all matters relating to the operation and administration of the trusts created by the Trust Deed and so that no person claiming an interest under the Trust shall be entitled to question the legality or correctness of any arrangement or agreement made between the Company (or as appropriate such other person to whom powers are delegated under clause 18.1) and the Trustee in relation to such operation and administration;

12.1.2 from time to time in writing to authorise such other person or persons whether or not a Trustee, as the Trustee shall think fit to draw and endorse cheques and to give receipts and discharges for any monies or other property payable transferable or deliverable to the Trustee and every such receipt or discharge shall be as valid and effectual as if such receipt or discharge was given by the Trustee and the production of such written authority of the Trustee shall be a sufficient protection to any person taking any such receipt or discharge and (unless that person shall have received express notice in writing of the revocation of the authority) he shall be entitled to assume and act upon the assumption that the authority remains unrevoked;

12.1.3 at any time, to borrow or raise money only for the purpose of subscribing for or purchasing Shares or any other purpose for which money may be applied under the Trust Deed. Any loan made by a Participating Company to the Trustee shall be on such terms as the Participating Company and the Trustee agree;

12.1.4 to make any payment to any Beneficiary into the Beneficiary's bank account and the Trustee shall be discharged from obtaining a receipt or seeing the application of any such payment; and

12.1.5 to pay any amount, whether income or capital, intended to be paid to, or applied for the benefit generally of, any minor to his or her parent or guardian, whose receipt shall be a valid discharge of the Trustee.

12.2 **Trustee's power to invest monies etc**

Subject to any provision to the contrary in the Rules the Trustee shall in respect of monies or other assets not held on trust for a Participant have the same full and unrestricted powers of investing and transposing investments and laying out monies in all respects as if it were absolutely entitled to them beneficially and without regard to any requirement as to diversification.

12.3 **Trustee's power of sale**

Subject to any provision to the contrary in the Rules the Trustee shall in respect of any assets not held on trust for a Participant have all the powers of sale of a beneficial owner in respect of such assets.

13 PROCEEDINGS OF TRUSTEES

13.1 **Scope of clause**

Unless a corporate trustee is the sole Trustee, the following provisions of this clause 13 shall govern the proceedings of the Trustees.

13.2 **Regulations for conduct of business**

The Trustees shall meet together and, subject to the following provisions of this clause 13, make such regulations for the conduct of their business as they determine.

13.3 **Quorum for meetings of Trustees**

The quorum for any meeting of the Trustees shall be two. A meeting of the Trustees at which a quorum is present shall be competent to exercise all the powers and discretions exercisable by the Trustees generally.

13.4 **Majority voting of Trustees**

At any meeting of the Trustees, all questions shall be decided by a majority of the votes of the Trustees present and voting thereon. In the event of an equality of votes, the chairman of the meeting, if any, shall have a second or casting vote. In the event of an equality of votes on the election of a chairman at any meeting, the chairman shall be chosen by lot.

13.5 **Written resolutions of Trustees**

A resolution in writing signed by all the Trustees shall be as valid and effective as if it had been passed at a meeting of the Trustees and the same may consist of two or more documents in similar form each signed by one or more of the Trustees.

14 ADMINISTRATION

14.1 **Delegation**

Where there is more than one Trustee, the Trustees may from time to time delegate any business to any one or more of their number.

14.2 **Trustee being a company**

A Trustee which is a company may in its capacity as a Trustee act by its officers and may by such officers have and exercise all powers trusts and discretions vested in it under the Trust Deed.

14.3 **Minutes of meetings**

The Trustee shall cause proper minutes to be kept and entered in a book provided for the purpose of all its resolutions and proceedings and any such minutes of any meeting of the Trustee, if purported to be signed by the chairman of such meeting or by the chairman of a subsequent meeting, shall be admissible as prima facie evidence of the matters stated in such minutes.

14.4 **Professional advice**

The Trustee may employ and act on the advice or opinion of any solicitor, accountant, or other person engaged in any profession or business whether such advice was obtained by the Trustee or by the Company or any Participating Company (or as appropriate by such other person to whom powers are delegated under clause 18.1). The Trustee shall not be responsible for any loss occasioned by its acting on that advice.

14.5 **Trustee's agents**

The Trustee may employ on such terms as the Company or any Participating Company may agree as to remuneration any agent to transact any business in connection with the Plan and the Trustee shall not be liable for any loss arising by reason of the fraud or negligence of such agent.

14.6 **Trustee may execute deeds etc**

The Trustee may execute or authorise the execution or delivery by any agent of it of any trust, deeds, documents or other instruments by the impression of the Trustees' signatures (where there is more than one Trustee) or (in the case of a sole corporate trustee) by the signature of two or more officers of the corporate trustee, in writing, printing, lithograph, photocopying and other modes of representing or reproducing words in a visible form and may authorise the delivery of such instruments on its behalf.

15 REMUNERATION AND INTERESTS OF THE TRUSTEES

15.1 **Individual Trustees**

Any individual Trustee shall be entitled to receive and retain as remuneration for his services under the Trust Deed such sum or sums as a Participating Company may from time to time resolve to pay to him notwithstanding that he is also an officer or employee of a Participating Company and he shall not be disqualified from voting or taking part in any decision of the Trustees on any matter by virtue of any personal or beneficial interest (actual or prospective) therein.

15.2 **Professional Trustees**

Any Trustee who is a solicitor, accountant, or other person engaged in any profession or business shall be entitled to charge and be paid all normal and other charges for business transacted, services rendered or time spent personally or by the Trustee's firm in connection with the Plan, including acts which a Trustee not engaged in any profession or business could have done personally.

15.3 **Corporate Trustees**

Any Trustee which is a company shall be entitled to charge and be paid such reasonable remuneration or charges as shall from time to time be agreed in writing between the Company (or as appropriate such other person to whom powers are delegated under clause 18.1) and such company and any such company (being a bank) shall be entitled subject to the written consent of the Company (or as appropriate such other person to whom powers are delegated under clause 18.1), to act as banker and perform any services in relation to the Plan on the same terms as would be made with a customer in the ordinary course of its business as a banker without accounting for any resultant profit including without prejudice to the generality of the foregoing retention of its customary share of brokerage commission.

15.4 Right to be employed by Company or Subsidiary

Any Trustee or officer of a corporate trustee may be employed by, or be appointed an officer of, the Company or any Subsidiary and shall be entitled to keep for his benefit such remuneration as he may receive by virtue of such position and shall not be liable to account for any such benefit.

16 PERMITTED DEALINGS OF TRUSTEES

16.1 Trustee permitted to hold shares etc

No Trustee (nor any director or other officer of a company acting as a Trustee) shall be precluded from acquiring, holding or dealing with any shares, debentures, debenture stock or securities of the Company or any Participating Company or any other company in which the Trustee may be interested or from entering into any contract or other transaction with the Company or any Participating Company or any such other company or being interested in any such contract or transaction. No Trustee (nor any director or other officer of a company acting as a Trustee) shall be liable to account to any Beneficiary, Eligible Employee or Participant or, where there is more than one Trustee, to the other Trustees or the Company or any other Participating Company or such other company for any profits so made or benefits so obtained by him.

16.2 No requirement to account for benefits

The Trustee (and any director or other officer of a company acting as a Trustee) who is or becomes a Beneficiary may retain all benefits to which he becomes entitled under the Plan and shall not be liable to account for any such benefit.

17 NUMBER, APPOINTMENT, RETIREMENT AND REMOVAL OF TRUSTEES

17.1 Minimum number of Trustees

The minimum number of Trustees shall be:

17.1.1 in the case of a Trustee which is a company (whether or not a trust corporation), one; and

17.1.2 in any other case, three.

17.1.3 while the number of Trustees is below the minimum number, a continuing Trustee shall not be entitled to exercise any power or discretion under the Trust Deed.

17.1.4 if, after the removal, retirement or death of a Trustee, there are fewer than the minimum number of Trustees required by clause 17.1.2, the Company shall forthwith appoint a new Trustee in place of the removed retiring or dead Trustee.

17.2 **Statutory power to appoint new and additional Trustees**

The statutory power of appointing new and additional Trustees contained in section 36 of the Trustee Act 1925 shall be vested in the Company and may be exercised by a resolution of the Directors or in writing signed by a person duly authorised by a resolution of the Directors.

17.3 **Power to appoint additional Trustees**

In addition to the statutory power of appointing new and additional Trustees, the Company shall have the power by a resolution of the Directors or in writing signed by a person duly authorised by a resolution of the Directors to appoint additional Trustees notwithstanding that the effect of such appointment would be to increase the number of Trustees beyond four.

17.4 **Company ceasing to exist**

If the Company ceases to exist otherwise than in consequence of a reconstruction or amalgamation, all powers of appointing and removing Trustees shall become vested in the Trustee.

17.5 **Removal of Trustees**

The Company may by a resolution of the Directors or in writing signed by a person duly authorised by a resolution of the Directors, notice of which, in either case, is given to the Trustee, and without assigning any reason therefor, remove a Trustee from office, but not so as to reduce the number of Trustees below that specified in clause 17.1. If no later date is specified in the notice, such removal shall take place immediately on the receipt of the notice by the Trustee. If a later date is specified in the notice, such removal shall take place on the later of the receipt of the notice by the Trustee and the date specified in the notice.

17.6 Retirement of Trustees

A Trustee may retire by giving the Company written notice of his desire to retire but not so as to reduce the number of Trustees below that specified in clause 17.1.

If the requirements of clause 17.1 will continue to be satisfied such notice shall take effect at the expiry of three months or such other period as may be agreed in writing by the Company after the date of such notice.

If the requirements of clause 17.1 will not continue to be satisfied, the Company shall, within three months after the giving of such notice, appoint an additional Trustee. If the Company fails to do so within such period, the retiring Trustee may by deed appoint an additional Trustee and his retirement shall thereupon become effective.

17.7 Transfer of trust property following removal or retirement

Forthwith following his removal or retirement as a Trustee, the outgoing Trustee shall transfer all property held by him subject to the Plan and deliver all documents in his possession relating to the Plan to the remaining Trustees and shall execute all such documents and do all such things as may be necessary to give effect to his removal or retirement.

17.8 Section 37 of the Trustee Act 1925

Section 37(1)(c) of the Trustee Act 1925 shall apply to the Plan as if all references in that section to a trust corporation were references to any company authorised by its memorandum and articles to undertake trust business.

17.9 Residence of Trustees

The Company shall ensure that all the Trustees or any sole Trustee which is a company shall at all times be resident for tax purposes in the United Kingdom.

18 DELEGATION OF ADMINISTRATION BY THE COMPANY AND OTHER MATTERS

18.1 Delegation of Administration

The Company or the Directors may at any time delegate in writing to the directors of any Participating Company or to any Participating Company's duly authorised officers any of its powers and duties under the Trust Deed or any business including the exercise of any discretion provided always that the Company shall not delegate the duties imposed on it or the rights given to it under clauses 9.1, 11.3, 17.2, 17.3, 17.5 or 22.

18.2 **Exercise of powers**

Except as otherwise provided in the Trust Deed or in the Rules the powers and discretions exercisable by any Participating Company in relation to the Plan shall be exercisable in the case of the Company by the Directors and otherwise by resolution of the directors of such Participating Company or by a duly authorised committee thereof and a copy of any resolution signed or purporting to be signed by the secretary or any director of such company shall be sufficient authority to the Trustee to act thereunder.

18.3 **Information supplied by Participating Company**

The Trustee shall be entitled, in the absence of manifest error, to rely without further enquiry on any information or advice supplied to them by any Participating Company in connection with the trust created by the Trust Deed.

19 DURATION AND WINDING UP OF THE PLAN

19.1 **Termination on expiry of the Trust Period**

The Plan shall terminate on the earlier of:

19.1.1 the expiry of the Trust Period; and

19.1.2 a plan termination notice validly issued under Rule 33 of the Plan

and references throughout the Trust Deed to a termination of the Plan shall be taken to be a termination as herein provided.

19.2 **Outstanding liabilities**

On or after the termination of the Plan no further sums shall be paid to the Trustee by the Participating Companies save that all Participating Companies shall remain liable to pay their just proportion of the costs charges and expenses of the Plan.

19.3 **Completion of obligations**

Following any termination of the Plan the Trustee shall remain responsible for the completion of its obligations under the Plan.

20 SUPREMACY OF TRUST DEED OVER RULES OF PLAN

The Trustee's rights duties and powers are regulated by the Trust Deed and by the Rules and in the case of inconsistency or conflict between the provisions of the Trust Deed and of the Rules the provisions of the Trust Deed shall prevail.

21 GOVERNING LAW AND JURISDICTION

21.1 Governing Law

The formation, existence, construction, performance, validity and all aspects whatsoever of the Trust Deed and the Rules or any term of the Trust Deed or any Rules shall be governed by English law.

21.2 Jurisdiction

The English courts shall have non-exclusive jurisdiction to settle any disputes which may arise out of, or in connection with, the Trust Deed or the Rules.

21.3 Jurisdiction agreement for benefit of Company

The jurisdiction agreement contained in this clause 21 is made for the benefit of the Company only, which accordingly retains the right to bring proceedings in any other court of competent jurisdiction.

21.4 Participant deemed to submit to such jurisdiction

By accepting an Award and not renouncing it, a Participant is deemed to have agreed to submit to such jurisdiction.

22 AMENDMENT OF TRUST DEED AND RULES

22.1 Amendment of Deed and Rules

The Company may at any time and from time to time in the case of the Trust Deed by a supplemental deed and in the case of the Rules by resolution of the Directors amend, modify, or alter the Plan in any respect (such amendment modification or alteration being referred to in this clause 22.1 as a "modification") provided that:

22.1.1 no modification shall alter to the disadvantage of any Participant his rights which have accrued to him under the Plan before the date of such modification;

22.1.2 no modification shall modify or alter to the disadvantage of the Trustee the provisions for its protection and indemnity contained in the Plan without the written agreement of the Trustee;

22.1.3 no modification shall be made which would or might infringe any rule against perpetuities or which could result in the Plan ceasing to be an Employees' Share Scheme; and

22.1.4 whilst the Plan is approved by the Board of Inland Revenue, no modification to any key feature (as defined in paragraph 118(3)(a) of Schedule 8) of the Plan shall take effect without the approval of the Board of Inland Revenue.

22.2 Amendments to be binding

Any modification made in accordance with the provisions of this clause 22 shall be binding upon all persons from time to time interested in the Plan including the Company and any Participating Company.

23 GENERAL PROVISIONS

23.1 Counterparts

The Trust Deed may be executed in any number of counterparts, and by the parties on separate counterparts, each of which when so executed and delivered shall be an original, but all the counterparts will together constitute one and the same Trust Deed.

23.2 Irrevocability

Subject to the provisions of the Trust Deed, the trusts hereby declared are irrevocable.

EXECUTED by the parties as a deed and delivered on the date first mentioned above.

SIGNED as a deed by
The Procter & Gamble Company
acting by its Global Human Resources Officer:

Richard L Antoine

SIGNED as a deed by
Procter & Gamble Share Incentive Plan Trustee Limited
acting by a director and its secretary/ two directors:

Director

~~Director~~/Secretary

SIGNED as a deed by
Procter & Gamble Technical Centres Limited
acting by a director and its secretary/ two directors:

Director

~~Director~~/Secretary

SIGNED as a deed by
Procter & Gamble (Health & Beauty Care) Limited
acting by a director and its secretary/ two directors:

Director

~~Director~~/Secretary

SIGNED as a deed by
Procter & Gamble (L&CP) Limited
acting by a director and its secretary/ two directors:

Director

~~Director~~/Secretary

SIGNED as a deed by
Procter & Gamble Product Supply (UK) Limited
acting by a director and its secretary/ two directors:

~~Director~~
Authorised Signatory

~~Director~~/Secretary

SIGNED as a deed by
Procter & Gamble Pharmaceuticals UK, Limited
acting by a director and its secretary/ two directors:

Director

~~Director~~/Secretary

SIGNED as a deed by
Clairol Limited
acting by a director and its secretary/ two directors:

Director

~~Director~~/Secretary

SIGNED as a deed by
IAMS(UK)Limited
acting by a director and its secretary/ two directors:

Director

~~Director~~/Secretary

SCHEDULE

RULES OF THE PROCTER & GAMBLE COMPANY INLAND REVENUE APPROVED SHARE INCENTIVE PLAN

1 INTERPRETATION

1.1 In this Schedule, unless the context otherwise requires, the following words and expressions have the following meanings:

Accounting Period	an accounting reference period of the Company within the meaning of section 224 of the Companies Act 1985 or a new accounting reference period of the Company within the meaning of section 225 of the Companies Act 1985;
Accumulation Period	a period determined at the discretion of the UK Share Plan Manager, not exceeding 12 months which must be the same for all Participants;
Allocation Date	the date on which a Share is allocated to a Participant by the Trustee which is: i. in the case of a Free Share, the Free Shares Appropriation Date; ii. in the case of a Contributory Share, the Contributory Shares Acquisition Date; iii. in the case of a Matching Share, the Matching Shares Appropriation Date; and iv. in the case of a Dividend Share, the Dividend Shares Acquisition Date.
Appropriate	to confer a beneficial interest in Free Shares or Matching Shares on a Participant, subject to the provisions of the Plan, and the expressions "Appropriation" and "Appropriated" shall be construed accordingly;

Associate	the meaning set out in paragraphs 20, 21 and 22 of Schedule 8;
Associated Company	in relation to two companies if: (a) one company has Control of the other; (b) both are under the Control of the same person or persons;
Award	the award to Participants of any one or more of Free Shares, Contributory Shares or Matching Shares in accordance with the Plan;
Capital Receipt	a receipt by the Trustee of money or money's worth of the type defined in paragraph 79 of Schedule 8;
Close Company	the meaning set out in section 414 ICTA 1988;
Company	The Procter & Gamble Company, a corporation existing under the laws of the State of Ohio, USA;
Connected Company	(a) a company which Controls or is Controlled by the Company or which is controlled by a company which also Controls the Company; (b) a company which is a member of a consortium owning the Company or which is owned in part by the Company as a member of the consortium;
Contributory Shares	Shares entitlement to which is as set out in Part II;
Contributory Shares Acquisition Date	the date determined by the Trustee in accordance with Rule 10.3.4;
Contributory Shares Agreement	an agreement issued by the UK Share Plan Manager under Rule 10.4;

Contributory Shares Closing Date the date specified in the Contributory Shares Invitation by which the completed Contributory Shares Agreement must be received by the UK Share Plan Manager;

Contributory Shares Invitation an invitation issued by the UK Share Plan Manager under Rule 10;

Contributory Shares Market Value in the case of a Contributory Shares Agreement with:

(a) an Accumulation Period, the lower of the Market Value of a Share on:

(i) the first day of the Accumulation Period; and

(ii) the Contributory Shares Acquisition Date;

(b) no Accumulation Period, the Market Value of a Share on the Contributory Shares Acquisition Date.

Contributory Share Money the meaning given to that term by Rule 10.5.2;

Control the meaning set out in section 840 ICTA 1988;

Directors the board of directors of the Company, a duly authorised committee thereof or some other duly authorised officer of the Company;

Dividend Shares Shares acquired with dividends paid in respect of Plan Shares as set out in Part IV;

Dividend Shares Acquisition Date the date on which the Trustee acquires Dividend Shares pursuant to Rule 19.4;

Dividend Shares Holding Period the period beginning on the Dividend Shares Acquisition Date and ending on the earlier of the third anniversary of that date and the date on which the Participant ceases to have any Relevant Employment;

Eligible Employee

an individual who in the case of Free Shares at a Free Shares Appropriation Date, and in the case of Contributory Shares or Matching Shares:

(a) if there is no Accumulation Period, at the time the money for the acquisition of such Contributory Shares is deducted; and

(b) if there is an Accumulation Period, at the time of the first deduction of money for the acquisition of such Contributory Shares:

(i) is an employee of a Participating Company; and

(ii) has been such an employee (or has otherwise been an employee of a Qualifying Company) at all times during any Qualifying Period; and

(iii) is chargeable to tax in respect of his office or employment with a Participating Company under Case I of Schedule E; and

(iv) has not either himself or through any Associate and whether in either case alone or together with one or more Associates has not had within the preceding twelve months, a Material Interest in a Close Company whose shares may be Appropriated or acquired under the Plan or a company which has Control of such a company or is a member of a consortium which owns such a company; and

(v) has not, in the same Year of Assessment participated in a share incentive plan approved under Schedule 8 (other than the Plan) established by the Company or a Connected Company (which for the avoidance of doubt shall include where an employee would have participated but for his failure to obtain a Performance Allowance) or, in relation to an Award of Free Shares has not in the same Year of Assessment participated in a profit sharing scheme approved under Schedule 9 to ICTA 1988 established by the Company or a Connected Company;

or an individual who at the relevant time satisfies the requirements above, excluding (iii), whom the Directors have, in their absolute discretion, determined should be included;

Employees' Share Scheme the meaning set out in section 743 of the Companies Act 1985;

Forfeiture Period the period(s) determined by the UK Share Plan Manager pursuant to Rules 4.3.7, 15.2.5 or 15.2.6, as appropriate, provided that the period(s) shall not exceed 3 years from the relevant date of Appropriation;

Free Shares Shares entitlement to which is as set out in Part I;

Free Shares Agreement an agreement issued by the UK Share Plan Manager under Rule 4;

Free Shares Appropriation Date	the date on which the Trustee Appropriates an Award of Free Shares;
Free Shares Closing Date	the date specified in the Free Shares Invitation by which the Free Shares Agreement must be received by the UK Share Plan Manager;
Free Shares Holding Period	the period beginning on the Free Shares Appropriation Date and ending on a date determined from time to time at the discretion of the UK Share Plan Manager, and being not earlier than the third anniversary nor later than the fifth anniversary of the Free Shares Appropriation Date or, if earlier, the date on which the Participant ceases to be in Relevant Employment and which period shall be the same for all Free Shares comprised in the same Award and shall not be increased at any time in respect of Free Shares already Appropriated;
Free Shares Invitation	an invitation to participate in an offer for Free Shares issued by the UK Share Plan Manager under Rule 4;
ICTA 1988	the Income and Corporation Taxes Act 1988;
Initial Market Value	the Market Value of a Share: (i) in the case of Free Shares, on the Free Shares Appropriation Date; (ii) in the case of Matching Shares, on the Matching Shares Appropriation Date; and (iii) in the case of Dividend Shares, on the Dividend Shares Acquisition Date;
Market Value	(a) where the Shares are listed on the New York Stock Exchange:

(i) if all the Shares allocated to Participants on an Allocation Date were purchased by the Trustee on the market on that Allocation Date, the price or the average of the prices at which the Trustee acquired the Shares on that day;

(ii) if not all the Shares allocated to Participants on an Allocation Date were purchased by the Trustee on the market on that Allocation Date, the closing price of a Share (as derived from the Financial Times) for the dealing day immediately preceding the Allocation Date;

(b) where the Shares are not listed on the New York Stock Exchange, the market value of a Share as determined in accordance with the provisions of Part VIII of the Taxation of Chargeable Gains Act 1992 and paragraph 125 of Schedule 8 and agreed for the purposes of the Plan with Inland Revenue Shares Valuation on or before that day;

Matching Shares — Shares entitlement to which is as set out in Part III which shall:

(a) be shares of the same class and carry the same rights as the Contributory Shares to which they relate;

(b) be Appropriated on the same day as the Contributory Shares to which they relate are acquired; and

(c) be Appropriated to all Participants on exactly the same basis;

Matching Shares Appropriation Date — the date on which the Trustee Appropriates an Award of Matching Shares;

Matching Shares Holding — the period beginning on the Matching Shares

Period	Appropriation Date and ending on a date determined from time to time at the discretion of the UK Share Plan Manager, and being not earlier than the third anniversary nor later than the fifth anniversary of the Matching Shares Appropriation Date or, if earlier, the date on which the Participant ceases to be in Relevant Employment, and which period shall be the same for all Matching Shares comprised in the same Award and shall not be increased at any time in respect of Matching Shares already Appropriated;
Material Interest	the meaning set out in paragraphs 15, 17, 18 and 19 of Schedule 8;
New York Stock Exchange	the New York Stock Exchange or any successor body;
Offer	a general offer which is made to holders of shares of the same class as Plan Shares or of other shares in the Company and in either case which is made on condition that if satisfied the person making the offer will have Control of the Company;
Participant	an Eligible Employee to whom the Trustee has made an Appropriation or on whose behalf Contributory Shares or Dividend Shares have been acquired or, where the context permits, an Eligible Employee who has submitted a duly completed Free Shares Agreement or Contributory Shares Agreement in accordance with Rule 4.3.5 or 10.3.5 respectively;
Participating Company	a Subsidiary which is a party to the Trust Deed or has pursuant to clause 9 executed a deed of adherence;
Performance Allowance	an Appropriation of Free Shares where: (a) whether or not Free Shares are Appropriated; and/or

(b) the number or value of Free Shares Appropriated

is subject to the satisfaction of a Performance Target;

Performance Target	a performance target imposed by the UK Share Plan Manager under Rule 6;
Performance Unit	a group comprising one or more Participants to whom a Performance Target applies;
Plan	the The Procter & Gamble Company Inland Revenue Approved Share Incentive Plan as constituted by this Trust Deed and Rules in their present form or as amended from time to time and known as the Procter & Gamble 1-4-1 Plan;
Plan Shares	Free Shares, Contributory Shares, Matching Shares and Dividend Shares which have been Appropriated to a Participant or are held on his behalf by the Trustees;
Qualifying Company	the meaning set out in paragraph 14 of Schedule 8;
Qualifying Corporate Bond	the meaning set out in section 117 of the Taxation of Chargeable Gains Act 1992;
Qualifying Period	a period determined by the UK Share Plan Manager in relation to any Award of Shares under the Plan which may be different for different Awards provided that:

(a) in the case of Free Shares it shall not exceed the period of 18 months before the Free Shares Appropriation Date;

(b) in the case of Contributory Shares and Matching Shares where there is an Accumulation Period it shall not exceed the period of 6 months before the beginning of the Accumulation Period;

(c) in the case of Contributory Shares and Matching Shares where there is no Accumulation Period it shall not exceed the period of 18 months before the deduction of money for the acquisition of such Contributory Shares;

Relevant Amount

(a) in respect of Free Shares, £3,000 in any Year of Assessment;

(b) in respect of Contributory Shares, the lower of:

(i) £125 per month or if the Salary is not paid monthly such amount as bears to £125 the same proportion as the pay interval in question bears to one month; and

(ii) 10 % of Salary which if there is no Accumulation Period shall mean 10% of the Salary payment concerned and if there is an Accumulation Period shall mean 10% of the total Salary of the Participant over that period;

(c) in respect of Dividend Shares £1,500 in any Year of Assessment,

subject in each case to such amendment as may be made to that limit under the Finance Act 2000 from time to time;

Relevant Employment

employment by the Company or any Associated Company of the Company;

Retirement Age

the age of 55;

Rules	these rules as from time to time amended;
Salary	such of the emoluments of the office or employment by virtue of which a Participant is eligible to participate in the Plan as are liable to be paid under deduction of tax pursuant to section 203 ICTA 1988 or which would be if that individual were within the scope of Schedule E, after deducting amounts included by virtue of Chapter II Part V ICTA 1988 or which would have been had the individual been within the scope of Schedule E, together with amounts that would be so liable apart from Schedule 8;
Schedule 8	Schedule 8 to the Finance Act 2000;
Shares	shares of fully paid common stock in the capital of the Company (or any shares representing the same) which satisfy the conditions in paragraphs 60 to 67 inclusive of Schedule 8;
Subsidiary	any UK incorporated company over which the Company has Control;
UK Share Plan Manager	the duly authorised officer or officers of a Participating Company whom the Directors have appointed to act in such capacity for the purpose of the Plan; and
Year of Assessment	a period commencing on 6 April in any year and ending on 5 April in the following year.

1.2 In the Plan, unless otherwise specified:

1.2.1 the contents, clause and Rule headings are inserted for ease of reference only and do not affect their interpretation;

1.2.2 references to clauses, Rules, Parts and the Schedule are to clauses, rules, parts of, and the schedule to the Plan;

1.2.3 a reference to writing includes any mode of reproducing words in a legible form and reduced to paper;

1.2.4 the singular includes the plural and vice-versa and the masculine includes the feminine;

1.2.5 a reference to a statutory provision includes any statutory modification, amendment or re-enactment thereof; and

1.2.6 the Interpretation Act 1978 applies to the Plan in the same way as it applies to an enactment.

2 PURPOSE OF THE PLAN

The purpose of the Plan is to enable Eligible Employees of Participating Companies to acquire Shares which give them a continuing stake in the Company.

3 PARTICIPATION ON SAME TERMS

On each occasion when an Award is to be made, subject to Rule 5, every Eligible Employee shall be invited to participate in an Award on the same terms and those who do actually participate must do so on the same terms.

PART I – FREE SHARES

4 ISSUE OF INVITATIONS

4.1 Discretion of Directors

The Directors may in their absolute discretion determine that an Award of Free Shares may be made and, accordingly, instruct the UK Share Plan Manager to issue Free Shares Invitations.

4.2 Limit on individual participation

In any Year of Assessment, the Initial Market Value of Free Shares Appropriated to a Participant shall not exceed the Relevant Amount.

4.3 Contents of Free Shares Invitations

Free Shares Invitations shall be in such form as the UK Share Plan Manager determines from time to time and shall state:

4.3.1 the Free Shares Closing Date;

4.3.2 the expected Free Shares Appropriation Date;

4.3.3 the Free Shares Holding Period;

4.3.4 that, by accepting the Free Shares Invitation, the Eligible Employee becomes bound in contract with the Company to observe the restrictions set out in the Free Shares Agreement;

4.3.5 that an Eligible Employee who wishes to accept the Free Shares under the Award shall submit to the UK Share Plan Manager, prior to the Free Shares Closing Date, a duly completed Free Shares Agreement;

4.3.6 that the individual shall only be entitled to an Appropriation of Free Shares if he remains an Eligible Employee at the Free Shares Appropriation Date;

4.3.7 that (as determined at the discretion of the UK Share Plan Manager) the provisions of either Rules 9.2 or 9.3 shall apply to the Award and, if Rule 9.3 applies, shall state what the applicable Forfeiture Period shall be; and

4.3.8 such additional information, not inconsistent with the Rules and the Trust Deed as the UK Share Plan Manager may from time to time determine.

4.4 **Free Shares Agreement and Free Shares Invitations**

Each Eligible Employee shall be sent a Free Shares Invitation and a Free Shares Agreement which shall be in such form as the UK Share Plan Manager may determine from time to time and shall require the Eligible Employee to contract with the Company as set out in Rule 8.

4.5 **Election to participate in any Award of Free Shares**

A Free Shares Agreement may include an election by a Participant to participate in any Award of Free Shares until such time as he notifies the UK Share Plan Manager that he no longer wishes to so participate. Where a Participant makes such an election he shall be deemed to have complied with Rule 4.3.5 in relation to each Award of Free Shares until the election is withdrawn.

5 ALLOCATION OF FREE SHARES BY REFERENCE TO PERFORMANCE

5.1 **Free shares may be allocated by reference to performance**

The UK Share Plan Manager may stipulate that the number of Free Shares (if any) to be Appropriated to each Participant on a given occasion shall be determined by reference to Performance Allowances.

5.2 **Performance Allowances to apply to all**

If Performance Allowances are used, they shall apply to all Participants.

5.3 **UK Share Plan Manager to provide information**

If Performance Allowances are used the UK Share Plan Manager shall, as soon as reasonably practicable:

5.3.1 notify each Participant participating in the Award of the Performance Targets to be used to determine the number or value of Free Shares Appropriated to him; and

5.3.2 notify all Eligible Employees of any Participating Company, in general terms, of the Performance Targets to be used to determine the number or value of Free Shares to be Appropriated to each Participant under the Award (provided that the UK Share Plan Manager may exclude any information the disclosure of which it reasonably considers would prejudice commercial confidentiality).

5.4 **Use of method 1 or method 2**

The UK Share Plan Manager shall determine the number of Free Shares (if any) to be Appropriated to each Participant by reference to performance using method 1 or method 2. The same method shall be used for all Participants for each Award.

5.5 **Performance Allowances: method 1**

By this method:

5.5.1 at least 20% of Free Shares Appropriated under any Award shall be Appropriated without reference to a Performance Target;

5.5.2 the remaining Free Shares shall be Appropriated by reference to a Performance Target; and

5.5.3 the highest Appropriation made to a Participant by reference to performance in any period shall be not more than four times the number of Free Shares Appropriated to an individual without reference to a Performance Target at the same time.

If this method is used:

5.5.4 the Free Shares Appropriated without reference to a Performance Target shall be Appropriated on the same terms as provided in Rule 5.7; and

5.5.5 the Free Shares Appropriated by reference to a Performance Target need not be Appropriated on the same terms as provided in Rule 5.7.

5.6 **Performance Allowances: method 2**

By this method:

5.6.1 some or all Free Shares shall be Appropriated by reference to performance;

5.6.2 the Appropriation of Free Shares to Participants who are members of the same Performance Unit shall be made on the same terms, as provided in Rule 5.7; and

Free Shares Appropriated for each Performance Unit shall be treated as separate Awards for the purposes of Rule 5.7 only.

5.7 **Same terms basis for Free Shares Awards**

An Award of Free Shares on the same terms shall be on terms determined by the UK Share Plan Manager which may be directly proportional to any one or more separately of a Participant's:

5.7.1 remuneration from;

5.7.2 length of service with;

5.7.3 number of hours worked for;

any one or more Participating Companies.

6 PERFORMANCE TARGETS

6.1 **Imposition of Performance Targets**

The UK Share Plan Manager may impose one or more Performance Targets in order to determine the number or value of Free Shares (if any) subject to a Performance Allowance.

6.2 **Nature of Performance Targets**

Any Performance Target imposed shall be:

6.2.1 based on business results or other objective criteria; and

6.2.2 a fair and objective measure of the performance of the Performance Unit(s) to which it applies.

6.3 **Membership of Performance Unit**

No Participant shall be a member of more than one Performance Unit.

6.4 **Substitution, variation or waiver of Performance Targets**

6.4.1 If an event occurs which causes the UK Share Plan Manager to consider that a Performance Target is no longer appropriate, the UK Share Plan Manager may substitute, vary or waive such Performance Target in such manner (and make such consequential amendments to the Rules) as:

6.4.1.1 is reasonable in the circumstances;

6.4.1.2 produces a fairer measure of performance and is neither materially more nor less difficult to satisfy; and

6.4.1.3 continues to comply with Rule 6.2.

6.4.2 The UK Share Plan Manager shall, as soon as reasonably practicable, notify each Participant affected of any such substitution, variation or waiver of the Performance Target.

7 APPROPRIATION OF FREE SHARES

7.1 Provision of information by the UK Share Plan Manager to the Trustee

As soon as practicable after the end of the period to which the Performance Target relates (in the case of Performance Allowances) or the Free Shares Closing Date the UK Share Plan Manager shall inform the Trustee of:

7.1.1 the name and address of each Participant to whom Free Shares are to be Appropriated, together with details of the Participating Company which employs the Participant;

7.1.2 the number of Free Shares to be Appropriated to each Participant on this occasion.

7.2 Appropriation

On the expected Free Shares Appropriation Date, the Trustee shall Appropriate to each Participant the number of Free Shares notified to the Trustee under Rule 7.1.

7.3 Notification of Appropriation to Participants

As soon as practicable after the Free Shares Appropriation Date, the Trustee shall notify each Participant to whom Free Shares have been Appropriated of:

7.3.1 the number and description of Free Shares Appropriated to him;

7.3.2 the Free Shares Appropriation Date;

7.3.3 their Initial Market Value; and

7.3.4 the applicable Free Shares Holding Period.

8 RESTRICTIONS ON DEALINGS IN, AND PERMITTED TRANSFERS OF FREE SHARES

8.1 Restrictions on disposals by Participants

Subject to Rules 25 and 27 during the Free Shares Holding Period a Participant shall:

8.1.1 permit the Trustee to hold his Free Shares; and

8.1.2 not assign, charge or otherwise dispose of his beneficial interest in his Free Shares.

8.2 Restrictions on disposals by the Trustee

Subject to Rules 9, 25, 29 and 31 and paragraph 121(5) of Schedule 8 the Trustee:

8.2.1 shall not dispose of any Free Shares, whether by transfer to the Participant or otherwise, during the Free Shares Holding Period;

8.2.2 shall not dispose of any Free Shares after the Free Shares Holding Period except in accordance with a direction given by or on behalf of the Participant; and

8.2.3 shall not deal with any right conferred in respect of a Participant's Free Shares to be allotted other shares, securities or other rights except pursuant to a direction given by or on behalf of the Participant or any person in whom the beneficial interest in his Free Shares is for the time being vested.

8.3 Transfer of Free Shares after the Free Shares Holding Period

8.3.1 A Participant may, at any time after the Free Shares Holding Period direct the Trustee by notice in writing to:

8.3.1.1 transfer the Participant's Free Shares to the Participant; or

8.3.1.2 transfer the Free Shares to some other person named by the Participant; or

8.3.1.3 dispose of the Free Shares by way of sale for the best consideration in money that can reasonably be obtained at the time of sale and to account for the proceeds to the Participant or some other person named by the Participant.

8.3.2 Within 30 days after receipt of a notice referred to in Rule 8.3.1 the Trustee shall comply with the instructions set out in such notice after first complying with Rules 30 and 31 as appropriate.

9 CESSATION OF RELEVANT EMPLOYMENT AND EARLY TRANSFER OF FREE SHARES

9.1 Trustee to be notified of cessation of Relevant Employment

If a Participant ceases to be in Relevant Employment then the UK Share Plan Manager shall within 14 days inform the Trustee of such cessation and whether the provisions of Rule 9.2 or 9.3 apply.

9.2 Early transfer of Free Shares

Where the Trustee has been notified by the UK Share Plan Manager in accordance with Rule 9.1 that this Rule 9.2 applies then as soon as reasonably practicable after the receipt of such notification and in any event within 30 days after receipt of the notification the Trustee shall after first complying with Rules 30 and 31 as appropriate:

9.2.1 if no prior written direction to the contrary has been received by the Trustee from the Participant transfer the Free Shares to the Participant; or

9.2.2 if the Participant has so directed the Trustee by written notice either transfer the Free Shares to some other person named by the Participant or dispose of the Free Shares by way of sale and account for the proceeds to the Participant or some other person named by the Participant.

9.3 Forfeiture of Free Shares

Where the Trustee has been notified by the UK Share Plan Manager in accordance with Rule 9.1 that this Rule 9.3 applies then, subject to Rules 9.4 and 9.5 the Participant's beneficial entitlement to his Free Shares shall lapse immediately on his ceasing to be in Relevant Employment before the end of the Forfeiture Period and he shall cease to have any rights to such Free Shares.

9.4 Injury, disability, redundancy, retirement etc

Notwithstanding Rule 9.3 if a Participant ceases to be in Relevant Employment by reason of:

9.4.1 injury or disability established to the satisfaction of the UK Share Plan Manager;

9.4.2 redundancy within the meaning of the Employment Rights Act 1996 or the Employment Rights (Northern Ireland) Order 1996;

9.4.3 a transfer of employment which is subject to the Transfer of Undertaking (Protection of Employment) Regulations 1981;

9.4.4 a change of Control or other circumstances giving rise to the Participant's employing company ceasing to be an Associated Company of any Participating Company;

9.4.5 retirement on or after reaching Retirement Age;

then the Trustee shall act in accordance with Rule 9.2.

9.5 **Death**

If a Participant ceases to be in Relevant Employment by reason of his death then the Trustee shall act in accordance with Rule 24.5.

PART II – CONTRIBUTORY SHARES

10 CONTRIBUTORY SHARES INVITATIONS

10.1 Issue of Contributory Shares Invitations

The Directors may in their absolute discretion determine that an Award of Contributory Shares may be made and, accordingly, instruct the UK Share Plan Manager to issue Contributory Shares Invitations.

10.2 Timing of Contributory Shares Invitations

Contributory Shares Invitations must be issued before the commencement of any relevant Accumulation Period.

10.3 Contents of Contributory Shares Invitation

Contributory Shares Invitations shall be in such form as the UK Share Plan Manager may determine from time to time and shall state:

10.3.1 the Contributory Shares Closing Date;

10.3.2 the maximum Salary deduction permitted under the Contributory Shares Agreement (being the lesser of the Relevant Amount and such other amount as the UK Share Plan Manager may determine and specify);

10.3.3 the minimum Salary deduction permitted determined by the UK Share Plan Manager which sum must be no greater than £10 per month (or such other amount as may be permitted from time to time under paragraph 37 of Schedule 8);

10.3.4 the expected Contributory Shares Acquisition Date being a date determined by the Trustee which:

10.3.4.1 where there is no Accumulation Period, shall be within 30 days after the deduction from Salary referred to in Rule 10.5.2 is made;

10.3.4.2 where there is an Accumulation Period shall be not more than 30 days after the end of the Accumulation Period.

10.3.5 that an Eligible Employee who wishes to accept Contributory Shares under the Award shall submit to the UK Share Plan Manager, prior to the Contributory Shares Closing Date, a duly completed Contributory Shares Agreement;

10.3.6 if appropriate, the commencement date (which may not commence later than the date of the first Salary deduction to be made under the Participant's Contributory Shares Agreement) and length of the Accumulation Period.

10.4 **Contributory Shares Agreement and Contributory Shares Invitation**

Each Eligible Employee shall be sent a Contributory Shares Agreement and a Contributory Shares Invitation.

10.5 **Contents of Contributory Shares Agreement**

A Contributory Shares Agreement shall be in such form as the UK Share Plan Manager may determine from time to time and shall:

10.5.1 set out a notice in the form prescribed by regulations and pursuant to paragraph 38 of Schedule 8;

10.5.2 require the Eligible Employee to state the amount of Salary deduction(s) (not exceeding the maximum permitted under Rule 10.3.2) which he wishes to allocate for the acquisition of Contributory Shares under the Contributory Shares Agreement ("Contributory Share Money"); and

10.5.3 state the intervals at which such amounts should be deducted; and

10.5.4 permit the Eligible Employee to elect whether he wishes to have any excess amount remaining after the acquisition of Contributory Shares to be:

10.5.4.1 paid over to him subject to the Trustee complying with Rule 30;

10.5.4.2 retained by the Trustee and added to the next Accumulation Period or where there is no next Accumulation Period, retained by the Trustee and added to the next Salary deduction;

10.5.5 state the commencement date (which may not commence later than the date of the first Salary deduction to be made under the Eligible Employee's Contributory Shares Agreement) and length of the Accumulation Period, if applicable.

10.6 Agreement may be withdrawn

A Contributory Shares Agreement shall take effect in relation to any Award of Contributory Shares until such time as a Participant notifies the UK Share Plan Manager that he no longer wishes to so participate.

10.7 Excess Salary deductions

Any amounts deducted in excess of the amounts permitted must be paid over to the Participant as soon as practicable, not including sums retained by the Trustee in complying with Rule 30.

10.8 Contributory Share Money held for Eligible Employee

Contributory Share Money must subject to Rules 11.4 and 14.2 be:

10.8.1 paid to the Trustee as soon as practicable; and

10.8.2 held by the Trustee on behalf of a Participant with:

10.8.2.1 an institution authorised under the Banking Act 1987;

10.8.2.2 a building society; or

10.8.2.3 a relevant European institution

until it is used to acquire Contributory Shares on a Participant's behalf.

10.9 Interest on Contributory Share Money

The Trustee must account to a Participant, for any interest received on Contributory Share Money held on his behalf.

11 INSTRUCTIONS GIVEN AFTER DATE OF CONTRIBUTORY SHARES AGREEMENT

11.1 Variation of Salary deductions and intervals

Subject to Rules 10.3.2 and10.3.3 a Participant may, with the prior agreement of the UK Share Plan Manager, vary the amount and or the intervals of the Salary deduction authorised under his Contributory Shares Agreement.

11.2 **Notice to suspend Salary deductions**

A Participant may, at any time, direct the UK Share Plan Manager by notice in writing to:

11.2.1 suspend the making of Salary deductions; or

11.2.2 recommence the making of Salary deductions

under his Contributory Shares Agreement provided always that the Participant may not permit the UK Share Plan Manager to make additional Salary deductions to make up for any Salary deductions which were missed.

11.3 **Notice to terminate Contributory Shares Agreement**

A Participant may, at any time, notify the UK Share Plan Manager in writing that he wishes to terminate his Contributory Shares Agreement.

11.4 **UK Share Plan Manager to give effect to notices**

11.4.1 Where the UK Share Plan Manager receives a notice to suspend or terminate deductions under Rule 11.2 or 11.3, it shall (unless a later date is specified in the notice) within 30 days of receipt of the notice give effect to the same, and shall:

11.4.1.1 arrange for all further deductions of Contributory Share Money under the Participant's Contributory Shares Agreement to cease;

11.4.1.2 in the case of a notice under Rule 11.3 instruct the Trustee subject to first complying with Rule 30 to pay over to that Participant as soon as practicable all Contributory Share Money held on his behalf.

11.4.2 When the UK Share Plan Manager receives a notice to recommence Salary deductions under Rule 11.2 it shall (unless a later date is specified in the notice) recommence deductions on the date of the first deduction due under the Contributory Shares Agreement following 30 days after receipt of the notice.

11.5 **Contributory Shares Agreement to apply to new holding**

Where the Contributory Shares Agreement provides for an Accumulation Period and a transaction occurs in relation to any of the Shares to be acquired under a Contributory Shares Agreement which results in a new holding of shares being equated with the original holding for the purposes of capital gains tax and the

Participant gives his consent, the Contributory Shares Agreement shall have effect following that transaction as if it were an agreement for the purchase of shares comprised in the new holding.

12 ACQUISITION OF CONTRIBUTORY SHARES

12.1 Acquisition of Shares by Trustee (no Accumulation Period)

After the deductions from Salary of Contributory Share Money the Trustee shall calculate the number of Contributory Shares to be acquired on behalf of each Participant by dividing (as nearly as possible) each Participant's Contributory Share Money deducted under his Contributory Shares Agreement (including any excess retained by the Trustee in accordance with Rule 10.5.4) by the Contributory Shares Market Value, and acquire such Shares on behalf of Participants within 30 days of such deductions.

12.2 Acquisition of Shares by Trustee (with Accumulation Period)

After the expiry of the Accumulation Period the Trustee shall calculate the number of Contributory Shares to be acquired on behalf of each Participant by dividing (as nearly as possible) each Participant's aggregate Contributory Share Money deducted under his Contributory Shares Agreement during the Accumulation Period (together with any amount carried forward from a previous Accumulation Period by agreement with the Participant) by the Contributory Shares Market Value and acquire such Shares on behalf of Participants within 30 days of the end of the Accumulation Period.

12.3 Notification of acquisition to Participants

As soon as practicable after the Contributory Shares Acquisition Date, the Trustee shall notify each Participant on whose behalf Contributory Shares have been acquired of:

12.3.1 the number and description of Contributory Shares acquired on his behalf;

12.3.2 the Contributory Shares Acquisition Date;

12.3.3 the aggregate amount of the Participant's Contributory Share Money applied by the Trustee in acquiring the Contributory Shares; and

12.3.4 the Contributory Shares Market Value.

12.4 **Salary deductions not invested in Contributory Shares**

Any Contributory Share Money not used to acquire Contributory Shares shall be dealt with in accordance with the instructions of the Participant under Rule 10.5.4.

13 TRANSFER OF CONTRIBUTORY SHARES BY PARTICIPANT

13.1 **Participants may request transfer of Contributory Shares**

A Participant may at any time after the Contributory Shares Acquisition Date direct the Trustee by notice in writing to:

13.1.1 transfer his Contributory Shares to the Participant; or

13.1.2 transfer his Contributory Shares to some other person named by the Participant; or

13.1.3 dispose of those Contributory Shares by way of sale and to account for the proceeds to the Participant or some other person named by the Participant.

13.2 **Trustee to comply with request**

As soon as reasonably practicable, and in any event within 30 days after receipt of the notice, the Trustee shall comply with the instructions set out in such notice provided always that it shall first comply with Rules 30 and 31 as appropriate.

14 CESSATION OF RELEVANT EMPLOYMENT

14.1 **Trustee to be notified of cessation of Relevant Employment**

If a Participant ceases to be in Relevant Employment then the UK Share Plan Manager shall within 14 days inform the Trustee of such cessation.

14.2 **Cessation of Relevant Employment prior to the Contributory Shares Acquisition Date**

14.2.1 Where there is no Accumulation Period and a Participant ceases to be in Relevant Employment before the Contributory Shares Acquisition Date but after the deduction of Contributory Share Money he shall be treated as ceasing to be in Relevant Employment immediately after his Contributory Shares are awarded to him.

14.2.2 Where there is an Accumulation Period and a Participant ceases to be in Relevant Employment during the Accumulation Period the Trustee shall, subject to first complying with Rule 30, pay over to that Participant as soon as reasonably practicable all Salary deductions that have been made under his Contributory Shares Agreement.

14.2.3 Where there is an Accumulation Period and a Participant ceases to be in Relevant Employment after the final deduction of Contributory Share Money and before the Contributory Shares Acquisition Date he shall be treated as ceasing to be in Relevant Employment immediately after his Contributory Shares are awarded to him.

14.3 Transfer of Contributory Shares on cessation of Relevant Employment

Where the Trustee receives a notification under Rule 14.1 then as soon as reasonably practicable after the receipt of such notification and in any event within 30 days after receipt of the notification the Trustee shall after first complying with Rules 30 and 31 as appropriate:

14.3.1 if no prior written direction to the contrary has been received by the Trustee from the Participant transfer the Contributory Shares to the Participant; or

14.3.2 if the Participant has so directed the Trustee by written notice either transfer the Contributory Shares to some other person named by the Participant or dispose of the Contributory Shares by way of sale and account for the proceeds to the Participant or some other person named by the Participant.

PART III – MATCHING SHARES

15 NOTIFICATION OF MATCHING SHARES

15.1 Relationship to Contributory Shares

Where the Directors have exercised their discretion under Rule 10.1 they may in their absolute discretion also determine that an Appropriation of Matching Shares shall be made to those Eligible Employees who enter into a Contributory Shares Agreement.

15.2 Additional contents of Contributory Shares Agreement

Where the Directors exercise their discretion under Rule 15.1 then in addition to the requirements set out in Rule 10.5 each Contributory Shares Agreement shall state:

15.2.1 the Matching Shares Appropriation Date (which shall be the same as the Contributory Shares Acquisition Date);

15.2.2 the ratio of Matching Shares to Contributory Shares for this Award of Contributory Shares which:

15.2.2.1 shall not exceed a maximum of two Matching Shares for every Contributory Share acquired on behalf of the Participant; and

15.2.2.2 shall be the same ratio for all Participants;

15.2.3 the circumstances and manner in which the ratio may be changed by the Directors, and if the Directors decide to alter the ratio of Matching Shares to Contributory Shares prior to the Contributory Shares Acquisition Date the UK Share Plan Manager shall notify each Participant affected prior to the Contributory Shares Acquisition Date;

15.2.4 the Matching Shares Holding Period;

15.2.5 the Forfeiture Period applicable in the event of a transfer of Contributory Shares pursuant to Rule 13;

15.2.6 that (as determined at the discretion of the UK Share Plan Manager) the provisions of either Rules 18.3 or 18.4 shall apply to the Award and, if Rule 18.4 applies, shall state what the applicable Forfeiture Period shall be;

15.2.7 such additional information not inconsistent with the Rules and the Trust Deed as the UK Share Plan Manager may from time to time determine.

16 APPROPRIATION OF MATCHING SHARES

16.1 Appropriation of Matching Shares

Subject to Rule 24.12 on the Matching Shares Appropriation Date the Trustee shall Appropriate to each Participant Matching Shares in accordance with the ratio set out under the Contributory Shares Agreement in relation to the number of Contributory Shares acquired on that date on behalf of the Participant in accordance with Rule 12.1 or 12.2.

16.2 Notification of Appropriation to Participants

At the same time as making a notification pursuant to Rule 12.3 the Trustee shall notify each Participant to whom Matching Shares have been Appropriated of:

16.2.1 the number and description of the Matching Shares Appropriated to him;

16.2.2 the Matching Shares Appropriation Date;

16.2.3 their Initial Market Value; and

16.2.4 the Matching Shares Holding Period.

17 RESTRICTIONS ON DEALINGS IN, AND PERMITTED TRANSFERS OF MATCHING SHARES

The provisions of Rule 8 shall apply mutatis mutandis to Matching Shares during the Matching Shares Holding Period as they apply to Free Shares during the Free Shares Holding Period, save that the reference to Rule 9 shall be construed as a reference to Rule 18.

18 CESSATION OF RELEVANT EMPLOYMENT AND EARLY WITHDRAWAL OF CONTRIBUTORY SHARES

18.1 Trustee to be notified of cessation of Relevant Employment

If a Participant ceases to be in Relevant Employment then the UK Share Plan Manager shall within 14 days inform the Trustee of such cessation and whether the provisions of Rules 18.3 or 18.4 apply.

18.2 **Early withdrawal of Contributory Shares**

Where the Trustee receives a notice under Rule 13.1 before the expiry of the applicable Forfeiture Period then subject to Rules 18.5 and 18.6 the Participant's beneficial entitlement to his Matching Shares (awarded in respect of the Contributory Shares which are being withdrawn) shall lapse immediately and he shall cease to have any rights to such Matching Shares.

18.3 **Early transfer of Matching Shares**

Where the Trustee has been notified by the UK Share Plan Manager that this Rule 18.3 applies then as soon as reasonably practicable after the receipt of such notification and in any event within 30 days after receipt of the notification the Trustee shall after first complying with Rules 30 and 31 as appropriate:

18.3.1 if no prior written direction to the contrary has been received by the Trustee from the Participant transfer the Matching Shares to the Participant; or

18.3.2 if the Participant has so directed the Trustee by written notice either transfer the Matching Shares to some other person named by the Participant or dispose of the Matching Shares by way of sale and account for the proceeds to the Participant or some other person named by the Participant.

18.4 **Forfeiture of Matching Shares**

Where the Trustee has been notified by the UK Share Plan Manager that this Rule 18.4 applies then subject to Rules 18.5 and 18.6 the Participant's beneficial entitlement to his Matching Shares shall lapse immediately on his ceasing to be in Relevant Employment before the end of the Forfeiture Period and he shall cease to have any rights to such Matching Shares.

18.5 **Injury, disability, redundancy, retirement etc**

Notwithstanding Rule 18.4 if a Participant ceases to be in Relevant Employment for a reason set out in Rule 9.4, the Trustee shall act in accordance with Rule 18.3.

18.6 **Death**

If a Participant ceases to be in Relevant Employment by reason of his death, the Trustee shall act in accordance with Rule 24.5.

PART IV – DIVIDEND SHARES

19 PROVISION OF DIVIDEND SHARES

19.1 Relationship to Plan Shares

The Directors may in their absolute discretion direct that:

19.1.1 all cash dividends paid in respect of Plan Shares held on behalf of Participants must be used to acquire further Shares on their behalf; or

19.1.2 all cash dividends paid in respect of Plan Shares held on behalf of Participants may at the election of Participants be used to acquire further Shares on their behalf

referred to as Dividend Shares.

19.2 Direction revocable

The Directors may at any time revoke any direction made pursuant to Rule 19.1.

19.3 Dividend not invested in Dividend Shares

Where dividends paid in respect of Plan Shares are not required to be reinvested in Dividend Shares they must be paid over to Participants as soon as practicable.

19.4 Timing of acquisition of Dividend Shares

Subject to Rule 20.3 the Trustee must use any dividends to be used to acquire Dividend Shares on behalf of Participants within 30 days of the date when they receive such dividends.

19.5 Participants to be treated equally

In exercising their powers in relation to the acquisition of Dividend Shares the Trustee shall treat all Participants fairly and equally.

20 AMOUNT AND TYPE OF DIVIDEND SHARES

20.1 Type of Shares to be used as Dividend Shares

Dividend Shares shall be of the same class, and carry the same rights as the Participant's Plan Shares in respect of which the relevant dividends were paid and must not be subject to any provision for forfeiture.

20.2 **Calculation of number of Dividend Shares**

20.2.1 Subject to Rule 20.2.3, the number of whole Shares to be acquired as Dividend Shares on behalf of each Participant on each occasion shall be calculated by taking the aggregate amount of the cash dividends paid on the Participant's Plan Shares (together with any amounts carried forward under Rule 20.3) and dividing this amount (as nearly as possible) by the Market Value of the Shares on the Dividend Shares Acquisition Date.

20.2.2 The basis for the calculation carried out under this Rule 20.2 shall be the same for all Participants who are to receive Dividend Shares on that occasion.

20.2.3 The maximum amount of Dividend Shares acquired on behalf of a Participant pursuant to the Plan or any other share incentive plans established by the Company or a Connected Company and approved by the Inland Revenue under Schedule 8 may not exceed the Relevant Amount.

20.3 **Dividend amounts carried forward**

To the extent that a dividend paid in respect of a Participant's Plan Shares could not be used to acquire Dividend Shares under this Rule 20 then such amount of the dividend may be retained by the Trustee and, subject to Rule 20.4, carried forward to be added to the amount of the next cash dividend to be used to acquire Dividend Shares (and for the purposes of this Rule 20 shall be treated as used to acquire Dividend Shares before an amount derived from a later cash dividend) and the Trustee shall keep records of such amounts to enable it to comply with Rule 20.4.

20.4 **Circumstances for payment of cash dividends**

Any amount retained by the Trustee pursuant to Rule 20.3 shall be paid in cash as soon as possible to the Participant where:

20.4.1 such amount has not been used to acquire Dividend Shares by the third anniversary of the date on which the dividend was paid; or

20.4.2 the Participant ceases to be in Relevant Employment; or

20.4.3 a plan termination notice is issued in respect of the Plan.

21 NOTIFICATION OF ACQUISITION OF DIVIDEND SHARES

21.1 As soon as practicable after the Dividend Shares Acquisition Date, the Trustee shall notify each Participant for whom Dividend Shares have been acquired of:

21.1.1 the Dividend Shares Acquisition Date;

21.1.2 the number and description of Dividend Shares acquired on his behalf;

21.1.3 their Initial Market Value;

21.1.4 the Dividend Shares Holding Period; and

21.1.5 the amount of any dividend carried forward under Rule 20.3.

22 RESTRICTIONS ON DEALINGS IN AND PERMITTED TRANSFERS OF, DIVIDEND SHARES

The provisions of Rule 8 shall apply mutatis mutandis to Dividend Shares during the Dividend Shares Holding Period as they apply to Free Shares during the Free Shares Holding Period, save that Rules 30 and 31 shall not apply and the reference to Rule 9 shall be construed as a reference to Rule 23.

23 CESSATION OF RELEVANT EMPLOYMENT

23.1 Trustee to be notified of cessation of Relevant Employment

If a Participant ceases to be in Relevant Employment then as soon as reasonably practicable the UK Share Plan Manager shall inform the Trustee of such cessation.

23.2 Early transfer of Dividend Shares

As soon as reasonably practicable after the receipt of a notification referred to in Rule 23.1, and in any event within 30 days after receipt of the notification the Trustee shall :

23.2.1 if no prior written direction to the contrary has been received by the Trustee from the Participant transfer the Dividend Shares to the Participant; or

23.2.2 if the Participant has so directed the Trustee by written notice either transfer the Dividend Shares to some other person named by the Participant or dispose of the Dividend Shares by way of sale and account for the proceeds to the Participant or some other person named by the Participant.

23.3 Death

If a Participant ceases to be in Relevant Employment by reason of his death, the Trustee shall act in accordance with Rule 24.5.

PART V – GENERAL REQUIREMENTS

24 REQUIREMENTS GENERALLY APPLICABLE TO PLAN SHARES

24.1 Participants may elect not to participate

Notwithstanding any other Rule, a Participant may direct that Shares are not to be Appropriated to him or acquired on his behalf, by giving written notice to the UK Share Plan Manager before the relevant Appropriation date or acquisition date.

24.2 Individuals eligible for Appropriation

No Appropriation or acquisition shall be made to or on behalf of an individual who has ceased to be an Eligible Employee.

24.3 Shares not Appropriated or forfeited

Shares which are not Appropriated nor acquired on behalf of the Participant or Free Shares or Matching Shares which have been forfeited under the Rules shall be:

24.3.1 retained by the Trustee for use under the Plan on future occasions; or

24.3.2 sold and the proceeds retained by the Trustee for use under the Plan on future occasions.

24.4 Shares ceasing to qualify

If Shares which are held by the Trustee for the purposes of the Plan cease to be Shares, they shall not be used for the purposes of the Plan.

24.5 Death of Participant

24.5.1 Following the death of a Participant, the Trustee shall, as soon as practicable, and in any event within 30 days after death transfer the Participant's Plan Shares to or to the order of his legal personal representatives.

24.5.2 All references in the Plan to a Participant shall, where the context requires, be references to the legal personal representatives of the Participant.

24.6 Funds to be provided by Participating Companies

24.6.1 The Trustee shall acquire by subscription or purchase using monies paid to it by each relevant Participating Company as soon as practicable after receiving such monies, the number of Shares to be Appropriated to that

Participating Company's Participants as Free Shares or Matching Shares; and

24.6.2 the Trustee shall, if so directed by the UK Share Plan Manager, acquire by subscription or purchase Shares at any time using monies paid to it by Participating Companies for future Appropriations of Shares to, or acquisitions of Shares on behalf of, Eligible Employees.

24.7 **Shares purchased off market by the Trustee**

Where the Trustee proposes to purchase Shares otherwise than through the New York Stock Exchange, the Trustee shall not purchase the Shares for a price in excess of that for which, in the opinion of the Company's brokers, it could purchase those Shares through the New York Stock Exchange.

24.8 **Subscription price**

Where Shares are subscribed for by the Trustee then the subscription price for each Share shall be determined by the UK Share Plan Manager but shall not be less than:

24.8.1 the Market Value of a Share on the day on which the Shares are allotted to the Trustee; or

24.8.2 the nominal value of a Share.

24.9 **Rights attaching to subscribed Shares**

Shares acquired by the Trustee by subscription shall, as to voting, dividend, transfer and other rights, including those arising on a liquidation of the Company, rank equally in all respects and as one class with other issued shares of the same class at the date of subscription save as regards any rights attaching to such shares by reference to a record date prior to the date of such subscription.

24.10 **Shares with different rights**

If the Shares to be Appropriated to, or acquired on behalf of Participants, do not carry the same rights as to dividends or otherwise, the Shares appropriated to or acquired on behalf of each Participant shall (as nearly as possible) contain the same proportions of Shares with different rights.

24.11 **Foreign Dividends**

Where any foreign cash dividend is received in respect of Plan Shares held on behalf of a Participant, the Trustee shall give him notice of the amount of any foreign tax deducted from the dividend before it was paid.

24.12 **Timing of contributions to Trustee**

Monies to be paid by the Participating Companies to the Trustee for the purchase or subscription of Shares in respect of an Appropriation shall be paid not later than the dealing day immediately prior to such relevant Appropriation date.

25 PERMITTED DEALINGS IN PLAN SHARES

25.1 A Participant shall be entitled at any time to direct the Trustee:

25.1.1 to accept an offer for any of his Plan Shares if the acceptance will result in a new holding being equated with the original holding for the purposes of capital gains tax; or

25.1.2 to accept an offer of a Qualifying Corporate Bond, whether alone or with cash or other assets or both, for his Plan Shares if the offer forms part of a general offer as referred in Rule 25.1.3; or

25.1.3 to accept an offer of cash, with or without other assets, for his Plan Shares if the offer forms part of a general offer which is made to holders of shares of the same class as his Plan Shares or of other shares in the Company and which is made in the first instance on a condition such that if it is satisfied the person making the offer will have control of the Company within the meaning of section 416 of ICTA 1988; or

25.1.4 to agree a transaction affecting his Plan Shares, or such of them as are of a particular class, if the transaction would be entered into pursuant to a compromise, arrangement or scheme applicable to or affecting:

25.1.4.1 all the ordinary share capital of the Company or, as the case may be, all the shares of the class in question; or

25.1.4.2 all the shares, or all the shares of the class in question, which are held by a class of shareholder identified otherwise than by reference to their employment or their participation in the Plan or any other approved share incentive plan.

26 RECEIPTS BY THE TRUSTEE

Subject to the provisions of Part IV and to Rule 30, the Trustee shall pay or transfer to a Participant any money or money's worth it receives in respect of, or by reference to, the Participant's Plan Shares unless it is a Capital Receipt which consists of a new holding referred to in Rule 28.

27 EXERCISE OF VOTING RIGHTS ATTACHING TO PLAN SHARES

27.1 Trustee to notify Participants of resolutions

In the event of a general meeting of the Company or any separate general meeting of the holders of shares which include Plan Shares the Trustee shall notify each Participant of any resolution of which the Trustee has received notification and shall invite each Participant to direct the Trustee how to vote.

27.2 Participant to instruct Trustee how to vote

Following notification pursuant to Rule 27.1, the Participant or other person in whom the beneficial interest in the Plan Shares is for the time being vested, may instruct the Trustee how to exercise the voting rights carried by the Plan Shares:

27.2.1 the Trustee shall not be obliged to attend the general meeting and may exercise the voting rights either personally or by proxy;

27.2.2 in the case of "any other business" at an annual general meeting of the Company, the Trustee shall be entitled to vote (or refrain from voting) as it thinks fit;

27.2.3 on a show of hands, the Trustee shall vote in accordance with the wishes of the majority of Participants instructing it; and

27.2.4 on a poll, the Trustee shall vote or lodge proxy cards only in accordance with the directions of each Participant, which directions must have been returned to the Trustee in accordance with the instructions accompanying the notification. In the absence of any such direction the Trustee shall abstain from voting.

27.3 Notification of Participants' directions to Trustee to be in writing

Any direction given by a Participant to the Trustee pursuant to Rule 27.2 shall be in writing under the hand of the Participant and shall not be binding upon the Trustee unless it has been received by the Trustee not less than 96 hours before the time for the holding of the meeting.

28 COMPANY RECONSTRUCTIONS

28.1 New holdings of Shares

Subject to Rule 28.2, where there occurs in relation to a Participant's Plan Shares a company reconstruction which results in a new holding, or would result in a new holding were it not for the fact that the new holding consists of or includes a Qualifying Corporate Bond:

28.1.1 the company reconstruction shall be treated as not involving a disposal of the Plan Shares comprised in the original holding;

28.1.2 references in the Rules to a Participant's Plan Shares shall be construed, after the date of the company reconstruction, as being references to the shares comprised in the new holding;

28.1.3 such new holding shall be deemed to have been Appropriated to or acquired on behalf of the Participant on the date the original holding was Appropriated to or acquired by him and shall be held by the Trustee on the same terms.

28.2 **Meaning of "new holding"**

For the purpose of Rules 11.5 and 28.1:

28.2.1 in the context of a new holding, any reference in Rule 11.5 and this Rule 28 to shares includes a reference to securities and rights of any description which form part of the new holding for the purpose of Chapter II of Part IV to Taxation of Chargeable Gains Act 1992; and

28.2.2 an issue of shares of any of the following descriptions (in respect of which a charge to income tax arises) made as part of a company reconstruction shall not be treated as forming part of a new holding:

28.2.2.1 redeemable shares or securities issued as mentioned in section 209(2)(c) ICTA 1988;

28.2.2.2 share capital issued in circumstances such that section 210(1) ICTA 1988 applies;

28.2.2.3 share capital to which section 249 ICTA 1988 applies.

29 RIGHTS ISSUES

29.1 **Application of Rule**

This Rule 29 applies to rights attaching to a Participant's Plan Shares to be allotted, on payment, other shares, securities or rights of any description (together referred to as "Rights").

29.2 **Trustee to provide information to Participants**

The Trustee shall inform each Participant of any Rights arising in respect of Plan Shares and shall either send the Participant a copy of the document relating to the Rights or sufficient details to enable the Participant to act in accordance with Rule 29.3.

29.3 **Participants to give written directions to Trustee**

The Trustee shall deal with the Rights only pursuant to a written direction given by, or on behalf of, the Participant or any person in whom the beneficial interest in the Plan Shares is for the time being vested. Such written direction must be received by the Trustee before the expiry of five days before the closing date for acceptance of the Rights offer or within such other time limit set at the absolute discretion of the Trustee, and may direct the Trustee:

29.3.1 to take up all or part of the Rights provided that such instruction is accompanied by payment in cash of the amount necessary to exercise such rights; or

29.3.2 to sell all of the Rights; or

29.3.3 to sell such part of the Rights as enables the Trustee to use the proceeds of sale to exercise entitlement to the remaining Rights of the Participant.

29.4 **Cash amounts arising to be dealt with by Trustee**

Any cash arising from the disposal of the Rights (except insofar as it is used to exercise such Rights in accordance with Rule 29.3.3) shall be dealt with by the Trustee in accordance with Rule 26.

29.5 **Failure by Participant to give any direction**

If a Participant fails to give any direction under Rule 29.3, or has not otherwise authorised the Trustee, or fails to pay any appropriate amount of cash, then the Trustee shall take no action in respect of the Rights associated with that Participant's Plan Shares.

30 DUTY TO ACCOUNT FOR PAYE ON CASH AMOUNTS

30.1 **Trustee to make PAYE deductions**

The Trustee shall withhold from:

30.1.1 a Capital Receipt referred to in Rule 26;

30.1.2 any monies returned to individuals under Rules 10 and 12; and

30.1.3 the proceeds of a disposal of Plan Shares other than Dividend Shares by the Trustee in accordance with a direction from a Participant (except in so far as the proceeds are used to take up Rights in accordance with Rule 29.3.3)

an amount equal to any income tax and employee's national insurance contributions chargeable on such sum for which a Participating Company or the Trustee is required to make a deduction under the PAYE system.

30.2 **Trustee to deal with PAYE deductions**

30.2.1 The Trustee shall if it is responsible for operating PAYE in relation to such sum, retain it, or otherwise pay such sum as is referred to in Rule 30.1 to one or more Participating Companies in proportion to their respective obligations to operate PAYE in relation to such sum.

30.2.2 If there is no Participating Company for the purposes of Rule 30.2.1 the Trustee shall deduct income tax at the basic rate for the time being in force as if the Participant were a former employee of the Trustee.

31 DUTY TO ACCOUNT FOR PAYE ON TRANSFERS OF ASSETS

31.1 **Trustee to make PAYE deductions**

Where under any Rule Plan Shares cease to be subject to the Plan and in relation to:

31.1.1 Free Shares it is prior to the fifth anniversary of the Free Shares Appropriation Date;

31.1.2 Contributory Shares it is prior to the fifth anniversary of the Contributory Shares Acquisition Date; or

31.1.3 Matching Shares it is prior to the fifth anniversary of the Matching Shares Appropriation Date

the Trustee shall unless otherwise provided with funds from the Participant to meet any liability for income tax and/or employee's national insurance contributions, dispose of a sufficient number of the Participant's Plan Shares (for the best consideration in money that can reasonably be obtained at the time of sale), the proceeds of which shall (as far as possible) be equal to any income tax and/or employee's national insurance contributions chargeable on the Plan Shares to be transferred and for which the Trustee or a Participating Company is required to make a PAYE deduction.

31.2 **Trustee to deal with PAYE deductions**

The Trustee and/or a Participating Company shall account to the Board of Inland Revenue for any income tax and/or employee's national insurance contributions referred to in Rule 31.1 and shall pay over to the Participant the difference (if any) between the proceeds from the disposal of his Plan Shares under Rule 31.1 and the amount due.

32 APPORTIONMENT OF CAPITAL RECEIPTS

32.1 **Treatment of Capital Receipts**

Subject to Rule 30 if the Trustee receives any Capital Receipt referred in Rule 26 in respect of, or by reference to, any Plan Shares held on behalf of more than one Participant, then, if and to the extent that such Capital Receipt cannot be precisely divided between such Participants in the appropriate proportions:

32.1.1 to the extent that it is money's worth, the Trustee shall sell it for the best possible consideration in money that can reasonably be obtained and shall divide the proceeds of sale (after deducting any expenses of sale and any taxation which may be payable) among the Participants in question; and

32.1.2 to the extent that it is money the Trustee's obligations under this Rule 32 shall be deemed to be discharged if the Trustee pays to each Participant the appropriate amount, rounded down to the nearest penny.

32.2 Trustee to inform Participants

The Trustee shall inform each Participant in respect of whose Plan Shares the Capital Receipt was received of the treatment thereof for income tax purposes.

33 TERMINATION OF PLAN

33.1 **Company may terminate Plan**

The Company may at any time decide to terminate the Plan and if it does so must issue a plan termination notice copies of which shall be given without delay to:

33.1.1 the Inland Revenue;

33.1.2 the Trustee; and

33.1.3 each Participant.

33.2 Consequences of termination of Plan

If the Company issues a plan termination notice in accordance with Rule 33.1:

33.2.1 no further Awards may be made under the Plan;

33.2.2 the Trustee shall remove any Plan Shares from the Plan in accordance with paragraph 121 of Schedule 8; and

33.2.3 any Contributory Share Money held on behalf of a Participant must be paid to him as soon as practicable thereafter.

33.3 Inland Revenue withdrawal of Plan approval

If Inland Revenue approval of the Plan is withdrawn any Contributory Share Money held on behalf of a Participant must be paid to him as soon as practicable thereafter.

34 SHARES FROM QUALIFYING SHARE OWNERSHIP TRUSTS

Where Shares are transferred to the Trustee in accordance with paragraph 76 of Schedule 8, the Trustee shall award such Shares only as Free or Matching Shares, and in priority to other available Shares.

35 NOTICES

35.1 Notice by Company, etc

Any notice, document or other communication given by, or on behalf of the Company, a Participating Company, the UK Share Plan Manager or the Trustee to any person in connection with the Plan shall be deemed to have been duly given if delivered to him at his place of work, if he is employed by a Participating Company, or sent through the post in a pre paid envelope to the address last known to the UK Share Plan Manager to be his address and, if so sent, shall be deemed to have been duly given on the date of posting.

35.2 Deceased Participant

Any notice, document or other communication given to a Participant shall be deemed to have been duly given notwithstanding that such person is then deceased (and whether or not the Company, a Participating Company, the UK Share Plan Manager or the Trustee has notice of his death) except where his personal representatives have established their title to the satisfaction of the UK Share Plan Manager or the Trustee as appropriate and supplied to the UK Share Plan Manager and the Trustee an address to which notices, documents and other communications are to be sent.

35.3 **Notice to Company, etc**

Any notice, document or other communication given to the Company, a Participating Company, the UK Share Plan Manager or the Trustee in connection with the Plan shall be delivered or sent through the post to the relevant company secretary at the Company's or the relevant Participating Company's registered office or to the UK Share Plan Manager or the Trustee at the address notified to Eligible Employees in the joining instructions documents relating to the Plan or such other address as may from time to time be notified to Eligible Employees or Participants but shall not in any event be deemed to be duly given unless it is actually received at such address.

35.4 **Trustee to distribute Company documentation**

If the Trustee receives any annual or interim report, notice of meeting, circular, letter of offer or other documentation (excepting a dividend warrant or a document of title to shares, securities or rights) relating to any Plan Shares, the Trustee may, as soon as reasonably practicable, send, or procure the sending of, a copy of such document to each Participant on behalf of whom such Plan Shares are held.

35.5 **Notification of liability to income tax**

Where a Participant has become liable to income tax under any relevant provision of ICTA 1988 the Trustee shall, as soon as reasonably practicable, inform the Participant of any fact material to determining that liability.

36 FRACTIONAL ENTITLEMENTS

36.1 If, on a company reconstruction, the Trustee receives a share or other security fractions of which would be treated as comprised in two or more Participants' Plan Shares:

36.1.1 it shall not form part of any new holding for the purpose of Rule 28;

36.1.2 Rule 32 shall apply to it.

37 PROTECTION OF THE TRUSTEE

Any sale by the Trustee of shares, securities or rights which is effected through a member of the New York Stock Exchange acting in the ordinary course of his business shall be presumed to have been made for the best consideration that could reasonably be obtained at the time of the sale.

38 APPLICATION FOR LISTING OF PLAN SHARES

While Shares are listed on the New York Stock Exchange the Company shall if necessary, at its expense, make an application for, and use its reasonable endeavours to obtain, listing on the New York Stock Exchange for Plan Shares.

39 RELATIONSHIP OF PLAN TO CONTRACT OF EMPLOYMENT

39.1 Notwithstanding any other provision of this Plan:

39.1.1 the Plan or benefits available under the Plan shall not form part of any contract of employment between any Participating Company and an Eligible Employee;

39.1.2 unless expressly so provided in his contract of employment, an Eligible Employee has no right to an Appropriation;

39.1.3 the benefit to an Eligible Employee of participation in the Plan shall not form any part of his remuneration or count as his remuneration for any purpose and shall not be pensionable; and

39.1.4 if an Eligible Employee ceases to have a Relevant Employment, he shall not be entitled to compensation for the loss of any right or benefit or prospective right or benefit under the Plan whether by way of damages for unfair dismissal, wrongful dismissal, breach of contract or otherwise.

40 ALTERATIONS

No modification, alteration, or amendment to these Rules shall be made except in accordance with clause 22 of the Trust Deed.

Procter & Gamble Ireland

Employees Share

Ownership Plan (1998)

June 1998

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PROCTER & GAMBLE IRELAND
EMPLOYEES SHARE OWNERSHIP PLAN (1998)

LIST OF CONTENTS

THIS DEED is made the 5th day of June 1998

BETWEEN:

(1) **PROCTER & GAMBLE (MANUFACTURING) IRELAND LIMITED** (registered in Ireland No. 56836) whose registered office in Ireland is at 34 Fitzwilliam Square, Dublin 2, Ireland (herein called the "Company") of the one part, and

(2) **IRISH PENSIONS TRUST LIMITED** (registered in Ireland No. 20990) whose registered office is at 25-28 Adelaide Road, Dublin 2, Ireland (hereinafter called "the Trustees" which expression shall include the trustee or trustees for the time being hereof) of the other part.

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RECITALS

(A) The Company wishes to establish arrangements to facilitate the acquisition on behalf of employees of Participating Companies of Stock and to embody such arrangements in a profit sharing scheme approved in accordance with the provisions of Chapter 1 of Part 17 of the Taxes Consolidation Act, 1997 ("the Act") for the provision by the Participating Companies of funds for the subscription or purchase by the Trustees of such Stock.

(B) The Trustees have agreed to be the first trustees of the Plan.

OPERATIVE PROVISIONS

1. **Name**

The Plan shall be known as the "Procter & Gamble Ireland Employees Share Ownership Plan (1998)" and shall be operated and administered by the Trustees in accordance with the Rules contained in the First Schedule.

2. **Construction**

Words and expressions as used herein shall, unless the context or subject matter precludes, bear the same meanings in this Deed as in the Rules and these presents shall be construed and take effect according to the laws of the Republic of Ireland.

3. **Covenant**

The Company hereby covenants with the Trustees to procure that the Participating Companies pay to the Trustees, such sums as pursuant to these presents are required to be paid to the Trustees and the Company hereby further covenants to carry out, or to procure are carried out, such other obligations as pursuant to these presents are required of the Participating Companies.

4. **Trusts of The Qualification Plan**

Subject as hereinafter provided, the Trustees shall hold the Deposit received from any Eligible Employee together with any Stock acquired therewith and all other property deriving from the Deposit or the Stock **UPON TRUST** for the Eligible Employee by whom such Deposit was made and shall apply and deal with the same in accordance with the provisions of The Qualification Plan.

5. **Trusts of The Ownership Plan**

Subject as hereinafter provided, the Trustees shall apply the Contributions received by them from the Participating Companies in the acquisition of Stock to hold the same once appropriated and all other property deriving from the Stock **UPON TRUST** for those Eligible Employees to whom such Stock has been appropriated provided always that -

(i) the Trustees shall not dispose of any of an Eligible Employee's Appropriated Stock during the Period of Retention related thereto (whether by transfer to the Eligible Employee or otherwise) except as mentioned under Section 511(6)(a)(b) or (c) of the Act; and

(ii) the Trustees shall not dispose of any of an Eligible Employee's Appropriated Stock except pursuant to a written direction given by the Eligible Employee or any person in whom the beneficial interest in the Eligible Employee's Appropriated Stock is for the time being vested by reason of the Eligible Employee's insolvency or otherwise by operation of law or the legal personal representatives of the Eligible Employee and by a transaction which would not involve a breach of the Eligible Employee's obligations as expressed under Section 511(4)(c) or (d) of the Act; and

(iii) the Trustees shall deal only pursuant to a written direction given by the Eligible Employee or any person in whom the beneficial interest in the Eligible Employee's Appropriated Stock is vested by reason of the Eligible Employee's insolvency or otherwise by operation of law or the legal personal representatives of that Eligible Employee.

6. **Unutilised Cash**

The Trustees shall hold any unutilised cash and any income therefrom **UPON TRUST** to apply the same as directed in the Rules and shall, as requested, notify the Company of the amount so held by them and its application but if, at any time, the Plan is terminated the Trustees shall, subject as provided in Clause 23.2, account to the Company for any amount then held by them and not so required.

7. **Accounts and Records**

7.1 The Trustees shall maintain such accounts and records as may be required for the proper operation of the Plan in accordance with statute and the general law and, in particular, as may be necessary to enable them to carry out their obligations under

Chapter 1 of Part 17 to the Act in relation to Eligible Employees' Appropriated Stock and, without prejudice to the generality of the foregoing, such records shall include in respect of each Eligible Employee's Appropriated Stock -

(i) the date of appropriation;

(ii) details of any capital receipts (as defined in Section 513 of the Act) received in respect of, or by reference to, that Appropriated Stock;

(iii) details of any company reconstruction (as defined in Section 514(2) of the Act) occurring in relation to that Appropriated Stock;

(iv) the market value of that Appropriated Stock at the time of disposal or transfer if different from the disposal proceeds, and

(v) the disposal proceeds from the disposal or transfer of that Appropriated Stock.

7.2 The Trustees shall at least once in each year submit accounts to the Company and the Company may cause such accounts to be made up and audited by qualified accountants.

8. **Eligible Employee's Income Tax**

Where an Eligible Employee becomes liable to income tax under Schedule E by reason of the occurrence of any event in relation to, or in respect of, his Appropriated Stock, the Trustees shall inform him of any facts relevant to determining that liability.

9. **Initial Market Value**

The Trustees may with the approval of the Board enter into an agreement in writing as provided by Section 510(2)(b) of the Act with the Revenue Commissioners to provide for the determination of the Initial Market Value of any Appropriated Stock.

10. **Delegation**

10.1 Except as required by Part 5 of Schedule 11 to the Act, the Trustees may, with the consent of the Company, delegate any of their powers and duties hereunder or any business including the exercise of any discretion or the formation of any opinion to any person or company including, without prejudice to the generality of the foregoing, any one of the Trustees or the Company or any Subsidiary.

10.2 The Trustees may at any time revoke any delegation made under this Clause 10.

10.3 The Trustees may at any time cause any part of the assets from time to time held by them under the provisions of the Plan to be deposited for safe keeping with any one or more of the Trustees or to be deposited for safe keeping with any other persons (including any company or corporation) on behalf of the Trustees and may pay any reasonable expenses in connection therewith and the Trustees shall not be liable or responsible for any loss of such property which may be occasioned as a result of the exercise of this power except to the extent that such loss arises as a result of any fraud, wilful default or negligence on the part of the Trustees.

11. **Employment of Staff**

The Trustees may make such arrangements generally for the administration of the Plan as they think fit and, in particular, may employ such agents and staff to transact any business of the Plan, including the receipt and payment of money, as they think fit and any such agent or staff shall be paid such remuneration (if any) as the Trustees shall from time to time agree with such agent or staff. Any such remuneration shall be deemed to be an expense of the Plan and shall be payable in accordance with Rule 32.

12. **Professional Advisers**

The Trustees may employ and pay a solicitor, accountant, banker, stockbroker or other professional business person to transact or advise on all or any of the business of the Plan and may rely upon the advice or the opinion of such person and shall not be responsible for any loss occasioned thereby.

13. **Receipts and Payments**

13.1 The Trustees may from time to time in writing authorise such one or more of their number or such other person or persons as they think fit to draw and endorse cheques and to give receipts and discharges for any monies or other property payable, transferable or deliverable to the Trustees and every such receipt or discharge shall be as valid and effectual as if such receipt or discharge were given by all the Trustees.

13.2 The production of a written authority of the Trustees given pursuant to Clause 13.1 shall be a sufficient protection to any person taking any such receipt or discharge as is mentioned in Clause 13.1 and (unless that person shall have received express notice in writing of the revocation of the authority) he shall be entitled to assume and to act upon the assumption that the authority remains unrevoked.

14. **Trustees' Appointment, Removal and Resignation**

14.1 Any person (including a trust corporation or any other body corporate) may be appointed a Trustee hereof provided always that no person shall be capable of being appointed a Trustee who is not resident in the Republic of Ireland for tax purposes.

14.2 The Company may by deed -

(i) remove from office any Trustee of the Plan;

(ii) with the written approval of the Revenue Commissioners appoint a new Trustee or new Trustees in the place of any trustee who for any reason ceases to be a Trustee of the Plan, and

(iii) with the written approval of the Revenue Commissioners appoint (without limitation as to number) an additional Trustee or additional Trustees of the Plan,

and, if the Company shall cease to exist otherwise than in consequence of a reconstruction or amalgamation, this power shall thereafter be vested in the Trustees.

14.3 Any Trustee may at any time by not less than three months' notice in writing given to the Company and the remaining Trustees retire from his office and at the expiration of the notice he shall cease to be a Trustee and the Company and the other Trustees shall execute such documents and do such things as may be necessary to give proper effect to his retirement.

14.4 Where a Trustee ceases to be a resident in the Republic of Ireland for tax purposes he shall forthwith give notice in writing of such fact to the Company and shall be deemed to have retired from his office and the Company and the other Trustees shall execute such documents and do such things as may be necessary to give proper effect to his retirement.

14.5 There shall at all times be at least two Trustees or a Trustee which is a body corporate and this provision shall be observed in the exercise of the foregoing provisions of this Clause 14.

15. Trustees' Meetings

15.1 Subject to Clause 15.2, the Trustees may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit provided that all meetings of the Trustees shall be held in the Republic of Ireland.

15.2 If and for so long as there are three or more Trustees of the Plan-

(i) all business brought before a meeting of the Trustees shall be decided by a majority of the votes of the Trustees present and voting thereon and in the case of any equality of votes the chairman of such meeting shall have a second or casting vote;

(ii) a quorum necessary for the transaction of business by the Trustees shall be a majority of the Trustees for the time being, and

(iii) the chairman of a meeting of the Trustees shall be appointed by agreement amongst the Trustees present at such meeting or in default of agreement by lot amongst them.

15.3 Where the Trustees decide to exercise any power or discretion by a majority, any Trustee who has dissented from the exercise of the power of discretion shall nevertheless, but without being responsible for any loss occasioned thereby, concur in executing or signing any deed or document and in doing any act necessary for giving effect to the exercise of the power or discretion by the majority of the Trustees.

15.4 A resolution in writing signed by the majority of the Trustees but of which due notice shall have been given to all of the Trustees individually shall be as effectual as if the resolution had been passed at a meeting of the Trustees and may consist of one or more documents in similar form each signed by one or more of the Trustees.

16. **Remuneration of Trustees**

16.1 A Trustee (whether or not a professional or business person) may charge, receive and retain such fees, remuneration or other benefits as may be agreed with the Company and be repaid or recompensed for such reasonable expenses as may be incurred in the performance of his duties as Trustee.

16.2 Any Trustee being a solicitor, accountant or other person engaged in a professional business shall be entitled to charge and to be paid all usual professional and other charges for work done by him or his firm or company in connection with the Plan whether in the ordinary course of his profession or business or not, including acts which a Trustee of the Plan, not being in any professional business, could have done personally.

17. **Personal Interest of Trustees**

17.1 No decision of or exercise of a power by the Trustees shall be invalidated or questioned on the grounds that the Trustees or any individual Trustee of the Plan or any director or other officer of a body corporate acting as a Trustee of the Plan had a direct or personal interest in the result of any decision or in the exercising of any power provided that (except in the case of any decision or exercise in which the Trustee or other person concerned was interested only to the extent that he was an Eligible Employee) the nature of the interest of the Trustee or other person concerned shall have been declared at, or in advance of, the meeting of the Trustees at which the item of business to which the interest relates was discussed or, if the Trustee or other person concerned was not present at such meeting, at the next meeting of the Trustees at which he was present.

17.2 A Trustee who is an Eligible Employee may retain all benefits and exercise all rights to which he is entitled as an Eligible Employee under the Plan and shall not be liable to account for any benefit which he obtains therefrom.

17.3 A Trustee and any director or other officer of a body corporate or trust corporation acting as a Trustee shall not be precluded from acquiring, holding or dealing with any debentures, debenture stock, shares or securities whatsoever of the Holding Company or any Subsidiary of the Holding Company or any other company in which the Holding Company or any such Subsidiary may be interested or from entering into any contract or other transaction with the Holding Company or such Subsidiary or any such other company or being interested in any such contract or transaction and none of them shall be in any manner whatsoever liable to account to the Holding Company or any such Subsidiary or any Eligible Employee for any profits made or benefits obtained by him or it thereby or in connection therewith.

17.4 A Trustee who is or who becomes a director of or a holder of any other office or employment in any Participating Company may retain for his own absolute benefit any fees or remuneration received by him in connection therewith notwithstanding that his retention of or appointment to such office or employment may be directly or indirectly due to the exercise or non-exercise of any votes to which he is entitled under the Plan.

18. **Income Received by Trustees**

18.1 Any money received by the Trustees pursuant to these presents may, except as provided in the Rules, be placed on current account with any bank carrying on business in the Republic of Ireland and the Trustees shall not be required to earn interest in respect of those monies but in the event that they shall the Trustees shall apply that interest (after paying any taxation in respect thereof) in meeting the costs, charges, and other expenses of administering the Plan.

18.2 In the event of a Trustee -

(i) being a bank or a trust corporation carrying on business in the Republic of Ireland which operates current accounts, or

(ii) being a trust corporation carrying on business in the Republic of Ireland which is associated with a bank by being a subsidiary, fellow subsidiary or holding company thereof,

any money received by the Trustees may, in the first mentioned case, be held by that Trustee in a current account suitably designated as a trust account and, in the last mentioned case, be placed on current account with such associated bank, in any such case without the Trustee concerned being liable to account for any benefit which may result to it in connection therewith.

18.3 Any bank account maintained by the Trustees in connection with the Plan may be operated by such Trustees or by two or more persons including at least one Trustee as the Trustees may determine.

19. **Position of Trustees**

19.1 In the professed operation of the Plan, no Trustee shall be liable for any loss arising by reason of any mistake or omission made in good faith him or by reason of any other matter or thing including fraud, negligence or default of another Trustee, nominee, officer or other delegate unless fraudulent, in wilful default or negligent himself.

19.2 The Company hereby covenants with the Trustees jointly and severally for themselves and as Trustees for their successors in title that it will at all times hereafter keep each of them and each of their successors in title as Trustees and each of their estates and effects fully indemnified and saved harmless against all claims, losses, demands, actions, proceedings, charges, expenses, costs, damages, taxes, duties and other liabilities that may be suffered or incurred by them or by any of them in connection with the administration, operation and determination of the Plan other than liabilities arising as a consequence of (i) fraud or (ii) wilful default or (iii) in the case of a

Trustee which is engaged in the business of providing a trustee service for a fee, negligence.

20. **Information and Directions given to Trustees**

20.1 Each Participating Company shall supply the Trustees with any information reasonably required by them for the purposes of the Plan and, if required by them, shall do so in writing and the Trustees may in good faith rely on any such information or any information supplied to them by an Eligible Employee without further enquiry.

20.2 The Trustees shall comply with any directions given by the Board pursuant to the Rules and shall not be under any liability in respect thereof to any Participating Company or to any Eligible Employee.

21. **Participation by Participating Companies**

The Company may from time to time by deed in the form set out in the Second Schedule (or in such other form as the Trustees may agree and the Revenue Commissioners may approve in writing) agree that any Subsidiary which is under the control of the Company (within the meaning of Section 432 of the Act) shall become a Participating Company for the purposes of the Plan provided that the Subsidiary shall be a party to that supplemental deed for the purpose of acceding to the provisions of the Plan.

22. **Amendments**

Without infringing the rule against perpetuities the Company shall have power with the consent of the Trustees to vary, amend, modify, alter or extend the Plan in any manner and in any particular way whatsoever by deed which shall be expressed to be supplemental hereto and these present shall then be read and construed as if the provisions thereof were incorporated herein and shall be binding on all Eligible Employees and Participating Companies provided always that the foregoing power shall not be exercised -

(i) in relation to The Ownership Plan without the prior written approval of the Revenue Commissioners, or

(ii) so as to affect adversely the rights of an Eligible Employee in respect of his Stock.

23. **Perpetuity Period**

23.1 The Plan shall continue for a period of twenty-one years after the death of the last survivor of the issue living on the date hereof of his Britannic Majesty King George V which period shall be the perpetuity period for the purposes of these presents.

23.2 Upon the expiration of the perpetuity period applicable to this Deed or, if earlier, if at any time the Board shall resolve to terminate the Plan, the Trustees shall thereupon refund any amounts received by them from Participating Companies and not otherwise applied by them in accordance with the provisions of this Deed for the Participating Companies in proportion to the total moneys provided by each of them to the Trustees.

THIS DEED has been duly executed by the parties to it the day and year first before written.

THE **COMMON SEAL** of
PROCTER & GAMBLE (MANUFACTURING) IRELAND LIMITED
was hereunto affixed in the presence of:

Director ______________________

Secretary ______________________

THE **COMMON SEAL** of
IRISH PENSIONS TRUST LIMITED
was hereunto affixed in the presence of:

Director ______________________

Secretary Stephen Synnott

THE FIRST SCHEDULE

THE RULES

PART A

PART B

THE QUALIFICATION PLAN

PART C

THE OWNERSHIP PLAN

PART D

PROVISIONS APPLICABLE TO BOTH THE QUALIFICATION PLAN AND THE OWNERSHIP PLAN

THE FIRST SCHEDULE

RULES OF THE PLAN

PART A

1. INTERPRETATION AND CONSTRUCTION

1.1 Definitions

In these presents, except where the context requires otherwise -

"Act"	means the Taxes Consolidation Act, 1997;
"to appropriate"	means to vest a beneficial interest (subject to the provisions of these presents) in any specific Stock in an Eligible Employee pursuant to The Ownership Plan and the expression "appropriation" shall be construed accordingly;
"Appropriated Stock"	in relation to any Eligible Employee, means such Stock as has been appropriated to him under Rule 17 and is for the time being held by the Trustees pursuant to the provisions of The Ownership Plan (and, where the context so admits, includes any related New Stock);
"Approved Plan"	means any profit sharing plan which is for the time being approved by the Revenue Commissioners in accordance with Chapter 1 of Part 17 to the Act and Schedule 11 thereto;
"Authorised Absence"	any absence from work authorised by an Eligible Employee's Employer, whether by virtue of his contract of employment or otherwise, other than suspension under the Company's and/or the Employer's disciplinary procedures and "period of Authorised Absence" shall be construed accordingly;
"Base Period"	means a period of one calendar month commencing on the first day of that month;

"Base Salary"	means in relation to any Eligible Employee the aggregate of the annual amount of his base salary as specified in his contract of employment;
"Board"	means the directors present at a duly convened meeting of the board of directors of the Company for the time being or a committee established by them for the purposes of administering the Plan whose members are appointed by them;
"Business Day"	means any day on which all of the Trustees, the Company and the Stock Exchange are open for business;
"Company"	means Procter & Gamble (Manufacturing) Ireland Limited;
"Contribution"	means, in relation to any Base Period, such payment as is made by a Participating Company pursuant to Rule 14.1 to the Trustees;
"Deduction Date"	means any day upon which part of an Eligible Employee's Emoluments are contractually paid to him other than by way of an advance;
"Deposit"	means any payment made by the Eligible Employee under Rule 3.1;
"Deposit Date"	means, in relation to any Base Period, the fifth Business Day of that Base Period or such other date as the Trustees may specify;
"Deposited Stock"	means such of an Eligible Employee's Qualification Stock (and, where the context so admits, includes any related New Stock) which is, pursuant to a notice given by the Eligible Employee in accordance with Rule 8 (but subject as therein provided), held by the Trustees pursuant to the provisions of The Qualification Plan;
"Eligible Employee"	means any individual who is eligible under Rule 2 to participate in the Plan on the Qualification Date related to any Base Period and, where the context so admits in Rules 3.6, 5 and 6 and in Rules 8 to 33 (inclusive), such expression shall also mean any individual who was at some time previously an Eligible Employee but on behalf of

	whom the Trustees, pursuant to the Rules, continue to hold Deposited Stock, Matured Stock or Appropriated Stock;
"Emoluments"	mean in relation to any Eligible Employee who is not away from work due to an Authorised Absence the amount payable in respect of his Base Salary or, in the case of an Eligible Employee who is so absent, the amount which would have been so payable but for his Authorised Absence;
"Employee"	means an employee (including a director holding a salaried employment or office requiring him to devote substantially the whole of his time to the employment or office) who is employed by one or more Participating Companies;
"Employer"	in relation to an Eligible Employee, means the Participating Company by which he is employed from time to time;
"Holding Company"	means The Procter & Gamble Company, Cincinnati, Ohio, USA or such other company as for the time being has control of the Company within the meaning of Section 432 of the Act;
"Initial Market Value"	in relation to Procter & Gamble Stock to be appropriated to Eligible Employees on any Appropriation Date, the value arrived at by dividing the consideration paid in Punts (excluding the amount attributable to the expenses of acquisition) by the Trustees to acquire Procter & Gamble Stock by purchase through a Stock Exchange within the period of four weeks immediately prior to such Appropriation Date by the total amount of Procter & Gamble Stock so acquired, or such other value as may, from time to time, be agreed in writing between the Revenue Commissioners and the Trustees pursuant to Section 510(2)(b) of the Act;
"Matured Stock"	in relation to any Eligible Employee, means such of his Deposited Stock and Appropriated Stock in respect of which the related Release Date has occurred and such of his Qualification Stock as is mentioned in Rules 8.5 or 28.4 (and in any of such cases, where the context so admits, includes

	any related New Stock) and which, in each case, is held by the Trustees pursuant to the provisions of the Plan;
"New Stock"	has the meaning ascribed to the expression "new shares" by Section 514(1) of the Act;
"The Ownership Plan"	means the plan constituted by the Trust Deed of which the rules form a part and Parts A and C of the Rules and those provisions in Part D which relate to Appropriated Stock;
"Participating Company"	means the Company and any Subsidiary of the Company which has entered into a supplemental deed pursuant to Clause 21 of the Trust Deed;
"Period of Retention"	has the meaning given to that expression by Section 511(1)(a) of the Act and in relation to an Eligible Employee's Deposited Stock shall be deemed to be that of the Appropriated Stock to which the Deposited Stock relates;
"Plan"	means the Plan constituted by these presents;
"Procter & Gamble Deposit"	means the amount of any Deposit applied to an Eligible Employee's Procter & Gamble Designated Account in accordance with Rule 4;
"Procter & Gamble Designated Account"	means the account held by the Trustees for the benefit of an Eligible Employee which is funded by his Procter & Gamble Deposits;
"Procter & Gamble Stock"	means a fully paid share of common stock in the Holding Company;
"Qualification Date"	means the first day of a Base Period;
"The Qualification Plan"	means the plan constituted by the Trust Deed of which the Rules form a part and Parts A, B and D of the Rules;
"Qualification Stock"	means, in relation to any Eligible Employee, such Stock (and, where the context so admits, includes any related New Stock) as has been acquired by the Trustees pursuant to Rule 6 using his Deposits and which is for the time being held by the Trustees under the provisions of The Qualification Plan other than any such

	Stock which is for the time being that Eligible Employee's Deposited Stock or Matured Stock;
"Release Date"	in relation to any of an Eligible Employee's Deposited Stock, means the date on which the Period of Retention terminates and, in relation to any of an Eligible Employee's Appropriated Stock, means the date referred to in the definition of that term contained in Section 511(2) of the Act;
"Rules"	means the rules contained in this Schedule as amended from time to time in accordance with the provisions of these presents;
"Stock"	means Procter & Gamble Stock or such other stock as for the time being (for the purposes of the Plan) satisfies the provisions of Part 3 of Schedule 11 of the Act;
"Stock Exchange"	means any recognised stock exchange through which the Trustees choose to purchase Stock;
"Subsidiary"	means any subsidiary of the Company which is controlled by the Company, control being construed in accordance with Section 432 of the Act;
"these presents"	means this Trust Deed, the Rules contained in this Schedule and any trust deed or other document executed in accordance with the provisions of these presents (as from time to time modified) and expressed to be supplemental thereto;
"Trustees"	means the trustee or trustees for the time being of the Plan;
"Year of Assessment"	the meaning given to that expression by Section 2(1) of the Act.

1.2 **Construction**

Where the context so admits, any reference in these presents -

(i) to words importing the singular number only shall be construed as if they referred also to the plural number and vice versa;

(ii) to words importing the masculine gender only shall be construed as if they referred also to the feminine gender;

(iii) to a statute or statutory provision shall be construed as if it referred also to that provision as from time to time amended or re-enacted, and

(iv) to notices being given in the prescribed form shall be to notices being given in such form as may from time to time be prescribed by the Company (with the concurrence of the Trustees).

1.3 **Headings**

Headings to the Rules are inserted for convenience of reference only and shall be ignored when construing the Rules.

2. **ELIGIBILITY TO PARTICIPATE IN THE PLAN**

2.1 **Eligibility**

Subject as hereinafter provided, every individual who, by no later than the first day of a Base Period, has entered into a contract with the Company and the Trustees in such form as may from time to time be specified by the Company (with the concurrence of the Trustees) and acceptable to the Revenue Commissioners and at the Qualification Date of that Base Period -

(a) is then an Employee of a Participating Company; and

(b) has been an Employee of such Participating Company for a continuous period of not less than one year ending on that Qualification Date, and

(c) is then chargeable to Irish income tax in respect of his employment or office under Schedule E,

and any other employee of a Participating Company who has been approved by the Board for participation in the Plan and who has entered into a contract as aforesaid will be eligible to participate in the Plan to the extent provided in the Rules in relation to that Base Period and any subsequent Base Period for which he satisfies the above conditions.

2.2 **Contract of Participation**

2.2.1 The Company and the individual's Employer will, not later than the fifteenth day of the Base Period immediately preceding that in which he would first become eligible to participate in the Plan but for the fact that he has not entered into such a contract as is mentioned in Rule 2.1, notify him of that fact and will offer to enter into such a contract with him.

2.2.2 An individual who would be eligible to participate in the Plan but for the fact that he has not entered into such a contract as is mentioned in Rule 2.1 may notify his

Employer at any time of his desire to participate in the Plan and, as soon as is reasonably practicable thereafter, the Company and his Employer will offer to enter into such a contract with him.

2.3 **Maternity Leave**

For the purposes of Rules 2.1, 5 and 8, a female employee, who has at any time prior to a Qualification Date been an employee of a Participating Company but whose employment on or before that Qualification Date has been terminated in circumstances such that she has subsisting on that Qualification Date a right to return to work, shall be deemed to be an employee of the Participating Company for so long as that right subsists and the Rules will apply to her provided always that:

(i) any amount received by her on such a termination or in connection with the exercise by her of a right to return to work shall not form part of her Emoluments but the Company may make such arrangements as it thinks fit for the purpose of enabling her to deposit as a Deposit part of such amount; and

(ii) her failure to make any Deposits after such a termination and before she has exercised a right to return to work shall not be a voluntary cessation by her of her Deposits.

2.4 **Previous Employment**

For the purposes of Rule 2.1(b), any period of employment by an individual with the Holding Company or any company which is a Subsidiary of the Holding Company shall be included.

PART B

THE QUALIFICATION PLAN

3. CALCULATION AND PAYMENT OF DEPOSITS

3.1 **Election to participate**

Subject to Rule 7 and as hereinafter provided, an individual, who is or will be an Eligible Employee at the Qualification Date of a Base Period, may give notice in writing to his Employer and the Trustees by completing a form of acceptance and contract of participation by no later than the first day of that Base Period directing that thereafter and in each following Base Period on the Qualification Date of which he is an Eligible Employee, he wishes to participate in The Qualification Plan by having an amount calculated in accordance with Rule 3.4.1 by reference to a percentage of his Emoluments, 1% up to 2½%, as specified by him deposited as a Deposit in his Procter & Gamble Designated Account to be held and applied by the Trustees in accordance with Rule 4 and/or that he accepts one free share on joining the Plan.

3.2 **Alteration in Amount of Contributions**

3.2.1 Subject to Rule 7 and as hereinafter provided, where an Eligible Employee is participating in The Qualification Plan, he may give a notice in writing to his Employer and the Trustees in the prescribed form by no later than the fifteenth day of any Base Period electing to vary, subject to the limitations set out in Rule 3.1, the amount to be deposited in his Procter & Gamble Designated Account and such notice shall take effect on the following Deduction Date.

3.2.2 A notice given by an Eligible Employee pursuant to this Rule 3.2 within three calendar months after any previous notice given by him pursuant to this rule 3.2 or Rule 3.1 has taken effect shall not itself take effect until the expiry of that three calendar months period.

3.2.3 An Eligible Employee may not give a notice pursuant to this Rule 3.2 more than twice in any calendar year.

3.3 **Limit on Contributions**

Notwithstanding the foregoing provisions, the amount which an Eligible Employee may elect to deposit in his Procter & Gamble Designated Account shall be limited so as to ensure that the amount so deposited in any year of Assessment does not exceed such amount as may for the time being be permitted by the Act and approved by the Board as the Initial Market Value of Stock that may be appropriated to that Eligible Employee in any Year of Assessment under the Ownership Plan.

3.4 **Deduction and Payment of Deposits**

3.4.1 Subject to Rule 7 and as otherwise herein provided any Deposits which are to be made in accordance with a notice given pursuant to the foregoing provisions of this Rule 3 shall (provided that the Eligible Employee was an Eligible Employee on the immediately preceding Qualification Date) thereafter be effected on the Deduction Dates by way of deduction by his Employer from his Emoluments of an amount equal to the stated amount in the notice divided by the number of Deduction Dates which would fall within the Year of Assessment in which any Deposit is made on the basis that the Eligible Employee participated in the Plan throughout the whole of that Year of Assessment.

3.4.2 On the second Business Day of each Base Period or as soon as practicable thereafter each Employer shall, in respect of each of its Eligible Employees -

(i) notify the Trustees of the name and of the amount of the Deposits made by the Eligible Employee since the last notification (if any) in respect of him under this rule 3.4.2, and

(ii) pay such amounts over to the Trustees for allocation to the Eligible Employee's Procter & Gamble Designated Account.

3.4.3 An Eligible Employee who is absent from work due to an Authorised Absence may, in respect of any period of Authorised Absence during which his Base Salary is reduced or discontinued, make such arrangements as may be agreed between him and the Participating Company by which he is employed

(i) where the Eligible Employee is currently participating in the Plan by virtue of deduction from his Emoluments pursuant to Rule 3.4.1 to either

(a) have the deductions at the percentage specified by him pursuant to Rule 3.1 based on the actual amounts of his Emoluments (if any) paid during his period of Authorised Absence; or

(b) have the deductions specified under Rule 3.1 based on his Emoluments, as defined, (hereinafter referred to as the "Specified Deduction") and to make such payments to the Participating Company as are needed, to the extent that the amount of his Emoluments actually paid to him at any time during the period of Authorised Absence is insufficient to allow the Specified Deduction to be made in full by that Participating Company, to make the appropriate payment of the Deposit to the Trustee on his behalf or, to the extent that a payment in advance to the Eligible Employee is made as a result of the Authorised Absence, to agree that a deduction from that payment be made equal to the Specified Deductions for the period covered by such period but that payments to the Trustee will be made only on the dates on which such Emoluments would have been paid to the Eligible Employee had he not been absent due to the Authorised Absence;

(ii) where an individual becomes an Eligible Employee subsequently to the commencement of a period of Authorised Absence the Eligible Employee may enter into an agreement with the Participating Company by which he is employed that he may pay an amount equal to any shortfall between the

Specified Deduction (as defined in (i)(b) above) and the amount payable to him by such company to enable that company to make Deposits on his behalf during the period of Authorised Absence.

(iii) In the event of either (i) or (ii) above the right to contribute to the Plan other than by deductions from Emoluments shall cease either

(a) on the return to work with a Participating Company of the Eligible Employee following the end of the period of Authorised Absence (in which case the Rules, with the exception of this Rule 3.4.3 will apply); or

(b) on the right to return to work under statutory or Company regulations expiring and the Eligible Employee ceasing to be an employee of the Company and/or Participating Company".

3.5 **Validity of Notices**

Subject to Rule 7 and as hereinafter provided, any notice given by an Eligible Employee in accordance with the foregoing provisions of this Rule shall remain in full force and effect unless and until the Eligible Employee is no longer an Eligible Employee at the Qualification Date of any Base Period or unless and until a subsequent notice given by that Eligible Employee to his Employer takes effect in accordance with Rule 3.2.

3.6 **Cessation of Employment**

3.6.1 Notwithstanding anything in Rule 3.5 but subject to Rule 7, where an Eligible Employee ceases to be employed by any Participating Company or dies, then any notice given by him in accordance with this Rule 3 shall remain in full force and effect and constitute an effective and valid authority to the Employer to continue making the deductions in accordance with Rule 3.4 from any Emoluments of the Eligible Employee which are payable thereafter in respect of any period prior to such cessation or death, other than the month in which the Employee leaves the Company's employment.

3.6.2 Where an Eligible Employee ceases to be employed by any Participating Company but becomes employed by any other Participating Company, any notice given by him in accordance with this Rule 3 to the first mentioned Participating Company or deemed to have been given to the first mentioned Participating Company pursuant to this Rule 3.6.2 shall be deemed to have been given to the second mentioned Participating Company and, subject to Rule 7, shall remain in full force and constitute an effective and valid authority to the second mentioned Participating Company to continue making the deductions in accordance with Rule 3.4.

3.7 **Restrictions on Deductions**

Notwithstanding any of the previous provisions of this Rule no deduction shall be made or shall be treated as having been made from any Eligible Employee's Emoluments before 6 April 1998.

4. **CASH IN PROCTER & GAMBLE DESIGNATED ACCOUNT**

In respect of each Eligible Employee the amount paid over to the Trustees by his Employer pursuant to Rule 3.4.2(ii) as an allocation to his Procter & Gamble Designated Account shall be so applied and shall be held by the Trustees to be used only in accordance with Rules 5 and 32 and shall not be transferred to him except in accordance with the provisions of Rules 7 and 28.

5. **APPLICATION OF DEPOSITS HELD IN ELIGIBLE EMPLOYEE'S PROCTER & GAMBLE DESIGNATED ACCOUNT**

The Trustees shall apply, on the fifth Business Day of a Base Period or as soon as possible thereafter,

(i) first, the whole of the balance of the Procter & Gamble Deposits received by the Trustees in any earlier Base Period and then remaining in the Eligible Employee's Procter & Gamble Designated Account, and

(ii) secondly, the whole of his Procter & Gamble Deposits received by the Trustees in the later Base Period,

in the acquisition, in accordance with Rule 6 and as nominees for the Eligible Employee, of as much whole Procter & Gamble Stock as may be purchased thereby, provided always that the Trustees shall make no such application in respect of any individual (other than an individual who is an employee of a Participating Company and who has been approved for participation in the Plan in accordance with Rule 2.1) whom the Trustees have been advised in writing by the Employer on or before that fifth Business Day is no longer an Employee of a Participating Company. Any balance then remaining shall be held and applied under Rule 8.3.

6. **ACQUISITION OF QUALIFICATION STOCK**

6.1 **Method of Acquisition**

Any acquisition of Stock by the Trustees pursuant to Rule 5 above will be effected either by the purchase of Stock through a Stock Exchange or by the purchase of Stock from Eligible Employees or former Eligible Employees wishing to dispose of their Stock in accordance with the Rules or any combination thereof.

6.2. **Calculation of Stock to be acquired**

6.2.1 The Trustees shall, immediately prior to such acquisition as is mentioned in Rule 5, calculate in each case the amount of whole Procter & Gamble Stock which can be acquired for each Eligible Employee with the amount of cash then standing to his credit in his Procter & Gamble Designated Account.

6.2.2 The Trustees shall then aggregate the amount of Stock ascertained in accordance with Rule 6.2.1 for all Eligible Employees and, on or as soon as possible after the fifth Business Day of the Base Period, shall, in so far as is practicable, acquire that amount of Stock in accordance with Rule 6.1.

6.3 **Nature of Stock to be Acquired**

In the exercise of their duty to acquire any Stock pursuant to this Rule, the Trustees shall endeavour to ensure that all such Procter & Gamble Stock acquired in relation to any Base Period is acquired either all "ex-dividend", "ex-rights" or "ex-capitalisation" or, as the case may be, all "cum-dividend", "cum-rights" or "cum-capitalisation" (but not partly one and partly the other).

7. VOLUNTARY CESSATION OF DEPOSITS

7.1 **Cessation of Deposits**

An Eligible Employee may from time to time voluntarily cease his Deposits by giving notice in writing in the prescribed form to his Employer and the cessation shall take effect as soon as practicable after the notice is received.

7.2 **Application of Deposits after Suspension**

The Trustees shall, subject to Rule 32, transfer any moneys in the Eligible Employee's Procter & Gamble Designated Account to the Eligible Employee as soon as practicable after a notice given in accordance with Rule 7.1 takes effect.

7.3 **Resumption of Deposits**

An Eligible Employee who has ceased his Deposits in accordance with the provisions of Rule 7.1 may, in relation to any Base Period, resume the payment of his Deposits by giving notice to his Employer and the Trustees in accordance with the provisions of Rule 3 provided always that no such notice will take effect until the Qualification Date immediately following the third calendar month after that in which the cessation took effect.

8. PARTICIPATION IN THE OWNERSHIP PLAN

8.1 **Notification of Deposit**

8.1.1 Subject to Rule 8.1 and as hereinafter provided, any Eligible Employee may, in relation to any Base Period, by notice in writing in the prescribed form, notify his Employer and the Trustees of his desire that his Qualification Stock should be held by the Trustees as nominee for him but in accordance with Rule 9 and subject, where relevant, to the other Rules and thereafter, subject as provided in Rule 8.5, that Stock shall then be held by the Trustees in accordance with Rule 9 and, where relevant, such other Rules as his Deposited Stock.

8.1.2 Any notice given pursuant to Rule 8.1.1 by an Eligible Employee must be given generally in relation to that and any future Qualification Stock acquired on his behalf pursuant to the provisions of The Qualification Plan.

8.2 **Deposited Stock carrying Additional Rights**

Where all or any part of an Eligible Employee's Qualification Stock which is deposited by him in accordance with Rule 8.1 carries any rights to acquire, or to be allotted, additional Stock then

(i) any additional Stock acquired or allotted shall, if it is New Stock, form part of the Eligible Employee's Deposited Stock; but

(ii) the Eligible Employee's Employer shall be under no obligation to make a Contribution to the Trustees under Rule 14 to enable the Trustees to acquire Stock to match such additional Stock, and

(iii) the failure of the Trustees to acquire Stock by reason of the Eligible Employee's Employer not making a Contribution as allowed under paragraph (ii) shall not prevent such additional Stock as is mentioned in paragraph (i) being part of the Eligible Employee's Deposited Stock where it is New Stock.

8.3 **Balance in Procter & Gamble Designated Account**

The Trustees shall retain the balance of any Procter & Gamble Deposits held by them in an Eligible Employee's Procter & Gamble Designated Account which have not been duly applied by the Trustees in accordance with Rule 5 or Rule 32 and, subject to any direction to the contrary received from the Eligible Employee in accordance with Rule 7 and subject also to Rule 32, shall apply such balance in accordance with, and subject to, Rule 5 in the following Base Periods.

8.4 **Market Value of Deposited Stock**

The Trustees shall, as at the Deposit Date, determine the Market Value of Stock (exclusive of any rights to acquire, or to be allotted, additional New Stock and any rights to receive any dividends) and the maximum amount of whole Stock (exclusive of any such rights as aforesaid) which can be appropriated to each Eligible Employee at such Market Value without the aggregate Initial Market Value of all such Eligible Employee's Stock appropriated to him in accordance with Rule 17 in the same Year of Assessment exceeding the limit from time to time permitted by the Act.

8.5 **Limit on Deposited Stock**

8.5.1 Each Eligible Employee's Deposited Stock in relation to any Base Period shall, subject to the following provisions of this Rule 8.5, be the Stock deposited by him in accordance with Rule 8.1.

8.5.2 Where

(i) on the assumption that if all of the Stock deposited by an Eligible Employee in relation to a Base Period were to be matched by an equal number of Stock appropriated to him in accordance with the following Rules, the maximum referred to in Rule 8.4 would be exceeded, or

(ii) the Trustees are unable to match the Stock deposited by an Eligible Employee in relation to a Base Period by reason of Rule 18,

the amount of such excess Stock or, as the case may be, the amount of such Stock shall not, subject to Rule 8.2, form part of this Deposited Stock but shall be held by the Trustees as his Matured Stock.

9. RESTRICTIONS ATTACHING TO ELIGIBLE EMPLOYEES' DEPOSITED STOCK

9.1 Restriction

Subject to Rule 13, during the Period of Retention relating to any Eligible Employee's Deposited Stock, the Eligible Employee shall permit that Deposited Stock to remain registered in the name of the Trustees and shall not assign, charge or otherwise dispose of his beneficial interest therein.

9.2 Matured Stock

As soon as the Period of Retention relating to any Eligible Employee's Deposited Stock has expired, the Deposited Stock shall thereupon cease to be Deposited Stock and shall become Matured Stock.

9.3 First In First Out

Whenever, notwithstanding Rule 9.1, an Eligible Employee assigns, charges or otherwise disposes of the beneficial interest in any of his Deposited Stock or whenever the beneficial interest in his Deposited Stock is vested in some other person and such assignment, charge, disposal or vesting is made from a holding of an Eligible Employee's Deposited Stock which was deposited by him at different times then, for all the purposes of these Rules, such assignment, charge, disposal or vesting shall be treated as being of Deposited Stock which was deposited before that which was deposited later.

9.4 Notices contrary to restrictions

The Trustees shall not, prior to the Release Date related thereto, act in respect of any direction, agreement or notice given in relation to an Eligible Employee's Deposited Stock if, to their knowledge, the Eligible Employee is or would, upon implementation thereof, be in breach of his obligations under this Rule 9.

10. TRUSTEES' ACCOUNTABILITY TO AN ELIGIBLE EMPLOYEE

10.1 Accountability

Subject to Rule 32 and subject as hereinafter provided, the Trustees shall distribute to an Eligible Employee as soon as practicable any money or other assets (after deducting therefrom any taxation which may be payable by the Trustees in respect thereof) received by them in respect of, or by reference to, his Qualification Stock, Matured Stock and Deposited Stock other than any New Stock related to such Qualification Stock, Matured Stock or Deposited Stock.

10.2 Notification to Eligible Employee

Any notice given by the Trustees to an Eligible Employee in accordance with Rule 20.2 shall, in addition to the information required by that Rule, show the amount of Stock acquired on his behalf pursuant to The Qualification Plan since the previous notice and such other information as the Trustees shall determine.

11. RIGHTS OFFERS IN RELATION TO ELIGIBLE EMPLOYEES' QUALIFICATION STOCK, MATURED STOCK AND DEPOSITED STOCK

11.1 Rights Offers

Subject as hereinafter provided in the event of any company whose shares for the time being constitute Qualification Stock, Deposited Stock and/or Matured Stock making an offer or invitation conferring any rights upon its stockholders to acquire against payment additional shares, stock, securities or rights of any description, then, as regards Eligible Employee's Qualification Stock, Deposited Stock and Matured Stock, the Trustees will comply with any direction from the Eligible Employee concerning -

(i) the sale of all of the rights,

(ii) the exercise of all of the rights provided that the Eligible Employee has provided the Trustees with the full amount (including any incidental costs) payable on exercise, or

(iii) the exercise of part of the rights, the full amount (including any incidental costs) payable being provided out of the net proceeds of sale, nil paid, of the remaining part of the Eligible Employee's rights.

11.2 Trustees' right to take no action

The Trustees may ignore and take no action in respect of any direction from an Eligible Employee which is received by them less than five clear Business Days before the last date for acceptance and payment of such rights.

11.3 **Notification to Eligible Employees**

In the event of the Trustees receiving any such offer or invitation as is referred to in Rule 11.1, they shall promptly notify each Eligible Employee concerned of the rights calculated in accordance with Rule 30 which are attributable to his Qualification Stock, Deposited Stock and Matured Stock.

11.4 **Allocation of New Stock**

Any New Stock related to any of an Eligible Employee's Qualification Stock, Matured Stock or Deposited Stock which, in accordance with the provisions of this Rule 11, is taken up by the Trustees on behalf of the Eligible Employee shall form part of his Qualification Stock, Deposited Stock or Matured Stock (as the case may be) and shall be deemed to have been acquired or deposited or to have become matured at the same time as, and shall be held by the Trustees on the same terms as, his Qualification Stock, Deposited Stock or Matured Stock to which it relates and, for the avoidance of doubt (but without prejudice to the generality of the foregoing) -

(i) where any New Stock relates to any of an Eligible Employee's Qualification Stock acquired by the Trustees on his behalf pursuant to the provisions of Rule 5, any notice given by the Eligible Employee in relation to his Qualification Stock in accordance with Rule 8 must, and shall be deemed to, apply to the New Stock, and

(ii) where any New Stock relates to any of an Eligible Employee's Qualification Stock in respect of which he has already given a notice pursuant to Rule 8, the notice shall be deemed to include the New Stock.

12. CAPITALISATION ISSUES IN RELATION TO ELIGIBLE EMPLOYEES' QUALIFICATION STOCK, MATURED STOCK AND DEPOSITED STOCK

In the event of any company whose shares for the time being constitute Qualification Stock, Matured Stock and/or Deposited Stock allotting any shares, stock, securities or rights of any description to the Trustees in respect of an Eligible Employee's Qualification Stock, Matured Stock or Deposited Stock, any New Stock shall form part of his Qualification Stock, Deposited Stock or Matured Stock (as the case may be) and shall be deemed to have been acquired or deposited or to have become matured at the same time as, and shall be held by the Trustees on the same terms as, his Qualification Stock, Deposited Stock or Matured Stock to which it relates and, for the avoidance of doubt (but without prejudice to the generality of the foregoing) -

(i) where any such New Stock relates to any of an Eligible Employee's Qualification Stock acquired by the Trustees on his behalf pursuant to the provisions of Rule 5, any notice given by the Eligible Employee in relation to his Qualification Stock in accordance with Rule 8 must, and shall be deemed to, apply to the New Stock, and

(ii) where any New Stock relates to any of an Eligible Employee's Qualification Stock in respect of which he has already given a notice pursuant to Rule 8, the notice shall be deemed to include the New Stock.

13. TAKEOVERS AND OTHER TRANSACTIONS AFFECTING AN ELIGIBLE EMPLOYEE'S QUALIFICATION STOCK, MATURED STOCK OR DEPOSITED STOCK

13.1 Takeovers

In the event that -

(i) an offer is made to acquire any Eligible Employee's Qualification Stock, Matured Stock and Deposited Stock in circumstances such that acceptance thereof will result in a new holding (as defined in Section 584(1) of the Act) being equated therewith for the purposes of capital gains tax;

(ii) an offer is made to acquire any Eligible Employee's Qualification Stock, Matured Stock and Deposited Stock as part of a general offer made to holders of securities of the same class as such Qualification Stock, Matured Stock and Deposited Stock for a cash consideration, with or without other assets, and is also made in the first instance on a condition such that if it is satisfied the person making the offer will have control of the company concerned (within the meaning of Section 11 of the Act, or

(iii) a transaction is proposed which affects an Eligible Employee's Qualification Stock, Matured Stock and Deposited Stock or such of them as are of a particular class and such transaction would be entered into pursuant to a compromise, arrangement or plan applicable to or affecting -

(a) all the ordinary share capital of the company concerned or, as the case may be, all the shares of the class in question; or

(b) all the shares or shares of the class in question, which are held by a class of shareholders identified otherwise than by reference to their employment or their participation in an Approved Plan,

then notwithstanding anything in Rule 9, an Eligible Employee may direct the Trustees in writing in the prescribed form to accept such offer or, as the case may be, agree to such compromise, arrangement or plan in respect of his Qualification Stock, Matured Stock and Deposited Stock.

13.2 Other Transactions

In the event that any offer is made or any compromise, arrangement or plan is proposed affecting any of an Eligible Employee's Qualification Stock, Matured Stock and Deposited Stock which does not fall within Rule 13.1, then the Eligible Employee concerned may only direct the Trustees to accept such offer or, as the case may be, agree to such compromise, arrangement or plan to the extent that to do so would not constitute or result in a breach of Rule 9.

13.3 **Notification**

The Trustees will promptly take all reasonable steps to notify Eligible Employees of the principal terms of any offer, compromise, arrangement or plan falling within this Rule 13 and, in the absence of any direction from an Eligible Employee as to how they should act thereon in respect of his Qualification Stock, Matured Stock and Deposited Stock, the Trustees shall not take any action in respect thereof, save as required by law.

13.4 **New Stock**

Any New Stock which, in accordance with the provisions of this Rule 13, is taken up by the Trustees on behalf of an Eligible Employee shall form part of his Qualification Stock, Deposited Stock or Matured Stock (as the case may be) and shall be deemed to have been acquired or deposited or to have become matured at the same time as, and shall be held by the Trustees on the same terms as, the Qualification Stock, Deposited Stock or Matured Stock to which it relates.

PART C

THE OWNERSHIP PLAN

14. CALCULATION AND PAYMENT OF CONTRIBUTIONS

14.1 Obligation of a Participating Company to Make a Contribution

Subject as otherwise hereinafter provided, in respect of each Base Period each Participating Company shall, in accordance with the following provisions, make a Contribution to the Trustees for the benefit of each of its Eligible Employees who has deposited Stock with the Trustees pursuant to Rule 8 on or before the Deposit Date of that Base Period and/or accepted the one free Procter & Gamble Stock unit on joining the Plan.

14.2 Notification of Stock to be Acquired

At or before the Deposit Date relating to the Base Period, the Trustees will notify each Participating Company of the total amount of Procter & Gamble Stock which has been or is likely to be deposited with the Trustees by the Eligible Employees of such Participating Company in relation to that Base Period and which in accordance with the provisions of Rule 8 is or is likely to be those Eligible Employees' Deposited Stock and the number of Eligible Employees accepting the one free Procter & Gamble Stock unit on joining the Plan.

14.3 Amount of each Participating Company's Contribution

Each Participating Company will thereafter be under an obligation to pay to the Trustees in accordance with Rule 14.4 such amount as the Trustees require in order to acquire Procter & Gamble Stock equal in number to the total Procter & Gamble Stock referred to in Rule 14.2 plus one free Procter & Gamble Stock unit per Eligible Employee on joining the Plan.

14.4 Payment of Participating Company's Contribution

The amount of any Contribution to be made by each Participating Company will be paid to the Trustees by no later than the day upon which the Trustees require such Contributions in order to pay for the Stock acquired pursuant to Rule 15.

14.5 Notification to Participating Company of Stock Acquired

The Trustees shall notify each Participating Company of the date upon which the Contributions related to any Base Period have been fully applied pursuant to these Rules in the acquisition of Stock.

14.6 **Notification of Event Disqualifying Eligible Employee from Participation**

A Participating Company shall immediately notify the Trustees of any event which disqualifies or otherwise makes an Eligible Employee, who is employed by it, ineligible to have Stock appropriated to him in relation to a current or subsequent Base Period.

15. APPLICATION OF CONTRIBUTIONS

Subject as hereinafter provided and following upon the determination in accordance with Rule 14 of the aggregate Contributions to be paid by the Participating Companies in relation to any Base Period, the Trustees shall acquire on the Deposit Date of that Base Period, or as soon as reasonably practicable thereafter, the amount of Procter & Gamble Stock ascertained in accordance with 14.3 required for appropriation in accordance with Rule 17 amongst the Eligible Employees of such Participating Companies.

16. ACQUISITION OF STOCK

16.1 **Method of Acquisition**

Subject as hereinafter provided, any acquisition of Stock by the Trustees pursuant to Rules 15 and 31 will be effected either by the purchase of Stock through a Stock Exchange or by the purchase of Stock from Eligible Employees or former Eligible Employees wishing to dispose of their Stock in accordance with the Rules or any combination thereof.

16.2 **Nature of Stock to be Acquired**

In the exercise of their duty to acquire any Stock pursuant to Rule 15, the Trustees shall ensure that the Procter & Gamble Stock acquired conforms with the requirements laid down in the Act and shall endeavour, so far as is consistent with their other duties under the Rules, to ensure that all such Stock acquired in relation to any Base Period is either acquired all "ex-dividend", "ex-rights" or "ex-capitalisation" or, as the case may be, all "cum-dividend", "cum-rights" or "cum-capitalisation".

16.3 **Stock Carrying Different Rights**

If, in the exercise of their duty to acquire any Stock pursuant to Rule 15, some (but not all) of the Stock acquired by the Trustees carries, or the Trustees otherwise become entitled in respect of some (but not all) of the Stock prior to the appropriation thereof to, any rights to acquire against payment, or to be allotted, additional shares, stock or rights of any description, the Trustees shall use their best endeavours to sell those rights for the best consideration in money reasonably obtainable at the time and shall (after providing for any expenses of sale and any taxation payable by the Trustees in respect thereof) retain the net proceeds of sale and apply them in meeting the costs and expenses of administering the Plan (other than such costs and expenses as are payable by Eligible Employees under Rule 32) or in a future acquisition of Stock.

If, in the exercise their duty to acquire Stock pursuant to Rule 15, some (but not all) of the Stock acquired by the Trustees carries the right to receive any dividends or any other distribution, which has been declared, the Trustees shall appropriate that portion of the Stock carrying such right amongst Eligible Employees as nearly as possible in the same proportions as the amount of Stock acquired upon that occasion for each Eligible Employee bears to the total acquisition under Rule 15.

16.4 **Incidental Costs of Acquisition**

The Participating Companies will pay to the Trustees on demand the incidental costs incurred by the Trustees in relation to their acquisition of Stock for the purposes of any appropriation following a Base Period such costs to be borne by the Participating Companies in such proportions as they agree are reasonable.

17. APPROPRIATION TO AN ELIGIBLE EMPLOYEE

17.1 **Time of Appropriation**

Appropriation of Stock acquired by the Trustees pursuant to Rule 16 in relation to any Base Period shall be effected in accordance with the following paragraphs by the Trustees on a single date as soon as practicable after the acquisition of all such Stock has been completed.

17.2 **Stock to be Appropriated**

Subject to Rule 18 and subject as hereinafter provided, the Trustees will appropriate to each Eligible Employee an amount of whole Procter & Gamble Stock equal to the amount of Stock deposited by the Eligible Employees with the Trustees in relation to that Base Period and which in accordance with the provisions of Rule 8 is his Deposited Stock and/or one free Procter & Gamble Stock unit to each Eligible Employee accepting this when joining the Plan.

17.3 **Insufficient Stock**

If, for any reason, the Trustees are unable to acquire sufficient Stock pursuant to Rule 16 to make an appropriation as contemplated under Rule 17 within five Business Days after the related Deposit Date, the Trustees shall, as directed by the Board -

(i) appropriate such Stock as they have acquired proportionately amongst the Eligible Employees referred to in Rule 17.2; or

(ii) retain such Stock for the purposes of a future appropriation of Stock.

The Trustees shall ensure and have power to make appropriations under this Rule 17 so as to ensure, that the provisions of Rule 17.2 are satisfied over the course of a year of assessment, if they cannot be satisfied for each individual Base Period within that year of assessment.

17.4 **Dividends prior to Appropriation**

If, prior to the appropriation of any Stock under this Rule 17, the Trustees receive any dividends in respect of that Stock, they shall (after providing for any taxation which may be payable by the Trustees in respect thereof) retain the balance to be used in meeting the costs, expenses and charges of managing and administering the Plan (other than such costs and expenses as are payable by Eligible Employees under Rule 32).

17.5 **Voting Rights**

The Trustees shall not exercise any voting rights in respect of any Stock held by them which has not been appropriated to Eligible Employees.

18. RESTRICTIONS ON APPROPRIATION

18.1 **Initial Market Value**

The Initial Market Value of the Stock appropriated to any Eligible Employee in any Year of Assessment shall not exceed the amount specified from time to time in paragraph 3(4) of Part 2 of Schedule 11 to the Act.

18.2 **Cessation of Employment**

The Trustees shall not appropriate Stock to an individual whom the Trustees have been advised in writing by the Employer is no longer an Employee of a Participating Company except an individual who is an employee of a Participating Company who has been approved by the Board for participation in the Plan in accordance with Rule 2.1.

18.3 **Statutory Prohibition**

The Trustees shall not

(i) appropriate Stock to an Eligible Employee who is precluded from having Stock appropriated to him by virtue of Part 4 of Schedule 11 to the Act; or

(ii) appropriate Stock to an Eligible Employee which does not satisfy the conditions set out in Part 3 of Schedule 11 to the Act.

18.4 **Unappropriated Stock**

If the Trustees are prohibited from appropriating to an Eligible Employee any Stock by virtue of any of the provisions of this Rule 18, the Trustees shall, as directed by the Board

(i) retain such Stock for the purposes of a future appropriation of Stock, or

(ii) use their best endeavours to sell such Stock for the best consideration in money reasonably obtainable at the time and (after providing for any expenses of sale and any taxation which may be payable by the Trustees in respect thereof) retain the net proceeds of sale to be used either in meeting the costs, charges and other expenses of managing and administering the Plan (other than such costs and expenses as are payable by Eligible Employees under Rule 32) or in acquiring Stock in relation to any future appropriation of Stock.

19. RESTRICTIONS ATTACHING TO AN ELIGIBLE EMPLOYEE'S APPROPRIATED STOCK

19.1 During Period of Retention

Subject to Rule 23, during the Period of Retention relating to any of an Eligible Employee's Appropriated Stock, he shall permit it to remain registered in the names of the Trustees and shall not assign, charge or otherwise dispose of his beneficial interest therein.

19.2 Prior to Release Date

At any time after the expiry of the Period of Retention related to any of an Eligible Employee's Appropriated Stock and prior to the relevant Release Date, he

(i) may not direct the Trustees, except as provided in paragraphs (ii) or (iii) below, to dispose of any such Stock in any other way except by sale for the best consideration in money as can reasonably be obtained at the time;

(ii) may only direct the Trustees to transfer any such Stock to him if, before the transfer takes place, he pays to the Trustees such sum on account of income tax as the Trustees may require from him pursuant to Section 511(4)(c) of the Act, and

(iii) may not agree with the Trustees to sell the beneficial interest in any such Stock to the Trustees except for cash at a price equal to that which the Trustees would have been required to obtain had they simultaneously sold such Stock themselves pursuant to a direction under paragraph (i).

19.3 Matured Stock

As soon as the Release Date relating to any Eligible Employee's Appropriated Stock has occurred, that Appropriated Stock shall thereupon cease to be Appropriated Stock and shall become Matured Stock.

19.4 Notices Contrary to Restriction

The Trustees shall not, prior to the Release Date related thereto, act in respect of any direction, agreement or notice given in relation to an Eligible Employee's Appropriated Stock if, to their knowledge, the Eligible Employee is or would, upon implementation thereof, be in breach of his obligations under this Rule 19.

20. TRUSTEES' ACCOUNTABILITY TO AN ELIGIBLE EMPLOYEE IN RESPECT OF HIS APPROPRIATED STOCK

20.1 Accountability

Subject to Rule 32 and subject as hereinafter provided, the Trustees shall distribute to an Eligible Employee as soon as practicable any money or other assets (after deducting therefrom any taxation which may be payable by the Trustees in respect thereof) received by them in respect of, or by reference to, his Appropriated Stock excluding -

(i) any New Stock related to that Appropriated Stock; and

(ii) such part of any sum so received as the Trustees may be obliged to deduct in respect of income tax by virtue of the Eligible Employee being resident outside the Republic of Ireland.

20.2 Notification

20.2.1 The Trustees shall, at least once in each period of six months, notify each Eligible Employee in writing of

(i) the amount of Procter & Gamble Stock appropriated to him since the last notification given to him under this Rule, the Initial Market Value of such Appropriated Stock and the date of appropriation of such Appropriated Stock, and

(ii) the total amount of his Appropriated Stock related to any previous Base Period, and

(iii) any Stock which has become Matured Stock.

20.2.2 When Stock is appropriated to an Eligible Employee, the Trustees shall, upon a request in writing from the Eligible Employee, notify him of that Appropriated Stock, its Initial Market Value and the date of its appropriation.

20.2.3 When an Eligible Employee's Appropriated Stock is transferred to him or is sold on his behalf, the Trustees shall as soon as practicable thereafter notify him in writing of the details of any such transaction.

21. RIGHTS OFFERS IN RELATION TO ELIGIBLE EMPLOYEES' APPROPRIATED STOCK

21.1 Rights Offers

Subject as hereinafter provided, in the event of any company whose shares for the time being constitute Appropriated Stock making an offer or invitation conferring any rights upon its stockholders to acquire against payment additional shares, stock, securities or rights of any description, then, as regards any Eligible Employee's Appropriated Stock, the Trustees will comply with any direction from the Eligible Employee concerning

(i) the sale of all of the rights,

(ii) the exercise of all of the rights provided that the Eligible Employee has provided the Trustees with the full amount (including any incidental costs) payable on exercise, or

(iii) the exercise of part of the rights, the full amount (including any incidental costs) payable being provided out of the net proceeds of sale, nil paid, of the remaining part of the Eligible Employee's rights.

21.2 **Trustees' Right to Take No Action**

The Trustees may ignore and take no action in respect of any direction from an Eligible Employee which is received by them less than five clear Business Days before the last date for acceptance and payment of such rights.

21.3 **Notification to Eligible Employees**

In the event of the Trustees receiving any such offer or invitation as is referred to in Rule 21.1, they shall promptly notify the Eligible Employees concerned of the rights calculated in accordance with the provision of Rule 30 which are attributable to their Appropriated Stock.

21.4 **New Stock**

Subject to the Act, any New Stock related to any of an Eligible Employee's Appropriated Stock which, in accordance with the provisions of this Rule 21, is taken up by the Trustees on his behalf shall form part of his Appropriated Stock and shall be deemed to have been appropriated at the same time as, and shall be held by the Trustees on the same terms as, his Appropriated Stock to which it relates.

22. CAPITALISATION ISSUES IN RELATION TO ELIGIBLE EMPLOYEE'S APPROPRIATED STOCK

In the event of any company whose shares for the time being constitute Appropriated Stock allotting any shares, stock, securities or rights of any description to the Trustees in respect of an Eligible Employee's Appropriated Stock, any New Stock shall form part of his Appropriated Stock and shall be deemed to have been appropriated at the same time as, and shall be held by the Trustees on the same terms as, his Appropriated Stock to which it relates.

23. TAKEOVERS AND OTHER TRANSACTIONS AFFECTING ELIGIBLE EMPLOYEES' APPROPRIATED STOCK

23.1 Takeovers

In the event that -

(i) an offer is made to acquire any Eligible Employee's Appropriated Stock in circumstances such that acceptance thereof will result in a new holding (as provided in paragraph Section 584(1) of the Act) being equated with that Appropriated Stock for the purposes of capital gains tax;

(ii) an offer is made to acquire any Eligible Employee's Appropriated Stock as part of a general offer made to holders of securities of the same class as that Appropriated Stock for a cash consideration, with or without other assets, and is also made in the first instance on a condition such that if it is satisfied the person making the offer will have control of the company concerned (within the meaning of Section 432 of the Act), or

(iii) a transaction is proposed which affects an Eligible Employee's Appropriated Stock or such of them as are of a particular class and such transaction would be entered into pursuant to a compromise, arrangement or plan applicable to or affecting:

(a) all the ordinary share capital of the company concerned or, as the case may be, all the shares of the class in question; or

(b) all the shares or shares of the class in question, which are held by a class of shareholders identified otherwise than by reference to their employment or their participation in an Approved Plan

then, notwithstanding anything in Rule 19.1, an Eligible Employee may direct the Trustees in writing in the prescribed form to accept such offer or, as the case may be, agree to such compromise, arrangement or plan in respect of his Appropriated Stock.

23.2 Other Transactions

In the event that any offer is made or any compromise, arrangement or plan is proposed affecting any of an Eligible Employee's Appropriated Stock which does not fall within Rule 23.1, then the Eligible Employee concerned may only direct the Trustees to accept such offer or, as the case may be, agree to such compromise, arrangement or plan to the extent that to do so would not constitute or result in a breach of Rule 19.

23.3 Notification

The Trustees will promptly take all reasonable steps to notify Eligible Employees of the principal terms of any offer, compromise, arrangement or plan falling within this Rule 23 and, in the absence of any direction from an Eligible Employee as to how they should act thereon in respect of his Appropriated Stock, the Trustees shall not take any action in respect thereof, save as required by law.

23.4 **New Stock**

Subject to the Act, any New Stock related to any of an Eligible Employee's Appropriated Stock which, in accordance with the provisions of this Rule 23, is taken up by the Trustees on his behalf shall form part of his Appropriated Stock and shall be deemed to have been appropriated to him at the same time as, and shall be held by the Trustees on the same terms as, his Appropriated Stock to which it relates.

PART D

PROVISIONS APPLICABLE TO BOTH THE QUALIFICATION PLAN AND THE OWNERSHIP PLAN

24. DEALINGS WITH ELIGIBLE EMPLOYEE'S MATURED STOCK AND APPROPRIATED STOCK

24.1 Trustees as Nominees

Subject as provided in these Rules, the Trustees shall hold any Eligible Employee's Matured Stock as nominee for him and shall, subject as hereinafter provided, take such action in respect of such Matured Stock as he directs by notice in writing in the prescribed form including, without prejudice to the generality of the foregoing, to transfer to him, or otherwise deal with, or dispose of, on his behalf, his Matured Stock.

24.2 Disposal of Matured or Appropriated Stock

24.2.1 If an Eligible Employee wishes the Trustees to dispose of all or any part of his Matured Stock or Appropriated Stock, he must give notice in writing in the prescribed form to the Trustees provided always that if the notice requests the Trustees to dispose of Matured Stock or Appropriated Stock in excess of the amount then held by the Trustees on his behalf, the notice shall be nevertheless effective as regards the amount of Matured Stock or Appropriated Stock held by the Trustees on his behalf.

24.2.2 Whenever an Eligible Employee gives a notice in accordance with the provisions of Rule 24.2.1, the Trustees may, if they so desire and provided that such action is consistent with their obligations here under, treat such notice as an offer on the part of the Eligible Employee to sell to the Trustees the beneficial interest in all or any part of his Matured Stock or Appropriated Stock as is referred to in the notice and the Trustees may, instead of selling such Matured Stock or Appropriated Stock, purchase all or any part of such Matured Stock or Appropriated Stock for the same price as would have been obtained had such Matured Stock or Appropriated Stock been sold in accordance with the following provisions of this Rule.

24.2.3 Subject to Rule 24.2.4, the Trustees shall (subject, in the case of an Eligible Employee's Appropriated Stock, to the provisions of Rule 19) then use their best endeavours to dispose of his Matured Stock or Appropriated Stock or to purchase the beneficial interest therein on the Business Days specified in Rule 24.2.5.

24.2.4 An Eligible Employee may only give a notice in accordance with the provisions of Rule 24.2.1 on four occasions in any Year of Assessment save that where an Eligible Employee has ceased to be employed as mentioned in Rule 28.1, the provisions of this Rule 24.2.4 shall not apply on any occasion on which the Eligible Employee instructs the Trustees to sell all of his Matured Stock and Appropriated Stock.

24.2.5 Subject to Rule 24.2.4 and Rule 24.2.6, in the case of notices given by Eligible Employees in accordance with Rule 24.2.1 and received by the Trustees before close of business on the first Business Day of any Base Period the disposal or purchase, as the case may be, will be effected by the Trustees on the immediately following Deposit Date.

24.2.6 If the Trustees are unable to dispose of any part of any Eligible Employee's Matured Stock or Appropriated Stock (otherwise than by reason of Rule 19) in respect of which they have received a notice pursuant to Rule 24.2.1 on the date specified in Rule 24.2.5, they shall use their best endeavours to dispose of such part of the Matured Stock or Appropriated Stock on the next succeeding date specified in Rule 24.2.5 and so on or, if they so wish, to acquire the beneficial interest therein but the Trustees shall be under no obligation to dispose of, or to acquire the beneficial interest in, any part of such Matured Stock or Appropriated Stock on any Business Day of any Base Period other than that which is specified in Rule 24.2.5.

24.3 **Proceeds of Sale**

Subject to Rule 32 and, in the case of Appropriated Stock, to the provisions of Rule 20 any sale proceeds received by the Trustees on disposing of an Eligible Employee's Matured Stock or Appropriated Stock less any income tax to be withheld from non-residents or any sums due from the Trustees to such Eligible Employee on acquiring the beneficial interest in all or any part his Matured Stock or Appropriated Stock shall be transferred promptly to such Eligible Employee.

24.4 **Transfer of Matured or Appropriated Stock**

If an Eligible Employee wishes the Trustees to transfer to him or any other person all or any part of his Matured Stock or Appropriated Stock, he must give notice in writing in the prescribed form to the Trustees whereupon, subject to the provisions of Rules 19.2(ii) and 32, the Trustees shall give effect to the transfer as soon as reasonably practicable thereafter provided always that, if the notice requests the Trustees to dispose of Matured Stock or Appropriated Stock in excess of the amount then held by the Trustees on behalf of the Eligible Employee, the notice shall nevertheless be effective as regards the amount of Matured Stock or Appropriated Stock held by the Trustees on his behalf.

24.5 **First In First Out**

Whenever an Eligible Employee assigns, charges or otherwise disposes of the beneficial interest in his Appropriated Stock or Matured Stock or whenever the beneficial interest in such Appropriated Stock or Matured Stock is vested in some other person or whenever the Trustees sell such Appropriated Stock or Matured Stock on behalf of the Eligible Employee and the assignment, charge, disposal, sale or vesting is made from a holding of an Eligible Employee's Appropriated Stock or a holding of an Eligible Employee's Matured Stock and, in any of such cases, the Stock comprised in such holding was appropriated or, as the case may be, matured at different times, the assignment, charge, disposal, sale or vesting shall be treated as being of such Stock as was appropriated or, as the case may be, matured earlier before that which was appropriated or matured later.

25. STOCKHOLDERS' NOTICES

The Company will provide all Eligible Employees with copies of the Holding Company annual report and proxy materials.

26. EXPLANATORY BOOKLET

The Company will issue a booklet to each Eligible Employee explaining the operation of the Plan and, inter alia, giving information concerning the manner and circumstances in which directions, agreements or notices may be given to the Trustees' in respect of an Eligible Employee's Appropriated Stock.

27. VOTING RIGHTS

The voting rights in respect of an Eligible Employee's Qualification Stock or Matured Stock or, subject to Rules 9 and 19, an Eligible Employee's Deposited Stock or Appropriated Stock shall, in so far as is practicable, be exercised by the Trustees in accordance with any written directions in the prescribed form given by such Eligible Employee and, in the absence of any such direction, the Trustees shall not exercise such voting rights.

28. TERMINATION OF EMPLOYMENT

28.1 General

If an Eligible Employee ceases to be employed by any Participating Company or dies, then the Rules shall, where the context so admits, continue to apply save as provided in the following provisions of this Rule and subject to Rule 32.

28.2 Procter & Gamble Designated Account

Subject to Rule 5, the Trustees shall as soon as reasonably practicable after the cessation of employment transfer to such Eligible Employee any monies standing to his credit in his Procter & Gamble Designated Account.

28.3 Transfer of Stock

Should an Eligible Employee cease to be employed by any Participating Company or by the Holding Company or any of its Subsidiaries before he reaches the age of 66 other than (i) by reason of injury or disability or (ii) on account of his being dismissed by reason of redundancy, the Trustees shall forthwith upon the expiration of 90 days from the later of the date of such cessation and the date of ceasing to hold any Appropriated Stock on behalf of such Eligible Employee transfer to him any of his Matured Stock still registered in their names in respect of which he has not given a notice in writing to the Trustees pursuant to Rule 24.2.1.

28.4 **Death**

28.4.1 If an Eligible Employee dies then, subject as hereinafter provided, the Trustees shall transfer to his legal personal representatives at their request such of his Matured Stock or Appropriated Stock as is still registered in the names of the Trustees and any monies standing to the credit of such Eligible Employee in his Procter & Gamble Designated Account provided always that the Trustees shall not be obliged to continue to hold such Matured Stock or Appropriated Stock or such monies for longer than twelve months after the Eligible Employee's death.

28.4.2 If an Eligible Employee ceases to be employed as mentioned in Rule 28.1 or dies after the Qualification Date relating to a Base Period, all the Stock then held by the Trustees as his Qualification Stock shall thereupon become his Matured Stock.

28.4.3 Where an Eligible Employee dies, then his legal personal representatives may, by giving notice in writing to the Trustees in the prescribed form, request the Trustees to sell all of the Eligible Employee's Matured Stock or Appropriated Stock pursuant to Rule 24.2.1 and in such a case the provisions of Rule 24.2.4 will not apply if the Eligible Employee has previously given a notice in accordance with the provisions of Rule 24.2.1 in the same Year of Assessment.

28.5 **Compensation**

In no circumstances shall an Eligible Employee who ceases to be an employee of any of the Participating Companies or the Holding Company or any Subsidiary of the Holding Company by reason of dismissal or otherwise howsoever be entitled to claim against any of the Participating Companies, the Holding Company or any of such Subsidiaries any compensation for or in respect of any consequential loss he may suffer by reason of the operation of the Rules or of his inability to participate in the Plan following upon such cessation.

29. **DIVIDENDS**

Where the Trustees receive any dividends in respect of their holdings of Eligible Employees' Qualification Stock, Deposited Stock, Appropriated Stock and Matured Stock, they shall -

(i) convert the amount so received into the punt equivalent thereof;

(ii) deduct therefrom any tax which may be payable by them in respect thereof;

(iii) divide the resultant amount by the total of all such Eligible Employees' Qualification Stock, Deposited Stock, Appropriated Stock and Matured Stock in respect of which such dividends were paid;

(iv) distribute to each Eligible Employee concerned as soon as reasonably practicable thereafter such amount as is found by multiplying the amount ascertained by the calculation referred to in paragraph (iii) by the total of all such Eligible Employee's Qualification Stock, Deposited Stock, Appropriated

Stock and Matured Stock in respect of which such dividends were paid rounded down to the nearest whole penny and provide each such Eligible Employee with details of the provisional tax credit relief, and

(v) retain the amount not distributed to be used in meeting the costs, expenses and charges of managing and administering the Plan (including any such costs and expenses as are payable by Eligible Employees under Rule 32).

30. FRACTIONS ARISING FROM THE ISSUE OF NEW SECURITIES

30.1 Allocation amongst Eligible Employees

30.1.1 If the Trustees become entitled to receive any shares, stock, securities or other rights in respect of their holding of Eligible Employees' Qualification Stock, Matured Stock, Deposited Stock or Appropriated Stock, the Trustees shall allocate such shares, stock, securities or other rights among the Eligible Employees concerned on a proportionate basis.

30.1.2 If the allocation in accordance with Rule 30.1.1 by reference to the aggregate of Qualification Stock, Matured Stock, Deposited Stock and Appropriated Stock attributable to an Eligible Employee should give rise to a fraction of a share, stock, security or right, the Trustees shall -

(i) round such aggregate allocation down to the next whole share, stock, security or right, and

(ii) sell any remaining shares, stocks, securities or rights and distribute the proceeds of sale thereof (after deducting any expenses of sale and any taxation which may be payable by the Trustees in respect thereof) to the Eligible Employees concerned in due proportion.

30.2 Allocation amongst an Eligible Employee's Stock

Where the Trustees receive any New Stock in respect of their holding of an Eligible Employee's Qualification Stock, Matured Stock, Deposited Stock or Appropriated Stock, the Trustees shall allocate the New Stock to that Eligible Employee on a proportionate basis by reference to his Qualification Stock, Matured Stock, Deposited Stock or Appropriated Stock and by reference to the relative times of acquisition or appropriation (as the case may be) of that Qualification Stock, Matured Stock, Deposited Stock or Appropriated Stock and, if any such allocation should give rise to a fraction of a New Stock, the Trustees shall round such allocation up or down to the next whole New Stock as they think fit.

31. ERRORS AND OMISSIONS

31.1 General

If, in relation to any Base Period, as a result of an error or omission either a Participating Company fails to make a Contribution to the Trustee which is attributable to an Eligible Employee pursuant to these Rules within the period contemplated by Rule 14 or Stock to which an Eligible Employee is entitled pursuant to these Rules is not acquired on his behalf within the period contemplated by Rule 17, the Company, the Participating Company and the Trustees may, but without obligation so to do, do all such acts and things as may be agreed in writing with the Revenue Commissioners to enable the Trustees to receive a Contribution, acquire and appropriate to the Eligible Employee the amount of Stock necessary to put that Eligible Employee in the position he would have been in but for such failure or want of appropriation and agree, where relevant, the Initial Market Value attributable to such Stock notwithstanding that such actions may fall outside the time limits contemplated by or otherwise conflict with the other provisions of these Rules provided always that the Trustee shall not be obligated to incur any liability (whether actual or contingent) without being funded or indemnified to their satisfaction.

31.2 **No liability**

The Trustees, the Company and the Participating Company shall have no liability whatsoever to an Eligible Employee or to any person in whom the beneficial interest in that Eligible Employee's Qualification Stock, Matured Stock, Deposited Stock, Appropriated Stock or any amount in such Eligible Employee's Procter & Gamble Designated Account is for the time being vested or the legal personal representatives of that Eligible Employee or person in respect of any notification, document or communication given by such Eligible Employee, person or legal personal representatives or for the failure to carry out any instruction or request contained therein, whether wholly or partially.

32. COSTS AND EXPENSES

32.1 **By the Participating Companies**

Subject to the following provisions of this Rule 32, all costs, expenses, charges and other liabilities of, and incidental to, the administration of the Plan shall be payable by the Trustees who shall be entitled to recover such costs and expenses and to be indemnified against such liabilities (and, if they so require, to be funded and/or indemnified in advance to their satisfaction) by the Company and the Participating Companies in such proportions as the Company and the Participating Companies agree are reasonable.

32.2 **By the Eligible Employees**

Subject to Rule 32.3, all the costs and expenses (including, without prejudice to the generality of the foregoing, all stamp duty and brokerage fees) arising as a result of any disposal on behalf of, or transfer to, an Eligible Employee of his Qualification Stock, Deposited Stock, Matured Stock or Appropriated Stock shall unless the Company directs otherwise be payable by the Eligible Employee on whose behalf such transaction is carried out or by whom such instruction is given.

32.3 **Allocation amongst Eligible Employees**

Where, on any one day, the Trustees carry out any of the transactions as mentioned in Rule 32.2 on behalf of more than one Eligible Employee, the aggregate of such costs and expenses as are mentioned in Rule 32.2 in respect of such transactions may be allocated amongst each of the Eligible Employees concerned in such transactions on a proportionate basis by reference to the proportion which the number of such Eligible Employee's Qualification Stock, Deposited Stock, Matured Stock or Appropriated Stock concerned in any of such transactions bears to the total of all Eligible Employees' Stock, Deposited Stock, Matured Stock or Appropriated Stock concerned in such transactions on behalf of each Eligible Employee. To the extent that such allocation results in any part of the costs and expenses payable by an Eligible Employee amounting to a fraction of less than one penny, then the Trustees may round such costs up or down to the nearest whole penny and any surplus thereby arising shall be retained by the Trustees to meet the incidental costs and expenses subsequently payable by Eligible Employees by virtue of this Rule.

32.4 **Withdrawal of amounts from Procter & Gamble Designated Account**

The Trustees shall be entitled to withdraw from any Eligible Employee's Procter & Gamble Designated Account such costs, expenses, charges and other amounts due to them from such Eligible Employee pursuant to Rule 32.2 and 32.3 and shall be entitled to retain the Stock Certificates of any of such Eligible Employee's Stock until such Eligible Employee has reimbursed them for any of such costs, expenses, charges and other amounts.

33. **DIRECTIONS AND NOTICES**

33.1 **To the Trustees**

To be valid any direction, agreement or notice given to the Trustees or any Participating Company by an Eligible Employee must be given in writing in the prescribed form and signed (or purport to be signed) by such Eligible Employee, his legal personal representatives or any other person in whom the beneficial interest in the relevant assets has vested on the Eligible Employee's insolvency or otherwise by operation of law. Subject to Rule 23.3 any such direction, agreement or notice shall be deemed to have been given only when it is received by the Trustees or the Participating Company, as the case may be, and for these purposes such direction, agreement or notice shall be deemed to be received by the Trustees or the Participating Company, as the case may be, when it is addressed to, and received by, Human Resources Department, Procter & Gamble (Manufacturing) Ireland Limited, Gortlandroe, Co. Tipperary, Ireland or to such other address as may from time to time be notified to the Eligible Employees concerned.

33.2 **To An Eligible Employee**

Any notification, document, payment or other communication to be given to an Eligible Employee hereunder may be given by delivery to him (if he is still an employee of any Participating Company) at his place of work or sent by post to the Eligible

Employee's address as shown in the Trustees' records for the time being or to such other address as has been notified to the Trustees by the legal personal representatives of such Eligible Employee or any other person in whom the beneficial interest in the relevant assets has vested on such Eligible Employee's insolvency or otherwise by operation of law. The Trustees, the Company and the related Employer shall not be concerned to see that any Eligible Employee or any person in whom the beneficial interest in the relevant assets is for the time being vested or the legal personal representatives of that Eligible Employee or person actually receives any notification, document, payment or other communication so given, sent or made.

33.3 **Indemnity against costs**

The Trustees shall be entitled to disregard any notice or direction from an Eligible Employee, his legal personal representatives or any person in whom the beneficial interest in the relevant assets is for the time being vested concerning the assignment, charge or other disposal of the beneficial interest in, or the transfer or disposal, whether to the Eligible Employee concerned or otherwise, of any of the relevant assets unless they have first been provided with the full amount of any costs, expenses, charges or other amounts payable by such Eligible Employee pursuant to Rule 32 by reference to such assignment, charge, transfer or disposal or any previous assignment, charge, transfer or disposal.

33.4 **Notices irrevocable**

Any direction, agreement or notice once given shall be irrevocable until revoked or varied by a properly given direction, agreement or notice under these Rules. Subject as herein provided, any direction, agreement or notice shall be carried out by the Trustees in accordance with its terms. The Trustees shall incur no liability to an Eligible Employee if they act or take no action in reliance upon a direction, agreement or notice which purports to have been duly given.

34. DISPUTES

The decision of the Board in any dispute or question as to the rights or obligations of any person hereunder or concerning the construction of or effect of any of the Rules or otherwise shall be final and conclusive.

35. SUSPENSION

The Company may by resolution of the Board suspend the operation of the Plan either temporarily or permanently, but in such event the provisions of the Plan shall, in relation to Stock which has already been acquired or appropriated under the Plan, continue in full force and effect.

EXHIBIT II – ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED 30 JUNE 2018 FILED ON 7 AUGUST 2018 AND FORM 8-K FILED ON 22 OCTOBER 2018

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

Form 10-K

(Mark one)

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

For the Fiscal Year Ended June 30, 2018

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 No. 1-434

THE PROCTER & GAMBLE COMPANY

One Procter & Gamble Plaza, Cincinnati, Ohio 45202

Telephone (513) 983-1100

IRS Employer Identification No. 31-0411980

State of Incorporation: Ohio

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

Title of each class	Name of each exchange on which registered
Common Stock, without Par Value	**New York Stock Exchange, NYSE Euronext-Paris**

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 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 ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filed," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	(Do not check if smaller reporting company)	
		Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the voting stock held by non-affiliates amounted to $231 billion on December 31, 2017.

There were 2,488,011,390 shares of Common Stock outstanding as of July 31, 2018.

<u>Documents Incorporated by Reference</u>

Portions of the Proxy Statement for the 2018 Annual Meeting of Shareholders, which will be filed within one hundred and twenty days of the fiscal year ended June 30, 2018 (2018 Proxy Statement), are incorporated by reference into Part III of this report to the extent described herein.

FORM 10-K TABLE OF CONTENTS

PART I

Item 1. Business.

Additional information required by this item is incorporated herein by reference to Management's Discussion and Analysis (MD&A); and Notes 1 and 2 to our Consolidated Financial Statements. Unless the context indicates otherwise, the terms the "Company," "P&G," "we," "our" or "us" as used herein refer to The Procter & Gamble Company (the registrant) and its subsidiaries.

The Procter & Gamble Company is focused on providing branded consumer packaged goods of superior quality and value to improve the lives of the world's consumers. The Company was incorporated in Ohio in 1905, having been built from a business founded in 1837 by William Procter and James Gamble. Today, our products are sold in more than 180 countries and territories.

Throughout this Form 10-K, we incorporate by reference information from other documents filed with the Securities and Exchange Commission (SEC).

The Company's Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments thereto, are filed electronically with the SEC. The SEC maintains an internet site that contains these reports at: www.sec.gov. You can also access these reports through links from our website at: www.pginvestor.com.

Copies of these reports are also available, without charge, by contacting EQ Shareowner Services, 1100 Centre Pointe Curve, Suite 101, Mendota, MN 55120-4100.

Financial Information about Segments

As of June 30, 2018, the Company has five reportable segments under U.S. GAAP: Beauty; Grooming; Health Care; Fabric & Home Care and Baby, Feminine & Family Care. Many of the factors necessary for understanding these businesses are similar. Operating margins of the individual businesses vary due to the nature of materials and processes used to manufacture the products, the capital intensity of the businesses and differences in selling, general and administrative expenses as a percentage of net sales. Net sales growth by business is also expected to vary slightly due to the underlying growth of the markets and product categories in which they operate. While none of our reportable segments are highly seasonal, components within certain reportable segments, such as Appliances (Grooming) and Personal Health Care (Health), are seasonal.

Additional information about our reportable segments can be found in the MD&A and Note 2 to our Consolidated Financial Statements.

Narrative Description of Business

Business Model. Our business model relies on the continued growth and success of existing brands and products, as well as the creation of new innovative products. The markets and industry segments in which we offer our products are highly competitive. Our products are sold in more than 180 countries and territories primarily through mass merchandisers, e-commerce, grocery stores, membership club stores, drug stores, department stores, distributors, wholesalers, baby stores, specialty beauty stores, high-frequency stores and pharmacies. Our growth strategy is to deliver meaningful and noticeable superiority in all elements of our consumer proposition - product, packaging, brand communication, retail execution and value equation. We use our research and development and consumer insights to provide superior products and packaging. We utilize our marketing and online presence to deliver superior brand messaging to our consumers. We work collaboratively with our customers to deliver superior retail execution, both in-store and online. In conjunction with the above elements, we provide superior value to consumers and our retail customers, in each price tier where we compete.

Key Product Categories. Information on key product categories can be found in Note 2 to our Consolidated Financial Statements.

Key Customers. Our customers include mass merchandisers, e-commerce, grocery stores, membership club stores, drug stores, department stores, distributors, wholesalers, baby stores, specialty beauty stores, high-frequency stores and pharmacies. Sales to Walmart Inc. and its affiliates represent approximately 15% of our total sales in 2018, 16% in 2017 and 15% in 2016. No other customer represents more than 10% of our total sales. Our top ten customers accounted for approximately 36% of our total sales in 2018 and 35% in both 2017 and 2016. The nature of our business results in no material backlog orders or contracts with the government. We believe our practices related to working capital items for customers and suppliers are consistent with the industry segments in which we compete.

Sources and Availability of Materials. Almost all of the raw and packaging materials used by the Company are purchased from others, some of whom are single-source suppliers. We produce certain raw materials, primarily chemicals, for further use in the manufacturing process. In addition, fuel, natural gas and derivative products are important commodities consumed in our manufacturing process and in the transportation of input materials and finished products to customers. The prices we pay for materials and other commodities are subject to fluctuation. When prices for these items change, we may or may not pass the change to our customers. The Company purchases a substantial variety of other raw and packaging materials, none of which is material to our business taken as a whole.

Trademarks and Patents. We own or have licenses under patents and registered trademarks, which are used in connection with our activity in all businesses. Some of these patents or licenses cover significant product formulation and processes used to manufacture our products. The trademarks are important to the overall marketing and branding of our products. All major trademarks in each business are registered. In part, our success can be attributed to the existence and continued protection of these trademarks, patents and licenses.

Competitive Condition. The markets in which our products are sold are highly competitive. Our products compete against similar products of many large and small companies, including well-known global competitors. In many of the markets and industry segments in which we sell our products we compete against other branded products as well as retailers' private-label brands. We are well positioned in the industry segments and markets in which we operate, often holding a leadership or significant market share position. We support our products with advertising, promotions and other marketing vehicles to build awareness and trial of our brands and products in conjunction with our sales force. We believe this combination provides the most efficient method of marketing for these types of products. Product quality, performance, value and packaging are also important differentiating factors.

Research and Development Expenditures. Research and development (R&D) expenditures enable us to develop technologies and obtain patents across all categories in order to meet the needs and improve the lives of our consumers. Research and development expenses were $1.9 billion in 2018, 2017 and 2016 (reported in Net earnings from continuing operations).

Expenditures for Environmental Compliance. Expenditures for compliance with federal, state and local environmental laws and regulations are fairly consistent from year to year and are not material to the Company. No material change is expected in fiscal year 2019.

Employees. Total number of employees is an estimate of total Company employees excluding interns, co-ops, contractors and employees of joint ventures as of the years ended June 30. The number of employees includes manufacturing and non-manufacturing employees. The number of employees is not restated to exclude employees of discontinued operations.

	Total Number of Employees
2018	**92,000**
2017	95,000
2016	105,000
2015	110,000
2014	118,000
2013	121,000

Financial Information about Foreign and Domestic Operations. Net sales in the United States account for 41% of total net sales. No other individual country exceeds 10% of total net sales. Operations outside the United States are generally characterized by the same conditions discussed in the description of the business above and may be affected by additional factors including changing currency values, different rates of inflation, economic growth and political and economic uncertainties and disruptions.

Our sales by geography for the fiscal years ended June 30 were as follows:

	2018	2017	2016
North America [(1)]	**44%**	45%	44%
Europe	**24%**	23%	23%
Asia Pacific	**9%**	9%	9%
Greater China	**9%**	8%	8%
Latin America	**7%**	8%	8%
IMEA [(2)]	**7%**	7%	8%

(1) North America includes results for the United States, Canada and Puerto Rico only.

(2) IMEA includes India, Middle East and Africa.

Net sales and total assets in the United States and internationally were as follows (in billions):

Net Sales (years ended June 30)	United States	International
2018	**$27.3**	**$39.5**
2017	$27.3	$37.8
2016	$27.0	$38.3
Total Assets (years ended June 30)		
2018	**$63.4**	**$54.9**
2017	$59.8	$60.6
2016	$64.4	$62.7

Item 1A. Risk Factors.

We discuss our expectations regarding future performance, events and outcomes, such as our business outlook and objectives in this Form 10-K, quarterly and annual reports, press releases and other written and oral communications. All statements, except for historical and present factual information, are "forward-looking statements" and are based on financial data and business plans available only as of the time the statements are made, which may become outdated or incomplete. We assume no obligation to update any forward-looking statements as a result of new information, future events or other factors. Forward-looking statements are inherently uncertain, and investors must recognize that events could significantly differ from our expectations.

The following discussion of "risk factors" identifies significant factors that may adversely affect our business, operations, financial position or future financial performance. This information should be read in conjunction with the MD&A and the Consolidated Financial Statements and related Notes incorporated in this report. The following discussion of risks is not all inclusive, but is designed to highlight what we believe are important factors to consider when evaluating our expectations. These and other factors could cause our future results to differ from those in the forward-looking statements and from historical trends.

Our business is subject to numerous risks as a result of our having significant operations and sales in international markets, including foreign currency fluctuations, currency exchange or pricing controls and localized volatility.

We are a global company, with operations in approximately 70 countries and products sold in more than 180 countries and territories around the world. We hold assets, incur liabilities, earn revenues and pay expenses in a variety of currencies other than the U.S. dollar, and our operations outside the U.S. generate a significant portion of our net revenue. Fluctuations in exchange rates for foreign currencies may reduce the U.S. dollar value of revenues, profits and cash flows we receive from non-U.S. markets, increase our supply costs (as measured in U.S. dollars) in those markets, negatively impact our competitiveness in those markets or otherwise adversely impact our business results or financial condition. Moreover, discriminatory or conflicting fiscal or trade policies in different countries, including potential changes to tariffs and existing trade policies and agreements, could adversely affect our results. See also the Results of Operations and Cash Flow, Financial Condition and Liquidity sections of the MD&A and Note 9 to our Consolidated Financial Statements.

We also have businesses and maintain local currency cash balances in a number of countries with currency exchange, import authorization, pricing or other controls or restrictions, such as Nigeria, Algeria and Egypt. Our results of operations and financial condition could be adversely impacted if we are unable to successfully manage such controls and restrictions, continue existing business operations and repatriate earnings from overseas, or if new or increased tariffs, quotas, exchange or price controls, trade barriers or similar restrictions are imposed on our business.

Additionally, our business, operations or employees may be adversely affected by political volatility, labor market disruptions or other crises or vulnerabilities in individual countries or regions, including political instability or upheaval, broad economic instability or sovereign risk related to a default by or deterioration in the credit worthiness of local governments, particularly in emerging markets.

Uncertain global economic conditions may adversely impact demand for our products or cause our customers and other business partners to suffer financial hardship, which could adversely impact our business.

Our business could be negatively impacted by reduced demand for our products related to one or more significant local, regional or global economic disruptions, such as: a slow-down in the general economy; reduced market growth rates; tighter credit markets for our suppliers, vendors or customers; a significant shift in government policies; or the inability to conduct day-to-day transactions through our financial intermediaries to pay funds to or collect funds from our customers, vendors and suppliers. Additionally, economic conditions may cause our suppliers, distributors, contractors or other third-party partners to suffer financial difficulties that they cannot overcome, resulting in their inability to provide us with the materials and services we need, in which case our business and results of operations could be adversely affected. Customers may also suffer financial hardships due to economic conditions such that their accounts become uncollectible or are subject to longer collection cycles. In addition, if we are unable to generate sufficient income and cash flow, it could affect the Company's ability to achieve expected share repurchase and dividend payments.

Disruptions in credit markets or changes to our credit ratings may reduce our access to credit.

A disruption in the credit markets or a downgrade of our current credit rating could increase our future borrowing costs and impair our ability to access capital and credit markets on terms commercially acceptable to us, which could adversely affect our liquidity and capital resources or significantly increase our cost of capital.

Disruption in our global supply chain may negatively impact our business results.

Our ability to meet our customers' needs and achieve cost targets depends on our ability to maintain key manufacturing and supply arrangements, including execution of supply chain optimizations and certain sole supplier or sole manufacturing plant arrangements. The loss or disruption of such manufacturing and supply arrangements, including for issues such as labor disputes, loss or impairment of key manufacturing sites, discontinuity in our internal information and data systems, inability to procure sufficient raw or input materials, significant changes in trade policy, natural disasters, increasing severity or frequency of extreme weather events due to climate change or otherwise, acts of war or terrorism or other external factors over which we have no control, could interrupt product supply and, if not effectively managed and remedied, have an adverse impact on our business, financial condition or results of operations.

Our businesses face cost fluctuations and pressures that could affect our business results.

Our costs are subject to fluctuations, particularly due to changes in the prices of commodities and raw materials and the costs of labor, transportation, energy, pension and healthcare. Therefore, our business results are dependent, in part, on our continued ability to manage these fluctuations through pricing actions, cost saving projects and sourcing decisions, while maintaining and improving margins and market share. Failure to manage these fluctuations could adversely impact our financial results.

Our ability to meet our growth targets depends on successful product, marketing and operations innovation and successful responses to competitive innovation and changing consumer habits.

We are a consumer products company that relies on continued global demand for our brands and products. Achieving our business results depends, in part, on successfully developing, introducing and marketing new products and on making significant improvements to our equipment and manufacturing processes. The success of such innovation depends on our ability to correctly anticipate customer and consumer acceptance and trends, to obtain, maintain and enforce necessary intellectual property protections and to avoid infringing upon the intellectual property rights of others. We must also successfully respond to technological advances made by, and intellectual property rights granted to, competitors. Failure to continually innovate, improve and respond to competitive moves and changing consumer habits could compromise our competitive position and adversely impact our results.

The ability to achieve our business objectives is dependent on how well we can compete with our local and global competitors in new and existing markets and channels.

The consumer products industry is highly competitive. Across all of our categories, we compete against a wide variety of global and local competitors. As a result, we experience ongoing competitive pressures in the environments in which we operate, which may result in challenges in maintaining profit margins. To address these challenges, we must be able to successfully respond to competitive factors and emerging retail trends, including pricing, promotional incentives, product delivery windows and trade terms. In addition, evolving sales channels and business models may affect customer and consumer preferences as well as market dynamics, which, for example, may be seen in the growing consumer preference for shopping online and growth in hard discounter channels. Failure to successfully respond to competitive factors and emerging retail trends, and effectively compete in growing sales channels and business models, particularly e-commerce and mobile commerce applications, could negatively impact our results.

A significant change in customer relationships or in customer demand for our products could have a significant impact on our business.

We sell most of our products via retail customers, which include mass merchandisers, e-commerce, grocery stores, membership club stores, drug stores, department stores, distributors, wholesalers, baby stores, specialty beauty stores, high-frequency stores and pharmacies. Our success is dependent on our ability to successfully manage relationships with our retail trade customers, which includes our ability to offer trade terms that are mutually acceptable and are aligned with our pricing and profitability targets. Continued concentration among our retail customers could create significant cost and margin pressure on our business, and our business performance could suffer if we cannot reach agreement with a key customer on trade terms and principles. Our business could also be negatively impacted if a key customer were to significantly reduce the inventory level or shelf space of our products as a result of increased offerings of private label brands and generic non-branded products or for other reasons, significantly tighten product delivery windows or experience a significant business disruption.

If the reputation of the Company or one or more of our brands erodes significantly, it could have a material impact on our financial results.

The Company's reputation, and the reputation of our brands, form the foundation of our relationships with key stakeholders and other constituencies, including consumers, customers and suppliers. The quality and safety of our products are critical to our business. Many of our brands have worldwide recognition and our financial success is directly dependent on the success of our brands. The success of our brands can suffer if our marketing plans or product initiatives do not have the desired impact on a brand's image or its ability to attract consumers. Our results could also be negatively impacted if one of our brands suffers substantial harm to its reputation due to a significant product recall, product-related litigation, defects or impurities in our products, product misuse, changing consumer perceptions of certain ingredients or environmental impacts, allegations of product tampering or the distribution and sale of counterfeit products. Additionally, negative or inaccurate postings or comments on social media or networking websites about the Company or one of its brands could generate adverse publicity that could damage the reputation of our brands or the Company. If we are unable to effectively manage real or perceived issues, including concerns about safety, quality, ingredients, efficacy, environmental impacts or similar matters, sentiments toward the Company or our products could be negatively impacted and our financial results could suffer. Our Company also devotes time and resources to citizenship efforts that are consistent with our corporate values and are designed to strengthen our business and protect and preserve our reputation, including programs driving ethics and corporate responsibility, strong communities, diversity and inclusion, gender equality and environmental sustainability. If these programs are not executed as planned or suffer negative publicity, the Company's reputation and financial results could be adversely impacted.

We rely on third parties in many aspects of our business, which creates additional risk.

Due to the scale and scope of our business, we must rely on relationships with third parties, including our suppliers, distributors, contractors, commercial banks, joint venture partners and external business partners, for certain functions. If we are unable to effectively manage our third-party relationships and the agreements under which our third-party partners operate, our financial results could suffer. Additionally, while we have policies and procedures for managing these relationships, they inherently involve a lesser degree of control over business operations, governance and compliance, thereby potentially increasing our financial, legal, reputational and operational risk.

An information security or operational technology incident, including a cybersecurity breach, or the failure of one or more key information or operations technology systems, networks, hardware, processes, and/or associated sites owned or operated by the Company or one of its service providers could have a material adverse impact on our business or reputation.

As part of the Company’s regular review of potential risks, we maintain an information and operational technology (“IT/OT”) risk management program that is primarily supervised by information technology management and reviewed by internal cross-functional stakeholders. As part of this program, analyses of emerging cybersecurity threats as well as the Company’s plans and strategies to address them are regularly prepared and presented to senior management, the Audit

Committee and the Board of Directors. Despite our policies, procedures and programs, including this IT/OT risk management program, we may not be effective in identifying and mitigating every risk to which we are exposed.

We rely extensively on IT/OT systems, networks and services, including internet and intranet sites, data hosting and processing facilities and technologies, physical security systems and other hardware, software and technical applications and platforms, many of which are managed, hosted, provided and/or used by third parties or their vendors, to assist in conducting our business. The various uses of these IT/OT systems, networks and services include, but are not limited to:

- ordering and managing materials from suppliers;
- converting materials to finished products;
- shipping products to customers;
- marketing and selling products to consumers;
- collecting, transferring, storing and/or processing customer, consumer, employee, vendor, investor, and other stakeholder information and personal data, including such data from citizens of the European Union who are covered by the General Data Protection Regulation ("GDPR");
- summarizing and reporting results of operations, including financial reporting;
- managing our banking and other cash liquidity systems and platforms;
- hosting, processing and sharing, as appropriate, confidential and proprietary research, business plans and financial information;
- collaborating via an online and efficient means of global business communications;
- complying with regulatory, legal and tax requirements;
- providing data security; and
- handling other processes necessary to manage our business.

Numerous and evolving information security threats, including advanced persistent cybersecurity threats, pose a risk to the security of our services, systems, networks and supply chain, as well as to the confidentiality, availability and integrity of our data and of our critical business operations. As cybersecurity threats rapidly evolve in sophistication and become more prevalent across the industry globally, the Company is continually increasing its attention to these threats. We assess potential threats and vulnerabilities and make investments seeking to address them, including ongoing monitoring and updating of networks and systems, increasing specialized information security skills, deploying employee security training, and updating security policies for the Company and its third-party providers. However, because the techniques, tools and tactics used in cyber attacks frequently change and may be difficult to detect for periods of time, we may face difficulties in anticipating and implementing adequate preventative measures or fully mitigating harms after such an attack.

Our IT/OT databases and systems and our third-party providers' databases and systems have been, and will likely continue to be, subject to advanced computer viruses or other malicious codes, ransomware, unauthorized access attempts, denial of service attacks, phishing, social engineering, hacking and other cyber-attacks. Such attacks may originate from nation states or attempts by outside parties, hackers, criminal organizations or other threat actors. To date, we have seen no material impact on our business or operations from these attacks; however, we cannot guarantee that our security efforts or the security efforts of our third-party providers will prevent material breaches, operational incidents or other breakdowns to our or our third-party providers' IT/OT databases or systems.

Periodically, we also need to upgrade our IT/OT systems or adopt new technologies. If such a new system or technology does not function properly or otherwise exposes us to increased cybersecurity breaches and failures, it could affect our ability to order materials, make and ship orders, and process payments in addition to other operational and information integrity and loss issues. Further, if the IT/OT systems, networks or service providers we rely upon fail to function properly or cause operational outages or aberrations, or if we or one of our third-party providers suffer significant unavailability of key operations, or inadvertent disclosure of, lack of integrity of, or loss of our sensitive business or stakeholder information, due to any number of causes, ranging from catastrophic events or power outages to improper data handling, security incidents or employee error or malfeasance, and our business continuity plans do not effectively address these failures on a timely basis, we may be exposed to reputational, competitive, operational, financial and business harm as well as litigation and regulatory action. The costs and operational consequences of responding to the above items and implementing remediation measures could be significant and could adversely impact our results.

Changing political conditions could adversely impact our business and financial results.

Changes in the political conditions in markets in which we manufacture, sell or distribute our products may be difficult to predict and may adversely affect our business and financial results. For example, the United Kingdom's decision to leave the European Union has created uncertainty regarding, among other things, the U.K.'s future legal and economic framework and how the U.K. will interact with other countries, including with respect to the free movement of goods, services, capital and people. In addition, results of elections, referendums or other political processes in certain markets in which our products are manufactured, sold or distributed could create uncertainty regarding how existing governmental policies, laws and regulations may change, including with respect to sanctions, taxes, the movement of goods, services, capital and people between countries and other matters. The potential implications of such uncertainty, which include, among others, exchange rate fluctuations, trade barriers and market contraction, could adversely affect the Company's business and financial results.

We must successfully manage compliance with laws and regulations, as well as manage new and pending legal and regulatory matters in the U.S. and abroad.

Our business is subject to a wide variety of laws and regulations across all of the countries in which we do business, including those laws and regulations involving intellectual property, product liability, marketing, antitrust, data protection, environmental (including climate, water, waste), employment, anti-bribery, anti-corruption, tax, accounting and financial reporting or other matters. Rapidly changing laws, regulations and related interpretations, as well as increased enforcement actions, create challenges for the Company, including our compliance and ethics programs, and may alter the environment in which we do business, which could adversely impact our financial results. If we are unable to continue to meet these challenges and comply with all laws, regulations and related interpretations, it could negatively impact our reputation and our business results. Failure to successfully manage regulatory and legal matters and resolve such matters without significant liability or damage to our reputation may materially adversely impact our results of operations and financial position. Furthermore, if pending legal or regulatory matters result in fines or costs in excess of the amounts accrued to date, that may also materially impact our results of operations and financial position.

Changes in applicable tax regulations and resolutions of tax disputes could negatively affect our financial results.

The Company is subject to taxation in the U.S. and numerous foreign jurisdictions. Changes in the various tax laws can and do occur. For example, on December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “U.S. Tax Act”). The changes included in the U.S. Tax Act are broad and complex. The final transition impacts of the U.S. Tax Act may differ from the estimates provided elsewhere in this report, possibly materially, due to, among other things, changes in interpretations of the U.S. Tax Act, any regulatory guidance or legislative action to address questions that arise because of the U.S. Tax Act or any updates or changes to estimates the Company has utilized to calculate the transition impacts, including impacts from changes to current year earnings estimates.

Additionally, longstanding international tax norms that determine each country’s jurisdiction to tax cross-border international trade are evolving as a result of the Base Erosion and Profit Shifting reporting requirements (“BEPS") recommended by the G8, G20 and Organization for Economic Cooperation and Development ("OECD"). As these and other tax laws and related regulations change, our financial results could be materially impacted. Given the unpredictability of these possible changes and their potential interdependency, it is very difficult to assess whether the overall effect of such potential tax changes would be cumulatively positive or negative for our earnings and cash flow, but such changes could adversely impact our financial results.

Furthermore, we are subject to regular review and audit by both foreign and domestic tax authorities. While we believe our tax positions will be sustained, the final outcome of tax audits and related litigation, including maintaining our intended tax treatment of divestiture transactions such as the fiscal 2017 Beauty Brands transaction with Coty, may differ materially from the tax amounts recorded in our Consolidated Financial Statements, which could adversely impact our cash flows and financial results.

We must successfully manage ongoing acquisition, joint venture and divestiture activities.

As a company that manages a portfolio of consumer brands, our ongoing business model includes a certain level of acquisition, joint venture and divestiture activities. We must be able to successfully manage the impacts of these activities, while at the same time delivering against our business objectives. Specifically, our financial results could be adversely impacted by the dilutive impacts from the loss of earnings associated with divested brands or dissolution of joint ventures such as the termination of the PGT Healthcare partnership between the Company and Teva Pharmaceutical Industries. Our financial results could also be impacted by acquisitions or joint venture activities, such as the planned acquisition of Merck KGaA's Consumer Health business, if: 1) changes in the cash flows or other market-based assumptions cause the value of acquired assets to fall below book value, or 2) we are not able to deliver the expected cost and growth synergies associated with such acquisitions and joint ventures, including as a result of integration and collaboration challenges, which could also have an impact on goodwill and intangible assets.

Our business results depend on our ability to successfully manage productivity improvements and ongoing organizational change.

Our financial projections assume certain ongoing productivity improvements and cost savings, including staffing adjustments as well as employee departures. Failure to deliver these planned productivity improvements and cost savings, while continuing to invest in business growth, could adversely impact our financial results. Additionally, successfully executing organizational change, including management transitions at leadership levels of the Company and motivation and retention of key employees, is critical to our business success. Factors that may affect our ability to attract and retain sufficient numbers of qualified employees include employee morale, our reputation, competition from other employers and availability of qualified personnel. Our success is dependent on identifying, developing and retaining key employees to provide uninterrupted leadership and direction for our business. This includes developing and retaining organizational capabilities in key growth markets where the depth of skilled or experienced employees may be limited and competition for these resources is intense, as well as continuing the development and execution of robust leadership succession plans.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

In the U.S., we own and operate 25 manufacturing sites located in 19 different states. In addition, we own and operate 85 manufacturing sites in 37 other countries. Many of the domestic and international sites manufacture products for multiple businesses. Beauty products are manufactured at 24 of these locations; Grooming products at 20; Health Care products at 18; Fabric & Home Care products at 41; and Baby, Feminine & Family Care at 39. We own our Corporate headquarters in Cincinnati, Ohio. We own or lease our principal regional general offices in Switzerland, Panama, Singapore and China. We own or lease our principal regional shared service centers in Costa Rica, the United Kingdom and the Philippines. Management believes that the Company's sites are adequate to support the business and that the properties and equipment have been well maintained.

Item 3. Legal Proceedings.

The Company is subject, from time to time, to certain legal proceedings and claims arising out of our business, which cover a wide range of matters, including antitrust and trade regulation, product liability, advertising, contracts, environmental issues, patent and trademark matters, labor and employment matters and tax. See Note 12 to our Consolidated Financial Statements for information on certain legal proceedings for which there are contingencies.

This item should be read in conjunction with the Company's Risk Factors in Part I, Item 1A for additional information.

Item 4. Mine Safety Disclosure.

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages and positions held by the Executive Officers of the Company on August 7, 2018, are:

Name	Position	Age	First Elected to Officer Position
David S. Taylor	Chairman of the Board, President and Chief Executive Officer	60	2013
Jon R. Moeller	Vice Chairman and Chief Financial Officer	54	2009
Steven D. Bishop	Group President - Global Health Care	54	2016
Mary Lynn Ferguson-McHugh	Group President - Global Family Care and P&G Ventures	58	2016
Carolyn M. Tastad	Group President - North America Selling and Market Operations	57	2014
Gary A. Coombe	President - Global Grooming	54	2014
Kathleen B. Fish	Chief Research, Development and Innovation Officer	61	2014
Fama Francisco	President - Global Baby Care and Baby and Feminine Care Sector	50	2018
M. Tracey Grabowski	Chief Human Resources Officer	50	2018
Shailesh Jejurikar	President - Global Fabric Care and Fabric & Home Care Sector	51	2018
R. Alexandra Keith	President - Global Hair Care and Beauty Sector	50	2017
Deborah P. Majoras	Chief Legal Officer and Secretary	54	2010
Juan Fernando Posada	President - Latin America Selling and Market Operations	56	2015
Matthew Price	President - Greater China Selling and Market Operations	52	2015
Marc S. Pritchard	Chief Brand Officer	58	2008
Loïc Tassel	President - Europe Selling and Market Operations	51	2018
Jeffrey K. Schomburger	Global Sales Officer	56	2015
Valarie L. Sheppard	Senior Vice President, Comptroller and Treasurer	54	2005
Yannis Skoufalos	Global Product Supply Officer	61	2011
Magesvaran Suranjan	President - Asia Pacific Selling and Market Operations and India, Middle East and Africa (IMEA) Selling and Market Operations	48	2015

All the Executive Officers named above have been employed by the Company for more than the past five years.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (3)	Approximate Dollar Value of Shares that May Yet Be Purchased Under Our Share Repurchase Program
4/1/2018 - 4/30/2018	6,119,071	$76.82	6,119,071	(3)
5/1/2018 - 5/31/2018	6,160,881	73.04	6,160,881	(3)
6/1/2018 - 6/30/2018	5,914,776	76.08	5,914,776	(3)
Total	18,194,728	$75.30	18,194,728	(3)

(1) All transactions were made in the open market with large financial institutions. This table excludes shares withheld from employees to satisfy minimum tax withholding requirements on option exercises and other equity-based transactions. The Company administers cashless exercises through an independent third party and does not repurchase stock in connection with cashless exercises.

(2) Average price paid per share is calculated on a settlement basis and excludes commission.

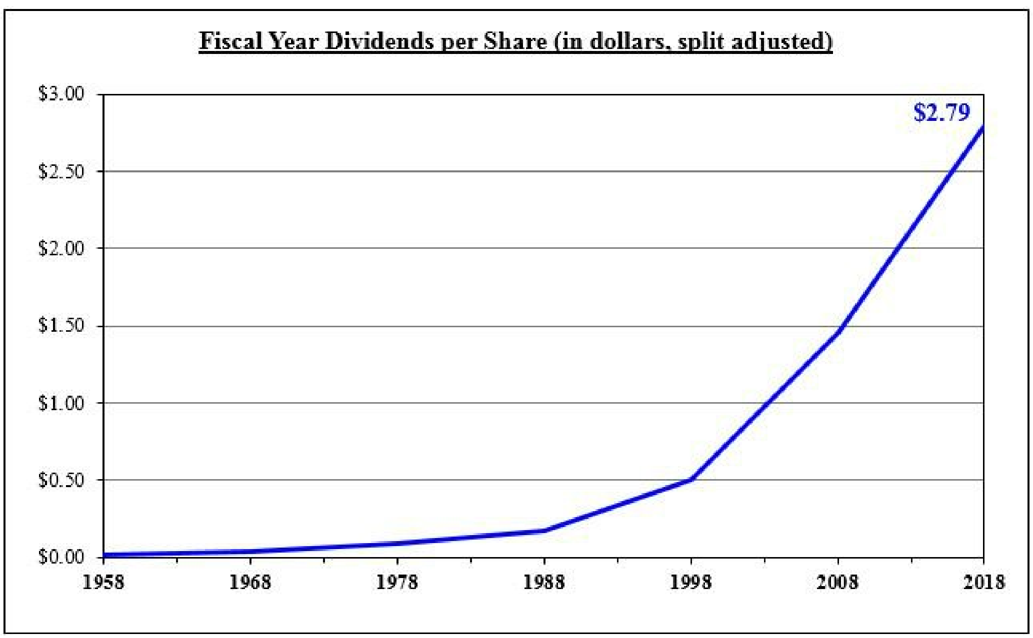
(3) On April 19, 2018, the Company stated that in fiscal year 2018 the Company expected to reduce outstanding shares through direct share repurchases at a value of approximately $6 to $8 billion, notwithstanding any purchases under the Company's compensation and benefit plans. The share repurchases were authorized pursuant to a resolution issued by the Company's Board of Directors and were financed through a combination of operating cash flows and issuance of long-term and short-term debt. The total value of the shares purchased under the share repurchase plan was $7.0 billion. The share repurchase plan ended on June 30, 2018.

Additional information required by this item can be found in Part III, Item 12 of this Form 10-K.

SHAREHOLDER RETURN PERFORMANCE GRAPHS

Market and Dividend Information

P&G has been paying a dividend for 128 consecutive years since its original incorporation in 1890 and has increased its dividend for 62 consecutive years. Over the past five years, the dividend has increased at an annual compound average rate of 4%. Nevertheless, as in the past, further dividends will be considered after reviewing dividend yields, profitability expectations and financing needs and will be declared at the discretion of the Company's Board of Directors.



(in dollars; split-adjusted)	1958	1968	1978	1988	1998	2008	2018
Dividends per share	$ 0.02	$ 0.04	$ 0.08	$ 0.17	$ 0.51	$ 1.45	$ **2.79**

Quarterly Dividends

Quarter ended	2017 - 2018	2016 - 2017
September 30	**$ 0.6896**	$ 0.6695
December 31	**0.6896**	0.6695
March 31	**0.6896**	0.6695
June 30	**0.7172**	0.6896

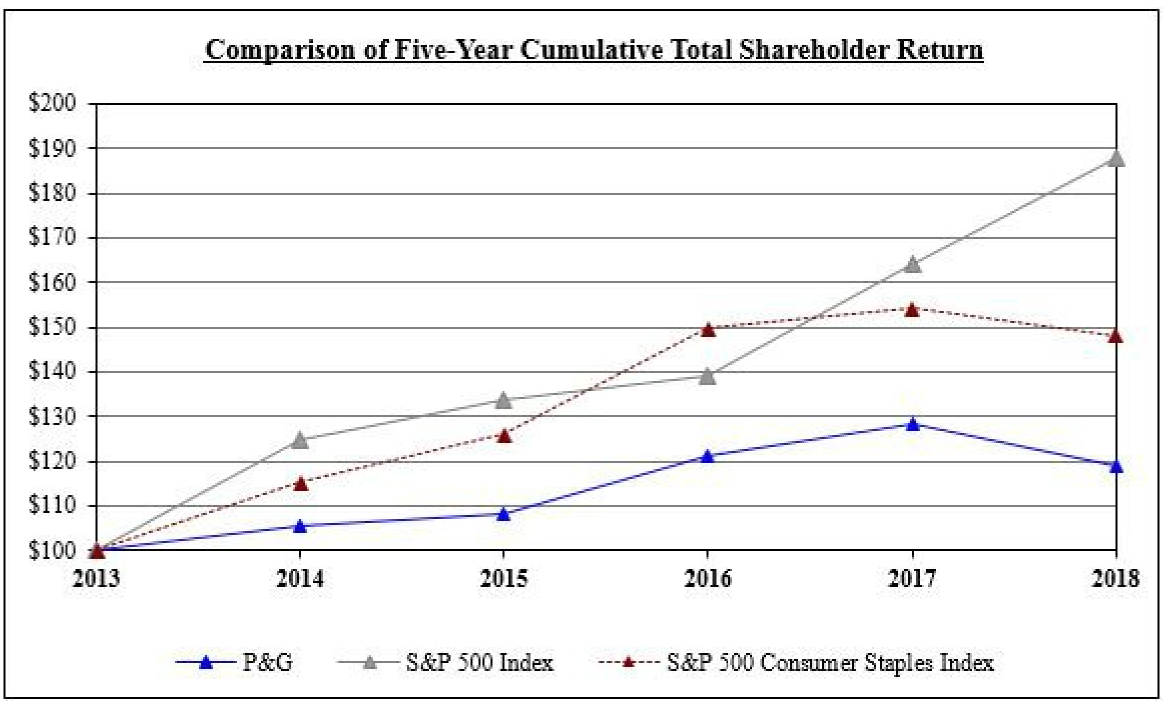
Common Stock Price Range

Quarter ended	2017 - 2018		2016 - 2017	
	High	Low	High	Low
September 30	**$ 94.67**	**$ 86.31**	$ 90.22	$ 84.32
December 31	**93.51**	**85.43**	90.32	81.18
March 31	**91.92**	**75.81**	92.00	83.24
June 30	**79.51**	**70.74**	91.13	85.52

P&G trades on the New York Stock Exchange and NYSE Euronext-Paris under the stock symbol PG. There were approximately 3.2 million common stock shareowners, including shareowners of record, participants in the P&G Direct Stock Purchase Plan, participants in P&G stock ownership plans and beneficial owners with accounts at banks and brokerage firms, as of June 30, 2018.

Shareholder Return

The following graph compares the cumulative total return of P&G's common stock for the five-year period ended June 30, 2018, against the cumulative total return of the S&P 500 Stock Index (broad market comparison) and the S&P 500 Consumer Staples Index (line of business comparison). The graph and table assume $100 was invested on June 30, 2013, and that all dividends were reinvested.



Company Name/Index	Cumulative Value of $100 Investment, through June 30					
	2013	2014	2015	2016	2017	2018
P&G	$ 100	$ 105	$ 108	$ 121	$ 128	**$ 119**
S&P 500 Index	100	125	134	139	164	**188**
S&P 500 Consumer Staples Index	100	115	126	150	154	**148**

Item 6. Selected Financial Data.

The information required by this item is incorporated by reference to Note 1 and Note 2 to our Consolidated Financial Statements. For further details behind the business drivers for recent results presented below, see the Management's Discussion and Analysis.

Financial Summary (Unaudited)

Amounts in millions, except per share amounts	2018	2017	2016	2015	2014	2013
Net sales	**$ 66,832**	$ 65,058	$ 65,299	$ 70,749	$ 74,401	$ 73,910
Gross profit	**32,564**	32,523	32,390	33,693	35,371	35,858
Operating income	**13,711**	13,955	13,441	11,049	13,910	13,051
Net earnings from continuing operations	**9,861**	10,194	10,027	8,287	10,658	10,346
Net earnings/(loss) from discontinued operations	**—**	5,217	577	(1,143)	1,127	1,056
Net earnings attributable to Procter & Gamble	**9,750**	15,326	10,508	7,036	11,643	11,312
Net earnings margin from continuing operations	**14.8%**	15.7%	15.4%	11.7%	14.3%	14.0%
Basic net earnings per common share: (1)						
Earnings from continuing operations	**$ 3.75**	$ 3.79	$ 3.59	$ 2.92	$ 3.78	$ 3.65
Earnings/(loss) from discontinued operations	**—**	2.01	0.21	(0.42)	0.41	0.39
Basic net earnings per common share	**$ 3.75**	$ 5.80	$ 3.80	$ 2.50	$ 4.19	$ 4.04
Diluted net earnings per common share: (1)						
Earnings from continuing operations	**$ 3.67**	$ 3.69	$ 3.49	$ 2.84	$ 3.63	$ 3.50
Earnings/(loss) from discontinued operations	**—**	1.90	0.20	(0.40)	0.38	0.36
Diluted net earnings per common share	**$ 3.67**	$ 5.59	$ 3.69	$ 2.44	$ 4.01	$ 3.86
Dividends per common share	**$ 2.79**	$ 2.70	$ 2.66	$ 2.59	$ 2.45	$ 2.29
Research and development expense	**$ 1,908**	$ 1,874	$ 1,879	$ 1,991	$ 1,910	$ 1,867
Advertising expense	**7,103**	7,118	7,243	7,180	7,867	8,188
Total assets	**118,310**	120,406	127,136	129,495	144,266	139,263
Capital expenditures	**3,717**	3,384	3,314	3,736	3,848	4,008
Long-term debt	**20,863**	18,038	18,945	18,327	19,807	19,111
Shareholders' equity	**$ 52,883**	$ 55,778	$ 57,983	$ 63,050	$ 69,976	$ 68,709

(1) Basic net earnings per common share and Diluted net earnings per common share are calculated based on Net earnings attributable to Procter & Gamble.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's Discussion and Analysis

Forward-Looking Statements

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report, including without limitation, the following sections: “Management's Discussion and Analysis” and “Risk Factors.” These forward-looking statements generally are identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “intend,” “strategy,” “future,” “opportunity,” “plan,” “may,” “should,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. Forward-looking statements are based on current expectations and assumptions, which are subject to risks and uncertainties that may cause results to differ materially from those expressed or implied in the forward-looking statements. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from those projected herein is included, without limitation, in the section titled "Economic Conditions and Uncertainties" and the section titled “Risk Factors” (Part I, Item 1A of this Form 10-K). We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events or otherwise.

The purpose of Management's Discussion and Analysis (MD&A) is to provide an understanding of Procter & Gamble's financial condition, results of operations and cash flows by focusing on changes in certain key measures from year to year. The MD&A is provided as a supplement to, and should be read in conjunction with, our Consolidated Financial Statements and accompanying notes. The MD&A is organized in the following sections:

- Overview
- Summary of 2018 Results
- Economic Conditions and Uncertainties
- Results of Operations
- Segment Results
- Cash Flow, Financial Condition and Liquidity
- Significant Accounting Policies and Estimates
- Other Information

Throughout the MD&A we refer to measures used by management to evaluate performance, including unit volume growth, net sales and net earnings. We also refer to a number of financial measures that are not defined under accounting principles generally accepted in the United States of America (U.S. GAAP), including organic sales growth, core earnings per share (Core EPS), adjusted free cash flow and adjusted free cash flow productivity. Organic sales growth is net sales growth excluding the impacts of acquisitions, divestitures, foreign exchange and India Goods and Services tax changes from year-over-year comparisons. Core EPS is diluted net earnings per share from continuing operations excluding certain items that are not judged to be part of the Company's sustainable results or trends. Adjusted free cash flow is operating cash flow less capital spending and certain divestiture impacts. Adjusted free cash flow productivity is the ratio of adjusted free cash flow to net earnings excluding certain one-time items. We believe these measures provide our investors with additional information about our underlying results and trends, as well as insight to some of the metrics used to evaluate management. The explanation at the end of the MD&A provides more details on the use and the derivation of these measures.

Management also uses certain market share and market consumption estimates to evaluate performance relative to competition despite some limitations on the availability and comparability of share and consumption information. References to market share and consumption in the MD&A are based on a combination of vendor purchased traditional brick-and-mortar and online data in key markets as well as internal estimates. All market share references represent the percentage of sales in dollar terms on a constant currency basis of our products, relative to all product sales in the category. The Company measures fiscal-year-to-date market shares through the most recent period for which market share data is available, which typically reflects a lag time of one or two months.

OVERVIEW

P&G is a global leader in the fast-moving consumer goods industry, focused on providing branded consumer packaged goods of superior quality and value to our consumers around the world. Our products are sold in more than 180 countries and territories primarily through mass merchandisers, e-commerce, grocery stores, membership club stores, drug stores, department stores, distributors, baby stores, specialty beauty stores, high-frequency stores and pharmacies. We have on-the-ground operations in approximately 70 countries.

Our market environment is highly competitive with global, regional and local competitors. In many of the markets and industry segments in which we sell our products, we compete against other branded products, as well as retailers' private-label brands. Additionally, many of the product segments in which we compete are differentiated by price tiers (referred to as super-premium, premium, mid-tier and value-tier products). We are well positioned in the industry segments and markets in which we operate, often holding a leadership or significant market share position.

ORGANIZATIONAL STRUCTURE

Our organizational structure is comprised of Global Business Units (GBUs), Selling and Market Operations (SMOs), Global Business Services (GBS) and Corporate Functions (CF).

Global Business Units

Our GBUs are organized into ten product categories. Under U.S. GAAP, the GBUs underlying the ten product categories are aggregated into five reportable segments: Beauty; Grooming; Health Care; Fabric & Home Care; and Baby, Feminine & Family Care. The GBUs are responsible for developing overall brand strategy, new product upgrades and innovations and marketing plans. The following provides additional detail on our reportable segments and the ten product categories and brand composition within each segment.

Reportable Segments	% of Net Sales (1)	% of Net Earnings (1)	Product Categories (Sub-Categories)	Major Brands
Beauty	19%	23%	Hair Care (*Conditioner, Shampoo, Styling Aids, Treatments*)	Head & Shoulders, Pantene, Rejoice
			Skin and Personal Care (*Antiperspirant and Deodorant, Personal Cleansing, Skin Care*)	Olay, Old Spice, Safeguard, SK-II
Grooming	10%	14%	Grooming (2) (Shave Care - *Female Blades & Razors, Male Blades & Razors, Pre- and Post-Shave Products, Other Shave Care;* Appliances)	Braun, Fusion, Gillette, Mach3, Prestobarba, Venus
Health Care	12%	13%	Oral Care (*Toothbrushes, Toothpaste, Other Oral Care*)	Crest, Oral-B
			Personal Health Care (*Gastrointestinal, Rapid Diagnostics, Respiratory, Vitamins/Minerals/Supplements, Other Personal Health Care*)	Metamucil, Prilosec, Vicks
Fabric & Home Care	32%	27%	Fabric Care (*Fabric Enhancers, Laundry Additives, Laundry Detergents*)	Ariel, Downy, Gain, Tide
			Home Care (*Air Care, Dish Care, P&G Professional, Surface Care*)	Cascade, Dawn, Febreze, Mr. Clean, Swiffer
Baby, Feminine & Family Care	27%	23%	Baby Care (*Baby Wipes, Diapers and Pants*)	Luvs, Pampers
			Feminine Care (*Adult Incontinence, Feminine Care*)	Always, Tampax
			Family Care (*Paper Towels, Tissues, Toilet Paper*)	Bounty, Charmin, Puffs

(1) Percent of Net sales and Net earnings from continuing operations for the year ended June 30, 2018 (excluding results held in Corporate).
(2) The Grooming product category is comprised of the Shave Care and Appliances GBUs.

Recent Developments:

During fiscal 2018, the Company entered into an agreement to acquire the over the counter (OTC) healthcare business of Merck KGaA for €3.375 billion ($3.9 billion based on current exchange rates). This business primarily sells OTC consumer healthcare products, mainly in Europe, Latin America and Asia markets. Total sales for the business during its most recent fiscal year were approximately $1 billion. We anticipate the transaction to close during fiscal 2019, with the timing subject to regulatory clearance and customary closing conditions. The Company also reached an agreement during fiscal 2018 to dissolve our PGT Healthcare partnership, a venture between the Company and Teva Pharmaceutical Industries, Ltd (Teva) in the OTC consumer healthcare business. Pursuant to the agreement, PGT product assets will return to the original respective parent companies to reestablish independent OTC businesses. This transaction was completed in July 2018 and will be accounted for as a sale of the Teva portion of the PGT business. The Company expects to record an after-tax gain on the sale of approximately $285 million.

During fiscal 2017, the Company completed the divestiture of four product categories, which included 43 of the Company's beauty brands ("Beauty Brands"), including the global salon professional hair care and color, retail hair color, cosmetics and the fine fragrance businesses, along with select hair styling brands. The Beauty Brands had historically been part of the Company’s Beauty reportable segment. The results of the Beauty Brands are presented as discontinued operations and, as such, are excluded from both continuing operations and segment results for all periods presented.

During fiscal 2016, the Company completed the divestiture of its Batteries business. The Batteries business had historically been part of the Company’s Fabric & Home Care reportable segment. The results of the Batteries business are presented as discontinued operations and, as such, are excluded from both continuing operations and segment results for all periods presented.

As a result of these divestitures, the Company's portfolio is comprised of 10 category-based businesses where P&G has leading market positions, strong brands and consumer meaningful product technologies.

Refer to Note 13 to our Consolidated Financial Statements for more details on each of these divestiture transactions.

Beauty: We are a global market leader in the beauty category. Most of the beauty markets in which we compete are highly fragmented with a large number of global and local competitors. We compete in skin and personal care and in hair care. In skin and personal care, we offer a wide variety of products, ranging from deodorants to personal cleansing to skin care, such as our Olay brand, which is one of the top facial skin care brands in the world with nearly 6% global market share. We are the global market leader in the retail hair care market with over 20% global market share primarily behind our Pantene and Head & Shoulders brands.

Grooming: We compete in shave care and appliances. In Shave Care, we are the global market leader in the blades and razors market. Our global blades and razors market share is nearly 65%, primarily behind the Gillette franchise, including our Fusion, Mach3, Prestobarba and Venus brands. Our appliances, such as electric shavers and epilators, are sold under the Braun brand in a number of markets around the world where we compete against both global and regional competitors. We hold nearly 25% of the male shavers market and over 50% of the female epilators market.

Health Care: We compete in oral care and personal health care. In oral care, there are several global competitors in the market and we have the number two market share position with nearly 20% global market share behind our Oral-B and Crest brands. In personal health care, we are a top ten competitor in a large, highly fragmented industry, primarily behind respiratory treatments (Vicks brand), non-prescription heartburn medications (Prilosec OTC brand) and digestive wellness products (Metamucil, Pepto Bismol and Align brands). Nearly all of our sales outside the U.S. in personal health care are generated through the PGT Healthcare partnership with Teva Pharmaceuticals Ltd. In April 2018, we reached an agreement to dissolve the PGT Healthcare partnership and to acquire the OTC healthcare business of Merck KGaA as discussed above.

Fabric & Home Care: This segment is comprised of a variety of fabric care products, including laundry detergents, additives and fabric enhancers; and home care products, including dishwashing liquids and detergents, surface cleaners and air fresheners. In fabric care, we generally have the number one or number two market share position in the markets in which we compete and are the global market leader with over 25% global market share, primarily behind our Tide, Ariel and Downy brands. Our global home care market share is over 20% across the categories in which we compete.

Baby, Feminine & Family Care: In baby care, we are the global market leader and compete mainly in diapers, pants and baby wipes with over 25% global market share. We have the number one or number two market share position in most of the key markets in which we compete, primarily behind Pampers, the Company's largest brand, with annual net sales of more than $8 billion. We are the global market leader in the feminine care category with over 25% global market share, primarily behind Always. We also compete in the adult incontinence category in certain markets, achieving over 10% market share in most of the markets where we compete. Our family care business is predominantly a North American business comprised largely of the Bounty paper towel and Charmin toilet paper brands. U.S. market shares are over 40% for Bounty and over 25% for Charmin.

Selling and Market Operations

Our SMOs are responsible for developing and executing go-to-market plans at the local level. The SMOs include dedicated retail customer, trade channel and country-specific teams. Our SMOs are organized under six regions, comprised of North America, Europe, Latin America, Asia Pacific, Greater China and India, Middle East and Africa (IMEA). Throughout the MD&A, we reference business results in developed markets, which are comprised of North America, Western Europe and Japan, and developing markets, which are all other markets not included in developed.

Corporate Functions

CF provides company-level strategy and portfolio analysis, corporate accounting, treasury, tax, external relations, governance, human resources and legal, as well as other centralized functional support.

Global Business Services

GBS provides technology, processes and standard data tools to enable the GBUs, the SMOs and Corporate Functions to better understand the business and better serve consumers and customers. The GBS organization is responsible for providing world-class solutions at a low cost and with minimal capital investment.

STRATEGIC FOCUS

P&G aspires to serve the world's consumers better than our best competitors in every category and in every country in which we compete, and, as a result, deliver total shareholder return in the top one-third of our peer group. Delivering and sustaining leadership levels of shareholder value creation requires balanced top-line growth, bottom-line growth and strong cash generation.

Our strategic choices are focused on winning with consumers. The consumers who purchase and use our products are at the center of everything we do. We win with consumers by delivering superiority across the five key elements of product, packaging, brand communication, retail execution and value equation.

Winning with consumers around the world and against our best competitors requires innovation. Innovation has always been, and continues to be, P&G's lifeblood. Innovation requires consumer insights and technology advancements that lead to product improvements, improved marketing and merchandising programs and game-changing inventions that create new brands and categories.

Productivity improvement is critical to delivering our balanced top-line growth, bottom-line growth and value creation objectives. Productivity improvement and sales growth reinforce and fuel each other. We are driving productivity improvement across all elements of cost, including cost of goods sold, marketing and promotional expenses and non-manufacturing overhead. Productivity improvements and cost savings are being reinvested in product and packaging improvements, brand awareness-building advertising and trial-building sampling programs, increased sales coverage and R&D programs.

We are improving operational effectiveness and organizational culture through enhanced clarity of roles and responsibilities, accountability and incentive compensation programs.

The Company has undertaken an effort to focus and strengthen its business portfolio to compete in categories and with brands that are structurally attractive and that play to P&G's strengths. The ongoing portfolio of businesses consists of 10 product categories. These are categories where P&G has leading market positions, strong brands and consumer-meaningful product technologies.

We believe these strategies are right for the long-term health of the Company and our objective of delivering total shareholder return in the top one-third of our peer group.

The Company expects the delivery of the following long-term annual financial targets will result in total shareholder returns in the top third of the competitive peer group:

- Organic sales growth above market growth rates in the categories and geographies in which we compete;
- Core EPS growth of mid-to-high single digits; and
- Adjusted free cash flow productivity of 90% or greater.

In periods with significant macroeconomic pressures, we intend to maintain a disciplined approach to investing so as not to sacrifice the long-term health of our businesses to meet short-term objectives in any given year.

SUMMARY OF 2018 RESULTS

Amounts in millions, except per share amounts	2018	Change vs. Prior Year	2017	Change vs. Prior Year	2016
Net sales	**$ 66,832**	3 %	$ 65,058	— %	$ 65,299
Operating income	**13,711**	(2)%	13,955	4 %	13,441
Net earnings from continuing operations	**9,861**	(3)%	10,194	2 %	10,027
Net earnings from discontinued operations	**—**	N/A	5,217	N/A	577
Net earnings attributable to Procter & Gamble	**9,750**	(36)%	15,326	46 %	10,508
Diluted net earnings per common share	**3.67**	(34)%	5.59	51 %	3.69
Diluted net earnings per share from continuing operations	**3.67**	(1)%	3.69	6 %	3.49
Core earnings per share	**4.22**	8 %	3.92	7 %	3.67
Cash flow from operating activities	**14,867**	17 %	12,753	(17)%	15,435

- Net sales increased 3% to $66.8 billion including a positive 2% impact from foreign exchange.
  - Organic sales increased 1% on a 2% increase in organic volume.
  - Unit volume increased 1%. Volume increased low single digits in Beauty, Health Care and Fabric & Home Care and was unchanged in Grooming. Volume decreased low single digits in Baby, Feminine & Family Care. Excluding the impact of minor brand divestitures, organic volume increased mid-single digits in Fabric & Home Care.
- Net earnings from continuing operations decreased $333 million or 3% in fiscal 2018, due primarily to the transitional impacts of the U.S. Tax Cuts and Jobs Act (U.S. Tax Act). Please refer to Note 5 to our Consolidated Financial Statements for further discussion on tax impacts. Operating income decreased 2% due to reduced margins, partially offset by net sales growth. This was largely offset by an increase in Other non-operating income/(expense), net, due to higher costs of early extinguishment of debt in the base period. Favorable foreign exchange impacts increased net earnings from continuing operations by approximately $125 million or 1%.
- Net earnings from discontinued operations were zero in fiscal 2018 compared to $5.2 billion in fiscal 2017 primarily due to the net impact of a gain on the sale of our Beauty Brands business.
- Net earnings attributable to Procter & Gamble were $9.8 billion, a decrease of $5.6 billion or 36% versus the prior year primarily due to the aforementioned reduction in net earnings from discontinued operations.
- Diluted net earnings per share decreased 34% to $3.67.
  - Diluted net earnings per share from continuing operations decreased 1% to $3.67.
  - Core EPS increased 8% to $4.22.
- Cash flow from operating activities was $14.9 billion.
  - Adjusted free cash flow was $11.2 billion.
  - Adjusted free cash flow productivity was 104%.

ECONOMIC CONDITIONS AND UNCERTAINTIES

We discuss expectations regarding future performance, events and outcomes, such as our business outlook and objectives, in annual and quarterly reports, press releases and other written and oral communications. All such statements, except for historical and present factual information, are "forward-looking statements" and are based on financial data and our business plans available only as of the time the statements are made, which may become out-of-date or incomplete. We assume no obligation to update any forward-looking statements as a result of new information, future events or other factors. Forward-looking statements are inherently uncertain and investors must recognize that events could be significantly different from our expectations. For more information on risks that could impact our results, refer to Item 1A Risk Factors in this Form 10-K.

Global Economic Conditions. Current macroeconomic factors remain dynamic, and any causes of market size contraction, such as reduced GDP in commodity-dependent economies, greater political unrest in the Middle East, Central & Eastern Europe and the Korean peninsula, economic uncertainty related to the execution of the United Kingdom's exit from the European Union, political instability in certain Latin American markets and overall economic slowdowns, could reduce our sales or erode our operating margin, in either case reducing our earnings.

Changes in Costs. Our costs are subject to fluctuations, particularly due to changes in commodity prices, transportation costs and our own productivity efforts. We have significant exposures to certain commodities, in particular certain oil-derived materials like resins and paper-based materials like pulp, and volatility in the market price of these commodity input materials has a direct impact on our costs. If we are unable to manage commodity and other cost fluctuations through pricing actions, cost savings projects and sourcing decisions, as well as through consistent productivity improvements, it may adversely impact our gross margin, operating margin and net earnings. Sales could also be adversely impacted following pricing actions if there is a negative impact on consumption of our products. We strive to implement, achieve and sustain cost improvement plans, including outsourcing projects, supply chain optimization and general overhead and workforce optimization. As discussed later in this MD&A, we initiated certain non-manufacturing overhead reduction projects along with manufacturing and other supply chain cost improvement projects in 2012. In fiscal 2017, we communicated specific elements of an additional multi-year cost reduction program which is resulting in enrollment reductions and other savings. If we are not successful in executing and sustaining these changes, there could be a negative impact on our operating margin and net earnings.

Foreign Exchange. We have both translation and transaction exposure to the fluctuation of exchange rates. Translation exposures relate to exchange rate impacts of measuring income statements of foreign subsidiaries that do not use the U.S. dollar as their functional currency. Transaction exposures relate to 1) the impact from input costs that are denominated in a currency other than the local reporting currency and 2) the revaluation of transaction-related working capital balances denominated in currencies other than the functional currency. Over previous fiscal years, the U.S. dollar has strengthened versus a number of foreign currencies leading to lower sales and earnings from these foreign exchange impacts. Certain countries experiencing significant exchange rate fluctuations, like Argentina, Egypt, Russia, Turkey and the United Kingdom have previously had, and could in the future have, a significant impact on our sales, costs and earnings. Increased pricing in response to certain fluctuations in foreign currency exchange rates may offset portions of the currency impacts but could also have a negative impact on consumption of our products, which would affect our sales and profits.

Government Policies. Our net earnings could be affected by changes in U.S. or foreign government tax policies, for example, the U.S. Tax Act enacted in December 2017, the implications and uncertainties of which are disclosed elsewhere in this report. Additionally, we attempt to carefully manage our debt, currency and other exposures in certain countries with currency exchange, import authorization and pricing controls, such as Nigeria, Algeria and Egypt. Further, our earnings and sales could be affected by changes to international trade agreements in North America and elsewhere, including potential increases of import tariffs. Changes in government policies in these areas might cause an increase or decrease in our sales, operating margin and net earnings.

For information on risk factors that could impact our results, please refer to “Risk Factors” in Part I, Item 1A of this Form 10-K.

RESULTS OF OPERATIONS

The key metrics included in our discussion of our consolidated results of operations include net sales, gross margin, selling, general and administrative costs (SG&A), other non-operating items and income taxes. The primary factors driving year-over-year changes in net sales include overall market growth in the categories in which we compete, product initiatives, competitive activities (the level of initiatives and other activities by competitors), marketing spending and acquisition and divestiture activity, all of which drive changes in our underlying unit volume, as well as pricing actions (which can also indirectly impact volume), changes in product and geographic mix and foreign currency impacts on sales outside the U.S.

Most of our cost of products sold and SG&A are to some extent variable in nature. Accordingly, our discussion of these operating costs focuses primarily on relative margins rather than the absolute year-over-year changes in total costs. The primary drivers of changes in gross margin are input costs (energy and other commodities), pricing impacts, geographic mix (for example, gross margins in developed markets are generally higher than in developing markets for similar products), product mix (for example, the Beauty segment has higher gross margins than the Company average), foreign exchange rate fluctuations (in situations where certain input costs may be tied to a different functional currency than the underlying sales), the impacts of manufacturing savings projects and reinvestments (for example, product or package improvements) and to a lesser extent scale impacts (for costs that are fixed or less variable in nature). The primary components of SG&A are marketing-related costs and non-manufacturing overhead costs. Marketing-related costs are primarily variable in nature, although we may achieve some level of scale benefit over time due to overall growth and other marketing efficiencies. Overhead costs are also variable in nature, but on a relative basis, less so than marketing costs due to our ability to leverage our organization and systems infrastructures to support business growth. Accordingly, we generally experience more scale-related impacts for these costs.

The Company is in the midst of a productivity and cost savings plan to reduce costs in the areas of supply chain, certain marketing activities and overhead expenses. The plan is designed to accelerate cost reductions by streamlining management decision making, manufacturing and other work processes to fund the Company's growth strategy.

Net Sales

Fiscal year 2018 compared with fiscal year 2017

Net sales increased 3% to $66.8 billion in 2018 on a 1% increase in unit volume versus the prior year. Volume increased low single digits in Beauty, Health Care and Fabric & Home Care and was unchanged in Grooming. Volume decreased low single digits in Baby, Feminine and Family Care. Excluding the impact of minor brand divestitures, Fabric & Home Care organic volume increased mid-single digits.

Volume increased low single digits in developed and developing regions. Favorable foreign exchange increased net sales by 2%. Pricing had a negative 1% impact on net sales. Product mix had a positive 1% impact on net sales primarily due to a disproportionate growth in super-premium brands. Organic sales grew 1% driven by a 2% increase in organic volume.

Fiscal year 2017 compared with fiscal year 2016

Net sales were unchanged at $65.1 billion in 2017 on a 1% increase in unit volume versus the prior year period. Volume increased low single digits in Grooming, Health Care, Fabric & Home Care and Baby, Feminine & Family Care. Volume decreased low single digits in Beauty. Volume increased low single digits in developed regions and was unchanged in developing regions. Organic volume increased low single digits in both developed and developing markets. Unfavorable foreign exchange reduced net sales by 2%. Neither pricing nor mix had any net impact on net sales for the year. Organic sales grew 2% driven by a 2% increase in organic volume.

Operating Costs

Comparisons as a percentage of net sales; Years ended June 30	2018	Basis Point Change	2017	Basis Point Change	2016
Gross margin	48.7%	(130)	50.0%	40	49.6%
Selling, general and administrative expense	28.2%	(30)	28.5%	(50)	29.0%
Operating margin	20.5%	(100)	21.5%	90	20.6%
Earnings from continuing operations before income taxes	19.9%	(50)	20.4%	(10)	20.5%
Net earnings from continuing operations	14.8%	(90)	15.7%	30	15.4%
Net earnings attributable to Procter & Gamble	14.6%	(900)	23.6%	750	16.1%

Fiscal year 2018 compared with fiscal year 2017

Gross margin decreased 130 basis points to 48.7% of net sales in 2018. Gross margin benefited 200 basis points from total manufacturing cost savings (170 basis points net of product and packaging reinvestments). This was more than offset by:

- a 90 basis-point negative impact due to higher commodity costs,
- a 50 basis-point decline due to reduced pricing,
- a 100 basis-point decline from unfavorable product mix (within segments due to the disproportionate growth of lower margin product forms, large sizes and club channels and between segments caused by the disproportionate volume growth in Fabric & Home Care, which has lower than company-average gross margins),
- a 30 basis-point negative impact from higher restructuring charges and
- a 30 basis-point negative impact from unfavorable foreign exchange.

Total SG&A increased 2% to $18.9 billion driven by increased overhead and marketing spending, as well as an increase in other net operating expenses, primarily due to higher gains on real estate sales in the base period. SG&A as a percentage of net sales decreased 30 basis points to 28.2%. Reductions in marketing and overhead spending as a percentage of net sales were partially offset by an increase in other net operating expenses.

- Marketing spending as a percentage of net sales decreased 30 basis points, primarily driven by reductions in agency compensation and production costs.
- Overhead costs as a percentage of net sales decreased 30 basis points, primarily driven by productivity savings and sales growth leverage, partially offset by higher restructuring costs versus the base year.
- Other operating expenses as a percentage of net sales increased 30 basis points primarily due to gains on the sale of real estate in the base year.

Fiscal year 2017 compared with fiscal year 2016

Gross margin increased 40 basis points (bps) to 50.0% of net sales in 2017. Gross margin increased primarily due to:

- a 230 basis-point positive impact from total manufacturing cost savings (210 basis points net of product and packaging reinvestments),
- a 20 basis-point benefit from lower restructuring charges and
- a 10 basis-point benefit from positive scale impacts due to higher volume.

These impacts were partially offset by:

- a 90 basis-point decrease from unfavorable product mix between segments (caused primarily by the lower relative proportion of sales in Grooming, which has higher than company-average gross margins) and within segments (due to disproportionate growth of lower margin products, forms and package sizes in certain businesses),
- a 40 basis-point negative impact from unfavorable foreign exchange and
- a combined 70 basis-point impact due to higher commodities and other costs.

Total SG&A decreased 2% to $18.6 billion as increased overhead and advertising spending were more than offset by a reduction in other operating expenses, primarily due to a reduction in net foreign exchange transactional costs and gains on real estate sales. SG&A as a percentage of net sales decreased 50 basis points to 28.5% as a result of the decline in other operating expenses.

- Marketing spending as a percentage of net sales increased 10 basis points due to an increase in marketing activities, partially offset by productivity savings.
- Overhead costs as a percentage of net sales increased 20 basis points, primarily driven by wage inflation and increased sales personnel in certain businesses, partially offset by 20 basis points of productivity savings.
- Other operating expenses as a percent of net sales declined 80 basis points. Lower foreign exchange transactional charges reduced SG&A as a percentage of net sales by approximately 20 basis points. The balance of the reduction is primarily driven by gains on sales of real estate.

Non-Operating Items

Fiscal year 2018 compared with fiscal year 2017

- Interest expense was $506 million in 2018, an increase of $41 million versus the prior year due to an increase in average long term debt balances and an increase in U.S. interest rates.
- Interest income was $247 million in 2018, an increase of $76 million versus the prior year primarily due to an increase in average balances of interest bearing cash and cash equivalents and investment securities balances and an increase in U.S. interest rates.
- Other non-operating income/(expense), which consists primarily of divestiture gains, investment income and other non-operating items was a net expense of $126 million in 2018, an improvement of $278 million versus the prior year primarily due to lower charges for the early extinguishment of debt (which totaled $346 million in the current year and $543 million in the base year) and an increase in minor brand divestiture gains. In the current year we had approximately $190 million in minor brand divestiture gains, including Swisse, Bold and other minor brands. In 2017, we had approximately $110 million in minor brand divestiture gains, including Hipoglos and other minor brands.

Fiscal year 2017 compared with fiscal year 2016

- Interest expense was $465 million in 2017, a decrease of $114 million versus the prior year due to a decrease in weighted average interest rates.
- Interest income was $171 million in 2017, comparable to 2016.
- Other non-operating income/(expense), which consists primarily of divestiture gains, investment income and other non-operating items, was a net expense of $404 million in 2017 versus a net income of $325 million in 2016, a $729 million year-over-year decrease. This change is due to a $543 million current-year charge related to early extinguishment of long-term debt and a reduction in gains on minor brand divestitures. In 2017, we had approximately $110 million in minor brand divestiture gains, including Hipoglos (a baby care brand sold primarily in Brazil) and other minor brands. The prior year divestiture activities included approximately $300 million in minor brand divestiture gains, including Escudo and certain hair care brands in Europe and IMEA.

Income Taxes

Fiscal year 2018 compared with fiscal year 2017

The effective tax rate on continuing operations increased 290 basis points to 26.0% in 2018. A net transitional charge of $602 million resulting from the enactment of the U.S. Tax Act caused a 450 basis-point increase in the current period rate (see Note 5 to the Consolidated Financial Statements for further discussion). The remaining net decrease of 160 basis points in the effective rate was driven by:

- a 280 basis-point year over year reduction from the ongoing impacts of the U.S. Tax Act, as the impact of the lower blended U.S. federal rate on current year earnings versus prior year rate was partially offset by reduced foreign tax credits versus prior year due to the inability to fully credit foreign taxes under the U.S. Tax Act,
- a 170 basis-point reduction from favorable geographic mix of earnings, primarily due to a greater proportion of income in lower tax foreign jurisdictions,
- a 180 basis-point increase from reduced favorable discrete impacts related to uncertain income tax positions (which netted to approximately 25 basis points in the current year versus 205 basis points in the prior year),
- a 70 basis-point increase from reduced excess tax benefits from share-based compensation (60 basis points in the current year versus 130 basis points in the prior year) and
- a 40 basis-point unfavorable impact due to reduced benefits from the tax impacts of early extinguishment of long-term debt (10 basis-point benefit in current year versus 50 basis-point benefit in the prior year).

Fiscal year 2017 compared with fiscal year 2016

The effective tax rate on continuing operations decreased 190 basis points to 23.1%. The rate declined due to:

- a 130 basis-point impact from excess tax benefits associated with share-based payments due to the adoption of FASB Accounting Standards Update (ASU) 2016-09 Improvements to Employee Share-based Payment Accounting in 2017,
- a 150 basis-point benefit from discrete impacts related to uncertain income tax positions (which netted to approximately 205 basis points in the current year versus 55 basis points in the prior year),
- a 50 basis-point benefit from the tax impact of the early extinguishment of long-term debt and
- a 130 basis-point benefit from the prior year establishment of a valuation allowance on deferred tax assets related to net operating loss carryforwards.

These benefits were partially offset by a 230 basis-point increase from unfavorable geographic mix, primarily due to a greater proportion of total income taxed in the U.S. and a 40 basis-point increase due to the impact of minor brand divestitures.

Net Earnings

Fiscal year 2018 compared with fiscal year 2017

Net earnings from continuing operations decreased 3% to $9.9 billion. Operating income decreased $244 million, or 2%, as the increase in net sales and decrease in SG&A as a percentage of net sales were more than offset by the reduction in gross margin. The increase in net non-operating income/(expense) discussed above benefited net earnings. Net earnings from continuing operations before taxes increased 1%. Increased income tax expense negatively impacted net earnings from continuing operations by approximately 4% due largely to the net charge for the transitional impact of the U.S. Tax Act in 2018. Foreign exchange had a positive impact of $125 million on net earnings in 2018 due to strengthening of certain currencies against the U.S. dollar, including those in the United Kingdom, China, Canada and Russia. This impact includes both transactional charges and translational impacts from converting earnings from foreign subsidiaries to U.S. dollars.

Net earnings from discontinued operations were zero in 2018. Net earnings from discontinued operations were $5.2 billion in 2017, primarily due to the gain on the sale of the Beauty Brands which closed on October 1, 2016 (see Note 13 to the Consolidated Financial Statements).

Net earnings attributable to Procter & Gamble decreased $5.6 billion, or 36%, to $9.8 billion. The decrease was primarily due to the reduction in net earnings from discontinued operations.

Diluted net earnings per share from continuing operations declined $0.02, or 1%, to $3.67 due primarily to the reduction in net earnings from continuing operations, partially offset by a reduction in the number of weighted average shares outstanding.

Diluted net earnings per share from discontinued operations were zero in 2018, and were $1.90 per share in the prior year due to the gain on the sale of the Beauty Brands in 2017. Diluted net earnings per share decreased $1.92, or 34%, to $3.67.

Core EPS increased 8% to $4.22. Core EPS represents diluted net earnings per share from continuing operations, excluding the current year net charge for the transitional impact of the U.S. Tax Act and the charges in both periods for early extinguishment of debt and incremental restructuring charges related to our productivity and cost savings plans. The increase was driven by increased sales, the lower effective tax rate on core earnings (excluding the transitional net tax charge from the U.S. Tax Act) and the reduction in the number of weighted average shares outstanding discussed above.

Fiscal year 2017 compared with fiscal year 2016

Net earnings from continuing operations increased $167 million, or 2%, to $10.2 billion. Operating income improved $514 million, or 4%, due to improved gross margin and reduced SG&A costs. Net earnings also benefitted from a lower tax rate in 2017. These benefits were partially offset by the increase in net non-operating expenses, discussed above. Foreign exchange impacts reduced net earnings by approximately $420 million in 2017 due to weakening of certain currencies against the U.S. dollar, including those in Argentina, Nigeria, Egypt and the United Kingdom. This impact includes both transactional charges as discussed above in Operating Costs and translational impacts from converting earnings from foreign subsidiaries to U.S. dollars.

Net earnings from discontinued operations increased $4.6 billion in 2017 to $5.2 billion. This change was driven by the $5.3 billion gain on the sale of the Beauty Brands in the current year, partially offset by the impact of the base period results, which included the net earnings of the Batteries and Beauty Brands businesses prior to divestiture, a gain on the sale of the Batteries business and impairment charges on the Batteries business prior to divestiture (see Note 13 to the Consolidated Financial Statements).

Net earnings attributable to Procter & Gamble increased $4.8 billion, or 46%, to $15.3 billion.

Diluted net earnings per share from continuing operations increased $0.20, or 6%, to $3.69 due to the increase in net earnings from continuing operations and a reduction in the number of weighted average shares outstanding following the shares tendered in the sale of the Beauty Brands to Coty (see Note 13 to the Consolidated Financial Statements), along with ongoing share repurchases.

Diluted net earnings per share from discontinued operations were $1.90. This was an increase of $1.70 per share versus the prior year primarily resulting from the gain on the sale of the Beauty Brands. Diluted net earnings per share increased $1.90, or 51%, to $5.59.

Core EPS increased 7% to $3.92. Core EPS in fiscal year 2017 represents diluted net earnings per share from continuing operations excluding the charge related to early extinguishment of long-term debt and incremental restructuring charges related to our productivity and cost savings plan. The increase was driven by operating margin expansion, lower effective tax rate and the reduction in the number of weighted average shares outstanding discussed above.

SEGMENT RESULTS

Segment results reflect information on the same basis we use for internal management reporting and performance evaluation. The results of these reportable segments do not include certain non-business unit specific costs such as interest expense, investing activities and certain restructuring and asset impairment costs. These costs are reported in our Corporate segment and are included as part of our Corporate segment discussion. Additionally, as described in Note 2 to the Consolidated Financial Statements, we apply blended statutory tax rates in the segments. Eliminations to adjust segment results to arrive at our consolidated effective tax rate, including the impacts of the U.S. Tax Act in fiscal 2018, are included in Corporate. All references to net earnings throughout the discussion of segment results refer to net earnings from continuing operations.

	Net Sales Change Drivers 2018 vs. 2017 [1]						
	Volume with Acquisitions & Divestitures	Volume Excluding Acquisitions & Divestitures	Foreign Exchange	Price	Mix	Other [2]	Net Sales Growth
Beauty	2 %	2 %	2 %	— %	5 %	—%	9 %
Grooming	— %	— %	3 %	(3)%	(1)%	—%	(1)%
Health Care	3 %	3 %	3 %	(1)%	— %	—%	5 %
Fabric & Home Care	3 %	4 %	1 %	(1)%	— %	—%	3 %
Baby, Feminine & Family Care	(1)%	(1)%	1 %	(1)%	— %	—%	(1)%
TOTAL COMPANY	**1 %**	**2 %**	**2%**	**(1)%**	**1 %**	**—%**	**3 %**

	Net Sales Change Drivers 2017 vs. 2016 [1]						
	Volume with Acquisitions & Divestitures	Volume Excluding Acquisitions & Divestitures	Foreign Exchange	Price	Mix	Other [2]	Net Sales Growth
Beauty	(2)%	1 %	(2)%	1 %	2 %	1 %	— %
Grooming	2 %	3 %	(2)%	(1)%	(2)%	—%	(3)%
Health Care	3 %	4 %	(2)%	— %	1 %	—%	2 %
Fabric & Home Care	1 %	2 %	(2)%	— %	1 %	—%	— %
Baby, Feminine & Family Care	2 %	2 %	(2)%	(1)%	— %	—%	(1)%
TOTAL COMPANY	**1 %**	**2%**	**(2)%**	**— %**	**— %**	**1%**	**— %**

(1) Net sales percentage changes are approximations based on quantitative formulas that are consistently applied.
(2) Other includes the sales mix impact from acquisitions and divestitures, the impact from India Goods and Services Tax implementation and rounding impacts necessary to reconcile volume to net sales.

BEAUTY

($ millions)	2018	Change vs. 2017	2017	Change vs. 2016
Volume	N/A	2%	N/A	(2)%
Net sales	**$12,406**	9%	$11,429	—%
Net earnings	**$2,320**	21%	$1,914	(3)%
% of net sales	**18.7%**	200 bps	16.7%	(50) bps

Fiscal year 2018 compared with fiscal year 2017

Beauty net sales increased 9% to $12.4 billion in 2018 on a 2% increase in unit volume. Favorable foreign exchange impacts increased net sales by 2%. Favorable product mix added 5% to net sales, primarily due to the disproportionate growth of the super-premium SK-II and premium Olay Skin brands. Organic sales increased 7% on a 2% increase in organic volume. Global market share of the Beauty segment decreased 0.2 points. Volume was unchanged in developed regions and increased low single digits in developing regions.

- Volume in Hair Care increased low single digits. Volume in developed regions decreased low single digits mainly due to competitive activity. Developing regions volume increased low single digits due to market growth, product innovation and improved in-store executions. Global market share of the hair care category decreased less than half a point.
- Volume in Skin and Personal Care increased low single digits. Developed market volume increased low single digits driven by product innovation. Volume increased mid-single digits in developing regions behind innovation and increased marketing. Global market share of the skin and personal care category was unchanged.

Net earnings increased 21% to $2.3 billion in 2018 due to the increase in net sales and a 200 basis-point increase in net earnings margin driven primarily by a reduction in SG&A as a percentage of net sales. Gross margin increased slightly driven by manufacturing cost savings. SG&A as a percentage of sales decreased primarily due to positive scale impacts of the net sales increase on both marketing spending and overheads.

Fiscal year 2017 compared with fiscal year 2016

Beauty net sales were unchanged at $11.4 billion in 2017 on a 2% decrease in unit volume. Unfavorable foreign exchange reduced net sales by 2%. Price increases had a 1% positive impact on net sales. Favorable product mix added 2% to net sales, primarily due to growth of the super-premium SK-II brand, which has higher than segment average selling prices. Organic sales increased 3% on organic volume that increased 1%. Global market share of the Beauty segment decreased 0.6 points. Volume decreased low single digits in developed regions. Volume decreased low single digits in developing regions. Excluding minor brand divestitures, organic volume in developing regions increased low single digits.

- Volume in Hair Care decreased low single digits due to minor brand divestitures. Organic volume increased low single digits. Developed regions decreased low single digits mainly due to competitive activity. Developing regions decreased low single digits due to minor brand divestitures. Organic volume increased low single digits in developing regions behind product innovation and market growth. Global market share of the hair care category decreased more than half a point.
- Volume in Skin and Personal Care was unchanged including the impact of minor brand divestitures. Organic volume increased low single digits. Developed market volume decreased low single digits following increased pricing and due to competitive activity. Volume increased low single digits in developing regions behind innovation and market growth. Global market share of the skin and personal care category decreased half a point.

Net earnings decreased 3% to $1.9 billion in 2017 due to a 50 basis point decrease in net earnings margin, behind an increase in SG&A as a percentage of net sales. SG&A as a percentage of net sales increased due to increased overhead spending including investments in sales resources and incremental marketing activity. Gross margin decreased slightly as the benefits from productivity savings and higher pricing were more than offset by higher commodity costs and unfavorable mix impacts (driven by Hair Care from an increase in the proportion of lower margin forms and categories, and unfavorable geographic mix, which more than offset benefit from Skin and Personal Care, driven by the growth of SK-II).

GROOMING

($ millions)	2018	Change vs. 2017	2017	Change vs. 2016
Volume	**N/A**	—%	N/A	2%
Net sales	**$6,551**	(1)%	$6,642	(3)%
Net earnings	**$1,432**	(7)%	$1,537	(1)%
% of net sales	**21.9%**	(120) bps	23.1%	40 bps

Fiscal year 2018 compared with fiscal year 2017

Grooming net sales decreased 1% to $6.6 billion in 2018 on unit volume that was unchanged. Favorable foreign exchange increased net sales by 3%. Price reductions in Shave Care reduced net sales by 3%. Unfavorable mix reduced net sales by 1% driven by disproportionate growth of lower tier shave care products. Organic sales decreased 3% while organic volume was unchanged. Global market share of the Grooming segment decreased 0.8 points. Volume was unchanged in both developed and developing regions.

- Shave Care volume was unchanged. Volume was unchanged in developed regions as increased competitiveness of our products in the U.S. following price reductions was offset by competitive activity in other markets. Volume in developing regions was unchanged. Global market share of the shave care category decreased slightly.
- Appliances volume increased high single digits in developed and developing regions due to product innovation. Global market share of the appliances category increased more than half a point.

Net earnings decreased 7% to $1.4 billion in 2018 due to the net sales decrease and a reduction in net earnings margin. Net earnings margin decreased 120 basis points due to a decrease in gross margin and an increase in SG&A as a percentage of net sales. Gross margin decreased due to the negative impact of reduced pricing and the above mentioned unfavorable product mix, partially offset by manufacturing cost savings. SG&A as a percentage of net sales increased due to overhead spending increases and a base period gain on the sale of real estate, partially offset by a reduction in current year marketing spending.

Fiscal year 2017 compared with fiscal year 2016

Grooming net sales decreased 3% to $6.6 billion in 2017 on a 2% increase in unit volume. Unfavorable foreign exchange reduced net sales by 2%. Unfavorable mix reduced net sales by 2% driven by disproportionate growth in emerging markets, where average selling prices are lower than in developed regions, in part due to a higher relative proportion of disposable razors in those markets. Price reductions in the U.S. during the second half of the year taken to address consumer price-competitiveness drove a 1% reduction in net sales. Organic sales were unchanged on organic volume that increased 3%. Global market share of the Grooming segment decreased 0.7 points. Volume increased low single digits in developed and developing regions.

- Shave Care volume increased low single digits. Shave Care volume decreased low single digits in developed regions due to competitive activity and increased low single digits in developing regions behind product innovation. Global market share of the shave care category decreased half a point.
- Volume in Appliances increased double digits. Volume increased double digits in developed regions and increased low single digits in developing regions due to product innovation. Global market share of the appliances category increased nearly half a point.

Net earnings decreased 1% to $1.5 billion in 2017 due to the reduction in net sales, partially offset by an increase in net earnings margin. Net earnings margin increased 40 basis points due to a decrease in SG&A as a percent of net sales and improved gross margin. SG&A as a percent of net sales decreased due to a gain on the sale of real estate, partially offset by increased overhead spending. Gross margin increased as the benefits of productivity efforts were only partially offset by unfavorable foreign exchange impacts, reduced pricing and negative mix driven by growth in emerging markets, where average selling prices are lower than in developed regions, in part due to a higher relative proportion of disposable razors in those markets.

HEALTH CARE

($ millions)	2018	Change vs. 2017	2017	Change vs. 2016
Volume	**N/A**	3%	N/A	3%
Net sales	**$7,857**	5%	$7,513	2%
Net earnings	**$1,283**	—%	$1,280	2%
% of net sales	**16.3%**	(70) bps	17.0%	— bps

Fiscal year 2018 compared with fiscal year 2017

Health Care net sales increased 5% to $7.9 billion in 2018 on a 3% increase in unit volume. Favorable foreign exchange impacts increased net sales by 3%. Lower pricing reduced net sales by 1%. Organic sales increased 2% on a 3% increase in organic volume. Global market share of the Health Care segment decreased 0.1 points. Volume increased low single digits in both developed and developing regions.

- Oral Care volume increased low single digits. Volume increased low single digits in developed regions driven by product innovation and marketing investments in the premium power brush segment. Volume increased low single digits in developing regions due to product innovation and reduced pricing in the form of increased promotional spending. Global market share of the oral care category decreased less than half a point.
- Volume in Personal Health Care increased mid-single digits. Volume increased low single digits in developed regions and increased high single digits in developing regions due to product innovation and increased consumption from a strong cough/cold season. Global market share of the personal health care category increased less than half a point.

Net earnings were unchanged at $1.3 billion in 2018 as the increase in net sales was offset by a 70 basis-point decrease in net earnings margin. Net earnings margin decreased due to a reduction in gross margin and the impact of a base period gain from minor brand divestitures, partially offset by a reduction in SG&A as a percentage of net sales. Gross margin decreased due to unfavorable mix impact (from the disproportionate growth of larger sizes and club channel which have lower than segment-average margins) and reduced selling prices, partially offset by manufacturing cost savings. SG&A as a percentage of net sales decreased primarily due to the positive scale impacts of the net sales increase.

Fiscal year 2017 compared with fiscal year 2016

Health Care net sales increased 2% to $7.5 billion in 2017 on a 3% increase in unit volume. Unfavorable foreign exchange reduced net sales by 2%. Favorable product mix contributed 1% to net sales due primarily to an increase in power toothbrushes in Oral Care, which have higher than segment-average selling prices. Organic sales increased 5% on organic volume that increased 4%. Global market share of the Health Care segment decreased 0.2 points. Volume increased low single digits in developed regions and increased mid-single digits in developing regions.

- Oral Care volume increased mid-single digits. Volume increased low single digits in developed regions and increased mid-single digits in developing regions driven by market growth and product innovation. Global market share of the oral care category decreased slightly.
- Volume in Personal Health Care increased low single digits. Volume increased low single digits in both developed and developing regions behind a stronger cough/cold season relative to prior year, product innovation and expanded distribution. Global market share of the personal health care category was unchanged.

Net earnings increased 2% to $1.3 billion in 2017 due to the increase in net sales. Operating margin was unchanged as a higher gross margin was offset by increased SG&A as a percentage of net sales. Gross margin increased due to productivity cost savings, partially offset by unfavorable geographic mix driven by the disproportionate growth of developing regions, which have lower than segment-average margins. SG&A increased as a percentage of net sales due to increased overhead spending, partially offset by reduced marketing spending.

FABRIC & HOME CARE

($ millions)	2018	Change vs. 2017	2017	Change vs. 2016
Volume	**N/A**	3%	N/A	1%
Net sales	**$21,441**	3%	$20,717	—%
Net earnings	**$2,708**	—%	$2,713	(2)%
% of net sales	**12.6%**	(50) bps	13.1%	(30) bps

Fiscal year 2018 compared with fiscal year 2017

Fabric & Home Care net sales increased 3% to $21.4 billion in 2018 on a 3% increase in unit volume. Favorable foreign exchange increased net sales by 1%. Lower pricing reduced net sales by 1%. Organic sales increased 3% on a 4% increase in organic volume. Global market share of the Fabric & Home Care segment increased 0.1 points. Volume increased mid-single digits in developed regions and increased low single digits in developing regions. Excluding minor brand divestitures, organic volume increased mid-single digits in developing regions.

- Fabric Care volume increased low single digits. Excluding the impact of minor brand divestitures, organic volume increased mid-single digits. Volume in developed regions increased mid-single digits, due to product innovation and behind lower pricing in the form of increased promotional spending. Volume in developing regions increased low single digits due to product innovation and category growth. Global market share of the Fabric Care category was unchanged.

- Home Care volume increased low single digits. Volume in developed regions increased low single digits driven by product innovation. Volume in developing regions increased mid-single digits driven by product innovation and category growth. Global market share of the Home Care category was unchanged.

Net earnings were unchanged at $2.7 billion in 2018 as the increase in net sales was offset by a 50 basis-point decrease in net earnings margin. Net earnings margin decreased due to a reduction in Gross margin partially offset by a decrease in SG&A as a percentage of net sales. Gross margin decreased due to unfavorable product mix (due to an increase in the proportion of larger package sizes with lower than segment-average margins and newer product forms that have not yet been cost optimized), increased commodity costs and reduced selling prices, partially offset by manufacturing cost savings. SG&A as a percentage of net sales decreased primarily due to the positive scale impacts of the net sales increase. Net earnings also benefited from a gain on a minor brand divestiture in 2018.

Fiscal year 2017 compared with fiscal year 2016

Fabric & Home Care net sales were unchanged in 2017 at $20.7 billion on a 1% increase in unit volume. Unfavorable foreign exchange reduced net sales by 2%. Favorable geographic mix increased net sales 1%, primarily driven by increased volume in developed regions, which have higher than segment-average selling prices. Organic sales increased 3% on organic volume that increased 2%. Global market share of the Fabric & Home Care segment decreased 0.1 points. Volume increased low single digits in developed regions and decreased low single digits in developing regions. Excluding minor brand divestitures, organic volume increased mid-single digits in developed regions and decreased low single digits in developing regions.

- Fabric Care volume increased low single digits as a mid-single digit volume increase in developed regions, due primarily to product innovation, was partially offset by a low single-digit decrease in developing regions, driven by competitive activity and reduced distribution of less profitable brands. Global market share of the fabric care category was unchanged.
- Home Care volume increased low single digits driven by a low single-digit increase in both developed and developing regions due to market growth and product innovation. Global market share of the home care category was unchanged.

Net earnings decreased 2% to $2.7 billion in 2017 due to a 30 basis-point decrease in net earnings margin. Net earnings margin decreased due to an increase in the effective tax rate driven by the geographic mix of earnings. Gross margin expanded slightly, driven by manufacturing cost savings, partially offset by unfavorable foreign exchange impacts and increased commodity costs. SG&A as a percentage of net sales increased slightly due to increased overhead spending.

BABY, FEMININE & FAMILY CARE

($ millions)	2018	Change vs. 2017	2017	Change vs. 2016
Volume	**N/A**	(1)%	N/A	2%
Net sales	**$18,080**	(1)%	$18,252	(1)%
Net earnings	**$2,251**	(10)%	$2,503	(6)%
% of net sales	**12.5%**	(120) bps	13.7%	(60) bps

Fiscal year 2018 compared with fiscal year 2017

Baby, Feminine & Family Care net sales in 2018 decreased 1% to $18.1 billion on a 1% decrease in unit volume. Favorable foreign exchange increased net sales by 1%. Lower pricing had a negative 1% impact on net sales. Organic sales decreased 2% on a 1% decrease in organic volume. Global market share of the Baby, Feminine & Family Care segment decreased 0.7 points. Volume was unchanged in developed regions and decreased mid-single digits in developing regions. Excluding minor brand divestitures, organic volume in developed regions increased low single digits.

- Baby Care volume decreased mid-single digits. Volume in developed regions decreased low single digits due to competitive activity and trade inventory reductions. Volume in developing regions decreased high single digits due to competitive activity, market contraction and a reduction in trade inventories. Global market share of the baby care category decreased more than a point.
- Feminine Care volume decreased low single digits. Excluding the impact of minor brand divestitures, organic volume increased low single digits. Organic volume in developed regions increased low single digits due to product innovation. Volume in developing regions increased low single digits due to product innovation. Global market share of the feminine care category was unchanged.
- Volume in Family Care, which is predominantly a North American business, increased mid-single digits driven by product innovation and distribution gains. In the U.S., all-outlet share of the family care category increased slightly.

Net earnings in 2018 decreased 10% to $2.3 billion primarily due to a 120 basis-point decrease in net earnings margin. Net earnings margin decreased primarily due to a decrease in gross margin driven by an increase in commodity costs, unfavorable product mix (driven by a higher relative mix of larger pack sizes with lower than segment-average margins and newer product forms that have not yet been cost optimized) and reduced selling prices, partially offset by manufacturing cost savings. SG&A as a percentage of net sales decreased marginally due to reduced marketing spending, partially offset by an increase in overhead costs.

Fiscal year 2017 compared with fiscal year 2016

Baby, Feminine & Family Care net sales decreased 1% to $18.3 billion in 2017 on a 2% increase in unit volume. Unfavorable foreign exchange reduced net sales by 2%. Lower pricing had a negative 1% impact on net sales. Organic sales increased 1% on organic volume that increased 2%. Global market share of the Baby, Feminine & Family Care segment decreased 0.1 points. Volume increased low single digits in developed regions and was unchanged in developing regions.

- Volume in Baby Care was unchanged. Volume in developed regions decreased low single digits, primarily due to competitive activity, and volume in developing regions increased low single digits, due to market growth and product innovation. Global market share of the baby care category decreased more than half a point.
- Volume in Feminine Care increased low single digits. Volume in developed regions increased low single digits, driven by product innovation, and volume in developing regions decreased low single digits due to competitive activity and reduced exports to our Venezuelan subsidiaries. Global market share of the feminine care category was unchanged.
- Volume in Family Care, which is predominantly a North American business, increased mid-single digits driven by product innovation and increased merchandising. In the U.S., all-outlet share of the family care category increased less than a point.

Net earnings decreased 6% to $2.5 billion in 2017 due to the reduction in net sales and a 60 basis point decrease in net earnings margin. Net earnings margin decreased as increased SG&A as a percent of net sales was only partially offset by an increase in gross margin. SG&A as a percentage of net sales increased due to increased marketing and overhead spending. Gross margin increased driven by manufacturing cost savings partially offset by unfavorable foreign exchange impacts, lower pricing and unfavorable product mix across business units due to increased net sales in product forms and larger package sizes with lower than segment-average margins.

CORPORATE

($ millions)	2018	Change vs. 2017	2017	Change vs. 2016
Net sales	**$497**	(2)%	$505	20%
Net earnings/(loss)	**$(133)**	N/A	$247	N/A

Corporate includes certain operating and non-operating activities not allocated to specific business segments. These include: the incidental businesses managed at the corporate level; financing and investing activities; certain employee benefit costs; other general corporate items; gains and losses related to certain divested brands and categories; and certain restructuring-type activities to maintain a competitive cost structure, including manufacturing and workforce optimization. Corporate also includes reconciling items to adjust the accounting policies used in the segments to U.S. GAAP. The most significant reconciling item is income taxes, to adjust from blended statutory rates that are reflected in the segments to the overall Company effective tax rate. For 2018, the tax impact also includes the impacts of the U.S. Tax Act, which were included in the corporate segment.

Fiscal year 2018 compared with fiscal year 2017

Corporate net sales decreased 2% to $497 million in 2018 due to a decrease in the incidental businesses managed at the corporate level. Corporate net earnings/(loss) from continuing operations decreased by $380 million in 2018, primarily due to:

- an increase in income tax expense in 2018 caused by the aforementioned $602 million net charge for the transitional impacts of the U.S. Tax Act and
- an increase in after-tax restructuring charges of approximately $331 million.

These costs were partially offset by lower charges related to the early extinguishment of long-term debt in 2018 versus 2017, the lower tax rate on current year earnings as a result of the U.S. Tax Act and an increase in the proportion of corporate overhead spending allocated to the segments.

Fiscal year 2017 compared with fiscal year 2016

Corporate net sales increased 20%, or $83 million, to $505 million in 2017 primarily due to an increase in the incidental businesses managed at the corporate level. Corporate net earnings from continuing operations improved by approximately $421 million in 2017, primarily due to:

- lower restructuring charges in 2017 compared to the prior year,
- a gain on the sale of real estate in the current fiscal year,
- lower foreign exchange transactional charges,
- a reduction in the proportion of corporate overhead spending not allocated to the segments, consisting in part of reduced stranded overheads following divestitures, and
- current year tax benefits resulting from the adoption of a new accounting standard on the tax impacts of share-based payments to employees (see Note 1 to the Consolidated Financial Statements).

These benefits were partially offset by a $345 million after-tax charge on the early extinguishment of long-term debt in fiscal 2017 and lower gains from minor brand divestitures compared to 2016.

Restructuring Program to deliver Productivity and Cost Savings

In 2012, the Company initiated a productivity and cost savings plan to reduce costs and better leverage scale in the areas of supply chain, research and development, marketing and overheads. The plan was designed to accelerate cost reductions by streamlining management decision making, manufacturing and other work processes to fund the Company's growth strategy. In 2017, the Company communicated specific elements of an additional multi-year productivity and cost savings program.

The current productivity and cost savings plan will further reduce costs in the areas of supply chain, certain marketing activities and overhead expenses. As part of this plan, the Company incurred approximately $1.1 billion in total before-tax restructuring costs in fiscal 2018, with an additional amount of approximately $0.8 billion expected in fiscal 2019. This program is expected to result in additional enrollment reductions, along with further optimization of the supply chain and other manufacturing processes. Savings generated from restructuring costs are difficult to estimate, given the nature of the activities, the timing of the execution and the degree of reinvestment. However, we estimate that through 2018, the underlying restructuring costs and other non-manufacturing enrollment reductions since 2012 have delivered approximately $3.3 billion in annual before-tax gross savings.

Restructuring accruals of $513 million as of June 30, 2018 are classified as current liabilities. Approximately 65% of the restructuring charges incurred in fiscal 2018 either have been or will be settled with cash. Consistent with our historical policies for ongoing restructuring-type activities, the resulting charges are funded by and included within Corporate for segment reporting.

In addition to our restructuring programs, we have additional ongoing savings efforts in our supply chain, marketing and overhead areas that yield additional benefits to our operating margins.

Refer to Note 3 to the Consolidated Financial Statements for more details on the restructuring program and to the Operating Costs section of the MD&A for more information about the total benefit to operating margins from our total savings efforts.

CASH FLOW, FINANCIAL CONDITION AND LIQUIDITY

We believe our financial condition continues to be of high quality, as evidenced by our ability to generate substantial cash from operations and to readily access capital markets at competitive rates.

Operating cash flow provides the primary source of cash to fund operating needs and capital expenditures. Excess operating cash is used first to fund shareholder dividends. Other discretionary uses include share repurchases and acquisitions to complement our portfolio of businesses, brands and geographies. As necessary, we may supplement operating cash flow with debt to fund these activities. The overall cash position of the Company reflects our strong business results and a global cash management strategy that takes into account liquidity management, economic factors and tax considerations.

Operating Cash Flow

Fiscal year 2018 compared with fiscal year 2017

Operating cash flow was $14.9 billion in 2018, a 17% increase from the prior year. Net earnings, adjusted for non-cash items (depreciation and amortization, loss on extinguishment of debt, share-based compensation, deferred income taxes and gain on sale of assets) generated $11.4 billion of operating cash flow. Working capital and other impacts generated $3.5 billion of operating cash flow as summarized below.

- An increase in accounts receivable used $177 million of cash due to increased sales and the timing of the year-end (which fell on a weekend, resulting in fewer days collection). The number of days sales outstanding remained flat versus prior year.
- Higher inventory used $188 million of cash mainly due to inventory increases to support initiatives and business growth across all segments. Inventory days on hand decreased approximately 1 day primarily due to foreign exchange impacts.
- Accounts payable, accrued and other liabilities increased, generating $1.4 billion of cash. This was primarily driven by extended payment terms with our suppliers and an increase in fourth quarter marketing activity versus the prior year. These factors, along with offsetting impacts of foreign exchange, drove a 2 day increase in days payable outstanding. Although difficult to project due to market and other dynamics, we anticipate incremental cash flow benefits from the extended payment terms with suppliers could decline slightly over the next fiscal year.
- Other operating assets and liabilities generated $2.0 billion of cash, primarily driven by the long-term portion of the payable related to the U.S. Tax Act repatriation charge.

Fiscal year 2017 compared with fiscal year 2016

Operating cash flow was $12.8 billion in 2017, a 17% decrease from the prior year. Net earnings, adjusted for non-cash items (depreciation and amortization, share-based compensation, deferred income taxes, loss/(gain) on sale of assets and impairment charges) and the loss on early extinguishment of debt generated $13.0 billion of operating cash flow. Working capital and other impacts used $281 million of operating cash flow.

- An increase in accounts receivable used $322 million of cash due to higher relative sales late in the period as compared to the prior period, partially offset by collection of approximately $150 million of retained receivables from the Beauty Brands business. In addition, the number of days sales outstanding increased 1 day due in part to foreign exchange impacts.
- Lower inventory generated $71 million of cash mainly due to supply chain optimizations, partially offset by increases to support business growth and increased commodity costs. Inventory days on hand decreased approximately 1 day primarily due to supply chain optimizations.
- Accounts payable, accrued and other liabilities decreased, using $149 million in operating cash flow. This was caused by reduced accruals from lower fourth quarter marketing and overhead activities as compared to the base period, as well as the payment of approximately $595 million of accounts payable and accrued liabilities related to the divestiture of the Beauty Brands business, including liabilities retained by the Company pursuant to the terms of the agreement. These impacts were partially offset by approximately $700 million related to extended payment terms with our suppliers. These factors, along with the impact of foreign exchange, drove a 4 day increase in days payable outstanding.
- Other operating assets and liabilities used $43 million of cash.

Adjusted Free Cash Flow. We view adjusted free cash flow as an important measure because it is a factor impacting the amount of cash available for dividends, share repurchases, acquisitions and other discretionary investment. It is defined as operating cash flow less capital expenditures and excluding tax payments related to certain divestitures and is one of the measures used to evaluate senior management and determine their at-risk compensation.

Fiscal year 2018 compared with fiscal year 2017

Adjusted free cash flow was $11.2 billion in 2018, an increase of 14% versus the prior year. The increase was primarily driven by the increase in operating cash flows as discussed above. Adjusted free cash flow productivity, defined as the ratio of adjusted free cash flow to net earnings, excluding the transitional impact of the U.S. Tax Act and the loss on early extinguishment of debt, was 104% in 2018.

Fiscal year 2017 compared with fiscal year 2016

Adjusted free cash flow was $9.8 billion in 2017, a decrease of 19% versus the prior year. The decrease was primarily driven by the decrease in operating cash flows. Adjusted free cash flow productivity, defined as the ratio of adjusted free cash flow to net earnings, excluding the loss on debt extinguishment and impacts of the sale of the Beauty Brands, was 94% in 2017.

Investing Cash Flow

Fiscal year 2018 compared with fiscal year 2017

Net investing activities consumed $3.5 billion in cash in 2018 mainly due to capital spending and purchases of short-term investments, partially offset by proceeds from asset sales and sales and maturities of short-term investments.

Fiscal year 2017 compared with fiscal year 2016

Net investing activities consumed $5.7 billion in cash in 2017 mainly due to capital spending and purchases of short-term investments, partially offset by proceeds from asset sales, transactions related to the close of the Beauty Brands divestiture and sales and maturities of short-term investments.

Capital Spending. Capital expenditures, primarily to support capacity expansion, innovation and cost efficiencies, were $3.7 billion in 2018 and $3.4 billion in 2017. Capital spending as a percentage of net sales increased 40 basis points to 5.6% in 2018. Capital spending as a percentage of net sales was 5.2% in 2017.

Acquisitions. Acquisition activity used cash of $109 million in 2018, primarily related to acquisitions in the Beauty segment. Acquisition activity was not material in 2017.

Proceeds from Divestitures and Other Asset Sales. Proceeds from asset sales in 2018 contributed $269 million in cash, primarily from minor brand divestitures. Proceeds from asset sales contributed $571 million in cash in 2017 primarily from real estate sales and other minor brand divestitures. In fiscal 2017, the Company invested an additional $874 million of cash, received from the issuance of debt, in restricted cash. At the closing of the Beauty Brands transaction, $1.9 billion of restricted cash (including the $874 million invested in 2017) was released and returned to cash and cash equivalents and $475 million of cash was transferred to the discontinued Beauty Brands business.

Financing Cash Flow

Dividend Payments. Our first discretionary use of cash is dividend payments. Dividends per common share increased 3.3% to $2.79 per share in 2018. Total dividend payments to common and preferred shareholders were $7.3 billion in 2018 and $7.2 billion in 2017. In April 2018, the Board of Directors declared an increase in our quarterly dividend from $0.6896 to $0.7172 per share on Common Stock and Series A and B ESOP Convertible Class A Preferred Stock. This represents a 4% increase compared to the prior quarterly dividend and is the 62nd consecutive year that our dividend has increased. We have paid a dividend for 128 years, every year since our incorporation in 1890.

Long-Term and Short-Term Debt. We maintain debt levels we consider appropriate after evaluating a number of factors, including cash flow expectations, cash requirements for ongoing operations, investment and financing plans (including acquisitions and share repurchase activities) and the overall cost of capital. Total debt was $31.3 billion as of June 30, 2018 and $31.6 billion as of June 30, 2017.

Treasury Purchases. Total share repurchases were $7.0 billion in 2018 and $5.2 billion in 2017.

Liquidity

At June 30, 2018, our current liabilities exceeded current assets by $4.9 billion, largely due to short-term borrowings under our commercial paper program. We anticipate being able to support our short-term liquidity and operating needs largely through cash generated from operations. The Company regularly assesses its cash needs and the available sources to fund these needs. As of June 30, 2018, $11.4 billion of the Company's cash, cash equivalents and marketable securities was held off-shore by foreign subsidiaries. This balance has declined versus the prior year primarily due to cash repatriations following the enactment of the U.S. Tax Act. Under current law, we do not expect restrictions or taxes on repatriation of cash held outside of the U.S. to have a material effect on our overall liquidity, financial condition or the results of operations for the foreseeable future. Of the June 30, 2018 balance of off-shore cash, cash equivalents and marketable securities, the majority relates to various Western European countries. As of June 30, 2018, we did not have material cash, cash equivalents and marketable securities balances in any country subject to exchange controls that significantly restrict our ability to access or repatriate the funds.

We utilize short- and long-term debt to fund discretionary items, such as acquisitions and share repurchases. We have strong short- and long-term debt ratings, which have enabled, and should continue to enable, us to refinance our debt as it becomes due at favorable rates in commercial paper and bond markets. In addition, we have agreements with a diverse group of financial institutions that, if needed, should provide sufficient credit funding to meet short-term financing requirements.

On June 30, 2018, our short-term credit ratings were P-1 (Moody's) and A-1+ (Standard & Poor's), while our long-term credit ratings were Aa3 (Moody's) and AA- (Standard & Poor's), all with a stable outlook.

We maintain bank credit facilities to support our ongoing commercial paper program. The current facility is an $8.0 billion facility split between a $3.2 billion five-year facility and a $4.8 billion 364-day facility, which expire in November 2022 and November 2018, respectively. Both facilities can be extended for certain periods of time as specified in the terms of the credit agreement. These facilities are currently undrawn and we anticipate that they will remain undrawn. These credit facilities do not have cross-default or ratings triggers, nor do they have material adverse events clauses, except at the time of signing. In addition to these credit facilities, we have an automatically effective registration statement on Form S-3 filed with the SEC that is available for registered offerings of short- or long-term debt securities. For additional details on debt see Note 10 to the Consolidated Financial Statements.

Guarantees and Other Off-Balance Sheet Arrangements

We do not have guarantees or other off-balance sheet financing arrangements, including variable interest entities, which we believe could have a material impact on our financial condition or liquidity.

Contractual Commitments

The following table provides information on the amount and payable date of our contractual commitments as of June 30, 2018.

Amounts in millions	Total	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
RECORDED LIABILITIES					
Total debt	**$ 31,217**	$ 10,407	$ 4,630	$ 5,224	$ 10,956
Capital leases	**107**	22	35	23	27
U.S. Tax Act transitional charge (1)	**2,884**	231	462	462	1,730
Uncertain tax positions (2)	**—**	—	—	—	—
OTHER					
Interest payments relating to long-term debt	**4,944**	574	1,033	811	2,526
Operating leases (3)	**1,338**	275	442	325	296
Minimum pension funding (4)	**402**	131	271	—	—
Purchase obligations (5)	**1,129**	778	167	47	137
TOTAL CONTRACTUAL COMMITMENTS	**$ 42,021**	$ 12,418	$ 7,039	$ 6,891	$ 15,673

(1) Represents the U.S. federal tax liability associated with the repatriation provisions of the U.S. Tax Act. Does not include any provisions made for foreign withholding taxes on expected repatriations as the timing of those payments is uncertain.

(2) As of June 30, 2018, the Company's Consolidated Balance Sheet reflects a liability for uncertain tax positions of $584 million, including $114 million of interest and penalties. Due to the high degree of uncertainty regarding the timing of future cash outflows of liabilities for uncertain tax positions beyond one year, a reasonable estimate of the period of cash settlement beyond twelve months from the balance sheet date of June 30, 2018, cannot be made.

(3) Operating lease obligations are shown net of guaranteed sublease income.

(4) Represents future pension payments to comply with local funding requirements. These future pension payments assume the Company continues to meet its future statutory funding requirements. Considering the current economic environment in which the Company operates, the Company believes its cash flows are adequate to meet the future statutory funding requirements. The projected payments beyond fiscal year 2020 are not currently determinable.

(5) Primarily reflects future contractual payments under various take-or-pay arrangements entered into as part of the normal course of business. Commitments made under take-or-pay obligations represent minimum commitments under take-or-pay agreements with suppliers and are in line with expected usage. This includes service contracts for information technology, human resources management and facilities management activities that have been outsourced. Such amounts also include arrangements with suppliers that qualify as embedded operating leases. While the amounts listed represent contractual obligations, we do not believe it is likely that the full contractual amount would be paid if the underlying contracts were canceled prior to maturity. In such cases, we generally are able to negotiate new contracts or cancellation penalties, resulting in a reduced payment. The amounts do not include other contractual purchase obligations that are not take-or-pay arrangements. Such contractual purchase obligations are primarily purchase orders at fair value that are part of normal operations and are reflected in historical operating cash flow trends. We do not believe such purchase obligations will adversely affect our liquidity position.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

In preparing our financial statements in accordance with U.S. GAAP, there are certain accounting policies that may require a choice between acceptable accounting methods or may require substantial judgment or estimation in their application. These include revenue recognition, income taxes, certain employee benefits and goodwill and intangible assets. We believe these accounting policies, and others set forth in Note 1 to the Consolidated Financial Statements, should be reviewed as they are integral to understanding the results of operations and financial condition of the Company.

The Company has discussed the selection of significant accounting policies and the effect of estimates with the Audit Committee of the Company's Board of Directors.

Revenue Recognition

Sales are recognized when revenue is realized or realizable and has been earned. For us, this generally means revenue is recognized when title to the product, ownership and risk of loss transfer to the customer, which can be on the date of shipment or the date of receipt by the customer. Trade promotions, consisting primarily of customer pricing allowances, in-store merchandising funds, advertising and other promotional activities, and consumer coupons, are offered through various programs to customers and consumers. Sales are recorded net of trade promotion spending, which is recognized as incurred, generally at the time of the sale. Amounts accrued for trade promotions at the end of a period require estimation, based on contractual terms, customer performance, sales volumes and historical utilization and redemption rates. The actual amounts paid may be different from such estimates. These differences, which have historically not been significant, are recognized as a change in management estimate in a subsequent period. The Company will adopt ASU 2014-09, "Revenue from Contracts with Customers" on July 1, 2018. Adoption of this standard will result in a change in the timing of recognition of certain trade promotional spending. See Note 1 to our Consolidated Financial Statements.

Income Taxes

Our annual tax rate is determined based on our income, statutory tax rates and the tax impacts of items treated differently for tax purposes than for financial reporting purposes. Also inherent in determining our annual tax rate are judgments and assumptions regarding the recoverability of certain deferred tax balances, primarily net operating loss and other carryforwards, and our ability to uphold certain tax positions.

Realization of net operating losses and other carryforwards is dependent upon generating sufficient taxable income in the appropriate jurisdiction prior to the expiration of the carryforward periods, which involves business plans, planning opportunities and expectations about future outcomes. Although realization is not assured, management believes it is more likely than not that our deferred tax assets, net of valuation allowances, will be realized.

We operate in multiple jurisdictions with complex tax policy and regulatory environments. In certain of these jurisdictions, we may take tax positions that management believes are supportable, but are potentially subject to successful challenge by the applicable taxing authority. These interpretational differences with the respective governmental taxing authorities can be impacted by the local economic and fiscal environment.

A core operating principle is that our tax structure is based on our business operating model, such that profits are earned in line with the business substance and functions of the various legal entities. However, because of the complexity of transfer pricing concepts, we may have income tax uncertainty related to the determination of intercompany transfer prices for our various cross-border transactions. We have obtained and continue to prioritize the strategy of seeking advance rulings with tax authorities to reduce this uncertainty. We estimate that our current portfolio of advance rulings reduces this uncertainty with respect to over 70% of our global earnings. We evaluate our tax positions and establish liabilities in accordance with the applicable accounting guidance on uncertainty in income taxes. We review these tax uncertainties in light of changing facts and circumstances, such as the progress of tax audits, and adjust them accordingly. We have a number of audits in process in various jurisdictions. Although the resolution of these tax positions is uncertain, based on currently available information, we believe that the ultimate outcomes will not have a material adverse effect on our financial position, results of operations or cash flows.

Because there are a number of estimates and assumptions inherent in calculating the various components of our tax provision, certain changes or future events such as changes in tax legislation, geographic mix of earnings, completion of tax audits or earnings repatriation plans could have an impact on those estimates and our effective tax rate. For additional details on the Company's income taxes, see Note 5 to the Consolidated Financial Statements.

Employee Benefits

We sponsor various post-employment benefits throughout the world. These include pension plans, both defined contribution plans and defined benefit plans, and other post-employment benefit (OPEB) plans, consisting primarily of health care and life insurance for retirees. For accounting purposes, the defined benefit pension and OPEB plans require assumptions to estimate the projected and accumulated benefit obligations, including the following variables: discount rate; expected salary increases; certain employee-related factors, such as turnover, retirement age and mortality; expected return on assets; and health care cost trend rates. These and other assumptions affect the annual expense and obligations recognized for the underlying plans. Our assumptions reflect our historical experiences and management's best judgment regarding future expectations. As permitted by U.S. GAAP, the net amount by which actual results differ from our assumptions is deferred. If this net deferred amount exceeds 10% of the greater of plan assets or liabilities, a portion of the deferred amount is included in expense for the following year. The cost or benefit of plan changes, such as increasing or decreasing benefits for prior employee service (prior service cost), is deferred and included in expense on a straight-line basis over the average remaining service period of the employees expected to receive benefits.

The expected return on plan assets assumption impacts our defined benefit expense since many of our defined benefit pension plans and our primary OPEB plan are partially funded. The process for setting the expected rates of return is described in Note 8 to the Consolidated Financial Statements. For 2018, the average return on assets assumptions for pension plan assets and OPEB assets was 6.8% and 8.3%, respectively. A change in the rate of return of 100 basis points for both pension and OPEB assets would impact annual after-tax benefit expense by approximately $115 million.

Since pension and OPEB liabilities are measured on a discounted basis, the discount rate impacts our plan obligations and expenses. Discount rates used for our U.S. defined benefit pension and OPEB plans are based on a yield curve constructed from a portfolio of high quality bonds for which the timing and amount of cash outflows approximate the estimated payouts of the plan. For our international plans, the discount rates are set by benchmarking against investment grade corporate bonds rated AA or better. The average discount rate on the defined benefit pension plans of 2.5% represents a weighted average of local rates in countries where such plans exist. A 100 basis point change in the discount rate would impact annual after-tax benefit expense by approximately $190 million. The average discount rate on the OPEB plan of 4.2% reflects the higher interest rates generally applicable in the U.S., which is where a majority of the plan participants receive benefits. A 100 basis point change in the discount rate would impact annual after-tax OPEB expense by approximately $65 million. For additional details on our defined benefit pension and OPEB plans, see Note 8 to the Consolidated Financial Statements.

Goodwill and Intangible Assets

Significant judgment is required to estimate the fair value of our goodwill reporting units and intangible assets. Accordingly, we typically obtain the assistance of third-party valuation specialists for significant goodwill reporting units and intangible assets. The fair value estimates are based on available historical information and on future expectations. We typically estimate the fair value of these assets using the income method, which is based on the present value of estimated future cash flows attributable to the respective assets. The valuations used to test goodwill and intangible assets for impairment are dependent on a number of significant estimates and assumptions, including macroeconomic conditions, overall category growth rates, competitive activities, cost containment and margin progression, Company business plans and the discount rate applied to cash flows.

Indefinite lived intangible assets and goodwill are not amortized, but are tested separately at least annually for impairment. Assumptions used in our impairment evaluations, such as forecasted growth rates and cost of capital, are consistent with internal projections and operating plans. We believe these estimates and assumptions are reasonable and comparable to those that would be used by other marketplace participants. Unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions. For example, future changes in the judgments, assumptions and estimates that are used in our impairment testing for goodwill and indefinite lived intangible assets, including discount and tax rates or future cash flow projections, could result in significantly different estimates of the fair values. In addition, changes to, or a failure to achieve business plans or deterioration of macroeconomic conditions could result in reduced cash flows or higher discount rates, leading to a lower valuation that would trigger an impairment of the goodwill and intangible assets of these businesses.

We test individual indefinite lived intangible assets by comparing the book value of each asset to the estimated fair value. Our impairment testing for goodwill is performed separately from our impairment testing of indefinite lived intangible assets. The test to evaluate goodwill for impairment is a two step process. In the first step, we compare the fair value of the reporting unit to its carrying value. If the fair value of the reporting unit is less than its carrying value, we perform a second step to determine the implied fair value of the reporting unit's goodwill. The second step of the impairment analysis requires a valuation of a reporting unit's tangible and intangible assets and liabilities in a manner similar to the allocation of purchase price in a business combination. If the resulting implied fair value of the reporting unit's goodwill is less than its carrying value, that difference represents an impairment.

Determining the useful life of an intangible asset also requires judgment. Certain brand intangible assets are expected to have indefinite lives based on their history and our plans to continue to support and build the acquired brands. Other acquired intangible assets (e.g., certain brands, all customer relationships, patents and technologies) are expected to have determinable useful lives. Our assessment as to brands that have an indefinite life and those that have a determinable life is based on a number of factors including competitive environment, market share, brand history, underlying product life cycles, operating plans and the macroeconomic environment of the countries in which the brands are sold. Determinable-lived intangible assets are amortized to expense over their estimated lives. An impairment assessment for determinable-lived intangibles is only required when an event or change in circumstances indicates that the carrying amount of the asset may not be recoverable.

Most of our goodwill reporting units are comprised of a combination of legacy and acquired businesses and as a result have fair value cushions that, at a minimum, exceed two times their underlying carrying values. Certain of our goodwill reporting units, in particular Shave Care and Appliances, are comprised entirely of acquired businesses and as a result have fair value cushions that are not as high. Both of these wholly-acquired reporting units have fair value cushions (the fair values currently exceed the underlying carrying values). However, the overall Shave Care cushion, as well as the related Gillette indefinite-lived intangible asset cushion, have both been reduced to below 10%, both due in large part to an increased competitive market environment, a deceleration of category growth caused by changing grooming habits and significant currency devaluations in a number of countries relative to the U.S. dollar that have occurred in recent years, and which has contributed to reduced cash flow projections. As a result, this reporting unit and indefinite-lived intangible asset are more susceptible to impairment risk.

The most significant assumptions utilized in the determination of the estimated fair values of Shave Care reporting unit and the Gillette indefinite-lived intangible asset are the residual net sales and earnings growth rates and discount rate. The residual growth rate represents the expected rate at which the reporting unit and Gillette brand are expected to grow beyond the 10-year time horizon. The residual growth rate utilized in our fair value estimates is consistent with the reporting unit and brand operating plans, and approximates expected long term category market growth rates. The residual growth rate is dependent on overall market growth rates, the competitive environment, inflation, relative currency exchange rates and business activities that impact market share. As a result, the residual growth rate could be adversely impacted by a sustained deceleration in category growth, grooming habit changes, devaluation of currencies against the U.S. dollar or an increased competitive environment. The discount rate, which is consistent with a weighted average cost of capital that is likely to be expected by a market participant, is based upon industry required rates of return, including consideration of both debt and equity components of the capital structure. Our discount rate may be impacted by adverse changes in the macroeconomic environment, volatility in the equity and debt markets or other country specific factors, such as further devaluation of currencies against the U.S. dollar and changes in expected rates of inflation. While management can and has implemented strategies to address these events, significant changes in operating plans or adverse changes in the future could reduce the underlying cash flows used to estimate fair values and could result in a decline in fair value that could trigger future impairment charges of the business unit's goodwill and indefinite-lived intangibles. As of June 30, 2018, the carrying values of Shave Care goodwill and the Gillette indefinite-lived intangible asset are $19.5 billion and $15.7 billion, respectively.

The table below provides a sensitivity analysis for the Shave Care reporting unit and the Gillette indefinite lived intangible asset, utilizing reasonably possible changes in the assumptions for the residual net sales growth rate and the discount rate, to demonstrate the potential impacts to the estimated fair values. The table below provides, in isolation, the estimated fair value impacts related to a 50 basis point decrease to our residual net sales growth rate or a 50 basis point increase to our discount rate. Given the size of the fair value cushions, changes in the assumptions of this magnitude would result in an impairment of the underlying goodwill and could result in an impairment of the indefinite lived intangible asset.

	Approximate Percent Change in Estimated Fair Value	
	+50 bps Discount Rate	-50 bps Residual Growth
Shave Care goodwill reporting unit	(10)%	(7)%
Gillette indefinite-lived intangible asset	(10)%	(7)%

See Note 4 to the Consolidated Financial Statements for additional discussion on goodwill and intangible asset impairment testing results.

New Accounting Pronouncements

Refer to Note 1 to the Consolidated Financial Statements for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of June 30, 2018.

OTHER INFORMATION

Hedging and Derivative Financial Instruments

As a multinational company with diverse product offerings, we are exposed to market risks, such as changes in interest rates, currency exchange rates and commodity prices. We evaluate exposures on a centralized basis to take advantage of natural exposure correlation and netting. Except within financing operations, we leverage the Company's diversified portfolio of exposures as a natural hedge and prioritize operational hedging activities over financial market instruments. To the extent we choose to further manage volatility associated with the net exposures, we enter into various financial transactions which we account for using the applicable accounting guidance for derivative instruments and hedging activities. These financial transactions are governed by our policies covering acceptable counterparty exposure, instrument types and other hedging practices. See Note 9 to the Consolidated Financial Statements for a discussion of our accounting policies for derivative instruments.

Derivative positions are monitored using techniques including market valuation, sensitivity analysis and value-at-risk modeling. The tests for interest rate, currency rate and commodity derivative positions discussed below are based on the RiskManager™ value-at-risk model using a one-year horizon and a 95% confidence level. The model incorporates the impact of correlation (the degree to which exposures move together over time) and diversification (from holding multiple currency, commodity and interest rate instruments) and assumes that financial returns are normally distributed. Estimates of volatility and correlations of market factors are drawn from the RiskMetrics™ dataset as of June 30, 2018. In cases where data is unavailable in RiskMetrics™, a reasonable proxy is included.

Our market risk exposures relative to interest rates, currency rates and commodity prices, as discussed below, have not changed materially versus the previous reporting period. In addition, we are not aware of any facts or circumstances that would significantly impact such exposures in the near term.

Interest Rate Exposure on Financial Instruments. Interest rate swaps are used to hedge exposures to interest rate movement on underlying debt obligations. Certain interest rate swaps denominated in foreign currencies are designated to hedge exposures to currency exchange rate movements on our investments in foreign operations. These currency interest rate swaps are designated as hedges of the Company's foreign net investments.

Based on our interest rate exposure as of and during the year ended June 30, 2018, including derivative and other instruments sensitive to interest rates, we believe a near-term change in interest rates, at a 95% confidence level based on historical interest rate movements, would not materially affect our financial statements.

Currency Rate Exposure on Financial Instruments. Because we manufacture and sell products and finance operations in a number of countries throughout the world, we are exposed to the impact on revenue and expenses of movements in currency exchange rates. Corporate policy prescribes the range of allowable hedging activity. To manage the exchange rate risk associated with the financing of our operations, we primarily use forward contracts and currency swaps with maturities of less than 18 months. In addition, we have entered into certain currency swaps with maturities of up to five years to hedge our exposure to exchange rate movements on intercompany financing transactions.

Based on our currency rate exposure on derivative and other instruments as of and during the year ended June 30, 2018, we believe, at a 95% confidence level based on historical currency rate movements, the impact on such instruments of a near-term change in currency rates would not materially affect our financial statements.

Commodity Price Exposure on Financial Instruments. We use raw materials that are subject to price volatility caused by weather, supply conditions, political and economic variables and other unpredictable factors. We may use futures, options and swap contracts to manage the volatility related to the above exposures.

As of and during the years ended June 30, 2018 and June 30, 2017, we did not have any commodity hedging activity.

Measures Not Defined By U.S. GAAP

In accordance with the SEC's Regulation G, the following provides definitions of the non-GAAP measures and the reconciliation to the most closely related GAAP measures. We believe that these measures provide useful perspective of underlying business trends (i.e. trends excluding non-recurring or unusual items) and results and provide a supplemental measure of year-on-year results. The non-GAAP measures described below are used by management in making operating decisions, allocating financial resources and for business strategy purposes. These measures may be useful to investors as they provide supplemental information about business performance and provide investors a view of our business results through the eyes of management. These measures are also used to evaluate senior management and are a factor in determining their at-risk compensation. These non-GAAP measures are not intended to be considered by the user in place of the related GAAP measure, but rather as supplemental information to our business results. These non-GAAP measures may not be the same as similar measures used by other companies due to possible differences in method and in the items or events being adjusted. These measures include:

Organic Sales Growth. Organic sales growth is a non-GAAP measure of sales growth excluding the impacts of the India Goods & Services Tax changes, the impact of the Venezuela deconsolidation, acquisitions, divestitures and foreign exchange from year-over-year comparisons. We believe this measure provides investors with a supplemental understanding of underlying sales trends by providing sales growth on a consistent basis, and this measure is used in assessing achievement of management goals for at-risk compensation.

The following tables provide a numerical reconciliation of organic sales growth to reported net sales growth:

Year ended June 30, 2018	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/ Other (1)	Organic Sales Growth
Beauty	9 %	(2)%	— %	7 %
Grooming	(1)%	(3)%	1 %	(3)%
Health Care	5 %	(3)%	— %	2 %
Fabric & Home Care	3 %	(1)%	1 %	3 %
Baby, Feminine & Family Care	(1)%	(1)%	— %	(2)%
TOTAL COMPANY	**3 %**	**(2)%**	**— %**	**1 %**

Year ended June 30, 2017	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/ Other (2)	Organic Sales Growth
Beauty	— %	2 %	1 %	3 %
Grooming	(3)%	2 %	1 %	— %
Health Care	2 %	2 %	1 %	5 %
Fabric & Home Care	— %	2 %	1 %	3 %
Baby, Feminine & Family Care	(1)%	2 %	— %	1 %
TOTAL COMPANY	**— %**	**2 %**	**— %**	**2 %**

(1) Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures, the impact of the India Goods and Services Tax implementation and rounding impacts necessary to reconcile net sales to organic sales.

(2) Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures, the impact of the Venezuela deconsolidation and rounding impacts necessary to reconcile net sales to organic sales.

Adjusted Free Cash Flow. Adjusted free cash flow is defined as operating cash flow less capital spending and excluding certain divestiture impacts (tax payments related to certain divestitures). Adjusted free cash flow represents the cash that the Company is able to generate after taking into account planned maintenance and asset expansion. We view adjusted free cash flow as an important measure because it is one factor used in determining the amount of cash available for dividends, share repurchases, acquisitions and other discretionary investment.

The following table provides a numerical reconciliation of adjusted free cash flow ($ millions):

	Operating Cash Flow	Capital Spending	Divestiture impacts (1)	Adjusted Free Cash Flow
2018	**$ 14,867**	**$ (3,717)**	**$ —**	**$ 11,150**
2017	12,753	(3,384)	418	9,787
2016	15,435	(3,314)	—	12,121

(1) Divestiture impacts relate to tax payments for the Beauty Brands divestiture in fiscal 2017.

Adjusted Free Cash Flow Productivity. Adjusted free cash flow productivity is defined as the ratio of adjusted free cash flow to net earnings excluding the transitional impact of the U.S. Tax Act, the losses on early debt extinguishment, the gain on the sale of the Batteries and Beauty Brands businesses and Batteries impairments. We view adjusted free cash flow productivity as a useful measure to help investors understand P&G's ability to generate cash. Adjusted free cash flow productivity is used by management in making operating decisions, in allocating financial resources and for budget planning purposes. This measure is used in assessing the achievement of management goals for at-risk compensation. The Company's long-term target is to generate annual adjusted free cash flow productivity at or above 90 percent.

The following table provides a numerical reconciliation of adjusted free cash flow productivity ($ millions):

	Net Earnings	Adjustments to Net Earnings [1]	Net Earnings Excluding Adjustments	Adjusted Free Cash Flow	Adjusted Free Cash Flow Productivity
2018	**$ 9,861**	**$ 845**	**$ 10,706**	**$ 11,150**	**104%**
2017	15,411	(4,990)	10,421	9,787	94%
2016	10,604	(72)	10,532	12,121	115%

[1] Adjustments to Net Earnings relate to the transitional impact of the U.S. Tax Act in fiscal 2018, the losses on early debt extinguishment in fiscal 2018 and 2017, the gain on the sale of the Beauty Brands business in 2017, and the gain on the sale of the Batteries business and the Batteries impairment in fiscal 2016.

Core EPS. Core EPS is a measure of the Company's diluted net earnings per share from continuing operations adjusted as indicated. Management views this non-GAAP measure as a useful supplemental measure of Company performance over time. The table below provides a reconciliation of diluted net earnings per share to Core EPS, including the following reconciling items:

- Incremental Restructuring: The Company has had and continues to have an ongoing level of restructuring activities. Such activities have resulted in ongoing annual restructuring related charges of approximately $250 - $500 million before tax. In 2012, the Company began a $10 billion strategic productivity and cost savings initiative that includes incremental restructuring activities. In 2017, we communicated details of an additional multi-year productivity and cost savings plan. This results in incremental restructuring charges to accelerate productivity efforts and cost savings. The adjustment to Core earnings includes only the restructuring costs above what we believe are the normal recurring level of restructuring costs.
- Transitional Impacts of the U.S. Tax Act: As discussed in Note 5 to the Consolidated Financial Statements, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "U.S. Tax Act") in December 2017. This resulted in a net charge of $602 million for the fiscal year 2018. The adjustment to core earnings only includes this transitional impact. It does not include the ongoing impacts of the lower U.S. statutory rate on current year earnings.
- Early debt extinguishment charges: In fiscal 2018 and 2017, the Company recorded after-tax charges of $243 million and $345 million, respectively, due to the early extinguishment of certain long-term debt. These charges represent the difference between the reacquisition price and the par value of the debt extinguished.
- Charges for certain European legal matters: Several countries in Europe issued separate complaints alleging that the Company, along with several other companies, engaged in violations of competition laws in prior periods. In 2016, the Company incurred after-tax charges of $11 million to adjust legal reserves related to these matters.

We do not view the above items to be indicative of underlying business results and their exclusion from Core earnings measures provides a more comparable measure of year-on-year results. These items are also excluded when evaluating senior management in determining their at-risk compensation.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
(Amounts in Millions Except Per Share Amounts)
Reconciliation of Non-GAAP Measures

Twelve Months Ended June 30, 2018	AS REPORTED (GAAP)	INCREMENTAL RESTRUCTURING	TRANSITIONAL IMPACTS OF THE U.S. TAX ACT	EARLY DEBT EXTINGUISHMENT	ROUNDING	NON-GAAP (CORE)
COST OF PRODUCTS SOLD	$ 34,268	$ (724)	$ —		$ (1)	$ 33,543
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE	18,853	(15)	—		1	18,839
OPERATING INCOME	13,711	739	—		—	14,450
INCOME TAX ON CONTINUING OPERATIONS	3,465	129	(602)	103	—	3,095
NET EARNINGS ATTRIBUTABLE TO P&G	9,750	610	602	243	(1)	11,204
						Core EPS
DILUTED NET EARNINGS PER COMMON SHARE*	$ 3.67	$ 0.23	$ 0.23	$ 0.09	$ —	$ 4.22

* Diluted net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

CHANGE VERSUS YEAR AGO	
CORE EPS	8%

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
(Amounts in Millions Except Per Share Amounts)
Reconciliation of Non-GAAP Measures

Twelve Months Ended June 30, 2017	AS REPORTED (GAAP)	DISCONTINUED OPERATIONS	INCREMENTAL RESTRUCTURING	EARLY DEBT EXTINGUISHMENT	ROUNDING	NON-GAAP (CORE)
COST OF PRODUCTS SOLD	$ 32,535	$ —	$ (498)	$ —	$ —	$ 32,037
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE	18,568	—	99	—	—	18,667
OPERATING INCOME	13,955	—	399	—	—	14,354
INCOME TAX ON CONTINUING OPERATIONS	3,063	—	120	198	—	3,381
NET EARNINGS ATTRIBUTABLE TO P&G	15,326	(5,217)	279	345	(1)	10,732
						Core EPS
DILUTED NET EARNINGS PER COMMON SHARE*	$ 5.59	$ (1.90)	$ 0.10	$ 0.13	$ —	$ 3.92

* Diluted net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

CHANGE VERSUS YEAR AGO	
CORE EPS	7%

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
(Amounts in Millions Except Per Share Amounts)
Reconciliation of Non-GAAP Measures

Twelve Months Ended June 30, 2016	AS REPORTED (GAAP)	DISCONTINUED OPERATIONS	INCREMENTAL RESTRUCTURING	CHARGES FOR EUROPEAN LEGAL MATTERS	ROUNDING	NON-GAAP (CORE)
COST OF PRODUCTS SOLD	$ 32,909	$ —	$ (624)	$ —	$ —	$ 32,285
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE	18,949	—	31	(13)	—	18,967
OPERATING INCOME	13,441	—	593	13	—	14,047
INCOME TAX ON CONTINUING OPERATIONS	3,342	—	94	2	(1)	3,437
NET EARNINGS ATTRIBUTABLE TO P&G	10,508	(577)	499	11	—	10,441
						Core EPS
DILUTED NET EARNINGS PER COMMON SHARE*	$ 3.69	$ (0.20)	$ 0.18	$ —	$ —	$ 3.67

* Diluted net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The information required by this item is incorporated by reference to the section entitled Other Information under Management's Disclosure and Analysis, and Note 9 to the Consolidated Financial Statements.

Item 8. Financial Statements and Supplementary Data.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting of The Procter & Gamble Company (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Our internal control over financial reporting is 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 in the United States of America.

Strong internal controls is an objective that is reinforced through our *Worldwide Business Conduct Manual*, which sets forth our commitment to conduct business with integrity, and within both the letter and the spirit of the law. Our people are deeply committed to our Purpose, Values, and Principles, which unite us in doing what's right. Our system of internal controls includes written policies and procedures, segregation of duties, and the careful selection and development of employees. Additional key elements of our internal control structure include our Global Leadership Council, which is actively involved in oversight of the business strategies, initiatives, results and controls, our Disclosure Committee, which is responsible for evaluating disclosure implications of significant business activities and events, our Board of Directors, which provides strong and effective corporate governance, and our Audit Committee, which reviews significant accounting policies, financial reporting and internal control matters.

The Company's internal control over financial reporting includes a Control Self-Assessment Program that is conducted annually for critical financial reporting areas of the Company and is audited by our Global Internal Audit organization. Management takes the appropriate action to correct any identified control deficiencies. Global Internal Audit also performs financial and compliance audits around the world, provides training, and continuously improves our internal control processes.

Because of its inherent limitations, any system of internal control over financial reporting, no matter how well designed, may not prevent or detect misstatements due to the possibility that a control can be circumvented or overridden or that misstatements due to error or fraud may occur that are not detected. Also, because of changes in conditions, internal control effectiveness may vary over time.

Management assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2018, using criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and concluded that the Company maintained effective internal control over financial reporting as of June 30, 2018, based on these criteria.

Deloitte & Touche LLP, an independent registered public accounting firm, has audited the effectiveness of the Company's internal control over financial reporting as of June 30, 2018, as stated in their report which is included herein.

/s/ David S. Taylor

David S. Taylor

Chairman of the Board, President and Chief Executive Officer

/s/ Jon R. Moeller

Jon R. Moeller

Vice Chairman and Chief Financial Officer

August 7, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of The Procter & Gamble Company

Opinion on the Financial Statements

We have audited the accompanying Consolidated Balance Sheets of The Procter & Gamble Company and subsidiaries (the "Company") as of June 30, 2018 and 2017, the related Consolidated Statements of Earnings, Comprehensive Income, Shareholders' Equity and Cash Flows for each of the three years in the period ended June 30, 2018 and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 7, 2018 expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio

August 7, 2018

We have served as the Company's auditor since 1890.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of The Procter & Gamble Company

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of The Procter & Gamble Company and subsidiaries (the "Company") as of June 30, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission(COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended June 30, 2018, of the Company and our report dated August 7, 2018, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The 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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control over Financial Reporting

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.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio

August 7, 2018

Consolidated Statements of Earnings

Amounts in millions except per share amounts; Years ended June 30	2018	2017	2016
NET SALES	**$ 66,832**	$ 65,058	$ 65,299
Cost of products sold	**34,268**	32,535	32,909
Selling, general and administrative expense	**18,853**	18,568	18,949
OPERATING INCOME	**13,711**	13,955	13,441
Interest expense	**506**	465	579
Interest income	**247**	171	182
Other non-operating income/(expense), net	**(126)**	(404)	325
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	**13,326**	13,257	13,369
Income taxes on continuing operations	**3,465**	3,063	3,342
NET EARNINGS FROM CONTINUING OPERATIONS	**9,861**	10,194	10,027
NET EARNINGS FROM DISCONTINUED OPERATIONS	**—**	5,217	577
NET EARNINGS	**9,861**	15,411	10,604
Less: Net earnings attributable to noncontrolling interests	**111**	85	96
NET EARNINGS ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 9,750**	$ 15,326	$ 10,508
BASIC NET EARNINGS PER COMMON SHARE: [1]			
Earnings from continuing operations	**$ 3.75**	$ 3.79	$ 3.59
Earnings from discontinued operations	**—**	2.01	0.21
BASIC NET EARNINGS PER COMMON SHARE	**$ 3.75**	$ 5.80	$ 3.80
DILUTED NET EARNINGS PER COMMON SHARE: [1]			
Earnings from continuing operations	**$ 3.67**	$ 3.69	$ 3.49
Earnings from discontinued operations	**—**	1.90	0.20
DILUTED NET EARNINGS PER COMMON SHARE	**$ 3.67**	$ 5.59	$ 3.69
DIVIDENDS PER COMMON SHARE	**$ 2.79**	$ 2.70	$ 2.66

(1) Basic net earnings per common share and Diluted net earnings per common share are calculated on Net earnings attributable to Procter & Gamble.

Consolidated Statements of Comprehensive Income

Amounts in millions; Years ended June 30	2018	2017	2016
NET EARNINGS	**$ 9,861**	$ 15,411	$ 10,604
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX			
Financial statement foreign currency translation	**(6)**	239	(1,679)
Unrealized gains/(losses) on hedges (net of $(279), $(186) and $5 tax, respectively)	**(299)**	(306)	1
Unrealized gains/(losses) on investment securities (net of $0, $(6) and $7 tax, respectively)	**(148)**	(59)	28
Unrealized gains/(losses) on defined benefit retirement plans (net of $68, $551 and $(621) tax, respectively)	**334**	1,401	(1,477)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX	**(119)**	1,275	(3,127)
TOTAL COMPREHENSIVE INCOME	**9,742**	16,686	7,477
Less: Total comprehensive income attributable to noncontrolling interests	**109**	85	96
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 9,633**	$ 16,601	$ 7,381

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

Amounts in millions; As of June 30	2018	2017
Assets		
CURRENT ASSETS		
Cash and cash equivalents	**$ 2,569**	$ 5,569
Available-for-sale investment securities	**9,281**	9,568
Accounts receivable	**4,686**	4,594
INVENTORIES		
Materials and supplies	**1,335**	1,308
Work in process	**588**	529
Finished goods	**2,815**	2,787
Total inventories	**4,738**	4,624
Prepaid expenses and other current assets	**2,046**	2,139
TOTAL CURRENT ASSETS	**23,320**	26,494
PROPERTY, PLANT AND EQUIPMENT, NET	**20,600**	19,893
GOODWILL	**45,175**	44,699
TRADEMARKS AND OTHER INTANGIBLE ASSETS, NET	**23,902**	24,187
OTHER NONCURRENT ASSETS	**5,313**	5,133
TOTAL ASSETS	**$ 118,310**	$ 120,406
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES		
Accounts payable	**$ 10,344**	$ 9,632
Accrued and other liabilities	**7,470**	7,024
Debt due within one year	**10,423**	13,554
TOTAL CURRENT LIABILITIES	**28,237**	30,210
LONG-TERM DEBT	**20,863**	18,038
DEFERRED INCOME TAXES	**6,163**	8,126
OTHER NONCURRENT LIABILITIES	**10,164**	8,254
TOTAL LIABILITIES	**65,427**	64,628
SHAREHOLDERS' EQUITY		
Convertible Class A preferred stock, stated value $1 per share (600 shares authorized)	**967**	1,006
Non-Voting Class B preferred stock, stated value $1 per share (200 shares authorized)	**—**	—
Common stock, stated value $1 per share (10,000 shares authorized; shares issued: 2018 - 4,009.2, 2017 - 4,009.2)	**4,009**	4,009
Additional paid-in capital	**63,846**	63,641
Reserve for ESOP debt retirement	**(1,204)**	(1,249)
Accumulated other comprehensive income/(loss)	**(14,749)**	(14,632)
Treasury stock, at cost (shares held: 2018 -1,511.2, 2017 - 1,455.9)	**(99,217)**	(93,715)
Retained earnings	**98,641**	96,124
Noncontrolling interest	**590**	594
TOTAL SHAREHOLDERS' EQUITY	**52,883**	55,778
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 118,310**	$ 120,406

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

Dollars in millions; shares in thousands	Common Stock		Preferred Stock	Additional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumulated Other Comprehensive Income/ (Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Share-holders' Equity
	Shares	Amount								
BALANCE JUNE 30, 2015	2,714,571	$4,009	$1,077	$63,852	($1,320)	($12,780)	($77,226)	$84,807	$631	$63,050
Net earnings								10,508	96	10,604
Other comprehensive loss						(3,127)				(3,127)
Dividends and dividend equivalents:										
Common								(7,181)		(7,181)
Preferred, net of tax benefits								(255)		(255)
Treasury stock purchases [1]	(103,449)						(8,217)			(8,217)
Employee stock plans	52,089			(144)			3,234			3,090
Preferred stock conversions	4,863		(39)	6			33			—
ESOP debt impacts					30			74		104
Noncontrolling interest, net									(85)	(85)
BALANCE JUNE 30, 2016	2,668,074	$4,009	$1,038	$63,714	($1,290)	($15,907)	($82,176)	$87,953	$642	$57,983
Net earnings								15,326	85	15,411
Other comprehensive loss						1,275				1,275
Dividends and dividend equivalents:										
Common								(6,989)		(6,989)
Preferred, net of tax benefits								(247)		(247)
Treasury stock purchases [2]	(164,866)						(14,625)			(14,625)
Employee stock plans	45,848			(77)			3,058			2,981
Preferred stock conversions	4,241		(32)	4			28			—
ESOP debt impacts					41			81		122
Noncontrolling interest, net									(133)	(133)
BALANCE JUNE 30, 2017	2,553,297	$4,009	$1,006	$63,641	($1,249)	($14,632)	($93,715)	$96,124	$594	$55,778
Net earnings								**9,750**	**111**	**9,861**
Other comprehensive loss						**(117)**			**(2)**	**(119)**
Dividends and dividend equivalents:										
Common								**(7,057)**		**(7,057)**
Preferred, net of tax benefits								**(265)**		**(265)**
Treasury stock purchases	**(81,439)**						**(7,004)**			**(7,004)**
Employee stock plans	**21,655**			**199**			**1,469**			**1,668**
Preferred stock conversions	**4,580**		**(39)**	**6**			**33**			—
ESOP debt impacts					**45**			**89**		**134**
Noncontrolling interest, net									**(113)**	**(113)**
BALANCE JUNE 30, 2018	**2,498,093**	**$4,009**	**$967**	**$63,846**	**($1,204)**	**($14,749)**	**($99,217)**	**$98,641**	**$590**	**$52,883**

(1) Includes $4,213 of treasury shares acquired in the divestiture of the Batteries business (see Note 13).
(2) Includes $9,421 of treasury shares received as part of the share exchange in the Beauty Brands transaction (see Note 13).

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Amounts in millions; Years ended June 30	2018	2017	2016
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**$ 5,569**	$ 7,102	$ 6,836
OPERATING ACTIVITIES			
Net earnings	**9,861**	15,411	10,604
Depreciation and amortization	**2,834**	2,820	3,078
Loss on early extinguishment of debt	**346**	543	—
Share-based compensation expense	**395**	351	335
Deferred income taxes	**(1,844)**	(601)	(815)
Gain on sale of assets	**(176)**	(5,490)	(41)
Goodwill and intangible asset impairment charges	**—**	—	450
Change in accounts receivable	**(177)**	(322)	35
Change in inventories	**(188)**	71	116
Change in accounts payable, accrued and other liabilities	**1,385**	(149)	1,285
Change in other operating assets and liabilities	**2,000**	(43)	204
Other	**431**	162	184
TOTAL OPERATING ACTIVITIES	**14,867**	12,753	15,435
INVESTING ACTIVITIES			
Capital expenditures	**(3,717)**	(3,384)	(3,314)
Proceeds from asset sales	**269**	571	432
Acquisitions, net of cash acquired	**(109)**	(16)	(186)
Purchases of short-term investments	**(3,909)**	(4,843)	(2,815)
Proceeds from sales and maturities of short-term investments	**3,928**	1,488	1,354
Pre-divestiture addition of restricted cash related to the Beauty Brands divestiture	—	(874)	(996)
Cash transferred at closing related to the Beauty Brands divestiture	—	(475)	—
Release of restricted cash upon closing of the Beauty Brands divestiture	—	1,870	—
Cash transferred in Batteries divestiture	**—**	—	(143)
Change in other investments	**27**	(26)	93
TOTAL INVESTING ACTIVITIES	**(3,511)**	(5,689)	(5,575)
FINANCING ACTIVITIES			
Dividends to shareholders	**(7,310)**	(7,236)	(7,436)
Change in short-term debt	**(3,437)**	2,727	(418)
Additions to long-term debt	**5,072**	3,603	3,916
Reductions of long-term debt [1]	**(2,873)**	(4,931)	(2,213)
Treasury stock purchases	**(7,004)**	(5,204)	(4,004)
Treasury stock from cash infused in Batteries divestiture	**—**	—	(1,730)
Impact of stock options and other	**1,177**	2,473	2,672
TOTAL FINANCING ACTIVITIES	**(14,375)**	(8,568)	(9,213)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**19**	(29)	(381)
CHANGE IN CASH AND CASH EQUIVALENTS	**(3,000)**	(1,533)	266
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 2,569**	$ 5,569	$ 7,102

SUPPLEMENTAL DISCLOSURE			
Cash payments for interest	**$ 529**	$ 518	$ 569
Cash payment for income taxes	**2,830**	3,714	3,730
Divestiture of Batteries business in exchange for shares of P&G stock [2]	**—**	—	4,213
Divestiture of Beauty business in exchange for shares of P&G stock and assumption of debt	**—**	11,360	—
Assets acquired through non-cash capital leases are immaterial for all periods.			

(1) Includes early extinguishment of debt costs of $346 and $543 in 2018 and 2017, respectively.

(2) Includes $1,730 from cash infused into the Batteries business pursuant to the divestiture agreement (see Note 13).

Notes to Consolidated Financial Statements

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Procter & Gamble Company's (the "Company," "Procter & Gamble," "we" or "us") business is focused on providing branded consumer packaged goods of superior quality and value. Our products are sold in more than 180 countries and territories primarily through mass merchandisers, e-commerce, grocery stores, membership club stores, drug stores, department stores, distributors, wholesalers, baby stores, specialty beauty stores, high-frequency stores and pharmacies. We have on-the-ground operations in approximately 70 countries.

Basis of Presentation

The Consolidated Financial Statements include the Company and its controlled subsidiaries. Intercompany transactions are eliminated.

Because of a lack of control over Venezuela subsidiaries caused by a number of currency and other operating controls and restrictions, our Venezuelan subsidiaries are not consolidated for any year presented. We account for those subsidiaries using the cost method of accounting.

Use of Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying disclosures. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates are used in accounting for, among other items, consumer and trade promotion accruals, restructuring reserves, pensions, post-employment benefits, stock options, valuation of acquired intangible assets, useful lives for depreciation and amortization of long-lived assets, future cash flows associated with impairment testing for goodwill, indefinite-lived intangible assets and other long-lived assets, deferred tax assets and liabilities, uncertain income tax positions and contingencies. Actual results may ultimately differ from estimates, although management does not generally believe such differences would materially affect the financial statements in any individual year. However, in regard to ongoing impairment testing of goodwill and indefinite-lived intangible assets, significant deterioration in future cash flow projections or other assumptions used in estimating fair values versus those anticipated at the time of the initial valuations, could result in impairment charges that materially affect the financial statements in a given year.

Revenue Recognition

Sales are recognized when revenue is realized or realizable and has been earned. Revenue transactions represent sales of inventory. The revenue recorded is presented net of sales and other taxes we collect on behalf of governmental authorities. The revenue includes shipping and handling costs, which generally are included in the list price to the customer. Our policy is to recognize revenue when title to the product, ownership and risk of loss transfer to the customer, which can be on the date of shipment or the date of receipt by the customer. A provision for payment discounts and product return allowances is recorded as a reduction of sales in the same period the revenue is recognized.

Trade promotions, consisting primarily of customer pricing allowances, merchandising funds and consumer coupons, are offered through various programs to customers and consumers. Sales are recorded net of trade promotion spending, which is recognized as incurred, generally at the time of the sale. Most of these arrangements have terms of approximately one year. Accruals for expected payouts under these programs are included as accrued marketing and promotion in the Accrued and other liabilities line item in the Consolidated Balance Sheets.

Cost of Products Sold

Cost of products sold is primarily comprised of direct materials and supplies consumed in the manufacturing of product, as well as manufacturing labor, depreciation expense and direct overhead expense necessary to acquire and convert the purchased materials and supplies into finished product. Cost of products sold also includes the cost to distribute products to customers, inbound freight costs, internal transfer costs, warehousing costs and other shipping and handling activity.

Selling, General and Administrative Expense

Selling, general and administrative expense (SG&A) is primarily comprised of marketing expenses, selling expenses, research and development costs, administrative and other indirect overhead costs, depreciation and amortization expense on non-manufacturing assets and other miscellaneous operating items. Research and development costs are charged to expense as incurred and were $1.9 billion in 2018, $1.9 billion in 2017 and $1.9 billion in 2016 (reported in Net earnings from continuing operations). Advertising costs, charged to expense as incurred, include worldwide television, print, radio, internet and in-store advertising expenses and were $7.1 billion in 2018, $7.1 billion in 2017 and $7.2 billion in 2016 (reported in Net earnings from continuing operations). Non-advertising related components of the Company's total marketing spending reported in SG&A include costs associated with consumer promotions, product sampling and sales aids.

Other Non-Operating Income/(Expense), Net

Other non-operating income/(expense), net primarily includes net acquisition and divestiture gains, investment income and other non-operating items.

Currency Translation

Financial statements of operating subsidiaries outside the U.S. generally are measured using the local currency as the functional currency. Adjustments to translate those statements into U.S. dollars are recorded in Other comprehensive income (OCI). For subsidiaries operating in highly inflationary economies, the U.S. dollar is the functional currency. Remeasurement adjustments for financial statements in highly inflationary economies and other transactional exchange gains and losses are reflected in earnings.

Cash Flow Presentation

The Consolidated Statements of Cash Flows are prepared using the indirect method, which reconciles net earnings to cash flow from operating activities. Cash flows from foreign currency transactions and operations are translated at an average exchange rate for the period. Cash flows from hedging activities are included in the same category as the items being hedged. Cash flows from derivative instruments designated as net investment hedges are classified as financing activities. Realized gains and losses from non-qualifying derivative instruments used to hedge currency exposures resulting from intercompany financing transactions are also classified as financing activities. Cash flows from other derivative instruments used to manage interest, commodity or other currency exposures are classified as operating activities. Cash payments related to income taxes are classified as operating activities. Cash flows from the Company's discontinued operations are included in the Consolidated Statements of Cash Flows. See Note 13 for significant cash flow items related to discontinued operations.

Investments

Investment securities consist of readily marketable debt and equity securities. Unrealized gains or losses from investments classified as trading, if any, are charged to earnings. Unrealized gains or losses on securities classified as available-for-sale are generally recorded in OCI. If an available-for-sale security is other than temporarily impaired, the loss is charged to either earnings or OCI depending on our intent and ability to retain the security until we recover the full cost basis and the extent of the loss attributable to the creditworthiness of the issuer. Investment securities are included as Available-for-sale investment securities and Other noncurrent assets in the Consolidated Balance Sheets.

Investments in certain companies over which we exert significant influence, but do not control the financial and operating decisions, are accounted for as equity method investments. Other investments that are not controlled, and over which we do not have the ability to exercise significant influence, are accounted for under the cost method. Both equity and cost method investments are included as Other noncurrent assets in the Consolidated Balance Sheets.

Inventory Valuation

Inventories are valued at the lower of cost or market value. Product-related inventories are maintained on the first-in, first-out method. The cost of spare part inventories is maintained using the average-cost method.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost reduced by accumulated depreciation. Depreciation expense is recognized over the assets' estimated useful lives using the straight-line method. Machinery and equipment includes office furniture and fixtures (15-year life), computer equipment and capitalized software (3- to 5-year lives) and manufacturing equipment (3- to 20-year lives). Buildings are depreciated over an estimated useful life of 40 years. Estimated useful lives are periodically reviewed and, when appropriate, changes are made prospectively. When certain events or changes in operating conditions occur, asset lives may be adjusted and an impairment assessment may be performed on the recoverability of the carrying amounts.

Goodwill and Other Intangible Assets

Goodwill and indefinite-lived intangible assets are not amortized, but are evaluated for impairment annually or more often if indicators of a potential impairment are present. Our annual impairment testing of goodwill is performed separately from our impairment testing of indefinite-lived intangible assets.

We have acquired brands that have been determined to have indefinite lives. Those assets are evaluated annually for impairment. We evaluate a number of factors to determine whether an indefinite life is appropriate, including the competitive environment, market share, brand history, underlying product life cycles, operating plans and the macroeconomic environment of the countries in which the brands are sold. In addition, when certain events or changes in operating conditions occur, an additional impairment assessment is performed and indefinite-lived assets may be adjusted to a determinable life.

The cost of intangible assets with determinable useful lives is amortized to reflect the pattern of economic benefits consumed, either on a straight-line or accelerated basis over the estimated periods benefited. Patents, technology and other intangible assets with contractual terms are generally amortized over their respective legal or contractual lives. Customer relationships, brands and other non-contractual intangible assets with determinable lives are amortized over periods generally ranging from 5 to 30 years. When certain events or changes in operating conditions occur, an impairment assessment is performed and remaining lives of intangible assets with determinable lives may be adjusted.

For additional details on goodwill and intangible assets see Note 4.

Fair Values of Financial Instruments

Certain financial instruments are required to be recorded at fair value. Changes in assumptions or estimation methods could affect the fair value estimates; however, we do not believe any such changes would have a material impact on our financial condition, results of operations or cash flows. Other financial instruments, including cash equivalents, certain investments and short-term debt, are recorded at cost, which approximates fair value. The fair values of long-term debt and financial instruments are disclosed in Note 9.

New Accounting Pronouncements and Policies

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." This guidance outlines a single, comprehensive model of accounting for revenue from contracts with customers. We will adopt the standard on July 1, 2018, using the modified retrospective transition method. Our revenue is primarily generated from the sale of finished product to customers. Those sales predominantly contain a single delivery element and revenue is recognized at a single point in time when ownership, risks and rewards transfer. Accordingly, the timing of revenue recognition is not materially impacted by the new standard. The adoption of the new standard will impact the accrual timing for certain portions of our customer and consumer promotional spending, which will result in a cumulative adjustment to retained earnings of up to $350, net of tax, on the date of adoption. The provisions of the new standard will also impact the classification of certain payments to customers, moving an immaterial amount of such payments (approximately $300) from expense to a deduction from net sales. This new guidance will not have any other material impacts on our Consolidated Financial Statements, including financial disclosures.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." The standard requires lessees to recognize lease assets and lease liabilities on the balance sheet and requires expanded disclosures about leasing arrangements. We plan to adopt the standard on July 1, 2019. We are currently assessing the impact that the new standard will have on our Consolidated Financial Statements, which will consist primarily of a balance sheet gross up of our operating leases to show equal and offsetting lease assets and lease liabilities. For additional details on operating leases, see Note 12.

In January 2017, the FASB issued ASU 2017-04, “Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.” The standard simplifies the accounting for goodwill impairment by requiring a goodwill impairment to be measured using a single step impairment model, whereby the impairment equals the difference between the carrying amount and the fair value of the specified reporting units in their entirety. This eliminates the second step of the current impairment model that requires companies to first estimate the fair value of all assets in a reporting unit, and then measure impairments based on those fair values and a residual measurement approach. It also specifies that any loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. We will adopt the standard no later than July 1, 2020. The impact of the new standard will be dependent on the specific facts and circumstances of future individual impairments, if any.

In March 2017, the FASB issued ASU 2017-07, "Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715).” This guidance requires an entity to disaggregate the current service cost component from the other components of net benefit costs in the face of the income statement. It requires the service cost component to be presented with other current compensation costs for the related employees in the operating section of the income statement. Other components of net benefit cost are required to be presented outside of income from operations. We will adopt the standard retrospectively on July 1, 2018. The adoption of ASU 2017-07 is not expected to have a material impact on our Consolidated Financial Statements. We currently classify all net periodic pension costs within operating costs (as part of Cost of products sold and Selling, general and administrative expense). Had this standard been effective and adopted during fiscal 2018, Cost of products sold and Selling, general and administrative costs would have increased approximately $164 and $184, respectively, for the year ended June 30, 2018 with an offsetting change in Other non-operating income/(expense), net.

In August 2017, the FASB issued ASU 2017-12, “Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." This standard enables entities to better portray the economics of their risk management activities in the financial statements and enhances the transparency and understandability of hedge results through improved disclosures. The new standard is effective for us beginning July 1, 2019, with early adoption permitted. We elected to early adopt the new guidance in the first quarter of fiscal year 2018. The amended presentation and disclosure guidance was applied on a prospective basis. The primary impact of adoption is the required disclosure changes. The adoption of the new standard did not have a material impact on our Consolidated Financial Statements, including the cumulative-effect adjustment required upon adoption.

No other new accounting pronouncement issued or effective during the fiscal year had or is expected to have a material impact on our Consolidated Financial Statements.

NOTE 2

SEGMENT INFORMATION

During fiscal 2017, the Company completed the divestiture of four product categories, comprised of 43 of its beauty brands. The transactions included the global salon professional hair care and color, retail hair color, cosmetics and the fragrance businesses, along with select hair styling brands. In fiscal 2016, the Company completed the divestiture of its Batteries business to Berkshire Hathaway. Each of these businesses are reported as discontinued operations for all periods presented (see Note 13).

Under U.S. GAAP, our Global Business Units (GBUs) are aggregated into five reportable segments: 1) Beauty, 2) Grooming, 3) Health Care, 4) Fabric & Home Care and 5) Baby, Feminine & Family Care. Our five reportable segments are comprised of:

- *Beauty*: Hair Care (Conditioner, Shampoo, Styling Aids, Treatments); Skin and Personal Care (Antiperspirant and Deodorant, Personal Cleansing, Skin Care);
- *Grooming*: Shave Care (Female Blades & Razors, Male Blades & Razors, Pre- and Post-Shave Products, Other Shave Care); Appliances
- *Health Care*: Oral Care (Toothbrushes, Toothpaste, Other Oral Care); Personal Health Care (Gastrointestinal, Rapid Diagnostics, Respiratory, Vitamins/Minerals/ Supplements, Other Personal Health Care);
- *Fabric & Home Care*: Fabric Care (Fabric Enhancers, Laundry Additives, Laundry Detergents); Home Care (Air Care, Dish Care, P&G Professional, Surface Care); and
- *Baby, Feminine & Family Care*: Baby Care (Baby Wipes, Diapers and Pants); Feminine Care (Adult Incontinence, Feminine Care); Family Care (Paper Towels, Tissues, Toilet Paper).

The accounting policies of the segments are generally the same as those described in Note 1. Differences between these policies and U.S. GAAP primarily reflect income taxes, which are reflected in the segments using applicable blended statutory rates. Adjustments to arrive at our effective tax rate are included in Corporate, including the impacts from the U.S. Tax Act in fiscal 2018 (see Note 5).

Corporate includes certain operating and non-operating activities that are not reflected in the operating results used internally to measure and evaluate the businesses, as well as items to adjust management reporting principles to U.S. GAAP. Operating activities in Corporate include the results of incidental businesses managed at the corporate level. Operating elements also include certain employee benefit costs, the costs of certain restructuring-type activities to maintain a competitive cost structure, including manufacturing and workforce optimization, certain significant asset impairment charges and other general Corporate items. The non-operating elements in Corporate primarily include interest expense, certain acquisition and divestiture gains, interest and investing income and other financing costs.

Total assets for the reportable segments include those assets managed by the reportable segment, primarily inventory, fixed assets and intangible assets. Other assets, primarily cash, accounts receivable, investment securities and goodwill, are included in Corporate.

Our business units are comprised of similar product categories. Nine business units individually accounted for 5% or more of consolidated net sales as follows:

% of Sales by Business Unit [1]

Years ended June 30	2018	2017	2016
Fabric Care	**22%**	22%	22%
Baby Care	**13%**	14%	14%
Hair Care	**10%**	10%	10%
Home Care	**10%**	10%	10%
Skin and Personal Care	**9%**	8%	8%
Shave Care	**8%**	9%	9%
Family Care	**8%**	8%	8%
Oral Care	**8%**	8%	8%
Feminine Care	**6%**	6%	6%
All Other	***6%***	*5%*	*5%*
TOTAL	**100%**	100%	100%

[1] % of sales by business unit excludes sales held in Corporate.

The Company had net sales in the U.S. of $27.3 billion, $27.3 billion and $27.0 billion for the years ended June 30, 2018, 2017 and 2016, respectively. Long-lived assets in the U.S. totaled $9.7 billion and $8.8 billion as of June 30, 2018 and 2017, respectively. Long-lived assets consists of property, plant and equipment. No other country's net sales or long-lived assets exceed 10% of the Company totals.

Our largest customer, Walmart Inc. and its affiliates, accounted for consolidated net sales of approximately 15%, 16% and 15% in 2018, 2017 and 2016, respectively. No other customer represents more than 10% of our consolidated net sales.

Amounts in millions of dollars except per share amounts or as otherwise specified.

Global Segment Results		Net Sales	Earnings/(Loss) from Continuing Operations Before Income Taxes	Net Earnings /(Loss) from Continuing Operations	Depreciation and Amortization	Total Assets	Capital Expenditures
BEAUTY	**2018**	**$ 12,406**	**$ 3,042**	**$ 2,320**	**$ 236**	**$ 4,709**	**$ 766**
	2017	11,429	2,546	1,914	220	4,184	599
	2016	11,477	2,636	1,975	218	3,888	435
GROOMING	**2018**	**6,551**	**1,801**	**1,432**	**447**	**22,609**	**364**
	2017	6,642	1,985	1,537	433	22,759	341
	2016	6,815	2,009	1,548	451	22,819	383
HEALTH CARE	**2018**	**7,857**	**1,922**	**1,283**	**230**	**5,254**	**330**
	2017	7,513	1,898	1,280	209	5,194	283
	2016	7,350	1,812	1,250	204	5,139	240
FABRIC & HOME CARE	**2018**	**21,441**	**4,191**	**2,708**	**534**	**7,295**	**1,020**
	2017	20,717	4,249	2,713	513	6,886	797
	2016	20,730	4,249	2,778	531	6,919	672
BABY, FEMININE & FAMILY CARE	**2018**	**18,080**	**3,527**	**2,251**	**899**	**9,682**	**1,016**
	2017	18,252	3,868	2,503	874	9,920	1,197
	2016	18,505	4,042	2,650	886	9,863	1,261
CORPORATE (1)	**2018**	**497**	**(1,157)**	**(133)**	**488**	**68,761**	**221**
	2017	505	(1,289)	247	571	71,463	167
	2016	422	(1,379)	(174)	788	78,508	323
TOTAL COMPANY	**2018**	**$ 66,832**	**$ 13,326**	**$ 9,861**	**$ 2,834**	**$ 118,310**	**$ 3,717**
	2017	65,058	13,257	10,194	2,820	120,406	3,384
	2016	65,299	13,369	10,027	3,078	127,136	3,314

(1) The Corporate reportable segment includes depreciation and amortization, total assets and capital expenditures of the Beauty Brands and Batteries businesses prior to their divestiture.

NOTE 3

SUPPLEMENTAL FINANCIAL INFORMATION

The components of property, plant and equipment were as follows:

As of June 30	2018	2017
PROPERTY, PLANT AND EQUIPMENT		
Buildings	**$ 7,188**	$ 6,943
Machinery and equipment	**30,595**	29,505
Land	**841**	765
Construction in progress	**3,223**	2,935
TOTAL PROPERTY, PLANT AND EQUIPMENT	**41,847**	40,148
Accumulated depreciation	**(21,247)**	(20,255)
PROPERTY, PLANT AND EQUIPMENT, NET	**$ 20,600**	$ 19,893

Selected components of current and noncurrent liabilities were as follows:

As of June 30	2018	2017
ACCRUED AND OTHER LIABILITIES - CURRENT		
Marketing and promotion	**$ 3,208**	$ 2,792
Compensation expenses	**1,298**	1,344
Restructuring reserves	**513**	277
Taxes payable	**268**	449
Legal and environmental	**156**	168
Other	**2,027**	1,994
TOTAL	**$ 7,470**	$ 7,024
OTHER NONCURRENT LIABILITIES		
Pension benefits	**$ 4,768**	$ 5,487
Other postretirement benefits	**1,495**	1,333
Uncertain tax positions	**581**	564
U.S. Tax Act transitional tax payable	**2,654**	—
Other	**666**	870
TOTAL	**$ 10,164**	$ 8,254

Amounts in millions of dollars except per share amounts or as otherwise specified.

RESTRUCTURING PROGRAM

The Company has historically incurred an ongoing annual level of restructuring-type activities to maintain a competitive cost structure, including manufacturing and workforce optimization. Before-tax costs incurred under the ongoing program have generally ranged from $250 to $500 annually. In fiscal 2012, the Company initiated an incremental restructuring program (covering fiscal 2012 through 2017) as part of a productivity and cost savings plan to reduce costs in the areas of supply chain, research and development, marketing activities and overhead expenses. The productivity and cost savings plan was designed to accelerate cost reductions by streamlining management decision making, manufacturing and other work processes in order to help fund the Company's growth strategy. Total restructuring costs incurred under the plan through fiscal 2017 was $5.6 billion, before tax.

In fiscal 2017 the Company announced specific elements of another incremental multi-year productivity and cost savings plan to further reduce costs in the areas of supply chain, certain marketing activities and overhead expenses. This program is expected to result in incremental enrollment reductions, along with further optimization of the supply chain and other manufacturing processes.

Restructuring costs incurred consist primarily of costs to separate employees, asset-related costs to exit facilities and other costs. The Company incurred total restructuring charges of $1,070 and $754 for the years ended June 30, 2018 and 2017, respectively. An additional amount of approximately $800 is expected to be incurred in fiscal 2019. Of the charges incurred, $251 and $137 were recorded in SG&A for the years ended June 30, 2018 and 2017, respectively and $819 and $593 were recorded in Cost of products sold for the years ended June 30, 2018 and 2017, respectively. The remainder of the charges for fiscal 2017 were included in Net earnings from discontinued operations. The following table presents restructuring activity for the years ended June 30, 2018 and 2017:

Amounts in millions	Separations	Asset-Related Costs	Other	Total
RESERVE JUNE 30, 2016	$ 243	$ —	$ 72	$ 315
Charges	206	397	151	754
Cash spent [(1)]	(221)	—	(174)	(395)
Charges against assets	—	(397)	—	(397)
RESERVE JUNE 30, 2017	228	—	49	277
Charges	**310**	**366**	**394**	**1,070**
Cash spent	**(279)**	**—**	**(189)**	**(468)**
Charges against assets	**—**	**(366)**	**—**	**(366)**
RESERVE JUNE 30, 2018	**$ 259**	**$ —**	**$ 254**	**$ 513**

(1) Includes liabilities transferred to Coty related to our Beauty Brands divestiture.

Separation Costs

Employee separation charges for the years ended June 30, 2018 and 2017 relate to severance packages for approximately 2,720 and 2,120 employees, respectively. The packages were primarily voluntary and the amounts were calculated based on salary levels and past service periods. Severance costs related to voluntary separations are generally charged to earnings when the employee accepts the offer.

Asset-Related Costs

Asset-related costs consist of both asset write-downs and accelerated depreciation. Asset write-downs relate to the establishment of a new fair value basis for assets held-for-sale or disposal. These assets were written down to the lower of their current carrying basis or amounts expected to be realized upon disposal, less minor disposal costs. Charges for accelerated depreciation relate to long-lived assets that will be taken out of service prior to the end of their normal service period. These assets relate primarily to manufacturing consolidations and technology standardizations. The asset-related charges will not have a significant impact on future depreciation charges.

Other Costs

Other restructuring-type charges are incurred as a direct result of the restructuring program. Such charges primarily include asset removal and termination of contracts related to supply chain optimization.

Consistent with our historical policies for ongoing restructuring-type activities, the restructuring program charges are funded by and included within Corporate for both management and segment reporting. Accordingly, all of the charges under the program are included within the Corporate reportable segment.

However, for informative purposes, the following table summarizes the total restructuring costs related to our reportable segments:

Years ended June 30	2018	2017	2016
Beauty	**$ 60**	$ 90	$ 72
Grooming	**38**	45	42
Health Care	**21**	15	26
Fabric & Home Care	**115**	144	250
Baby, Feminine & Family Care	**547**	231	225
Corporate [(1)]	**289**	229	362
Total Company	**$ 1,070**	$ 754	$ 977

(1) Corporate includes costs related to allocated overheads, including charges related to our Sales and Market Operations, Global Business Services and Corporate Functions activities, along with costs related to discontinued operations from our Batteries and Beauty Brands businesses.

NOTE 4

GOODWILL AND INTANGIBLE ASSETS

The change in the net carrying amount of goodwill by reportable segment was as follows:

	Beauty	Grooming	Health Care	Fabric & Home Care	Baby, Feminine & Family Care	Corporate	Total Company
Balance at June 30, 2016 - Net [(1)]	$ 12,645	$ 19,477	$ 5,840	$ 1,856	$ 4,532	$ —	$ 44,350
Acquisitions and divestitures	—	—	(10)	(3)	(24)	—	(37)
Translation and other	146	150	48	4	38	—	386
Balance at June 30, 2017 - Net [(1)]	12,791	19,627	5,878	1,857	4,546	—	44,699
Acquisitions and divestitures	**82**	**—**	**—**	**—**	**—**	**—**	**82**
Translation and other	**119**	**193**	**51**	**8**	**23**	**—**	**394**
Balance at June 30, 2018 - Net [(1)]	**$ 12,992**	**$ 19,820**	**$ 5,929**	**$ 1,865**	**$ 4,569**	**$ —**	**$ 45,175**

(1) Grooming goodwill balance is net of $1.2 billion accumulated impairment losses.

During fiscal 2017, the Company completed the divestiture of four product categories, comprised of 43 of its beauty brands ("Beauty Brands"). The transactions included the global salon professional hair care and color, retail hair color and cosmetics businesses and the fine fragrances business, along with select hair styling brands (see Note 13). The Beauty Brands had historically been part of the Company's Beauty reportable segment. In accordance with applicable accounting guidance for the disposal of long-lived assets, the results of the Beauty Brands are presented as discontinued operations. As a result, the goodwill attributable to the Beauty Brands as of June 30, 2016 is excluded from the preceding table.

The change in goodwill during fiscal 2018 was primarily due to acquisitions of two brands within the Beauty reportable segment and currency translation across all reportable segments. The change in goodwill during fiscal 2017 was primarily due to minor brand divestitures and currency translation across all reportable segments.

The goodwill and intangible asset valuations that are utilized to test these assets for impairment are dependent on a number of significant estimates and assumptions, including macroeconomic conditions, overall category growth rates, competitive activities, cost containment and margin expansion, Company business plans and the discount rate applied to cash flows. We believe these estimates and assumptions are reasonable and are comparable to those that would be used by other marketplace participants. However, actual events and results could differ substantially from those used in our valuations. To the extent such factors result in a failure to achieve the level of projected cash flows initially used to estimate fair value for purposes of establishing the carrying amount of goodwill and related intangible assets, we may need to record non-cash impairment charges in the future.

Identifiable intangible assets were comprised of:

	2018		2017	
As of June 30	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
INTANGIBLE ASSETS WITH DETERMINABLE LIVES				
Brands	**$ 3,146**	**$ (2,046)**	$ 3,094	$ (1,898)
Patents and technology	**2,617**	**(2,350)**	2,617	(2,261)
Customer relationships	**1,372**	**(616)**	1,377	(564)
Other	**241**	**(144)**	239	(132)
TOTAL	**$ 7,376**	**$ (5,156)**	$ 7,327	$ (4,855)
INTANGIBLE ASSETS WITH INDEFINITE LIVES				
Brands	**21,682**	**—**	21,715	—
TOTAL	**$ 29,058**	**$ (5,156)**	$ 29,042	$ (4,855)

Amortization expense of intangible assets was as follows:

Years ended June 30	2018	2017	2016
Intangible asset amortization	**$ 302**	$ 325	$ 388

Estimated amortization expense over the next five fiscal years is as follows:

Years ending June 30	2019	2020	2021	2022	2023
Estimated amortization expense	$ 280	$ 254	$ 205	$ 188	$ 177

Amounts in millions of dollars except per share amounts or as otherwise specified.

NOTE 5

INCOME TAXES

Income taxes are recognized for the amount of taxes payable for the current year and for the impact of deferred tax assets and liabilities, which represent future tax consequences of events that have been recognized differently in the financial statements than for tax purposes. Deferred tax assets and liabilities are established using the enacted statutory tax rates and are adjusted for any changes in such rates in the period of change.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "U.S. Tax Act"). The U.S. Tax Act significantly revises the future ongoing U.S. corporate income tax by, among other things, lowering the U.S. corporate income tax rates and implementing a hybrid territorial tax system. As the Company has a June 30 fiscal year-end, the lower corporate income tax rate was phased in, resulting in a U.S. statutory federal rate of approximately 28% for our fiscal year ended June 30, 2018, and 21% for subsequent fiscal years. However, the U.S. Tax Act eliminates the domestic manufacturing deduction and moves to a hybrid territorial system, which also largely eliminates the ability to credit certain foreign taxes that existed prior to enactment of the U.S. Tax Act.

There are also certain transitional impacts of the U.S. Tax Act. As part of the transition to the new hybrid territorial tax system, the U.S. Tax Act imposed a one-time repatriation tax on deemed repatriation of historical earnings of foreign subsidiaries. In addition, the reduction of the U.S. corporate tax rate caused us to adjust our U.S. deferred tax assets and liabilities to the lower federal base rate of 21%. These transitional impacts resulted in a provisional net charge of $602 for the fiscal year ended June 30, 2018, comprised of an estimated repatriation tax charge of $3.8 billion (comprised of U.S. repatriation taxes and foreign withholding taxes) and an estimated net deferred tax benefit of $3.2 billion.

The changes included in the U.S. Tax Act are broad and complex. The final transitional impacts of the U.S. Tax Act may differ from the above estimate, possibly materially, due to, among other things, changes in interpretations of the U.S. Tax Act, any legislative action to address questions that arise because of the U.S. Tax Act, or any updates or changes to estimates the Company has utilized to calculate the transitional impacts, which we expect to finalize when we complete our tax return for fiscal 2018. The SEC has issued rules that would allow for a measurement period of up to one year after the enactment date of the U.S. Tax Act to finalize the recording of the related tax impacts. We currently anticipate finalizing and recording any resulting adjustments within the one-year time period provided by the SEC.

Earnings from continuing operations before income taxes consisted of the following:

Years ended June 30	2018	2017	2016
United States	**$ 9,277**	$ 9,031	$ 8,788
International	**4,049**	4,226	4,581
TOTAL	**$13,326**	$13,257	$13,369

Income taxes on continuing operations consisted of the following:

Years ended June 30	2018	2017	2016
CURRENT TAX EXPENSE			
U.S. federal	**$ 3,965**	$ 1,531	$ 1,673
International	**1,131**	1,243	1,483
U.S. state and local	**213**	241	224
	5,309	3,015	3,380
DEFERRED TAX EXPENSE			
U.S. federal	**(1,989)**	28	33
International and other	**145**	20	(71)
	(1,844)	48	(38)
TOTAL TAX EXPENSE	**$ 3,465**	$ 3,063	$ 3,342

A reconciliation of the U.S. federal statutory income tax rate to our actual income tax rate on continuing operations is provided below:

Years ended June 30	2018	2017	2016
U.S. federal statutory income tax rate	**28.1 %**	35.0 %	35.0 %
Country mix impacts of foreign operations	**(4.7)%**	(6.8)%	(9.1)%
Changes in uncertain tax positions	**(0.3)%**	(2.0)%	(0.5)%
Excess tax benefits from the exercise of stock options	**(0.4)%**	(1.3)%	— %
Net transitional impact of U.S. Tax Act	**4.5 %**	— %	— %
Other	**(1.2)%**	(1.8)%	(0.4)%
EFFECTIVE INCOME TAX RATE	**26.0 %**	23.1 %	25.0 %

Country mix impacts of foreign operations includes the effects of foreign subsidiaries' earnings taxed at rates other than the U.S. statutory rate, the U.S. tax impacts of non-U.S. earnings repatriation and any net impacts of intercompany transactions. Changes in uncertain tax positions represent changes in our net liability related to prior year tax positions. Excess tax benefits from the exercise of stock options reflect the impact of adopting ASU 2016-09, "Stock Compensation (Topic 718): Improvements to Employee-Share-Based Payment Accounting)."

Tax benefits charged to shareholders' equity totaled $342 for the year ended June 30, 2018. This primarily relates to the tax effects of Net Investment hedges, partially offset by the impact of certain adjustments to pension obligations recorded in stockholders' equity. Tax costs credited to shareholders' equity totaled $333 for the year ended June 30, 2017. This primarily relates to the impact of certain adjustments to pension obligations recorded in stockholders' equity, partially offset by the tax effects of Net Investment hedges.

Amounts in millions of dollars except per share amounts or as otherwise specified.

Prior to the passage of the U.S. Tax Act, the Company asserted that substantially all of the undistributed earnings of its foreign subsidiaries were considered indefinitely invested and accordingly, no deferred taxes were provided. Pursuant to the provisions of the U.S. Tax Act, these earnings were subjected to a one-time transition tax, for which a provisional charge has been recorded. This charge included provisional taxes for all U.S. income taxes and for the related foreign withholding taxes for the portion of those earnings which are no longer considered indefinitely invested. We have not provided deferred foreign withholding taxes on approximately $33 billion of earnings that are considered permanently reinvested.

A reconciliation of the beginning and ending liability for uncertain tax positions is as follows:

Years ended June 30	2018	2017	2016
BEGINNING OF YEAR	**$ 465**	$ 857	$ 1,096
Increases in tax positions for prior years	**26**	87	124
Decreases in tax positions for prior years	**(38)**	(147)	(97)
Increases in tax positions for current year	**87**	75	97
Settlements with taxing authorities	**(45)**	(381)	(301)
Lapse in statute of limitations	**(20)**	(22)	(39)
Currency translation	**(5)**	(4)	(23)
END OF YEAR	**$ 470**	$ 465	$ 857

Included in the total liability for uncertain tax positions at June 30, 2018, is $251 that, depending on the ultimate resolution, could impact the effective tax rate in future periods.

The Company is present in approximately 70 countries and over 150 taxable jurisdictions and, at any point in time, has 40-50 jurisdictional audits underway at various stages of completion. We evaluate our tax positions and establish liabilities for uncertain tax positions that may be challenged by local authorities and may not be fully sustained, despite our belief that the underlying tax positions are fully supportable. Uncertain tax positions are reviewed on an ongoing basis and are adjusted in light of changing facts and circumstances, including progress of tax audits, developments in case law and the closing of statutes of limitation. Such adjustments are reflected in the tax provision as appropriate. We have tax years open ranging from 2008 and forward. We are generally not able to reliably estimate the ultimate settlement amounts until the close of the audit. While we do not expect material changes, it is possible that the amount of unrecognized benefit with respect to our uncertain tax positions could increase or decrease within the next 12 months. At this time, we are not able to make a reasonable estimate of the range of impact on the balance of uncertain tax positions or the impact on the effective tax rate related to any such changes.

We recognize the additional accrual of any possible related interest and penalties relating to the underlying uncertain tax position in income tax expense. As of June 30, 2018, 2017 and 2016, we had accrued interest of $99, $100 and $323 and accrued penalties of $15, $20 and $20, respectively, which are not included in the above table. During the fiscal years ended June 30, 2018, 2017 and 2016, we recognized $(22), $62 and $2 in interest benefit/(expense) and $(5), $0 and $(2) in penalties benefit/(expense), respectively. The net benefits recognized resulted primarily from the favorable resolution of tax positions for prior years.

Deferred income tax assets and liabilities were comprised of the following:

As of June 30	2018	2017
DEFERRED TAX ASSETS		
Pension and postretirement benefits	**$ 1,478**	$ 1,775
Loss and other carryforwards	**1,067**	1,516
Stock-based compensation	**476**	732
Fixed assets	**223**	212
Accrued marketing and promotion	**223**	210
Unrealized loss on financial and foreign exchange transactions	**61**	259
Inventory	**35**	75
Accrued interest and taxes	**17**	30
Advance payments	**4**	121
Other	**699**	709
Valuation allowances	**(457)**	(505)
TOTAL	**$ 3,826**	$ 5,134
DEFERRED TAX LIABILITIES		
Goodwill and intangible assets	**$ 6,168**	$ 9,403
Fixed assets	**1,276**	1,495
Foreign withholding tax on earnings to be repatriated	**244**	—
Unrealized gain on financial and foreign exchange transactions	**169**	314
Other	**161**	26
TOTAL	**$ 8,018**	$ 11,238

Net operating loss carryforwards were $3.5 billion and $3.3 billion at June 30, 2018 and 2017, respectively. If unused, $1.2 billion will expire between 2018 and 2037. The remainder, totaling $2.3 billion at June 30, 2018, may be carried forward indefinitely.

Amounts in millions of dollars except per share amounts or as otherwise specified.

NOTE 6

EARNINGS PER SHARE

Basic net earnings per common share are calculated by dividing Net earnings attributable to Procter & Gamble less preferred dividends (net of related tax benefits) by the weighted average number of common shares outstanding during the year. Diluted net earnings per common share are calculated using the treasury stock method on the basis of the weighted average number of common shares outstanding plus the dilutive effect of stock options and other stock-based awards (see Note 7) and the assumed conversion of preferred stock (see Note 8).

Net earnings per share were as follows:

Years ended June 30	2018	2017			2016		
CONSOLIDATED AMOUNTS	**Total**	**Continuing Operations**	**Discontinued Operations**	**Total**	**Continuing Operations**	**Discontinued Operations**	**Total**
Net earnings	**$ 9,861**	$ 10,194	$ 5,217	$ 15,411	$ 10,027	$ 577	$ 10,604
Less: Net earnings attributable to noncontrolling interests	**111**	85	—	85	96	—	96
Net earnings attributable to P&G (Diluted)	**9,750**	10,109	5,217	15,326	9,931	577	10,508
Preferred dividends, net of tax	**(265)**	(247)	—	(247)	(255)	—	(255)
Net earnings attributable to P&G available to common shareholders (Basic)	**$ 9,485**	$ 9,862	$ 5,217	$ 15,079	$ 9,676	$ 577	$ 10,253
SHARES IN MILLIONS							
Basic weighted average common shares outstanding	**2,529.3**	2,598.1	2,598.1	2,598.1	2,698.9	2,698.9	2,698.9
Add: Effect of dilutive securities							
Conversion of preferred shares[1]	**94.9**	99.3	99.3	99.3	103.9	103.9	103.9
Impact of stock options and other unvested equity awards [2]	**32.5**	43.0	43.0	43.0	41.6	41.6	41.6
Diluted weighted average common shares outstanding	**2,656.7**	2,740.4	2,740.4	2,740.4	2,844.4	2,844.4	2,844.4
NET EARNINGS PER SHARE [3]							
Basic	**$ 3.75**	$ 3.79	$ 2.01	$ 5.80	$ 3.59	$ 0.21	$ 3.80
Diluted	**$ 3.67**	$ 3.69	$ 1.90	$ 5.59	$ 3.49	$ 0.20	$ 3.69

(1) Despite being included currently in Diluted net earnings per common share, the actual conversion to common stock occurs when the preferred shares are sold. Shares may only be sold after being allocated to the ESOP participants pursuant to the repayment of the ESOP's obligations through 2035.

(2) Weighted average outstanding stock options of approximately 48 million in 2018, 20 million in 2017 and 55 million in 2016 were not included in the Diluted net earnings per share calculation because the options were out of the money or to do so would have been antidilutive (i.e., the total proceeds upon exercise would have exceeded the market value of the underlying common shares).

(3) Net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

NOTE 7

STOCK-BASED COMPENSATION

We have two primary stock-based compensation programs under which we annually grant stock option, restricted stock unit (RSU) and performance stock unit (PSU) awards to key managers and directors.

In our main long-term incentive program, key managers can elect to receive options or RSUs. All options vest after three years and have a 10-year life. Exercise prices on options are set equal to the market price of the underlying shares on the date of the grant. Effective in fiscal year 2017, RSUs vest and settle in shares of common stock three years from the grant date. RSUs granted prior to fiscal years 2017 vest and settle in shares of common stock five years from the grant date.

Senior-level executives participate in an additional long-term incentive program that awards PSUs, which are paid in shares after the end of a three-year performance period. Under this program, the number of PSUs that will vest is based on the Company's performance relative to pre-established performance goals during that three year period.

In addition to these long-term incentive programs, we award RSUs to the Company's non-employee directors and make other minor stock option and RSU grants to employees for which the terms are not substantially different from our long-term incentive awards.

A total of 185 million shares of common stock were authorized for issuance under the stock-based compensation plan approved by shareholders in 2014, of which 65 million shares remain available for grant.

The Company recognizes stock-based compensation expense based on the fair value of the awards at the date of grant. The fair value is amortized on a straight-line basis over the requisite service period. Awards to employees eligible for retirement prior to the award becoming fully vested are recognized as compensation expense from the grant date through the date the employee first becomes eligible to retire and is no longer required to provide services to earn the award. Stock-based compensation expense is included as part of Cost of products sold and SG&A in the Consolidated Statement of Earnings and includes an estimate of forfeitures, which is based on historical data. Total expense and related tax benefit were as follows:

Years ended June 30	2018	2017 [1]	2016 [1]
Stock options	**$ 220**	$ 216	$ 199
RSUs and PSUs	**175**	150	143
Total stock-based expense	**$ 395**	$ 366	$ 342
Income tax benefit	**$ 87**	$ 111	$ 85

[1] Includes amounts related to discontinued operations, which are not material in any period presented.

We utilize an industry standard lattice-based valuation model to calculate the fair value for stock options granted. Assumptions utilized in the model, which are evaluated and revised to reflect market conditions and experience, were as follows:

Years ended June 30	2018	2017	2016
Interest rate	**1.9 - 2.9%**	0.8 - 2.6%	0.7 - 1.9%
Weighted average interest rate	**2.8%**	2.6%	1.8%
Dividend yield	**3.1%**	3.2%	3.2%
Expected volatility	**18%**	15%	16%
Expected life in years	**9.2**	9.6	8.3

Lattice-based option valuation models incorporate ranges of assumptions for inputs and those ranges are disclosed in the preceding table. Expected volatilities are based on a combination of historical volatility of our stock and implied volatilities of call options on our stock. We use historical data to estimate option exercise and employee termination patterns within the valuation model. The expected life of options granted is derived from the output of the option valuation model and represents the average period of time that options granted are expected to be outstanding. The interest rate for periods within the contractual life of the options is based on the U.S. Treasury yield curve in effect at the time of grant.

A summary of options outstanding under the plans as of June 30, 2018 and activity during the year then ended is presented below:

Options	Options (in thousands)	Weighted Average Exercise Price	Weighted Average Contract-ual Life in Years	Aggregate Intrinsic Value
Outstanding, beginning of year	206,485	$ 72.46		
Granted	**20,292**	**82.19**		
Exercised	**(19,622)**	**63.44**		
Canceled	**(1,501)**	**82.92**		
OUTSTANDING, END OF YEAR	**205,654**	**$ 74.21**	**5.3**	**$ 1,349**
EXERCISABLE	**143,169**	**$ 69.96**	**3.8**	**$ 1,326**

The following table provides additional information on stock options:

Years ended June 30	2018	2017	2016
Weighted average grant-date fair value of options granted	**$11.89**	$10.45	$ 8.48
Intrinsic value of options exercised	**500**	1,334	1,388
Grant-date fair value of options that vested	**209**	246	200
Cash received from options exercised	**1,245**	2,630	2,332
Actual tax benefit from options exercised	**127**	421	433

At June 30, 2018, there was $203 of compensation cost that has not yet been recognized related to stock option grants. That cost is expected to be recognized over a remaining weighted average period of 2.0 years.

A summary of non-vested RSUs and PSUs outstanding under the plans as of June 30, 2018 and activity during the year then ended is presented below:

	RSUs		PSUs	
RSU and PSU awards	Units (in thousands)	Weighted Average Grant Date Fair Value	Units (in thousands)	Weighted Average Grant Date Fair Value
Non-vested at July 1, 2017	5,359	$ 74.98	1,194	$ 82.40
Granted	**1,978**	**79.73**	**784**	**78.59**
Vested	**(1,777)**	**72.27**	**(550)**	**73.38**
Forfeited	**(184)**	**74.79**	**(43)**	**81.56**
Non-vested at June 30, 2018	**5,376**	**$ 77.17**	**1,385**	**$ 84.08**

At June 30, 2018, there was $255 of compensation cost that has not yet been recognized related to RSUs and PSUs. That cost is expected to be recognized over a remaining weighted average period of 2.1 years. The total grant date fair value of shares vested was $175, $163 and $97 in 2018, 2017 and 2016, respectively.

The Company settles equity issuances with treasury shares. We have no specific policy to repurchase common shares to mitigate the dilutive impact of options, RSUs and PSUs. However, we have historically made adequate discretionary purchases, based on cash availability, market trends and other factors, to offset the impacts of such activity.

NOTE 8

POSTRETIREMENT BENEFITS AND EMPLOYEE STOCK OWNERSHIP PLAN

We offer various postretirement benefits to our employees.

Defined Contribution Retirement Plans

We have defined contribution plans, which cover the majority of our U.S. employees, as well as employees in certain other countries. These plans are fully funded. We generally make contributions to participants' accounts based on individual base salaries and years of service. Total global defined contribution expense was $292, $270 and $292 in 2018, 2017 and 2016, respectively.

The primary U.S. defined contribution plan (the U.S. DC plan) comprises the majority of the expense for the Company's defined contribution plans. For the U.S. DC plan, the contribution rate is set annually. Total contributions for this plan approximated 14% of total participants' annual wages and salaries in 2018, 2017 and 2016.

We maintain The Procter & Gamble Profit Sharing Trust (Trust) and Employee Stock Ownership Plan (ESOP) to provide a portion of the funding for the U.S. DC plan and other retiree benefits (described below). Operating details of the ESOP are provided at the end of this Note. The fair value of the ESOP Series A shares allocated to participants reduces our cash contribution required to fund the U.S. DC plan.

Defined Benefit Retirement Plans and Other Retiree Benefits

We offer defined benefit retirement pension plans to certain employees. These benefits relate primarily to local plans outside the U.S. and, to a lesser extent, plans assumed in previous acquisitions covering U.S. employees.

We also provide certain other retiree benefits, primarily health care and life insurance, for the majority of our U.S. employees who become eligible for these benefits when they meet minimum age and service requirements. Generally, the health care plans require cost sharing with retirees and pay a stated percentage of expenses, reduced by deductibles and other coverages. These benefits are primarily funded by ESOP Series B shares and certain other assets contributed by the Company.

Obligation and Funded Status. The following provides a reconciliation of benefit obligations, plan assets and funded status of these defined benefit plans:

Years ended June 30	Pension Benefits [1]		Other Retiree Benefits [2]	
	2018	2017	2018	2017
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year [3]	**$ 16,160**	$ 17,285	**$ 5,187**	$ 5,632
Service cost	**280**	310	**112**	133
Interest cost	**348**	300	**177**	175
Participants' contributions	**13**	14	**73**	74
Amendments	**12**	2	**(231)**	—
Net actuarial loss/(gain)	**(722)**	(643)	**(308)**	(554)
Acquisitions/(divestitures) [4]	**—**	(413)	**—**	(31)
Curtailments	**—**	(132)	**—**	(37)
Special termination benefits	**8**	4	**7**	21
Currency translation and other	**148**	35	**5**	16
Benefit payments	**(589)**	(602)	**(244)**	(242)
BENEFIT OBLIGATION AT END OF YEAR [3]	**$ 15,658**	$ 16,160	**$ 4,778**	$ 5,187
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	**$ 10,829**	$ 10,269	**$ 3,831**	$ 3,787
Actual return on plan assets	**553**	884	**(481)**	136
Acquisitions/(divestitures) [4]	**—**	(34)	**—**	—
Employer contributions	**406**	316	**33**	36
Participants' contributions	**13**	14	**73**	74
Currency translation and other	**55**	(18)	**(3)**	(4)
ESOP debt impacts [5]	**—**	—	**50**	44
Benefit payments	**(589)**	(602)	**(244)**	(242)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**$ 11,267**	$ 10,829	**$ 3,259**	$ 3,831
FUNDED STATUS	**$ (4,391)**	$ (5,331)	**$ (1,519)**	$ (1,356)

(1) Primarily non-U.S.-based defined benefit retirement plans.
(2) Primarily U.S.-based other postretirement benefit plans.
(3) For the pension benefit plans, the benefit obligation is the projected benefit obligation. For other retiree benefit plans, the benefit obligation is the accumulated postretirement benefit obligation.
(4) For the year ended June 30, 2017, this represents the obligations and plans which were classified as held for sale at June 30, 2016.
(5) Represents the net impact of ESOP debt service requirements, which is netted against plan assets for other retiree benefits.

The underfunding of pension benefits is primarily a function of the different funding incentives that exist outside of the U.S. In certain countries, there are no legal requirements or financial incentives provided to companies to pre-fund pension obligations prior to their due date. In these instances, benefit payments are typically paid directly from the Company's cash as they become due.

As of June 30	Pension Benefits		Other Retiree Benefits	
	2018	2017	2018	2017
CLASSIFICATION OF NET AMOUNT RECOGNIZED				
Noncurrent assets	**$ 420**	$ 196	**$ —**	$ —
Current liabilities	**(43)**	(40)	**(24)**	(23)
Noncurrent liabilities	**(4,768)**	(5,487)	**(1,495)**	(1,333)
NET AMOUNT RECOGNIZED	**$ (4,391)**	$ (5,331)	**$ (1,519)**	$ (1,356)
AMOUNTS RECOGNIZED IN ACCUMULATED OTHER COMPREHENSIVE INCOME (AOCI)				
Net actuarial loss	**$ 3,787**	$ 4,548	**$ 2,366**	$ 1,819
Prior service cost/(credit)	**244**	245	**(478)**	(293)
NET AMOUNTS RECOGNIZED IN AOCI	**$ 4,031**	$ 4,793	**$ 1,888**	$ 1,526

Amounts in millions of dollars except per share amounts or as otherwise specified.

The accumulated benefit obligation for all defined benefit pension plans was $14,370 and $14,512 as of June 30, 2018 and 2017, respectively. Pension plans with accumulated benefit obligations in excess of plan assets and plans with projected benefit obligations in excess of plan assets consisted of the following:

	Accumulated Benefit Obligation Exceeds the Fair Value of Plan Assets		Projected Benefit Obligation Exceeds the Fair Value of Plan Assets	
As of June 30	2018	2017	2018	2017
Projected benefit obligation	**$ 8,467**	$ 13,699	**$ 8,962**	$ 14,181
Accumulated benefit obligation	**7,573**	12,276	**7,974**	12,630
Fair value of plan assets	**3,740**	8,279	**4,150**	8,654

Net Periodic Benefit Cost. Components of the net periodic benefit cost were as follows:

	Pension Benefits			Other Retiree Benefits		
Years ended June 30	2018	2017	2016	2018	2017	2016
AMOUNTS RECOGNIZED IN NET PERIODIC BENEFIT COST						
Service cost	**$ 280**	$ 310 (1)	$ 314 (1)	**$ 112**	$ 133 (1)	$ 124 (1)
Interest cost	**348**	300	466	**177**	175	219
Expected return on plan assets	**(751)**	(675)	(731)	**(451)**	(431)	(416)
Amortization of net actuarial loss	**295**	375	265	**69**	122	78
Amortization of prior service cost/(credit)	**28**	28	29	**(41)**	(45)	(52)
Amortization of net actuarial loss/ prior service cost due to settlements and curtailments	**—**	186 (2)	—	**—**	16 (2)	—
Special termination benefits	**8**	4	6	**7**	21 (2)	12
GROSS BENEFIT COST/(CREDIT)	**208**	528	349	**(127)**	(9)	(35)
Dividends on ESOP preferred stock	**—**	—	—	**(37)**	(45)	(52)
NET PERIODIC BENEFIT COST/(CREDIT)	**$ 208**	$ 528	$ 349	**$ (164)**	$ (54)	$ (87)
CHANGE IN PLAN ASSETS AND BENEFIT OBLIGATIONS RECOGNIZED IN AOCI						
Net actuarial loss/(gain) - current year	**$ (524)**	$ (852)		**$ 624**	$ (259)	
Prior service cost/(credit) - current year	**12**	2		**(231)**	—	
Amortization of net actuarial loss	**(295)**	(375)		**(69)**	(122)	
Amortization of prior service (cost)/credit	**(28)**	(28)		**41**	45	
Amortization of net actuarial loss/prior service costs due to settlements and curtailments	**—**	(186)		**—**	(16)	
Reduction in net actuarial losses resulting from curtailment	**—**	(132)		**—**	(37)	
Currency translation and other	**73**	6		**(3)**	2	
TOTAL CHANGE IN AOCI	**(762)**	(1,565)		**362**	(387)	
NET AMOUNTS RECOGNIZED IN PERIODIC BENEFIT COST AND AOCI	**$ (554)**	$(1,037)		**$ 198**	$ (441)	

(1) Service cost includes amounts related to discontinued operations in fiscal years ended June 30, 2017 and June 30, 2016, which are not material for any period.

(2) For fiscal year ended June 30, 2017, amortization of net actuarial loss / prior service cost due to settlement and curtailments and $18 of the special termination benefits are included in Net earnings from discontinued operations.

Amounts expected to be amortized from AOCI into net periodic benefit cost during the year ending June 30, 2019, are as follows:

	Pension Benefits	Other Retiree Benefits
Net actuarial loss	$ 224	$ 71
Prior service cost/(credit)	26	(49)

Amounts in millions of dollars except per share amounts or as otherwise specified.

Assumptions. We determine our actuarial assumptions on an annual basis. These assumptions are weighted to reflect each country that may have an impact on the cost of providing retirement benefits. The weighted average assumptions used to determine benefit obligations recorded on the Consolidated Balance Sheets as of June 30, were as follows: (1)

	Pension Benefits		Other Retiree Benefits	
As of June 30	**2018**	**2017**	**2018**	**2017**
Discount rate	**2.5%**	2.4%	**4.2%**	3.9%
Rate of compensation increase	**2.6%**	3.0%	**N/A**	N/A
Health care cost trend rates assumed for next year	**N/A**	N/A	**6.6%**	6.4%
Rate to which the health care cost trend rate is assumed to decline (ultimate trend rate)	**N/A**	N/A	**4.9%**	4.9%
Year that the rate reaches the ultimate trend rate	**N/A**	N/A	**2025**	2022

(1) Determined as of end of fiscal year.

The weighted average assumptions used to determine net benefit cost recorded on the Consolidated Statement of Earnings for the years ended June 30, were as follows: (1)

	Pension Benefits			Other Retiree Benefits		
Years ended June 30	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
Discount rate	**2.4%**	2.1%	3.1%	**3.9%**	3.6%	4.5%
Expected return on plan assets	**6.8%**	6.9%	7.2%	**8.3%**	8.3%	8.3%
Rate of compensation increase	**3.0%**	2.9%	3.1%	**N/A**	N/A	N/A

(1) Determined as of beginning of fiscal year.

For plans that make up the majority of our obligation, the Company calculates the benefit obligation and the related impacts on service and interest costs using specific spot rates along the corporate bond yield curve. For the remaining plans, the Company determines these amounts utilizing a single weighted-average discount rate derived from the corporate bond yield curve used to measure the plan obligations.

Several factors are considered in developing the estimate for the long-term expected rate of return on plan assets. For the defined benefit retirement plans, these factors include historical rates of return of broad equity and bond indices and projected long-term rates of return obtained from pension investment consultants. The expected long-term rates of return for plan assets are 8 - 9% for equities and 5 - 6% for bonds. For other retiree benefit plans, the expected long-term rate of return reflects that the assets are comprised primarily of Company stock. The expected rate of return on Company stock is based on the long-term projected return of 8.5% and reflects the historical pattern of returns.

Assumed health care cost trend rates could have a significant effect on the amounts reported for the other retiree benefit plans. A one percentage point change in assumed health care cost trend rates would have the following effects:

	One-Percentage Point Increase	One-Percentage Point Decrease
Effect on the total service and interest cost components	$ 62	$ (47)
Effect on the accumulated postretirement benefit obligation	737	(585)

Plan Assets. Our investment objective for defined benefit retirement plan assets is to meet the plans' benefit obligations and to improve plan self-sufficiency for future benefit obligations. The investment strategies focus on asset class diversification, liquidity to meet benefit payments and an appropriate balance of long-term investment return and risk. Target ranges for asset allocations are determined by assessing different investment risks and matching the actuarial projections of the plans' future liabilities and benefit payments with current as well as expected long-term rates of return on the assets, taking into account investment return volatility and correlations across asset classes. Plan assets are diversified across several investment managers and are generally invested in liquid funds that are selected to track broad market equity and bond indices. Investment risk is carefully controlled with plan assets rebalanced to target allocations on a periodic basis and with continual monitoring of investment managers' performance relative to the investment guidelines established with each investment manager.

Amounts in millions of dollars except per share amounts or as otherwise specified.

Our target asset allocation for the year ended June 30, 2018, and actual asset allocation by asset category as of June 30, 2018 and 2017, were as follows:

	Target Asset Allocation		Actual Asset Allocation at June 30			
			Pension Benefits		Other Retiree Benefits	
Asset Category	Pension Benefits	Other Retiree Benefits	2018	2017	2018	2017
Cash	**—%**	**2%**	**2%**	2%	**1%**	1%
Debt securities	**65%**	**3%**	**59%**	53%	**4%**	4%
Equity securities	**35%**	**95%**	**39%**	45%	**95%**	95%
TOTAL	**100%**	**100%**	**100%**	100%	**100%**	100%

The following tables set forth the fair value of the Company's plan assets as of June 30, 2018 and 2017 segregated by level within the fair value hierarchy (refer to Note 9 for further discussion on the fair value hierarchy and fair value principles). Company stock listed as Level 2 in the hierarchy represents preferred shares which are valued based on the value of Company common stock. The majority of our Level 3 pension assets are insurance contracts. Their fair values are based on their cash equivalent or models that project future cash flows and discount the future amounts to a present value using market-based observable inputs, including credit risk and interest rate curves. There was no significant activity within the Level 3 pension and other retiree benefits plan assets during the years presented. Investments valued using net asset value as a practical expedient are primarily equity and fixed income collective funds. These assets are not valued using the fair value hierarchy, but rather valued using the net asset value reported by the managers of the funds and as supported by the unit prices of actual purchase and sale transactions.

	Pension Benefits			Other Retiree Benefits		
As of June 30	Fair Value Hierarchy Level	2018	2017	Fair Value Hierarchy Level	2018	2017
ASSETS AT FAIR VALUE						
Cash and cash equivalents	1	**$ 136**	$ 134	1	**$ 5**	$ 6
Company stock (1)		**—**	—	2	**3,092**	3,643
Other (2)	1, 2 & 3	**400**	165	1	**4**	7
TOTAL ASSETS IN THE FAIR VALUE HEIRARCHY		**536**	299		**3,101**	3,656
Investments valued at net asset value		**10,731**	10,530		**158**	175
TOTAL ASSETS AT FAIR VALUE		**$ 11,267**	10,829		**$ 3,259**	3,831

(1) Company stock is net of ESOP debt discussed below.
(2) The Company's other pension plan assets measured at fair value are generally classified as Level 3 within the fair value hierarchy. There are no material other pension plan asset balances classified as Level 1 or Level 2 within the fair value hierarchy.

Cash Flows. Management's best estimate of cash requirements and discretionary contributions for the defined benefit retirement plans and other retiree benefit plans for the year ending June 30, 2019, is $134 and $39, respectively. For the defined benefit retirement plans, this is comprised of $82 in expected benefit payments from the Company directly to participants of unfunded plans and $52 of expected contributions to funded plans. For other retiree benefit plans, this is comprised of $24 in expected benefit payments from the Company directly to participants of unfunded plans and $15 of expected contributions to funded plans. Expected contributions are dependent on many variables, including the variability of the market value of the plan assets as compared to the benefit obligation and other market or regulatory conditions. In addition, we take into consideration our business investment opportunities and resulting cash requirements. Accordingly, actual funding may differ significantly from current estimates.

Total benefit payments expected to be paid to participants, which include payments funded from the Company's assets and payments from the plans are as follows:

Years ending June 30	Pension Benefits	Other Retiree Benefits
EXPECTED BENEFIT PAYMENTS		
2019	$ 517	$ 194
2020	508	207
2021	545	219
2022	557	231
2023	577	241
2024 - 2028	3,280	1,339

Amounts in millions of dollars except per share amounts or as otherwise specified.

Employee Stock Ownership Plan

We maintain the ESOP to provide funding for certain employee benefits discussed in the preceding paragraphs.

The ESOP borrowed $1.0 billion in 1989 and the proceeds were used to purchase Series A ESOP Convertible Class A Preferred Stock to fund a portion of the U.S. DC plan. Principal and interest requirements of the borrowing were paid by the Trust from dividends on the preferred shares and from advances provided by the Company. The original borrowing of $1.0 billion has been repaid in full, and advances from the Company of $52 remain outstanding at June 30, 2018. Each share is convertible at the option of the holder into one share of the Company's common stock. The dividend for the current year was equal to the common stock dividend of $2.79 per share. The liquidation value is $6.82 per share.

In 1991, the ESOP borrowed an additional $1.0 billion. The proceeds were used to purchase Series B ESOP Convertible Class A Preferred Stock to fund a portion of retiree health care benefits. These shares, net of the ESOP's debt, are considered plan assets of the other retiree benefits plan discussed above. Debt service requirements are funded by preferred stock dividends, cash contributions and advances provided by the Company, of which $825 are outstanding at June 30, 2018. Each share is convertible at the option of the holder into one share of the Company's common stock. The dividend for the current year was equal to the common stock dividend of $2.79 per share. The liquidation value is $12.96 per share.

Our ESOP accounting practices are consistent with current ESOP accounting guidance, including the permissible continuation of certain provisions from prior accounting guidance. ESOP debt, which is guaranteed by the Company, is recorded as debt (see Note 10) with an offset to the Reserve for ESOP debt retirement, which is presented within Shareholders' equity. Advances to the ESOP by the Company are recorded as an increase in the Reserve for ESOP debt retirement. Interest incurred on the ESOP debt is recorded as Interest expense. Dividends on all preferred shares, net of related tax benefits, are charged to Retained earnings.

The series A and B preferred shares of the ESOP are allocated to employees based on debt service requirements. The number of preferred shares outstanding at June 30 was as follows:

Shares in thousands	2018	2017	2016
Allocated	**34,233**	36,488	39,241
Unallocated	**4,117**	5,060	6,095
TOTAL SERIES A	**38,350**	41,548	45,336
Allocated	**25,895**	25,378	23,925
Unallocated	**28,512**	30,412	32,319
TOTAL SERIES B	**54,407**	55,790	56,244

For purposes of calculating diluted net earnings per common share, the preferred shares held by the ESOP are considered converted from inception.

NOTE 9

RISK MANAGEMENT ACTIVITIES AND FAIR VALUE MEASUREMENTS

As a multinational company with diverse product offerings, we are exposed to market risks, such as changes in interest rates, currency exchange rates and commodity prices. We evaluate exposures on a centralized basis to take advantage of natural exposure correlation and netting. To the extent we choose to manage volatility associated with the net exposures, we enter into various financial transactions that we account for using the applicable accounting guidance for derivative instruments and hedging activities. These financial transactions are governed by our policies covering acceptable counterparty exposure, instrument types and other hedging practices.

If the Company elects to do so and if the instrument meets certain specified accounting criteria, management designates derivative instruments as cash flow hedges, fair value hedges or net investment hedges. We record derivative instruments at fair value and the accounting for changes in the fair value depends on the intended use of the derivative, the resulting designation and the effectiveness of the instrument in offsetting the risk exposure it is designed to hedge. We generally have a high degree of effectiveness between the exposure being hedged and the hedging instrument.

Credit Risk Management

We have counterparty credit guidelines and normally enter into transactions with investment grade financial institutions, to the extent commercially viable. Counterparty exposures are monitored daily and downgrades in counterparty credit ratings are reviewed on a timely basis. We have not incurred, and do not expect to incur, material credit losses on our risk management or other financial instruments.

Substantially all of the Company's financial instruments used in hedging transactions are governed by industry standard netting and collateral agreements with counterparties. If the Company's credit rating were to fall below the levels stipulated in the agreements, the counterparties could demand either collateralization or termination of the arrangements. The aggregate fair value of the instruments covered by these contractual features that are in a net liability position as of June 30, 2018, was not material. The Company has not been required to post collateral as a result of these contractual features.

Interest Rate Risk Management

Our policy is to manage interest cost using a mixture of fixed-rate and variable-rate debt. To manage this risk in a cost-efficient manner, we enter into interest rate swaps whereby we agree to exchange with the counterparty, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to a notional amount.

We designate certain interest rate swaps that meet specific accounting criteria as fair value hedges. For fair value hedges, the changes in the fair value of both the hedging instruments and the underlying debt obligations are immediately recognized in earnings. Historically, we had interest rate swaps designated as cash flow hedges. For the years ended June 30, 2018 and 2017, we did not have any contracts outstanding.

Foreign Currency Risk Management

We manufacture and sell our products and finance our operations in a number of countries throughout the world. As a result, we are exposed to movements in foreign currency exchange rates. We leverage the Company's diversified portfolio of exposures as a natural hedge. In certain cases, we enter into non-qualifying foreign currency contracts to hedge certain balance sheet items subject to revaluation. The change in fair value of these instruments and the underlying exposure are both immediately recognized in earnings.

To manage exchange rate risk related to our intercompany financing, we primarily use forward contracts and currency swaps. The change in fair value of these non-qualifying instruments is immediately recognized in earnings, substantially offsetting the foreign currency mark-to-market impact of the related exposure.

Historically, we had certain foreign currency swaps with original maturities up to five years, which were intended to offset the effect of exchange rate fluctuations on intercompany loans denominated in foreign currencies; these swaps were accounted for as cash flow hedges. Those swaps were terminated during the year ended June 30, 2017 and as a result, there was an immaterial gain reclassified from AOCI into earnings for the year ended June 30, 2017 in the following tables but there were no outstanding contracts as of June 30, 2018 and 2017.

Net Investment Hedging

We hedge certain net investment positions in foreign subsidiaries. To accomplish this, we either borrow directly in foreign currencies and designate all or a portion of the foreign currency debt as a hedge of the applicable net investment position or we enter into foreign currency swaps that are designated as hedges of net investments. Changes in the fair value of these instruments are recognized in OCI and offset the change in the value of the net investment being hedged. Upon adoption of ASU 2017-12, the time value component of the net investment hedge currency swaps is excluded from the assessment of hedge effectiveness and reported in income on a systematic basis. Changes in the fair value of the swap, including changes in the fair value of the excluded time value component, are recognized in OCI and offset the value of the underlying net assets.

Commodity Risk Management Certain raw materials used in our products or production processes are subject to price volatility caused by weather, supply conditions, political and economic variables and other unpredictable factors. To manage the volatility related to anticipated purchases of certain of these materials, we have historically, on a limited basis, used futures and options with maturities generally less than one year and swap contracts with maturities up to five years. As of and during the years ended June 30, 2018 and 2017, we did not have any commodity hedging activity.

Insurance

We self-insure for most insurable risks. However, we purchase insurance for Directors and Officers Liability and certain other coverage where it is required by law or by contract.

Fair Value Hierarchy

Accounting guidance on fair value measurements for certain financial assets and liabilities requires that financial assets and liabilities carried at fair value be classified and disclosed in one of the following categories:

- 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 or external inputs from inactive markets.

When applying fair value principles in the valuation of assets and liabilities, we are required to maximize the use of quoted market prices and minimize the use of unobservable inputs. The Company has not changed its valuation techniques used in measuring the fair value of any financial assets or liabilities during the year. Our fair value estimates take into consideration the credit risk of both the Company and our counterparties.

When active market quotes are not available for financial assets and liabilities, we use industry standard valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including credit risk, interest rate curves, foreign currency rates and forward and spot prices for currencies. In circumstances where market-based observable inputs are not available, management judgment is used to develop assumptions to estimate fair value. Generally, the fair value of our Level 3 instruments is estimated as the net present value of expected future cash flows based on external inputs.

The following table sets forth the Company's financial assets as of June 30, 2018 and 2017 that were measured at fair value on a recurring basis during the period:

	Fair Value Asset	
As of June 30	2018	2017
Investments:		
U.S. government securities	**$ 5,544**	$ 6,297
Corporate bond securities	**3,737**	3,271
Other investments	**141**	132
TOTAL	**$ 9,422**	$ 9,700

Amounts in millions of dollars except per share amounts or as otherwise specified.

Investment securities are presented in Available-for-sale investment securities and Other noncurrent assets. The amortized cost of the U.S. government securities with maturities less than one year was $2,003 and $2,494 as of June 30, 2018 and 2017, respectively. The amortized cost of the U.S. government securities with maturities between one and five years was $3,659 and $3,824 as of June 30, 2018 and 2017, respectively. The amortized cost of corporate bond securities with maturities of less than a year was $1,291 and $730 as of June 30, 2018 and 2017, respectively. The amortized cost of corporate bond securities with maturities between one and five years was $2,503 and $2,547 as of June 30, 2018 and 2017, respectively. The Company's investments measured at fair value are generally classified as Level 2 within the fair value hierarchy. There are no material investment balances classified as Level 1 or Level 3 within the fair value hierarchy, or using net asset value as a practical expedient. Fair values are generally estimated based upon quoted market prices for similar instruments.

The fair value of long-term debt was $23,402 and $21,396 as of June 30, 2018 and 2017, respectively. This includes the current portion of debt instruments ($1,769 and $1,694 as of June 30, 2018 and 2017, respectively). Certain long-term debt (debt designated as a fair value hedge) is recorded at fair value. All other long-term debt is recorded at amortized cost, but is measured at fair value for disclosure purposes. We consider our debt to be Level 2 in the fair value hierarchy. Fair values are generally estimated based on quoted market prices for identical or similar instruments.

Disclosures about Financial Instruments

The notional amounts and fair values of financial instruments used in hedging transactions as of June 30, 2018 and 2017 are as follows:

	Notional Amount		Fair Value Asset		Fair Value (Liability)	
As of June 30	2018	2017	2018	2017	2018	2017
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS						
Interest rate contracts	**$ 4,587**	$ 4,552	**$ 125**	$ 180	**$ (53)**	$ (2)
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS						
Foreign currency interest rate contracts	**$ 1,848**	$ 6,102	**$ 41**	$ 14	**$ (75)**	$ (177)
TOTAL DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS	**$ 6,435**	$ 10,654	**$ 166**	$ 194	**$ (128)**	$ (179)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS						
Foreign currency contracts	**$ 7,358**	$ 4,969	**$ 30**	$ 25	**$ (56)**	$ (7)
TOTAL DERIVATIVES AT FAIR VALUE	**$ 13,793**	$ 15,623	**$ 196**	$ 219	**$ (184)**	$ (186)

All derivative assets are presented in Prepaid expenses and other current assets or Other noncurrent assets. All derivative liabilities are presented in Accrued and other liabilities or Other noncurrent liabilities.

The fair value of the interest rate derivative asset/liability directly offsets the cumulative amount of the fair value hedging adjustment included in the carrying amount of the underlying debt obligation. The carrying amount of the underlying debt obligation, which includes the unamortized discount or premium and the fair value adjustment, was $4,639 and $4,705 as of June 30, 2018 and 2017, respectively. In addition to the foreign currency derivative contracts designated as net investment hedges, certain of our foreign currency denominated debt instruments are designated as net investment hedges. The carrying value of those debt instruments designated as net investment hedges, which includes the adjustment for the foreign currency transaction gain or loss on those instruments, was $15,012 and $19,030 as of June 30, 2018 and 2017, respectively. The decrease in the notional balance of the net investment hedges, including the debt instruments designated as net investment hedges, is primarily driven by the reduction in net foreign currency hedgeable assets as a result of US tax reform. The increase in the notional balance of foreign currency contracts not designated as hedging instruments reflects changes in the level of intercompany financing activity during the period.

All of the Company's derivative assets and liabilities measured at fair value are classified as Level 2 within the fair value hierarchy. The Company recognizes transfers between levels within the fair value hierarchy, if any, at the end of each quarter. There were no transfers between levels during the periods presented. In addition, there was no significant activity within the Level 3 assets and liabilities during the periods presented. There were no significant assets or liabilities that were re-measured at fair value on a non-recurring basis during the years ended June 30, 2018 and 2017.

Amounts in millions of dollars except per share amounts or as otherwise specified.

Before tax gains/(losses) on our financial instruments in hedging relationships are categorized as follows:

	Amount of Gain/(Loss) Recognized in AOCI on Derivatives	
As of June 30	**2018**	**2017**
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS [1] [2]		
Foreign currency interest rate contracts	**$ (34)**	$ (163)

	Amount of Gain/(Loss) Reclassified from AOCI into Earnings	
Years ended June 30	**2018**	**2017**
DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS		
Foreign currency contracts	**$ —**	$ 69

	Amount of Gain/(Loss) Recognized in Earnings	
Years ended June 30	**2018**	**2017**
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS		
Interest rate contracts	**$ (106)**	$ (193)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS		
Foreign currency contracts	**$ (1)**	$ 59

(1) For the derivatives in net investment hedging relationships, the amount of gain/(loss) excluded from effectiveness testing, which was recognized in earnings, was $138 and $48 for the fiscal year ended June 30, 2018 and 2017, respectively.

(2) In addition to the foreign currency derivative contracts designated as net investment hedges, certain of our foreign currency denominated debt instruments are designated as net investment hedges. The amount of gain/(loss) recognized in AOCI for such instruments was $367 and $161, as of June 30, 2018 and 2017, respectively.

The gain/(loss) reclassified from AOCI into earnings on the derivatives in cash flow hedging relationships is recognized in the same period during which the related item affects earnings. Such amounts related to foreign currency contracts are included in the Consolidated Statement of Earnings in SG&A. The gain/(loss) on the derivatives in fair value hedging relationships is fully offset by the mark-to-market impact of the related exposure. These are both recognized in the Consolidated Statement of Earnings in Interest Expense. The gain/(loss) on derivatives not designated as hedging instruments is substantially offset by the currency mark-to-market of the related exposure. These are both recognized in the Consolidated Statements of Earnings in SG&A.

Amounts in millions of dollars except per share amounts or as otherwise specified.

NOTE 10

SHORT-TERM AND LONG-TERM DEBT

As of June 30	2018	2017
DEBT DUE WITHIN ONE YEAR		
Current portion of long-term debt	**$ 1,772**	$ 1,676
Commercial paper	**7,761**	11,705
Loan due August 2018	**800**	—
Other	**90**	173
TOTAL	**$ 10,423**	$ 13,554
Short-term weighted average interest rates [(1)]	**0.7%**	0.5%

(1) Short-term weighted average interest rates include the effects of interest rate swaps discussed in Note 9.

As of June 30	2018	2017
LONG-TERM DEBT		
1.60% USD note due November 2018	**1,000**	1,000
1.75% USD note due October 2019	**600**	—
1.90% USD note due November 2019	**550**	550
0.28% JPY note due May 2020	**903**	894
1.90% USD note due October 2020	**600**	—
4.13% EUR note due December 2020	**698**	686
9.36% ESOP debentures due 2018-2021 [(1)]	**327**	417
1.85% USD note due February 2021	**600**	600
1.70% USD note due November 2021	**875**	875
2.00% EUR note due November 2021	**873**	858
2.30% USD note due February 2022	**1,000**	1,000
2.15% USD note due August 2022	**1,250**	—
2.00% EUR note due August 2022	**1,164**	1,144
3.10% USD note due August 2023	**1,000**	1,000
1.13% EUR note due November 2023	**1,455**	1,430
0.50% EUR note due October 2024	**582**	—
2.70% USD note due February 2026	**600**	600
2.45% USD note due November 2026	**875**	875
4.88% EUR note due May 2027	**1,164**	1,144
2.85% USD note due August 2027	**750**	—
1.25% EUR note due October 2029	**582**	—
5.55% USD note due March 2037	**763**	1,130
3.50% USD note due October 2047	**600**	—
Capital lease obligations	**107**	51
All other long-term debt	**3,717**	5,460
Current portion of long-term debt	**(1,772)**	(1,676)
TOTAL	**$20,863**	$18,038
Long-term weighted average interest rates [(2)]	**2.5%**	2.6%

(1) Debt issued by the ESOP is guaranteed by the Company and is recorded as debt of the Company, as discussed in Note 8.

(2) Long-term weighted average interest rates include the effects of interest rate swaps discussed in Note 9.

Amounts in millions of dollars except per share amounts or as otherwise specified.

Long-term debt maturities during the next five fiscal years are as follows:

Years ending June 30	2019	2020	2021	2022	2023
Debt maturities	$1,772	$2,621	$2,034	$2,839	$2,498

The Procter & Gamble Company fully and unconditionally guarantees the registered debt and securities issued by its 100% owned finance subsidiaries.

NOTE 11

ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

The table below presents the changes in Accumulated other comprehensive income/(loss) (AOCI), including the reclassifications out of Accumulated other comprehensive income/(loss) by component:

Changes in Accumulated Other Comprehensive Income/(Loss) by Component

	Hedges	Investment Securities	Pension and Other Retiree Benefits	Financial Statement Translation	Total AOCI
BALANCE at JUNE 30, 2016	$ (2,641)	$ 34	$ (5,798)	$ (7,502)	$ (15,907)
OCI before reclassifications [(1)]	(237)	(49)	910	356	980
Amounts reclassified from AOCI [(2)]	(69)	(10)	491	(117)	295
Net current period OCI	(306)	(59)	1,401	239	1,275
BALANCE at JUNE 30, 2017	(2,947)	(25)	(4,397)	(7,263)	(14,632)
OCI before reclassifications [(3)]	**(299)**	**(141)**	**74**	**(6)**	**(372)**
Amounts reclassified from AOCI [(4)]	**—**	**(7)**	**260**	**—**	**253**
Net current period OCI	**(299)**	**(148)**	**334**	**(6)**	**(119)**
Less: Other comprehensive income/(loss) attributable to non-controlling interests	**—**	**—**	**(5)**	**3**	**(2)**
BALANCE at JUNE 30, 2018	**$ (3,246)**	**$ (173)**	**$ (4,058)**	**$ (7,272)**	**$ (14,749)**

(1) Net of tax (benefit) / expense of $(186), $(6) and $360 for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively, for the period ended June 30, 2017.

(2) Net of tax (benefit) / expense of $0, $0 and $191 for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively, for the period ended June 30, 2017.

(3) Net of tax (benefit) / expense of $(279), $0 and $(23) for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively, for the period ended June 30, 2018.

(4) Net of tax (benefit) / expense of $0, $0 and $91 for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively, for the period ended June 30, 2018.

The below provides additional details on amounts reclassified from AOCI into the Consolidated Statement of Earnings:

- Hedges: see Note 9 for classification of gains and losses from hedges in the Consolidated Statements of Earnings.
- Investment securities: amounts reclassified from AOCI into Other non-operating income, net.
- Pension and other retiree benefits: amounts reclassified from AOCI into Cost of product sold, SG&A, and Net earnings from discontinued operations and included in the computation of net periodic pension cost (see Note 8 for additional details).
- Financial statement translation: amounts reclassified from AOCI into Net earnings from discontinued operations. These amounts relate to accumulated translation associated with foreign entities sold as part of the sale of the Beauty Brands business.

NOTE 12

COMMITMENTS AND CONTINGENCIES

Guarantees

In conjunction with certain transactions, primarily divestitures, we may provide routine indemnifications (e.g., indemnification for representations and warranties and retention of previously existing environmental, tax and employee liabilities) for which terms range in duration and, in some circumstances, are not explicitly defined. The maximum obligation under some indemnifications is also not explicitly stated and, as a result, the overall amount of these obligations cannot be reasonably estimated. Other than obligations recorded as liabilities at the time of divestiture, we have not made significant payments for these indemnifications. We believe that if we were to incur a loss on any of these matters, the loss would not have a material effect on our financial position, results of operations or cash flows.

In certain situations, we guarantee loans for suppliers and customers. The total amount of guarantees issued under such arrangements is not material.

Off-Balance Sheet Arrangements

We do not have off-balance sheet financing arrangements, including variable interest entities, that have a material impact on our financial statements.

Purchase Commitments and Operating Leases

We have purchase commitments for materials, supplies, services and property, plant and equipment as part of the normal course of business. Commitments made under take-or-pay obligations are as follows:

Years ending June 30	2019	2020	2021	2022	2023	There-after
Purchase obligations	$ 778	$ 111	$ 56	$ 34	$ 13	$ 137

Amounts in millions of dollars except per share amounts or as otherwise specified.

Such amounts represent minimum commitments under take-or-pay agreements with suppliers and are in line with expected usage. These amounts include purchase commitments related to service contracts for information technology, human resources management and facilities management activities that have been outsourced to third-party suppliers. Such amounts also include arrangements with suppliers that qualify as embedded operating leases. Due to the proprietary nature of many of our materials and processes, certain supply contracts contain penalty provisions for early termination. We do not expect to incur penalty payments under these provisions that would materially affect our financial position, results of operations or cash flows.

We also lease certain property and equipment for varying periods. Future minimum rental commitments under non-cancelable operating leases, net of guaranteed sublease income, are as follows:

Years ending June 30	2019	2020	2021	2022	2023	There-after
Operating leases	$ 275	$ 240	$ 202	$ 172	$ 153	$ 296

Litigation

We are subject, from time to time, to certain legal proceedings and claims arising out of our business, which cover a wide range of matters, including antitrust and trade regulation, product liability, advertising, contracts, environmental, patent and trademark matters, labor and employment matters and tax.

While considerable uncertainty exists, in the opinion of management and our counsel, the ultimate resolution of the various lawsuits and claims will not materially affect our financial position, results of operations or cash flows.

We are also subject to contingencies pursuant to environmental laws and regulations that in the future may require us to take action to correct the effects on the environment of prior manufacturing and waste disposal practices. Based on currently available information, we do not believe the ultimate resolution of environmental remediation will materially affect our financial position, results of operations or cash flows.

NOTE 13

DISCONTINUED OPERATIONS

On October 1, 2016, the Company completed the divestiture of four product categories to Coty, Inc. (“Coty”). The divestiture included 41 of the Company's beauty brands (“Beauty Brands”), including the global salon professional hair care and color, retail hair color, cosmetics and a majority of the fine fragrance businesses, along with select hair styling brands. The form of the divestiture transaction was a Reverse Morris Trust split-off, in which P&G shareholders were given the election to exchange their P&G shares for shares of a new corporation that held the Beauty Brands (Galleria Co.), and then immediately exchange those shares for Coty shares. The value P&G received in the transaction was $11.4 billion. The value was comprised of 105 million shares of common stock of the Company, which were tendered by shareholders of the Company and exchanged for the Galleria Co. shares, valued at approximately $9.4 billion, and the assumption of $1.9 billion of debt by Galleria Co. The shares tendered in the transaction were reflected as an addition to treasury stock and the cash received related to the debt assumed by Coty was reflected as an investing activity in the Consolidated Statement of Cash Flows. The Company recorded an after-tax gain on the final transaction of $5.3 billion, net of transaction and related costs.

Two of the fine fragrance brands, Dolce & Gabbana and Christina Aguilera, were excluded from the divestiture. These brands were subsequently divested at amounts that approximated their adjusted carrying values.

In February 2016, the Company completed the divestiture of its Batteries business to Berkshire Hathaway (BH) via a split transaction, in which the Company exchanged the Duracell Company, which the Company had infused with additional cash, to repurchase all 52.5 million shares of P&G stock owned by BH. During the fiscal year ended June 30, 2016, the Company recorded non-cash, before-tax goodwill and indefinite-lived asset impairment charges of $402 ($350 after tax), to reduce the Batteries carrying value to the total estimated proceeds based on the value of BH’s shares in P&G stock at the time of the impairment charges (see Note 4). The Company recorded an after-tax gain on the final transaction of $422 to reflect a subsequent increase in the final value of the BH’s shares in P&G stock. The total value of the transaction was $4.2 billion representing the value of the Duracell business and the cash infusion. The cash infusion of $1.7 billion was reflected as a purchase of treasury stock.

In accordance with applicable accounting guidance for the disposal of long-lived assets, the results of the Beauty Brands and Batteries businesses are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented. The Beauty Brands were historically part of the Company's Beauty reportable segment. The Batteries business was historically part of the Company's Fabric & Home Care reportable segment.

Amounts in millions of dollars except per share amounts or as otherwise specified.

On July 1, 2015, the Company adopted ASU 2014-08, which included new reporting and disclosure requirements for discontinued operations. The new requirements are effective for discontinued operations occurring on or after the adoption date, which includes the Beauty Brands divestiture. Discontinued operations prior to July 1, 2015, which included the Batteries divestiture, are reported based on the previous disclosure requirements for discontinued operations.

The following table summarizes Net earnings from discontinued operations and reconciles to the Consolidated Statements of Earnings:

Years ended June 30	2017	2016
Beauty Brands	$ 5,217	$ 336
Batteries	—	241
Net earnings from discontinued operations	$ 5,217	$ 577

The following is selected financial information included in Net earnings from discontinued operations for the Beauty Brands:

	Beauty Brands	
Years ended June 30	2017	2016
Net sales	$ 1,159	$ 4,910
Cost of products sold	450	1,621
Selling, general and administrative expense	783	2,763
Intangible asset impairment charges	—	48
Interest expense	14	32
Interest income	—	2
Other non-operating income/(expense), net	16	9
Earnings/(loss) from discontinued operations before income taxes	$ (72)	$ 457
Income taxes on discontinued operations	46	121
Gain on sale of business before income taxes	$ 5,197	$ —
Income tax expense/(benefit) on sale of business	(138) [1]	—
Net earnings from discontinued operations	$ 5,217	$ 336

(1) The income tax benefit of the Beauty Brands divestiture represents the reversal of underlying deferred tax balances partially offset by current tax expense related to the transaction.

The following is selected financial information included in cash flows from discontinued operations for the Beauty Brands:

	Beauty Brands	
Years ended June 30	2017	2016
NON-CASH OPERATING ITEMS		
Depreciation and amortization	$ 24	$ 106
Deferred income tax benefit	(649)	—
Gain on sale of businesses	5,210	8
Goodwill and intangible asset impairment charges	—	48
Net increase in accrued taxes	93	—
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash taxes paid	$ 418	$ —
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	$ 38	$ 114

Amounts in millions of dollars except per share amounts or as otherwise specified.

Following is selected financial information included in Net earnings from discontinued operations for the Batteries business:

		Net Sales	Earnings Before Impairment Charges and Income Taxes	Impairment Charges	Income Tax (Expense)/ Benefit	Loss on Sale Before Income Taxes	Income Tax (Expense)/ Benefit on Sale	Net Earnings from Discontinued Operations
Batteries	2016	1,517	266	(402)	(45)	(288)	710 [(1)]	241

(1) The income tax benefit of the Batteries divestiture primarily represents the reversal of underlying deferred tax balances.

NOTE 14

QUARTERLY RESULTS (UNAUDITED)

Quarters Ended		Sep 30	Dec 31	Mar 31	Jun 30	Total Year
NET SALES	**2017-2018**	**$ 16,653**	**$ 17,395**	**$ 16,281**	**$ 16,503**	**$ 66,832**
	2016-2017	16,518	16,856	15,605	16,079	65,058
OPERATING INCOME	**2017-2018**	**3,735**	**4,003**	**3,296**	**2,677**	**13,711**
	2016-2017	3,771	3,875	3,360	2,949	13,955
GROSS MARGIN	**2017-2018**	**50.6%**	**50.2%**	**48.8%**	**45.3%**	**48.7%**
	2016-2017	51.0 %	50.8 %	49.8 %	48.4 %	50.0 %
NET EARNINGS:						
Net earnings from continuing operations	**2017-2018**	**$ 2,870**	**$ 2,561**	**$ 2,540**	**$ 1,890**	**$ 9,861**
	2016-2017	2,875	2,561	2,556	2,202	10,194
Net earnings/(loss) from discontinued operations	**2017-2018**	**—**	**—**	**—**	**—**	**—**
	2016-2017	(118)	5,335	—	—	5,217
Net earnings attributable to Procter & Gamble	**2017-2018**	**2,853**	**2,495**	**2,511**	**1,891**	**9,750**
	2016-2017	2,714	7,875	2,522	2,215	15,326
DILUTED NET EARNINGS PER COMMON SHARE: [(1)]						
Earnings from continuing operations	**2017-2018**	**$ 1.06**	**$ 0.93**	**$ 0.95**	**$ 0.72**	**$ 3.67**
	2016-2017	1.00	0.93	0.93	0.82	3.69
Earnings/(loss) from discontinued operations	**2017-2018**	**—**	**—**	**—**	**—**	**—**
	2016-2017	(0.04)	1.95	—	—	1.90
Net earnings	**2017-2018**	**1.06**	**0.93**	**0.95**	**0.72**	**3.67**
	2016-2017	0.96	2.88	0.93	0.82	5.59

(1) Diluted net earnings per share is calculated on Net earnings attributable to Procter & Gamble.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures.

The Company's President and Chief Executive Officer, David S. Taylor, and the Company's Chief Financial Officer, Jon R. Moeller, performed an evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (Exchange Act)) as of the end of the period covered by this Annual Report on Form 10-K.

Messrs. Taylor and Moeller have concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) accumulated and communicated to our management, including Messrs. Taylor and Moeller, to allow their timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting.

There were no changes in our internal control over financial reporting that occurred during the Company's fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

Not applicable.

Amounts in millions of dollars except per share amounts or as otherwise specified.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The Board of Directors has determined that the following members of the Audit Committee are independent and are Audit Committee financial experts as defined by SEC rules: Ms. Patricia A. Woertz (Chair) and Mr. Kenneth I. Chenault.

The information required by this item is incorporated by reference to the following sections of the 2018 Proxy Statement filed pursuant to Regulation 14A: the section entitled Election of Directors; the subsection of the Corporate Governance section entitled Board Meetings and Committees of the Board; the subsection of the Corporate Governance section entitled Code of Ethics; the subsections of the Other Matters section entitled Director Nominations for Inclusion in the 2019 Proxy Statement and entitled Shareholder Recommendations of Board Nominees and Committee Process for Recommending Board Nominees; and the section entitled Section 16(a) Beneficial Ownership Reporting Compliance. Pursuant to Instruction 3 of Item 401(b) of Regulation S-K, Executive Officers of the Registrant are reported in Part I of this report.

Item 11. Executive Compensation.

The information required by this item is incorporated by reference to the following sections of the 2018 Proxy Statement filed pursuant to Regulation 14A: the subsections of the Corporate Governance section entitled Board Meetings and Committees of the Board and entitled Compensation Committee Interlocks and Insider Participation; and the portion beginning with the section entitled Director Compensation up to but not including the section entitled Security Ownership of Management and Certain Beneficial Owners.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table gives information about the Company's common stock that may be issued upon the exercise of options, warrants and rights under all of the Company's equity compensation plans as of June 30, 2018. The table includes the following plans: The Procter & Gamble 1992 Stock Plan; The Procter & Gamble 2001 Stock and Incentive Compensation Plan; The Procter & Gamble 2003 Non-Employee Directors' Stock Plan; The Gillette Company 2004 Long-Term Incentive Plan; The Procter & Gamble 2009 Stock and Incentive Compensation Plan; and The Procter & Gamble 2014 Stock and Incentive Compensation Plan.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)			
Options	204,890,213	$74.3190	(2)
Restricted Stock Units (RSUs)/Performance Stock Units (PSUs)	11,449,954	N/A	(2)
Equity compensation plans not approved by security holders (3)			
Options	876,818	48.1700	(3)
GRAND TOTAL	**217,216,985**	**$74.2076** (4)	

(1) Includes The Procter & Gamble 1992 Plan; The Procter & Gamble 2001 Stock and Incentive Compensation Plan; The Procter & Gamble 2003 Non-Employee Directors' Stock Plan; The Procter & Gamble 2009 Stock and Incentive Compensation Plan; and The Procter & Gamble 2014 Stock and Incentive Compensation Plan.

(2) Of the plans listed in (1), only The Procter & Gamble 2014 Stock and Incentive Compensation Plan allow for future grants of securities. The maximum number of shares that may be granted under this plan is 185 million shares. Stock options and stock appreciation rights are counted on a one for one basis while full value awards (such as RSUs and PSUs) will be counted as 5 shares for each share awarded. Total shares available for future issuance under this plan is 65 million.

(3) Includes The Gillette Company 2004 Long-Term Incentive Plan. This plan does not allow for future grants of securities.

(4) Weighted average exercise price of outstanding options only.

The Gillette Company 2004 Long-Term Incentive Plan

Shareholders of The Gillette Company approved The Gillette Company 2004 Long-Term Incentive Plan on May 20, 2004, and the plan was assumed by the Company upon the merger between The Procter & Gamble Company and The Gillette Company. All options became immediately vested and exercisable on October 1, 2005 as a result of the merger. After the merger, all outstanding options became options to purchase shares of The Procter & Gamble Company subject to an exchange ratio of .975 shares of P&G stock per share of Gillette stock. Only employees previously employed by The Gillette Company prior to October 1, 2005 are eligible to receive grants under this plan. The last grant of equity under this plan was on February 27, 2009.

The plan was designed to attract, retain and motivate employees of The Gillette Company and, until the effective date of the merger between The Gillette Company and The Procter & Gamble Company, non-employee members of the Gillette Board of Directors. Under the plan, eligible participants are: (i) granted or offered the right to purchase stock options, (ii) granted stock appreciation rights and/or (iii) granted shares of the Company's common stock or restricted stock units (and dividend equivalents). Subject to adjustment for changes in the Company's capitalization and the addition of any shares authorized but not issued or redeemed under The Gillette Company 1971 Stock Option Plan, the number of shares to be granted under the plan is not to exceed 19 million shares.

Except in the case of death of the recipient, all stock options and stock appreciation rights must expire no later than ten years from the date of grant. The exercise price for all stock options granted under the plan must be equal to or greater than the fair market value of the Company's stock on the date of grant. Any common stock awarded under the plan may be subject to restrictions on sale or transfer while the recipient is employed, as the committee administering the plan may determine.

If a recipient of a grant leaves the Company while holding an unexercised option or right: (1) any unexercisable portions immediately become void, except in the case of death, retirement, special separation (as those terms are defined in the plan) or any grants as to which the Compensation Committee of the Board of Directors has waived the termination provisions; and (2) any exercisable portions immediately become void, except in the case of death, retirement, special separation, voluntary resignation that is not for Good Reason (as those terms are defined in the plan) or any grants as to which the Compensation Committee of the Board of Directors has waived the termination provisions.

Additional information required by this item is incorporated by reference to the 2018 Proxy Statement filed pursuant to Regulation 14A, beginning with the subsection of the Beneficial Ownership section entitled Security Ownership of Management and Certain Beneficial Owners and up to but not including the subsection entitled Section 16(a) Beneficial Ownership Reporting Compliance.

Item 13. Certain Relationships and Related Transactions and Director Independence.

The information required by this item is incorporated by reference to the following sections of the 2018 Proxy Statement filed pursuant to Regulation 14A: the subsections of the Corporate Governance section entitled Director Independence and Review and Approval of Transactions with Related Persons.

Item 14. Principal Accountant Fees and Services.

The information required by this item is incorporated by reference to the following section of the 2018 Proxy Statement filed pursuant to Regulation 14A: Report of the Audit Committee, which ends with the subsection entitled Services Provided by Deloitte.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

1. Financial Statements:

The following Consolidated Financial Statements of The Procter & Gamble Company and subsidiaries, management's report and the reports of the independent registered public accounting firm are incorporated by reference in Part II, Item 8 of this Form 10-K.

- Management's Report on Internal Control over Financial Reporting
- Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting
- Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements
- Consolidated Statements of Earnings - for years ended June 30, 2018, 2017 and 2016
- Consolidated Statements of Other Comprehensive Income - for years ended June 30, 2018, 2017 and 2016
- Consolidated Balance Sheets - as of June 30, 2018 and 2017
- Consolidated Statements of Shareholders' Equity - for years ended June 30, 2018, 2017 and 2016
- Consolidated Statements of Cash Flows - for years ended June 30, 2018, 2017 and 2016
- Notes to Consolidated Financial Statements

2. Financial Statement Schedules:

These schedules are omitted because of the absence of the conditions under which they are required or because the information is set forth in the Consolidated Financial Statements or Notes thereto.

EXHIBITS

Exhibit (3-1) - Amended Articles of Incorporation (as amended by shareholders at the annual meeting on October 11, 2011 and consolidated by the Board of Directors on April 8, 2016) (Incorporated by reference to Exhibit (3-1) of the Company's Annual Report on Form 10-K for the year ended June 30, 2016).

(3-2) - Regulations (as approved by the Board of Directors on April 8, 2016, pursuant to authority granted by shareholders at the annual meeting on October 13, 2009) (Incorporated by reference to Exhibit (3-2) of the Company's Annual Report on Form 10-K for the year ended June 30, 2016).

Exhibit (4-1) - Indenture, dated as of September 3, 2009, between the Company and Deutsche Bank Trust Company Americas, as Trustee (Incorporated by reference to Exhibit (4-1) of the Company's Annual Report on Form 10-K for the year ended June 30, 2015).

Exhibit (10-1) - The Procter & Gamble 2001 Stock and Incentive Compensation Plan (as amended), which was originally adopted by shareholders at the annual meeting on October 9, 2001 +; and related correspondence and terms and conditions (Incorporated by reference to Exhibit (10-1) of the Company's Form 10-Q for the quarter ended December 31, 2013). *

(10-2) - The Procter & Gamble 1992 Stock Plan (as amended December 11, 2001), which was originally adopted by the shareholders at the annual meeting on October 12, 1992 +. *

(10-3) - The Procter & Gamble Executive Group Life Insurance Policy +. *

(10-4) - Summary of the Company's Retirement Plan Restoration Program (Incorporated by reference to Exhibit (10-27) of the Company's Annual Report on Form 10-K for the year ended June 30, 2016); and related correspondence and terms and conditions (Incorporated by reference to Exhibit (10-8) of the Company's Form 10-Q for the quarter ended September 30, 2015). *

(10-5) - The Procter & Gamble 1993 Non-Employee Directors' Stock Plan (as amended September 10, 2002), which was originally adopted by the shareholders at the annual meeting on October 11, 1994 +. *

(10-6) - Summary of the Company's Long-Term Incentive Program (Incorporated by reference to Exhibit (10-6) of the Company's Annual Report on Form 10-K for the year ended June 30, 2016); related correspondence and terms and conditions (Incorporated by reference to Exhibit (10-6) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017). *

(10-7) - The Procter & Gamble Future Shares Plan (as adjusted for the stock split effective May 21, 2004), which was originally adopted by the Board of Directors on October 14, 1997 (Incorporated by reference to Exhibit (10-7) of the Company's Annual Report on Form 10-K for the year ended June 30, 2015). *

(10-8) - The Procter & Gamble 2003 Non-Employee Directors' Stock Plan (as amended), which was originally adopted by the shareholders at the annual meeting on October 14, 2003, and related correspondence and terms and conditions +. *

(10-9) - The Procter & Gamble Company Executive Deferred Compensation Plan (Incorporated by reference to Exhibit (10-4) of the Company's Form 10-Q for the quarter ended December 31, 2013). *

(10-10) - Summary of the Company's Short Term Achievement Reward Program +; related correspondence and terms and conditions (Incorporated by reference to Exhibit (10-2) of the Company's Form 10-Q for the quarter ended September 30, 2015). *

(10-11) - Company's Forms of Separation Agreement & Release (Incorporated by reference to Exhibit (10-1) of the Company's Form 10-Q for the quarter ended March 31, 2018); Company's Form of Separation Letter and Release (Incorporated by reference to Exhibit (10-2)) of the Company's Form 10-Q for the quarter ended March 31, 2018). *

(10-12) - Summary of personal benefits available to certain officers and non-employee directors (Incorporated by reference to Exhibit (10-1) of the Company's Form 10-Q for the quarter ended September 30, 2013). *

(10-13) - The Gillette Company 2004 Long-Term Incentive Plan (as amended on August 14, 2007) +. *

(10-14) - The Gillette Company Executive Life Insurance Program (Incorporated by reference to Exhibit (10-14) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017). *

(10-15) - The Gillette Company Personal Financial Planning Reimbursement Program (Incorporated by reference to Exhibit (10-15) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017). *

(10-16) - The Gillette Company Senior Executive Financial Planning Program (Incorporated by reference to Exhibit (10-16) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017). *

(10-17) - The Gillette Company Estate Preservation (Incorporated by reference to Exhibit (10-17) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017). *

(10-18) - The Gillette Company Deferred Compensation Plan (Incorporated by reference to Exhibit (10-18) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017). *

(10-19) - Senior Executive Recoupment Policy +. *

(10-20) - The Gillette Company Deferred Compensation Plan (for salary deferrals prior to January 1, 2005) as amended through August 21, 2006 (Incorporated by reference to Exhibit (10-20) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017). *

(10-21) - The Procter & Gamble 2009 Stock and Incentive Compensation Plan, which was originally adopted by shareholders at the annual meeting on October 13, 2009 (Incorporated by reference to Exhibit (10-21) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017), and the Regulations of the Compensation and Leadership Development Committee for The Procter & Gamble 2009 Stock and Incentive Compensation Plan, The Procter & Gamble 2001 Stock and Incentive Compensation Plan, The Procter & Gamble 1992 Stock Plan, The Procter & Gamble 1992 Stock Plan (Belgium Version), The Gillette Company 2004 Long-Term Incentive Plan and the Gillette Company 1971 Stock Option Plan +. *

(10-22) - The Procter & Gamble 2009 Stock and Incentive Compensation Plan - Additional terms and conditions and related correspondence (Incorporated by reference to Exhibit (10-2) of the Company Form 10-Q for the quarter ended December 31, 2013). *

(10-23) - The Procter & Gamble Performance Stock Program Summary (Incorporated by reference to Exhibit (10-1) of the Company's Form 10-Q for the quarter ended September 30, 2017); related correspondence and terms and conditions (Incorporated by reference to Exhibit (10-2) of the Company's Form 10-Q for the quarter ended September 30, 2017). *

(10-24) - The Procter & Gamble 2013 Non-Employee Directors' Stock Plan (Incorporated by reference to Exhibit (10-3) of the Company's Form 10-Q for the quarter ended December 31, 2013). *

(10-25) - The Procter & Gamble 2014 Stock and Incentive Compensation Plan, which was originally adopted by shareholders at the annual meeting on October 14, 2014 (Incorporated by reference to Exhibit (10-25) of the Company's Annual Report on Form 10-K for the year ended June 30, 2016); and the Regulations of the Compensation and Leadership Development Committee for The Procter & Gamble 2014 Stock and Incentive Compensation Plan (Incorporated by reference to Exhibit (10-1) of the Company's Form 10-Q for the quarter ended December 31, 2017). *

(10-26) - The Procter & Gamble 2014 Stock and Incentive Compensation Plan - Additional terms and conditions (Incorporated by reference to Exhibit (10-26) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017), and The Procter & Gamble 2014 Stock and Incentive Compensation Plan - Related correspondence (Incorporated by reference to Exhibit (10-1) of the Company's Form 10-Q for the quarter ended December 31, 2016). *

Exhibit (12) - Computation of Ratio of Earnings to Fixed Charges. +

Exhibit (21) - Subsidiaries of the Registrant. +

Exhibit (23) - Consent of Independent Registered Public Accounting Firm. +

Exhibit (31) - Rule 13a-14(a)/15d-14(a) Certifications. +

Exhibit (32) - Section 1350 Certifications. +

Exhibit (99-1) - Summary of Directors and Officers Insurance Program. +

101.INS (1) XBRL Instance Document

101.SCH (1) XBRL Taxonomy Extension Schema Document

101.CAL (1) XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF (1) XBRL Taxonomy Definition Linkbase Document

101.LAB (1) XBRL Taxonomy Extension Label Linkbase Document

101.PRE (1) XBRL Taxonomy Extension Presentation Linkbase Document

(1) Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

* Compensatory plan or arrangement.

\+ Filed herewith.

Item 16. <u>Form 10-K Summary.</u>

Not applicable.

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 in the city of Cincinnati, State of Ohio.

THE PROCTER & GAMBLE COMPANY

By /s/ DAVID S. TAYLOR
(David S. Taylor)
Chairman of the Board, President and Chief Executive Officer
August 7, 2018

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

Signature	Title	Date
/s/ DAVID S. TAYLOR (David S. Taylor)	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	August 7, 2018
/s/ JON R. MOELLER (Jon R. Moeller)	Vice Chairman and Chief Financial Officer (Principal Financial Officer)	August 7, 2018
/s/ VALARIE L. SHEPPARD (Valarie L. Sheppard)	Senior Vice President, Comptroller & Treasurer (Principal Accounting Officer)	August 7, 2018
/s/ FRANCIS S. BLAKE (Francis S. Blake)	Director	August 7, 2018
/s/ ANGELA F. BRALY (Angela F. Braly)	Director	August 7, 2018
/s/ AMY L. CHANG (Amy L. Chang)	Director	August 7, 2018
/s/ KENNETH I. CHENAULT (Kenneth I. Chenault)	Director	August 7, 2018
/s/ SCOTT D. COOK (Scott D. Cook)	Director	August 7, 2018
/s/ JOSEPH JIMENEZ (Joseph Jimenez)	Director	August 7, 2018
/s/ TERRY J. LUNDGREN (Terry J. Lundgren)	Director	August 7, 2018
/s/ W. JAMES MCNERNEY, JR. (W. James McNerney, Jr.)	Director	August 7, 2018
/s/ NELSON PELTZ (Nelson Peltz)	Director	August 7, 2018
/s/ MARGARET C. WHITMAN (Margaret C. Whitman)	Director	August 7, 2018
/s/ PATRICIA A. WOERTZ (Patricia A. Woertz)	Director	August 7, 2018
/s/ ERNESTO ZEDILLO (Ernesto Zedillo)	Director	August 7, 2018

EXHIBIT INDEX

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(1) Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

\+ Filed herewith.

Section 1: 8-K (FY1718 8-K RECAST)

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act Of 1934

Date of Report (Date of earliest event reported) October 22, 2018

THE PROCTER & GAMBLE COMPANY

(Exact name of registrant as specified in its charter)

Ohio	1-434	31-0411980
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)

One Procter & Gamble Plaza, Cincinnati, Ohio	45202
(Address of principal executive offices)	Zip Code
(513) 983-1100	45202
(Registrant's telephone number, including area code)	Zip Code

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

ITEM 8.01 OTHER EVENTS

As disclosed in its Annual Report on Form 10-K for the year ended June 30, 2018 and the Quarterly Report on Form 10-Q for the three months ended September 30, 2018, The Procter and Gamble Company ("the Company", "we") adopted the Financial Accounting Standards Board (FASB) ASU 2017-07, "Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715)" effective July 1, 2018. Topic 715 requires an entity to disaggregate the current service cost component from the other components of net defined benefit costs on the face of the income statement. It requires the service cost component to be presented with other current compensation costs for the related employees in the operating section of the income statement. Other components of net benefit costs are required to be presented outside of income from operations. The Company has adopted ASU 2017-07 retrospectively. As such, prior periods' results have been revised to report the other components of net benefit costs, previously reported in Cost of products sold and Selling, general, and administrative expense (SG&A), within Other non-operating income/(expense), net.

In addition, as disclosed in its Quarterly Report on Form 10-Q for the three months ended September 30, 2018, the Company adopted ASU 2016-18, "Statement of Cash Flows: Restricted Cash (Topic 230)" effective July 1, 2018. Topic 230 requires the Statement of Cash Flows to present changes in the total of cash, cash equivalents and restricted cash. Prior to the adoption of this ASU, the relevant accounting guidance did not require the Statement of Cash Flows to include changes in restricted cash. We adopted this change retrospectively. We currently have no significant restricted cash balances. Historically, we had restricted cash balances and changes related to divestiture activity. Such balances were presented as Current assets held for sale on the balance sheets, with changes presented as investing activities on the statements of cash flow. Under Topic 230, such balances are included in the beginning and ending balances of cash, cash equivalents and restricted cash on the statement of cash flows for all periods presented.

In this Form 8-K, the Company is providing revised Selected Financial Data, a revised Management's Discussion and Analysis ("MD&A") and revised Consolidated Financial Statements and notes thereto for the years ended June 30, 2018, 2017 and 2016 to revise the disclosures for those periods to reflect the accounting changes described above. The revised Selected Financial Data, MD&A and Consolidated Financial Statements otherwise continue to speak as of the date of the filing of the Form 10-K for the fiscal year ended June 30, 2018 (the "2018 10-K") with the Securities and Exchange Commission ("SEC") and have not been updated for events or developments that occurred subsequent to such filing. For developments since the filing of the 2018 10-K, please refer to the Company's Form 10-Q for the quarter ended September 30, 2018 and the Company's Forms 8-K filed since August 7, 2018, the filing date of the 2018 Form 10-K.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

Exhibit Number	Description
99.1	Revised Selected Financial Data
99.2	Revised Management's Discussion and Analysis
99.3	Revised Consolidated Financial Statements and Accompanying Footnotes
99.4	Report of Independent Registered Public Accounting Firm
23	Consent of Independent Registered Public Accounting Firm
101.INS (1)	XBRL Instance Document
101.SCH (1)	XBRL Taxonomy Extension Schema Document
101.CAL (1)	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF (1)	XBRL Taxonomy Definition Linkbase Document
101.LAB (1)	XBRL Taxonomy Extension Label Linkbase Document
101.PRE (1)	XBRL Taxonomy Extension Presentation Linkbase Document

(1) Pursuant to Rule 406T of Regulations S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

THE PROCTER & GAMBLE COMPANY

By /s/ Sandra T. Lane

Sandra T. Lane
Assistant Secretary
October 22, 2018

EXHIBIT INDEX

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Section 2: EX-23 (EXHIBIT 23 CONSENT OF IND REG PUBLIC ACCTG FIRM)

EXHIBIT (23)

Consent of Independent Registered Public Accounting Firm

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following registration statements of our report dated August 7, 2018 (October 22, 2018 as to the effects of the adoption of Accounting Standards Update Nos. 2017-07 and 2016-18 as described in Note 1), relating to the consolidated financial statements of The Procter & Gamble Company (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the Company's adoption of Accounting Standards Update No. 2017-07, *Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715)*, and Accounting Standards Update No. 2016-18, *Statement of Cash Flows: Restricted Cash (Topic 230)* appearing in this Current Report on Form 8-K of The Procter & Gamble Company and subsidiaries dated October 22, 2018.

1. Post-Effective Amendment No. 1 to Registration Statement No. 33-49289 on Form S-8 for The Procter & Gamble 1992 Stock Plan;
2. Registration Statement No. 33-47656 on Form S-8 for The Procter & Gamble International Stock Ownership Plan;
3. Registration Statement No. 33-50273 on Form S-8 for The Procter & Gamble Commercial Company Employees' Savings Plan;
4. Registration Statement No. 33-51469 on Form S-8 for The Procter & Gamble 1993 Non-Employee Directors' Stock Plan;
5. Registration Statement No. 333-14381 on Form S-8 for Profit Sharing Retirement Plan of The Procter & Gamble Commercial Company;
6. Registration Statement No. 333-21783 on Form S-8 for The Procter & Gamble 1992 Stock Plan (Belgian Version);
7. Registration Statement No. 333-37905 on Form S-8 for The Procter & Gamble Future Shares Plan;
8. Registration Statement No. 333-51213 on Form S-8 for Group Profit Sharing, Incentive and Employer Contribution Plan (France);
9. Registration Statement No. 333-51219 on Form S-8 for Procter & Gamble Ireland Employees Share Ownership Plan;
10. Registration Statement No. 333-51221 on Form S-8 for Employee Stock Purchase Plan (Japan);
11. Registration Statement No. 333-34606 on Form S-8 for The Procter & Gamble Future Shares Plan;
12. Registration Statement No. 333-44034 on Form S-8 for Procter & Gamble International Stock Ownership Plan;
13. Registration Statement No. 333-47132 on Form S-8 for Employee Stock Purchase Plan (Japan);
14. Registration Statement No. 333-75030 on Form S-8 for The Procter & Gamble 2001 Stock and Incentive Compensation Plan;
15. Registration Statement No. 333-100561 on Form S-8 for The Procter & Gamble (U.K.) 1-4-1 Plan;
16. Registration Statement No. 333-108991 on Form S-8 for The Procter & Gamble 1992 Stock Plan (Belgian Version);
17. Registration Statement No. 333-108993 on Form S-8 for Employee Stock Purchase Plan (Japan);
18. Registration Statement No. 333-108994 on Form S-8 for Procter & Gamble Ireland Employees Share Plan;
19. Registration Statement No. 333-108995 on Form S-8 for Group Profit Sharing, Incentive and Employer Contribution Plan (France);
20. Registration Statement No. 333-108997 on Form S-8 for Procter & Gamble International Stock Ownership Plan;
21. Registration Statement No. 333-108998 on Form S-8 for The Procter & Gamble 1993 Non-Employee Directors' Stock Plan;
22. Registration Statement No. 333-108999 on Form S-8 for The Procter & Gamble 1992 Stock Plan;
23. Registration Statement No. 333-111304 on Form S-8 for The Procter & Gamble 2003 Non-Employee Directors' Stock Plan;
24. Amendment No. 1 to Registration Statement No. 333-113515 on Form S-3 for The Procter & Gamble Company Debt Securities and Warrants;

25. Amendment No. 3 to Registration Statement No. 333-123309 on Form S-4 for The Procter & Gamble Company;
26. Registration Statement No. 333-128859 on Form S-8 for certain employee benefit plans of The Gillette Company (2004 Long-Term Incentive Plan of The Gillette Company; 1971 Stock Option Plan of The Gillette Company; James M. Kilts Non-Statutory Stock Option Plan; The Gillette Company Employees' Savings Plan; The Gillette Company Supplemental Savings Plan; The Gillette Company Global Employee Stock Ownership Plan (GESOP));
27. Registration Statement No. 333-143801 on Form S-8 for The Procter & Gamble Savings Plan;
28. Registration Statement No. 333-155046 on Form S-8 for Employee Stock Purchase Plan (Japan);
29. Registration Statement No. 333-161725 on Form S-8 for The Procter & Gamble Savings Plan;
30. Registration Statement No. 333-164612 on Form S-8 for The Procter & Gamble 2009 Stock and Incentive Compensation Plan;
31. Registration Statement No. 333-192841 on Form S-8 for The Procter & Gamble 1992 Stock Plan (Belgian Version);
32. Registration Statement No. 333-199592 on Form S-8 for The Procter & Gamble 2014 Stock and Incentive Compensation Plan;
33. Registration Statement No. 333-208407 on Form S-8 for The Profit Sharing Retirement Plan of The Procter & Gamble Commercial Company;
34. Registration Statement No. 333-208408 on Form S-8 for Procter & Gamble Ireland Employees Share Plan;
35. Registration Statement No. 333-208409 on Form S-8 for Procter & Gamble International Stock Ownership Plan;
36. Registration Statement No. 333-208410 on Form S-8 for The Procter & Gamble (U.K.) 1-4-1 Plan;
37. Registration Statement No. 333-208411 on Form S-8 for The Procter & Gamble Commercial Company Employees' Savings Plan;
38. Registration Statement No. 333-208412 on Form S-8 for Group Profit Sharing, Incentive and Employer Contribution Plan (France);
39. Registration Statement No. 333-221035 on Form S-3 for Debt Securities 2017 Registration;
40. Registration Statement No. 333-221037 on Form S-3 for The Procter & Gamble Company Direct Stock Purchase Plan 2017; and
41. Registration Statement No. 333-221038 on Form S-3 for The Procter & Gamble U.K. Share Investment Scheme.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio
October 22, 2018

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Section 3: EX-99.1 (EXHIBIT 99.1 REVISED SELECTED FINANCIAL DATA)

EXHIBIT 99.1 Revised Selected Financial Data.

The information required by this item is incorporated by reference to Note 1 and Note 2 in Exhibit 99.3 Revised Consolidated Financial Statements and Accompanying Notes. For further details behind the business drivers for recent results presented below, see Exhibit 99.2 Revised Management's Discussion and Analysis.

Financial Summary (Unaudited)

Amounts in millions, except per share amounts	2018	2017	2016	2015	2014	2013
Net sales	**$ 66,832**	$ 65,058	$ 65,299	$ 70,749	$ 74,401	$ 73,910
Gross profit	**32,400**	32,420	32,275	33,649	35,356	35,910
Operating income	**13,363**	13,766	13,258	11,056	13,958	13,303
Net earnings from continuing operations	**9,861**	10,194	10,027	8,287	10,658	10,346
Net earnings/(loss) from discontinued operations	**—**	5,217	577	(1,143)	1,127	1,056
Net earnings attributable to Procter & Gamble	**9,750**	15,326	10,508	7,036	11,643	11,312
Net earnings margin from continuing operations	**14.8%**	15.7%	15.4%	11.7%	14.3%	14.0%

Basic net earnings per common share: [1]						
Earnings from continuing operations	**$ 3.75**	$ 3.79	$ 3.59	$ 2.92	$ 3.78	$ 3.65
Earnings/(loss) from discontinued operations	**—**	2.01	0.21	(0.42)	0.41	0.39
Basic net earnings per common share	**$ 3.75**	$ 5.80	$ 3.80	$ 2.50	$ 4.19	$ 4.04
Diluted net earnings per common share: [1]						
Earnings from continuing operations	**$ 3.67**	$ 3.69	$ 3.49	$ 2.84	$ 3.63	$ 3.50
Earnings/(loss) from discontinued operations	**—**	1.90	0.20	(0.40)	0.38	0.36
Diluted net earnings per common share	**$ 3.67**	$ 5.59	$ 3.69	$ 2.44	$ 4.01	$ 3.86
Dividends per common share	**$ 2.79**	$ 2.70	$ 2.66	$ 2.59	$ 2.45	$ 2.29
Research and development expense	**$ 1,908**	$ 1,874	$ 1,879	$ 1,991	$ 1,910	$ 1,867
Advertising expense	**7,103**	7,118	7,243	7,180	7,867	8,188
Total assets	**118,310**	120,406	127,136	129,495	144,266	139,263
Capital expenditures	**3,717**	3,384	3,314	3,736	3,848	4,008
Long-term debt	**20,863**	18,038	18,945	18,327	19,807	19,111
Shareholders' equity	**$ 52,883**	$ 55,778	$ 57,983	$ 63,050	$ 69,976	$ 68,709

(1) Basic net earnings per common share and Diluted net earnings per common share are calculated based on Net earnings attributable to Procter & Gamble.

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Section 4: EX-99.2 (EXHIBIT 99.2 REVISED MD&A)

EXHIBIT 99.2: Revised Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's Discussion and Analysis

Forward-Looking Statements

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report, including without limitation, the following sections: “Management's Discussion and Analysis” and “Risk Factors.” These forward-looking statements generally are identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “intend,” “strategy,” “future,” “opportunity,” “plan,” “may,” “should,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. Forward-looking statements are based on current expectations and assumptions, which are subject to risks and uncertainties that may cause results to differ materially from those expressed or implied in the forward-looking statements. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from those projected herein is included, without limitation, in the section titled "Economic Conditions and Uncertainties" and the section titled “Risk Factors” (Part I, Item 1A) of the Form 10-K for the year ended June 30, 2018. We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events or otherwise.

The purpose of Management's Discussion and Analysis (MD&A) is to provide an understanding of Procter & Gamble's financial condition, results of operations and cash flows by focusing on changes in certain key measures from year to year. The MD&A is provided as a supplement to, and should be read in conjunction with, our Consolidated Financial Statements and accompanying notes. The per share (Core EPS), adjusted free cash flow and adjusted free cash flow productivity. Organic sales growth is net sales growth excluding the impacts of acquisitions, divestitures, foreign exchange and India Goods and Services tax changes from year-over-year comparisons. Core EPS is diluted net earnings per share from continuing operations excluding certain items that are not judged to be part of the Company's sustainable results or trends. Adjusted free cash flow is operating cash flow less capital spending and certain divestiture impacts. Adjusted free cash flow productivity is the ratio of adjusted free cash flow to net earnings excluding certain one-time items. We believe these measures provide our investors with additional information about our underlying results and trends, as well as insight to some of the metrics used to evaluate management. The explanation at the end of the MD&A provides more details on the use and the derivation of these measures.

Management also uses certain market share and market consumption estimates to evaluate performance relative to competition despite some limitations on the availability and comparability of share and consumption information. References to market share and consumption in the MD&A are based on a combination of vendor purchased traditional brick-and-mortar and online data in key markets as well as internal estimates. All market share references represent the percentage of sales in dollar terms on a constant currency basis of our products, relative to all product sales in the category. The Company measures fiscal-year-to-date market shares through the most recent period for which market share data is available, which typically reflects a lag time of one or two months.

OVERVIEW

P&G is a global leader in the fast-moving consumer goods industry, focused on providing branded consumer packaged goods of superior quality and value to our consumers around the world. Our products are sold in more than 180 countries and territories primarily through mass merchandisers, e-commerce, grocery stores, membership club

MD&A is organized in the following sections:

- Overview
- Summary of 2018 Results
- Economic Conditions and Uncertainties
- Results of Operations
- Segment Results
- Cash Flow, Financial Condition and Liquidity
- Significant Accounting Policies and Estimates
- Other Information

Throughout the MD&A we refer to measures used by management to evaluate performance, including unit volume growth, net sales and net earnings. We also refer to a number of financial measures that are not defined under accounting principles generally accepted in the United States of America (U.S. GAAP), including organic sales growth, core earnings

stores, drug stores, department stores, distributors, baby stores, specialty beauty stores, high-frequency stores and pharmacies. We have on-the-ground operations in approximately 70 countries.

Our market environment is highly competitive with global, regional and local competitors. In many of the markets and industry segments in which we sell our products, we compete against other branded products, as well as retailers' private-label brands. Additionally, many of the product segments in which we compete are differentiated by price tiers (referred to as super-premium, premium, mid-tier and value-tier products). We are well positioned in the industry segments and markets in which we operate, often holding a leadership or significant market share position.

ORGANIZATIONAL STRUCTURE

Our organizational structure is comprised of Global Business Units (GBUs), Selling and Market Operations (SMOs), Global Business Services (GBS) and Corporate Functions (CF).

Global Business Units

Our GBUs are organized into ten product categories. Under U.S. GAAP, the GBUs underlying the ten product categories are aggregated into five reportable segments: Beauty; Grooming; Health Care; Fabric & Home Care; and Baby, Feminine & Family Care. The GBUs are responsible for developing overall brand strategy, new product upgrades and innovations and marketing plans. The following provides additional detail on our reportable segments and the ten product categories and brand composition within each segment.

Reportable Segments	% of Net Sales [1]	% of Net Earnings [1]	Product Categories (Sub-Categories)	Major Brands
Beauty	19%	23%	Hair Care (*Conditioner, Shampoo, Styling Aids, Treatments*)	Head & Shoulders, Pantene, Rejoice
			Skin and Personal Care (*Antiperspirant and Deodorant, Personal Cleansing, Skin Care*)	Olay, Old Spice, Safeguard, SK-II
Grooming	10%	14%	Grooming [2] (Shave Care - *Female Blades & Razors, Male Blades & Razors, Pre- and Post-Shave Products, Other Shave Care;* Appliances)	Braun, Fusion, Gillette, Mach3, Prestobarba, Venus
Health Care	12%	13%	Oral Care (*Toothbrushes, Toothpaste, Other Oral Care*)	Crest, Oral-B
			Personal Health Care (*Gastrointestinal, Rapid Diagnostics, Respiratory, Vitamins/Minerals/Supplements, Other Personal Health Care*)	Metamucil, Prilosec, Vicks
Fabric & Home Care	32%	27%	Fabric Care (*Fabric Enhancers, Laundry Additives, Laundry Detergents*)	Ariel, Downy, Gain, Tide
			Home Care (*Air Care, Dish Care, P&G Professional, Surface Care*)	Cascade, Dawn, Febreze, Mr. Clean, Swiffer
Baby, Feminine & Family Care	27%	23%	Baby Care (*Baby Wipes, Diapers and Pants*)	Luvs, Pampers
			Feminine Care (*Adult Incontinence, Feminine Care*)	Always, Tampax
			Family Care (*Paper Towels, Tissues, Toilet Paper*)	Bounty, Charmin, Puffs

(1) Percent of Net sales and Net earnings from continuing operations for the year ended June 30, 2018 (excluding results held in Corporate).

(2) The Grooming product category is comprised of the Shave Care and Appliances GBUs.

Recent Developments:

During fiscal 2018, the Company entered into an agreement to acquire the over the counter (OTC) healthcare business of Merck KGaA for €3.375 billion ($3.9 billion based on current exchange rates). This business primarily sells OTC consumer healthcare products, mainly in Europe, Latin America and Asia markets. Total sales for the business during its most recent fiscal year were approximately $1 billion. We anticipate the transaction to close during fiscal 2019, with the timing subject to regulatory clearance and customary closing conditions. The Company also reached an agreement during fiscal 2018 to dissolve our PGT Healthcare partnership, a venture between the Company and Teva Pharmaceutical Industries, Ltd (Teva) in the OTC consumer healthcare business. Pursuant to the agreement, PGT product assets will return to the original respective parent companies to reestablish independent OTC businesses. This transaction was completed in July 2018 and will be accounted for as a sale of the Teva portion of the PGT business. The Company expects to record an after-tax gain on the sale of approximately $285 million.

During fiscal 2017, the Company completed the divestiture of four product categories, which included 43 of the Company's beauty brands ("Beauty Brands"), including the global salon professional hair care and color, retail hair color, cosmetics and the fine fragrance businesses, along with select hair styling brands. The Beauty Brands had historically been part of the Company’s Beauty reportable segment. The results of the Beauty Brands are presented as discontinued operations and, as such, are excluded from both continuing operations and segment results for all periods presented.

During fiscal 2016, the Company completed the divestiture of its Batteries business. The Batteries business had historically been part of the Company’s Fabric & Home Care reportable segment. The results of the Batteries business are presented as discontinued operations and, as such, are excluded from both continuing operations and segment results for all periods presented.

As a result of these divestitures, the Company's portfolio is comprised of 10 category-based businesses where P&G has leading market positions, strong brands and consumer meaningful product technologies.

Refer to Note 13 in Exhibit 99.3 Revised Consolidated Financial Statements and Accompanying Notes for more details on each of these divestiture transactions.

Beauty: We are a global market leader in the beauty category. Most of the beauty markets in which we compete are highly fragmented with a large number of global and local competitors. We compete in skin and personal care and in hair care. In skin and personal care, we offer a wide variety of products, ranging from deodorants to personal cleansing to skin care, such as our Olay brand, which is one of the top facial skin care brands in the world with nearly 6% global market share. We are the global market leader in the retail hair care market with over 20% global market share primarily behind our Pantene and Head & Shoulders brands.

Grooming: We compete in shave care and appliances. In Shave Care, we are the global market leader in the blades and razors market. Our global blades and razors market share is nearly 65%, primarily behind the Gillette franchise, including our Fusion, Mach3, Prestobarba and Venus brands. Our appliances, such as electric shavers and epilators, are sold under the Braun brand in a number of markets around the world where we compete against both global and regional competitors. We hold nearly 25% of the male shavers market and over 50% of the female epilators market.

Health Care: We compete in oral care and personal health care. In oral care, there are several global competitors in the market and we have the number two market share position with nearly 20% global market share behind our Oral-B and Crest brands. In personal health care, we are a top ten competitor in a large, highly fragmented industry, primarily behind respiratory treatments (Vicks brand), non-prescription heartburn medications (Prilosec OTC brand) and digestive wellness products (Metamucil, Pepto Bismol and Align brands). Nearly all of our sales outside the U.S. in personal health care are generated through the PGT Healthcare partnership with Teva Pharmaceuticals Ltd. In April 2018, we reached an agreement to dissolve the PGT Healthcare partnership and to acquire the OTC healthcare business of Merck KGaA as discussed above.

Fabric & Home Care: This segment is comprised of a variety of fabric care products, including laundry detergents, additives and fabric enhancers; and home care products, including dishwashing liquids and detergents, surface cleaners and air fresheners. In fabric care, we generally have the number one or number two market share position in the markets in which we compete and are the global market leader with over 25% global market share, primarily behind our Tide, Ariel and Downy brands. Our global home care market share is over 20% across the categories in which we compete.

Baby, Feminine & Family Care: In baby care, we are the global market leader and compete mainly in diapers, pants and baby wipes with over 25% global market share. We have the number one or number two market share position in most of the key markets in which we compete, primarily behind Pampers, the Company's largest brand, with annual net sales of more than $8 billion. We are the global market leader in the feminine care category with over 25% global market share, primarily behind Always. We also compete in the adult incontinence category in certain markets, achieving over 10% market share in most of the markets where we compete. Our family care business is predominantly a North American business comprised largely of the Bounty paper towel and Charmin toilet paper brands. U.S. market shares are over 40% for Bounty and over 25% for Charmin.

Selling and Market Operations

Our SMOs are responsible for developing and executing go-to-market plans at the local level. The SMOs include dedicated retail customer, trade channel and country-specific teams. Our SMOs are organized under six regions, comprised of North America, Europe, Latin America, Asia Pacific, Greater China and India, Middle East and Africa (IMEA). Throughout the MD&A, we reference business results in developed markets, which are comprised of North America, Western Europe and Japan, and developing markets, which are all other markets not included in developed.

Corporate Functions

CF provides company-level strategy and portfolio analysis, corporate accounting, treasury, tax, external relations, governance, human resources and legal, as well as other centralized functional support.

Global Business Services

GBS provides technology, processes and standard data tools to enable the GBUs, the SMOs and Corporate Functions to better understand the business and better serve consumers and customers. The GBS organization is responsible for providing world-class solutions at a low cost and with minimal capital investment.

STRATEGIC FOCUS

P&G aspires to serve the world’s consumers better than our best competitors in every category and in every country in which we compete, and, as a result, deliver total shareholder return in the top one-third of our peer group. Delivering and sustaining leadership levels of shareholder value creation requires balanced top-line growth, bottom-line growth and strong cash generation.

Our strategic choices are focused on winning with consumers. The consumers who purchase and use our products are at the center of everything we do. We win with consumers by delivering superiority across the five key elements of product, packaging, brand communication, retail execution and value equation.

Winning with consumers around the world and against our best competitors requires innovation. Innovation has always been, and continues to be, P&G’s lifeblood. Innovation requires consumer insights and technology advancements that lead to product improvements, improved marketing and merchandising programs and game-changing inventions that create new brands and categories.

Productivity improvement is critical to delivering our balanced top-line growth, bottom-line growth and value creation objectives. Productivity improvement and sales growth reinforce and fuel each other. We are driving productivity improvement across all elements of cost, including cost of goods sold, marketing and promotional expenses and non-manufacturing overhead. Productivity improvements and cost savings are being reinvested in product and packaging improvements, brand awareness-building advertising and trial-building sampling programs, increased sales coverage and R&D programs.

We are improving operational effectiveness and organizational culture through enhanced clarity of roles and responsibilities, accountability and incentive compensation programs.

The Company has undertaken an effort to focus and strengthen its business portfolio to compete in categories and with brands that are structurally attractive and that play to P&G's strengths. The ongoing portfolio of businesses consists of 10 product categories. These are categories where P&G has leading market positions, strong brands and consumer-meaningful product technologies.

We believe these strategies are right for the long-term health of the Company and our objective of delivering total shareholder return in the top one-third of our peer group.

The Company expects the delivery of the following long-term annual financial targets will result in total shareholder returns in the top third of the competitive peer group:

- Organic sales growth above market growth rates in the categories and geographies in which we compete;
- Core EPS growth of mid-to-high single digits; and
- Adjusted free cash flow productivity of 90% or greater.

In periods with significant macroeconomic pressures, we intend to maintain a disciplined approach to investing so as not to sacrifice the long-term health of our businesses to meet short-term objectives in any given year.

SUMMARY OF 2018 RESULTS

Amounts in millions, except per share amounts	2018	Change vs. Prior Year	2017	Change vs. Prior Year	2016
Net sales	**$ 66,832**	3 %	$ 65,058	— %	$ 65,299
Operating income	**13,363**	(3)%	13,766	4 %	13,258
Net earnings from continuing operations	**9,861**	(3)%	10,194	2 %	10,027
Net earnings from discontinued operations	**—**	N/A	5,217	N/A	577
Net earnings attributable to Procter & Gamble	**9,750**	(36)%	15,326	46 %	10,508
Diluted net earnings per common share	**3.67**	(34)%	5.59	51 %	3.69
Diluted net earnings per share from continuing operations	**3.67**	(1)%	3.69	6 %	3.49
Core earnings per share	**4.22**	8 %	3.92	7 %	3.67
Cash flow from operating activities	**14,867**	17 %	12,753	(17)%	15,435

- Net sales increased 3% to $66.8 billion including a positive 2% impact from foreign exchange.
  - Organic sales increased 1% on a 2% increase in organic volume.
  - Unit volume increased 1%. Volume increased low single digits in Beauty, Health Care and Fabric & Home Care and was unchanged in Grooming. Volume decreased low single digits in Baby, Feminine & Family Care. Excluding the impact of minor brand divestitures, organic volume increased mid-single digits in Fabric & Home Care.
- Net earnings from continuing operations decreased $333 million or 3% in fiscal 2018, due primarily to the transitional impacts of the U.S. Tax Cuts and Jobs Act (U.S. Tax Act). Please refer to Note 5 in Exhibit 99.3 Revised Consolidated Financial Statements and Accompanying Notes for further discussion on tax impacts. Operating income decreased 3% due to reduced margins, partially offset by net sales growth. This was largely offset by an increase in Other non-operating income/(expense), net, due to higher costs of early extinguishment of debt in the base period. Favorable foreign exchange impacts increased net earnings from continuing operations by approximately $125 million or 1%.
- Net earnings from discontinued operations were zero in fiscal 2018 compared to $5.2 billion in fiscal 2017 primarily due to the net impact of a gain on the sale of our Beauty Brands business.
- Net earnings attributable to Procter & Gamble were $9.8 billion, a decrease of $5.6 billion or 36% versus the prior year primarily due to the aforementioned reduction in net earnings from discontinued operations.
- Diluted net earnings per share decreased 34% to $3.67.
  - Diluted net earnings per share from continuing operations decreased 1% to $3.67.
  - Core EPS increased 8% to $4.22.
- Cash flow from operating activities was $14.9 billion.
  - Adjusted free cash flow was $11.2 billion.
  - Adjusted free cash flow productivity was 104%.

ECONOMIC CONDITIONS AND UNCERTAINTIES

We discuss expectations regarding future performance, events and outcomes, such as our business outlook and objectives, in annual and quarterly reports, press releases and other written and oral communications. All such statements, except for historical and present factual information, are "forward-looking statements" and are based on financial data and our business plans available only as of the time the statements are made, which may become out-of-date or incomplete. We assume no obligation to update any forward-looking statements as a result of new information, future events or other factors. Forward-looking statements are inherently uncertain and investors must recognize that events could be significantly different from our expectations. For more information on risks that could impact our results, refer to Item 1A Risk Factors in the Form 10-K for the year ended June 30, 2018.

Global Economic Conditions. Current macroeconomic factors remain dynamic, and any causes of market size contraction, such as reduced GDP in commodity-dependent economies, greater political unrest in the Middle East, Central & Eastern Europe and the Korean peninsula, economic uncertainty related to the execution of the United Kingdom's exit from the European Union, political instability in certain Latin American markets and overall economic slowdowns, could reduce our sales or erode our operating margin, in either case reducing our earnings.

Changes in Costs. Our costs are subject to fluctuations, particularly due to changes in commodity prices, transportation costs and our own productivity efforts. We have significant exposures to certain commodities, in particular certain oil-derived materials like resins and paper-based materials like pulp, and volatility in the market price of these commodity input materials has a direct impact on our costs. If we are unable to manage commodity and other cost fluctuations through pricing actions, cost savings projects and sourcing decisions, as well as through consistent productivity improvements, it may adversely impact our gross margin, operating margin and net earnings. Sales could also be adversely impacted following pricing actions if there is a negative impact on consumption of our products. We strive to implement, achieve and sustain cost improvement plans, including outsourcing projects, supply chain optimization and general overhead and workforce optimization. As discussed later in this MD&A, we initiated certain non-manufacturing overhead reduction projects along with manufacturing and other supply chain cost improvement projects in 2012. In fiscal 2017, we communicated specific elements of an additional multi-year cost reduction program which is resulting in enrollment reductions and other savings. If we are not successful in executing and sustaining these changes, there could be a negative impact on our operating margin and net earnings.

Foreign Exchange. We have both translation and transaction exposure to the fluctuation of exchange rates. Translation exposures relate to exchange rate impacts of measuring income statements of foreign subsidiaries that do not use the U.S. dollar as their functional currency. Transaction exposures relate to 1) the impact from input costs that are denominated in a currency other than the local reporting currency and 2) the revaluation of transaction-related working capital balances denominated in currencies other than the functional currency. Over previous fiscal years, the U.S. dollar has strengthened versus a number of foreign currencies leading to lower sales and earnings from these foreign exchange impacts. Certain countries experiencing significant exchange rate fluctuations, like Argentina, Egypt, Russia, Turkey and the United Kingdom have previously had, and could in the future have, a significant impact on our sales, costs and earnings. Increased pricing in response to certain fluctuations in foreign currency exchange rates may offset portions of the currency impacts but could also have a negative impact on consumption of our products, which would affect our sales and profits.

Government Policies. Our net earnings could be affected by changes in U.S. or foreign government tax policies, for example, the U.S. Tax Act enacted in December 2017, the implications and uncertainties of which are disclosed elsewhere in this report. Additionally, we attempt to carefully manage our debt, currency and other exposures in certain countries with currency exchange, import authorization and pricing controls, such as Nigeria, Algeria and Egypt. Further, our earnings and sales could be affected by changes to international trade agreements in North America and elsewhere, including potential increases of import tariffs. Changes in government policies in these areas might cause an increase or decrease in our sales, operating margin and net earnings.

For information on risk factors that could impact our results, please refer to “Risk Factors” in Part I, Item 1A of the Form 10-K for the year ended June 30, 2018.

RESULTS OF OPERATIONS

The key metrics included in our discussion of our consolidated results of operations include net sales, gross margin, selling, general and administrative costs (SG&A), other non-operating items and income taxes. The primary factors driving year-over-year changes in net sales include overall market growth in the categories in which we compete, product initiatives, competitive activities (the level of initiatives and other activities by competitors), marketing spending and acquisition and divestiture activity, all of which drive changes in our underlying unit volume, as well as pricing actions (which can also indirectly impact volume), changes in product and geographic mix and foreign currency impacts on sales outside the U.S.

Most of our cost of products sold and SG&A are to some extent variable in nature. Accordingly, our discussion of these operating costs focuses primarily on relative margins rather than the absolute year-over-year changes in total costs. The primary drivers of changes in gross margin are input costs (energy and other commodities), pricing impacts, geographic mix (for example, gross margins in developed markets are generally higher than in developing markets for similar products), product mix (for example, the Beauty segment has higher gross margins than the Company average), foreign exchange rate fluctuations (in situations where certain input costs may be tied to a different functional currency than the underlying sales), the impacts of manufacturing savings projects and reinvestments (for example, product or package improvements) and to a lesser extent scale impacts (for costs that are fixed or less variable in nature). The primary components of SG&A are marketing-related costs and non-manufacturing overhead costs. Marketing-related costs are primarily variable in nature, although we may achieve some level of scale benefit over time due to overall growth and other marketing efficiencies. Overhead costs are also variable in nature, but on a relative basis, less so than marketing costs due to our ability to leverage our organization and systems infrastructures to support business growth. Accordingly, we generally experience more scale-related impacts for these costs.

The Company is in the midst of a productivity and cost savings plan to reduce costs in the areas of supply chain, certain marketing activities and overhead expenses. The plan is designed to accelerate cost reductions by streamlining management decision making, manufacturing and other work processes to fund the Company's growth strategy.

Net Sales

Fiscal year 2018 compared with fiscal year 2017

Net sales increased 3% to $66.8 billion in 2018 on a 1% increase in unit volume versus the prior year. Volume increased low single digits in Beauty, Health Care and Fabric & Home Care and was unchanged in Grooming. Volume decreased low single digits in Baby, Feminine and Family Care. Excluding the impact of minor brand divestitures, Fabric & Home Care organic volume increased mid-single digits.

Volume increased low single digits in developed and developing regions. Favorable foreign exchange increased net sales by 2%. Pricing had a negative 1% impact on net sales. Product mix had a positive 1% impact on net sales primarily due to a disproportionate growth in super-premium brands. Organic sales grew 1% driven by a 2% increase in organic volume.

Fiscal year 2017 compared with fiscal year 2016

Net sales were unchanged at $65.1 billion in 2017 on a 1% increase in unit volume versus the prior year period. Volume increased low single digits in Grooming, Health Care, Fabric & Home Care and Baby, Feminine & Family Care. Volume decreased low single digits in Beauty. Volume increased low single digits in developed regions and was unchanged in developing regions. Organic volume increased low single digits in both developed and developing markets. Unfavorable foreign exchange reduced net sales by 2%. Neither pricing nor mix had any net impact on net sales for the year. Organic sales grew 2% driven by a 2% increase in organic volume.

Operating Costs

Comparisons as a percentage of net sales; Years ended June 30	6/30/2018	Basis Point Change	6/30/2017	Basis Point Change	6/30/2016
Gross margin	48.5%	(130)	49.8%	40	49.4%
Selling, general and administrative expense	28.5%	(20)	28.7%	(40)	29.1%
Operating margin	20.0%	(120)	21.2%	90	20.3%
Earnings from continuing operations before income taxes	19.9%	(50)	20.4%	(10)	20.5%
Net earnings from continuing operations	14.8%	(90)	15.7%	30	15.4%
Net earnings attributable to Procter & Gamble	14.6%	(900)	23.6%	750	16.1%

Fiscal year 2018 compared with fiscal year 2017

Gross margin decreased 130 basis points to 48.5% of net sales in 2018. Gross margin benefited 200 basis points from total manufacturing cost savings (170 basis points net of product and packaging reinvestments). This was more than offset by:

- a 90 basis-point negative impact due to higher commodity costs,
- a 50 basis-point decline due to reduced pricing,
- a 100 basis-point decline from unfavorable product mix (within segments due to the disproportionate growth of lower margin product forms, large sizes and club channels and between segments caused by the disproportionate volume growth in Fabric & Home Care, which has lower than company-average gross margins),
- a 30 basis-point negative impact from higher restructuring charges and
- a 30 basis-point negative impact from unfavorable foreign exchange.

Total SG&A increased 2% to $19.0 billion driven by increased overhead and marketing spending, as well as an increase in other net operating expenses, primarily due to higher gains on real estate sales in the base period. SG&A as a percentage of net sales decreased 20 basis points to 28.5%. Reductions in marketing and overhead spending as a percentage of net sales were partially offset by an increase in other net operating expenses.

- Marketing spending as a percentage of net sales decreased 30 basis points, primarily driven by reductions in agency compensation and production costs.
- Overhead costs as a percentage of net sales decreased 20 basis points, primarily driven by productivity savings and sales growth leverage, partially offset by higher restructuring costs versus the base year.
- Other operating expenses as a percentage of net sales increased 30 basis points primarily due to gains on the sale of real estate in the base year.

Fiscal year 2017 compared with fiscal year 2016

Gross margin increased 40 basis points (bps) to 49.8% of net sales in 2017. Gross margin increased primarily due to:

- a 230 basis-point positive impact from total manufacturing cost savings (210 basis points net of product and packaging reinvestments),
- a 20 basis-point benefit from lower restructuring charges and
- a 10 basis-point benefit from positive scale impacts due to higher volume.

These impacts were partially offset by:

- a 90 basis-point decrease from unfavorable product mix between segments (caused primarily by the lower relative proportion of sales in Grooming, which has higher than company-average gross margins) and within segments (due to disproportionate growth of lower margin products, forms and package sizes in certain businesses),
- a 40 basis-point negative impact from unfavorable foreign exchange and
- a combined 70 basis-point impact due to higher commodities and other costs.

Total SG&A decreased 2% to $18.7 billion as increased overhead and advertising spending were more than offset by a reduction in other operating expenses, primarily due to a reduction in net foreign exchange transactional costs and gains on real estate sales. SG&A as a percentage of net sales decreased 40 basis points to 28.7% as a result of the decline in other operating expenses.

- Marketing spending as a percentage of net sales increased 10 basis points due to an increase in marketing activities, partially offset by productivity savings.
- Overhead costs as a percentage of net sales increased 20 basis points, primarily driven by wage inflation and increased sales personnel in certain businesses, partially offset by 20 basis points of productivity savings.
- Other operating expenses as a percent of net sales declined 80 basis points. Lower foreign exchange transactional charges reduced SG&A as a percentage of net sales by approximately 20 basis points. The balance of the reduction is primarily driven by gains on sales of real estate.

Non-Operating Items

Fiscal year 2018 compared with fiscal year 2017

- Interest expense was $506 million in 2018, an increase of $41 million versus the prior year due to an increase in average long term debt balances and an increase in U.S. interest rates.
- Interest income was $247 million in 2018, an increase of $76 million versus the prior year primarily due to an increase in average balances of interest bearing cash and cash equivalents and investment securities balances and an increase in U.S. interest rates.
- Other non-operating income/(expense), which consists primarily of divestiture gains, investment income, non-service components of net defined benefit costs and other non-operating items was a net income of $222 million in 2018, an improvement of $437 million versus the prior year primarily due to lower charges for the early extinguishment of debt (which totaled $346 million in the current year and $543 million in the base year), lower charges related to non-service components of net defined benefit costs (approximately $160 million versus prior year) and an increase in minor brand divestiture gains. In the current year we had approximately $190 million in minor brand divestiture gains, including Swisse, Bold and other minor brands. In 2017, we had approximately $110 million in minor brand divestiture gains, including Hipoglos and other minor brands.

Fiscal year 2017 compared with fiscal year 2016

- Interest expense was $465 million in 2017, a decrease of $114 million versus the prior year due to a decrease in weighted average interest rates.
- Interest income was $171 million in 2017, comparable to 2016.
- Other non-operating income/(expense), which consists primarily of divestiture gains, investment income, non-service components of net defined benefit costs and other non-operating items, was a net expense of $215 million in 2017 versus a net income of $508 million in 2016, a $723 million year-over-year decrease. This change is due to a $543 million current-year charge related to early extinguishment of long-term debt and a reduction in gains on minor brand divestitures. In 2017, we had approximately $110 million in minor brand divestiture gains, including Hipoglos (a baby care brand sold primarily in Brazil) and other minor brands. The prior year divestiture activities included approximately $300 million in minor brand divestiture gains, including Escudo and certain hair care brands in Europe and IMEA.

Income Taxes

Fiscal year 2018 compared with fiscal year 2017

The effective tax rate on continuing operations increased 290 basis points to 26.0% in 2018. A net transitional charge of $602 million resulting from the enactment of the U.S. Tax Act caused a 450 basis-point increase in the current period rate (see Note 5 in Exhibit 99.3 Revised Consolidated Financial Statements and Accompanying Notes for further discussion). The remaining net decrease of 160 basis points in the effective rate was driven by:

- a 280 basis-point year over year reduction from the ongoing impacts of the U.S. Tax Act, as the impact of the lower blended U.S. federal rate on current year earnings versus prior year rate was partially offset by reduced foreign tax credits versus prior year due to the inability to fully credit foreign taxes under the U.S. Tax Act,
- a 170 basis-point reduction from favorable geographic mix of earnings, primarily due to a greater proportion of income in lower tax foreign jurisdictions,
- a 180 basis-point increase from reduced favorable discrete impacts related to uncertain income tax

positions (which netted to approximately 25 basis points in the current year versus 205 basis points in the prior year),

- a 70 basis-point increase from reduced excess tax benefits from share-based compensation (60 basis points in the current year versus 130 basis points in the prior year) and
- a 40 basis-point unfavorable impact due to reduced benefits from the tax impacts of early extinguishment of long-term debt (10 basis-point benefit in current year versus 50 basis-point benefit in the prior year).

Fiscal year 2017 compared with fiscal year 2016

The effective tax rate on continuing operations decreased 190 basis points to 23.1%. The rate declined due to:

- a 130 basis-point impact from excess tax benefits associated with share-based payments due to the adoption of FASB Accounting Standards Update (ASU) 2016-09 Improvements to Employee Share-based Payment Accounting in 2017,
- a 150 basis-point benefit from discrete impacts related to uncertain income tax positions (which netted to approximately 205 basis points in the current year versus 55 basis points in the prior year),
- a 50 basis-point benefit from the tax impact of the early extinguishment of long-term debt and
- a 130 basis-point benefit from the prior year establishment of a valuation allowance on deferred tax assets related to net operating loss carryforwards.

These benefits were partially offset by a 230 basis-point increase from unfavorable geographic mix, primarily due to a greater proportion of total income taxed in the U.S. and a 40 basis-point increase due to the impact of minor brand divestitures.

Net Earnings

Fiscal year 2018 compared with fiscal year 2017

Net earnings from continuing operations decreased 3% to $9.9 billion. Operating income decreased $403 million, or 3%, as the increase in net sales and decrease in SG&A as a percentage of net sales were more than offset by the reduction in gross margin. The increase in net non-operating income/(expense) discussed above benefited net earnings. Net earnings from continuing operations before taxes increased 1%. Increased income tax expense negatively impacted net earnings from continuing operations by approximately 4% due largely to the net charge for the transitional impact of the U.S. Tax Act in 2018. Foreign exchange had a positive impact of $125 million on net earnings in 2018 due to strengthening of certain currencies against the U.S. dollar, including those in the United Kingdom, China, Canada and Russia. This impact includes both transactional charges and translational impacts from converting earnings from foreign subsidiaries to U.S. dollars.

Net earnings from discontinued operations were zero in 2018. Net earnings from discontinued operations were $5.2 billion in 2017, primarily due to the gain on the sale of the Beauty Brands which closed on October 1, 2016 (see Note 13 in Exhibit 99.3 Revised Consolidated Financial Statements and Accompanying Notes).

Net earnings attributable to Procter & Gamble decreased $5.6 billion, or 36%, to $9.8 billion. The decrease was primarily due to the reduction in net earnings from discontinued operations.

Diluted net earnings per share from continuing operations declined $0.02, or 1%, to $3.67 due primarily to the reduction in net earnings from continuing operations, partially offset by a reduction in the number of weighted average shares outstanding.

Diluted net earnings per share from discontinued operations were zero in 2018, and were $1.90 per share in the prior year due to the gain on the sale of the Beauty Brands in 2017. Diluted net earnings per share decreased $1.92, or 34%, to $3.67.

Core EPS increased 8% to $4.22. Core EPS represents diluted net earnings per share from continuing operations, excluding the current year net charge for the transitional impact of the U.S. Tax Act and the charges in both periods for early extinguishment of debt and incremental restructuring charges related to our productivity and cost savings plans. The increase was driven by increased sales, the lower effective tax rate on core earnings (excluding the transitional net tax charge from the U.S. Tax Act) and the reduction in the number of weighted average shares outstanding discussed above.

Fiscal year 2017 compared with fiscal year 2016

Net earnings from continuing operations increased $167 million, or 2%, to $10.2 billion. Operating income improved $508 million, or 4%, due to improved gross margin and reduced SG&A costs. Net earnings also benefitted from a lower tax rate in 2017. These benefits were partially offset by the increase in net non-operating expenses, discussed above. Foreign exchange impacts reduced net earnings by approximately $420 million in 2017 due to weakening of certain currencies against the U.S. dollar, including those in Argentina, Nigeria, Egypt and the United Kingdom. This impact includes both transactional charges as discussed above in Operating Costs and translational impacts from converting earnings from foreign subsidiaries to U.S. dollars.

Net earnings from discontinued operations increased $4.6 billion in 2017 to $5.2 billion. This change was driven by the $5.3 billion gain on the sale of the Beauty Brands in the current year, partially offset by the impact of the base period results, which included the net earnings of the Batteries and Beauty Brands businesses prior to divestiture, a gain on the sale of the Batteries business and impairment charges on the Batteries business prior to divestiture (see Note 13 in Exhibit 99.3 Revised Consolidated Financial Statements and Accompanying Notes).

Net earnings attributable to Procter & Gamble increased $4.8 billion, or 46%, to $15.3 billion.

Diluted net earnings per share from continuing operations increased $0.20, or 6%, to $3.69 due to the increase in net earnings from continuing operations and a reduction in the number of weighted average shares outstanding following the shares tendered in the sale of the Beauty Brands to Coty (see Note 13 in Exhibit 99.3 Revised Consolidated Financial Statements and Accompanying Notes), along with ongoing share repurchases.

Diluted net earnings per share from discontinued operations were $1.90. This was an increase of $1.70 per share versus the prior year primarily resulting from the gain on the sale of the Beauty Brands. Diluted net earnings per share increased $1.90, or 51%, to $5.59.

Core EPS increased 7% to $3.92. Core EPS in fiscal year 2017 represents diluted net earnings per share from continuing operations excluding the charge related to early extinguishment of long-term debt and incremental restructuring charges related to our productivity and cost savings plan. The increase was driven by operating margin expansion, lower effective tax rate and the reduction in the number of weighted average shares outstanding discussed above.

SEGMENT RESULTS

Segment results reflect information on the same basis we use for internal management reporting and performance evaluation. The results of these reportable segments do not include certain non-business unit specific costs such as interest expense, investing activities and certain restructuring and asset impairment costs. These costs are reported in our Corporate segment and are included as part of our Corporate segment discussion. Additionally, as described in Note 2 in Exhibit 99.3 Revised Consolidated Financial Statements and Accompanying Notes, we apply blended statutory tax rates in the segments. Eliminations to adjust segment results to arrive at our consolidated effective tax rate, including the impacts of the U.S. Tax Act in fiscal 2018, are included in Corporate. All references to net earnings throughout the discussion of segment results refer to net earnings from continuing operations.

	Net Sales Change Drivers 2018 vs. 2017 [1]						
	Volume with Acquisitions & Divestitures	Volume Excluding Acquisitions & Divestitures	Foreign Exchange	Price	Mix	Other [2]	Net Sales Growth
Beauty	2 %	2 %	2%	— %	5 %	—%	9 %
Grooming	— %	— %	3%	(3)%	(1)%	—%	(1)%
Health Care	3 %	3 %	3%	(1)%	— %	—%	5 %
Fabric & Home Care	3 %	4 %	1%	(1)%	— %	—%	3 %
Baby, Feminine & Family Care	(1)%	(1)%	1%	(1)%	— %	—%	(1)%
TOTAL COMPANY	**1 %**	**2 %**	**2%**	**(1)%**	**1 %**	**—%**	**3 %**

	Net Sales Change Drivers 2017 vs. 2016 [1]						
	Volume with Acquisitions & Divestitures	Volume Excluding Acquisitions & Divestitures	Foreign Exchange	Price	Mix	Other [2]	Net Sales Growth
Beauty	(2)%	1%	(2)%	1 %	2 %	1%	— %
Grooming	2 %	3%	(2)%	(1)%	(2)%	—%	(3)%
Health Care	3 %	4%	(2)%	— %	1 %	—%	2 %
Fabric & Home Care	1 %	2%	(2)%	— %	1 %	—%	— %
Baby, Feminine & Family Care	2 %	2%	(2)%	(1)%	— %	—%	(1)%
TOTAL COMPANY	**1 %**	**2%**	**(2)%**	**— %**	**— %**	**1%**	**— %**

(1) Net sales percentage changes are approximations based on quantitative formulas that are consistently applied.

(2) Other includes the sales mix impact from acquisitions and divestitures, the impact from India Goods and Services Tax implementation and rounding impacts necessary to reconcile volume to net sales.

BEAUTY

($ millions)	2018	Change vs. 2017	2017	Change vs. 2016
Volume	**N/A**	2%	N/A	(2)%
Net sales	**$12,406**	9%	$11,429	—%
Net earnings	**$2,320**	21%	$1,914	(3)%
% of net sales	**18.7%**	200 bps	16.7%	(50) bps

Fiscal year 2018 compared with fiscal year 2017

Beauty net sales increased 9% to $12.4 billion in 2018 on a 2% increase in unit volume. Favorable foreign exchange impacts increased net sales by 2%. Favorable product mix added 5% to net sales, primarily due to the disproportionate growth of the super-premium SK-II and premium Olay Skin brands. Organic sales increased 7% on a 2% increase in organic volume. Global market share of the Beauty segment decreased 0.2 points. Volume was unchanged in developed regions and increased low single digits in developing regions.

- Volume in Hair Care increased low single digits. Volume in developed regions decreased low single digits mainly due to competitive activity. Developing regions volume increased low single digits due to market growth, product innovation and improved in-store executions. Global market share of the hair care category decreased less than half a point.
- Volume in Skin and Personal Care increased low single digits. Developed market volume increased low single digits driven by product innovation. Volume increased mid-single digits in developing regions behind innovation and increased marketing. Global market share of the skin and personal care category was unchanged.

Net earnings increased 21% to $2.3 billion in 2018 due to the increase in net sales and a 200 basis-point increase in net earnings margin driven primarily by a reduction in SG&A as a percentage of net sales. Gross margin increased slightly driven by manufacturing cost savings. SG&A as a percentage of sales decreased primarily due to positive scale impacts of the net sales increase on both marketing spending and overheads.

Fiscal year 2017 compared with fiscal year 2016

Beauty net sales were unchanged at $11.4 billion in 2017 on a 2% decrease in unit volume. Unfavorable foreign exchange reduced net sales by 2%. Price increases had a 1% positive impact on net sales. Favorable product mix added 2% to net sales, primarily due to growth of the super-premium SK-II brand, which has higher than segment average selling prices. Organic sales increased 3% on organic volume that increased 1%. Global market share of the Beauty segment decreased 0.6 points. Volume decreased low single digits in developed regions. Volume decreased low single digits in developing regions. Excluding minor brand divestitures, organic volume in developing regions increased low single digits.

- Volume in Hair Care decreased low single digits due to minor brand divestitures. Organic volume increased low single digits. Developed regions decreased low single digits mainly due to competitive activity. Developing regions decreased low single digits due to minor brand divestitures. Organic volume increased low single digits in developing regions behind product innovation and market growth. Global market share of the hair care category decreased more than half a point.
- Volume in Skin and Personal Care was unchanged including the impact of minor brand divestitures. Organic volume increased low single digits. Developed market volume decreased low single digits following increased pricing and due to competitive activity. Volume increased low single digits in developing regions behind innovation and market growth. Global market share of the skin and personal care category decreased half a point.

Net earnings decreased 3% to $1.9 billion in 2017 due to a 50 basis point decrease in net earnings margin, behind an increase in SG&A as a percentage of net sales. SG&A as a percentage of net sales increased due to increased overhead spending including investments in sales resources and incremental marketing activity. Gross margin decreased slightly as the benefits from productivity savings and higher pricing were more than offset by higher commodity costs and unfavorable mix impacts (driven by Hair Care from an increase in the proportion of lower margin forms and categories, and unfavorable geographic mix, which more than offset benefit from Skin and Personal Care, driven by the growth of SK-II).

GROOMING

($ millions)	2018	Change vs. 2017	2017	Change vs. 2016
Volume	**N/A**	—%	N/A	2%
Net sales	**$6,551**	(1)%	$6,642	(3)%
Net earnings	**$1,432**	(7)%	$1,537	(1)%
% of net sales	**21.9%**	(120) bps	23.1%	40 bps

Fiscal year 2018 compared with fiscal year 2017

Grooming net sales decreased 1% to $6.6 billion in 2018 on unit volume that was unchanged. Favorable foreign exchange increased net sales by 3%. Price reductions in Shave Care reduced net sales by 3%. Unfavorable mix reduced net sales by 1% driven by disproportionate growth of lower tier shave care products. Organic sales decreased 3% while organic volume was unchanged. Global market share of the Grooming segment decreased 0.8 points. Volume was unchanged in both developed and developing regions.

- Shave Care volume was unchanged. Volume was unchanged in developed regions as increased competitiveness of our products in the U.S. following price reductions was offset by competitive activity in other markets. Volume in developing regions was unchanged. Global market share of the shave care category decreased slightly.
- Appliances volume increased high single digits in developed and developing regions due to product innovation. Global market share of the appliances category increased more than half a point.

Net earnings decreased 7% to $1.4 billion in 2018 due to the net sales decrease and a reduction in net earnings margin. Net earnings margin decreased 120 basis points due to a decrease in gross margin and an increase in SG&A as a percentage of net sales. Gross margin decreased due to the negative impact of reduced pricing and the above mentioned unfavorable product mix, partially offset by manufacturing cost savings. SG&A as a percentage of net sales increased due to overhead spending increases and a base period gain on the sale of real estate, partially offset by a reduction in current year marketing spending.

Fiscal year 2017 compared with fiscal year 2016

Grooming net sales decreased 3% to $6.6 billion in 2017 on a 2% increase in unit volume. Unfavorable foreign exchange reduced net sales by 2%. Unfavorable mix reduced net sales by 2% driven by disproportionate growth in emerging markets, where average selling prices are lower than in developed regions, in part due to a higher relative proportion of disposable razors in those markets. Price reductions in the U.S. during the second half of the year taken to address consumer price-competitiveness drove a 1% reduction in net sales. Organic sales were unchanged on organic volume that increased 3%. Global market share of the Grooming segment decreased 0.7 points. Volume increased low single digits in developed and developing regions.

- Shave Care volume increased low single digits. Shave Care volume decreased low single digits in developed regions due to competitive activity and increased low single digits in developing regions behind product innovation. Global market share of the shave care category decreased half a point.
- Volume in Appliances increased double digits. Volume increased double digits in developed regions and increased low single digits in developing regions due to product innovation. Global market share of the appliances category increased nearly half a point.

Net earnings decreased 1% to $1.5 billion in 2017 due to the reduction in net sales, partially offset by an increase in net earnings margin. Net earnings margin increased 40 basis points due to a decrease in SG&A as a percent of net sales and improved gross margin. SG&A as a percent of net sales decreased due to a gain on the sale of real estate, partially offset by increased overhead spending. Gross margin increased as the benefits of productivity efforts were only partially offset by unfavorable foreign exchange impacts, reduced pricing and negative mix driven by growth in emerging markets, where average selling prices are lower than in developed regions, in part due to a higher relative proportion of disposable razors in those markets.

HEALTH CARE

($ millions)	2018	Change vs. 2017	2017	Change vs. 2016
Volume	**N/A**	3%	N/A	3%
Net sales	**$7,857**	5%	$7,513	2%
Net earnings	**$1,283**	—%	$1,280	2%
% of net sales	**16.3%**	(70) bps	17.0%	— bps

Fiscal year 2018 compared with fiscal year 2017

Health Care net sales increased 5% to $7.9 billion in 2018 on a 3% increase in unit volume. Favorable foreign exchange impacts increased net sales by 3%. Lower pricing reduced net sales by 1%. Organic sales increased 2% on a 3% increase in organic volume. Global market share of the Health Care segment decreased 0.1 points. Volume increased low single digits in both developed and developing regions.

- Oral Care volume increased low single digits. Volume increased low single digits in developed regions driven by product innovation and marketing investments in the premium power brush segment. Volume increased low single digits in developing regions due to product innovation and reduced pricing in the form of increased promotional spending. Global market share of the oral care category decreased less than half a point.
- Volume in Personal Health Care increased mid-single digits. Volume increased low single digits in developed regions and increased high single digits in developing regions due to product innovation and increased consumption from a strong cough/cold season. Global market share of the personal health care category increased less than half a point.

Net earnings were unchanged at $1.3 billion in 2018 as the increase in net sales was offset by a 70 basis-point decrease in net earnings margin. Net earnings margin decreased due to a reduction in gross margin and the impact of a base period gain from minor brand divestitures, partially offset by a reduction in SG&A as a percentage of net sales. Gross margin decreased due to unfavorable mix impact (from the disproportionate growth of larger sizes and club channel which have lower than segment-average margins) and reduced selling prices, partially offset by manufacturing cost savings. SG&A as a percentage of net sales decreased primarily due to the positive scale impacts of the net sales increase.

Fiscal year 2017 compared with fiscal year 2016

Health Care net sales increased 2% to $7.5 billion in 2017 on a 3% increase in unit volume. Unfavorable foreign exchange reduced net sales by 2%. Favorable product mix contributed 1% to net sales due primarily to an increase in power toothbrushes in Oral Care, which have higher than segment-average selling prices. Organic sales increased 5% on organic volume that increased 4%. Global market share of the Health Care segment decreased 0.2 points. Volume increased low single digits in developed regions and increased mid-single digits in developing regions.

- Oral Care volume increased mid-single digits. Volume increased low single digits in developed regions and increased mid-single digits in developing regions driven by market growth and product innovation. Global market share of the oral care category decreased slightly.
- Volume in Personal Health Care increased low single digits. Volume increased low single digits in both developed and developing regions behind a stronger cough/cold season relative to prior year, product innovation and expanded distribution. Global market share of the personal health care category was unchanged.

Net earnings increased 2% to $1.3 billion in 2017 due to the increase in net sales. Operating margin was unchanged as a higher gross margin was offset by increased SG&A as a percentage of net sales. Gross margin increased due to productivity cost savings, partially offset by unfavorable geographic mix driven by the disproportionate growth of developing regions, which have lower than segment-average margins. SG&A increased as a percentage of net sales due to increased overhead spending, partially offset by reduced marketing spending.

FABRIC & HOME CARE

($ millions)	2018	Change vs. 2017	2017	Change vs. 2016
Volume	**N/A**	3%	N/A	1%
Net sales	**$21,441**	3%	$20,717	—%
Net earnings	**$2,708**	—%	$2,713	(2)%
% of net sales	**12.6%**	(50) bps	13.1%	(30) bps

Fiscal year 2018 compared with fiscal year 2017

Fabric & Home Care net sales increased 3% to $21.4 billion in 2018 on a 3% increase in unit volume. Favorable foreign exchange increased net sales by 1%. Lower pricing reduced net sales by 1%. Organic sales increased 3% on a 4% increase in organic volume. Global market share of the Fabric & Home Care segment increased 0.1 points. Volume increased mid-single digits in developed regions and increased low single digits in developing regions. Excluding minor brand divestitures, organic volume increased mid-single digits in developing regions.

- Fabric Care volume increased low single digits. Excluding the impact of minor brand divestitures, organic volume increased mid-single digits. Volume in developed regions increased mid-single digits, due to product innovation and behind lower pricing in the form of increased promotional spending. Volume in developing regions increased low single digits due to product innovation and category growth. Global market share of the Fabric Care category was unchanged.
- Home Care volume increased low single digits. Volume in developed regions increased low single digits driven by product innovation. Volume in developing regions increased mid-single digits driven by product innovation and category growth. Global market share of the Home Care category was unchanged.

Net earnings were unchanged at $2.7 billion in 2018 as the increase in net sales was offset by a 50 basis-point decrease in net earnings margin. Net earnings margin decreased due to a reduction in Gross margin partially offset by a decrease in SG&A as a percentage of net sales. Gross margin decreased due to unfavorable product mix (due to an increase in the proportion of larger package sizes with lower than segment-average margins and newer product forms that have not yet been cost optimized), increased commodity costs and reduced selling prices, partially offset by manufacturing cost savings. SG&A as a percentage of net sales decreased primarily due to the positive scale impacts of the net sales increase. Net earnings also benefited from a gain on a minor brand divestiture in 2018.

Fiscal year 2017 compared with fiscal year 2016

Fabric & Home Care net sales were unchanged in 2017 at $20.7 billion on a 1% increase in unit volume. Unfavorable foreign exchange reduced net sales by 2%. Favorable geographic mix increased net sales 1%, primarily driven by increased volume in developed regions, which have higher than segment-average selling prices. Organic sales increased 3% on organic volume that increased 2%. Global market share of the Fabric & Home Care segment decreased 0.1 points. Volume increased low single digits in developed regions and decreased low single digits in developing regions. Excluding minor brand divestitures, organic volume increased mid-single digits in developed regions and decreased low single digits in developing regions.

- Fabric Care volume increased low single digits as a mid-single digit volume increase in developed regions, due primarily to product innovation, was partially offset by a low single-digit decrease in developing regions, driven by competitive activity and reduced distribution of less profitable brands. Global market share of the fabric care category was unchanged.
- Home Care volume increased low single digits driven by a low single-digit increase in both developed and developing regions due to market growth and product innovation. Global market share of the home care category was unchanged.

Net earnings decreased 2% to $2.7 billion in 2017 due to a 30 basis-point decrease in net earnings margin. Net earnings margin decreased due to an increase in the effective tax rate driven by the geographic mix of earnings. Gross margin expanded slightly, driven by manufacturing cost savings, partially offset by unfavorable foreign exchange impacts and increased commodity costs. SG&A as a percentage of net sales increased slightly due to increased overhead spending.

BABY, FEMININE & FAMILY CARE

($ millions)	2018	Change vs. 2017	2017	Change vs. 2016
Volume	**N/A**	(1)%	N/A	2%
Net sales	**$18,080**	(1)%	$18,252	(1)%
Net earnings	**$2,251**	(10)%	$2,503	(6)%
% of net sales	**12.5%**	(120) bps	13.7%	(60) bps

Fiscal year 2018 compared with fiscal year 2017

Baby, Feminine & Family Care net sales in 2018 decreased 1% to $18.1 billion on a 1% decrease in unit volume. Favorable foreign exchange increased net sales by 1%. Lower pricing had a negative 1% impact on net sales. Organic sales decreased 2% on a 1% decrease in organic volume. Global market share of the Baby, Feminine & Family Care segment decreased 0.7 points. Volume was unchanged in developed regions and decreased mid-single digits in developing regions. Excluding minor brand divestitures, organic volume in developed regions increased low single digits.

- Baby Care volume decreased mid-single digits. Volume in developed regions decreased low single digits due to competitive activity and trade inventory reductions. Volume in developing regions decreased high single digits due to competitive activity, market contraction and a reduction in trade inventories. Global market share of the baby care category decreased more than a point.
- Feminine Care volume decreased low single digits. Excluding the impact of minor brand divestitures, organic volume increased low single digits. Organic

volume in developed regions increased low single digits due to product innovation. Volume in developing regions increased low single digits due to product innovation. Global market share of the feminine care category was unchanged.

- Volume in Family Care, which is predominantly a North American business, increased mid-single digits driven by product innovation and distribution gains. In the U.S., all-outlet share of the family care category increased slightly.

Net earnings in 2018 decreased 10% to $2.3 billion primarily due to a 120 basis-point decrease in net earnings margin. Net earnings margin decreased primarily due to a decrease in gross margin driven by an increase in commodity costs, unfavorable product mix (driven by a higher relative mix of larger pack sizes with lower than segment-average margins and newer product forms that have not yet been cost optimized) and reduced selling prices, partially offset by manufacturing cost savings. SG&A as a percentage of net sales decreased marginally due to reduced marketing spending, partially offset by an increase in overhead costs.

Fiscal year 2017 compared with fiscal year 2016

Baby, Feminine & Family Care net sales decreased 1% to $18.3 billion in 2017 on a 2% increase in unit volume. Unfavorable foreign exchange reduced net sales by 2%. Lower pricing had a negative 1% impact on net sales. Organic sales increased 1% on organic volume that increased 2%. Global market share of the Baby, Feminine & Family Care segment decreased 0.1 points. Volume increased low single digits in developed regions and was unchanged in developing regions.

- Volume in Baby Care was unchanged. Volume in developed regions decreased low single digits, primarily due to competitive activity, and volume in developing regions increased low single digits, due to market growth and product innovation. Global market share of the baby care category decreased more than half a point.
- Volume in Feminine Care increased low single digits. Volume in developed regions increased low single digits, driven by product innovation, and volume in developing regions decreased low single digits due to competitive activity and reduced exports to our Venezuelan subsidiaries. Global market share of the feminine care category was unchanged.
- Volume in Family Care, which is predominantly a North American business, increased mid-single digits driven by product innovation and increased merchandising. In the U.S., all-outlet share of the family care category increased less than a point.

Net earnings decreased 6% to $2.5 billion in 2017 due to the reduction in net sales and a 60 basis point decrease in net earnings margin. Net earnings margin decreased as increased SG&A as a percent of net sales was only partially offset by an increase in gross margin. SG&A as a percentage of net sales increased due to increased marketing and overhead spending. Gross margin increased driven by manufacturing cost savings partially offset by unfavorable foreign exchange impacts, lower pricing and unfavorable product mix across business units due to increased net sales in product forms and larger package sizes with lower than segment-average margins.

CORPORATE

($ millions)	2018	Change vs. 2017	2017	Change vs. 2016
Net sales	**$497**	(2)%	$505	20%
Net earnings/ (loss)	**$(133)**	N/A	$247	N/A

Corporate includes certain operating and non-operating activities not allocated to specific business segments. These include: the incidental businesses managed at the corporate level; financing and investing activities; certain employee benefit costs; other general corporate items; gains and losses related to certain divested brands and categories; and certain restructuring-type activities to maintain a competitive cost structure, including manufacturing and workforce optimization. Corporate also includes reconciling items to adjust the accounting policies used in the segments to U.S. GAAP. The most significant reconciling item is income taxes, to adjust from blended statutory rates that are reflected in the segments to the overall Company effective tax rate. For 2018, the tax impact also includes the impacts of the U.S. Tax Act, which were included in the corporate segment.

Fiscal year 2018 compared with fiscal year 2017

Corporate net sales decreased 2% to $497 million in 2018 due to a decrease in the incidental businesses managed at the corporate level. Corporate net earnings/(loss) from continuing operations decreased by $380 million in 2018, primarily due to:

- an increase in income tax expense in 2018 caused by the aforementioned $602 million net charge for the transitional impacts of the U.S. Tax Act and
- an increase in after-tax restructuring charges of approximately $331 million.

These costs were partially offset by lower charges related to the early extinguishment of long-term debt in 2018 versus 2017, the lower tax rate on current year earnings as a result of the U.S. Tax Act and an increase in the proportion of corporate overhead spending allocated to the segments.

Fiscal year 2017 compared with fiscal year 2016

Corporate net sales increased 20%, or $83 million, to $505 million in 2017 primarily due to an increase in the incidental businesses managed at the corporate level. Corporate net earnings from continuing operations improved by approximately $421 million in 2017, primarily due to:

- lower restructuring charges in 2017 compared to the prior year,
- a gain on the sale of real estate in the current fiscal year,
- lower foreign exchange transactional charges,
- a reduction in the proportion of corporate overhead spending not allocated to the segments, consisting in part of reduced stranded overheads following divestitures, and

- current year tax benefits resulting from the adoption of a new accounting standard on the tax impacts of share-based payments to employees (see Note 1 in Exhibit 99.3 Revised Consolidated Financial Statements and Accompanying Notes).

These benefits were partially offset by a $345 million after-tax charge on the early extinguishment of long-term debt in fiscal 2017 and lower gains from minor brand divestitures compared to 2016.

Restructuring Program to deliver Productivity and Cost Savings

In 2012, the Company initiated a productivity and cost savings plan to reduce costs and better leverage scale in the areas of supply chain, research and development, marketing and overheads. The plan was designed to accelerate cost reductions by streamlining management decision making, manufacturing and other work processes to fund the Company's growth strategy. In 2017, the Company communicated specific elements of an additional multi-year productivity and cost savings program.

The current productivity and cost savings plan will further reduce costs in the areas of supply chain, certain marketing activities and overhead expenses. As part of this plan, the Company incurred approximately $1.1 billion in total before- tax restructuring costs in fiscal 2018, with an additional amount of approximately $0.8 billion expected in fiscal 2019. This program is expected to result in additional enrollment reductions, along with further optimization of the supply chain and other manufacturing processes. Savings generated from restructuring costs are difficult to estimate, given the nature of the activities, the timing of the execution and the degree of reinvestment. However, we estimate that through 2018, the underlying restructuring costs and other non-manufacturing enrollment reductions since 2012 have delivered approximately $3.3 billion in annual before-tax gross savings.

Restructuring accruals of $513 million as of June 30, 2018 are classified as current liabilities. Approximately 65% of the restructuring charges incurred in fiscal 2018 either have been or will be settled with cash. Consistent with our historical policies for ongoing restructuring-type activities, the resulting charges are funded by and included within Corporate for segment reporting.

In addition to our restructuring programs, we have additional ongoing savings efforts in our supply chain, marketing and overhead areas that yield additional benefits to our operating margins.

Refer to Note 3 in Exhibit 99.3 Revised Consolidated Financial Statements and Accompanying Notes for more details on the restructuring program and to the Operating Costs section of the MD&A for more information about the total benefit to operating margins from our total savings efforts.

CASH FLOW, FINANCIAL CONDITION AND LIQUIDITY

We believe our financial condition continues to be of high quality, as evidenced by our ability to generate substantial cash from operations and to readily access capital markets at competitive rates.

Operating cash flow provides the primary source of cash to fund operating needs and capital expenditures. Excess operating cash is used first to fund shareholder dividends. Other discretionary uses include share repurchases and acquisitions to complement our portfolio of businesses, brands and geographies. As necessary, we may supplement operating cash flow with debt to fund these activities. The overall cash position of the Company reflects our strong business results and a global cash management strategy that takes into account liquidity management, economic factors and tax considerations.

Operating Cash Flow

Fiscal year 2018 compared with fiscal year 2017

Operating cash flow was $14.9 billion in 2018, a 17% increase from the prior year. Net earnings, adjusted for non-cash items (depreciation and amortization, loss on extinguishment of debt, share-based compensation, deferred income taxes and gain on sale of assets) generated $11.4 billion of operating cash flow. Working capital and other impacts generated $3.5 billion of operating cash flow as summarized below.

- An increase in accounts receivable used $177 million of cash due to increased sales and the timing of the year-end (which fell on a weekend, resulting in fewer days collection). The number of days sales outstanding remained flat versus prior year.
- Higher inventory used $188 million of cash mainly due to inventory increases to support initiatives and business growth across all segments. Inventory days on hand decreased approximately 1 day primarily due to foreign exchange impacts.
- Accounts payable, accrued and other liabilities increased, generating $1.4 billion of cash. This was primarily driven by extended payment terms with our suppliers and an increase in fourth quarter marketing activity versus the prior year. These factors, along with offsetting impacts of foreign exchange, drove a 2 day increase in days payable outstanding. Although difficult to project due to market and other dynamics, we anticipate incremental cash flow benefits from the extended payment terms with suppliers could decline slightly over the next fiscal year.
- Other operating assets and liabilities generated $2.0 billion of cash, primarily driven by the long-term portion of the payable related to the U.S. Tax Act repatriation charge.

Fiscal year 2017 compared with fiscal year 2016

Operating cash flow was $12.8 billion in 2017, a 17% decrease from the prior year. Net earnings, adjusted for non-cash items (depreciation and amortization, share-based compensation, deferred income taxes, loss/(gain) on sale of assets and impairment charges) and the loss on early extinguishment of debt generated $13.0 billion of operating cash flow. Working capital and other impacts used $281 million of operating cash flow.

- An increase in accounts receivable used $322 million of cash due to higher relative sales late in the period as compared to the prior period, partially offset by collection of approximately $150 million of retained receivables from the Beauty Brands business. In addition, the number of days sales outstanding increased 1 day due in part to foreign exchange impacts.
- Lower inventory generated $71 million of cash mainly due to supply chain optimizations, partially offset by increases to support business growth and increased commodity costs. Inventory days on hand decreased approximately 1 day primarily due to supply chain optimizations.
- Accounts payable, accrued and other liabilities decreased, using $149 million in operating cash flow. This was caused by reduced accruals from lower fourth quarter marketing and overhead activities as compared to the base period, as well as the payment of approximately $595 million of accounts payable and accrued liabilities related to the divestiture of the Beauty Brands business, including liabilities retained by the Company pursuant to the terms of the agreement. These impacts were partially offset by approximately $700 million related to extended payment terms with our suppliers. These factors, along with the impact of foreign exchange, drove a 4 day increase in days payable outstanding.
- Other operating assets and liabilities used $43 million of cash.

Adjusted Free Cash Flow. We view adjusted free cash flow as an important measure because it is a factor impacting the amount of cash available for dividends, share repurchases, acquisitions and other discretionary investment. It is defined as operating cash flow less capital expenditures and excluding tax payments related to certain divestitures and is one of the measures used to evaluate senior management and determine their at-risk compensation.

Fiscal year 2018 compared with fiscal year 2017

Adjusted free cash flow was $11.2 billion in 2018, an increase of 14% versus the prior year. The increase was primarily driven by the increase in operating cash flows as discussed above. Adjusted free cash flow productivity, defined as the ratio of adjusted free cash flow to net earnings, excluding the transitional impact of the U.S. Tax Act and the loss on early extinguishment of debt, was 104% in 2018.

Fiscal year 2017 compared with fiscal year 2016

Adjusted free cash flow was $9.8 billion in 2017, a decrease of 19% versus the prior year. The decrease was primarily driven by the decrease in operating cash flows. Adjusted free cash flow productivity, defined as the ratio of adjusted free cash flow to net earnings, excluding the loss on debt extinguishment and impacts of the sale of the Beauty Brands, was 94% in 2017.

Investing Cash Flow

Fiscal year 2018 compared with fiscal year 2017

Net investing activities consumed $3.5 billion in cash in 2018 mainly due to capital spending and purchases of short-term investments, partially offset by proceeds from asset sales and sales and maturities of short-term investments.

Fiscal year 2017 compared with fiscal year 2016

Net investing activities consumed $6.7 billion in cash in 2017 mainly due to capital spending and purchases of short-term investments, partially offset by proceeds from asset sales and sales and maturities of short-term investments.

Capital Spending. Capital expenditures, primarily to support capacity expansion, innovation and cost efficiencies, were $3.7 billion in 2018 and $3.4 billion in 2017. Capital spending as a percentage of net sales increased 40 basis points to 5.6% in 2018. Capital spending as a percentage of net sales was 5.2% in 2017.

Acquisitions. Acquisition activity used cash of $109 million in 2018, primarily related to acquisitions in the Beauty segment. Acquisition activity was not material in 2017.

Proceeds from Divestitures and Other Asset Sales. Proceeds from asset sales in 2018 contributed $269 million in cash, primarily from minor brand divestitures. Proceeds from asset sales contributed $571 million in cash in 2017 primarily from real estate sales and other minor brand divestitures. The Company transferred $475 million of cash to the discontinued Beauty Brands business.

Financing Cash Flow

Dividend Payments. Our first discretionary use of cash is dividend payments. Dividends per common share increased 3.3% to $2.79 per share in 2018. Total dividend payments to common and preferred shareholders were $7.3 billion in 2018 and $7.2 billion in 2017. In April 2018, the Board of Directors declared an increase in our quarterly dividend from $0.6896 to $0.7172 per share on Common Stock and Series A and B ESOP Convertible Class A Preferred Stock. This represents a 4% increase compared to the prior quarterly dividend and is the 62nd consecutive year that our dividend has increased. We have paid a dividend for 128 years, every year since our incorporation in 1890.

Long-Term and Short-Term Debt. We maintain debt levels we consider appropriate after evaluating a number of factors, including cash flow expectations, cash requirements for ongoing operations, investment and financing plans (including acquisitions and share repurchase activities) and the overall cost of capital. Total debt was $31.3 billion as of June 30, 2018 and $31.6 billion as of June 30, 2017.

Treasury Purchases. Total share repurchases were $7.0 billion in 2018 and $5.2 billion in 2017.

Liquidity

At June 30, 2018, our current liabilities exceeded current assets by $4.9 billion, largely due to short-term borrowings under our commercial paper program. We anticipate being able to support our short-term liquidity and operating needs largely through cash generated from operations. The

Company regularly assesses its cash needs and the available sources to fund these needs. As of June 30, 2018, $11.4 billion of the Company’s cash, cash equivalents and marketable securities was held off-shore by foreign subsidiaries. This balance has declined versus the prior year primarily due to cash repatriations following the enactment of the U.S. Tax Act. Under current law, we do not expect restrictions or taxes on repatriation of cash held outside of the U.S. to have a material effect on our overall liquidity, financial condition or the results of operations for the foreseeable future. Of the June 30, 2018 balance of off-shore cash, cash equivalents and marketable securities, the majority relates to various Western European countries. As of June 30, 2018, we did not have material cash, cash equivalents and marketable securities balances in any country subject to exchange controls that significantly restrict our ability to access or repatriate the funds.

We utilize short- and long-term debt to fund discretionary items, such as acquisitions and share repurchases. We have strong short- and long-term debt ratings, which have enabled, and should continue to enable, us to refinance our debt as it becomes due at favorable rates in commercial paper and bond markets. In addition, we have agreements with a diverse group of financial institutions that, if needed, should provide sufficient credit funding to meet short-term financing requirements.

On June 30, 2018, our short-term credit ratings were P-1 (Moody's) and A-1+ (Standard & Poor's), while our long-term credit ratings were Aa3 (Moody's) and AA- (Standard & Poor's), all with a stable outlook.

We maintain bank credit facilities to support our ongoing commercial paper program. The current facility is an $8.0 billion facility split between a $3.2 billion five-year facility and a $4.8 billion 364-day facility, which expire in November 2022 and November 2018, respectively. Both facilities can be extended for certain periods of time as specified in the terms of the credit agreement. These facilities are currently undrawn and we anticipate that they will remain undrawn. These credit facilities do not have cross-default or ratings triggers, nor do they have material adverse events clauses, except at the time of signing. In addition to these credit facilities, we have an automatically effective registration statement on Form S-3 filed with the SEC that is available for registered offerings of short- or long-term debt securities. For additional details on debt see Note 10 to Exhibit 99.3 Revised Consolidated Financial Statements and Accompanying Notes.

Guarantees and Other Off-Balance Sheet Arrangements

We do not have guarantees or other off-balance sheet financing arrangements, including variable interest entities, which we believe could have a material impact on our financial condition or liquidity.

Contractual Commitments

The following table provides information on the amount and payable date of our contractual commitments as of June 30, 2018.

Amounts in millions	Total	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
RECORDED LIABILITIES					
Total debt	**$ 31,217**	$ 10,407	$ 4,630	$ 5,224	$ 10,956
Capital leases	**107**	22	35	23	27
U.S. Tax Act transitional charge (1)	**2,884**	231	462	462	1,730
Uncertain tax positions (2)	**—**	—	—	—	—
OTHER					
Interest payments relating to long-term debt	**4,944**	574	1,033	811	2,526
Operating leases (3)	**1,338**	275	442	325	296
Minimum pension funding (4)	**402**	131	271	—	—
Purchase obligations (5)	**1,129**	778	167	47	137
TOTAL CONTRACTUAL COMMITMENTS	**$ 42,021**	$ 12,418	$ 7,039	$ 6,891	$ 15,673

(1) Represents the U.S. federal tax liability associated with the repatriation provisions of the U.S. Tax Act. Does not include any provisions made for foreign withholding taxes on expected repatriations as the timing of those payments is uncertain.

(2) As of June 30, 2018, the Company's Consolidated Balance Sheet reflects a liability for uncertain tax positions of $584 million, including $114 million of interest and penalties. Due to the high degree of uncertainty regarding the timing of future cash outflows of liabilities for uncertain tax positions beyond one year, a reasonable estimate of the period of cash settlement beyond twelve months from the balance sheet date of June 30, 2018, cannot be made.

(3) Operating lease obligations are shown net of guaranteed sublease income.

(4) Represents future pension payments to comply with local funding requirements. These future pension payments assume the Company continues to meet its future statutory funding requirements. Considering the current economic environment in which the Company operates, the Company believes its cash flows are adequate to meet the future statutory funding requirements. The projected payments beyond fiscal year 2020 are not currently determinable.

(5) Primarily reflects future contractual payments under various take-or-pay arrangements entered into as part of the normal course of business. Commitments made under take-or-pay obligations represent minimum commitments under take-or-pay agreements with suppliers and are

in line with expected usage. This includes service contracts for information technology, human resources management and facilities management activities that have been outsourced. Such amounts also include arrangements with suppliers that qualify as embedded operating leases. While the amounts listed represent contractual obligations, we do not believe it is likely that the full contractual amount would be paid if the underlying contracts were canceled prior to maturity. In such cases, we generally are able to negotiate new contracts or cancellation penalties, resulting in a reduced payment. The amounts do not include other contractual purchase obligations that are not take-or-pay arrangements. Such contractual purchase obligations are primarily purchase orders at fair value that are part of normal operations and are reflected in historical operating cash flow trends. We do not believe such purchase obligations will adversely affect our liquidity position.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

In preparing our financial statements in accordance with U.S. GAAP, there are certain accounting policies that may require a choice between acceptable accounting methods or may require substantial judgment or estimation in their application. These include revenue recognition, income taxes, certain employee benefits and goodwill and intangible assets. We believe these accounting policies, and others set forth in Note 1 in Exhibit 99.3 Revised Consolidated Financial Statements and Accompanying Notes, should be reviewed as they are integral to understanding the results of operations and financial condition of the Company.

The Company has discussed the selection of significant accounting policies and the effect of estimates with the Audit Committee of the Company's Board of Directors.

Revenue Recognition

Sales are recognized when revenue is realized or realizable and has been earned. For us, this generally means revenue is recognized when title to the product, ownership and risk of loss transfer to the customer, which can be on the date of shipment or the date of receipt by the customer. Trade promotions, consisting primarily of customer pricing allowances, in-store merchandising funds, advertising and other promotional activities, and consumer coupons, are offered through various programs to customers and consumers. Sales are recorded net of trade promotion spending, which is recognized as incurred, generally at the time of the sale. Amounts accrued for trade promotions at the end of a period require estimation, based on contractual terms, customer performance, sales volumes and historical utilization and redemption rates. The actual amounts paid may be different from such estimates. These differences, which have historically not been significant, are recognized as a change in management estimate in a subsequent period. The Company will adopt ASU 2014-09, “Revenue from Contracts with Customers” on July 1, 2018. Adoption of this standard will result in a change in the timing of recognition of certain trade promotional spending. See Note 1 in Exhibit 99.3 Revised Consolidated Financial Statements and Accompanying Notes.

Income Taxes

Our annual tax rate is determined based on our income, statutory tax rates and the tax impacts of items treated differently for tax purposes than for financial reporting purposes. Also inherent in determining our annual tax rate are judgments and assumptions regarding the recoverability of certain deferred tax balances, primarily net operating loss and other carryforwards, and our ability to uphold certain tax positions.

Realization of net operating losses and other carryforwards is dependent upon generating sufficient taxable income in the appropriate jurisdiction prior to the expiration of the carryforward periods, which involves business plans, planning opportunities and expectations about future outcomes. Although realization is not assured, management believes it is more likely than not that our deferred tax assets, net of valuation allowances, will be realized.

We operate in multiple jurisdictions with complex tax policy and regulatory environments. In certain of these jurisdictions, we may take tax positions that management believes are supportable, but are potentially subject to successful challenge by the applicable taxing authority. These interpretational differences with the respective governmental taxing authorities can be impacted by the local economic and fiscal environment.

A core operating principle is that our tax structure is based on our business operating model, such that profits are earned in line with the business substance and functions of the various legal entities. However, because of the complexity of transfer pricing concepts, we may have income tax uncertainty related to the determination of intercompany transfer prices for our various cross-border transactions. We have obtained and continue to prioritize the strategy of seeking advance rulings with tax authorities to reduce this uncertainty. We estimate that our current portfolio of advance rulings reduces this uncertainty with respect to over 70% of our global earnings. We evaluate our tax positions and establish liabilities in accordance with the applicable accounting guidance on uncertainty in income taxes. We review these tax uncertainties in light of changing facts and circumstances, such as the progress of tax audits, and adjust them accordingly. We have a number of audits in process in various jurisdictions. Although the resolution of these tax positions is uncertain, based on currently available information, we believe that the ultimate outcomes will not have a material adverse effect on our financial position, results of operations or cash flows.

Because there are a number of estimates and assumptions inherent in calculating the various components of our tax provision, certain changes or future events such as changes in tax legislation, geographic mix of earnings, completion of tax audits or earnings repatriation plans could have an impact on those estimates and our effective tax rate. For additional details on the Company's income taxes, see Note 5 to Exhibit 99.3 Revised Consolidated Financial Statements and Accompanying Notes.

Employee Benefits

We sponsor various post-employment benefits throughout the world. These include pension plans, both defined contribution plans and defined benefit plans, and other post-employment benefit (OPEB) plans, consisting primarily of health care and life insurance for retirees. For accounting purposes, the defined benefit pension and OPEB plans require assumptions to estimate the projected and accumulated benefit obligations, including the following variables: discount rate; expected salary increases; certain employee-related factors, such as turnover, retirement age and mortality; expected return on assets; and health care cost trend rates. These and other assumptions affect the annual expense and obligations recognized for the underlying plans. Our assumptions reflect our historical experiences and management's best judgment regarding future expectations. As permitted by U.S. GAAP, the net amount by which actual results differ from our assumptions is deferred. If this net deferred amount exceeds 10% of the greater of plan assets or liabilities, a portion of the deferred amount is included in expense for the following year. The cost or benefit of plan changes, such as increasing or decreasing benefits for prior employee service (prior service cost), is deferred and included in expense on a straight-line basis over the average remaining service period of the employees expected to receive benefits.

The expected return on plan assets assumption impacts our defined benefit expense since many of our defined benefit pension plans and our primary OPEB plan are partially funded. The process for setting the expected rates of return is described in Note 8 in Exhibit 99.3 Revised Consolidated Financial Statements and Accompanying Notes. For 2018, the average return on assets assumptions for pension plan assets and OPEB assets was 6.8% and 8.3%, respectively. A change in the rate of return of 100 basis points for both pension and OPEB assets would impact annual after-tax benefit expense by approximately $115 million.

Since pension and OPEB liabilities are measured on a discounted basis, the discount rate impacts our plan obligations and expenses. Discount rates used for our U.S. defined benefit pension and OPEB plans are based on a yield curve constructed from a portfolio of high quality bonds for which the timing and amount of cash outflows approximate the estimated payouts of the plan. For our international plans, the discount rates are set by benchmarking against investment grade corporate bonds rated AA or better. The average discount rate on the defined benefit pension plans of 2.5% represents a weighted average of local rates in countries where such plans exist. A 100 basis point change in the discount rate would impact annual after-tax benefit expense by approximately $190 million. The average discount rate on the OPEB plan of 4.2% reflects the higher interest rates generally applicable in the U.S., which is where a majority of the plan participants receive benefits. A 100 basis point change in the discount rate would impact annual after-tax OPEB expense by approximately $65 million. For additional details on our defined benefit pension and OPEB plans, see Note 8 in Exhibit 99.3 Revised Consolidated Financial Statements and Accompanying Notes.

Goodwill and Intangible Assets

Significant judgment is required to estimate the fair value of our goodwill reporting units and intangible assets. Accordingly, we typically obtain the assistance of third-party valuation specialists for significant goodwill reporting units and intangible assets. The fair value estimates are based on available historical information and on future expectations. We typically estimate the fair value of these assets using the income method, which is based on the present value of estimated future cash flows attributable to the respective assets. The valuations used to test goodwill and intangible assets for impairment are dependent on a number of significant estimates and assumptions, including macroeconomic conditions, overall category growth rates, competitive activities, cost containment and margin progression, Company business plans and the discount rate applied to cash flows.

Indefinite lived intangible assets and goodwill are not amortized, but are tested separately at least annually for impairment. Assumptions used in our impairment evaluations, such as forecasted growth rates and cost of capital, are consistent with internal projections and operating plans. We believe these estimates and assumptions are reasonable and comparable to those that would be used by other marketplace participants. Unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions. For example, future changes in the judgments, assumptions and estimates that are used in our impairment testing for goodwill and indefinite lived intangible assets, including discount and tax rates or future cash flow projections, could result in significantly different estimates of the fair values. In addition, changes to, or a failure to achieve business plans or deterioration of macroeconomic conditions could result in reduced cash flows or higher discount rates, leading to a lower valuation that would trigger an impairment of the goodwill and intangible assets of these businesses.

We test individual indefinite lived intangible assets by comparing the book value of each asset to the estimated fair value. Our impairment testing for goodwill is performed separately from our impairment testing of indefinite lived intangible assets. The test to evaluate goodwill for impairment is a two step process. In the first step, we compare the fair value of the reporting unit to its carrying value. If the fair value of the reporting unit is less than its carrying value, we perform a second step to determine the implied fair value of the reporting unit's goodwill. The second step of the impairment analysis requires a valuation of a reporting unit's tangible and intangible assets and liabilities in a manner similar to the allocation of purchase price in a business combination. If the resulting implied fair value of the reporting unit's goodwill is less than its carrying value, that difference represents an impairment.

Determining the useful life of an intangible asset also requires judgment. Certain brand intangible assets are expected to have indefinite lives based on their history and our plans to continue to support and build the acquired brands. Other acquired intangible assets (e.g., certain brands, all customer relationships, patents and technologies) are expected to have determinable useful lives. Our assessment as to brands that have an indefinite life and those that have a determinable life is based on a number of factors including competitive environment, market share, brand history, underlying product life cycles, operating plans and the macroeconomic environment of the countries in which the brands are sold. Determinable-lived intangible assets are amortized to expense over their estimated lives. An impairment assessment for determinable-lived intangibles is only required when an event or change in circumstances indicates that the carrying amount of the asset may not be recoverable.

Most of our goodwill reporting units are comprised of a combination of legacy and acquired businesses and as a result have fair value cushions that, at a minimum, exceed two times their underlying carrying values. Certain of our goodwill reporting units, in particular Shave Care and Appliances, are comprised entirely of acquired businesses and as a result have fair value cushions that are not as high. Both of these wholly-acquired reporting units have fair value cushions (the fair values currently exceed the underlying carrying values). However, the overall Shave Care cushion, as well as the related Gillette indefinite-lived intangible asset cushion, have both been reduced to below 10%, both due in large part to an increased competitive market environment, a deceleration of category growth caused by changing grooming habits and significant currency devaluations in a number of countries relative to the U.S. dollar that have occurred in recent years, and which has contributed to reduced cash flow projections. As a result, this reporting unit and indefinite-lived intangible asset are more susceptible to impairment risk.

The most significant assumptions utilized in the determination of the estimated fair values of Shave Care reporting unit and the Gillette indefinite-lived intangible asset are the residual net sales and earnings growth rates and discount rate. The residual growth rate represents the expected rate at which the reporting unit and Gillette brand are expected to grow beyond the 10-year time horizon. The residual growth rate utilized in our fair value estimates is consistent with the reporting unit and brand operating plans, and approximates expected long term category market growth rates. The residual growth rate is dependent on overall market growth rates, the competitive environment, inflation, relative currency exchange rates and business activities that impact market share. As a result, the residual growth rate could be adversely impacted by a sustained deceleration in category growth, grooming habit changes, devaluation of currencies against the U.S. dollar or an increased competitive environment. The discount rate, which is consistent with a weighted average cost of capital that is likely to be expected by a market participant, is based upon industry required rates of return, including consideration of both debt and equity components of the capital structure. Our discount rate may be impacted by adverse changes in the macroeconomic environment, volatility in the equity and debt markets or other country specific factors, such as further devaluation of currencies against the U.S. dollar and changes in expected rates of inflation. While management can and has implemented strategies to address these events, significant changes in operating plans or adverse changes in the future could reduce the underlying cash flows used to estimate fair values and could result in a decline in fair value that could trigger future impairment charges of the business unit's goodwill and indefinite-lived intangibles. As of June 30, 2018, the carrying values of Shave Care goodwill and the Gillette indefinite-lived intangible asset are $19.5 billion and $15.7 billion, respectively.

The table below provides a sensitivity analysis for the Shave Care reporting unit and the Gillette indefinite lived intangible asset, utilizing reasonably possible changes in the assumptions for the residual net sales growth rate and the discount rate, to demonstrate the potential impacts to the estimated fair values. The table below provides, in isolation, the estimated fair value impacts related to a 50 basis point decrease to our residual net sales growth rate or a 50 basis point increase to our discount rate. Given the size of the fair value cushions, changes in the assumptions of this magnitude would result in an impairment of the underlying goodwill and could result in an impairment of the indefinite lived intangible asset.

	Approximate Percent Change in Estimated Fair Value	
	+50 bps Discount Rate	**-50 bps Residual Growth**
Shave Care goodwill reporting unit	**(10)%**	**(7)%**
Gillette indefinite-lived intangible asset	**(10)%**	**(7)%**

See Note 4 in Exhibit 99.3 Revised Consolidated Financial Statements and Accompanying Notes for additional discussion on goodwill and intangible asset impairment testing results.

New Accounting Pronouncements

Refer to Note 1 in Exhibit 99.3 Revised Consolidated Financial Statements and Accompanying Notes for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of June 30, 2018.

OTHER INFORMATION

Hedging and Derivative Financial Instruments

As a multinational company with diverse product offerings, we are exposed to market risks, such as changes in interest rates, currency exchange rates and commodity prices. We evaluate exposures on a centralized basis to take advantage of natural exposure correlation and netting. Except within financing operations, we leverage the Company's diversified portfolio of exposures as a natural hedge and prioritize operational hedging activities over financial market instruments. To the extent we choose to further manage volatility associated with the net exposures, we enter into various financial transactions which we account for using the applicable accounting guidance for derivative instruments and hedging activities. These financial transactions are governed by our policies covering acceptable counterparty exposure, instrument types and other hedging practices. See Note 9 in Exhibit 99.3 Revised Consolidated Financial Statements and Accompanying Notes for a discussion of our accounting policies for derivative instruments.

Derivative positions are monitored using techniques including market valuation, sensitivity analysis and value-at-risk modeling. The tests for interest rate, currency rate and commodity derivative positions discussed below are based on the RiskManager™ value-at-risk model using a one-year horizon and a 95% confidence level. The model incorporates the impact of correlation (the degree to which exposures move together over time) and diversification (from holding multiple currency, commodity and interest rate instruments) and assumes that financial returns are normally distributed. Estimates of volatility and correlations of market factors are drawn from the RiskMetrics™ dataset as of June 30, 2018. In cases where data is unavailable in RiskMetrics™, a reasonable proxy is included.

Our market risk exposures relative to interest rates, currency rates and commodity prices, as discussed below, have not changed materially versus the previous reporting period. In addition, we are not aware of any facts or circumstances that would significantly impact such exposures in the near term.

Interest Rate Exposure on Financial Instruments. Interest rate swaps are used to hedge exposures to interest rate movement on underlying debt obligations. Certain interest rate swaps denominated in foreign currencies are designated to hedge exposures to currency exchange rate movements on our investments in foreign operations. These currency interest rate swaps are designated as hedges of the Company's foreign net investments.

Based on our interest rate exposure as of and during the year ended June 30, 2018, including derivative and other instruments sensitive to interest rates, we believe a near-term change in interest rates, at a 95% confidence level based on historical interest rate movements, would not materially affect our financial statements.

Currency Rate Exposure on Financial Instruments. Because we manufacture and sell products and finance operations in a number of countries throughout the world, we are exposed to the impact on revenue and expenses of movements in currency exchange rates. Corporate policy prescribes the range of allowable hedging activity. To manage the exchange rate risk associated with the financing of our operations, we primarily use forward contracts and currency swaps with maturities of less than 18 months. In addition, we have entered into certain currency swaps with maturities of up to five years to hedge our exposure to exchange rate movements on intercompany financing transactions.

Based on our currency rate exposure on derivative and other instruments as of and during the year ended June 30, 2018, we believe, at a 95% confidence level based on historical currency rate movements, the impact on such instruments of a near-term change in currency rates would not materially affect our financial statements.

Commodity Price Exposure on Financial Instruments. We use raw materials that are subject to price volatility caused by weather, supply conditions, political and economic variables and other unpredictable factors. We may use futures, options and swap contracts to manage the volatility related to the above exposures.

As of and during the years ended June 30, 2018 and June 30, 2017, we did not have any commodity hedging activity.

Measures Not Defined By U.S. GAAP

In accordance with the SEC's Regulation G, the following provides definitions of the non-GAAP measures and the reconciliation to the most closely related GAAP measures. We believe that these measures provide useful perspective of underlying business trends (i.e. trends excluding non-recurring or unusual items) and results and provide a supplemental measure of year-on-year results. The non-GAAP measures described below are used by management in making operating decisions, allocating financial resources and for business strategy purposes. These measures may be useful to investors as they provide supplemental information about business performance and provide investors a view of our business results through the eyes of management. These measures are also used to evaluate senior management and are a factor in determining their at-risk compensation. These non-GAAP measures are not intended to be considered by the user in place of the related GAAP measure, but rather as supplemental information to our business results. These non-GAAP measures may not be the same as similar measures used by other companies due to possible differences in method and in the items or events being adjusted. These measures include:

Organic Sales Growth. Organic sales growth is a non-GAAP measure of sales growth excluding the impacts of the India Goods & Services Tax changes, the impact of the Venezuela deconsolidation, acquisitions, divestitures and foreign exchange from year-over-year comparisons. We believe this measure provides investors with a supplemental understanding of underlying sales trends by providing sales growth on a consistent basis, and this measure is used in assessing achievement of management goals for at-risk compensation.

The following tables provide a numerical reconciliation of organic sales growth to reported net sales growth:

Year ended June 30, 2018	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other (1)	Organic Sales Growth
Beauty	9 %	(2)%	—%	7 %
Grooming	(1)%	(3)%	1%	(3)%
Health Care	5 %	(3)%	—%	2 %
Fabric & Home Care	3 %	(1)%	1%	3 %
Baby, Feminine & Family Care	(1)%	(1)%	—%	(2)%
TOTAL COMPANY	**3 %**	**(2)%**	**—%**	**1 %**

Year ended June 30, 2017	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other (2)	Organic Sales Growth
Beauty	— %	2 %	1%	3 %
Grooming	(3)%	2 %	1%	— %
Health Care	2 %	2 %	1%	5 %
Fabric & Home Care	— %	2 %	1%	3 %
Baby, Feminine & Family Care	(1)%	2 %	—%	1 %
TOTAL COMPANY	**— %**	**2 %**	**—%**	**2 %**

(1) Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures, the impact of the India Goods and Services Tax implementation and rounding impacts necessary to reconcile net sales to organic sales.

(2) Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures, the impact of the Venezuela deconsolidation and rounding impacts necessary to reconcile net sales to organic sales.

Adjusted Free Cash Flow. Adjusted free cash flow is defined as operating cash flow less capital spending and excluding certain divestiture impacts (tax payments related to certain divestitures). Adjusted free cash flow represents the cash that the Company is able to generate after taking into account planned maintenance and asset expansion. We view adjusted free cash flow as an important measure because it is one factor used in determining the amount of cash available for dividends, share repurchases, acquisitions and other discretionary investment.

The following table provides a numerical reconciliation of adjusted free cash flow ($ millions):

	Operating Cash Flow	Capital Spending	Divestiture impacts (1)	Adjusted Free Cash Flow
2018	**$ 14,867**	**$ (3,717)**	**$ —**	**$ 11,150**
2017	12,753	(3,384)	418	9,787
2016	15,435	(3,314)	—	12,121

(1) Divestiture impacts relate to tax payments for the Beauty Brands divestiture in fiscal 2017.

Adjusted Free Cash Flow Productivity. Adjusted free cash flow productivity is defined as the ratio of adjusted free cash flow to net earnings excluding the transitional impact of the U.S. Tax Act, the losses on early debt extinguishment, the gain on the sale of the Batteries and Beauty Brands businesses and Batteries impairments. We view adjusted free cash flow productivity as a useful measure to help investors understand P&G's ability to generate cash. Adjusted free cash flow productivity is used by management in making operating decisions, in allocating financial resources and for budget planning purposes. This measure is used in assessing the achievement of management goals for at-risk compensation. The Company's long-term target is to generate annual adjusted free cash flow productivity at or above 90 percent.

The following table provides a numerical reconciliation of adjusted free cash flow productivity ($ millions):

	Net Earnings	Adjustments to Net Earnings (1)	Net Earnings Excluding Adjustments	Adjusted Free Cash Flow	Adjusted Free Cash Flow Productivity
2018	**$ 9,861**	**$ 845**	**$ 10,706**	**$ 11,150**	**104%**
2017	15,411	(4,990)	10,421	9,787	94%
2016	10,604	(72)	10,532	12,121	115%

(1) Adjustments to Net Earnings relate to the transitional impact of the U.S. Tax Act in fiscal 2018, the losses on early debt extinguishment in fiscal 2018 and 2017, the gain on the sale of the Beauty Brands business in 2017, and the gain on the sale of the Batteries business and the Batteries impairment in fiscal 2016.

Core EPS. Core EPS is a measure of the Company's diluted net earnings per share from continuing operations adjusted as indicated. Management views this non-GAAP measure as a useful supplemental measure of Company performance over time. The table below provides a reconciliation of diluted net earnings per share to Core EPS, including the following reconciling items:

- Incremental Restructuring: The Company has had and continues to have an ongoing level of restructuring activities. Such activities have resulted in ongoing annual restructuring related charges of approximately $250 - $500 million before tax. In 2012, the Company began a $10 billion strategic productivity and cost savings initiative that includes incremental restructuring activities. In 2017, we communicated details of an additional multi-year productivity and cost savings plan. This results in incremental restructuring charges to accelerate productivity efforts and cost savings. The adjustment to Core earnings includes only the restructuring costs above what we believe are the normal recurring level of restructuring costs.
- Transitional Impacts of the U.S. Tax Act: As discussed in Note 5 in Exhibit 99.3 Revised Consolidated Financial Statements and Accompanying Notes, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "U.S. Tax Act") in December 2017. This resulted in a net charge of $602 million for the fiscal year 2018.

The adjustment to core earnings only includes this transitional impact. It does not include the ongoing impacts of the lower U.S. statutory rate on current year earnings.

- Early debt extinguishment charges: In fiscal 2018 and 2017, the Company recorded after-tax charges of $243 million and $345 million, respectively, due to the early extinguishment of certain long-term debt. These charges represent the difference between the reacquisition price and the par value of the debt extinguished.
- Charges for certain European legal matters: Several countries in Europe issued separate complaints alleging that the Company, along with several other companies, engaged in violations of competition laws in prior periods. In 2016, the Company incurred after-tax charges of $11 million to adjust legal reserves related to these matters.

We do not view the above items to be indicative of underlying business results and their exclusion from Core earnings measures provides a more comparable measure of year-on-year results. These items are also excluded when evaluating senior management in determining their at-risk compensation.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
(Amounts in Millions Except Per Share Amounts)
Reconciliation of Non-GAAP Measures

Twelve Months Ended June 30, 2018	AS REPORTED (GAAP)	INCREMENTAL RESTRUCTURING	TRANSITIONAL IMPACTS OF THE U.S. TAX ACT	EARLY DEBT EXTINGUISHMENT	ROUNDING	NON-GAAP (CORE)
COST OF PRODUCTS SOLD	$ 34,432	$ (724)	$ —		$ (1)	$ 33,707
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE	19,037	(1)	—		1	19,037
OPERATING INCOME	13,363	725	—		—	14,088
INCOME TAX ON CONTINUING OPERATIONS	3,465	129	(602)	103	—	3,095
NET EARNINGS ATTRIBUTABLE TO P&G	9,750	610	602	243	(1)	11,204
						Core EPS
DILUTED NET EARNINGS PER COMMON SHARE*	$ 3.67	$ 0.23	$ 0.23	$ 0.09	$ —	$ 4.22

* Diluted net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

CHANGE VERSUS YEAR AGO	
CORE EPS	8%

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
(Amounts in Millions Except Per Share Amounts)
Reconciliation of Non-GAAP Measures

Twelve Months Ended June 30, 2017	AS REPORTED (GAAP)	DISCONTINUED OPERATIONS	INCREMENTAL RESTRUCTURING	EARLY DEBT EXTINGUISHMENT	ROUNDING	NON-GAAP (CORE)
COST OF PRODUCTS SOLD	$ 32,638	$ —	$ (498)	$ —	$ —	$ 32,140
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE	18,654	—	107	—	—	18,761
OPERATING INCOME	13,766	—	391	—	—	14,157
INCOME TAX ON CONTINUING OPERATIONS	3,063	—	120	198	—	3,381
NET EARNINGS ATTRIBUTABLE TO P&G	15,326	(5,217)	279	345	(1)	10,732
						Core EPS
DILUTED NET EARNINGS PER COMMON SHARE*	$ 5.59	$ (1.90)	$ 0.10	$ 0.13	$ —	$ 3.92

* Diluted net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

CHANGE VERSUS YEAR AGO	
CORE EPS	7%

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
(Amounts in Millions Except Per Share Amounts)
Reconciliation of Non-GAAP Measures

Twelve Months Ended June 30, 2016	AS REPORTED (GAAP)	DISCONTINUED OPERATIONS	INCREMENTAL RESTRUCTURING	CHARGES FOR EUROPEAN LEGAL MATTERS	ROUNDING	NON-GAAP (CORE)
COST OF PRODUCTS SOLD	$ 33,024	$ —	$ (624)	$ —	$ —	$ 32,400
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE	19,017	—	42	(13)	—	19,046
OPERATING INCOME	13,258	—	582	13	—	13,853
INCOME TAX ON CONTINUING OPERATIONS	3,342	—	94	2	(1)	3,437
NET EARNINGS ATTRIBUTABLE TO P&G	10,508	(577)	499	11	—	10,441
						Core EPS
DILUTED NET EARNINGS PER COMMON SHARE*	$ 3.69	$ (0.20)	$ 0.18	$ —	$ —	$ 3.67

* Diluted net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

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Section 5: EX-99.3 (EXHIBIT 99.3 REVISED CONSOL FINANCIAL STMTS AND FOOTNOTES)

EXHIBIT 99.3 Revised Consolidated Financial Statements and Accompanying Notes.

Consolidated Statements of Earnings

Amounts in millions except per share amounts; Years ended June 30	2018	2017	2016
NET SALES	**$ 66,832**	$ 65,058	$ 65,299
Cost of products sold	**34,432**	32,638	33,024
Selling, general and administrative expense	**19,037**	18,654	19,017
OPERATING INCOME	**13,363**	13,766	13,258
Interest expense	**506**	465	579
Interest income	**247**	171	182
Other non-operating income/(expense), net	**222**	(215)	508
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	**13,326**	13,257	13,369
Income taxes on continuing operations	**3,465**	3,063	3,342
NET EARNINGS FROM CONTINUING OPERATIONS	**9,861**	10,194	10,027
NET EARNINGS FROM DISCONTINUED OPERATIONS	**—**	5,217	577
NET EARNINGS	**9,861**	15,411	10,604
Less: Net earnings attributable to noncontrolling interests	**111**	85	96
NET EARNINGS ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 9,750**	$ 15,326	$ 10,508
BASIC NET EARNINGS PER COMMON SHARE: [1]			
Earnings from continuing operations	**$ 3.75**	$ 3.79	$ 3.59
Earnings from discontinued operations	**—**	2.01	0.21
BASIC NET EARNINGS PER COMMON SHARE	**$ 3.75**	$ 5.80	$ 3.80
DILUTED NET EARNINGS PER COMMON SHARE: [1]			
Earnings from continuing operations	**$ 3.67**	$ 3.69	$ 3.49
Earnings from discontinued operations	**—**	1.90	0.20
DILUTED NET EARNINGS PER COMMON SHARE	**$ 3.67**	$ 5.59	$ 3.69

DIVIDENDS PER COMMON SHARE	**$ 2.79**	$ 2.70	$ 2.66

(1) Basic net earnings per common share and Diluted net earnings per common share are calculated on Net earnings attributable to Procter & Gamble.

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Amounts in millions; Years ended June 30	2018	2017	2016
NET EARNINGS	**$ 9,861**	$ 15,411	$ 10,604
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX			
Financial statement foreign currency translation	**(6)**	239	(1,679)
Unrealized gains/(losses) on hedges (net of $(279), $(186) and $5 tax, respectively)	**(299)**	(306)	1
Unrealized gains/(losses) on investment securities (net of $0, $(6) and $7 tax, respectively)	**(148)**	(59)	28
Unrealized gains/(losses) on defined benefit retirement plans (net of $68, $551 and $(621) tax, respectively)	**334**	1,401	(1,477)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX	**(119)**	1,275	(3,127)
TOTAL COMPREHENSIVE INCOME	**9,742**	16,686	7,477
Less: Total comprehensive income attributable to noncontrolling interests	**109**	85	96
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 9,633**	$ 16,601	$ 7,381

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

Amounts in millions; As of June 30	2018	2017
Assets		
CURRENT ASSETS		
Cash and cash equivalents	**$ 2,569**	$ 5,569
Available-for-sale investment securities	**9,281**	9,568
Accounts receivable	**4,686**	4,594
INVENTORIES		
Materials and supplies	**1,335**	1,308
Work in process	**588**	529
Finished goods	**2,815**	2,787
Total inventories	**4,738**	4,624
Prepaid expenses and other current assets	**2,046**	2,139
TOTAL CURRENT ASSETS	**23,320**	26,494
PROPERTY, PLANT AND EQUIPMENT, NET	**20,600**	19,893
GOODWILL	**45,175**	44,699
TRADEMARKS AND OTHER INTANGIBLE ASSETS, NET	**23,902**	24,187
OTHER NONCURRENT ASSETS	**5,313**	5,133
TOTAL ASSETS	**$ 118,310**	$ 120,406
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES		
Accounts payable	**$ 10,344**	$ 9,632
Accrued and other liabilities	**7,470**	7,024
Debt due within one year	**10,423**	13,554
TOTAL CURRENT LIABILITIES	**28,237**	30,210
LONG-TERM DEBT	**20,863**	18,038
DEFERRED INCOME TAXES	**6,163**	8,126
OTHER NONCURRENT LIABILITIES	**10,164**	8,254
TOTAL LIABILITIES	**65,427**	64,628
SHAREHOLDERS' EQUITY		
Convertible Class A preferred stock, stated value $1 per share (600 shares authorized)	**967**	1,006
Non-Voting Class B preferred stock, stated value $1 per share (200 shares authorized)	**—**	—
Common stock, stated value $1 per share (10,000 shares authorized; shares issued: 2018 - 4,009.2, 2017 - 4,009.2)	**4,009**	4,009
Additional paid-in capital	**63,846**	63,641
Reserve for ESOP debt retirement	**(1,204)**	(1,249)
Accumulated other comprehensive income/(loss)	**(14,749)**	(14,632)
Treasury stock, at cost (shares held: 2018 -1,511.2, 2017 - 1,455.9)	**(99,217)**	(93,715)
Retained earnings	**98,641**	96,124
Noncontrolling interest	**590**	594
TOTAL SHAREHOLDERS' EQUITY	**52,883**	55,778
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 118,310**	$ 120,406

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

Dollars in millions; shares in thousands	Common Stock Shares	Common Stock Amount	Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumu-lated Other Comp-rehensive Income/ (Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Share-holders' Equity
BALANCE JUNE 30, 2015	2,714,571	$4,009	$1,077	$63,852	($1,320)	($12,780)	($77,226)	$84,807	$631	$63,050
Net earnings								10,508	96	10,604
Other comprehensive loss						(3,127)				(3,127)
Dividends and dividend equivalents:										
Common								(7,181)		(7,181)
Preferred, net of tax benefits								(255)		(255)
Treasury stock purchases [(1)]	(103,449)						(8,217)			(8,217)
Employee stock plans	52,089			(144)			3,234			3,090
Preferred stock conversions	4,863		(39)	6			33			—
ESOP debt impacts					30			74		104
Noncontrolling interest, net									(85)	(85)
BALANCE JUNE 30, 2016	2,668,074	$4,009	$1,038	$63,714	($1,290)	($15,907)	($82,176)	$87,953	$642	$57,983
Net earnings								15,326	85	15,411
Other comprehensive loss						1,275				1,275
Dividends and dividend equivalents:										
Common								(6,989)		(6,989)
Preferred, net of tax benefits								(247)		(247)
Treasury stock purchases [(2)]	(164,866)						(14,625)			(14,625)
Employee stock plans	45,848			(77)			3,058			2,981
Preferred stock conversions	4,241		(32)	4			28			—
ESOP debt impacts					41			81		122
Noncontrolling interest, net									(133)	(133)
BALANCE JUNE 30, 2017	2,553,297	$4,009	$1,006	$63,641	($1,249)	($14,632)	($93,715)	$96,124	$594	$55,778
Net earnings								**9,750**	**111**	**9,861**
Other comprehensive loss						**(117)**			**(2)**	**(119)**
Dividends and dividend equivalents:										
Common								**(7,057)**		**(7,057)**
Preferred, net of tax benefits								**(265)**		**(265)**
Treasury stock purchases	**(81,439)**						**(7,004)**			**(7,004)**
Employee stock plans	**21,655**			**199**			**1,469**			**1,668**
Preferred stock conversions	**4,580**		**(39)**	**6**			**33**			**—**
ESOP debt impacts					**45**			**89**		**134**
Noncontrolling interest, net									**(113)**	**(113)**
BALANCE JUNE 30, 2018	**2,498,093**	**$4,009**	**$967**	**$63,846**	**($1,204)**	**($14,749)**	**($99,217)**	**$98,641**	**$590**	**$52,883**

(1) Includes $4,213 of treasury shares acquired in the divestiture of the Batteries business (see Note 13).

(2) Includes $9,421 of treasury shares received as part of the share exchange in the Beauty Brands transaction (see Note 13).

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Amounts in millions; Years ended June 30	2018	2017	2016
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	**$ 5,569**	$ 8,098 [3]	$ 6,836
OPERATING ACTIVITIES			
Net earnings	**9,861**	15,411	10,604
Depreciation and amortization	**2,834**	2,820	3,078
Loss on early extinguishment of debt	**346**	543	—
Share-based compensation expense	**395**	351	335
Deferred income taxes	**(1,844)**	(601)	(815)
Gain on sale of assets	**(176)**	(5,490)	(41)
Goodwill and intangible asset impairment charges	**—**	—	450
Change in accounts receivable	**(177)**	(322)	35
Change in inventories	**(188)**	71	116
Change in accounts payable, accrued and other liabilities	**1,385**	(149)	1,285
Change in other operating assets and liabilities	**2,000**	(43)	204
Other	**431**	162	184
TOTAL OPERATING ACTIVITIES	**14,867**	12,753	15,435
INVESTING ACTIVITIES			
Capital expenditures	**(3,717)**	(3,384)	(3,314)
Proceeds from asset sales	**269**	571	432
Acquisitions, net of cash acquired	**(109)**	(16)	(186)
Purchases of short-term investments	**(3,909)**	(4,843)	(2,815)
Proceeds from sales and maturities of short-term investments	**3,928**	1,488	1,354
Cash transferred at closing related to the Beauty Brands divestiture	—	(475)	—
Cash transferred in Batteries divestiture	**—**	—	(143)
Change in other investments	**27**	(26)	93
TOTAL INVESTING ACTIVITIES	**(3,511)**	(6,685)	(4,579)
FINANCING ACTIVITIES			
Dividends to shareholders	**(7,310)**	(7,236)	(7,436)
Change in short-term debt	**(3,437)**	2,727	(418)
Additions to long-term debt	**5,072**	3,603	3,916
Reductions of long-term debt [1]	**(2,873)**	(4,931)	(2,213)
Treasury stock purchases	**(7,004)**	(5,204)	(4,004)
Treasury stock from cash infused in Batteries divestiture	**—**	—	(1,730)
Impact of stock options and other	**1,177**	2,473	2,672
TOTAL FINANCING ACTIVITIES	**(14,375)**	(8,568)	(9,213)
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**19**	(29)	(381)
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**(3,000)**	(2,529)	1,262
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	**$ 2,569**	$ 5,569	$ 8,098 [3]
SUPPLEMENTAL DISCLOSURE			
Cash payments for interest	**$ 529**	$ 518	$ 569
Cash payment for income taxes	**2,830**	3,714	3,730
Divestiture of Batteries business in exchange for shares of P&G stock	**—**	—	4,213 [2]
Divestiture of Beauty business in exchange for shares of P&G stock and assumption of debt	**—**	11,360	—

Assets acquired through non-cash capital leases are immaterial for all periods.

[1] Includes early extinguishment of debt costs of $346 and $543 in 2018 and 2017, respectively.

[2] Includes $1,730 from cash infused into the Batteries business pursuant to the divestiture agreement (see Note 13).

[3] Includes $996 of restricted cash representing the proceeds in escrow from Beauty Brands drawing on a Term B loan of $1.0 billion. This restricted cash is within Current assets held for sale on the Balance Sheet for the period ended June 30, 2016. The proceeds were held in restricted cash in escrow until the legal integration activities prior to the Beauty Brands divestiture on October 1, 2016.

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Procter & Gamble Company's (the "Company," "Procter & Gamble," "we" or "us") business is focused on providing branded consumer packaged goods of superior quality and value. Our products are sold in more than 180 countries and territories primarily through mass merchandisers, e-commerce, grocery stores, membership club stores, drug stores, department stores, distributors, wholesalers, baby stores, specialty beauty stores, high-frequency stores and pharmacies. We have on-the-ground operations in approximately 70 countries.

Basis of Presentation

The Consolidated Financial Statements include the Company and its controlled subsidiaries. Intercompany transactions are eliminated.

Because of a lack of control over Venezuela subsidiaries caused by a number of currency and other operating controls and restrictions, our Venezuelan subsidiaries are not consolidated for any year presented. We account for those subsidiaries using the cost method of accounting.

Use of Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying disclosures. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates are used in accounting for, among other items, consumer and trade promotion accruals, restructuring reserves, pensions, post-employment benefits, stock options, valuation of acquired intangible assets, useful lives for depreciation and amortization of long-lived assets, future cash flows associated with impairment testing for goodwill, indefinite-lived intangible assets and other long-lived assets, deferred tax assets and liabilities, uncertain income tax positions and contingencies. Actual results may ultimately differ from estimates, although management does not generally believe such differences would materially affect the financial statements in any individual year. However, in regard to ongoing impairment testing of goodwill and indefinite-lived intangible assets, significant deterioration in future cash flow projections or other assumptions used in estimating fair values versus those anticipated at the time of the initial valuations, could result in impairment charges that materially affect the financial statements in a given year.

Revenue Recognition

Sales are recognized when revenue is realized or realizable and has been earned. Revenue transactions represent sales of inventory. The revenue recorded is presented net of sales and other taxes we collect on behalf of governmental authorities.

The revenue includes shipping and handling costs, which generally are included in the list price to the customer. Our policy is to recognize revenue when title to the product, ownership and risk of loss transfer to the customer, which can be on the date of shipment or the date of receipt by the customer. A provision for payment discounts and product return allowances is recorded as a reduction of sales in the same period the revenue is recognized.

Trade promotions, consisting primarily of customer pricing allowances, merchandising funds and consumer coupons, are offered through various programs to customers and consumers. Sales are recorded net of trade promotion spending, which is recognized as incurred, generally at the time of the sale. Most of these arrangements have terms of approximately one year. Accruals for expected payouts under these programs are included as accrued marketing and promotion in the Accrued and other liabilities line item in the Consolidated Balance Sheets.

Cost of Products Sold

Cost of products sold is primarily comprised of direct materials and supplies consumed in the manufacturing of product, as well as manufacturing labor, depreciation expense and direct overhead expense necessary to acquire and convert the purchased materials and supplies into finished product. Cost of products sold also includes the cost to distribute products to customers, inbound freight costs, internal transfer costs, warehousing costs and other shipping and handling activity.

Selling, General and Administrative Expense

Selling, general and administrative expense (SG&A) is primarily comprised of marketing expenses, selling expenses, research and development costs, administrative and other indirect overhead costs, depreciation and amortization expense on non-manufacturing assets and other miscellaneous operating items. Research and development costs are charged to expense as incurred and were $1.9 billion in 2018, $1.9 billion in 2017 and $1.9 billion in 2016 (reported in Net earnings from continuing operations). Advertising costs, charged to expense as incurred, include worldwide television, print, radio, internet and in-store advertising expenses and were $7.1 billion in 2018, $7.1 billion in 2017 and $7.2 billion in 2016 (reported in Net earnings from continuing operations). Non-advertising related components of the Company's total marketing spending reported in SG&A include costs associated with consumer promotions, product sampling and sales aids.

Other Non-Operating Income/(Expense), Net

Other non-operating income/(expense), net primarily includes net acquisition and divestiture gains, non-service components of net defined benefit costs, investment income and other non-operating items.

Currency Translation

Financial statements of operating subsidiaries outside the U.S. generally are measured using the local currency as the functional currency. Adjustments to translate those statements into U.S. dollars are recorded in Other comprehensive income (OCI). For subsidiaries operating in highly inflationary economies, the U.S. dollar is the functional currency. Re-measurement adjustments for financial statements in highly inflationary economies and other transactional exchange gains and losses are reflected in earnings.

Cash Flow Presentation

The Consolidated Statements of Cash Flows are prepared using the indirect method, which reconciles net earnings to cash flow from operating activities. Cash flows from foreign currency transactions and operations are translated at an average exchange rate for the period. Cash flows from hedging activities are included in the same category as the items being hedged. Cash flows from derivative instruments designated as net investment hedges are classified as financing activities. Realized gains and losses from non-qualifying derivative instruments used to hedge currency exposures resulting from intercompany financing transactions are also classified as financing activities. Cash flows from other derivative instruments used to manage interest, commodity or other currency exposures are classified as operating activities. Cash payments related to income taxes are classified as operating activities. Cash flows from the Company's discontinued operations are included in the Consolidated Statements of Cash Flows. See Note 13 for significant cash flow items related to discontinued operations.

Investments

Investment securities consist of readily marketable debt and equity securities. Unrealized gains or losses from investments classified as trading, if any, are charged to earnings. Unrealized gains or losses on securities classified as available-for-sale are generally recorded in OCI. If an available-for-sale security is other than temporarily impaired, the loss is charged to either earnings or OCI depending on our intent and ability to retain the security until we recover the full cost basis and the extent of the loss attributable to the creditworthiness of the issuer. Investment securities are included as Available-for-sale investment securities and Other noncurrent assets in the Consolidated Balance Sheets.

Investments in certain companies over which we exert significant influence, but do not control the financial and operating decisions, are accounted for as equity method investments. Other investments that are not controlled, and over which we do not have the ability to exercise significant influence, are accounted for under the cost method. Both equity and cost method investments are included as Other noncurrent assets in the Consolidated Balance Sheets.

Inventory Valuation

Inventories are valued at the lower of cost or market value. Product-related inventories are maintained on the first-in, first-out method. The cost of spare part inventories is maintained using the average-cost method.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost reduced by accumulated depreciation. Depreciation expense is recognized over the assets' estimated useful lives using the straight-line method. Machinery and equipment includes office furniture and fixtures (15-year life), computer equipment and capitalized software (3- to 5-year lives) and manufacturing equipment (3- to 20-year lives). Buildings are depreciated over an estimated useful life of 40 years. Estimated useful lives are periodically reviewed and, when appropriate, changes are made prospectively. When certain events or changes in operating conditions occur, asset lives may be adjusted and an impairment assessment may be performed on the recoverability of the carrying amounts.

Goodwill and Other Intangible Assets

Goodwill and indefinite-lived intangible assets are not amortized, but are evaluated for impairment annually or more often if indicators of a potential impairment are present. Our annual impairment testing of goodwill is performed separately from our impairment testing of indefinite-lived intangible assets.

We have acquired brands that have been determined to have indefinite lives. Those assets are evaluated annually for impairment. We evaluate a number of factors to determine whether an indefinite life is appropriate, including the competitive environment, market share, brand history, underlying product life cycles, operating plans and the macroeconomic environment of the countries in which the brands are sold. In addition, when certain events or changes in operating conditions occur, an additional impairment assessment is performed and indefinite-lived assets may be adjusted to a determinable life.

The cost of intangible assets with determinable useful lives is amortized to reflect the pattern of economic benefits consumed, either on a straight-line or accelerated basis over the estimated periods benefited. Patents, technology and other intangible assets with contractual terms are generally amortized over their respective legal or contractual lives. Customer relationships, brands and other non-contractual intangible assets with determinable lives are amortized over periods generally ranging from 5 to 30 years. When certain events or changes in operating conditions occur, an impairment assessment is performed and remaining lives of intangible assets with determinable lives may be adjusted.

For additional details on goodwill and intangible assets see Note 4.

Fair Values of Financial Instruments

Certain financial instruments are required to be recorded at fair value. Changes in assumptions or estimation methods could affect the fair value estimates; however, we do not believe any such changes would have a material impact on our financial condition, results of operations or cash flows. Other financial instruments, including cash equivalents, certain investments and short-term debt, are recorded at cost, which approximates fair value. The fair values of long-term debt and financial instruments are disclosed in Note 9.

New Accounting Pronouncements and Policies

In March 2017, the FASB issued ASU 2017-07, "Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715)." This guidance requires an entity to disaggregate the current service cost component from the other components of net defined benefit costs on the face of the income statement. It requires the service cost component to be presented with other current compensation costs for the related employees in the operating section of the income statement. Other components of net defined benefit costs are required to be presented outside of income from operations.

We adopted the standard retrospectively on July 1, 2018, using the practical expedient which allows entities to use information previously disclosed in their pension and other post-retirement benefit plans footnote as the basis to apply the retrospective presentation requirements. As such, prior periods' results have been revised to report the other components of net defined benefit costs, previously reported in Cost of products sold and Selling, general, and administrative expense (SG&A), within Other non-operating income/(expense), net. The following table summarizes the impact of the adoption of ASU 2017-07 on the Consolidated Statements of Earnings for the years ended June 30, 2018, 2017, and 2016.

	2018		2017		2016	
Amounts in millions	**As Reported**	**Revised**	**As Reported**	**Revised**	**As Reported**	**Revised**
NET SALES	66,832	66,832	65,058	65,058	65,299	65,299
Cost of products sold	34,268	34,432	32,535	32,638	32,909	33,024
Selling, general and administrative expense	18,853	19,037	18,568	18,654	18,949	19,017
OPERATING INCOME	13,711	13,363	13,955	13,766	13,441	13,258
Interest expense	506	506	465	465	579	579
Interest income	247	247	171	171	182	182
Other non-operating income/(expense), net	(126)	222	(404)	(215)	325	508
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	13,326	13,326	13,257	13,257	13,369	13,369

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows: Restricted Cash (Topic 230)". This guidance requires the Statement of Cash Flows to present changes in the total of cash, cash equivalents and restricted cash. Prior to the adoption of this ASU, the relevant accounting guidance did not require the Statement of Cash Flows to include changes in restricted cash.

We adopted the standard retrospectively on July 1, 2018. We currently have no significant restricted cash balances. Historically, we had restricted cash balances and changes related to divestiture activity. Such balances were presented as Current assets held for sale on the balance sheets, with changes presented as Investing activities on the Statements of Cash Flow. In accordance with ASU 2016-08, such balances are now included in the beginning and ending balances of Cash, cash equivalents and restricted cash for all periods presented.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." This guidance outlines a single, comprehensive model of accounting for revenue from contracts with customers. We will adopt the standard on July 1, 2018, using the modified retrospective transition method. Our revenue is primarily generated from the sale of finished product to customers. Those sales predominantly contain a single delivery element and revenue is recognized at a single point in time when ownership, risks and rewards transfer. Accordingly, the timing of revenue recognition is not materially impacted by the new standard. The adoption of the new standard will impact the accrual timing for certain portions of our customer and consumer promotional spending, which will result in a cumulative adjustment to retained earnings of up to $350, net of tax, on the date of adoption. The provisions of the new standard will also impact the classification of certain payments to customers, moving an immaterial amount of such payments (approximately $300) from expense to a deduction from net sales. This new guidance will not have any other material impacts on our Consolidated Financial Statements, including financial disclosures.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." The standard requires lessees to recognize lease assets and lease liabilities on the balance sheet and requires expanded disclosures about leasing arrangements. We plan to adopt the standard on July 1, 2019. We are currently assessing the impact that the new standard will have on our Consolidated Financial Statements, which will consist primarily of a balance sheet gross up of our operating leases to show equal and offsetting lease assets and lease liabilities. For additional details on operating leases, see Note 12.

In January 2017, the FASB issued ASU 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." The standard simplifies the accounting for goodwill impairment by requiring a goodwill impairment to be measured using a single step impairment model, whereby the impairment equals the difference between the carrying amount and the fair value of the specified reporting units in their entirety. This eliminates the second step of the current impairment model that requires companies to first estimate the fair value of all assets in a reporting unit, and then measure impairments based on those fair values and a residual measurement approach. It also specifies that any loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. We will adopt the standard no later than July 1, 2020. The impact of the new standard will be dependent on the specific facts and circumstances of future individual impairments, if any.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." This standard enables entities to better portray the economics of their risk management activities in the financial statements and enhances the transparency and understandability of hedge results through improved disclosures. The new standard is effective for us beginning July 1, 2019, with early adoption permitted. We elected to early adopt the new guidance in the first quarter of fiscal year 2018. The amended presentation and disclosure guidance was applied on a prospective basis. The primary impact of adoption is the required disclosure changes. The adoption of the new standard did not have a material impact on our Consolidated Financial Statements, including the cumulative-effect adjustment required upon adoption.

No other new accounting pronouncement issued or effective during the fiscal year had or is expected to have a material impact on our Consolidated Financial Statements.

NOTE 2

SEGMENT INFORMATION

During fiscal 2017, the Company completed the divestiture of four product categories, comprised of 43 of its beauty brands. The transactions included the global salon professional hair care and color, retail hair color, cosmetics and the fragrance businesses, along with select hair styling brands. In fiscal 2016, the Company completed the divestiture of its Batteries business to Berkshire Hathaway. Each of these businesses are reported as discontinued operations for all periods presented (see Note 13).

Under U.S. GAAP, our Global Business Units (GBUs) are aggregated into five reportable segments: 1) Beauty, 2) Grooming, 3) Health Care, 4) Fabric & Home Care and 5) Baby, Feminine & Family Care. Our five reportable segments are comprised of:

- *Beauty*: Hair Care (Conditioner, Shampoo, Styling Aids, Treatments); Skin and Personal Care (Antiperspirant and Deodorant, Personal Cleansing, Skin Care);
- *Grooming*: Shave Care (Female Blades & Razors, Male Blades & Razors, Pre- and Post-Shave Products, Other Shave Care); Appliances
- *Health Care*: Oral Care (Toothbrushes, Toothpaste, Other Oral Care); Personal Health Care (Gastrointestinal, Rapid Diagnostics, Respiratory, Vitamins/Minerals/Supplements, Other Personal Health Care);
- *Fabric & Home Care*: Fabric Care (Fabric Enhancers, Laundry Additives, Laundry Detergents); Home Care (Air Care, Dish Care, P&G Professional, Surface Care); and
- *Baby, Feminine & Family Care*: Baby Care (Baby Wipes, Diapers and Pants); Feminine Care (Adult Incontinence, Feminine Care); Family Care (Paper Towels, Tissues, Toilet Paper).

The accounting policies of the segments are generally the same as those described in Note 1. Differences between these policies and U.S. GAAP primarily reflect income taxes, which are reflected in the segments using applicable blended statutory rates. Adjustments to arrive at our effective tax rate are included in Corporate, including the impacts from the U.S. Tax Act in fiscal 2018 (see Note 5).

Corporate includes certain operating and non-operating activities that are not reflected in the operating results used internally to measure and evaluate the businesses, as well as items to adjust management reporting principles to U.S. GAAP. Operating activities in Corporate include the results of incidental businesses managed at the corporate level.

Operating elements also include certain employee benefit costs, the costs of certain restructuring-type activities to maintain a competitive cost structure, including manufacturing and workforce optimization, certain significant asset impairment charges and other general Corporate items. The non-operating elements in Corporate primarily include interest expense, certain pension and other postretirement benefit costs, certain acquisition and divestiture gains, interest and investing income and other financing costs.

Total assets for the reportable segments include those assets managed by the reportable segment, primarily inventory, fixed assets and intangible assets. Other assets, primarily cash, accounts receivable, investment securities and goodwill, are included in Corporate.

Our business units are comprised of similar product categories. Nine business units individually accounted for 5% or more of consolidated net sales as follows:

% of Sales by Business Unit [(1)]

Years ended June 30	2018	2017	2016
Fabric Care	**22%**	22%	22%
Baby Care	**13%**	14%	14%
Hair Care	**10%**	10%	10%
Home Care	**10%**	10%	10%
Skin and Personal Care	**9%**	8%	8%
Shave Care	**8%**	9%	9%
Family Care	**8%**	8%	8%
Oral Care	**8%**	8%	8%
Feminine Care	**6%**	6%	6%
All Other	***6%***	*5%*	*5%*
TOTAL	**100%**	100%	100%

(1) % of sales by business unit excludes sales held in Corporate.

The Company had net sales in the U.S. of $27.3 billion, $27.3 billion and $27.0 billion for the years ended June 30, 2018, 2017 and 2016, respectively. Long-lived assets in the U.S. totaled $9.7 billion and $8.8 billion as of June 30, 2018 and 2017, respectively. Long-lived assets consists of property, plant and equipment. No other country's net sales or long-lived assets exceed 10% of the Company totals.

Our largest customer, Walmart Inc. and its affiliates, accounted for consolidated net sales of approximately 15%, 16% and 15% in 2018, 2017 and 2016, respectively. No other customer represents more than 10% of our consolidated net sales.

Amounts in millions of dollars except per share amounts or as otherwise specified.

Global Segment Results		Net Sales	Earnings/(Loss) from Continuing Operations Before Income Taxes	Net Earnings/ (Loss) from Continuing Operations	Depreciation and Amortization	Total Assets	Capital Expenditures
BEAUTY	**2018**	**$ 12,406**	**$ 3,042**	**$ 2,320**	**$ 236**	**$ 4,709**	**$ 766**
	2017	11,429	2,546	1,914	220	4,184	599
	2016	11,477	2,636	1,975	218	3,888	435
GROOMING	**2018**	**6,551**	**1,801**	**1,432**	**447**	**22,609**	**364**
	2017	6,642	1,985	1,537	433	22,759	341
	2016	6,815	2,009	1,548	451	22,819	383
HEALTH CARE	**2018**	**7,857**	**1,922**	**1,283**	**230**	**5,254**	**330**
	2017	7,513	1,898	1,280	209	5,194	283
	2016	7,350	1,812	1,250	204	5,139	240
FABRIC & HOME CARE	**2018**	**21,441**	**4,191**	**2,708**	**534**	**7,295**	**1,020**
	2017	20,717	4,249	2,713	513	6,886	797
	2016	20,730	4,249	2,778	531	6,919	672
BABY, FEMININE & FAMILY CARE	**2018**	**18,080**	**3,527**	**2,251**	**899**	**9,682**	**1,016**
	2017	18,252	3,868	2,503	874	9,920	1,197
	2016	18,505	4,042	2,650	886	9,863	1,261
CORPORATE [(1)]	**2018**	**497**	**(1,157)**	**(133)**	**488**	**68,761**	**221**
	2017	505	(1,289)	247	571	71,463	167
	2016	422	(1,379)	(174)	788	78,508	323
TOTAL COMPANY	**2018**	**$ 66,832**	**$ 13,326**	**$ 9,861**	**$ 2,834**	**$ 118,310**	**$ 3,717**
	2017	65,058	13,257	10,194	2,820	120,406	3,384
	2016	65,299	13,369	10,027	3,078	127,136	3,314

(1) The Corporate reportable segment includes depreciation and amortization, total assets and capital expenditures of the Beauty Brands and Batteries businesses prior to their divestiture.

NOTE 3

SUPPLEMENTAL FINANCIAL INFORMATION

The components of property, plant and equipment were as follows:

As of June 30	2018	2017
PROPERTY, PLANT AND EQUIPMENT		
Buildings	**$ 7,188**	$ 6,943
Machinery and equipment	**30,595**	29,505
Land	**841**	765
Construction in progress	**3,223**	2,935
TOTAL PROPERTY, PLANT AND EQUIPMENT	**41,847**	40,148
Accumulated depreciation	**(21,247)**	(20,255)
PROPERTY, PLANT AND EQUIPMENT, NET	**$ 20,600**	$ 19,893

Selected components of current and noncurrent liabilities were as follows:

As of June 30	2018	2017
ACCRUED AND OTHER LIABILITIES - CURRENT		
Marketing and promotion	**$ 3,208**	$ 2,792
Compensation expenses	**1,298**	1,344
Restructuring reserves	**513**	277
Taxes payable	**268**	449
Legal and environmental	**156**	168
Other	**2,027**	1,994
TOTAL	**$ 7,470**	$ 7,024
OTHER NONCURRENT LIABILITIES		
Pension benefits	**$ 4,768**	$ 5,487
Other postretirement benefits	**1,495**	1,333
Uncertain tax positions	**581**	564
U.S. Tax Act transitional tax payable	**2,654**	—
Other	**666**	870
TOTAL	**$ 10,164**	$ 8,254

Amounts in millions of dollars except per share amounts or as otherwise specified.

RESTRUCTURING PROGRAM

The Company has historically incurred an ongoing annual level of restructuring-type activities to maintain a competitive cost structure, including manufacturing and workforce optimization. Before-tax costs incurred under the ongoing program have generally ranged from $250 to $500 annually. In fiscal 2012, the Company initiated an incremental restructuring program (covering fiscal 2012 through 2017) as part of a productivity and cost savings plan to reduce costs in the areas of supply chain, research and development, marketing activities and overhead expenses. The productivity and cost savings plan was designed to accelerate cost reductions by streamlining management decision making, manufacturing and other work processes in order to help fund the Company's growth strategy. Total restructuring costs incurred under the plan through fiscal 2017 was $5.6 billion, before tax.

In fiscal 2017 the Company announced specific elements of another incremental multi-year productivity and cost savings plan to further reduce costs in the areas of supply chain, certain marketing activities and overhead expenses. This program is expected to result in incremental enrollment reductions, along with further optimization of the supply chain and other manufacturing processes.

Restructuring costs incurred consist primarily of costs to separate employees, asset-related costs to exit facilities and other costs. The Company incurred total restructuring charges of $1,070 and $754 for the years ended June 30, 2018 and 2017, respectively. An additional amount of approximately $800 is expected to be incurred in fiscal 2019. Of the charges incurred for fiscal year 2018, $237 were recorded in SG&A, $819 in Cost of products sold, and $14 in Other non-operating income/(expense), net. Of the charges incurred for fiscal year 2017, $129 were recorded in SG&A, $593 in Cost of products sold, and $8 in Other non-operating income/(expense), net. The remainder of the charges for fiscal 2017 were included in Net earnings from discontinued operations. The following table presents restructuring activity for the years ended June 30, 2018 and 2017:

Amounts in millions	Separations	Asset-Related Costs	Other	Total
RESERVE JUNE 30, 2016	$ 243	$ —	$ 72	$ 315
Charges	206	397	151	754
Cash spent [(1)]	(221)	—	(174)	(395)
Charges against assets	—	(397)	—	(397)
RESERVE JUNE 30, 2017	228	—	49	277
Charges	**310**	**366**	**394**	**1,070**
Cash spent	**(279)**	**—**	**(189)**	**(468)**
Charges against assets	**—**	**(366)**	**—**	**(366)**
RESERVE JUNE 30, 2018	**$ 259**	**$ —**	**$ 254**	**$ 513**

(1) Includes liabilities transferred to Coty related to our Beauty Brands divestiture.

Amounts in millions of dollars except per share amounts or as otherwise specified.

Separation Costs

Employee separation charges for the years ended June 30, 2018 and 2017 relate to severance packages for approximately 2,720 and 2,120 employees, respectively. The packages were primarily voluntary and the amounts were calculated based on salary levels and past service periods. Severance costs related to voluntary separations are generally charged to earnings when the employee accepts the offer.

Asset-Related Costs

Asset-related costs consist of both asset write-downs and accelerated depreciation. Asset write-downs relate to the establishment of a new fair value basis for assets held-for-sale or disposal. These assets were written down to the lower of their current carrying basis or amounts expected to be realized upon disposal, less minor disposal costs. Charges for accelerated depreciation relate to long-lived assets that will be taken out of service prior to the end of their normal service period. These assets relate primarily to manufacturing consolidations and technology standardizations. The asset-related charges will not have a significant impact on future depreciation charges.

Other Costs

Other restructuring-type charges are incurred as a direct result of the restructuring program. Such charges primarily include asset removal and termination of contracts related to supply chain optimization.

Consistent with our historical policies for ongoing restructuring-type activities, the restructuring program charges are funded by and included within Corporate for both management and segment reporting. Accordingly, all of the charges under the program are included within the Corporate reportable segment.

However, for informative purposes, the following table summarizes the total restructuring costs related to our reportable segments:

Years ended June 30	2018	2017	2016
Beauty	**$ 60**	$ 90	$ 72
Grooming	**38**	45	42
Health Care	**21**	15	26
Fabric & Home Care	**115**	144	250
Baby, Feminine & Family Care	**547**	231	225
Corporate [(1)]	**289**	229	362
Total Company	**$ 1,070**	$ 754	$ 977

(1) Corporate includes costs related to allocated overheads, including charges related to our Sales and Market Operations, Global Business Services and Corporate Functions activities, along with costs related to discontinued operations from our Batteries and Beauty Brands businesses.

NOTE 4

GOODWILL AND INTANGIBLE ASSETS

The change in the net carrying amount of goodwill by reportable segment was as follows:

	Beauty	Grooming	Health Care	Fabric & Home Care	Baby, Feminine & Family Care	Corporate	Total Company
Balance at June 30, 2016 - Net (1)	$ 12,645	$ 19,477	$ 5,840	$ 1,856	$ 4,532	$ —	$ 44,350
Acquisitions and divestitures	—	—	(10)	(3)	(24)	—	(37)
Translation and other	146	150	48	4	38	—	386
Balance at June 30, 2017 - Net (1)	12,791	19,627	5,878	1,857	4,546	—	44,699
Acquisitions and divestitures	**82**	**—**	**—**	**—**	**—**	**—**	**82**
Translation and other	**119**	**193**	**51**	**8**	**23**	**—**	**394**
Balance at June 30, 2018 - Net (1)	**$ 12,992**	**$ 19,820**	**$ 5,929**	**$ 1,865**	**$ 4,569**	**$ —**	**$ 45,175**

(1) Grooming goodwill balance is net of $1.2 billion accumulated impairment losses.

During fiscal 2017, the Company completed the divestiture of four product categories, comprised of 43 of its beauty brands ("Beauty Brands"). The transactions included the global salon professional hair care and color, retail hair color and cosmetics businesses and the fine fragrances business, along with select hair styling brands (see Note 13). The Beauty Brands had historically been part of the Company's Beauty reportable segment. In accordance with applicable accounting guidance for the disposal of long-lived assets, the results of the Beauty Brands are presented as discontinued operations. As a result, the goodwill attributable to the Beauty Brands as of June 30, 2016 is excluded from the preceding table.

The change in goodwill during fiscal 2018 was primarily due to acquisitions of two brands within the Beauty reportable segment and currency translation across all reportable segments. The change in goodwill during fiscal 2017 was primarily due to minor brand divestitures and currency translation across all reportable segments.

The goodwill and intangible asset valuations that are utilized to test these assets for impairment are dependent on a number of significant estimates and assumptions, including macroeconomic conditions, overall category growth rates, competitive activities, cost containment and margin expansion, Company business plans and the discount rate applied to cash flows. We believe these estimates and assumptions are reasonable and are comparable to those that would be used by other marketplace participants. However, actual events and results could differ substantially from those used in our valuations. To the extent such factors result in a failure to achieve the level of projected cash flows initially used to estimate fair value for purposes of establishing the carrying amount of goodwill and related intangible assets, we may need to record non-cash impairment charges in the future.

Identifiable intangible assets were comprised of:

	2018		2017	
As of June 30	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
INTANGIBLE ASSETS WITH DETERMINABLE LIVES				
Brands	**$ 3,146**	**$ (2,046)**	$ 3,094	$ (1,898)
Patents and technology	**2,617**	**(2,350)**	2,617	(2,261)
Customer relationships	**1,372**	**(616)**	1,377	(564)
Other	**241**	**(144)**	239	(132)
TOTAL	**$ 7,376**	**$ (5,156)**	$ 7,327	$ (4,855)
INTANGIBLE ASSETS WITH INDEFINITE LIVES				
Brands	**21,682**	**—**	21,715	—
TOTAL	**$ 29,058**	**$ (5,156)**	$ 29,042	$ (4,855)

Amortization expense of intangible assets was as follows:

Years ended June 30	2018	2017	2016
Intangible asset amortization	**$ 302**	$ 325	$ 388

Estimated amortization expense over the next five fiscal years is as follows:

Years ending June 30	2019	2020	2021	2022	2023
Estimated amortization expense	$ 280	$ 254	$ 205	$ 188	$ 177

Amounts in millions of dollars except per share amounts or as otherwise specified.

NOTE 5

INCOME TAXES

Income taxes are recognized for the amount of taxes payable for the current year and for the impact of deferred tax assets and liabilities, which represent future tax consequences of events that have been recognized differently in the financial statements than for tax purposes. Deferred tax assets and liabilities are established using the enacted statutory tax rates and are adjusted for any changes in such rates in the period of change.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "U.S. Tax Act"). The U.S. Tax Act significantly revises the future ongoing U.S. corporate income tax by, among other things, lowering the U.S. corporate income tax rates and implementing a hybrid territorial tax system. As the Company has a June 30 fiscal year-end, the lower corporate income tax rate was phased in, resulting in a U.S. statutory federal rate of approximately 28% for our fiscal year ended June 30, 2018, and 21% for subsequent fiscal years. However, the U.S. Tax Act eliminates the domestic manufacturing deduction and moves to a hybrid territorial system, which also largely eliminates the ability to credit certain foreign taxes that existed prior to enactment of the U.S. Tax Act.

There are also certain transitional impacts of the U.S. Tax Act. As part of the transition to the new hybrid territorial tax system, the U.S. Tax Act imposed a one-time repatriation tax on deemed repatriation of historical earnings of foreign subsidiaries. In addition, the reduction of the U.S. corporate tax rate caused us to adjust our U.S. deferred tax assets and liabilities to the lower federal base rate of 21%. These transitional impacts resulted in a provisional net charge of $602 for the fiscal year ended June 30, 2018, comprised of an estimated repatriation tax charge of $3.8 billion (comprised of U.S. repatriation taxes and foreign withholding taxes) and an estimated net deferred tax benefit of $3.2 billion.

The changes included in the U.S. Tax Act are broad and complex. The final transitional impacts of the U.S. Tax Act may differ from the above estimate, possibly materially, due to, among other things, changes in interpretations of the U.S. Tax Act, any legislative action to address questions that arise because of the U.S. Tax Act, or any updates or changes to estimates the Company has utilized to calculate the transitional impacts, which we expect to finalize when we complete our tax return for fiscal 2018. The SEC has issued rules that would allow for a measurement period of up to one year after the enactment date of the U.S. Tax Act to finalize the recording of the related tax impacts. We currently anticipate finalizing and recording any resulting adjustments within the one-year time period provided by the SEC.

Earnings from continuing operations before income taxes consisted of the following:

Years ended June 30	2018	2017	2016
United States	**$ 9,277**	$ 9,031	$ 8,788
International	**4,049**	4,226	4,581
TOTAL	**$ 13,326**	$ 13,257	$ 13,369

Amounts in millions of dollars except per share amounts or as otherwise specified.

Income taxes on continuing operations consisted of the following:

Years ended June 30	2018	2017	2016
CURRENT TAX EXPENSE			
U.S. federal	**$ 3,965**	$ 1,531	$ 1,673
International	**1,131**	1,243	1,483
U.S. state and local	**213**	241	224
	5,309	3,015	3,380
DEFERRED TAX EXPENSE			
U.S. federal	**(1,989)**	28	33
International and other	**145**	20	(71)
	(1,844)	48	(38)
TOTAL TAX EXPENSE	**$ 3,465**	$ 3,063	$ 3,342

A reconciliation of the U.S. federal statutory income tax rate to our actual income tax rate on continuing operations is provided below:

Years ended June 30	2018	2017	2016
U.S. federal statutory income tax rate	**28.1 %**	35.0 %	35.0 %
Country mix impacts of foreign operations	**(4.7)%**	(6.8)%	(9.1)%
Changes in uncertain tax positions	**(0.3)%**	(2.0)%	(0.5)%
Excess tax benefits from the exercise of stock options	**(0.4)%**	(1.3)%	— %
Net transitional impact of U.S. Tax Act	**4.5 %**	— %	— %
Other	**(1.2)%**	(1.8)%	(0.4)%
EFFECTIVE INCOME TAX RATE	**26.0 %**	23.1 %	25.0 %

Country mix impacts of foreign operations includes the effects of foreign subsidiaries' earnings taxed at rates other than the U.S. statutory rate, the U.S. tax impacts of non-U.S. earnings repatriation and any net impacts of intercompany transactions. Changes in uncertain tax positions represent changes in our net liability related to prior year tax positions. Excess tax benefits from the exercise of stock options reflect the impact of adopting ASU 2016-09, "Stock Compensation (Topic 718): Improvements to Employee-Share-Based Payment Accounting)."

Tax benefits charged to shareholders' equity totaled $342 for the year ended June 30, 2018. This primarily relates to the tax effects of Net Investment hedges, partially offset by the impact of certain adjustments to pension obligations recorded in stockholders' equity. Tax costs credited to shareholders' equity totaled $333 for the year ended June 30, 2017. This primarily relates to the impact of certain adjustments to pension obligations recorded in stockholders' equity, partially offset by the tax effects of Net Investment hedges.

Prior to the passage of the U.S. Tax Act, the Company asserted that substantially all of the undistributed earnings of its foreign subsidiaries were considered indefinitely invested and accordingly, no deferred taxes were provided. Pursuant to the provisions of the U.S. Tax Act, these earnings were subjected to a one-time transition tax, for which a provisional charge has been recorded. This charge included provisional taxes for all U.S. income taxes and for the related foreign withholding taxes for the portion of those earnings which are no longer considered indefinitely invested. We have not provided deferred foreign withholding taxes on approximately $33 billion of earnings that are considered permanently reinvested.

A reconciliation of the beginning and ending liability for uncertain tax positions is as follows:

Years ended June 30	2018	2017	2016
BEGINNING OF YEAR	**$ 465**	$ 857	$ 1,096
Increases in tax positions for prior years	**26**	87	124
Decreases in tax positions for prior years	**(38)**	(147)	(97)
Increases in tax positions for current year	**87**	75	97
Settlements with taxing authorities	**(45)**	(381)	(301)
Lapse in statute of limitations	**(20)**	(22)	(39)
Currency translation	**(5)**	(4)	(23)
END OF YEAR	**$ 470**	$ 465	$ 857

Included in the total liability for uncertain tax positions at June 30, 2018, is $251 that, depending on the ultimate resolution, could impact the effective tax rate in future periods.

The Company is present in approximately 70 countries and over 150 taxable jurisdictions and, at any point in time, has 40-50 jurisdictional audits underway at various stages of completion. We evaluate our tax positions and establish liabilities for uncertain tax positions that may be challenged by local authorities and may not be fully sustained, despite our belief that the underlying tax positions are fully supportable. Uncertain tax positions are reviewed on an ongoing basis and are adjusted in light of changing facts and circumstances, including progress of tax audits, developments in case law and the closing of statutes of limitation. Such adjustments are reflected in the tax provision as appropriate. We have tax years open ranging from 2008 and forward. We are generally not able to reliably estimate the ultimate settlement amounts until the close of the audit. While we do not expect material changes, it is possible that the amount of unrecognized benefit with respect to our uncertain tax positions could increase or decrease within the next 12 months. At this time, we are not able to make a reasonable estimate of the range of impact on the balance of uncertain tax positions or the impact on the effective tax rate related to any such changes.

We recognize the additional accrual of any possible related interest and penalties relating to the underlying uncertain tax position in income tax expense. As of June 30, 2018, 2017 and 2016, we had accrued interest of $99, $100 and $323 and accrued penalties of $15, $20 and $20, respectively, which are not included in the above table. During the fiscal years ended June 30, 2018, 2017 and 2016, we recognized $(22), $62 and $2 in interest benefit/(expense) and $(5), $0 and $(2) in penalties benefit/(expense), respectively. The net benefits recognized resulted primarily from the favorable resolution of tax positions for prior years.

Deferred income tax assets and liabilities were comprised of the following:

As of June 30	2018	2017
DEFERRED TAX ASSETS		
Pension and postretirement benefits	**$ 1,478**	$ 1,775
Loss and other carryforwards	**1,067**	1,516
Stock-based compensation	**476**	732
Fixed assets	**223**	212
Accrued marketing and promotion	**223**	210
Unrealized loss on financial and foreign exchange transactions	**61**	259
Inventory	**35**	75
Accrued interest and taxes	**17**	30
Advance payments	**4**	121
Other	**699**	709
Valuation allowances	**(457)**	(505)
TOTAL	**$ 3,826**	$ 5,134
DEFERRED TAX LIABILITIES		
Goodwill and intangible assets	**$ 6,168**	$ 9,403
Fixed assets	**1,276**	1,495
Foreign withholding tax on earnings to be repatriated	**244**	—
Unrealized gain on financial and foreign exchange transactions	**169**	314
Other	**161**	26
TOTAL	**$ 8,018**	$ 11,238

Net operating loss carryforwards were $3.5 billion and $3.3 billion at June 30, 2018 and 2017, respectively. If unused, $1.2 billion will expire between 2018 and 2037. The remainder, totaling $2.3 billion at June 30, 2018, may be carried forward indefinitely.

Amounts in millions of dollars except per share amounts or as otherwise specified.

NOTE 6

EARNINGS PER SHARE

Basic net earnings per common share are calculated by dividing Net earnings attributable to Procter & Gamble less preferred dividends (net of related tax benefits) by the weighted average number of common shares outstanding during the year. Diluted net earnings per common share are calculated using the treasury stock method on the basis of the weighted average number of common shares outstanding plus the dilutive effect of stock options and other stock-based awards (see Note 7) and the assumed conversion of preferred stock (see Note 8).

Net earnings per share were as follows:

Years ended June 30	2018	2017			2016		
CONSOLIDATED AMOUNTS	Total	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Net earnings	**$ 9,861**	$ 10,194	$ 5,217	$ 15,411	$ 10,027	$ 577	$ 10,604
Less: Net earnings attributable to noncontrolling interests	**111**	85	—	85	96	—	96
Net earnings attributable to P&G (Diluted)	**9,750**	10,109	5,217	15,326	9,931	577	10,508
Preferred dividends, net of tax	**(265)**	(247)	—	(247)	(255)	—	(255)
Net earnings attributable to P&G available to common shareholders (Basic)	**$ 9,485**	$ 9,862	$ 5,217	$ 15,079	$ 9,676	$ 577	$ 10,253
SHARES IN MILLIONS							
Basic weighted average common shares outstanding	**2,529.3**	2,598.1	2,598.1	2,598.1	2,698.9	2,698.9	2,698.9
Add: Effect of dilutive securities							
Conversion of preferred shares[1]	**94.9**	99.3	99.3	99.3	103.9	103.9	103.9
Impact of stock options and other unvested equity awards [2]	**32.5**	43.0	43.0	43.0	41.6	41.6	41.6
Diluted weighted average common shares outstanding	**2,656.7**	2,740.4	2,740.4	2,740.4	2,844.4	2,844.4	2,844.4
NET EARNINGS PER SHARE [3]							
Basic	**$ 3.75**	$ 3.79	$ 2.01	$ 5.80	$ 3.59	$ 0.21	$ 3.80
Diluted	**$ 3.67**	$ 3.69	$ 1.90	$ 5.59	$ 3.49	$ 0.20	$ 3.69

(1) Despite being included currently in Diluted net earnings per common share, the actual conversion to common stock occurs when the preferred shares are sold. Shares may only be sold after being allocated to the ESOP participants pursuant to the repayment of the ESOP's obligations through 2035.

(2) Weighted average outstanding stock options of approximately 48 million in 2018, 20 million in 2017 and 55 million in 2016 were not included in the Diluted net earnings per share calculation because the options were out of the money or to do so would have been antidilutive (i.e., the total proceeds upon exercise would have exceeded the market value of the underlying common shares).

(3) Net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

NOTE 7

STOCK-BASED COMPENSATION

We have two primary stock-based compensation programs under which we annually grant stock option, restricted stock unit (RSU) and performance stock unit (PSU) awards to key managers and directors.

In our main long-term incentive program, key managers can elect to receive options or RSUs. All options vest after three years and have a 10-year life. Exercise prices on options are set equal to the market price of the underlying shares on the date of the grant. Effective in fiscal year 2017, RSUs vest and settle in shares of common stock three years from the grant date. RSUs granted prior to fiscal years 2017 vest and settle in shares of common stock five years from the grant date.

Senior-level executives participate in an additional long-term incentive program that awards PSUs, which are paid in shares after the end of a three-year performance period. Under this program, the number of PSUs that will vest is based on the Company's performance relative to pre-established performance goals during that three year period.

In addition to these long-term incentive programs, we award RSUs to the Company's non-employee directors and make other minor stock option and RSU grants to employees for which the terms are not substantially different from our long-term incentive awards.

A total of 185 million shares of common stock were authorized for issuance under the stock-based compensation plan approved by shareholders in 2014, of which 65 million shares remain available for grant.

The Company recognizes stock-based compensation expense based on the fair value of the awards at the date of grant. The fair value is amortized on a straight-line basis over the requisite service period. Awards to employees eligible for retirement prior to the award becoming fully vested are recognized as compensation expense from the grant date through the date the employee first becomes eligible to retire and is no longer required to provide services to earn the award. Stock-based compensation expense is included as part of Cost of products sold and SG&A in the Consolidated Statement of Earnings and includes an estimate of forfeitures, which is based on historical data. Total expense and related tax benefit were as follows:

Years ended June 30	2018	2017 [(1)]	2016 [(1)]
Stock options	**$ 220**	$ 216	$ 199
RSUs and PSUs	**175**	150	143
Total stock-based expense	**$ 395**	$ 366	$ 342
Income tax benefit	**$ 87**	$ 111	$ 85

(1) Includes amounts related to discontinued operations, which are not material in any period presented.

We utilize an industry standard lattice-based valuation model to calculate the fair value for stock options granted. Assumptions utilized in the model, which are evaluated and revised to reflect market conditions and experience, were as follows:

Years ended June 30	2018	2017	2016
Interest rate	**1.9 - 2.9%**	0.8 - 2.6%	0.7 - 1.9%
Weighted average interest rate	**2.8%**	2.6%	1.8%
Dividend yield	**3.1%**	3.2%	3.2%
Expected volatility	**18%**	15%	16%
Expected life in years	**9.2**	9.6	8.3

Lattice-based option valuation models incorporate ranges of assumptions for inputs and those ranges are disclosed in the preceding table. Expected volatilities are based on a combination of historical volatility of our stock and implied volatilities of call options on our stock. We use historical data to estimate option exercise and employee termination patterns within the valuation model. The expected life of options granted is derived from the output of the option valuation model and represents the average period of time that options granted are expected to be outstanding. The interest rate for periods within the contractual life of the options is based on the U.S. Treasury yield curve in effect at the time of grant.

A summary of options outstanding under the plans as of June 30, 2018 and activity during the year then ended is presented below:

Options	Options (in thousands)	Weighted Average Exercise Price	Weighted Average Contract-ual Life in Years	Aggregate Intrinsic Value
Outstanding, beginning of year	206,485	$ 72.46		
Granted	**20,292**	**82.19**		
Exercised	**(19,622)**	**63.44**		
Canceled	**(1,501)**	**82.92**		
OUTSTANDING, END OF YEAR	**205,654**	**$ 74.21**	**5.3**	**$ 1,349**
EXERCISABLE	**143,169**	**$ 69.96**	**3.8**	**$ 1,326**

The following table provides additional information on stock options:

Years ended June 30	2018	2017	2016
Weighted average grant-date fair value of options granted	**$ 11.89**	$ 10.45	$ 8.48
Intrinsic value of options exercised	**500**	1,334	1,388
Grant-date fair value of options that vested	**209**	246	200
Cash received from options exercised	**1,245**	2,630	2,332
Actual tax benefit from options exercised	**127**	421	433

At June 30, 2018, there was $203 of compensation cost that has not yet been recognized related to stock option grants. That cost is expected to be recognized over a remaining weighted average period of 2.0 years.

A summary of non-vested RSUs and PSUs outstanding under the plans as of June 30, 2018 and activity during the year then ended is presented below:

	RSUs		PSUs	
RSU and PSU awards	**Units (in thousands)**	**Weighted Average Grant Date Fair Value**	**Units (in thousands)**	**Weighted Average Grant Date Fair Value**
Non-vested at July 1, 2017	5,359	$ 74.98	1,194	$ 82.40
Granted	**1,978**	**79.73**	**784**	**78.59**
Vested	**(1,777)**	**72.27**	**(550)**	**73.38**
Forfeited	**(184)**	**74.79**	**(43)**	**81.56**
Non-vested at June 30, 2018	**5,376**	**$ 77.17**	**1,385**	**$ 84.08**

At June 30, 2018, there was $255 of compensation cost that has not yet been recognized related to RSUs and PSUs. That cost is expected to be recognized over a remaining weighted average period of 2.1 years. The total grant date fair value of shares vested was $175, $163 and $97 in 2018, 2017 and 2016, respectively.

The Company settles equity issuances with treasury shares. We have no specific policy to repurchase common shares to mitigate the dilutive impact of options, RSUs and PSUs. However, we have historically made adequate discretionary purchases, based on cash availability, market trends and other factors, to offset the impacts of such activity.

NOTE 8

POSTRETIREMENT BENEFITS AND EMPLOYEE STOCK OWNERSHIP PLAN

We offer various postretirement benefits to our employees.

Defined Contribution Retirement Plans

We have defined contribution plans, which cover the majority of our U.S. employees, as well as employees in certain other countries. These plans are fully funded. We generally make contributions to participants' accounts based on individual base salaries and years of service. Total global defined contribution expense was $292, $270 and $292 in 2018, 2017 and 2016, respectively.

The primary U.S. defined contribution plan (the U.S. DC plan) comprises the majority of the expense for the Company's defined contribution plans. For the U.S. DC plan, the contribution rate is set annually. Total contributions for this plan approximated 14% of total participants' annual wages and salaries in 2018, 2017 and 2016.

We maintain The Procter & Gamble Profit Sharing Trust (Trust) and Employee Stock Ownership Plan (ESOP) to provide a portion of the funding for the U.S. DC plan and other retiree benefits (described below). Operating details of the ESOP are provided at the end of this Note. The fair value of the ESOP Series A shares allocated to participants reduces our cash contribution required to fund the U.S. DC plan.

Defined Benefit Retirement Plans and Other Retiree Benefits

We offer defined benefit retirement pension plans to certain employees. These benefits relate primarily to local plans outside the U.S. and, to a lesser extent, plans assumed in previous acquisitions covering U.S. employees.

We also provide certain other retiree benefits, primarily health care and life insurance, for the majority of our U.S. employees who become eligible for these benefits when they meet minimum age and service requirements. Generally, the health care plans require cost sharing with retirees and pay a stated percentage of expenses, reduced by deductibles and other coverages. These benefits are primarily funded by ESOP Series B shares and certain other assets contributed by the Company.

Obligation and Funded Status. The following provides a reconciliation of benefit obligations, plan assets and funded status of these defined benefit plans:

Years ended June 30	Pension Benefits [1] 2018	Pension Benefits [1] 2017	Other Retiree Benefits [2] 2018	Other Retiree Benefits [2] 2017
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year [3]	**$ 16,160**	$ 17,285	**$ 5,187**	$ 5,632
Service cost	**280**	310	**112**	133
Interest cost	**348**	300	**177**	175
Participants' contributions	**13**	14	**73**	74
Amendments	**12**	2	**(231)**	—
Net actuarial loss/(gain)	**(722)**	(643)	**(308)**	(554)
Acquisitions/(divestitures) [4]	**—**	(413)	**—**	(31)
Curtailments	**—**	(132)	**—**	(37)
Special termination benefits	**8**	4	**7**	21
Currency translation and other	**148**	35	**5**	16
Benefit payments	**(589)**	(602)	**(244)**	(242)
BENEFIT OBLIGATION AT END OF YEAR [3]	**$ 15,658**	$ 16,160	**$ 4,778**	$ 5,187
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	**$ 10,829**	$ 10,269	**$ 3,831**	$ 3,787
Actual return on plan assets	**553**	884	**(481)**	136
Acquisitions/(divestitures) [4]	**—**	(34)	**—**	—
Employer contributions	**406**	316	**33**	36
Participants' contributions	**13**	14	**73**	74
Currency translation and other	**55**	(18)	**(3)**	(4)
ESOP debt impacts [5]	**—**	—	**50**	44
Benefit payments	**(589)**	(602)	**(244)**	(242)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**$ 11,267**	$ 10,829	**$ 3,259**	$ 3,831
FUNDED STATUS	**$ (4,391)**	$ (5,331)	**$ (1,519)**	$ (1,356)

(1) Primarily non-U.S.-based defined benefit retirement plans.
(2) Primarily U.S.-based other postretirement benefit plans.
(3) For the pension benefit plans, the benefit obligation is the projected benefit obligation. For other retiree benefit plans, the benefit obligation is the accumulated postretirement benefit obligation.
(4) For the year ended June 30, 2017, this represents the obligations and plans which were classified as held for sale at June 30, 2016.
(5) Represents the net impact of ESOP debt service requirements, which is netted against plan assets for other retiree benefits.

The underfunding of pension benefits is primarily a function of the different funding incentives that exist outside of the U.S. In certain countries, there are no legal requirements or financial incentives provided to companies to pre-fund pension obligations prior to their due date. In these instances, benefit payments are typically paid directly from the Company's cash as they become due.

As of June 30	Pension Benefits 2018	Pension Benefits 2017	Other Retiree Benefits 2018	Other Retiree Benefits 2017
CLASSIFICATION OF NET AMOUNT RECOGNIZED				
Noncurrent assets	**$ 420**	$ 196	**$ —**	$ —
Current liabilities	**(43)**	(40)	**(24)**	(23)
Noncurrent liabilities	**(4,768)**	(5,487)	**(1,495)**	(1,333)
NET AMOUNT RECOGNIZED	**$ (4,391)**	$ (5,331)	**$ (1,519)**	$ (1,356)
AMOUNTS RECOGNIZED IN ACCUMULATED OTHER COMPREHENSIVE INCOME (AOCI)				
Net actuarial loss	**$ 3,787**	$ 4,548	**$ 2,366**	$ 1,819
Prior service cost/(credit)	**244**	245	**(478)**	(293)
NET AMOUNTS RECOGNIZED IN AOCI	**$ 4,031**	$ 4,793	**$ 1,888**	$ 1,526

Amounts in millions of dollars except per share amounts or as otherwise specified.

The accumulated benefit obligation for all defined benefit pension plans was $14,370 and $14,512 as of June 30, 2018 and 2017, respectively. Pension plans with accumulated benefit obligations in excess of plan assets and plans with projected benefit obligations in excess of plan assets consisted of the following:

	Accumulated Benefit Obligation Exceeds the Fair Value of Plan Assets		Projected Benefit Obligation Exceeds the Fair Value of Plan Assets	
As of June 30	2018	2017	2018	2017
Projected benefit obligation	**$ 8,467**	$ 13,699	**$ 8,962**	$ 14,181
Accumulated benefit obligation	**7,573**	12,276	**7,974**	12,630
Fair value of plan assets	**3,740**	8,279	**4,150**	8,654

Net Periodic Benefit Cost. Components of the net periodic benefit cost were as follows:

	Pension Benefits			Other Retiree Benefits		
Years ended June 30	2018	2017	2016	2018	2017	2016
AMOUNTS RECOGNIZED IN NET PERIODIC BENEFIT COST						
Service cost	**$ 280**	$ 310 (1)	$ 314 (1)	**$ 112**	$ 133 (1)	$ 124 (1)
Interest cost	**348**	300	466	**177**	175	219
Expected return on plan assets	**(751)**	(675)	(731)	**(451)**	(431)	(416)
Amortization of net actuarial loss	**295**	375	265	**69**	122	78
Amortization of prior service cost/(credit)	**28**	28	29	**(41)**	(45)	(52)
Amortization of net actuarial loss/ prior service cost due to settlements and curtailments	**—**	186 (2)	—	**—**	16 (2)	—
Special termination benefits	**8**	4	6	**7**	21 (2)	12 (3)
GROSS BENEFIT COST/(CREDIT)	**208**	528	349	**(127)**	(9)	(35)
Dividends on ESOP preferred stock	**—**	—	—	**(37)**	(45)	(52)
NET PERIODIC BENEFIT COST/(CREDIT)	**$ 208**	$ 528	$ 349	**$ (164)**	$ (54)	$ (87)
CHANGE IN PLAN ASSETS AND BENEFIT OBLIGATIONS RECOGNIZED IN AOCI						
Net actuarial loss/(gain) - current year	**$ (524)**	$ (852)		**$ 624**	$ (259)	
Prior service cost/(credit) - current year	**12**	2		**(231)**	—	
Amortization of net actuarial loss	**(295)**	(375)		**(69)**	(122)	
Amortization of prior service (cost)/credit	**(28)**	(28)		**41**	45	
Amortization of net actuarial loss/prior service costs due to settlements and curtailments	**—**	(186)		**—**	(16)	
Reduction in net actuarial losses resulting from curtailment	—	(132)		—	(37)	
Currency translation and other	**73**	6		**(3)**	2	
TOTAL CHANGE IN AOCI	**(762)**	(1,565)		**362**	(387)	
NET AMOUNTS RECOGNIZED IN PERIODIC BENEFIT COST AND AOCI	**$ (554)**	$ (1,037)		**$ 198**	$ (441)	

(1) Service cost includes amounts related to discontinued operations in fiscal years ended June 30, 2017 and June 30, 2016, which are not material for any period.

(2) For fiscal year ended June 30, 2017, amortization of net actuarial loss / prior service cost due to settlement and curtailments and $18 of the special termination benefits are included in Net earnings from discontinued operations related to the Beauty Brands divestiture.

(3) For fiscal year ended June 30, 2016, $7 of the special termination benefits are included in Net Earnings from discontinued operations related to the Batteries divestiture.

The service cost component of the net periodic benefit cost is included in the Statements of Earnings in Cost of products sold and SG&A, unless otherwise noted. All other components are included in the Statements of Earnings in Other non-operating income/(expense), net, unless otherwise noted.

Amounts expected to be amortized from AOCI into net periodic benefit cost during the year ending June 30, 2019, are as follows:

	Pension Benefits	Other Retiree Benefits
Net actuarial loss	$ 224	$ 71
Prior service cost/(credit)	26	(49)

Amounts in millions of dollars except per share amounts or as otherwise specified.

Assumptions. We determine our actuarial assumptions on an annual basis. These assumptions are weighted to reflect each country that may have an impact on the cost of providing retirement benefits. The weighted average assumptions used to determine benefit obligations recorded on the Consolidated Balance Sheets as of June 30, were as follows: (1)

	Pension Benefits		Other Retiree Benefits	
As of June 30	**2018**	**2017**	**2018**	**2017**
Discount rate	**2.5%**	2.4%	**4.2%**	3.9%
Rate of compensation increase	**2.6%**	3.0%	**N/A**	N/A
Health care cost trend rates assumed for next year	**N/A**	N/A	**6.6%**	6.4%
Rate to which the health care cost trend rate is assumed to decline (ultimate trend rate)	**N/A**	N/A	**4.9%**	4.9%
Year that the rate reaches the ultimate trend rate	**N/A**	N/A	**2025**	2022

(1) Determined as of end of fiscal year.

The weighted average assumptions used to determine net benefit cost recorded on the Consolidated Statement of Earnings for the years ended June 30, were as follows: (1)

	Pension Benefits			Other Retiree Benefits		
Years ended June 30	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
Discount rate	**2.4%**	2.1%	3.1%	**3.9%**	3.6%	4.5%
Expected return on plan assets	**6.8%**	6.9%	7.2%	**8.3%**	8.3%	8.3%
Rate of compensation increase	**3.0%**	2.9%	3.1%	**N/A**	N/A	N/A

(1) Determined as of beginning of fiscal year.

For plans that make up the majority of our obligation, the Company calculates the benefit obligation and the related impacts on service and interest costs using specific spot rates along the corporate bond yield curve. For the remaining plans, the Company determines these amounts utilizing a single weighted-average discount rate derived from the corporate bond yield curve used to measure the plan obligations.

Several factors are considered in developing the estimate for the long-term expected rate of return on plan assets. For the defined benefit retirement plans, these factors include historical rates of return of broad equity and bond indices and projected long-term rates of return obtained from pension investment consultants. The expected long-term rates of return for plan assets are 8 - 9% for equities and 5 - 6% for bonds. For other retiree benefit plans, the expected long-term rate of return reflects that the assets are comprised primarily of Company stock. The expected rate of return on Company stock is based on the long-term projected return of 8.5% and reflects the historical pattern of returns.

Assumed health care cost trend rates could have a significant effect on the amounts reported for the other retiree benefit plans. A one percentage point change in assumed health care cost trend rates would have the following effects:

	One-Percentage Point Increase	One-Percentage Point Decrease
Effect on the total service and interest cost components	$ 62	$ (47)
Effect on the accumulated postretirement benefit obligation	737	(585)

Plan Assets. Our investment objective for defined benefit retirement plan assets is to meet the plans' benefit obligations and to improve plan self-sufficiency for future benefit obligations. The investment strategies focus on asset class diversification, liquidity to meet benefit payments and an appropriate balance of long-term investment return and risk. Target ranges for asset allocations are determined by assessing different investment risks and matching the actuarial projections of the plans' future liabilities and benefit payments with current as well as expected long-term rates of return on the assets, taking into account investment return volatility and correlations across asset classes. Plan assets are diversified across several investment managers and are generally invested in liquid funds that are selected to track broad market equity and bond indices. Investment risk is carefully controlled with plan assets rebalanced to target allocations on a periodic basis and with continual monitoring of investment managers' performance relative to the investment guidelines established with each investment manager.

Amounts in millions of dollars except per share amounts or as otherwise specified.

Our target asset allocation for the year ended June 30, 2018, and actual asset allocation by asset category as of June 30, 2018 and 2017, were as follows:

	Target Asset Allocation		Actual Asset Allocation at June 30			
			Pension Benefits		Other Retiree Benefits	
Asset Category	Pension Benefits	Other Retiree Benefits	2018	2017	2018	2017
Cash	**—%**	**2%**	**2%**	2%	**1%**	1%
Debt securities	**65%**	**3%**	**59%**	53%	**4%**	4%
Equity securities	**35%**	**95%**	**39%**	45%	**95%**	95%
TOTAL	**100%**	**100%**	**100%**	100%	**100%**	100%

The following tables set forth the fair value of the Company's plan assets as of June 30, 2018 and 2017 segregated by level within the fair value hierarchy (refer to Note 9 for further discussion on the fair value hierarchy and fair value principles). Company stock listed as Level 2 in the hierarchy represents preferred shares which are valued based on the value of Company common stock. The majority of our Level 3 pension assets are insurance contracts. Their fair values are based on their cash equivalent or models that project future cash flows and discount the future amounts to a present value using market-based observable inputs, including credit risk and interest rate curves. There was no significant activity within the Level 3 pension and other retiree benefits plan assets during the years presented. Investments valued using net asset value as a practical expedient are primarily equity and fixed income collective funds. These assets are not valued using the fair value hierarchy, but rather valued using the net asset value reported by the managers of the funds and as supported by the unit prices of actual purchase and sale transactions.

	Pension Benefits			Other Retiree Benefits		
As of June 30	Fair Value Hierarchy Level	2018	2017	Fair Value Hierarchy Level	2018	2017
ASSETS AT FAIR VALUE						
Cash and cash equivalents	1	**$ 136**	$ 134	1	**$ 5**	$ 6
Company stock [(1)]		**—**	—	2	**3,092**	3,643
Other [(2)]	1, 2 & 3	**400**	165	1	**4**	7
TOTAL ASSETS IN THE FAIR VALUE HEIRARCHY		**536**	299		**3,101**	3,656
Investments valued at net asset value		**10,731**	10,530		**158**	175
TOTAL ASSETS AT FAIR VALUE		**$ 11,267**	10,829		**$ 3,259**	3,831

(1) Company stock is net of ESOP debt discussed below.

(2) The Company's other pension plan assets measured at fair value are generally classified as Level 3 within the fair value hierarchy. There are no material other pension plan asset balances classified as Level 1 or Level 2 within the fair value hierarchy.

Cash Flows. Management's best estimate of cash requirements and discretionary contributions for the defined benefit retirement plans and other retiree benefit plans for the year ending June 30, 2019, is $134 and $39, respectively. For the defined benefit retirement plans, this is comprised of $82 in expected benefit payments from the Company directly to participants of unfunded plans and $52 of expected contributions to funded plans. For other retiree benefit plans, this is comprised of $24 in expected benefit payments from the Company directly to participants of unfunded plans and $15 of expected contributions to funded plans. Expected contributions are dependent on many variables, including the variability of the market value of the plan assets as compared to the benefit obligation and other market or regulatory conditions. In addition, we take into consideration our business investment opportunities and resulting cash requirements. Accordingly, actual funding may differ significantly from current estimates.

Total benefit payments expected to be paid to participants, which include payments funded from the Company's assets and payments from the plans are as follows:

Years ending June 30	Pension Benefits	Other Retiree Benefits
EXPECTED BENEFIT PAYMENTS		
2019	$ 517	$ 194
2020	508	207
2021	545	219
2022	557	231
2023	577	241
2024 - 2028	3,280	1,339

Amounts in millions of dollars except per share amounts or as otherwise specified.

Employee Stock Ownership Plan

We maintain the ESOP to provide funding for certain employee benefits discussed in the preceding paragraphs.

The ESOP borrowed $1.0 billion in 1989 and the proceeds were used to purchase Series A ESOP Convertible Class A Preferred Stock to fund a portion of the U.S. DC plan. Principal and interest requirements of the borrowing were paid by the Trust from dividends on the preferred shares and from advances provided by the Company. The original borrowing of $1.0 billion has been repaid in full, and advances from the Company of $52 remain outstanding at June 30, 2018. Each share is convertible at the option of the holder into one share of the Company's common stock. The dividend for the current year was equal to the common stock dividend of $2.79 per share. The liquidation value is $6.82 per share.

In 1991, the ESOP borrowed an additional $1.0 billion. The proceeds were used to purchase Series B ESOP Convertible Class A Preferred Stock to fund a portion of retiree health care benefits. These shares, net of the ESOP's debt, are considered plan assets of the other retiree benefits plan discussed above. Debt service requirements are funded by preferred stock dividends, cash contributions and advances provided by the Company, of which $825 are outstanding at June 30, 2018. Each share is convertible at the option of the holder into one share of the Company's common stock. The dividend for the current year was equal to the common stock dividend of $2.79 per share. The liquidation value is $12.96 per share.

Our ESOP accounting practices are consistent with current ESOP accounting guidance, including the permissible continuation of certain provisions from prior accounting guidance. ESOP debt, which is guaranteed by the Company, is recorded as debt (see Note 10) with an offset to the Reserve for ESOP debt retirement, which is presented within Shareholders' equity. Advances to the ESOP by the Company are recorded as an increase in the Reserve for ESOP debt retirement. Interest incurred on the ESOP debt is recorded as Interest expense. Dividends on all preferred shares, net of related tax benefits, are charged to Retained earnings.

The series A and B preferred shares of the ESOP are allocated to employees based on debt service requirements. The number of preferred shares outstanding at June 30 was as follows:

Shares in thousands	2018	2017	2016
Allocated	**34,233**	36,488	39,241
Unallocated	**4,117**	5,060	6,095
TOTAL SERIES A	**38,350**	41,548	45,336
Allocated	**25,895**	25,378	23,925
Unallocated	**28,512**	30,412	32,319
TOTAL SERIES B	**54,407**	55,790	56,244

For purposes of calculating diluted net earnings per common share, the preferred shares held by the ESOP are considered converted from inception.

NOTE 9

RISK MANAGEMENT ACTIVITIES AND FAIR VALUE MEASUREMENTS

As a multinational company with diverse product offerings, we are exposed to market risks, such as changes in interest rates, currency exchange rates and commodity prices. We evaluate exposures on a centralized basis to take advantage of natural exposure correlation and netting. To the extent we choose to manage volatility associated with the net exposures, we enter into various financial transactions that we account for using the applicable accounting guidance for derivative instruments and hedging activities. These financial transactions are governed by our policies covering acceptable counterparty exposure, instrument types and other hedging practices.

If the Company elects to do so and if the instrument meets certain specified accounting criteria, management designates derivative instruments as cash flow hedges, fair value hedges or net investment hedges. We record derivative instruments at fair value and the accounting for changes in the fair value depends on the intended use of the derivative, the resulting designation and the effectiveness of the instrument in offsetting the risk exposure it is designed to hedge. We generally have a high degree of effectiveness between the exposure being hedged and the hedging instrument.

Credit Risk Management

We have counterparty credit guidelines and normally enter into transactions with investment grade financial institutions, to the extent commercially viable. Counterparty exposures are monitored daily and downgrades in counterparty credit ratings are reviewed on a timely basis. We have not incurred, and do not expect to incur, material credit losses on our risk management or other financial instruments.

Substantially all of the Company's financial instruments used in hedging transactions are governed by industry standard netting and collateral agreements with counterparties. If the Company's credit rating were to fall below the levels stipulated in the agreements, the counterparties could demand either collateralization or termination of the arrangements. The aggregate fair value of the instruments covered by these contractual features that are in a net liability position as of June 30, 2018, was not material. The Company has not been required to post collateral as a result of these contractual features.

Interest Rate Risk Management

Our policy is to manage interest cost using a mixture of fixed-rate and variable-rate debt. To manage this risk in a cost-efficient manner, we enter into interest rate swaps whereby we agree to exchange with the counterparty, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to a notional amount.

We designate certain interest rate swaps that meet specific accounting criteria as fair value hedges. For fair value hedges, the changes in the fair value of both the hedging instruments and the underlying debt obligations are immediately recognized in earnings. Historically, we had interest rate swaps designated as cash flow hedges. For the years ended June 30, 2018 and 2017, we did not have any contracts outstanding.

Foreign Currency Risk Management

We manufacture and sell our products and finance our operations in a number of countries throughout the world. As a result, we are exposed to movements in foreign currency exchange rates. We leverage the Company's diversified portfolio of exposures as a natural hedge. In certain cases, we enter into non-qualifying foreign currency contracts to hedge certain balance sheet items subject to revaluation. The change in fair value of these instruments and the underlying exposure are both immediately recognized in earnings.

To manage exchange rate risk related to our intercompany financing, we primarily use forward contracts and currency swaps. The change in fair value of these non-qualifying instruments is immediately recognized in earnings, substantially offsetting the foreign currency mark-to-market impact of the related exposure.

Historically, we had certain foreign currency swaps with original maturities up to five years, which were intended to offset the effect of exchange rate fluctuations on intercompany loans denominated in foreign currencies; these swaps were accounted for as cash flow hedges. Those swaps were terminated during the year ended June 30, 2017 and as a result, there was an immaterial gain reclassified from AOCI into earnings for the year ended June 30, 2017 in the following tables but there were no outstanding contracts as of June 30, 2018 and 2017.

Net Investment Hedging

We hedge certain net investment positions in foreign subsidiaries. To accomplish this, we either borrow directly in foreign currencies and designate all or a portion of the foreign currency debt as a hedge of the applicable net investment position or we enter into foreign currency swaps that are designated as hedges of net investments. Changes in the fair value of these instruments are recognized in OCI and offset the change in the value of the net investment being hedged. Upon adoption of ASU 2017-12, the time value component of the net investment hedge currency swaps is excluded from the assessment of hedge effectiveness and reported in income on a systematic basis. Changes in the fair value of the swap, including changes in the fair value of the excluded time value component, are recognized in OCI and offset the value of the underlying net assets.

Commodity Risk Management Certain raw materials used in our products or production processes are subject to price volatility caused by weather, supply conditions, political and economic variables and other unpredictable factors. To manage the volatility related to anticipated purchases of certain of these materials, we have historically, on a limited basis, used futures and options with maturities generally less than one year and swap contracts with maturities up to five years. As of and during the years ended June 30, 2018 and 2017, we did not have any commodity hedging activity.

Insurance

We self-insure for most insurable risks. However, we purchase insurance for Directors and Officers Liability and certain other coverage where it is required by law or by contract.

Fair Value Hierarchy

Accounting guidance on fair value measurements for certain financial assets and liabilities requires that financial assets and liabilities carried at fair value be classified and disclosed in one of the following categories:

- 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 or external inputs from inactive markets.

When applying fair value principles in the valuation of assets and liabilities, we are required to maximize the use of quoted market prices and minimize the use of unobservable inputs. The Company has not changed its valuation techniques used in measuring the fair value of any financial assets or liabilities during the year. Our fair value estimates take into consideration the credit risk of both the Company and our counterparties.

When active market quotes are not available for financial assets and liabilities, we use industry standard valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including credit risk, interest rate curves, foreign currency rates and forward and spot prices for currencies. In circumstances where market-based observable inputs are not available, management judgment is used to develop assumptions to estimate fair value. Generally, the fair value of our Level 3 instruments is estimated as the net present value of expected future cash flows based on external inputs.

The following table sets forth the Company's financial assets as of June 30, 2018 and 2017 that were measured at fair value on a recurring basis during the period:

	Fair Value Asset	
As of June 30	2018	2017
Investments:		
U.S. government securities	**$ 5,544**	$ 6,297
Corporate bond securities	**3,737**	3,271
Other investments	**141**	132
TOTAL	**$ 9,422**	$ 9,700

Amounts in millions of dollars except per share amounts or as otherwise specified.

Investment securities are presented in Available-for-sale investment securities and Other noncurrent assets. The amortized cost of the U.S. government securities with maturities less than one year was $2,003 and $2,494 as of June 30, 2018 and 2017, respectively. The amortized cost of the U.S. government securities with maturities between one and five years was $3,659 and $3,824 as of June 30, 2018 and 2017, respectively. The amortized cost of corporate bond securities with maturities of less than a year was $1,291 and $730 as of June 30, 2018 and 2017, respectively. The amortized cost of corporate bond securities with maturities between one and five years was $2,503 and $2,547 as of June 30, 2018 and 2017, respectively. The Company's investments measured at fair value are generally classified as Level 2 within the fair value hierarchy. There are no material investment balances classified as Level 1 or Level 3 within the fair value hierarchy, or using net asset value as a practical expedient. Fair values are generally estimated based upon quoted market prices for similar instruments.

The fair value of long-term debt was $23,402 and $21,396 as of June 30, 2018 and 2017, respectively. This includes the current portion of debt instruments ($1,769 and $1,694 as of June 30, 2018 and 2017, respectively). Certain long-term debt (debt designated as a fair value hedge) is recorded at fair value. All other long-term debt is recorded at amortized cost, but is measured at fair value for disclosure purposes. We consider our debt to be Level 2 in the fair value hierarchy. Fair values are generally estimated based on quoted market prices for identical or similar instruments.

Disclosures about Financial Instruments

The notional amounts and fair values of financial instruments used in hedging transactions as of June 30, 2018 and 2017 are as follows:

	Notional Amount		Fair Value Asset		Fair Value (Liability)	
As of June 30	2018	2017	2018	2017	2018	2017
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS						
Interest rate contracts	**$ 4,587**	$ 4,552	**$ 125**	$ 180	**$ (53)**	$ (2)
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS						
Foreign currency interest rate contracts	**$ 1,848**	$ 6,102	**$ 41**	$ 14	**$ (75)**	$ (177)
TOTAL DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS	**$ 6,435**	$ 10,654	**$ 166**	$ 194	**$ (128)**	$ (179)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS						
Foreign currency contracts	**$ 7,358**	$ 4,969	**$ 30**	$ 25	**$ (56)**	$ (7)
TOTAL DERIVATIVES AT FAIR VALUE	**$ 13,793**	$ 15,623	**$ 196**	$ 219	**$ (184)**	$ (186)

All derivative assets are presented in Prepaid expenses and other current assets or Other noncurrent assets. All derivative liabilities are presented in Accrued and other liabilities or Other noncurrent liabilities.

The fair value of the interest rate derivative asset/liability directly offsets the cumulative amount of the fair value hedging adjustment included in the carrying amount of the underlying debt obligation. The carrying amount of the underlying debt obligation, which includes the unamortized discount or premium and the fair value adjustment, was $4,639 and $4,705 as of June 30, 2018 and 2017, respectively. In addition to the foreign currency derivative contracts designated as net investment hedges, certain of our foreign currency denominated debt instruments are designated as net investment hedges. The carrying value of those debt instruments designated as net investment hedges, which includes the adjustment for the foreign currency transaction gain or loss on those instruments, was $15,012 and $19,030 as of June 30, 2018 and 2017, respectively. The decrease in the notional balance of the net investment hedges, including the debt instruments designated as net investment hedges, is primarily driven by the reduction in net foreign currency hedgeable assets as a result of US tax reform. The increase in the notional balance of foreign currency contracts not designated as hedging instruments reflects changes in the level of intercompany financing activity during the period.

All of the Company's derivative assets and liabilities measured at fair value are classified as Level 2 within the fair value hierarchy. The Company recognizes transfers between levels within the fair value hierarchy, if any, at the end of each quarter. There were no transfers between levels during the periods presented. In addition, there was no significant activity within the Level 3 assets and liabilities during the periods presented. There were no significant assets or liabilities that were re-measured at fair value on a non-recurring basis during the years ended June 30, 2018 and 2017.

Amounts in millions of dollars except per share amounts or as otherwise specified.

Before tax gains/(losses) on our financial instruments in hedging relationships are categorized as follows:

As of June 30	Amount of Gain/(Loss) Recognized in AOCI on Derivatives	
	2018	2017
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS [1] [2]		
Foreign currency interest rate contracts	**$ (34)**	$ (163)

Years ended June 30	Amount of Gain/(Loss) Reclassified from AOCI into Earnings	
	2018	2017
DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS		
Foreign currency contracts	**$ —**	$ 69

Years ended June 30	Amount of Gain/(Loss) Recognized in Earnings	
	2018	2017
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS		
Interest rate contracts	**$ (106)**	$ (193)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS		
Foreign currency contracts	**$ (1)**	$ 59

[1] For the derivatives in net investment hedging relationships, the amount of gain/(loss) excluded from effectiveness testing, which was recognized in earnings, was $138 and $48 for the fiscal year ended June 30, 2018 and 2017, respectively.

[2] In addition to the foreign currency derivative contracts designated as net investment hedges, certain of our foreign currency denominated debt instruments are designated as net investment hedges. The amount of gain/(loss) recognized in AOCI for such instruments was $367 and $161, as of June 30, 2018 and 2017, respectively.

The gain/(loss) reclassified from AOCI into earnings on the derivatives in cash flow hedging relationships is recognized in the same period during which the related item affects earnings. Such amounts related to foreign currency contracts are included in the Consolidated Statement of Earnings in SG&A. The gain/(loss) on the derivatives in fair value hedging relationships is fully offset by the mark-to-market impact of the related exposure. These are both recognized in the Consolidated Statement of Earnings in Interest Expense. The gain/(loss) on derivatives not designated as hedging instruments is substantially offset by the currency mark-to-market of the related exposure. These are both recognized in the Consolidated Statements of Earnings in SG&A.

Amounts in millions of dollars except per share amounts or as otherwise specified.

NOTE 10

SHORT-TERM AND LONG-TERM DEBT

As of June 30	2018	2017
DEBT DUE WITHIN ONE YEAR		
Current portion of long-term debt	**$ 1,772**	$ 1,676
Commercial paper	**7,761**	11,705
Loan due August 2018	**800**	—
Other	**90**	173
TOTAL	**$ 10,423**	$ 13,554
Short-term weighted average interest rates (1)	**0.7%**	0.5%

(1) Short-term weighted average interest rates include the effects of interest rate swaps discussed in Note 9.

As of June 30	2018	2017
LONG-TERM DEBT		
1.60% USD note due November 2018	**1,000**	1,000
1.75% USD note due October 2019	**600**	—
1.90% USD note due November 2019	**550**	550
0.28% JPY note due May 2020	**903**	894
1.90% USD note due October 2020	**600**	—
4.13% EUR note due December 2020	**698**	686
9.36% ESOP debentures due 2018-2021 (1)	**327**	417
1.85% USD note due February 2021	**600**	600
1.70% USD note due November 2021	**875**	875
2.00% EUR note due November 2021	**873**	858
2.30% USD note due February 2022	**1,000**	1,000
2.15% USD note due August 2022	**1,250**	—
2.00% EUR note due August 2022	**1,164**	1,144
3.10% USD note due August 2023	**1,000**	1,000
1.13% EUR note due November 2023	**1,455**	1,430
0.50% EUR note due October 2024	**582**	—
2.70% USD note due February 2026	**600**	600
2.45% USD note due November 2026	**875**	875
4.88% EUR note due May 2027	**1,164**	1,144
2.85% USD note due August 2027	**750**	—
1.25% EUR note due October 2029	**582**	—
5.55% USD note due March 2037	**763**	1,130
3.50% USD note due October 2047	**600**	—
Capital lease obligations	**107**	51
All other long-term debt	**3,717**	5,460
Current portion of long-term debt	**(1,772)**	(1,676)
TOTAL	**$20,863**	$18,038
Long-term weighted average interest rates (2)	**2.5%**	2.6%

(1) Debt issued by the ESOP is guaranteed by the Company and is recorded as debt of the Company, as discussed in Note 8.

(2) Long-term weighted average interest rates include the effects of interest rate swaps discussed in Note 9.

Amounts in millions of dollars except per share amounts or as otherwise specified.

Long-term debt maturities during the next five fiscal years are as follows:

Years ending June 30	2019	2020	2021	2022	2023
Debt maturities	$1,772	$2,621	$2,034	$2,839	$2,498

The Procter & Gamble Company fully and unconditionally guarantees the registered debt and securities issued by its 100% owned finance subsidiaries.

NOTE 11

ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

The table below presents the changes in Accumulated other comprehensive income/(loss) (AOCI), including the reclassifications out of Accumulated other comprehensive income/(loss) by component:

Changes in Accumulated Other Comprehensive Income/(Loss) by Component

	Hedges	Investment Securities	Pension and Other Retiree Benefits	Financial Statement Translation	Total AOCI
BALANCE at JUNE 30, 2016	$ (2,641)	$ 34	$ (5,798)	$ (7,502)	$ (15,907)
OCI before reclassifications [1]	(237)	(49)	910	356	980
Amounts reclassified from AOCI [2]	(69)	(10)	491	(117)	295
Net current period OCI	(306)	(59)	1,401	239	1,275
BALANCE at JUNE 30, 2017	(2,947)	(25)	(4,397)	(7,263)	(14,632)
OCI before reclassifications [3]	**(299)**	**(141)**	**74**	**(6)**	**(372)**
Amounts reclassified from AOCI [4]	**—**	**(7)**	**260**	**—**	**253**
Net current period OCI	**(299)**	**(148)**	**334**	**(6)**	**(119)**
Less: Other comprehensive income/(loss) attributable to non-controlling interests	**—**	**—**	**(5)**	**3**	**(2)**
BALANCE at JUNE 30, 2018	**$ (3,246)**	**$ (173)**	**$ (4,058)**	**$ (7,272)**	**$ (14,749)**

(1) Net of tax (benefit) / expense of $(186), $(6) and $360 for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively, for the period ended June 30, 2017.

(2) Net of tax (benefit) / expense of $0, $0 and $191 for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively, for the period ended June 30, 2017.

(3) Net of tax (benefit) / expense of $(279), $0 and $(23) for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively, for the period ended June 30, 2018.

(4) Net of tax (benefit) / expense of $0, $0 and $91 for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively, for the period ended June 30, 2018.

The below provides additional details on amounts reclassified from AOCI into the Consolidated Statement of Earnings:

- Hedges: see Note 9 for classification of gains and losses from hedges in the Consolidated Statements of Earnings.
- Investment securities: amounts reclassified from AOCI into Other non-operating income, net.
- Pension and other retiree benefits: amounts reclassified from AOCI into Cost of product sold, SG&A, and Net earnings from discontinued operations and included in the computation of net periodic pension cost (see Note 8 for additional details).
- Financial statement translation: amounts reclassified from AOCI into Net earnings from discontinued operations. These amounts relate to accumulated translation associated with foreign entities sold as part of the sale of the Beauty Brands business.

NOTE 12

COMMITMENTS AND CONTINGENCIES

Guarantees

In conjunction with certain transactions, primarily divestitures, we may provide routine indemnifications (e.g., indemnification for representations and warranties and retention of previously existing environmental, tax and employee liabilities) for which terms range in duration and, in some circumstances, are not explicitly defined. The maximum obligation under some indemnifications is also not explicitly stated and, as a result, the overall amount of these obligations cannot be reasonably estimated. Other than obligations recorded as liabilities at the time of divestiture, we have not made significant payments for these indemnifications. We believe that if we were to incur a loss on any of these matters, the loss would not have a material effect on our financial position, results of operations or cash flows.

In certain situations, we guarantee loans for suppliers and customers. The total amount of guarantees issued under such arrangements is not material.

Off-Balance Sheet Arrangements

We do not have off-balance sheet financing arrangements, including variable interest entities, that have a material impact on our financial statements.

Purchase Commitments and Operating Leases

We have purchase commitments for materials, supplies, services and property, plant and equipment as part of the normal course of business. Commitments made under take-or-pay obligations are as follows:

Years ending June 30	2019	2020	2021	2022	2023	There-after
Purchase obligations	$ 778	$ 111	$ 56	$ 34	$ 13	$ 137

Amounts in millions of dollars except per share amounts or as otherwise specified.

Such amounts represent minimum commitments under take-or-pay agreements with suppliers and are in line with expected usage. These amounts include purchase commitments related to service contracts for information technology, human resources management and facilities management activities that have been outsourced to third-party suppliers. Such amounts also include arrangements with suppliers that qualify as embedded operating leases. Due to the proprietary nature of many of our materials and processes, certain supply contracts contain penalty provisions for early termination. We do not expect to incur penalty payments under these provisions that would materially affect our financial position, results of operations or cash flows.

We also lease certain property and equipment for varying periods. Future minimum rental commitments under non-cancelable operating leases, net of guaranteed sublease income, are as follows:

Years ending June 30	2019	2020	2021	2022	2023	There-after
Operating leases	$ 275	$ 240	$ 202	$ 172	$ 153	$ 296

Litigation

We are subject, from time to time, to certain legal proceedings and claims arising out of our business, which cover a wide range of matters, including antitrust and trade regulation, product liability, advertising, contracts, environmental, patent and trademark matters, labor and employment matters and tax.

While considerable uncertainty exists, in the opinion of management and our counsel, the ultimate resolution of the various lawsuits and claims will not materially affect our financial position, results of operations or cash flows.

We are also subject to contingencies pursuant to environmental laws and regulations that in the future may require us to take action to correct the effects on the environment of prior manufacturing and waste disposal practices. Based on currently available information, we do not believe the ultimate resolution of environmental remediation will materially affect our financial position, results of operations or cash flows.

NOTE 13

DISCONTINUED OPERATIONS

On October 1, 2016, the Company completed the divestiture of four product categories to Coty, Inc. (“Coty”). The divestiture included 41 of the Company's beauty brands (“Beauty Brands”), including the global salon professional hair care and color, retail hair color, cosmetics and a majority of the fine fragrance businesses, along with select hair styling brands. The form of the divestiture transaction was a Reverse Morris Trust split-off, in which P&G shareholders were given the election to exchange their P&G shares for shares of a new corporation that held the Beauty Brands (Galleria Co.), and then immediately exchange those shares for Coty shares. The value P&G received in the transaction was $11.4 billion. The value was comprised of 105 million shares of common stock of the Company, which were tendered by shareholders of the Company and exchanged for the Galleria Co. shares, valued at approximately $9.4 billion, and the assumption of $1.9 billion of debt by Galleria Co. The shares tendered in the transaction were reflected as an addition to treasury stock and the cash received related to the debt assumed by Coty was reflected as an investing activity in the Consolidated Statement of Cash Flows. The Company recorded an after-tax gain on the final transaction of $5.3 billion, net of transaction and related costs.

Two of the fine fragrance brands, Dolce & Gabbana and Christina Aguilera, were excluded from the divestiture. These brands were subsequently divested at amounts that approximated their adjusted carrying values.

In February 2016, the Company completed the divestiture of its Batteries business to Berkshire Hathaway (BH) via a split transaction, in which the Company exchanged the Duracell Company, which the Company had infused with additional cash, to repurchase all 52.5 million shares of P&G stock owned by BH. During the fiscal year ended June 30, 2016, the Company recorded non-cash, before-tax goodwill and indefinite-lived asset impairment charges of $402 ($350 after tax), to reduce the Batteries carrying value to the total estimated proceeds based on the value of BH’s shares in P&G stock at the time of the impairment charges (see Note 4). The Company recorded an after-tax gain on the final transaction of $422 to reflect a subsequent increase in the final value of the BH’s shares in P&G stock. The total value of the transaction was $4.2 billion representing the value of the Duracell business and the cash infusion. The cash infusion of $1.7 billion was reflected as a purchase of treasury stock.

In accordance with applicable accounting guidance for the disposal of long-lived assets, the results of the Beauty Brands and Batteries businesses are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented. The Beauty Brands were historically part of the Company's Beauty reportable segment. The Batteries business was historically part of the Company's Fabric & Home Care reportable segment.

Amounts in millions of dollars except per share amounts or as otherwise specified.

On July 1, 2015, the Company adopted ASU 2014-08, which included new reporting and disclosure requirements for discontinued operations. The new requirements are effective for discontinued operations occurring on or after the adoption date, which includes the Beauty Brands divestiture. Discontinued operations prior to July 1, 2015, which included the Batteries divestiture, are reported based on the previous disclosure requirements for discontinued operations.

The following table summarizes Net earnings from discontinued operations and reconciles to the Consolidated Statements of Earnings:

Years ended June 30	2017	2016
Beauty Brands	$ 5,217	$ 336
Batteries	—	241
Net earnings from discontinued operations	$ 5,217	$ 577

The following is selected financial information included in Net earnings from discontinued operations for the Beauty Brands:

	Beauty Brands	
Years ended June 30	2017	2016
Net sales	$ 1,159	$ 4,910
Cost of products sold	450	1,621
Selling, general and administrative expense	783	2,763
Intangible asset impairment charges	—	48
Interest expense	14	32
Interest income	—	2
Other non-operating income/(expense), net	16	9
Earnings/(loss) from discontinued operations before income taxes	$ (72)	$ 457
Income taxes on discontinued operations	46	121
Gain on sale of business before income taxes	$ 5,197	$ —
Income tax expense/(benefit) on sale of business	(138) (1)	—
Net earnings from discontinued operations	$ 5,217	$ 336

(1) The income tax benefit of the Beauty Brands divestiture represents the reversal of underlying deferred tax balances partially offset by current tax expense related to the transaction.

The following is selected financial information included in cash flows from discontinued operations for the Beauty Brands:

	Beauty Brands	
Years ended June 30	2017	2016
NON-CASH OPERATING ITEMS		
Depreciation and amortization	$ 24	$ 106
Deferred income tax benefit	(649)	—
Gain on sale of businesses	5,210	8
Goodwill and intangible asset impairment charges	—	48
Net increase in accrued taxes	93	—
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash taxes paid	$ 418	$ —
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	$ 38	$ 114

Following is selected financial information included in Net earnings from discontinued operations for the Batteries business:

		Net Sales	Earnings Before Impairment Charges and Income Taxes	Impairment Charges	Income Tax (Expense)/ Benefit	Loss on Sale Before Income Taxes	Income Tax (Expense)/ Benefit on Sale	Net Earnings from Discontinued Operations
Batteries	2016	1,517	266	(402)	(45)	(288)	710 (1)	241

(1) The income tax benefit of the Batteries divestiture primarily represents the reversal of underlying deferred tax balances.

Amounts in millions of dollars except per share amounts or as otherwise specified.

NOTE 14

QUARTERLY RESULTS (UNAUDITED)

Quarters Ended		Sep 30	Dec 31	Mar 31	Jun 30	Total Year
NET SALES	**2017-2018**	**$ 16,653**	**$ 17,395**	**$ 16,281**	**$ 16,503**	**$ 66,832**
	2016-2017	16,518	16,856	15,605	16,079	65,058
OPERATING INCOME	**2017-2018**	**3,648**	**3,919**	**3,209**	**2,587**	**13,363**
	2016-2017	3,728	3,827	3,311	2,900	13,766
GROSS MARGIN	**2017-2018**	**50.3%**	**49.9%**	**48.5%**	**45.0%**	**48.5%**
	2016-2017	50.8%	50.6%	49.6%	48.2%	49.8%
NET EARNINGS:						
Net earnings from continuing operations	**2017-2018**	**$ 2,870**	**$ 2,561**	**$ 2,540**	**$ 1,890**	**$ 9,861**
	2016-2017	2,875	2,561	2,556	2,202	10,194
Net earnings/(loss) from discontinued operations	**2017-2018**	**—**	**—**	**—**	**—**	**—**
	2016-2017	(118)	5,335	—	—	5,217
Net earnings attributable to Procter & Gamble	**2017-2018**	**2,853**	**2,495**	**2,511**	**1,891**	**9,750**
	2016-2017	2,714	7,875	2,522	2,215	15,326
DILUTED NET EARNINGS PER COMMON SHARE: [1]						
Earnings from continuing operations	**2017-2018**	**$ 1.06**	**$ 0.93**	**$ 0.95**	**$ 0.72**	**$ 3.67**
	2016-2017	1.00	0.93	0.93	0.82	3.69
Earnings/(loss) from discontinued operations	**2017-2018**	**—**	**—**	**—**	**—**	**—**
	2016-2017	(0.04)	1.95	—	—	1.90
Net earnings	**2017-2018**	**1.06**	**0.93**	**0.95**	**0.72**	**3.67**
	2016-2017	0.96	2.88	0.93	0.82	5.59

(1) Diluted net earnings per share is calculated on Net earnings attributable to Procter & Gamble.

Amounts in millions of dollars except per share amounts or as otherwise specified.

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Section 6: EX-99.4 (EXHIBIT 99.4 REPORT OF IND REG PUBLIC ACCTG FIRM)

EXHIBIT 99.4 REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of The Procter & Gamble Company

Opinion on the Financial Statements

We have audited the accompanying Consolidated Balance Sheets of The Procter & Gamble Company and subsidiaries (the "Company") as of June 30, 2018 and 2017, the related Consolidated Statements of Earnings, Comprehensive Income, Shareholders’ Equity, and Cash Flows for each of the three years in the period ended June 30, 2018 and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 7, 2018 (not presented herein) expressed an unqualified opinion on the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the accompanying financial statements have been retrospectively adjusted for the change in presentation of other components of net periodic benefit costs due to the adoption of Accounting Standards Update No. 2017-07, Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715), and for the change in presentation of restricted cash within the statements of cash flows due to the adoption of Accounting Standards Update No. 2016-18, Statement of Cash Flows: Restricted Cash (Topic 230).

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio

August 7, 2018 (October 22, 2018 as to the effects of the adoption of Accounting Standards Update Nos. 2017-07 and 2016-18 as described in Note 1)

We have served as the Company’s auditor since 1890.

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EXHIBIT III – DEFINITIVE PROXY STATEMENT ON FORM DEF 14A FILED ON AUGUST 24, 2018

2018 PROXY STATEMENT

Notice of Annual Meeting of Shareholders
to be held on October 9, 2018

The Procter & Gamble Company
General Offices, 1 Procter & Gamble Plaza
Cincinnati, Ohio 45202

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

August 24, 2018

Fellow Procter & Gamble Shareholders:

It is our pleasure to invite you to this year's annual meeting of shareholders. The meeting will take place on Tuesday, October 9, 2018 at 9:00 a.m. Eastern Daylight Time at The Procter & Gamble Company General Offices, 1 Procter & Gamble Plaza, Cincinnati, Ohio 45202. At the meeting, our shareholders will be asked to:

- Elect the 13 Director nominees listed in the accompanying proxy statement;
- Ratify the appointment of the independent registered public accounting firm;
- Approve, on an advisory basis, the Company's executive compensation (the "Say on Pay" vote); and
- Transact such other business as may properly come before the meeting.

Shareholders of record as of the close of business on August 10, 2018 (the "record date") are entitled to vote at the annual meeting and any postponement or adjournment thereof. **Please see pages 2-5 for additional information regarding admission to the meeting and how to vote your shares.** If you plan to attend the meeting in person, **we encourage you to register for admission** by Monday, October 8. If you are not able to attend the meeting in person, you may join a live webcast of the meeting on the Internet by visiting www.pginvestor.com at 9:00 a.m., Eastern Daylight Time, on October 9.

Your vote is important. Please vote your proxy promptly to ensure your shares are properly represented, even if you plan to attend the annual meeting. You can vote by Internet, by telephone, or by requesting a printed copy of the proxy materials and using the enclosed proxy card.

We appreciate your continued confidence in our Company and look forward to seeing you at The Procter & Gamble Company General Offices on October 9, 2018.

DAVID S. TAYLOR
CHAIRMAN OF THE BOARD, PRESIDENT
AND CHIEF EXECUTIVE OFFICER

DEBORAH P. MAJORAS
CHIEF LEGAL OFFICER AND SECRETARY

REVIEW THE PROXY STATEMENT AND VOTE IN ONE OF FOUR WAYS:

VIA THE INTERNET
Visit www.proxyvote.com.

BY MAIL
Sign, date, and return the enclosed proxy card or voting instruction form.

BY TELEPHONE
Call the telephone number on your proxy card, voting instruction form, or notice.

IN PERSON
Attend the annual meeting in Cincinnati. *See page 4 for additional details on how to preregister.*

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on October 9, 2018: This Notice of Annual Meeting, the Proxy Statement, and the 2018 Annual Report are available at www.proxyvote.com.

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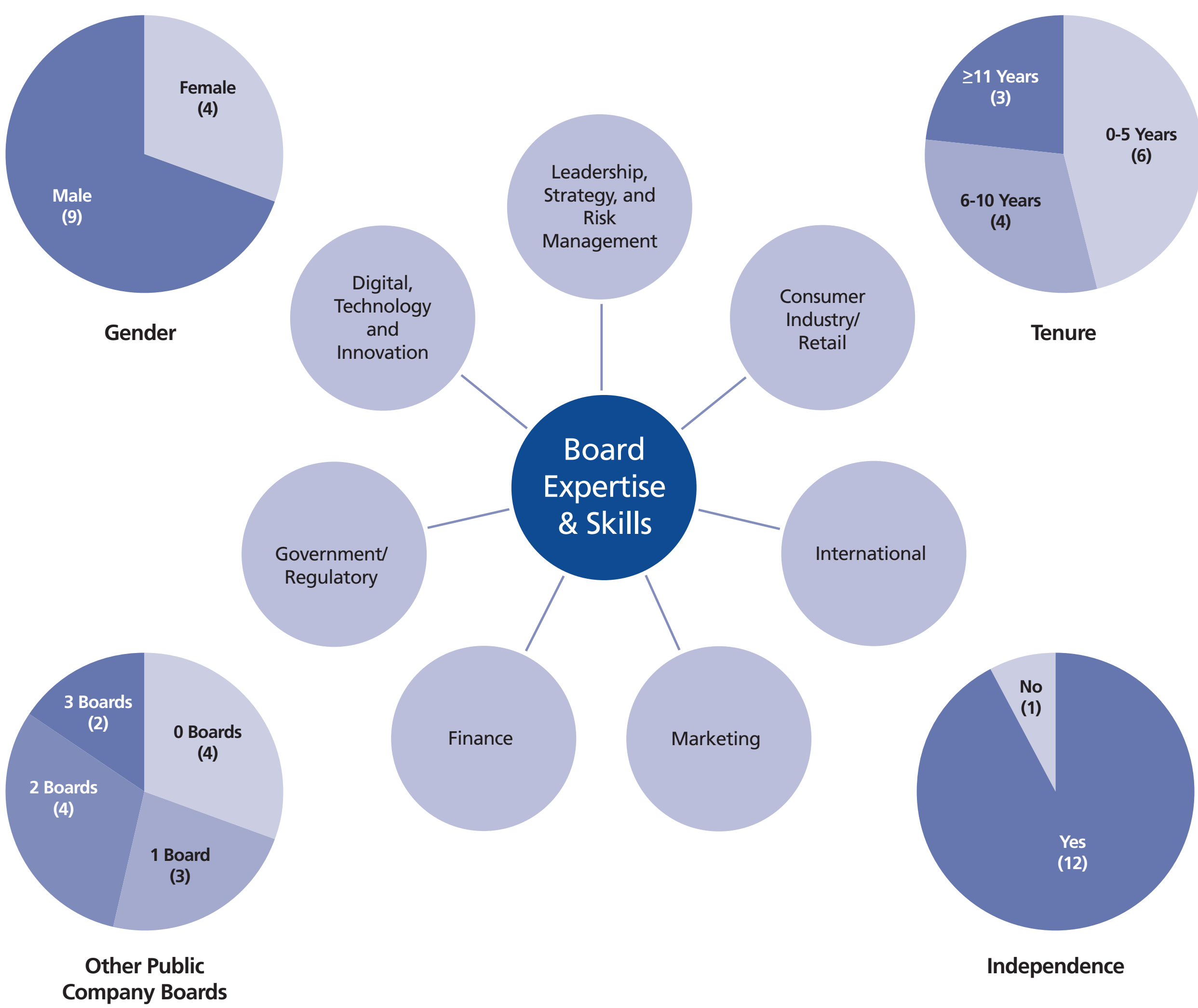
Voting Matters and Board Recommendations

	Voting Matter	Vote Standard	Board Vote Recommendation	See Page
Item 1	Election of Directors	Majority of votes cast	FOR EACH NOMINEE	6
Item 2	Ratification of Independent Registered Public Accounting Firm	Majority of votes cast	FOR	67
Item 3	Advisory Approval of Executive Compensation	Majority of votes cast	FOR	68

Our Board of Director Nominees



Our Director Nominees

You are being asked to vote on the election of the 13 Directors listed below. Additional information about each Director's background and experience can be found beginning on page 8.

Name	Position	Age	Board Tenure	Committee Memberships
Francis S. Blake *	Former Chairman of the Board and Chief Executive Officer of The Home Depot, Inc.	69	3 years	Audit G&PR
Angela F. Braly *	Former Chair of the Board, President and Chief Executive Officer of WellPoint, Inc. (now known as Anthem)	57	8 years	Audit G&PR (Chair)
Amy L. Chang *	Senior Vice President of the Collaboration Technology Group at Cisco Systems, Inc.; Founder and Former Chief Executive Officer of Accompany, Inc.	41	1 year	Audit I&T
Kenneth I. Chenault *	Chairman and Managing Director of General Catalyst Partners; Former Chairman and Chief Executive Officer of American Express Company	67	10 years	Audit C&LD
Scott D. Cook * #	Chairman of the Executive Committee of the Board of Intuit Inc.	66	18 years	C&LD I&T
Joseph Jimenez *	Former Chief Executive Officer of Novartis AG	58	6 months	C&LD I&T (Chair)
Terry J. Lundgren *	Former Executive Chairman, Chairman of the Board and CEO of Macy's, Inc.	66	5 years	C&LD (Chair) I&T
W. James McNerney, Jr. * (Lead Director)	Senior Advisor at Clayton, Dubilier & Rice, LLC; Former Chairman of the Board, President and Chief Executive Officer of The Boeing Company	69	15 years	C&LD G&PR
Nelson Peltz *	Chief Executive Officer and Founding Partner of Trian Fund Management, L.P.	76	6 months	G&PR I&T
David S. Taylor	Chairman of the Board, President and Chief Executive Officer of the Company	60	3 years	None‡
Margaret C. Whitman *	Chief Executive Officer of NewTV; Former President and Chief Executive Officer of Hewlett Packard Enterprise	62	7 years	C&LD I&T
Patricia A. Woertz *	Former Chairman and Chief Executive Officer of Archer Daniels Midland Company	65	10 years	Audit (Chair) G&PR
Ernesto Zedillo * +	Director of the Center for the Study of Globalization and Professor of International Economics and Politics at Yale University; Former President of Mexico	66	17 years	G&PR I&T

*****_Independent_

#Mr. Cook's experience as the founder and former CEO of a successful consumer-facing global technology company, combined with his knowledge of P&G, is proving to be highly valuable to the Board and the Company during this time. The Board therefore determined that these were "special circumstances" warranting an exception to the term limits set forth in the Corporate Governance Guidelines and voted to nominate Mr. Cook for re-election.

‡*Not on any Committees because the Committees are all comprised of independent Directors.*

+*In accordance with the Corporate Governance Guidelines, Dr. Zedillo is expected to retire in February 2019 upon reaching 18 years of service on the Board.*

C&LD Compensation & Leadership Development
G&PR Governance & Public Responsibility
I&T Innovation & Technology

Corporate Governance Highlights

Director Independence	• 12 of 13 Director nominees are independent • 4 fully independent Board Committees: Audit, Compensation & Leadership Development, Governance & Public Responsibility, and Innovation & Technology
Board Accountability	• Declassified Board – all Directors are elected annually • Simple majority voting standard for all uncontested Director elections • Shareholder right to call special meetings
Board Leadership	• Annual assessment and determination of Board leadership structure • Annual election of independent Lead Director if Chairman/CEO roles are combined or the Chairman is not independent • Lead Director has strong role and significant governance duties, including chair of Executive Sessions of independent Directors
Board Evaluation and Effectiveness	• Annual Board and Committee self-assessments • Annual independent Director evaluation of Chairman and CEO
Board Refreshment & Diversity	• Balance of new and experienced Directors, with tenure of current Directors averaging less than 8 years after adding 5 new Directors in the last 5 years • Specified retirement age and term limit for Directors • 7 of 13 Directors are women or ethnically diverse • Average age of Directors is 63
Director Engagement	• Directors attended 96.5% of Board and Committee meetings in FY 2017-18 • Board policy limits Director membership on other public company boards • Shareholder ability to contact Directors (as described on page 26)
Director Access	• Significant interaction with senior business leaders through regular business reviews • Directors have access to senior management and other employees • Directors have ability to hire outside experts and consultants and to conduct independent investigations
Clawback and Anti-Hedging Policies	• Clawback policy permits the Company to recoup certain compensation payments in the event of a significant restatement of financial results for any reason • Insider Trading Policy prohibits Directors, senior executives and other designated employees from engaging in any pledging, short sales or hedging investments involving Company stock
Share Ownership	• CEO required to hold shares equivalent to 8x salary • Senior executives required to hold shares equivalent to 4x or 5x salary, depending on role • Directors required to hold shares equivalent to 6x the cash portion of their annual retainer • Any executive who has not met the requirements of the Executive Share Ownership Program is subject to the Share Holding Requirement for any net shares resulting from stock option exercises or settlement of PSUs or RSUs
Proxy Access	• Proactive adoption in 2016 of proxy access for Director nominees • Available to a shareholder, or group of up to 20 shareholders, holding 3% of Company's common stock for at least 3 years • May nominate candidates for the greater of two seats or 20% of Board nominees
Corporate Citizenship	• Company's Citizenship Board, comprised of senior executives, oversees the Company's environmental, social, and governance programs • Publish annual Citizenship Report disclosing Company's Corporate Citizenship efforts
Corporate Governance Principles	• Policies consistent with the Investor Stewardship Group's Corporate Governance Principles

Key Elements of FY 2017-18 Executive Compensation Program

- **Strong Shareholder Support with 92.95% Say on Pay Support at the 2017 Annual Meeting.** This vote is a positive endorsement of the Company's executive compensation practices and decisions.

- **We Emphasize Pay for Performance.**
  - On average, 87% of NEO compensation was performance-based. Of this, 83% was tied to long-term performance.
  - Consistent with our design principles, performance-based programs pay out at 100% when target goals are achieved. Payouts below 100% occur when target goals are not achieved, and payouts above 100% are possible when target goals are exceeded. Payouts under these programs are based on the results achieved as compared to the pre-established performance targets, highlighting the clear link between pay and performance that is the cornerstone of our compensation programs.

- **We Pay Competitively.**
  - The C&LD Committee structures executive compensation to be competitive with the targets for comparable positions at companies considered to be our peers, as described on page 34.

- **We Focus on Long-Term Success.**
  - The majority of the NEOs' compensation is delivered through two long-term incentive programs tied to Company performance: the Performance Stock Program ("PSP") and the Long-Term Incentive Program ("LTIP").
  - Significant share ownership and shareholding requirements.

CEO Compensation Highlights

- **Salary.** Mr. Taylor's annualized base salary was unchanged at $1,600,000.

- **STAR Annual Bonus Program.** Mr. Taylor's STAR target remained at 200% of salary. His STAR payout was $2,736,000, which is approximately 85% of target.

- **Long-Term Incentive Programs.** The C&LD Committee approved a long-term incentive award of $12,500,000 for Mr. Taylor. Half of the total value is delivered in the PSP. The remaining half is in the LTIP grant, which the C&LD Committee determined would be delivered as 50% stock options and 50% RSUs.

Compensation Program Improvements for FY 2018-19

To better align rewards to business results and Company strategy, and to reflect suggestions by institutional shareholders during last year's dialogue with investors, the C&LD Committee approved several changes effective July 1, 2018:

- **PSP:** Modified the Organic Sales Growth metric so that it compares performance to our competitive peer set, and added a total shareholder return modifier, also relative to our peer set. These changes ensure awards reflect performance versus external competitive benchmarks.
- **STAR:** Expanded the ranges of the Company and Business Unit Factors to include the possibility of not paying out at all based on performance. To reflect current market practice and provide a clearer focus on rewarding business unit results, modified the STAR formula to be additive rather than multiplicative and weighted the Company Factor at 30% and the Business Unit Factor at 70%.

Glossary of Terms

Commonly Used Terms in This Proxy Statement

C&LD	Compensation & Leadership Development
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHRO	Chief Human Resources Officer
EDCP	Executive Deferred Compensation Plan
EGLIP	Executive Group Life Insurance Program
EPS	Earnings Per Share
FY	Fiscal Year
G&PR	Governance & Public Responsibility
GBU	Global Business Unit
I&T	Innovation & Technology
IRA	International Retirement Arrangement
IRP	International Retirement Plan
LTIP	Long-Term Incentive Program
NEO	Named Executive Officer
NYSE	New York Stock Exchange
PSP	Performance Stock Program
PST	Profit Sharing Trust and Employee Stock Ownership Plan
PSU	Performance Stock Unit
RSU	Restricted Stock Unit
SEC	Securities and Exchange Commission
SMO	Selling and Market Operations
STAR	Short-Term Achievement Reward
TSR	Total Shareholder Return

Voting and Meeting Information

In connection with the Company's 2018 annual meeting of shareholders, which will take place on October 9, 2018, the Board of Directors has provided these materials to you, either over the Internet or via mail. The Notice was mailed to Company shareholders beginning August 24, 2018, and our proxy materials were posted on the website referenced in the Notice on that same date. The Company, on behalf of its Board, is soliciting your proxy to vote your shares at the 2018 annual meeting of shareholders. We solicit proxies to give shareholders of record an opportunity to vote on matters that will be presented at the annual meeting. In the proxy statement, you will find information on these matters, which is provided to assist you in voting your shares.

1. Who can vote?

You can vote if, as of the close of business on August 10, 2018, you were a shareholder of record of the Company's:

- Common Stock;
- Series A ESOP Convertible Class A Preferred Stock; or
- Series B ESOP Convertible Class A Preferred Stock.

Each share of Company stock gets one vote. On August 10, 2018, there were issued and outstanding:

- 2,489,159,247 shares of Common Stock;
- 38,103,661 shares of Series A ESOP Convertible Class A Preferred Stock; and
- 54,407,237 shares of Series B ESOP Convertible Class A Preferred Stock.

2. How do I vote by proxy?

Most shareholders can vote by proxy in three ways:

- **By Internet** — You can vote via the Internet by following the instructions in the Notice or by accessing the Internet at www.proxyvote.com and following the instructions contained on that website;
- **By Telephone** — In the United States and Canada, you can vote by telephone by following the instructions in the Notice or by calling (800) 690-6903 (toll-free) and following the instructions; or
- **By Mail** — You can vote by mail by requesting a full packet of proxy materials be sent to your home address. Upon receipt of the materials, you may fill out the enclosed proxy card and return it per the instructions on the card.

If you vote by proxy, your shares will be voted at the annual meeting as you direct. If you sign your proxy card but do not specify how you want your shares to be voted, they will be voted as the Board recommends.

If you are a participant in The Procter & Gamble Direct Stock Purchase Plan and/or The Procter & Gamble International Stock Ownership Program, you can vote the shares of common stock held for your account through any of the proxy voting options set forth above.

Voting and Meeting Information

For participants in The Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan, The Procter & Gamble Savings Plan, The Gillette Company Employee Stock Ownership Plan, The Procter & Gamble Commercial Company Employees' Savings Plan and/or The Profit Sharing Retirement Plan of The Procter & Gamble Commercial Company (the "NA Plans"):

If you are a participant in the NA Plans, you have the right to instruct the respective plan fiduciaries how to vote the shares of stock that are allocated to your account. If your properly signed and executed voting instructions are timely received, the plan fiduciaries will vote the shares allocated to your account as you instructed. If your voting instructions are not properly signed and executed or if they are not timely received, the plan fiduciaries will vote the shares allocated to your account in direct proportion to the shares of the same class for which the respective plan fiduciaries timely received properly signed and executed voting instructions. The plan fiduciaries also will vote the shares held in trust that have not been allocated to any account in the same manner. The plan fiduciaries will vote shares of P&G stock as described above, unless otherwise required by the Employee Retirement Income Security Act of 1974, as amended, or other applicable law.

For participants in The Procter & Gamble U.K. 1-4-1 Plan, The Procter & Gamble U.K. Share Investment Scheme and/or The Procter & Gamble Ireland Employee Stock Ownership Plan (the "UK and Ireland Plans"):

If you are a participant in the UK and Ireland Plans, you can instruct the respective plan fiduciaries how to vote the shares of stock that are allocated to your account. If you do not vote your shares, the plan fiduciaries will not submit a vote for your shares.

3. Can I change or revoke my vote after I return my proxy card?

Yes. You can change or revoke your proxy at any time before it is exercised at the annual meeting by Internet, telephone, or mail prior to 11:59 p.m. Eastern Daylight Time on Monday, October 8, 2018, or by attending the annual meeting and voting in person.

4. Can I vote in person at the annual meeting instead of voting by proxy?

Yes. However, we encourage you to vote your proxy by Internet, telephone, or mail prior to the meeting, even if you plan to attend in person.

5. What are the voting procedures and what vote is required for approval of proposals?

Election of Directors—As provided in the Company's Amended Articles of Incorporation, each of the 13 nominees for Director who receives a majority of votes cast will be elected as a member of the Board. A "majority of votes cast" means that the number of shares cast "for" a nominee must exceed the number of votes cast "against" that nominee. Abstentions and broker non-votes will have no effect. Pursuant to the By-Laws of the Board of Directors, if a non-incumbent nominee for Director receives a greater number of votes cast "against" than votes cast "for," such nominee shall not be elected as a member of the Board. Any incumbent nominee for Director who receives a greater number of votes cast "against" than votes cast "for" shall continue to serve on the Board pursuant to Ohio law, but shall immediately tender his or her resignation as a Director to the Board. Within 90 days, the Board will decide after taking into account the recommendation of the Governance & Public Responsibility Committee (in each case excluding the nominee in question), whether to accept the resignation. Absent a compelling reason for the Director to remain on the Board, the Board shall accept the resignation. The Board's explanation of its decision shall be promptly disclosed on a Form 8-K submitted to the SEC.

All other proposals require the affirmative vote of a majority of shares participating in the voting on each proposal for approval. Abstentions and broker non-votes will not be counted as participating in the voting and will therefore have no effect.

6. Who pays for the Company's proxy solicitation?

The Company will bear the cost of the solicitation of proxies by the Company. We have hired D.F. King & Co., Inc., a proxy solicitation firm, to assist us in soliciting proxies for a fee of $17,500, plus reasonable expenses. In addition, D.F. King and the Company's Directors, officers, and employees may also solicit proxies by mail, telephone, personal contact, email, or other online methods. We will reimburse their expenses for doing this.

We will also reimburse brokers, fiduciaries, and custodians for their costs in forwarding proxy materials to beneficial owners of Company stock. Other proxy solicitation expenses that we will pay include those for preparing, mailing returning, and tabulating the proxies.

7. What is the difference between a "shareholder of record" and a "beneficial shareholder" of shares held in street name?

You are the "shareholder of record" for any P&G shares that you own directly in your name in an account with P&G's stock transfer agent, EQ Shareowner Services.

You are a "beneficial shareholder" of shares held in street name if your P&G shares are held in an account with a broker, bank, or other nominee as custodian on your behalf. The broker, bank, or other nominee is considered the shareholder of record of these shares. As the beneficial owner, you have the right to instruct the broker, bank, or other nominee on how to vote your P&G shares.

8. How do I vote my P&G shares held in street name?

If your shares are held by a bank, broker, or other holder of record, you will receive voting instructions from the holder of record. Your broker is required to vote your shares in accordance with your instructions.

9. Can I attend the Annual Meeting in person?

If you plan to attend the meeting, you must be a shareholder of The Procter & Gamble Company as of August 10, 2018, the record date. In order to expedite your admission process, we encourage you to register for admission before 11:59 p.m. on Monday, October 8. You may register for admission for yourself and one guest by:

- Visiting www.proxyvote.com and following the instructions provided, or by calling (844) 318-0137. You will need the control number included on your proxy card, voter instruction form, or notice.
- At the entrance to the meeting, we will verify your registration and request to see a valid form of photo identification, such as a driver's license or passport.

If you do not register for admission in advance of the meeting, we will request to see your photo identification at the entrance to the meeting. We will then determine if you owned common stock on the record date by:

- Verifying your name and stock ownership against our list of registered shareholders; or
- Asking to review evidence of your stock ownership as of August 10, 2018, such as your brokerage statement. You must bring such evidence with you in order to be admitted to the meeting. If you are acting as a proxy, we will need to review a valid written legal proxy signed by the owner of the common stock granting you the required authority to vote the owner's shares.

10. Can I listen to the Annual Meeting on-line?

If you are not able to attend the meeting in person, you may join a live webcast of the meeting on the Internet by visiting www.pginvestor.com at 9:00 a.m. Eastern Daylight Time on October 9, 2018.

11. What is the Record Date?

August 10, 2018 is the record date for the meeting. This means that owners of Procter & Gamble stock at the close of business on that date are entitled to:

- receive notice of the meeting; and
- vote at the meeting and any adjournments or postponements of the meeting.

12. How is P&G distributing proxy materials?

On or about August 24, 2018, we began mailing a Notice of Internet Availability of Proxy Materials (the "Notice") to shareholders of record as of August 10, 2018, and we posted our proxy materials on the website referenced in the Notice (www.proxyvote.com). As more fully described in the Notice, shareholders may choose to access our proxy materials at www.proxyvote.com or may request a printed set of our proxy materials. In addition, the Notice and website provide information regarding how you may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis. Those who previously requested printed proxy materials or electronic materials on an ongoing basis will receive those materials as requested.

13. Why were my proxy materials included in the same envelope as other people at my address?

Shareholders of record who have the same address and last name and have not previously requested electronic delivery of proxy materials will receive a single envelope containing the Notices for all shareholders having that address. The Notice for each shareholder will include that shareholder's unique control number needed to vote his or her shares. This procedure reduces our printing costs and postage fees. If you prefer to receive a separate copy of the proxy materials, please call us toll-free at (800) 742-6253 in the U.S., or inform us in writing at: The Procter & Gamble Company Shareholder Services, c/o EQ Shareowner Services, P.O. Box 64874, St. Paul, MN 55164-0874, or by email at www.pgshareholder.com; click Contact Us under the Email section. We will promptly deliver a separate copy of the proxy materials in response to any such request. If, in the future, you do not wish to participate in householding, you should contact us at the above phone number, address or email.

For those shareholders who have the same address and last name and who request to receive a printed copy of the proxy materials by mail, we will send only one copy of such materials to each address unless one or more of those shareholders notifies us, in the same manner described above, that they wish to receive a printed copy for each shareholder at that address.

Beneficial shareholders can request information about householding from their banks, brokers, or other holders of record.

YOUR VOTE IS IMPORTANT. Please vote your proxy promptly so your shares can be represented, even if you plan to attend the annual meeting. You can vote by Internet, by telephone, or by requesting a printed copy of the proxy materials and using the enclosed proxy card.

Our proxy tabulator, Broadridge Financial Solutions, must receive any proxy that will not be delivered in person in the annual meeting by 11:59 p.m., Eastern Daylight Time on Monday, October 8, 2018.

ITEM 1. ELECTION OF DIRECTORS

Our Board of Directors has general oversight responsibility for the Company's affairs pursuant to Ohio's General Corporation Law and the Company's Amended Articles of Incorporation, Code of Regulations, and By-Laws of the Board of Directors. In exercising its fiduciary duties, the Board represents and acts on behalf of the Company's shareholders and is committed to strong corporate governance, as reflected through its policies and practices. The Board is deeply involved in the Company's strategic planning process, leadership development, succession planning, and oversight of risk management.

Our Board of Directors nominated the 13 Directors listed on pages 8-14 for election at the 2018 annual meeting. Each of the Director nominees currently serves on the Board and was elected for a one-year term at the 2017 annual meeting, with the exception of Joseph Jimenez and Nelson Peltz, who were appointed to the Board effective March 1, 2018. The current terms of all nominees for Director will expire at the 2018 annual meeting when their successors are elected, and the Board has nominated each of these individuals for a new one-year term that will expire at the 2019 annual meeting when their successors are elected. In accordance with the term limits in the Corporate Governance Guidelines ("Governance Guidelines"), Ernesto Zedillo is expected to retire in February 2019 upon reaching 18 years of service on the Board.

Each of the Director nominees identified in this proxy statement has consented to being named as a nominee in our proxy materials and has accepted the nomination and agreed to serve as a Director if elected by the Company's shareholders. If any nominee becomes unable or unwilling to serve between the date of the proxy statement and the annual meeting, the Board may designate a new nominee, and the persons named as proxies will vote on that substitute nominee.

Director Skills, Qualifications, and Diversity

Procter & Gamble is a global consumer products company, serving consumers around the world with sales in more than 180 countries and territories. A company of our size must have strong governance, as well as leaders who understand our diverse consumers and global needs. The current composition of the Board reflects an appropriate mix of skill sets, experience, and qualifications that are relevant to the business and governance of the Company. Each Director epitomizes the Company's Purpose, Values and Principles, possesses the highest ethics and integrity, and demonstrates commitment to representing the long-term interests of the Company's shareholders. Each Director also has individual experiences that provide practical wisdom and foster mature judgment in the boardroom. Collectively, the Directors bring business, international, government, technology, health care, institutional investor, marketing, retail consumer products, and other experiences pertinent to the Company's global operations. The chart on page 7 provides additional detail regarding some of the key experiences and skills of our Director nominees. Skills and experiences are one aspect of diversity that is highly valued by the Board. Our Governance Guidelines set forth the minimum qualifications for Board members and specify that the Board "seeks to achieve a mix of Board members that represents a diversity of background and experience, including with respect to age, gender, international background, race and specialized experience."

Although the Board does not establish specific goals with respect to diversity, the Board's overall diversity is a significant consideration in the Director nomination process. The Governance & Public Responsibility ("G&PR") Committee reviews the Director nominees (including any shareholder nominees) and ascertains whether, as a whole, the group meets the Governance Guidelines in this regard. For this year's election, the Board has nominated 13 individuals who bring valuable diversity to the Board. Their collective experience covers a wide range of countries, geographies, and industries. These 13 Director nominees range in age from 41 to 76. Four of these nominees, or 33%, are women, and four are ethnically diverse.

The Board also believes that tenure diversity should be considered in order to achieve an appropriate balance between the detailed Company knowledge and wisdom that comes with many years of service and the fresh perspective of newer Board members. Our current Board has a good balance of experienced and new Directors, with tenure of the current Directors averaging less than 8 years.

Our Director Nominees' Combined Skills and Experience
Consumer Industry/Retail. Directors with experience in dealing with consumers, particularly in the areas of marketing and selling products or services to consumers, provide valuable insights to the Company. They understand consumer needs, recognize products and marketing campaigns that might resonate with consumers, and identify potential changes in consumer trends and buying habits. Given the continuously evolving retail landscape, Directors with consumer and retail experience are essential.
Corporate Governance. Directors with experience in the area of corporate governance, such as those who serve or have served on boards and board committees, or as governance executives of other large, public companies, are familiar with the dynamics and operation of a board of directors and the impact that governance policies have on the Company. This experience supports the Company's goals of strong Board and management accountability, transparency, and protection of shareholder interests.
Digital, Technology, and Innovation. Directors with digital and technology experience are able to help the Company understand the evolutions of fast-paced technology, assess and respond to potential information security challenges, and improve efficiency and productivity through oversight of the selection and implementation of new technologies to enhance business operations, marketing, and selling. Additionally, innovation is one of the Company's core strengths and is critical in helping us translate our consumer understanding into new and successful products. Directors with an understanding of innovation help the Company focus its efforts in this important area, as well as track progress against strategic goals and benchmarks. As one of the few companies with an Innovation & Technology Committee of the Board, the areas of digital, technology, and innovation are particularly important to the Company's overall success.
Finance. Directors with an understanding of accounting and financial reporting processes, particularly in large, global businesses, provide an important oversight role. The Company employs a number of financial targets to measure its performance, and accurate financial reporting is critical to the Company's legal compliance and overall success. Directors with financial experience are essential for ensuring effective oversight of the Company's financial measures and processes.
Government/Regulatory. Directors with government experience, whether as members of the government or through extensive interactions with government and government agencies, are able to recognize, identify, and understand the key issues that the Company faces in an economy increasingly affected by the role of governments around the world. This experience is especially helpful during current times of increased volatility and uncertainty in global politics and economics.
International. Directors who work in global companies have experience in markets outside of the United States and bring valuable knowledge to the Company, including exposure to different cultural perspectives and practices. Because we do business in over 180 countries and territories, and business in international markets accounts for the majority of the Company's revenue, having Directors on our Board with this experience is critical.
Leadership, Strategy, and Risk Management. Directors with significant leadership experience over an extended period, including former chief executive officers, provide the Company with special insights. These individuals demonstrate a practical understanding of how large organizations operate, including the importance of talent management and how employee and executive compensation are set. They understand strategy, productivity, and risk management, and how these factors impact the Company's operations and controls. They possess recognized leadership qualities and are able to identify and develop leadership qualities in others.
Marketing. Directors with experience identifying, developing, and marketing new products, as well as identifying new areas for existing products, can positively impact the Company's operational results, including by helping the Company understand and anticipate evolving marketing practices. As one of the world's largest advertisers, this is a particularly important attribute.

The Board of Directors recommends a vote FOR each of the following Director nominees to hold office until the 2019 annual meeting of shareholders and until their successors are elected.

Francis S. Blake (Frank)

Director since 2015
Age 69

Mr. Blake is the former Chairman of the Board and Chief Executive Officer of The Home Depot, Inc. (a national retailer). He served as the Chairman of the Board from 2007 to 2015 and as Chief Executive Officer from 2007 to 2014. He previously served as a Director of Southern Company (a super-regional energy company) from 2004 to 2009. Mr. Blake has been a Director of Delta Airlines since 2014 and was appointed non-Executive Chairman of the Board in 2016. He has been a Director at Macy's, Inc. since 2015.

Mr. Blake's former role as Chairman and CEO of Home Depot, where he successfully rebuilt Home Depot's retail strategy and culture during a weak housing and job market, provides him with extensive ***Consumer Industry/ Retail*** and ***Marketing*** knowledge as well as ***Leadership, Strategy, and Risk Management*** skills, which Mr. Blake draws upon to give the Board better insight into the evolving marketing practices in the retail consumer industry and the actions necessary to improve the Company's strategy and culture. In addition to the strong ***Corporate Governance*** skills that Mr. Blake developed through his experience on other public company boards, including as non-Executive Chairman of Delta Airlines' Board and chair of its Corporate Governance Committee, he also contributes his significant ***Government/ Regulatory*** experience to the Board, having previously served as General Counsel for the U.S. Environmental Protection Agency, Deputy Counsel to Vice President George H. W. Bush, and Deputy Secretary for the U.S. Department of Energy.

Member of the Audit and Governance & Public Responsibility Committees.

Angela F. Braly

Director since 2009
Age 57

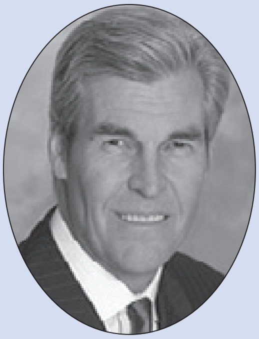
Ms. Braly is the former Chair of the Board, President and Chief Executive Officer of WellPoint, Inc. (a healthcare insurance company), now known as Anthem, Inc. She served as Chair of the Board from 2010 to 2012 and as President and Chief Executive Officer from 2007 to 2012. She previously served as Executive Vice President, General Counsel, and Chief Public Affairs Officer of WellPoint from 2005 to 2007, and President and Chief Executive Officer of Blue Cross Blue Shield of Missouri from 2003 to 2005. Ms. Braly has been a Director of Lowe's Companies, Inc. since 2013, Brookfield Asset Management since 2015, and ExxonMobil Corporation since 2016.

Ms. Braly's diverse ***Leadership, Strategy, and Risk Management*** experience at WellPoint enables her to provide valuable insight about risk management and governance matters, particularly as it pertains to the ***Consumer Industry/Retail*** sector, to the Board. Additionally, her role as General Counsel and Chief Public Affairs Officer for WellPoint, where she was responsible for the company's government relations, public policy development, social responsibility, and corporate governance initiatives, and her experience on other public company boards enables her to bring significant ***Corporate Governance*** expertise and ***Government/Regulatory*** skills to the Board, which is critical during current times of political and economic uncertainty.

Chair of the Governance & Public Responsibility Committee and member of the Audit Committee.

Amy L. Chang  **Director since 2017** **Age 41**	Ms. Chang is Senior Vice President of the Collaboration Technology Group at Cisco Systems, Inc. (a networking technology company). She is the founder and former Chief Executive Officer of Accompany, Inc. (a relationship intelligence company), a position she held from 2013 to 2018. She previously held positions of increasing responsibility at Google, Inc. from 2005 to 2012, most recently serving as Global Head of Product, Google Ads Measurement and Reporting. Prior to joining Google, she held product management and strategy positions at eBay, Inc. and served as a consultant with McKinsey & Company, specializing in semi-conductors, software, and services. Ms. Chang was a Director of Cisco Systems, Inc. from 2016 to 2018, a Director of Informatica from 2012 to 2015, a Director of Splunk, Inc. from 2015 to 2017, and a member of Target Corporation's Digital Advisory Council from 2013 to 2016. Ms. Chang's mix of extensive ***Digital, Technology, and Innovation*** and ***Marketing*** experience, including as founder and CEO of Accompany and as Global Head of Product, Google Ads Measurement and Reporting, uniquely situates her to provide important insights about digital industry trends, evolving marketing practices and data analytics to the Board. Additionally, as the founder of a digital startup company, Ms. Chang's ***Leadership, Strategy, and Risk Management*** experience in a fast-paced environment gives her critical perspective on understanding consumers and driving innovation. *Member of the Audit and Innovation & Technology Committees.*
Kenneth I. Chenault **(Ken)**  **Director since 2008** **Age 67**	Mr. Chenault is Chairman and Managing Director of General Catalyst Partners (venture capital firm), a position he has held since 2018. He was Chairman and Chief Executive Officer of American Express Company (a global services, payments, and travel company) from 2001 to 2018. He has been a Director of International Business Machines Corporation since 1998 and Facebook since 2018. Through Mr. Chenault's more than 37 years of experience, including more than 17 years as CEO, at American Express, a company delivering financial products and services to consumers and businesses around the world, he contributes valuable ***International*** and ***Leadership, Strategy, and Risk Management*** experience, extensive ***Finance*** skills, and a deep understanding of ***Digital, Technology, and Innovation*** to the Board, enabling him to provide vital perspective on the Company's strategic planning and operations. Mr. Chenault also contributes to the Board his substantial ***Corporate Governance*** skills garnered from his early legal career and his experience as a director on other public company boards. *Member of the Audit and Compensation & Leadership Development Committees.*

Scott D. Cook  **Director since 2000** **Age 66**	Mr. Cook is Chairman of the Executive Committee of the Board of Intuit Inc. (a software and web services company). He co-founded Intuit, the maker of business and financial management technology solutions, including QuickBooks, Quicken, and TurboTax, in 1983 and has served in various capacities since its founding. He served as President and Chief Executive Officer of Intuit from 1983 to 1994 and as Chairman of the Board from 1993 through 1998. Mr. Cook also served on the Board of eBay Inc. from 1998 to 2015. Mr. Cook has been a leader in the technology industry for more than 30 years. As co-founder of a global consumer-facing technology company, he has driven innovation and significant growth. Mr. Cook utilizes his wealth of ***Leadership, Strategy, and Risk Management, Consumer Industry/Retail*** and ***Marketing*** experience to provide the Board with unique insight on the Company's business operations and plans for strategic growth. He also brings valuable ***Digital, Technology, and Innovation*** experience to the Innovation & Technology Committee, as well as to the full Board, which he draws upon to guide and foster innovation at the Company and to provide the Board with important perspective on commercial and technology issues. *Member of the Compensation & Leadership Development and Innovation & Technology Committees.*
Joseph Jimenez  **Director since 2018** **Age 58**	Mr. Jimenez is the former Chief Executive Officer of Novartis AG (a global health care company), a position he held from 2010 to 2018. Prior to this role, he held several other senior positions at Novartis from April 2007 to 2010, as well as various leadership roles at H. J. Heinz Company in Europe and North America from 1999 to 2006 and at ConAgra Foods from 1993 to 1998. He was also an Advisor to the Blackstone Group L.P. from 2006 to 2007. Mr. Jimenez has been a Director of General Motors since 2015. He was a Director of Colgate-Palmolive from 2010 to 2015. Mr. Jimenez's demonstrated track record of ***International*** business leadership and the ***Digital, Technology, and Innovation*** experience he gained through his role as CEO of Novartis and other roles at a range of ***Consumer Industry/Retail*** companies, such as H.J. Heinz and ConAgra, enables him to provide unique perspective to the Board on commercial, innovation, ***Marketing***, and strategic issues. The Board also benefits from Mr. Jimenez's extensive knowledge of the health care industry, particularly as the Company works to acquire and integrate Merck KGaA's Consumer Health Business. *Chair of the Innovation & Technology Committee and member of the Compensation & Leadership Development Committee.*

Terry J. Lundgren  **Director since 2013** **Age 66**	Mr. Lundgren is the former Chairman and Chief Executive Officer of Macy's, Inc. (a national retailer that includes Macy's, Bloomingdale's, and Blue Mercury), a position he held from 2003 to 2017. Mr. Lundgren then served as Executive Chairman and Chairman of the Board of Macy's, Inc. from 2017 to 2018. From 2003 to 2014, he also held the title of President of the company. He was a Director of Kraft Foods Group from 2012 to 2015. Earlier in his career, Mr. Lundgren was Chairman and CEO of Neiman Marcus. Mr. Lundgren has extensive ***Marketing*** experience, including merchandising, digital and in-store execution, as well as ***Leadership, Strategy, and Risk Management*** experience, which was garnered from over 35 years working in the retail ***Consumer Industry***, including 20 combined years as CEO of Neiman Marcus and subsequently Macy's. During his tenure at Macy's, Mr. Lundgren also gained significant experience in acquisitions and integration. His extensive retail career enables him to contribute his deep knowledge of the evolving consumer and retail landscape, plus his broad experience with dynamic marketing practices, including digital marketing, to the Board. *Chair of the Compensation & Leadership Development Committee and member of the Innovation & Technology Committee.*
W. James McNerney, Jr. (Jim)  **Director since 2003** **Age 69**	Mr. McNerney is a Senior Advisor at Clayton, Dubilier & Rice, LLC (a private equity investment firm). He retired as Chairman of the Board of The Boeing Company (aerospace, commercial jetliners and military defense systems) in 2016. He was President of The Boeing Company from 2005 to 2013, Chief Executive Officer from 2005 to 2015, and Chairman of the Board from 2005 to 2016. From 2001 to 2005, Mr. McNerney was Chairman and CEO of 3M Company (a global technology company). Prior to his appointment as CEO of 3M Company, Mr. McNerney was employed by General Electric for nearly 20 years, where he held positions of increasing importance. He was a director of International Business Machines Corporation from 2009 to 2018. Mr. McNerney brings a wealth of ***Leadership, Strategy, and Risk Management*** and ***Digital, Technology, and Innovation*** experience to the Board from his roles as CEO of Boeing and 3M, both large, ***International*** companies. Mr. McNerney's experience revitalizing Boeing during his tenure as CEO by increasing efficiency and growing revenue while restoring the company as the global leader in commercial airplane deliveries uniquely qualifies him to advise the Board on the Company's overall strategic direction. Additionally, Mr. McNerney contributes significant ***Corporate Governance*** experience to the Board, having served as Chairman and CEO of two public companies and as the Company's Lead Director since 2007. *Lead Director, member of the Compensation & Leadership Development and Governance & Public Responsibility Committees.*

Nelson Peltz  **Director since 2018** **Age 76**	Mr. Peltz has served as the Chief Executive Officer and Founding Partner of Trian Fund Management, L.P. (an investment management firm) since its formation in 2005. He previously served as Chairman and Chief Executive Officer of Triarc Companies, Inc., the predecessor to The Wendy's Company, from 1993 to 2007 and as Chairman and Chief Executive Officer of Triangle Industries, Inc., the parent company of American National Can Company, from 1983 to 1988. He has been a Director of Sysco Corporation since 2015, The Madison Square Garden Company since 2015 and The Wendy's Company since 2007, where he serves as non-executive Chairman. He was a Director of Mondelēz International, Inc. from 2014 to 2018, Legg Mason, Inc. from 2009 to 2014, MSG Networks Inc. from 2014 to 2015, Ingersoll-Rand from 2012 to 2014, and H. J. Heinz Company from 2006 to 2013. Mr. Peltz's more than 40 years of business and investment experience and over 20 years of service as the chairman and chief executive officer of public companies enables him to bring significant and diverse ***Consumer Industry/ Retail, Marketing*** and ***Leadership, Strategy, and Risk Management*** experience to the Board. His service on multiple Board governance committees, including as chair of the Legg Mason Nominating & Corporate Governance and as a member of Sysco's Corporate Governance and Nominating Committee, provides Mr. Peltz with substantial ***Corporate Governance*** experience. As a result of his role at Trian, which holds approximately 38 million shares of the Company's common stock, Mr. Peltz brings extensive ***Finance*** skills and an institutional investor perspective, including strong relationships in the investment community, to the Board and utilizes his unique perspective to provide the Board with critical insight on the Company's business operations and issues the Company faces. *Member of the Governance & Public Responsibility and Innovation & Technology Committees.*
David S. Taylor  **Director since 2015** **Age 60**	Mr. Taylor is Chairman of the Board, President and Chief Executive Officer of the Company. Mr. Taylor has been President and CEO since 2015 and was elected Chairman of the Board in 2016. Mr. Taylor joined the Company in 1980 and, since that time, has held numerous positions of increasing responsibility in North America, Europe, and Asia in virtually all of the Company's core businesses. Prior to his current role, Mr. Taylor was Group President-Global Health & Grooming from 2013 to 2015, Group President-Global Home Care from 2007 to 2013, and President-Global Family Care from 2005 to 2007. He also played a key role in the design of the Company's portfolio optimization strategy. Mr. Taylor served as a Director of TRW Automotive Corporation from 2010 to 2015. With over 38 years of experience in the Company, holding positions of increasing importance across many regions and businesses, Mr. Taylor brings vast ***International, Marketing***, and ***Consumer Industry/Retail*** experience to the Board, which, together with his significant ***Leadership, Strategy, and Risk Management*** skills and robust knowledge of the Company, enable him to provide valuable insight to and leadership of the Board and the Company.

Margaret C. Whitman (Meg)  **Director since 2011** **Age 62**	Ms. Whitman is the Chief Executive Officer of NewTV (mobile video company), a position she has held since 2018. She was President and Chief Executive Officer of Hewlett Packard Enterprise (a multinational information technology enterprise) from 2015 to 2017. Prior to her role at Hewlett Packard Enterprise, she was President and Chief Executive Officer of Hewlett-Packard Company from 2011 to 2015, as well as Chairman of the Board from 2014 to 2015. She served as President and Chief Executive Officer of eBay Inc. from 1998 to 2008. She has been a Director of Hewlett Packard Enterprise since 2015 and Dropbox since 2017. Ms. Whitman served as a Director of DXC Technology in 2017 and Zipcar, Inc. from 2011 to 2013 and as Chairman of the Board of HP Inc. from 2015 to 2017. She also served as a Director of the Company from 2003 to 2008, having resigned in preparation for her 2010 California gubernatorial bid. Ms. Whitman's roles as CEO of Hewlett Packard Enterprise, Hewlett-Packard Company, and eBay provides her extensive ***Consumer Industry/Retail*** and ***Digital, Technology, and Innovation*** experience, enabling her to contribute valuable perspective to the Board in these areas. Over her ten years as CEO of eBay, Ms. Whitman built the company from $4 million to $8 billion in annual revenue, and, as CEO of Hewlett-Packard Company, she stabilized the company's declining performance and executed a 5-year recovery plan to return the company to growth. Ms. Whitman utilizes her considerable ***Leadership, Strategy, and Risk Management*** experience gained in her past management roles to provide the Board with significant insight into the Company's priorities and strategic plans for growth. *Member of the Compensation & Leadership Development and Innovation & Technology Committees.*
Patricia A. Woertz (Pat)  **Director since 2008** **Age 65**	Ms. Woertz is the former Chairman of the Board and Chief Executive Officer of Archer Daniels Midland Company ("ADM") (agricultural processors of oilseeds, corn, wheat, etc.), where she joined in 2006 as Chief Executive Officer and President and was named Chairman in 2007. Ms. Woertz retired as Chief Executive Officer of ADM in 2015 and as Chairman in 2016. Prior to joining ADM, Ms. Woertz was with Chevron Corp. for 29 years and retired as EVP Global Downstream. She began her career as a certified public accountant with Ernst & Ernst. Ms. Woertz has been a Director of 3M Company since 2016. She was a Director of Royal Dutch Shell plc from 2014 to 2017. With broad executive experience at Chevron and ADM, including as CEO of ADM, and having started her career as a CPA, Ms. Woertz contributes a valuable mix of ***International*** and ***Marketing*** experience and ***Finance*** expertise, enabling her to provide critical perspective on operational and financial aspects of the Company, including accounting and corporate finance matters. Additionally, Ms. Woertz's experience as an executive of public companies and a director on other public company boards provides her with significant ***Leadership, Strategy, and Risk Management*** skills and ***Corporate Governance*** experience from which she draws to provide a broad perspective on governance matters and issues facing public companies. *Chair of the Audit Committee and member of the Governance & Public Responsibility Committee.*

Ernesto Zedillo

Director since 2001
Age 66

Dr. Zedillo has been at Yale University since 2002 and currently serves as Director of the Yale Center for the Study of Globalization and Professor in the field of International Economics and Politics. Dr. Zedillo served as President of Mexico from 1994 to 2000. Prior to that he served in the Federal Government of Mexico as Secretary of Education from 1992 to 1993, as Secretary of Economic Programming and the Budget from 1988 to 1992, and as Undersecretary of the Budget from 1987 to 1988. He has been a Director of Alcoa, Corp. since 2002 and Citigroup, Inc. since 2010. He was a director of Promotora de Informaciones S.A. from 2010 to 2017.

From Dr. Zedillo's prior service as President of Mexico and senior roles in the Federal Government of Mexico, he contributes an abundance of ***Government/ Regulatory***, ***International***, and ***Leadership, Strategy, and Risk Management*** experience, which he utilizes to provide key perspectives to the Board about the Company's global business operations. He also brings significant ***Finance*** experience, garnered from his current position as a member of Alcoa's Audit Committee, his previous service on the Audit Committee of Union Pacific and as the Secretary of Economic Programming and the Budget for Mexico, and the various positions he held at Banco de Mexico.

Member of the Governance & Public Responsibility and Innovation & Technology Committees.

The Board's Leadership Structure

The Board regularly considers the appropriate leadership structure for the Company and has concluded that the Company and its shareholders are best served by the Board retaining discretion to determine whether the same individual should serve as both Chief Executive Officer ("CEO") and Chairman of the Board, or whether the roles should be separated. This approach allows the Board to utilize its considerable experience and knowledge to elect the most qualified Director as Chairman of the Board, while maintaining the ability to separate the Chairman of the Board and CEO roles when necessary. Accordingly, at some points in the Company's history, the CEO and Chairman of the Board roles were held by the same person. At other times, the roles were held by different individuals. The Board believes that it is important to retain the flexibility to make this determination at any given point in time based on what it believes will provide the best leadership structure for the Company and best serve the interests of the Company's shareholders.

During the Board's annual evaluation of its leadership structure, and upon recommendation of the G&PR Committee, the non-employee Directors of the Board concluded that the current leadership structure continues to be the right leadership structure for the Company at this time and that it is in the best interest of the shareholders to maintain the combined Chairman and CEO role currently held by Mr. Taylor. The Board believes that Mr. Taylor has served the Company well as Chairman and CEO, and that this combined structure provides unified leadership and focus on the Company's strategy, business plans, and productivity efforts. The Board also recognizes that the combined Chairman and CEO role has worked well in the past and that introduction of a split leadership structure would not be in the best interests of the Company at this time.

When the Board determines that the same individual should hold the positions of CEO and Chairman of the Board, or if the Chairman of the Board is not independent, the independent Directors of the Board elect a Lead Director from among the independent Directors, for an annual term. The Lead Director role is a significant one, with responsibilities consistent with accepted best practices, including:

- preside at all meetings of the Board in the absence of, or upon the request of, the Chairman of the Board;
- lead regular executive sessions of the independent Directors;
- provide input to and approve agendas for the Board meetings and information sent to the Board;
- approve meeting schedules to assure that there is sufficient time for discussion of all agenda items;
- call meetings of the non-employee and/or independent Directors, with appropriate notice;
- advise the G&PR Committee and the Chairman of the Board on the membership of the various Board committees and the selection of committee chairpersons;
- advise the Chairman of the Board on the retention of advisors and consultants who report directly to the Board;
- advise the Chairman of the Board and CEO, as appropriate, on issues discussed at executive sessions of non-employee and/or independent Directors;
- with the Chair of the C&LD Committee, review with the CEO the non-employee Directors' annual evaluation of the CEO's performance;
- serve as principal liaison between the non-employee and/or independent Directors, as a group, and the Chairman of the Board and CEO, as necessary;
- serve when necessary and appropriate, after consultation with the Chairman of the Board and CEO, as the liaison between the Board and the Company's shareholders; and
- select an interim Lead Director to preside over meetings at which he or she cannot be present.

Mr. McNerney serves as the Board's current Lead Director and has been re-elected annually to that role since 2007. Mr. McNerney is a strong, independent Lead Director, who fulfilled each of the above duties during the past year. He has helped lead the Board through executive leadership transitions and the Company's recent major strategic transformation. As the former CEO and Chairman of the Board of The Boeing Company, and former CEO of 3M Company, he brings a wealth of diverse experiences and outside perspective to his Lead Director role, which allows him to serve as a trusted advisor to Mr. Taylor and ensure efficient and effective Board engagement.

In FY 2017-18, the non-employee Directors, led by Mr. McNerney, met six times in regularly scheduled executive sessions (without the presence of Mr. Taylor or other employees of the Company) to discuss various matters related to the oversight of the Company, the management of Board affairs, succession planning for the Company's top management, and the CEO's performance. Mr. McNerney fosters an open and constructive dialogue among the independent Directors, and after each executive session, Mr. McNerney advised Mr. Taylor on the independent Directors' discussions, including performance feedback, and followed up on meeting outcomes and deliverables.

In conjunction with the Board's decision to maintain the combined Chairman and CEO role, as recommended by the G&PR Committee, the non-employee Directors reappointed Mr. McNerney to serve as Lead Director for FY 2018-19. The Board is confident that Mr. Taylor, as Chairman and CEO, and Mr. McNerney, as Lead Director, will continue to work well together, and that the appropriate balance of power will be maintained. The Board will continue to periodically evaluate the Company's leadership structure.

Director Independence

The Board has determined that all of the Company's Directors, with the exception of Mr. Taylor, are independent under NYSE's listing standards and the Independence Guidelines. All members of the Board's Audit, Compensation & Leadership Development, Governance & Public Responsibility, and Innovation & Technology Committees are independent under the NYSE listing standards and Independence Guidelines, and all members of the Audit Committee are also compliant with the SEC enhanced independence requirement for audit committee members. The Board of Directors has determined that Ms. Woertz and Mr. Chenault meet the criteria for "Audit Committee Financial Expert" as defined by SEC rules. The Board of Directors has also determined that all Audit Committee members are financially literate.

In making these independence determinations, the Board applied the NYSE listing standards and the categorical independence standards contained in the Board of Directors' Guidelines for Determining the Independence of its Members (the "Independence Guidelines"). Under the Independence Guidelines, certain relationships were considered immaterial and, therefore, were not considered by the Board in determining independence, but were reported to the Chair of the G&PR Committee. Applying the NYSE listing standards and the Independence Guidelines, the Board determined that there are no transactions, relationships, or arrangements that would impair the independence or judgment of any of the Directors deemed independent by the Board.

Mr. Taylor is Chairman of the Board, President and CEO of the Company. As an employee of the Company, he cannot be deemed independent under the NYSE listing standards or the Independence Guidelines.

Board Meetings and Committees of the Board

Our Directors are active and engaged. Board agendas are set in advance by the Chairman of the Board and Lead Director to ensure that appropriate subjects are covered and that there is sufficient time for discussion. Committee Chairs also work closely with management to set agendas for Committee meetings to ensure that relevant subjects are reviewed by the Committees. Directors are provided with comprehensive materials in advance of Board and Committee meetings and are expected to review these materials before each meeting to ensure that time in Board and Committee meetings is focused on active discussions versus lengthy presentations. During the fiscal year ended June 30, 2018, the Board held 13 meetings, and the Committees of the Board collectively held 26 meetings, for a total of 39 meetings. Average attendance at these meetings by Directors during the past year was 96.5%, and all Directors attended greater than 75% of the meetings of the Board and the Committees on which they serve. The Board expects all Directors to attend the annual meeting of shareholders; all Directors, with the exception of Joseph Jimenez, who joined the Board in March 2018, attended the October 10, 2017 annual meeting. Nelson Peltz attended the 2017 annual meeting in his role as a shareholder of the Company.

To assist the Board in discharging its duties and to facilitate deeper penetration into certain key areas of oversight, the Board has established four standing committees. Each committee is fully independent under the NYSE listing standards and the Independence Guidelines, which can be found at www.pg.com. The charter for each of these committees can be found in the corporate governance section of the Company's website at www.pg.com.

Name	Board	Audit	Compensation & Leadership Development	Governance & Public Responsibility	Innovation & Technology
Francis S. Blake	✓	✓		✓	
Angela F. Braly	✓	✓		Chair	
Amy L. Chang	✓	✓			✓
Kenneth I. Chenault	✓	✓	✓		
Scott D. Cook	✓		✓		✓
Joseph Jimenez	✓		✓		Chair*
Terry J. Lundgren	✓		Chair		✓
W. James McNerney, Jr.	Lead		✓	✓	
Nelson Peltz	✓			✓	✓
David S. Taylor	Chair				
Margaret C. Whitman	✓		✓		✓
Patricia A. Woertz	✓	Chair		✓	
Ernesto Zedillo	✓			✓	✓
Total FY 2017-18 Meetings	***13***	***9***	***8***	***7***	***2***

* Effective August 15, 2018.

Audit Committee

The *Audit Committee* has the responsibilities set forth in its charter with respect to:

- accounting, financial reporting and disclosure processes, and adequacy of systems of disclosure and internal control established by management;
- the quality and integrity of the Company's financial statements;
- the Company's compliance with legal and regulatory requirements;
- the Company's overall risk management profile, including with respect to information security;
- the independent registered public accounting firm's qualifications and independence;
- the performance of the Company's internal audit function and the independent registered public accounting firm;
- the performance of the Company's ethics and compliance function; and
- preparing the annual Report of the Audit Committee to be included in the Company's proxy statement.

At each meeting, representatives of Deloitte & Touche LLP, the Company's independent registered public accounting firm, and financial management were present to review accounting, control, auditing, and financial reporting matters. During certain of these meetings, the Audit Committee also held private sessions with the Company's CEO, CFO, Chief Legal Officer, Chief Ethics & Compliance Officer, chief audit executive, and representatives of Deloitte & Touche LLP.

Compensation & Leadership Development Committee

The *C&LD Committee* has a charter, under which:

- the Committee has full authority and responsibility for the Company's overall compensation policies, including base pay, short- and long-term pay, retirement benefits, perquisites, severance arrangements, recoupment, stock ownership requirements, and stock option holding requirements, if any, and their specific application to principal officers elected by the Board and to Directors; and

- the Committee assists the Board in the leadership development and evaluation of principal officers and also has the responsibility to periodically review organizational diversity.

The CEO makes recommendations to the C&LD Committee regarding the compensation elements of the principal officers (other than his own compensation) based on Company performance, individual performance, and input from Company management and the Committee's independent compensation consultant. All final decisions regarding compensation for principal officers are made by the C&LD Committee, and the C&LD Committee makes a recommendation to the Board regarding the shareholder votes related to executive compensation. For more details regarding principal officer compensation or the C&LD Committee's process for making decisions regarding the compensation of principal officers, please see the Compensation Discussion & Analysis section found beginning on page 30 of this proxy statement. The C&LD Committee retains an independent compensation consultant, hired directly by the Committee, to advise it regarding executive compensation matters.

Governance & Public Responsibility Committee

The *G&PR Committee* has governance responsibilities set forth in its charter with respect to:

- identifying individuals qualified to become Directors;
- recommending when new members should be added to the Board and individuals to fill vacant Board positions;
- recommending to the Board the Director nominees for the next annual meeting of shareholders and whether to accept the resignation of any incumbent Director nominee who received a greater number of "against" votes than "for" votes in a non-contested election;
- recommending Board committees and committee assignments;
- periodically reviewing and recommending updates to the Corporate Governance Guidelines;
- educating the Board and the Company in applicable governance laws and regulations;
- assisting the Board and the Company in interpreting and applying the Corporate Governance Guidelines and other issues related to Board governance; and
- evaluating the Board and the Directors.

The *G&PR Committee* also covers public responsibility topics, including:

- overseeing the Company's commitment to making a meaningful impact around the world through the Company's Citizenship efforts in the areas of social investments and environmental sustainability, by reviewing strategies and plans for improving lives in ways that enable people to thrive and that increase their quality of living;
- overseeing the Company's community and government relations;
- overseeing the Company's product quality and quality assurance systems;
- overseeing protection of the Company's corporate reputation; and
- other matters of importance to the Company and its stakeholders (including employees, consumers, customers, suppliers, shareholders, governments, local communities, and the general public).

Innovation & Technology Committee

The *I&T Committee* has the responsibilities set forth in its charter with respect to reviewing and making recommendations to the Board on major strategies for technical and commercial innovation to increase shareholder value and other subjects relating to:

- overseeing the Company's approach to technical and commercial innovation;
- overseeing the innovation, technology development, and acquisition process to assure ongoing business growth; and
- overseeing development of measurement and tracking systems that are important to successful product and commercial innovation.

The I&T Committee reviews annually:

- product and package performance via a holistic product assessment;
- historical tracking of initiatives vs. targets, and the impact of initiatives on brand growth; and
- the Company's forward-looking innovation portfolio.

The Board's Oversight of Risk

The Company's senior management has the responsibility to develop and implement the Company's strategic plans, and to identify, evaluate, manage, and mitigate the risks inherent in those plans. It is the responsibility of the Board to understand and oversee the Company's strategic plans, the associated risks, and the steps that senior management is taking to manage and mitigate those risks. The Board takes an active approach to its role in overseeing the development and execution of the Company's business strategies as well as its risk oversight role. This approach is bolstered by the Board's leadership and committee structure, which ensures proper consideration and evaluation of potential enterprise risks by the full Board under the auspices of the Chairman of the Board and Lead Director, and further consideration and evaluation of certain risks at the committee level.

As part of its strategic risk management oversight, the full Board conducts a number of reviews throughout the year to ensure that the Company's strategy and risk management is appropriate and prudent, including:

- A comprehensive annual review of the Company's overall strategic plan, with updates throughout the year.
- Direct discussions with the Chairman and CEO, in semi-executive sessions held at seven Board meetings, about the state of the business.
- Reviews of the strategic plans and results for the Company's business sectors, including the risks associated with these strategic plans, at Board meetings during the year.
- Reviews of other strategic focus areas for the Company, such as innovation, information security, and organizational management. The Board also has overall responsibility for leadership succession for the Company's most senior officers, including the CEO, and reviews succession plans on an ongoing basis.
- Annual review of the conclusions and recommendations generated by management's enterprise risk management process. This process involves a cross-functional group of the Company's senior management, which identifies on a continual basis current and future potential risks facing the Company, partnering with Global Internal Audit, business leaders, and other governance organizations on actions to appropriately manage and mitigate those potential risks. In conjunction with the Company's enterprise risk management process, management also maintains an information and operational technology risk management program, which analyzes emerging cybersecurity threats as well as the Company's plans and strategies to address them.

In addition, the Board has delegated certain risk management oversight responsibilities to specific Board committees, each of which reports regularly to the full Board. The Audit Committee manages the Company's overall risk management process, with a focus on accounting and financial controls, financial statement integrity, information security, cybersecurity, legal and regulatory compliance, tax policy and compliance, business continuity planning and ethics and compliance programs, and routinely discusses the Company's risk profile, risk management, and exposure with management, internal auditors, and our independent registered public accounting firm. The Compensation & Leadership Development Committee reviews risks related to the development and succession planning of our executive officers as well as risks associated with the Company's compensation policies and practices, as discussed further below under "Compensation-Related Risk." The Governance & Public Responsibility Committee considers risks related to the Company's corporate governance structure and processes, including Director qualifications, succession planning, and independence, as well as risks related to product quality, public policy, social issues, environmental sustainability, and the Company's reputation. Finally, the Innovation & Technology Committee reviews risks related to emerging technologies, the changing media landscape, the Company's integration of new technology, ingredient safety, and our overall innovation strategy. In performing these oversight responsibilities, each committee has full access to management, as well as the ability to engage independent advisors.

Compensation-Related Risk

As part of its risk oversight responsibilities, the C&LD Committee annually reviews the Company's compensation policies and practices. The C&LD Committee employs an independent compensation consultant, Frederic W. Cook & Co., Inc., who does not work for management and, among other tasks, reviews and reports on all the Company's executive compensation programs, including the potential risks and other impacts of incentives created by the programs. For more details on the arrangement with Frederic W. Cook & Co., Inc., please see the section entitled "Engagement of Independent Advisor" found on page 42 of this proxy statement.

The independent compensation consultant's review included an analysis of the Company's short-, medium-, and long-term compensation programs covering key program details, performance factors for each program, target award ranges, maximum funding levels, and plan administrative oversight and control requirements. Key program elements assessed relating to potential compensation risks were pay mix, performance metrics, performance goals and payout curves, payment timing and adjustments, severance packages, equity incentives, stock ownership requirements, prohibitions on hedging and pledging, and trading policies. Members of management also performed a similar review of the Company's other compensation programs including maximum program spending, payment authorizations and confirmation that plans do not encourage excessive risk-taking. The results of the consultant's analysis of the Company's executive compensation programs, as well as management's review of the Company's other compensation programs, were shared with the C&LD Committee, which concluded that the Company's compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

In reaching its conclusion, the C&LD Committee noted that the Company's compensation programs include a mix of cash and equity, as well as annual, medium-term, and long-term incentives. This mix of compensation, the design features of these programs, and the Company's respective oversight and control requirements mitigate the potential of any individual inclination toward taking unnecessary risks. The C&LD Committee also acknowledged various other features of the Company's compensation programs, policies, and practices designed to mitigate unwarranted risk. For example, the Company's annual cash bonus program, STAR, provides the C&LD Committee with discretion to reduce or eliminate any award that would otherwise be payable. In addition, the performance metrics under STAR include both quantitative measures (e.g., top-line growth, bottom-line profits, free cash flow, etc.) and qualitative measures (e.g., relative performance, strategic strength, innovation, etc.). These non-metric features mitigate the risk of an executive focusing too much on the specific financial metrics under STAR. Moreover, the performance metrics associated with the STAR Company Factor (core earnings per share growth and organic sales growth) are aligned with the Company's business plans and strategic objectives.

Further, the C&LD Committee recognized that the Company's longer-term incentives include a balanced portfolio of stock options, restricted stock units, and performance-vested stock (under Performance Stock Program, or PSP). These longer-term incentives incorporate a variety of payout horizons that focus executives on long-term performance: 10-year terms with three-year cliff vesting for stock options, three-year cliff vesting for restricted stock units, and a three-year performance period for performance-vested stock. The C&LD Committee also noted that the design of the PSP reduces the likelihood that an executive will focus too much on a single performance measure by including four different performance categories with weightings of 20% or 30% each to provide a balanced risk profile. The categories are organic sales growth relative to competitive peers, constant currency core before-tax operating profit growth, core earnings per share growth, and free cash flow productivity. In addition, actual performance against goals with respect to each of these performance measures will yield a payout from a minimum of 0% to a maximum of 200% of a senior executive's target incentive opportunity. Using this sliding scale approach, versus an all-or-nothing approach, discourages participants from taking unnecessary risks. Each of the financial measures is defined and further explained on page 40 of this proxy statement. Additionally, the C&LD Committee noted the updated performance measures for the upcoming program now include a relative TSR measure to further ensure executive pay is aligned with winning in the marketplace.

Finally, the C&LD Committee acknowledged that the Company has established a global compensation and benefits policy review board to authorize any new plans and monitor existing plans as well as maintaining several policies intended to mitigate inappropriate risk taking, including stock ownership guidelines for senior executives, a recoupment policy that can be applied in the event of any significant financial restatement, and an insider trading policy that prohibits margin and hedging transactions by senior executives.

Service on Other Public Boards

The Board believes that service on the boards of other public companies provides valuable governance and leadership experience that ultimately benefits the Company. The Board also recognizes that outside public board service requires a significant commitment of time and attention, and therefore, in accordance with best governance practices, limits Director participation on other public boards. Under the Corporate Governance Guidelines, Directors who are active CEOs of other public companies may sit on no more than two additional outside public boards (including his/her own company board), and other non-employee Directors may sit on no more than three additional outside public boards; any exception must be approved by the Board. This practice helps ensure that our Directors can give appropriate levels of time and attention to the affairs of the Company. In addition, when nominating a Director for service on the Board, the G&PR Committee considers whether the nominee will have adequate time to serve as a Director of the Company. Each Director demonstrates their strong engagement and high attendance and has adequate time to devote to the affairs of the Company.

Code of Ethics

The Company has a code of ethics for its Directors, officers, and employees. The most recent version of this code of ethics is contained in the Worldwide Business Conduct Manual. The Worldwide Business Conduct Manual is reviewed each year for appropriate updates, and employees, officers, and Directors are asked to annually certify their understanding of, and compliance with, its requirements. Only the Board may grant a waiver of any provision for a Director or executive officer, and any such waiver, or any amendment to the manual, will be promptly disclosed as required at www.pg.com. The Worldwide Business Conduct Manual, which is firmly rooted in the Company's long-standing Purpose, Values and Principles, is made available to employees in 28 different languages and can be found on the Company's website at www.pg.com.

Corporate Citizenship

P&G is committed to being a good corporate citizen and doing the right thing. We are known as a company that is governed responsibly and behaves ethically, that is open and transparent in its business dealings, that makes a positive social impact and protects the environment, and that provides a work environment where our employees are treated well and are given the opportunity to be all they can be. By growing the Company responsibly, we earn the trust on which our business is based, and we build the relationships on which our future depends.

Corporate Governance

P&G's Corporate Citizenship comes to life through five focus areas: Ethics & Corporate Responsibility, Community Impact, Diversity & Inclusion, Gender Equality, and Environmental Sustainability.

Ethics & Corporate Responsibility: ***"Doing the Right Thing"***

Since the days of its founding in 1837 by two brothers-in-law, P&G has had an unshakeable commitment to doing the right thing; from following the letter and spirit of the law everywhere we do business, to caring about important issues like worker's rights long before they became popular causes. Today, this focus on Ethics & Corporate Responsibility takes many forms, from our employees' passionate commitment to our Purpose, Values and Principles (or PVPs), to our investment in a multi-functional Ethics & Compliance Office that helps ensure the Company has the right tools and training to meet its legal obligations around the globe, to our commitments to responsible sourcing, environmental sustainability, transparency and community development. P&G strives to ensure our commitment to ethical behavior is embedded in every aspect of our operations.

Community Impact: ***"Giving Back to Our Communities"***

Our brands are part of everyday life. We are there with people when they wash their hair, clean their clothes, diaper their babies, and care for their homes. We are also there in times of greater need—when our products and our help matter more than ever. We focus our efforts where we can uniquely add value—health and hygiene and comforts of home. Examples of our work in communities around the globe include:

- Since 2004, P&G has provided more than 13 billion liters of clean water to people in need around the world through our Children's Safe Drinking Water program, which provides an easy-to-use water purification packet invented by P&G scientists that can clean 10 liters of water in just 30 minutes.
- Ten years ago, in response to the devastation of Hurricane Katrina, Tide created Loads of Hope: a mobile laundromat developed to restore a sense of normalcy and dignity through the basic comfort of clean clothing for those in the midst of chaos. Since that time, Tide has helped renew hope for nearly 45,000 families across the country affected by natural disasters, from tornadoes in Missouri to flooding in South Carolina.

Diversity & Inclusion: ***"Everyone Valued, Everyone Included, Everyone Performing at Their Peak"***

P&G is a company that believes in diversity and inclusion. The more we understand people, their needs and challenges, the better we can delight them with our products and services. And while diversity is essential in all we do, we believe inclusion changes the game. Every day we strive to get the full value of our diversity through inclusion—fostering an environment where P&G people can be their best, full and authentic selves in the workplace. But our job does not end there—our belief and commitment extends beyond P&G's walls. We are driving action on the world stage to make a meaningful difference, and we care deeply about our impact, always striving to make the world a little bit better through our actions, including:

- In 2017, the Company joined the CEO Action for Diversity & Inclusion, the largest CEO-driven business commitment to advance diversity and inclusion in the workplace. P&G is a member of the initiative's Steering Committee.
- With ads like "The Talk" and "Love Over Bias," we are shining the light on bias that limits human potential and on the need to look beyond the things that divide us.

Gender Equality: ***"#WeSeeEqual"***

We support the development of diverse talent throughout P&G, including women at all levels, across all regions, through wide-ranging learning and career development programs, including:

- The Women's Accelerator Program and Athena in Action™ initiatives targeting high-potential women across all functions at critical points in their careers to help them develop the skills necessary for success in senior-level roles.
- The Latina SOAR program targeting our Latina women and focusing on the uniqueness of Hispanic women's leadership.
- In partnership with Catalyst, MARC (Men Advocating Real Change) training that helps men understand and fulfill the role they can play to help achieve gender equality inside and outside of P&G.
- In conjunction with International Women's Day 2018, we hosted #WeSeeEqual forums at numerous P&G sites around the world, calling attention to gender bias and helping to bust common myths that hold women back in the workplace.

Environmental Sustainability: ***"Making Responsible Consumption Possible"***

Environmental Sustainability is not something new at P&G. We have been incorporating it into our way of doing business for decades. We see it as our responsibility, as well as a business opportunity, and want to ensure no one has to choose between the products they use and enjoy today and what they hope to preserve for tomorrow. Our recent efforts include:

- More than 80 percent of P&G's production facilities now send zero manufacturing waste to landfills, bringing us closer to achieving our commitment to send zero manufacturing waste to landfill from global manufacturing sites by 2020.
- In 2018, in addition to our 2020 environmental goals, we launched "Ambition 2030," our 2030 environmental sustainability goals that embody our commitment to enabling and inspiring a positive impact in the world while creating value for consumers, partners, and the Company.

You can find more details about our work in each of these Corporate Citizenship areas in our 2017 Citizenship Report, which is available at https://us.pg.com/who-we-are/citizenship/2017-citizenship-report.

Shareholder Engagement

We value our relationships with all of our shareholders. Engagement with shareholders builds mutual understanding and a basis for progress, and the input we receive from them significantly impacts our corporate governance practices. Senior management, our investor relations team, and subject matter experts from the Company maintain a year-round dialogue with investors to gain their perspectives on current issues and address any questions or concerns, and we make our Directors available for engagement with shareholders when appropriate. The Company's top 100 institutional shareholders collectively own nearly 50% of the Company's outstanding shares of common stock, and we generally focus our proactive shareholder outreach efforts on these shareholders. We conduct meetings with institutional shareholders in person, via telephone calls, and one-on-one at conferences throughout the year. We also routinely respond to individual shareholders and other stakeholders who provide feedback about our business.

In addition to input on current corporate governance and executive compensation topics specific to P&G, we invite dialogue about any other topics or trends shareholders may wish to discuss. The Board considers feedback from these conversations during its deliberations, and our engagement activities have produced valuable feedback that informs our decisions and our strategy. For example, as a result of our shareholder engagement in recent years, P&G took the following actions:

- Revised disclosure in our proxy statement to clarify how P&G's share repurchase impacts the EPS calculation (see page 36).

- Added two new Directors, Joseph Jimenez and Nelson Peltz.
- Modified the Performance Stock Program to include relative sales growth metrics and a total shareholder return modifier to ensure executive compensation awards reflect performance versus external competitive benchmarks.
- Proactively adopted a proxy access right for shareholders.

We will continue our shareholder engagement during FY 2018-19, including our normal participation at analyst meetings and conferences. We remain committed to these ongoing discussions and welcome feedback from all shareholders, who can reach our Investor Relations team by calling (513) 945-6941 or visiting www.pginvestor.com or can contact our Directors or executive officers as described on page 26.

ISG Corporate Governance Principles

We have evaluated the Company's governance practices against the Corporate Governance Principles published by the Investor Stewardship Group ("ISG"), a collective of some of the largest U.S.-based institutional investors and global asset managers, and we believe that the Company's policies and practices are consistent with these principles. P&G's strong corporate governance policies and practices are disclosed throughout this proxy statement, but the following table provides some key highlights.

ISG Principles		P&G Practices
Principle 1	Board Accountability to Shareholders	• Annual Board self-assessments • Declassified Board—all Directors elected annually • Proxy access for Director nominees • Individual Directors tender resignation if fail to receive majority of votes cast • No poison pill • Extensive disclosure of corporate governance and Board practices
Principle 2	Voting Rights Proportional to Economic Interest	• One share, one vote • No disparate voting rights
Principle 3	Board Responsiveness to Shareholders	• Directors available for shareholder engagement • Shareholder outreach process • Disclose key actions taken in response to shareholder feedback
Principle 4	Strong, Independent Board Leadership Structure	• Annual review and determination of leadership structure • Independent Lead Director if Chairman not independent • Lead Director has robust role and significant duties
Principle 5	Board Structure and Practices that Enhance Effectiveness	• 12 of 13 Director nominees are Independent • All 4 Committees fully independent • 96.5% average attendance at Board and Committee meetings in FY 2017-18 • Specified retirement age and term limits for Directors
Principle 6	Management Incentive Structures Aligned with Long-Term Strategy	• Board designed executive compensation program to align with long-term strategy of the Company • Combination of short- and long-term performance goals • Executive share ownership program and equity holding requirements

Review and Approval of Transactions with Related Persons

The *Worldwide Business Conduct Manual* requires that all employees and Directors disclose all potential conflicts of interest and promptly take actions to eliminate any such conflict when the Company requests. In addition, the Company has adopted a written Related Person Transaction Policy that prohibits any of the Company's executive officers, Directors, or any of their immediate family members from entering into a transaction with the Company, except in accordance with the policy.

Under our Related Person Transaction Policy, the Chief Legal Officer is charged with primary responsibility for determining whether, based on the facts and circumstances, a related person has a direct or indirect material interest in a proposed or existing transaction. If the Chief Legal Officer determines that the related person would have a direct or indirect material interest in the transaction, the Chief Legal Officer must present the transaction to the Audit Committee for review or, if impracticable under the circumstances, to the Chair of the Audit Committee, who must then either approve or reject the transaction in accordance with the terms of the policy. In the course of making this determination, the Audit Committee shall consider all relevant information available and, as appropriate, must take into consideration the following:

- whether the transaction was undertaken in the ordinary course of business of the Company;
- whether the transaction was initiated by the Company or the related person;
- whether the transaction contains terms no less favorable to the Company than terms that could have been reached with an unrelated third party;
- the purpose of, and the potential benefits to the Company of, the transaction;
- the approximate dollar value of the transaction, particularly as it involves the related person;
- the related person's interest in the transaction; and
- any other information regarding the related person's interest in the transaction that would be material to investors under the circumstances.

The Audit Committee may only approve the transaction if it determines that the transaction is not inconsistent with the best interests of the Company as a whole. Further, in approving any such transaction, the Audit Committee has the authority to impose any terms or conditions it deems appropriate on the Company or the related person. Absent this approval, no such transaction may be entered into by the Company with any related person. The Audit Committee has reviewed and approved the following transactions.

Jon R. Moeller, the Company's Vice Chairman and Chief Financial Officer ("CFO"), is married to Lisa Sauer, a long-tenured employee of the Company who currently holds the position of Vice President—Product Supply, Global Home Products. Her total compensation last year was approximately $954,000, consisting of salary, bonus, equity grants, and retirement and health benefits. Her compensation is consistent with the Company's overall compensation principles based on her years of experience, performance, and position within the Company. Prior to Mr. Moeller becoming CFO, the Audit Committee approved the continued employment of Ms. Sauer with the Company under the Company's Related Person Transaction Policy, concluding that her continued employment was not inconsistent with the best interests of the Company as a whole.

Deborah P. Majoras, the Company's Chief Legal Officer and Secretary, is married to John M. Majoras, one of approximately 950 partners in the law firm of Jones Day. The Company has hired Jones Day, in the ordinary course of business, to perform legal services. The Company's relationship with Jones Day dates back more than 30 years and significantly precedes Ms. Majoras joining the Company as Vice President and General Counsel in 2008 from the Federal Trade Commission, where she served as Chairman. Mr. Majoras does not receive any direct compensation from the fees paid to Jones Day by the Company, his ownership in the Jones Day law firm is significantly less than 1%, and the fees paid by the Company to Jones Day in the last fiscal year were less than 1% of their annual revenues. Under the Company's Related Person Transaction Policy, the Audit Committee reviewed and approved the continued use of Jones Day as a provider of legal services to the Company, but required the Company's CEO to approve any recommendations by Ms. Majoras to hire Jones Day for a specific legal matter. In doing so, the Committee concluded that the Majorases did not have a direct or indirect material interest in the Company's hiring of Jones Day and that the relationship was not inconsistent with the best interests of the Company as a whole.

R. Alexandra Keith, President—Global Hair Care and Beauty Sector, is married to Christopher Keith, a long-tenured employee of the Company who currently holds the position of Vice President—Feminine Care, Europe, and Brand Franchise Leader, Liners. His total compensation last year was approximately $815,000, consisting of salary, bonus, equity grants, and retirement and health benefits. His compensation is consistent with the Company's overall compensation principles based on his years of experience, performance, and position within the Company. Upon Ms. Keith becoming President—Global Hair Care and Beauty Sector, the Audit Committee approved the continued employment of Mr. Keith with the Company under the Company's Related Person Transaction Policy, concluding that his continued employment was not inconsistent with the best interests of the Company as a whole.

Francis S. Blake, a Director, is the stepfather of Asher Lanier, an employee of the Company who currently holds the position of Account Executive, Oral Care, Albertsons. Mr. Lanier's total compensation last year was approximately $127,000, consisting of salary, retirement, and health benefits. His compensation is consistent with the Company's overall compensation principles based on his years of experience, performance, and position within the Company. In anticipation of Mr. Lanier's total compensation exceeding $120,000 in FY 2017-18, the Audit Committee reviewed and approved the continued employment of Mr. Lanier with the Company under the Company's Related Person Transaction Policy, concluding that his continued employment was not inconsistent with the best interests of the Company as a whole.

Other than as noted above, there were no transactions, in which the Company or any of its subsidiaries was a participant, the amount involved exceeded $120,000, and any Director, Director nominee, executive officer, or any of their immediate family members had a direct or indirect material interest reportable under applicable SEC rules or that required approval of the Audit Committee under the Company's Related Person Transaction Policy, nor are there any currently proposed.

Compensation Committee Interlocks and Insider Participation

All members of the Compensation & Leadership Development Committee during FY 2017-18 were independent directors and none were employees or former employees of the Company. There are no Compensation Committee interlocks between the Company and any other entities in which one of our executive officers served on the compensation committee (or equivalent) or the board of directors of another entity whose executive officer(s) served on our C&LD Committee or Board of Directors.

Communication with Directors and Executive Officers

Shareholders and others who wish to communicate with the Board or any particular Director, including the Lead Director, or with any executive officer of the Company, may do so by email at *boardofdirectors.im@pg.com* or by writing to the following address:

[Name of Director(s)/Executive Officer or "Board of Directors"]
The Procter & Gamble Company
c/o The Corporate Secretary's Office
One Procter & Gamble Plaza
Cincinnati, OH 45202-3315

All such correspondence is reviewed by the Corporate Secretary's office, which logs the material for tracking purposes. The Board has asked the Corporate Secretary's office to forward to the appropriate Director(s) all correspondence, except for personal grievances, items unrelated to the functions of the Board, business solicitations, advertisements, and materials that are profane.

Availability of Corporate Governance Documents

The Company's corporate governance documents are available on the Company's website at www.pg.com. Additionally, copies of the Company's Amended Articles of Incorporation, the Company's Code of Regulations, all Committee Charters, the Corporate Governance Guidelines (including Independence Guidelines, Confidentiality Policy, and Financial Literacy and Expertise Guidelines), the *Worldwide Business Conduct Manual*, the Company's Purpose, Values, and Principles and the Related Person Transaction Policy are available in print upon request by writing to the Corporate Secretary at One Procter & Gamble Plaza, Cincinnati, OH 45202-3315.

Director Compensation

The objective of the C&LD Committee is to provide non-employee members of the Board a compensation package consistent with the size-adjusted median of the Peer Group. Directors can elect to receive any part of their fees or retainer (other than the annual grant of Restricted Stock Units ("RSUs")) as cash, RSUs, or unrestricted stock. Consistent with the practice of the past several years, the Company did not grant any stock options to Directors in FY 2017-18. Non-employee members of the Board received the following compensation:

- a grant of RSUs following election to the Board at the Company's October 10, 2017 annual meeting of shareholders, with a grant date fair value of $175,000. These units are forfeited if the Director resigns during the year, unless the resignation is for reasons of antitrust laws, or the Company's conflict of interest, corporate governance, or continued service policies, do not deliver in shares until at least one year after the Director leaves the Board, and cannot be sold or traded until delivered in shares, thus encouraging alignment with the Company's long-term interests and the interests of shareholders. These RSUs will earn dividend equivalents at the same rate as dividends paid to shareholders;
- an annual retainer fee of $110,000 paid in quarterly increments; and
- an additional annual retainer paid to the Lead Director and Chair of each committee as follows: Lead Director, $30,000; Chair of the Audit Committee, $25,000; Chair of the C&LD Committee, $20,000; Chairs of the Governance & Public Responsibility and Innovation & Technology Committees, $15,000.

At its June 12, 2018 meeting, the Board of Directors, upon the recommendation of the C&LD Committee, agreed to maintain the current Director compensation package for the upcoming fiscal year.

Non-employee members of the Board must own Company stock and/or RSUs worth six times their annual cash retainer. A number of the non-employee Directors were appointed or elected to the Board within the last few years. However, all non-employee Directors either meet or are on track to meet the ownership requirements within the five-year period established by the C&LD Committee.

Director Compensation

The following table and footnotes provide information regarding the compensation paid to the Company's non-employee Directors in FY 2017-18. Directors who are employees of the Company receive no compensation for their service as Directors.

Director Compensation Table

Name	Fees: Annual Retainer ($)	Fees: Committee Chair & Lead Director Fees ($)	Fees: Total Fees Earned or Paid in Cash[1] ($)	Stock Awards[2] ($)	All Other Compensation[3] ($)	Total ($)
Francis S. Blake	110,000	—	110,000	175,000	0	285,000
Angela F. Braly	110,000	15,000	125,000	175,000	0	300,000
Amy Chang	110,000	—	110,000	175,000	0	285,000
Kenneth I. Chenault	110,000	—	110,000	175,000	0	285,000
Scott D. Cook	110,000	15,000	125,000	175,000	0	300,000
Joseph Jimenez	37,079	—	37,079	0	0	37,079
Terry J. Lundgren	110,000	15,000	125,000	175,000	0	300,000
W. James McNerney, Jr.	110,000	35,000	145,000	175,000	0	320,000
Nelson Peltz	37,079	—	37,079	0	0	37,079
Margaret C. Whitman	110,000	—	110,000	175,000	0	285,000
Patricia A. Woertz	110,000	25,000	135,000	175,000	0	310,000
Ernesto Zedillo	110,000	—	110,000	175,000	0	285,000

[1] Director fees are paid quarterly. Each Director may elect to take these fees in cash, unrestricted stock, RSUs (which vest immediately), or a combination of the three. The RSUs earn dividend equivalents that are subject to the same vesting provision as the underlying RSUs and are accrued in the form of additional RSUs each quarter and credited to each Director's holdings. Mr. Jimenez joined the Board on March 1, 2018, and took a pro-rated retainer of $37,079 in RSUs which had a grant date fair value of $37,221. Mr. Peltz joined the Board on March 1, 2018, and took a pro-rated retainer in cash. Mr. Blake elected to take $105,000 of his fees in unrestricted stock, which had a grant date fair value of $105,305. Ms. Braly and Mr. Lundgren elected to take $120,000 of their fees in RSUs, which had a grant date fair value of $120,183 for Ms. Braly, and $120,133 for Mr. Lundgren. Mr. Cook elected to take $120,000 of his fees in unrestricted stock, which had a grant date fair value of $120,183. Mr. McNerney elected to take $140,000 of his fees in unrestricted stock, which had a grant date fair value of $140,185. Mr. Chenault elected to take $105,000 of his fees in RSUs, which had a grant date fair value of $105,305. The remaining Directors took their fees in cash.

[2] Each year, upon election at the Company's annual meeting of shareholders, every Director is awarded a $175,000 grant of RSUs. These RSUs vest after one year as long as the Director remains on the Board. Messrs. Jimenez and Peltz did not participate in the October 2017 grant. Except for Messrs. Jimenez and Peltz, each Director has 1,940 RSUs outstanding (representing the grant on October 10, 2017 and subsequent dividend equivalents). In addition, Ms. Braly has 4,992 shares of retirement restricted stock outstanding as of June 30, 2018.

[3] For all Board meetings throughout the fiscal year, Directors were entitled to bring a guest so long as the Director used the Company aircraft to attend the meeting and the guest's attendance did not result in any incremental aircraft costs, although no Director brought a guest to any Board meeting in FY 2017-18. Directors are also covered under the same insurance policy as all Company employees for accidental death while traveling on Company business (coverage is $750,000 for each Director). The incremental cost to the Company for this benefit is $3,521. In addition, the Company maintains a Charitable Awards Program for current and retired Directors who were participants prior to July 1, 2003. Under this program, at their death, the Company donates $1,000,000 per Director to up to five qualifying charitable organizations selected by each Director. Directors derive no financial benefit from the program because the charitable deductions accrue solely to the Company. The Company funds this contribution from general corporate assets. In FY 2017-18, no payments were made. The Company also made a $500 donation on behalf of each Director to the Children's Safe Drinking Water Program or to a different charity of their choice. These donations were also funded from general corporate assets, and the Directors derive no financial benefit from these donations because the charitable deductions accrue solely to the Company. As an employee Director, Mr. Taylor did not receive a retainer, fees, or a stock award.

Compensation Committee Report

The Compensation & Leadership Development Committee of the Board of Directors has reviewed and discussed the following section of this proxy statement entitled "Compensation Discussion & Analysis" with management. Based on this review and discussion, the Committee has recommended to the Board that the section entitled "Compensation Discussion & Analysis," as it appears on the following pages, be included in this proxy statement and incorporated by reference into the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2018.

Terry J. Lundgren, Chair
Kenneth I. Chenault
Scott D. Cook
Joseph Jimenez
W. James McNerney, Jr.
Margaret C. Whitman

Compensation Discussion & Analysis

Introduction

The focus of this discussion and analysis is on the Company's compensation philosophies and programs for its named executive officers ("NEOs") for FY 2017-18:

David S. Taylor
Chairman of the Board, President and Chief Executive Officer

Jon R. Moeller
Vice Chairman and Chief Financial Officer

Steven D. Bishop
Group President Global Health Care

Giovanni Ciserani
Group President Global Fabric & Home Care and Global Baby & Feminine Care

Mary Lynn Ferguson-McHugh
Group President Global Family Care and P&G Ventures

FY 2017-18 Results—Key Compensation Measures

The Company's focus for FY 2017-18 was on the execution of three key strategic priorities: accelerate top-line growth by improving the five elements of noticeable superiority (product, package, brand communication, retail execution and value), drive cost and cash productivity, and transform the organization and culture. While the Company met or exceeded its going-in targets for Core EPS growth and Adjusted Free Cash Flow Productivity, top-line results were below the low end of our target range. This led to below-target payouts in our bonus programs.

Key Compensation Measures	Original FY 2017-18 Targets[1]	FY 2017-18 Actuals[2]
Organic Sales Growth[3]	2% to 3%	1%
Core EPS Growth[4]	5% to 7%	8%
Adjusted Free Cash Flow Productivity[5]	≥90%	104%

[1] The targets above reflect the original FY 2017-18 financial guidance provided by the Company on July 27, 2017.
[2] FY 2017-18 actuals for Organic Sales Growth, Core EPS Growth and Adjusted Free Cash Flow Productivity were used in the calculation of Year 3 Performance Stock Program results, as further detailed on pages 39-41.
[3] Organic Sales Growth is a measure of sales growth excluding the impacts of India Goods and Services Tax implementation, acquisitions, divestitures and foreign exchange from year-over-year comparisons. See Exhibit A for a reconciliation of non-GAAP measures.
[4] Core EPS Growth is a measure of the Company's diluted net earnings per share from continuing operations growth, adjusted for the transitional impacts of the U.S. Tax Act in fiscal 2018 and for losses on early extinguishment of debt and incremental restructuring in fiscal 2018 and 2017. See Exhibit A for a reconciliation of non-GAAP measures.
[5] Adjusted Free Cash Flow Productivity is the ratio of Operating Cash Flow less the sum of Capital Expenditures to Net Earnings excluding the transitional impact of the U.S. Tax Act and the loss on early retirement of debt. See Exhibit A for a reconciliation of non-GAAP measures.

Organic Sales Growth was 1%. This was below the low end of our original target range due to challenges in the Baby Care and Grooming businesses, significant external disruption in the Middle East/Africa markets, and retail inventory reductions. Core EPS Growth of 8% was above the high end of the original target range despite headwinds from commodities and transportation costs (approximately -5% or -$0.5 billion, in total).

To address the cost challenges, the Company accelerated work on savings across all elements of cost: cost of goods sold, non-manufacturing overhead, and marketing. For example, the Company delivered $1.4 billion in gross cost of goods savings, spanning materials, manufacturing, and logistics. This was in-line with our target annual run rate. In total, productivity improvements contributed 260 basis points of operating margin benefit.

Adjusted Free Cash Flow Productivity was 104%, ahead of target. These cash results enabled the return of over $14 billion to shareholders ($7 billion in dividends and $7 billion in share repurchase).

Executive Compensation Practices

Our executive compensation practices are designed to support good governance and mitigate excessive risk-taking.

What We Do:

- ☑ Target compensation at the median of an appropriate peer group, with substantial variation based on performance.
- ☑ Significant share ownership and equity holding requirements are in place for senior executives.
- ☑ Multiple performance metrics under STAR and PSP remove any incentive to focus on a single performance goal to the detriment of other goals.
- ☑ Appropriate balance between short-term and long-term compensation discourages short-term risk taking at the expense of long-term results.
- ☑ Double Trigger. Time-based equity awards do not vest solely on account of a change-in-control (requires a qualifying termination following a change-in-control).
- ☑ Engagement of an Independent Advisor. Our C&LD Committee engages an independent compensation consultant, who performs no other work for the Company, to advise on executive compensation matters.
- ☑ Clawback policy permits the C&LD Committee to recoup certain compensation payments in the event of a significant restatement of financial results for any reason. Additionally, the two most recent stock plans allow recovery of proceeds from stock awards if a participant violates certain plan provisions such as taking actions which may damage the reputation, goodwill, or stability of the Company.

What We Do Not Do:

- ☒ No employment contracts with executives containing special severance payments such as golden parachutes.
- ☒ No special executive retirement programs and no severance programs that are specific to executive officers.
- ☒ No gross-up payments to cover personal income taxes or excise taxes that pertain to executive or severance benefits.
- ☒ No excessive perquisites for executives.
- ☒ No hedging or engaging in the following transactions that include shares of Common Stock: pledging, collars, short sales, and other derivative transactions.
- ☒ No re-pricing or backdating stock options.

Our Compensation Objectives

Our fundamental and overriding objective is to create value for our shareholders at leadership levels on a consistent long-term basis. To accomplish this goal, the C&LD Committee designs executive compensation programs that:

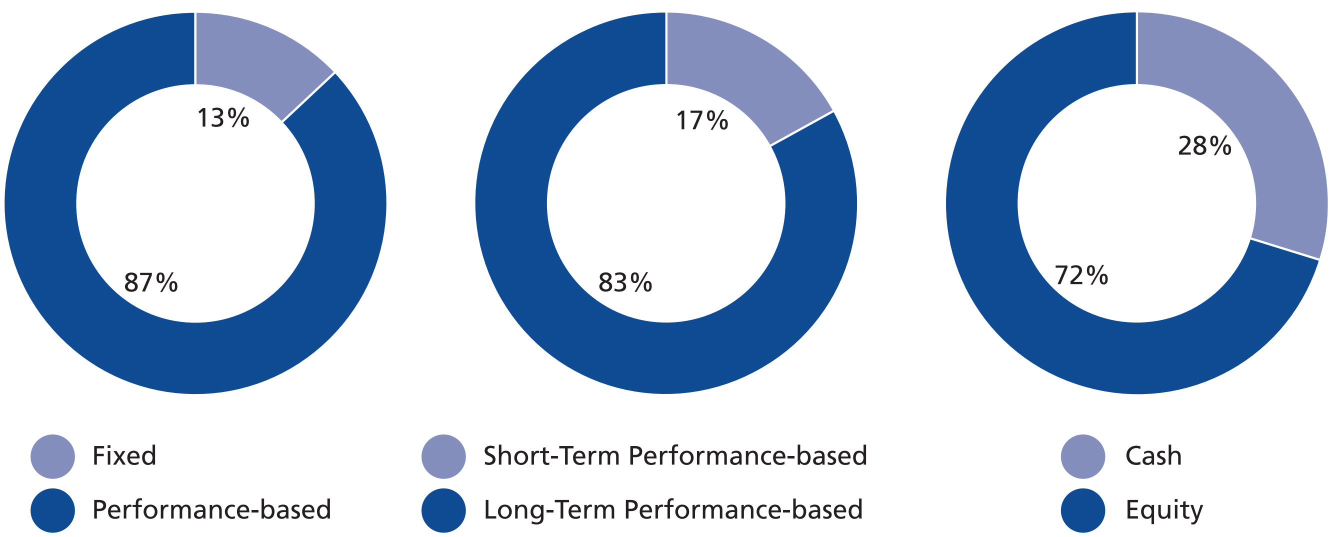
- Emphasize Pay for Performance by aligning incentives with business strategies to reward executives who achieve or exceed Company, business unit, and individual goals, while removing any incentive to focus on a single performance goal to the detriment of others.
- Pay Competitively by setting target compensation opportunities to be competitive with other global corporations of similar size, value, and complexity.
- Focus on Long-Term Success by including equity as a cornerstone of our executive pay programs and by using a combination of short-term and long-term incentives to ensure a strong connection between Company performance and actual compensation realized.

Emphasizing Pay for Performance

Our executive compensation program consists of four key components: salary, the Short-Term Achievement Reward (STAR), and two long-term incentive equity programs—the Performance Stock Program (PSP) and the Long-Term Incentive Program (LTIP). For FY 2017-18, these four components constituted approximately 97% on average of each NEO's total compensation. The remaining 3% consisted of retirement income, expatriate expenses, and other benefits.

We design our programs so that NEO compensation varies by type (fixed versus performance-based), length of performance period (short-term versus long-term), and form (cash versus equity). We believe that such variation is necessary to: (1) strike the appropriate balance between short- and long-term business goals; (2) encourage appropriate behaviors and discourage excessive risk-taking; and (3) align the interests of the Company's executives with our shareholders.

While salary is considered a fixed component of compensation, salary progression over time is based on individual performance and the scope of responsibilities of the role. The remaining compensation components vary based on the performance of the individual, the performance of the individual's business unit, and the performance of the Company as a whole. This mix of components is designed to incentivize both individual accountability and collaboration to build long-term shareholder value. The charts below show the average mix of the four key components of FY 2017-18 NEO compensation based on type, length, and form of compensation.



Consistent with our design principles, performance-based programs pay out at 100% when target goals are achieved. Payouts below 100% occur when target goals are not achieved, and payouts above 100% are possible when target goals are exceeded. Over the previous ten years, the average STAR payout for NEOs ranged from a low of 67% of target to a high of 137% of target. Since the inception of PSP in 2010, the program has delivered payouts from a low of 20% of target to a high of 62% of target. For the current year, the average STAR payout for the NEOs was 78% of target, and the current PSP payout for the three years ending June 30, 2018, was 62% of target, resulting in a combined average STAR and PSP performance-based payout of 67% for all NEOs. In aggregate, STAR and PSP performance-based pay for the NEOs was 64% of target over the past five years. Payouts under these programs were based on the results achieved as compared to the pre-established performance targets, highlighting the clear link between pay and performance that is the cornerstone of our compensation programs.

Paying Competitively

The C&LD Committee structures executive compensation so that total targeted annual cash and long-term compensation opportunities are competitive with the targets for comparable positions at companies considered to be our peers ("Peer Group"), based on criteria described below. The C&LD Committee sets targets for each element of compensation considering the same elements of compensation paid to those holding similar jobs at companies in our Peer Group, focusing on positions with similar management and revenue responsibility. For the CEO's compensation analysis, the C&LD Committee considers the Company's revenue, market capitalization, and relative performance compared to our Peer Group.

The Peer Group is objectively determined and consists of global companies that generally meet the following criteria:

- have revenue comparable to the Company ($65 billion in FY 2017-18) and/or market capitalization comparable to the Company (approximately $233 billion as of December 2017);
  - Peer Group revenues range from $15 billion to $495 billion with a median of $62 billion; and
  - Peer Group market capitalization ranges from $15 billion to $861 billion with a median of $162 billion.
- compete with the Company in the marketplace for business and investment capital;
- compete with the Company for executive talent; and
- have generally similar pay models. We do not compare with companies in the financial services or insurance industries, where the mix of pay elements or program structure is generally materially different.

Each year, the C&LD Committee evaluates and, if appropriate, updates the composition of the Peer Group. Changes to the Peer Group are carefully considered and made infrequently to assure continuity from year to year. For FY 2017-18, the Committee did not make any changes to the Peer Group, which consists of the following companies:

3M	Colgate-Palmolive	Home Depot	Merck	Pfizer
AT&T	ExxonMobil	IBM	Microsoft	United Technologies
Boeing	Ford Motor Co.	Johnson & Johnson	Mondelez	Verizon Communications
Chevron	General Electric	Kimberly-Clark	Nike	Wal-Mart Stores
Coca-Cola	HP Inc.	Lockheed Martin	PepsiCo	

While the target total compensation for our NEOs is set considering the size-adjusted median target total compensation within our Peer Group, actual compensation varies depending on the NEO's experience in the particular role, as well as on total Company, business unit, and individual performance. Consistent with our principles to pay for performance and pay competitively, substantial differences may exist among NEOs' pay.

Focus on Long-Term Success

To reinforce the importance of stock ownership and long-term focus for our most senior executives, including the NEOs, the C&LD Committee established the Executive Share Ownership Program and Equity Holding Requirement.

The Executive Share Ownership Program requires the CEO to own shares of Company stock and/or RSUs (including granted Performance Stock Units ("PSUs")) valued at a minimum of eight times salary. Mr. Taylor currently holds approximately 18 times salary. All other NEOs must own stock and/or RSUs (including granted PSUs) valued at a minimum of four or five times salary, depending on the NEO's role. The C&LD Committee annually reviews these holdings, and in 2018 each NEO exceeded these requirements.

The Equity Holding Requirement ensures executives remain focused on sustained shareholder value even after exercising their stock options or receiving shares from RSU settlements or PSU payouts. The equity holding requirement applies when an executive, including an NEO, has not met the ownership requirements of the Executive Share Ownership Program. When the holding requirement applies, the CEO is required to hold the net shares received from stock option exercises and RSU and PSU settlements for at least three years, and the other NEOs are required to hold net shares received for at least one year. The holding requirement does not apply to unrestricted stock or to STAR awards that executives elect to take as stock options instead of cash.

Elements of Our Compensation Programs

Annual Cash Compensation

The Company's annual cash compensation consists of salary and STAR. We collect and analyze data from the Peer Group on the total annual cash compensation opportunity (salary plus annual bonus target) for positions comparable to those at the Company. We consider the target median annual cash compensation opportunity for each position within our Peer Group, adjusted for size using a regression analysis of Peer Group revenues, to set a salary range mid-point and a target for STAR, as a percentage of salary ("STAR target").

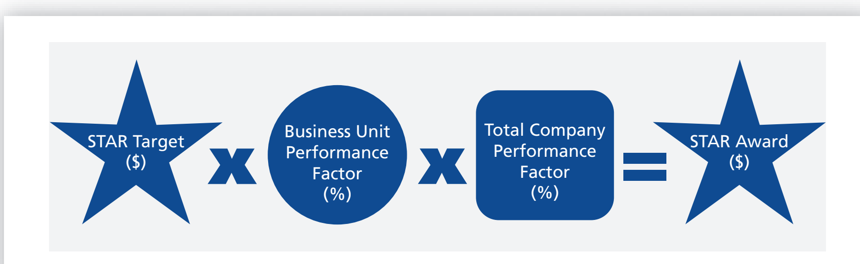
Salary

Mr. Taylor's annualized salary remained unchanged at $1,600,000 during FY 2017-18. Concurrent with Mr. Moeller's appointment as Vice Chairman and Chief Financial Officer on July 1, 2017, the C&LD Committee increased Mr. Moeller's salary to $1,000,000, a 5.3% increase. The C&LD Committee approved a 4.4% increase to bring Mr. Ciserani's salary to $940,000 based on market movement and to recognize his responsibility for managing a significant portion of the total Company businesses. The Committee also increased Ms. Ferguson-McHugh's salary to $850,000, a 3.7% increase based on market movement and her business performance in Family Care and P&G Ventures. Finally, the committee approved a 3.6% increase to $870,000 for Mr. Bishop based on market movement and for his business results in Oral Care and Personal Health Care.

STAR Annual Bonus

The STAR program links a substantial portion of each NEO's annual cash compensation to the Company's performance for the fiscal year. The program focuses on the achievement of business unit results, but also includes a component that measures the performance of the overall Company. STAR awards are generally paid in cash, but executives can also elect to receive all or part of their awards in stock options or deferred compensation.

STAR awards are calculated using the following formula:



The basis for each element of STAR is:

- **STAR Target.** The C&LD Committee sets STAR targets as a percentage of salary for NEOs using annual bonus benchmarks for similar positions in our Peer Group.
- **Business Unit Performance Factor.** The CEO, CFO, and CHRO ("STAR Committee") recommend Business Unit Performance Factors for each business unit, based on a retrospective assessment of the performance of each of the 18 business units against six metrics: operating TSR, organic sales growth, operating profit growth, adjusted free cash flow productivity, market share, and internal controls. This assessment is compared to each business unit's role in the portfolio, reflecting the different industries in which the Company's businesses compete and their growth potential. The C&LD Committee then determines the Business Unit Performance Factors based on the STAR Committee's recommendations. None of the officers on the STAR Committee participate in discussions or recommend their own STAR awards to the C&LD Committee. The Business Unit Performance Factors can range between 50% and 150%. The Business Unit Performance Factor for global business services and corporate functions is the weighted average of all the global business units ("GBU") and selling and market operations ("SMO") Business Unit Performance Factors in order to align all organizations with the six metrics.

  The Business Unit Performance Factor for NEOs who lead multiple business units is based on a combination, as determined by the STAR Committee, of the results of the business units for which the NEO is ultimately responsible. There are no separate performance goals for the business unit combinations for purposes of compensation.

  To better align STAR awards with individual and local performance, the President of each business may differentiate award levels based on the overall performance of lower level divisions, provided the total expenditure does not exceed what was approved by the STAR committee. This differentiation only impacts awards for those employees below the President level and thus does not impact NEO compensation.
- **Total Company Performance Factor.** The C&LD Committee sets targets for the Company's annual Organic Sales Growth and Core EPS Growth as the basis for the Company Performance Factor to encourage a balanced focus on both top-line and bottom-line results and to encourage collaboration among the business units. These targets are typically linked to the external financial guidance provided at the beginning of the fiscal year, and the Core EPS target specifically includes the expected impact of our share repurchase program. The Committee establishes performance levels and a payout matrix that determine a Company Performance Factor between 70% and 130%.

While the formula described above is used to calculate potential STAR awards, the C&LD Committee retains the authority to make no STAR award in a given year and the discretion to accept, modify, or reject management's recommendations for any or all employees, including the NEOs.

FY 2017-18 STAR Annual Bonus

Mr. Taylor's STAR target remained unchanged from last fiscal year at 200% of salary. The STAR target for Mr. Moeller increased to 130% of salary. The target for Mr. Ciserani remained at 120% of salary, and the targets for Mr. Bishop and Ms. Ferguson-McHugh remained unchanged at 100% of salary.

At the beginning of FY 2017-18, the C&LD Committee established the Organic Sales Growth target at 2.8% and the Core EPS Growth target at 6%, to be used to compute the FY 2017-18 Company Performance Factor, and established a payout matrix that would generate a Company Performance Factor between 70% and 130% depending on the actual Organic Sales and Core EPS Growth achieved. Organic Sales Growth and Core EPS Growth were 1% and 8%, respectively, resulting in a Total Company Performance Factor of 90%.

The C&LD Committee then reviewed the recommendations provided for the 18 Business Unit Performance Factors and, after considering the performance of the total Company and the appropriate combination of Business Unit Performance Factors for each NEO, approved the following STAR awards:

FY 2017-18 STAR Awards

NEO	STAR Target ($)	Business Unit Performance Factor (%)	Total Company Performance Factor (%)	STAR Award ($)	STAR Award (% of Target)
David S. Taylor	3,200,000	95	90	2,736,000	85
Jon R. Moeller	1,300,000	95	90	1,111,500	85
Steven D. Bishop	870,000	83	90	645,975	74
Giovanni Ciserani	1,128,000	72	90	730,944	65
Mary Lynn Ferguson-McHugh	850,000	91	90	698,062	82

In keeping with good governance practices, the NEO members of the STAR Committee (CEO, CFO) did not recommend their own awards. Instead, the C&LD Committee used the weighted average of all Business Unit Performance Factors multiplied by the Total Company Performance Factor to determine the awards for the NEO members of the STAR Committee. This resulted in an award of $2,736,000 for Mr. Taylor, and $1,111,500 for Mr. Moeller.

The STAR award recommended to the C&LD Committee for Mr. Ciserani, Mr. Bishop, and Ms. Ferguson-McHugh was computed using the formula described on page 35 of this proxy statement.

Long-Term Incentive Programs

The majority of the NEOs' compensation is delivered through two long-term incentive programs tied to sustained Company performance: the PSP and the LTIP.

The C&LD Committee uses competitive market data to set total long-term compensation targets considering the median total long-term compensation of comparable positions in the Peer Group, regressed for revenue size.

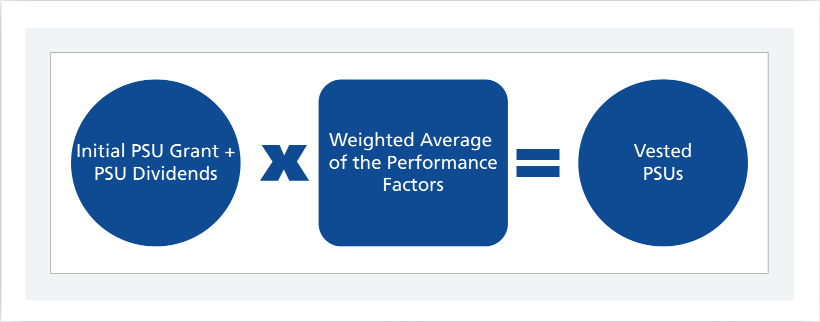
The CEO recommends NEO grants to the C&LD Committee based on benchmarked long-term compensation targets, adjusted for business results and individual contributions attributable to each NEO, including that individual's leadership skills. These recommendations can be up to 50% above or 50% below the benchmarked target.

The C&LD Committee retains full authority to accept, modify, or reject these recommendations. In exceptional cases, no grant will be awarded. Half of each NEO's annual long-term compensation is allocated to PSP via an initial PSU grant as defined below. The other half is an LTIP Grant.

Performance Stock Program (PSP)

The PSP aligns the interests of the NEOs with shareholders by encouraging NEOs to focus on the aspects of the long-term performance of the Company that create shareholder value. In the first year of each three-year performance period, the C&LD Committee grants PSUs to participants. The number of PSUs that vest at the end of the performance period will depend on Company results over the three-year period.

The C&LD Committee sets targets at the beginning of each performance period for the following categories ("Performance Categories"): Organic Sales Growth weighted 30%; Constant Currency Core Before-Tax Operating Profit Growth weighted 20%; Core EPS Growth weighted 30%; and Adjusted Free Cash Flow Productivity weighted 20%. The Core EPS growth target for year one of the PSP program is typically linked to the external financial guidance provided at the beginning of the fiscal year. The Core EPS targets for years two and three are based on our longer-term expected growth rates. These targets include the best estimates of the impact of our share repurchase program. The C&LD Committee then assigns a minimum and maximum performance goal for each Performance Category. At the end of the three-year performance period, each Performance Category will have a Performance Factor between 0% and 200%, depending on results achieved in each category. The Performance Factor will be 100% if the business results for the category are at target. Business results falling between the minimum and maximum performance goals are determined via linear interpolation. We believe that using a sliding scale to reward performance, as opposed to "all or nothing" goals, discourages participants from taking unnecessary risks to earn payments under the program. At the end of each three-year performance period, the C&LD Committee multiplies the weighted average of the four Performance Factors by the initial PSU grant (plus compounded dividend equivalents) to determine the vested PSUs. The formula is as follows:



PSUs vest at the earliest of the end of the three-year performance period or when the individual becomes retirement eligible, provided the NEO was an employee on June 30 following the grant date of the PSUs. Final payouts are not determined until the end of the three-year performance period. Upon vesting of their PSUs, participants may elect to defer receipt of the shares of Common Stock by choosing to instead receive deferred RSUs.

Note that the Performance Factors for the 2015-2018 PSP Performance Period, which paid out on June 30, 2018, are different from the factors described above (see page 40 for details).

Long-Term Incentive Program (LTIP) Grant

The LTIP grant is the second component of the Company's long-term incentive compensation for its senior executives. Executives can elect to receive all or a portion of their grants in either RSUs or stock options, with the exception of the CEO, whose grant form and amount is solely determined by the C&LD Committee. Stock options do not vest (and therefore are not exercisable) until three years from the date of grant and expire ten years from the date of grant, or earlier in the case of certain termination events. RSUs cliff vest three years after grant date and are delivered, upon vesting, in shares of Common Stock, along with compounded dividend equivalents. In addition, NEOs must be employed on the June 30 following the grant date to retain the awards, even if they are eligible for retirement. These awards focus executives on the long-term success of the Company, and we believe the vesting restrictions enhance retention because employees who voluntarily resign from the Company during the specified vesting periods forfeit their grants.

FY 2017-18 Long-Term Incentive Grants

The following long-term incentive grants were made in FY 2017-18. The actual compensation realized by each NEO will be determined by future Company performance.

FY 2017-18 Long-Term Incentive Grants

	PSP Grant		LTIP Grant			Total
NEO	PSUs (#)	Grant Date Fair Value ($)	Options (#)	RSUs (#)	Grant Date Fair Value ($)	Grant Date Fair Value ($)
David S. Taylor	79,598	6,250,035	252,017	39,799	6,250,028	12,500,063
Jon R. Moeller	35,662	2,800,180	169,365	8,916	2,800,210	5,600,390
Steven D. Bishop	19,858	1,559,250	125,746	0	1,559,250	3,118,500
Giovanni Ciserani	24,723	1,941,250	0	24,723	1,941,250	3,882,500
Mary Lynn Ferguson-McHugh	20,718	1,626,777	65,596	10,359	1,626,779	3,253,556

The C&LD Committee approved $12,500,000 in long-term incentive value for Mr. Taylor. In awarding a modest increase in at-risk performance-based pay, the Committee considered Mr. Taylor's total compensation package compared to the market median of the competitive peer set, as well as the fact that his base salary and bonus target have not increased for the past two fiscal years. The Committee also assessed his performance during one of the most significant business transformations the Company has ever undertaken. The award for Mr. Taylor positions him very close to the long-term incentive and total compensation market median.

The C&LD Committee approved a total long-term incentive award of $5,600,310 for Mr. Moeller. This award reflects the scope of Mr. Moeller's role as CFO which includes responsibilities that exceed most other Peer Group CFOs, including oversight of the Company's Global Business Services and Information Technology organizations.

The Committee approved a long-term incentive award of $3,882,400 for Mr. Ciserani. This is a reduction versus last year, reflecting below target business performance. The committee approved $3,118,500 for Mr. Bishop based on business performance, and approved $3,253,550 for Ms. Ferguson-McHugh also based on business results, including an additional amount to recognize her significant contributions to the Company's Diversity & Inclusion objectives.

PSP Goal Setting

In conjunction with deciding the amount and allocation of the NEOs' long-term incentive opportunities for FY 2017-18, the C&LD Committee set the PSP Performance Factors listed below for the three-year performance period starting July 1, 2017 through June 30, 2020. The delivery of results against these factors will determine the ultimate payout for this portion of compensation.

PSP Goals for Performance Period July 1, 2017-June 30, 2020

Organic Sales Growth (30% Weighting)[1]		Constant Currency Core Before-Tax Operating Profit Growth (20% Weighting)[2]		Core EPS Growth (30% Weighting)[3]		Adjusted Free Cash Flow Productivity (20% Weighting)[4]	
% Growth	Payout Factor	% Growth	Payout Factor	% Growth	Payout Factor	%	Payout Factor
4.5	200%	≥8.7	200%	≥9.7	200%	≥115	200%
4.0	167%	7.7	167%	8.7	167%	107	167%
3.5	133%	6.7	133%	7.7	133%	98	133%
Target 3.0	100%	Target 5.7	100%	Target 6.7	100%	Target 90	100%
2.5	67%	4.7	67%	5.7	67%	82	67%
2.0	33%	3.7	33%	4.7	33%	73	33%
≤1.5	0%	≤2.7	0%	≤3.7	0%	≤65	0%

[1] Organic Sales Growth is a measure of sales growth excluding the impacts of acquisitions, divestitures, foreign exchange and (as appropriate) certain other items from year-over-year comparisons, and will be based on the 3-year compound annual growth rate. See Exhibit A for a reconciliation of non-GAAP measures.
[2] Constant Currency Core Before-Tax Operating Profit Growth is a measure of operating profit growth adjusted to exclude foreign exchange impacts and certain items that are not deemed to be part of the Company's sustainable results, and will be based on the 3-year compound annual growth rate. See Exhibit A for a reconciliation of non-GAAP measures.
[3] Core EPS Growth is a measure of the Company's diluted net earnings per share from continuing operations growth, adjusted for certain items that are not deemed to be part of the Company's sustainable results, and will be based on the 3-year compound annual growth rate. See Exhibit A for a reconciliation of non-GAAP measures.
[4] Adjusted Free Cash Flow Productivity is the ratio of the 3-year sum of Operating Cash Flow excluding (as appropriate) certain impacts less the 3-year sum of Capital Expenditures to the 3-year sum of Net Earnings excluding (as appropriate) certain charges. See Exhibit A for a reconciliation of non-GAAP measures.

Looking Back: Realized Pay for PSP Performance Period July 1, 2015-June 30, 2018

In addition to setting the performance goals for the new PSP cycle, the C&LD Committee reviewed the results for the Performance Period (July 1, 2015 to June 30, 2018) which will pay out at the end of FY 2017-18. The C&LD Committee reviewed these results against the goals established at the beginning of that Performance Period to determine the realized pay for each NEO. Note that the measures used in the FY 2015-18 program differ from those used in programs beginning with performance period July 1, 2016 to June 30, 2019 as follows: Organic Sales Growth is a relative measure based on a percentile rank within a peer group, Core Before-Tax Operating Profit Growth is not based on constant currency, and the four Performance Factors were equally weighted at 25%.

PSP Results for July 1, 2015-June 30, 2018

Performance Factors (25% Equal Weighting)	Target	Actual	Payout
Organic Sales Growth Percentile Rank in Peer Group[1]	50th	17th	0%
Core Before-Tax Operating Profit Growth[2]	5.3%	1.4%	0%
Core EPS Growth[3]	4.2%	3.9%	90%
Adjusted Free Cash Flow Productivity[4]	90%	104%	156%
PSP Payout (Average of Performance Factors)			62%

[1] Organic Sales Growth is a measure of sales growth excluding the impacts of Venezuelan deconsolidation in fiscal 2016, India Goods and Services Tax implementation in fiscal 2018, acquisitions, divestitures and foreign exchange from year-over-year comparisons, and is based on the percentile rank within a peer group of directly competitive consumer product companies of the 3-year compound annual growth rate.

[2] Core Before-Tax Operating Profit Growth is the 3-year compound annual growth rate of Before-Tax Operating Profit, adjusted for charges for certain European legal matters in fiscal 2016 and 2015, Venezuela balance sheet remeasurement & devaluation impacts and Venezuela deconsolidation charge in 2015 and incremental restructuring. See Exhibit A for a reconciliation of non-GAAP measures.
[3] Core EPS Growth is the 3-year compound annual growth rate of the Company's diluted net earnings per share from continuing operations growth, adjusted for the transitional impacts of the U.S. Tax Act in fiscal 2018, losses on early extinguishment of debt in fiscal 2018 and 2017, Venezuela balance sheet remeasurement & devaluation impacts, Venezuela deconsolidation charge and charges for certain European legal matters in fiscal 2015 and incremental restructuring. See Exhibit A for a reconciliation of non-GAAP measures.
[4] Adjusted Free Cash Flow Productivity is the ratio of the 3-year sum of Operating Cash Flow excluding certain divestiture impacts in fiscal 2017 less the 3-year sum of Capital Expenditures to the 3-year sum of the Net Earnings excluding the transitional impact of the U.S. Tax Act in fiscal 2018, the losses on early extinguishment of debt in fiscal 2018 and 2017, the gain on the sale of the Beauty Brands business in fiscal 2017, the gain on the sale of the Batteries business in fiscal 2016 and the batteries impairment in fiscal 2016. See Exhibit A for a reconciliation of non-GAAP measures.

Based on results delivered, the NEOs received PSP payouts at 62% of target, which resulted in the following PSU awards for each NEO.

Realized Pay for Performance Period July 1, 2015-June 30, 2018

Named Executive Officer	Initial # of PSUs Granted	Market Value of Target Award @ $78.06/share	PSP Payout Factor	Final # of PSUs Awarded	Market Value of Final Award @ $78.06/share[1]
David S. Taylor	76,113	5,941,381	62%	47,191	3,683,729
Jon R. Moeller	37,241	2,907,032	62%	23,090	1,802,405
Steven D. Bishop	20,426	1,594,454	62%	12,665	988,630
Giovanni Ciserani	29,020	2,265,301	62%	17,993	1,404,534
Mary Lynn Ferguson-McHugh	20,426	1,594,454	62%	12,665	988,630

[1] The value of PSUs at target and awarded was calculated by multiplying the number of PSUs by the Company stock price as of June 29, 2018. These PSUs will deliver in shares of Common Stock or RSUs (as elected by the participants) in August 2018.

Special Equity Awards

On occasion, the C&LD Committee makes special equity grants in the form of RSUs to senior executives to encourage retention of the talent necessary to manage the Company successfully or to recognize superior performance. No special equity award was granted to any NEO in FY 2017-18.

Retirement Programs

The Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan ("PST") is the Company's primary retirement program for U.S.-based employees. The PST is a qualified defined contribution plan providing retirement benefits for full-time U.S. employees, including the NEOs. Under the PST, the Company makes an annual contribution of cash, which is used to purchase Company stock that is credited to each participant's PST account, upon which dividends are earned. The amount of the stock grant varies based upon individual salaries and years of service.

Some participants in the PST (including the NEOs) do not receive their full contribution due to federal tax limitations. As a result, they participate in the nonqualified PST Restoration Program. These individuals receive RSUs valued at an amount equal to the difference between the contribution made under the PST and what would have otherwise been contributed under the PST but for the tax limitations. Participants are vested in their PST accounts after five years of service, and similarly their PST Restoration RSUs become non-forfeitable after five years of service.

In addition, some individuals who would otherwise participate in the PST are ineligible due to their work location (including Mr. Ciserani). As a result, they participate in the nonqualified International Retirement Plan ("IRP"). These individuals receive RSUs valued at an amount equal to the contribution that would have otherwise been contributed under PST had they been eligible to participate in the PST. IRP RSUs also become non-forfeitable after five years of service.

The PST, the PST Restoration Program, and the IRP have created ownership at all levels of the Company. These programs continue to serve the Company and its shareholders well by focusing employees on the long-term success of the business.

For non-U.S.-based employees, individual country plans provide retirement benefits. In addition, employees who work in multiple countries during their careers may also be eligible for supplemental benefits under the Global International Retirement Arrangement ("IRA"). Mr. Ciserani participates in this program.

Executive Benefits

The Company provides certain other limited benefits to senior executives to fulfill particular business purposes, which are primarily for convenience and personal security. No changes were made to executive benefits over the past year, and the Company continues to manage executive benefits as a very small percentage (less than 1%) of total compensation for the NEOs during FY 2017-18.

Benefits that safeguard senior executives, such as home security systems, secured workplace parking, and annual physical health examinations, are available to NEOs, as needed. While Company aircraft are generally only used for Company business, for security reasons the CEO is required by the Board to use Company aircraft for all air travel, including personal travel. To increase executive efficiency, in limited circumstances, NEOs may travel to outside board meetings on Company aircraft. In addition, if a Company aircraft flight is already scheduled for business purposes and can accommodate additional passengers, NEOs and their spouses/guests may join these flights for personal travel. To the extent any travel on Company aircraft (e.g. personal/spouse/guest travel) results in imputed income to an NEO, the NEO is responsible for paying the taxes on that income, and the Company does not provide separate gross-up payments based on the NEO's personal income tax due. We also reimburse NEOs for the cost of some tax preparation and financial counseling to keep NEOs' attention focused on Company business, and assure accurate personal tax reporting. To remain competitive and retain our top executives, we offer executive group whole life insurance coverage (equal to annual salary rate plus STAR target up to $5,000,000). Also, to further increase executive efficiency, we provide limited local transportation within Cincinnati. The C&LD Committee periodically reviews these arrangements as needed to ensure they meet business needs and remain in line with market practices.

Employment Contracts

The C&LD Committee believes employment contracts for executives are not necessary because our executives have developed a focus on the Company's long-term success. Moreover, the C&LD Committee does not provide special executive severance payments, such as golden parachutes, to its executives. In the event the Company encourages an NEO, or any other U.S. employee, to terminate employment with the Company (but not for cause), that individual may receive a separation allowance of up to one year's annual salary, calculated based on years of service.

Other Key Compensation Program Features

This additional information may assist the reader in better understanding the Company's compensation practices and principles.

Engagement of Independent Advisor

The C&LD Committee renewed its agreement with Frederic W. Cook & Co., to advise on various compensation matters, including Peer Group identification, competitive practices and trends, specific program design, and actions with respect to NEO and principal officer compensation. Prior to the renewal, the C&LD Committee evaluated the independence of Frederic W. Cook & Co., taking into account any relationships with the Company's directors, officers, and employees in accordance with NYSE listing standards. Based on this evaluation, the C&LD Committee concluded that Frederic W. Cook & Co. is an independent advisor. Under the terms of its agreement with the C&LD Committee, Frederic W. Cook & Co. is prohibited from conducting any other business for the Company or its management, and the C&LD Committee has direct responsibility for oversight and compensation of the work performed by Frederic W. Cook & Co. The C&LD Committee generally meets with its independent compensation consultant in an Executive Session at regularly scheduled C&LD Committee meetings.

Company management uses a separate compensation consultant, Meridian Compensation Partners, LLC, to provide compensation advice, competitive survey analysis, and other benchmark information related to trends and competitive practices in executive compensation.

Tax Gross-Ups

Generally, the Company does not increase payments to any employees, including NEOs, to cover non-business-related personal income taxes. However, certain expatriate allowances, relocation reimbursements, and tax equalization payments are made to employees assigned to work outside their home countries, and the Company will cover the personal income taxes due on these items in accordance with expatriate policy because there is a business purpose to their relocation. In addition, from time to time, the Company may be required to pay personal income taxes for certain separating executives hired through acquisitions in conjunction with pre-existing contractual obligations.

Governing Plans, Timing, Pricing, and Vesting of Stock-Based Grants

All grants of stock options, PSUs, and/or RSUs made to employees and non-employee directors after October 14, 2014, are made under The Procter & Gamble 2014 Stock and Incentive Compensation Plan (as amended) ("2014 Plan"). The 2014 Plan was approved by Company shareholders at the 2014 annual shareholder meeting. Previous grants were made under The Procter & Gamble 2001 Stock and Incentive Compensation Plan (as amended) ("2001 Plan"), The Procter & Gamble 2003 Non-Employee Directors' Plan ("2003 Plan"), The Procter & Gamble 2009 Stock and Incentive Compensation Plan (as amended) ("2009 Plan"), The Gillette Company 2004 Long-Term Incentive Plan ("2004 Gillette Plan"). The 2001, 2003, 2009, and 2014 Plans were approved by Company shareholders. The 2004 Gillette Plan was approved by Gillette shareholders and adopted by the Company in 2005 as part of its merger with The Gillette Company.

The 2014 Plan contains a vesting provision commonly known as a "double trigger," which limits accelerated vesting in the event of a change in control. Time-based awards assumed as part of a change in control would only vest for involuntary terminations of employment for reasons other than cause and for terminations of employment for good reason. Performance awards not assumed as part of a change in control would be paid at the target level.

With the exception of any special equity awards discussed on page 41 of this proxy statement, the Company grants stock, PSUs, RSUs, and stock options on dates that are consistent from year to year. If the C&LD Committee changes a grant date, it is done in advance and only after careful review and discussion. The pre-established grant dates for the programs are as follows: PST Restoration and IRP, first Thursday in August; STAR, last business day on or before September 15; and PSP and LTIP Grants, last business day of February (and, if necessary for corrections, on the last business day on or before May 9).

The Company has never re-priced stock options and is not permitted to do so without prior shareholder approval. The Company does not backdate stock options. We use the closing price of the Common Stock on the date of grant to determine the grant price for executive compensation awards. However, because the PST uses the value of shares based on the average price of common stock for the last five days in June, the grants of RSUs made under the PST Restoration Program and IRP follow this same grant price practice.

Mitigation of Excessive Risk-Taking

Recoupment & Clawback

The C&LD Committee's Senior Executive Officer Recoupment Policy permits the C&LD Committee to recoup or "clawback" certain STAR or long-term incentive program payments made to executives in the event of a significant restatement of financial results for any reason. This authority is in addition to the C&LD Committee's authority under the 2014 Plan and prior plans to suspend or terminate any outstanding stock options if the C&LD Committee determines that the participant violated certain plan provisions. Moreover, the 2014 Plan and 2009 Plan each have a clawback provision that allows the Company or the C&LD Committee to recover certain proceeds from option exercises or delivery of shares if the participant violates certain plan provisions such as taking actions that are significantly contrary to the best interests of the Company, including actions that cause harm to the Company's reputation, stability, or goodwill.

Prohibition of Use of Company Stock in Derivative Transactions

The Company's Insider Trading Policy prohibits NEOs from engaging in derivative transactions involving Company stock, including pledging, collars, short sales, hedging investments, and other derivative transactions. Purchases and sales of Company stock by NEOs can only be made during the one-month period following a public earnings announcement or, if outside these window periods, with express permission from the Company's Legal Division or in accordance with a previously established trading plan that meets SEC requirements.

Deferred Compensation Plan

The Procter & Gamble Company Executive Deferred Compensation Plan ("EDCP") allows executives to defer receipt of up to 100% of their STAR awards and up to 75% of their annual salary. Executives may also elect to convert a portion of their PST Restoration RSUs into notional cash with investment choices that mirror those available to all U.S. employees who participate in the Company's 401(k) plan. No above-market or preferential interest is credited on deferred compensation, as those terms are defined by the SEC.

Tax Treatment of Certain Compensation

Section 162(m) of the Internal Revenue Code limits the deductibility of executive compensation paid to certain NEOs to $1,000,000 per year. Prior to the passage of the Tax Cut and Jobs Act of 2017 ("TCJA"), the limitation did not apply to certain performance-based compensation. Stock options awarded under LTIP, as well as awards granted under the STAR and PSP programs, were intended to satisfy the performance-based requirements for deductible compensation pursuant to Section 162(m). The C&LD Committee, however, reserved the discretion to authorize payment of compensation that might not be deductible if it believed the payment of such compensation was in the best interests of the Company and its shareholders.

The TCJA repealed the performance-based compensation exemption, effective for taxable years beginning January 1, 2018, and expanded the definition of covered employees whose compensation is subject to the annual $1 million deduction limitation to cover compensation paid to the CFO plus any individual who has previously been a covered employee, even if the individual no longer holds the position. The law provides limited transition relief for certain employment arrangements in place as of November 2, 2017. Due to the uncertainty of the application of Section 162(m) as a result of the TCJA, there is no assurance that historical compensation intended to satisfy the performance-based requirements for exemption will be deductible in future years. New compensation awarded to NEOs in excess of $1 million starting in 2018 and later will generally no longer be deductible even if performance-based.

Although this tax deduction is no longer available, the C&LD Committee intends to continue to use performance metrics in compensation because it believes aligning NEO incentives with Company performance is essential to creating long-term value for our shareholders.

Executive Compensation Changes for FY 2018-19

The C&LD Committee reviewed current salary competitiveness and positioning for the CEO, CFO, and Group Presidents at its June 12, 2018 meeting. The committee increased the salary of Ms. Ferguson-McHugh to $880,000 effective August 1, 2018, based on competitive market movement and her individual performance managing the Family Care and P&G Ventures businesses. The Committee also increased the salary of Mr. Moeller to $1,050,000 effective July 1, 2018, reflecting market movement, individual performance, and his current role profile which includes responsibility for Information Technology, Shared Services, and Mergers and Acquisitions.

The C&LD Committee also reviewed several proposed changes to our compensation programs to better align rewards to business results and company strategy, and also reflects suggestions by institutional shareholders during last year's dialogue with investors. In December 2017, the Committee modified the PSP to replace the Organic Sales Growth metric with a Relative Organic Sales Growth metric that compares our sales growth performance to that of our consumer products competitive peer set. The Committee also added a Relative Total Shareholder Return (R-TSR) modifier comparing our shareholder return to our consumer products competitive peer set. The R-TSR modifier will provide a 125% multiplier for results in the top quartile of our peer set, and 75% multiplier for results in the bottom quartile. These changes ensure that awards reflect performance versus external competitive benchmarks and will go into effect starting with the FY 2018-21 PSP Performance Period on July 1, 2018.

The Committee also approved several changes to the STAR program in June 2018. These changes reflect prevalent market best practice, provide a stronger emphasis on business unit results, increase the range of possible outcomes to better match the incentive with performance, and also reflects investor feedback. Beginning with the FY 2018-19 STAR program on July 1, 2018, the range of the Company and Business Unit Factors will be expanded to 0%-200%, replacing the current ranges of 50%-150% and 70%-130%, respectively. With this change, exceptional performance will result in higher rewards, or may now not pay out at all based on weak performance. In addition, the formula will be additive rather than multiplicative and will be weighted to increase focus on Business Unit results, with the Company Factor weighted 30% and the Business Unit Factor weighted 70%.

The following tables, footnotes, and narratives provide information regarding the compensation, benefits, and equity holdings in the Company for the NEOs.

Summary Compensation

The following table and footnotes provide information regarding the compensation of the NEOs, for the fiscal years shown.

FY 2017-18 Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus[1] ($)	Stock Awards[2] ($)	Option Awards[3] ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings[4] ($)	All Other Compensation[5] ($)	Total ($)
David S. Taylor	2017-18	1,600,000	2,736,000	9,642,358	3,125,011	0	0	250,887	17,354,256
Chairman of the Board, President	2016-17	1,600,000	4,080,384	9,226,929	3,000,001	0	0	188,863	18,096,177
and Chief Executive Officer	2015-16	1,393,333	2,482,771	8,507,680	1,743,864	0	0	277,005	14,404,653
Jon R. Moeller	2017-18	1,000,000	1,111,500	3,637,453	2,100,126	0	0	110,277	7,959,356
Vice Chairman and	2016-17	950,000	1,453,637	3,520,417	2,029,563	0	0	75,184	8,028,801
Chief Financial Officer	2015-16	950,000	1,016,652	3,526,353	1,278,748	0	0	73,899	6,845,652
Steven D. Bishop	2017-18	845,000	645,975	1,670,893	1,559,250	0	0	74,103	4,795,221
Group President - Global Health	2016-17	822,500	1,311,828	1,524,431	1,417,503	0	0	74,933	5,151,195
Care	2015-16	796,667	873,464	2,342,867	465,966	0	0	71,003	4,549,967
Giovanni Ciserani[6]	2017-18	936,667	730,944	4,061,942	0	0	(377,000)	271,906	5,624,459
Group President - Global Fabric &	2016-17	895,833	1,085,011	2,425,147	2,255,007	0	(258,000)	1,211,420	7,614,418
Home Care and Global Baby &	2015-16	845,833	1,044,225	2,280,962	1,334,347	0	1,052,000	291,337	6,848,704
Feminine Care									
Mary Lynn Ferguson-McHugh	2017-18	847,500	698,062	2,550,837	813,390	0	0	67,867	4,977,656
Group President - Global Family	2016-17	817,500	1,409,974	2,370,115	755,001	0	0	80,329	5,432,919
Care and P&G Ventures									

[1] For FY 2017-18, Bonus reflects FY 2017-18 STAR awards that will be paid on September 15, 2018. Each NEO who participated in STAR could elect to take his or her STAR award in cash, deferred compensation, or stock options. For FY 2017-18, Mr. Taylor chose to take his STAR award as 60% stock options, 35% cash, and 5% deferred compensation. Ms. Ferguson-McHugh and Messrs. Moeller, Bishop, and Ciserani took their awards in cash.

[2] For FY 2017-18, Stock Awards include the grant date fair value of any PST Restoration Program and International Retirement Plan awards and the PSUs granted in February 2018 under the PSP. For Ms. Ferguson-McHugh and Messrs. Taylor, Moeller, and Ciserani, FY 2017-18 Stock Awards also include the grant date fair value of RSUs granted in February 2018 under the LTIP Stock Grant. The amount shown is determined in accordance with FASB ASC Topic 718. For more information regarding these awards, including retention and vesting requirements and applicable performance measures, see pages 38-43 of the Compensation Discussion & Analysis.

[3] Option Awards for FY 2017-18 include the grant date fair value of each LTIP Stock Grant, determined in accordance with FASB ASC Topic 718. We utilize an industry standard lattice-based valuation model to calculate the fair value for stock options granted. Assumptions utilized in the model, which are evaluated and revised to reflect market conditions and experience, were as follows:

Years ended June 30:	2018	2017	2016
Interest rate	1.9-2.9%	0.8-2.6%	0.7-1.9%
Weighted average interest rate	2.8%	2.6%	1.8%
Dividend yield	3.1%	3.2%	3.2%
Expected volatility	18%	15%	16%
Expected life in years	9.2	9.6	8.3

Lattice-based option valuation models incorporate ranges of assumptions for inputs and those ranges are disclosed in the preceding table. Expected volatility is based on a combination of historical volatility of our stock and implied volatilities of call options on our stock. We use historical data to estimate option exercise and employee termination patterns within the valuation model. The expected life of options granted is derived from the output of the option valuation model and represents the average period of time that options granted are expected to be outstanding. The interest rate for periods within the contractual life of the options is based on the U.S. Treasury yield curve in effect at the time of grant. For information on the valuation assumptions with respect to grants made in prior fiscal years, please see the corresponding note to the Consolidated Financial Statements contained in the Company's Annual Report for the respective fiscal year. For more information regarding these awards, including retention and vesting requirements and applicable performance measures, see page 39 of the Compensation Discussion & Analysis.

[4] This column reflects aggregate changes in the actuarial present value of Mr. Ciserani's pension benefits under The Procter & Gamble Company Global IRA. None of the other NEOs has a pension plan. None of the NEOs had above-market earnings on deferred compensation.

[5] Please see the table below for information on the numbers that comprise the All Other Compensation column.

[6] Mr. Ciserani's salary was established in U.S. dollars and received in Swiss francs based on a Bloomberg monthly spot rate representing the average of the buy and sell rates for the month.

All Other Compensation

Name and Principal Position	Year	Retirement Plan Contributions[i] ($)	Executive Group Life Insurance[ii] ($)	Flexible Compensation Program Contributions[iii] ($)	Expatriate, Relocation and Tax Equalization Payments[iv] ($)	Executive Benefits[v] ($)	Total[vi] ($)
David S. Taylor	2017-18	54,157	9,384	5,350	0	181,996	250,887
Chairman of the Board,	2016-17	52,648	5,177	5,300	0	125,738	188,863
President and Chief Executive Officer	2015-16	52,843	3,875	5,250	594	214,443	277,005
Jon R. Moeller	2017-18	54,157	7,710	5,350	0	43,060	110,277
Vice Chairman and	2016-17	52,648	6,281	5,300	0	10,955	75,184
Chief Financial Officer	2015-16	52,843	5,431	5,250	0	10,375	73,899
Steven D. Bishop	2017-18	54,157	5,726	5,350	0	8,870	74,103
Group President - Global Health	2016-17	52,648	4,786	5,300	0	12,199	74,933
Care	2015-16	52,843	4,100	5,250	0	8,810	71,003
Giovanni Ciserani	2017-18	0	8,920	5,350	257,636	0	271,906
Group President - Global Fabric &	2016-17	0	6,287	5,300	1,199,833	0	1,211,420
Home Care, Global Baby & Feminine Care	2015-16	0	4,221	5,250	281,866	0	291,337
Mary Lynn Ferguson-McHugh	2017-18	54,157	3,025	5,350	0	5,335	67,867
Group President - Global Family Care and P&G Ventures	2016-17	52,648	1,741	5,300	1,187	19,453	80,329

[i] Amounts contributed by the Company pursuant to the PST, a qualified defined contribution plan providing retirement benefits for U.S.-based employees. NEOs also receive contributions in the form of RSU grants pursuant to the PST Restoration Program, a nonqualified defined contribution plan. Mr. Ciserani receives IRP RSUs in lieu of a PST contribution. These RSU awards are included in the Stock Awards column of the Summary Compensation Table.

[ii] Under the Executive Group Life Insurance Program ("EGLIP"), the Company offers key executives who have substantially contributed to the success and development of the business, and upon whom the future of the Company chiefly depends, life insurance coverage equal to salary plus their STAR target up to a maximum of $5,000,000. These policies are owned by the Company. Because premium payments are returned to the Company when the benefit is paid out, we believe the annual premiums paid by the Company overstate the Company's true cost of providing this life insurance benefit. Accordingly, the amounts shown in the table are an average based on Internal Revenue Service tables used to value the term cost of such coverage for calendar year 2017 and calendar year 2018, which reflect what it would cost the executive to obtain the same coverage in a term life insurance policy. The average of the two calendar years was used because fiscal year data is not available. The average of the dollar value of the premiums actually paid by the Company in calendar years 2017 and 2018 under these policies were as follows: Mr. Taylor, $118,686, Mr. Moeller, $76,933, Mr. Bishop, $57,446, Mr. Ciserani, $82,217, and Ms. Ferguson-McHugh, $76,201. This program is in addition to any other Company-provided group life insurance in which an NEO may enroll that is also available to all employees on the same basis.

[iii] Flexible Compensation Program Contributions are given in the form of credits to pay for coverage in a number of benefit plans including, but not limited to, medical insurance and additional life insurance. Employees may also receive unused credits as cash. Credits are earned based on PST years of service.

[iv] The Company provides assistance to certain employees, including NEOs, related to expenses incurred in connection with expatriate assignments and Company-required relocations. Mr. Ciserani's payment for expatriate assignment expenses resulted from his current assignment in Switzerland, which included a housing allowance and related support of $140,547; cost of living adjustments of $69,402; a transportation allowance of $11,757; and

relocation-related expenses of $14,368. Expenses were paid in Swiss francs and converted to U.S. dollars using a Bloomberg monthly spot rate representing the average of the buy and sell rates for the month.

[v] In addition, all NEOs are entitled to the following personal benefits: financial counseling (including tax preparation), an annual physical examination, occasional use of a Company car, secure workplace parking, and home security and monitoring. The costs associated with Mr. Taylor's use of a Company car were $19,546. While Company aircraft is generally used for Company business only, the CEO is required to use Company aircraft for all air travel, including travel to outside board meetings and personal travel, pursuant to the Company's executive security program established by the Board of Directors. While traveling on Company aircraft, the CEO and Chairman of the Board may bring a limited number of guests (spouse, family member, or similar guest) to accompany him. The aggregate incremental aircraft usage costs associated with Mr. Taylor's personal use of the Company aircraft during FY 2017-18 were $151,100. Ms. Ferguson-McHugh and Messrs. Moeller, Bishop, and Ciserani are permitted to use the Company aircraft for travel to outside board meetings and, if the Company aircraft is already scheduled for business purposes and can accommodate additional passengers, may use it for personal travel and guest accompaniment. The aggregate incremental aircraft usage costs associated with Mr. Moeller's personal use of the Company aircraft were $34,560. None of the other NEOs used the Company aircraft for these purposes in FY 2017-18. The incremental costs to the Company for these benefits, other than use of Company aircraft, are the actual costs or charges incurred by the Company for the benefits. The incremental cost to the Company for use of the Company aircraft is calculated by using an hourly rate for each flight hour. The hourly rate is based on the variable operational costs of each flight, including fuel, maintenance, flight crew travel expense, catering, communications and fees, including flight planning, ground handling and landing permits. For any flights that involved mixed personal and business usage, any personal usage hours that exceed the business usage are utilized to determine the incremental cost to the Company.

[vi] This total does not reflect a charitable donation of $10,000 made by the Company to the Children's Safe Drinking Water Program on behalf of the Company's Global Leadership Council, of which each NEO is a member. This donation was funded from general corporate assets, and the NEOs derived no financial benefits from this donation because this charitable deduction accrues solely to the Company.

Grants of Plan-Based Awards

The following table and footnotes provide information regarding grants of equity under Company plans made to the NEOs during FY 2017-18.

Grants of Plan-Based Awards

Name/Plan Name	Grant Date[1]	Compensation & Leadership Development Committee Action Date	Estimated Future Payouts Under Equity Incentive Plan Awards Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares or Stock Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards[2] ($ per share)	Grant Date Fair Value of Stock and Option Awards[3] ($)
David S. Taylor									
LTIP Options[4]	02/28/2018	02/13/2018					252,017	78.52	3,125,011
LTIP RSUs[5]	02/28/2018	02/13/2018				39,799			3,125,017
PSUs[6]	02/28/2018	02/13/2018	0	79,598	159,196				6,250,035
PST Restoration RSUs[7]	08/03/2017	06/13/2017				3,024			267,306
STAR Stock Options[8]	09/15/2017	07/28/2017					315,392	93.27	3,264,307
Jon R. Moeller									
LTIP Options[4]	02/28/2018	02/13/2018					169,365	78.52	2,100,126
LTIP RSUs[5]	02/28/2018	02/13/2018				8,916			700,084
PSUs[6]	02/28/2018	02/13/2018	0	35,662	71,324				2,800,180
PST Restoration RSUs[7]	08/03/2017	06/13/2017				1,552			137,189
Steven D. Bishop									
LTIP Options[4]	02/28/2018	02/13/2018					125,746	78.52	1,559,250
PSUs[6]	02/28/2018	02/13/2018	0	19,858	39,716				1,559,250
PST Restoration RSUs[7]	08/03/2017	06/13/2017				1,263			111,643
Giovanni Ciserani									
LTIP RSUs[5]	02/28/2018	02/13/2018				24,723			1,941,250
PSUs[6]	02/28/2018	02/13/2018	0	24,723	49,446				1,941,250
IRP RSUs[9]	08/03/2017	06/13/2017				2,030			179,442
Mary Lynn Ferguson-McHugh									
LTIP Options[4]	02/28/2018	02/13/2018					65,596	78.52	813,390
LTIP RSUs[5]	02/28/2018	02/13/2018				10,359			813,389
PSUs[6]	02/28/2018	02/13/2018	0	20,718	41,436				1,626,777
PST Restoration RSUs[7]	08/03/2017	06/13/2017				1,252			110,671

[1] Grant dates for equity awards are consistent from year to year, as described on page 43 of this proxy statement.
[2] The options granted were awarded using the closing price of the Company stock on the date of the grant.
[3] This column reflects the grant date fair value of each award computed in accordance with FASB ASC Topic 718. For stock awards, the actual amount paid will be based on the stock price on the delivery date. For options, the actual amount paid will be determined by multiplying the number of shares acquired by the difference between the market price of the Company's common stock upon exercise and the grant price of the options.
[4] These options are forfeitable until the later of retirement eligibility or June 30th after the grant date, and will become exercisable on February 26, 2021, and expire on February 28, 2028.
[5] These units are forfeitable until the later of retirement eligibility or June 30th after the grant date, and will deliver in shares on February 26, 2021. These units accumulate dividend equivalents at the same rate as dividends paid on common stock.
[6] For awards granted under the Performance Stock Program, see page 40 of the Compensation Discussion & Analysis for applicable performance measures. These units are forfeitable until the later of retirement eligibility or June 30th after the grant date, and will deliver in shares in August 2020 unless elected otherwise by the NEO, subject to applicable tax rules and regulations. These units accumulate dividend equivalents at the same rate as dividends paid on common stock.
[7] For awards granted under the PST Restoration Program, dividend equivalents are earned at the same rate as dividends paid on common stock. These units will deliver in shares one year following retirement unless elected otherwise by the NEO, subject to applicable tax rules and regulations.
[8] These options are nonforfeitable, and will become exercisable on September 15, 2020, and expire on September 15, 2027.
[9] For awards granted under the IRP, dividend equivalents are earned at the same rate as dividends paid on common stock. These units will deliver in shares one year following retirement unless elected otherwise by the NEO, subject to applicable tax rules and regulations.

Outstanding Equity at Fiscal Year End

The following table and footnotes provide information regarding unexercised stock options and stock awards that have not yet vested as of the end of FY 2017-18.

Outstanding Equity at Fiscal Year-End Table

		Option Awards				Stock Awards			
Name/Plan	Grant Date	Number of Securities Underlying Unexercised Options Exercisable[1] (#)	Number of Securities Underlying Unexercised Options Unexercisable[1] (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested[2] (#)	Market Value of Shares or Units of Stock that Have Not Vested[3] ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested[2] (#)	Equity Incentive Plan Awards: Market Value of Unearned Shares, Units or Other Rights that Have Not Vested[3] ($)
David S. Taylor									
Key Manager	02/26/2010	33,113		63.2800	02/26/2020				
Key Manager	02/28/2011	98,335		63.0500	02/28/2021				
STAR	09/15/2011	16,338		62.7800	09/15/2021				
Key Manager	02/29/2012	103,673		67.5200	02/28/2022				
STAR	09/14/2012	43,045		69.1600	09/14/2022				
Key Manager	02/28/2013	108,297		76.1800	02/28/2023				
STAR	09/13/2013	74,520		79.0500	09/13/2023				
Key Manager	02/28/2014	116,960		78.6600	02/28/2024				
STAR	09/15/2014	65,054		83.8700	09/15/2024				
Key Manager	02/27/2015	176,202		85.1300	02/27/2025				
STAR	09/15/2015		68,275	69.4500	09/15/2025				
Key Manager	02/29/2016		205,095	80.2900	02/27/2026				
STAR	09/15/2016		126,874	88.0600	09/15/2026				
LTIP	02/28/2017		280,899	91.0700	02/26/2027				
PSP	02/28/2017							68,667	5,360,146(3)
STAR	09/15/2017		315,392	93.2700	09/15/2027				
LTIP	02/28/2018		252,017	78.5200	02/28/2028				
PSP	02/28/2018							80,380	6,274,463(4)
Jon R. Moeller									
Key Manager	02/26/2010	82,965		63.2800	02/26/2020				
Key Manager	02/28/2011	107,058		63.0500	02/28/2021				
Key Manager	02/29/2012	122,187		67.5200	02/28/2022				
Key Manager	02/28/2013	127,987		76.1800	02/28/2023				
Special Award	08/13/2013					6,123	477,961		
Key Manager	02/28/2014	130,626		78.6600	02/28/2024				
Key Manager	02/28/2014					8,709	679,825		
Key Manager	02/27/2015	132,151		85.1300	02/27/2025				
Key Manager	02/27/2015					8,811	687,787		
Key Manager	02/29/2016		150,393	80.2900	02/27/2026				
Key Manager	02/29/2016					10,027	782,708		
LTIP	02/28/2017		190,034	91.0700	02/26/2027				
LTIP	02/28/2017					7,743	604,419(1)		
PSP	02/28/2017							30,970	2,417,518(3)
LTIP	02/28/2018		169,365	78.5200	02/28/2028				
LTIP	02/28/2018					9,004	702,852(2)		
PSP	02/28/2018							36,012	2,811,097(4)
Steven D. Bishop									
Key Manager	02/26/2010	41,088		63.2800	02/26/2020				
Key Manager	02/28/2011	55,512		63.0500	02/28/2021				
Key Manager	02/29/2012	62,945		67.5200	02/28/2022				
Key Manager	02/28/2013	98,452		76.1800	02/28/2023				
Key Manager	02/28/2014	99,797		78.6600	02/28/2024				
STAR	09/15/2014	22,336		83.8700	09/15/2024				
Key Manager	02/27/2015	96,324		85.1300	02/27/2025				
STAR	09/15/2015		47,777	69.4500	09/15/2025				
Key Manager	02/29/2016		54,802	80.2900	02/27/2026				
Key Manager	02/29/2016					10,961	855,616		
LTIP	02/28/2017		132,725	91.0700	02/26/2027				
PSP	02/28/2017							16,222	1,266,289(3)
LTIP	02/28/2018		125,746	78.5200	02/28/2028				
PSP	02/28/2018							20,053	1,565,337(4)

Outstanding Equity at Fiscal Year-End Table

Name/Plan	Grant Date	Option Awards: Number of Securities Underlying Unexercised Options Exercisable[1] (#)	Option Awards: Number of Securities Underlying Unexercised Options Unexercisable[1] (#)	Option Awards: Option Exercise Price ($)	Option Awards: Option Expiration Date	Stock Awards: Number of Shares or Units of Stock that Have Not Vested[2] (#)	Stock Awards: Market Value of Shares or Units of Stock that Have Not Vested[3] ($)	Stock Awards: Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested[2] (#)	Stock Awards: Equity Incentive Plan Awards: Market Value of Unearned Shares, Units or Other Rights that Have Not Vested[3] ($)
Giovanni Ciserani									
Key Manager	02/27/2009	57,090		48.1700	02/27/2019				
Key Manager	02/26/2010	43,363		63.2800	02/26/2020				
Key Manager	02/28/2011	95,163		63.0500	02/28/2021				
Key Manager	02/29/2012	103,673		67.5200	02/28/2022				
Key Manager	02/28/2013	105,015		76.1800	02/28/2023				
Key Manager	02/28/2014	116,960		78.6600	02/28/2024				
Key Manager	02/27/2015	136,850		85.1300	02/27/2025				
Key Manager	02/29/2016		156,932	80.2900	02/27/2026				
Key Manager	02/28/2017		211,143	91.0700	02/26/2027				
PSP	02/28/2017							25,808	2,014,572[3]
PSP	02/28/2018							24,966	1,948,846[4]
Mary Lynn Ferguson-McHugh									
Key Manager	02/26/2010	55,310		63.2800	02/26/2020				
Key Manager	02/28/2011	67,407		63.0500	02/28/2021				
Key Manager	02/29/2012	37,027		67.5200	02/28/2022				
Key Manager	02/28/2013	39,381		76.1800	02/28/2023				
Key Manager	02/28/2014	49,899		78.6600	02/28/2024				
Special Award	11/03/2014					5,723	446,737		
Key Manager	02/27/2015	48,162		85.1300	02/27/2025				
Key Manager	02/29/2016		54,802	80.2900	02/27/2026				
LTIP	02/28/2017		70,693	91.0700	02/26/2027				
PSP	02/28/2017							17,281	1,348,955[3]
LTIP	02/28/2018		65,596	78.5200	02/28/2028				
PSP	02/28/2018							20,922	1,633,171[4]

[1] The following provides details regarding the vesting date for each of the option grants included in the table. The Vest Date indicates the date the options become exercisable.

Option Awards

Grant Date	Vest Date	Grant Date	Vest Date
02/27/2009	02/27/2012	02/28/2014	02/28/2017
02/26/2010	02/26/2013	09/15/2014	09/15/2017
02/28/2011	02/28/2014	02/27/2015	02/27/2018
09/15/2011	09/15/2014	09/15/2015	09/15/2018
02/29/2012	02/28/2015	02/29/2016	02/28/2019
09/14/2012	09/14/2015	09/15/2016	09/15/2019
02/28/2013	02/28/2016	02/28/2017	02/28/2020
09/13/2013	09/13/2016	02/28/2018	02/26/2021

[2] The following provides details regarding the vesting date for RSU and PSU holdings included in the table. The Vest Date for RSUs indicates the date such units become nonforfeitable. The Vest Date for PSUs indicates the date the award is earned. The PSU awards are delivered in shares in August following the date the award is earned.

Stock Awards

	Award Type	Grant Date	Vest Date
	Key Manager RSUs	02/28/2014	02/28/2019
	Key Manager RSUs	02/27/2015	02/27/2020
	Key Manager RSUs	02/29/2016	02/26/2021
(1)	LTIP RSUs	02/28/2017	02/28/2020
(2)	LTIP RSUs	02/28/2018	02/26/2021
(3)	PSP PSUs	02/28/2017	06/30/2019
(4)	PSP PSUs	02/28/2018	06/30/2020
	Special Equity RSUs	08/13/2013	50% 08/13/2016, 50% 08/13/2018
	Special Equity RSUs	11/03/2014	50% 11/03/2017, 50% 11/03/2019

[3] The Market Value of PSUs or RSUs that have not vested was determined by multiplying the closing market price of Company stock on June 29, 2018 ($78.06) by the number of PSUs or RSUs, respectively.

Option Exercises and Stock Vested

The following table and footnotes provide information regarding stock option exercises and stock vesting during FY 2017-18 for the NEOs.

Option Exercises and Stock Vested

	Option Awards			Stock Awards		
Name/Plan Name	Option Grant Date	Number of Shares Acquired on Exercise[1] (#)	Value Realized on Exercise[2] ($)	Stock Award Grant Date	Number of Shares Acquired on Vesting[3] (#)	Value Realized on Vesting[4] ($)
David S. Taylor[5]						
PSP 2015-2018				02/29/2016	47,191	3,683,729
PST Restoration				08/03/2017	3,024	276,046
LTIP				02/28/2018	40,190	3,131,202
Jon R. Moeller						
Key Manager				02/28/2013	8,533	670,615
Special Award				06/09/2015	12,675	981,155
PSP 2015-2018				02/29/2016	23,090	1,802,405
PST Restoration				08/03/2017	1,552	141,674
Steven D. Bishop						
Special Award				05/01/2013	6,495	466,796
PSP 2015-2018				02/29/2016	12,665	988,630
PST Restoration				08/03/2017	1,263	115,293
Giovanni Ciserani[6]						
Special Award				06/09/2015	25,349	1,962,233
PSP 2015-2018				02/29/2016	17,993	1,404,534
International Retirement Plan				08/03/2017	2,030	185,309
LTIP				02/28/2018	24,966	1,945,092
Mary Lynn Ferguson-McHugh[7]						
Key Manager	02/27/2012	4,363	169,415			
Key Manager	02/27/2012	21,537	836,282			
Special Award				11/03/2014	5,723	532,130
PSP 2015-2018				02/29/2016	12,665	988,630
PST Restoration				08/03/2017	1,252	114,289
LTIP				02/28/2018	10,461	814,998

[1] The Number of Shares Acquired on Exercise is the gross number of shares acquired.
[2] The Value Realized on Exercise was determined by multiplying the number of shares acquired by the difference between the market price of the Company's common stock upon exercise and the grant price of the options.
[3] Numbers of Shares Acquired on Vesting is the gross number of shares acquired. Please see footnote 2 in the Outstanding Equity at Fiscal Year-End Table for the definition of vesting for Stock Awards.
[4] Value Realized on Vesting was determined by multiplying the number of shares acquired by the actual market price obtained or, in the absence of a broker transaction, value was determined by the average of the high and low price on the vesting date. The value of PSUs was determined by multiplying the closing market price of Company stock on June 29, 2018 ($78.06) by the number of PSUs.
[5] Mr. Taylor's February 2018 LTIP RSU Grant vested June 30, 2018 because he is retirement eligible.
[6] Mr. Ciserani's February 2018 LTIP RSU Grant vested June 30, 2018 because he is retirement eligible.
[7] Ms. Ferguson-McHugh's February 2018 LTIP RSU Grant vested June 30, 2018 because she is retirement eligible.

Pension Benefits

The following table and footnotes provide information regarding the Company's pension plans for Mr. Ciserani as of the end of FY 2017-18. None of the other NEOs had any such arrangements with the Company.

Pension Benefits

Name	Plan Name	Number of Years of Credited Service[1]	Present Value of Accumulated Benefit[2] ($)	Payments During Last Fiscal Year ($)
Giovanni Ciserani	The Procter & Gamble Company Global IRA	20 years, 4 months	2,404,000	0

[1] Numbers in this column are computed as of the same pension plan measurement date used for financial statement reporting purposes for the Company's audited financial statements as found in Note 8 to the Consolidated Financial Statements contained in the Company's 2018 Annual Report on Form 10-K.
[2] The following provides the assumptions used in each plan to calculate present value:

Assumptions	Global IRA
Retirement Age	60
Discount Rate	4.11%
Salary Increase Rate	4.75%
Social Security Increase Rate	2.00% (Italy)
Pension Increase Rate	N/A
Pre-Retirement Decrements	None
Post-Retirement Mortality Table	RP 2014 using MP 2017 Projection Scale

The following exchange rates as of June 30, 2018, were used to calculate present value:
US$ 1.16380: Euro 1.00000

The Procter & Gamble Global International Retirement Arrangement ("Global IRA")

The Global IRA is designed to provide a supplemental retirement benefit to certain employees who permanently transfer from one country to another country during the course of their employment with the Company. The Global IRA benefit is intended to supplement the total pension benefits (both Company-provided and government-provided) that such employees earned while working for the Company, in light of salary increases received and retirement benefits provided in the final home country. To calculate the Global IRA benefit, first a Global IRA target is calculated using the following formula:

Global IRA = Last 3 Years Average Salary x Years of Service in Previous Home Countries x Accrual Rate for Final Home Country

The Global IRA target is converted to a present-day lump sum amount, using discount and mortality rates for the final home country. This lump sum amount is reduced by the present-day value of certain benefits earned while working in previous home countries (such as Company-provided and government-provided pension benefits). The reduced lump sum amount is the Global IRA benefit.

Nonqualified Deferred Compensation

The following table and footnotes provide information regarding the Company's non-tax-qualified defined contribution and deferred compensation plans for each of the NEOs for FY 2017-18. For a complete understanding of the table and the footnotes, please read the narrative that follows the table.

Nonqualified Deferred Compensation Table

Name	Plan Name	Aggregate Balance at FYE '17 (6/30/17) ($)	Executive Contributions in Last FY ($)	Registrant Contributions in Last FY ($)	Aggregate Earnings in Last FY[1] ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at FYE '18 (6/30/18) ($)
David S. Taylor	Executive Deferred Compensation Plan	2,200,343	40,000		230,902		2,471,245[2]
	Employee Stock and Incentive Compensation Plan[3]	6,184,311		3,137,230[4]	(539,418)	234,226	8,547,897[5]
	PST Restoration Program	2,264,463		267,306[6]	81,665	22,456	2,590,978[7]
Jon. R. Moeller	PST Restoration Program	1,446,651		137,189[6]	(118,564)	9,220	1,456,056[8]
Steven D. Bishop	PST Restoration Program	1,311,071		111,643[6]	(106,348)	7,668	1,308,698[9]
Giovanni Ciserani	Employee Stock and Incentive Compensation Plan[3]			1,948,837[10]			1,948,837
	International Retirement Plan	1,750,493		179,442[11]	(129,134)	7,942	1,792,859[12]
Mary Lynn Ferguson-McHugh	Employee Stock and Incentive Compensation Plan[3]	3,906,683		816,568[13]	(376,872)	651,087[14]	3,694,572[15]
	PST Restoration Program	1,441,048		110,671[6]	(115,656)	9,311	1,426,752[16]

[1] Because none of the amounts included in this column are above-market earnings under SEC reporting rules, they are not reflected in the Summary Compensation Table.

[2] Total includes $351,973 previously reported in Summary Compensation Tables for prior years.
[3] Amounts shown include awards granted under the terms of either The Procter & Gamble 2009 Plan or The 2014 Plan, depending on which plan was in effect at the time the NEO elected to defer the award.
[4] Total reflects the 2018 LTIP Stock Grant which became nonforfeitable on June 30, 2018 because Mr. Taylor is retirement eligible. This award is also reported in the Summary Compensation Table found on page 46 of this proxy statement.
[5] Total includes $5,810,958 previously reported in Summary Compensation Tables for prior years.
[6] Total reflects registrant contributions in the form of RSUs pursuant to the PST Restoration Program, 100% of which are also reported in the Stock Awards column on the Summary Compensation Table found on page 46 of this proxy statement.
[7] Total includes $500,511 previously reported in Summary Compensation Tables for prior years.
[8] Total includes $938,121 previously reported in Summary Compensation Tables for prior years.
[9] Total includes $207,244 previously reported in Summary Compensation Tables for prior years.
[10] Total reflects the 2018 LTIP Stock Grant which became nonforfeitable on June 30, 2018 because Mr. Ciserani is retirement eligible. This award is also reported in the Summary Compensation Table found on page 46 of this proxy statement.
[11] Total reflects registrant contributions in the form of RSUs pursuant to the International Retirement Plan, 100% of which are also reported in the Stock Awards column on the Summary Compensation Table found on page 46 of this proxy statement.
[12] Total includes $634,717 previously reported in Summary Compensation Tables for prior years.
[13] Total reflects the 2018 LTIP Stock Grant which became nonforfeitable on June 30, 2018 because Ms. Ferguson-McHugh is retirement eligible. This award is also reported in the Summary Compensation Table found on page 46 of this proxy statement.
[14] Total reflects the delivery of a 2013 Key Manager Stock Grant.
[15] Total includes $755,061 previously reported in Summary Compensation Tables for prior years.
[16] Total includes $105,022 previously reported in Summary Compensation Tables for prior years.

The NEOs are eligible to participate in EDCP. Under EDCP, a participant may defer up to 75% of base salary (an increase from 50% in prior years) and up to 100% of the STAR award. Amounts may be deferred for a minimum of one year or until termination of employment. Payments that commence upon retirement, death, or disability may be taken in a lump sum or installments (over a maximum period of ten years). All other payments under the plan are paid as a lump sum.

Amounts deferred under EDCP are credited with market earnings based on the same fund choices available to all employees under The Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan, one of the Company's tax-qualified plans, with the exception of P&G stock, which is not offered as an investment option in the EDCP. Participants may change fund choices on a daily basis.

LTIP Stock Grants made in the form of RSUs that vest prior to delivery due to the NEO being retirement eligible are included in the aggregate balance as deferred compensation awards under an employee stock and incentive compensation plan. Participants may also defer delivery of incentive awards earned under the PSP program and its predecessors, including the Business Growth Program, which terminated on June 30, 2010, by electing to receive RSUs with deferred delivery. The RSUs are governed by the employee stock and incentive compensation plan that was in effect at the time the award was granted. Similarly, other special equity awards that were deferred by an NEO are included in the aggregate balance for amounts deferred under an employee stock and incentive compensation plan.

As described on page 41 of this proxy statement, federal tax rules limit the size of contributions that can be made to individuals pursuant to tax-qualified defined contribution plans like the PST. To account for these limitations, the Company utilizes the PST Restoration Program to make an additional annual contribution in the form of RSUs.

Similar to the PST, these RSUs become non-forfeitable once an executive has at least five years of service. The default form of payment is a lump sum distribution one year after retirement, or the executive can elect to defer the lump sum to six or eleven years after retirement or to commence ten annual installments at six or eleven years after retirement. Generally, executives have until retirement to change a previous deferral election, with any such deferral elections or changes to deferral elections made in compliance with Section 409A of the Internal Revenue Code. These RSUs earn dividend equivalents at the same rate as dividends on Common Stock and are accrued in the form of additional RSUs each quarter and credited to the executive's holdings. The value of each RSU may increase or decrease over time as the value is tied to the price of the Common Stock. Finally, NEOs may convert certain of their PST Restoration Program RSUs into notional cash with the same investment choices as those available under the EDCP.

The Company's IRP is designed to provide retirement benefits for employees whose participation in retirement plans in their home countries has been suspended because they are on assignments outside of that country. Under the IRP, the Company makes an annual contribution for each participant equal to the contribution that would have been made under the participant's home country retirement plan had the participant remained in that country and eligible to participate in that plan.

Historically, Company contributions to IRP were placed into one of several investment vehicles available within the IRP, at each participant's election. Participants in the U.S. receive their contributions in RSUs. These contributions vest according to the terms and conditions of the participant's home country retirement plan. Upon retirement from the Company, participants must elect to receive distributions from the IRP Trust in one of four ways: (1) fixed-income annuity, (2) variable annuity, (3) lump sum, or (4) annual installments (over a maximum of 15 years).

Amounts the NEOs defer under any of the above-mentioned plans that are scheduled to be paid after termination of employment must be held by the Company for a minimum of six months in order to comply with Section 409A of the Internal Revenue Code.

Payments upon Termination or Change in Control

The Company does not have any employment contracts with its NEOs that require severance payments upon termination of their employment. The only situation in which a separation allowance may be paid is if an employee is encouraged to separate from the Company. Certain elements of compensation are, however, treated differently depending upon the specific circumstances of an NEO's separation.

Key Compensation Programs

The following table describes the general treatment of compensation under the Company's key programs under various separation scenarios for all Company employees, including the NEOs.

Compensation Element	Voluntary Separation or Termination for Cause	Company Encouraged Separation	Retirement or Disability	Change in Control	Death
Separation Allowance	None	Company has discretion to pay up to 1 times salary.	None	None	None
STAR	No acceleration of awards. Eligible for award only if worked the entire year.	No acceleration of awards. Pro-rated payment based on time worked.	No acceleration of awards. Pro-rated payment based on time worked.	No acceleration of awards. Pro-rated payment based on time worked.	No acceleration of awards. Pro-rated payment based on time worked.
LTIP Stock Grant	All outstanding awards forfeited at separation.	No acceleration of option vesting or RSU delivery. All awards are retained subject to original terms, except for the current year grant if separation occurs before June 30.	No acceleration of option vesting or RSU delivery. All awards are retained subject to original terms, except for the current year grant if separation occurs before June 30.	Vesting accelerated for awards granted under the 2001 plan. For awards granted under the 2009 and 2014 plan, vesting only accelerated if awards not assumed, unless termination without cause or resignation with "good reason."	Vesting accelerated for all awards.
PSP Grant	All outstanding awards forfeited at separation.	No acceleration of payment. All awards are retained subject to original terms, except for the current year grant if separation occurs before June 30.	No acceleration of payment. All awards are retained subject to original terms, except for the current year grant if separation occurs before June 30.	Awards paid out at target at time of the Change in Control.	No acceleration of payment. All awards are retained subject to original terms.
Special Equity Awards	Unvested awards are forfeited at separation.	Unvested awards are forfeited at separation unless otherwise specified by the CHRO as authorized by the C&LD Committee.	Unvested awards are forfeited at separation unless otherwise specified by the CHRO as authorized by the C&LD Committee.	Vesting accelerated and award paid at time of the Change in Control if awards not assumed, unless termination without cause or resignation with "good reason."	Vesting accelerated and award paid at time of death.

All equity awards listed above are governed by the employee stock plan under which the award was granted. The scenarios described above assume that former employees comply with the terms and conditions of the applicable employee stock plan, including compliance with the Company's Purpose, Values and Principles and restrictions on competing with the Company following termination of employment. Failure to comply with either of these provisions can result in forfeiture and/or cancellation of outstanding equity awards.

Retirement Plans and Other Deferred Compensation

The retirement plans in which the NEOs participate do not discriminate in scope, terms, or operation for NEOs versus all other participants. All NEOs who participate are fully vested in PST and will retain all shares upon termination of employment regardless of reason. Mr. Ciserani is fully vested in the IRP. PST Restoration and IRP RSUs vest at the NEO's fifth anniversary date. All NEOs are beyond their fifth anniversary date.

Salary and STAR bonuses deferred under EDCP, have been earned and therefore are retained upon termination for any reason. Similarly, amounts deferred under the Business Growth Program and PSP have been earned and are retained upon termination for any reason. Vested amounts related to deferred compensation plans are not included in the following table because they are reported in the Nonqualified Deferred Compensation Table on page 54 of this proxy statement.

Executive Benefits

- Executive Group Life Insurance—Benefits are retained if employee is eligible for early retirement.
- Financial Counseling—Employee may use the remaining balance until the end of the current calendar year for reimbursable charges under the program.
- Unused Vacation—Employee is entitled to lump sum payment equal to value of accrued, but unused, vacation days.
- Other Programs—In most cases, participation ends on the last day worked, unless otherwise agreed to by the C&LD Committee.

Expatriate and Relocation Program

If an employee's expatriate assignment terminates for any reason, the Company would pay for relocation to the home country and would cover future taxes due related to the expatriate assignment.

Estimated Post-Employment Treatment of Compensation and Benefits

The following table and footnotes quantify the treatment of compensation or value of benefits that each NEO would receive under the Company's compensation programs upon various scenarios for termination of employment or a change in control of the Company. The amounts shown assume the event that triggered the treatment occurred on June 30, 2018.

Payments upon Termination or Change in Control

Name	Voluntary Separation or Termination for Cause ($)	Company Encouraged Separation ($)	Retirement or Disability ($)	Change in Control ($)	Death ($)
David Taylor					
Salary	0	1,600,000	0	0	0
STAR[1]	0	0	0	0	587,848
Long-Term Incentive Program[2]	0	0	0	0	0
PSP[3]	0	11,634,609	11,634,609	11,634,609	11,634,609
Executive Group Life Insurance	0	0	0	0	4,800,000
Jon R. Moeller					
Salary	0	1,000,000	0	0	0
STAR[1]	0	0	0	0	0
Long-Term Incentive Program[2]	0	3,457,591	3,457,591	3,457,591	3,457,591
PSP[3]	0	5,228,615	5,228,615	5,228,615	5,228,615
Special Equity Awards[4]	0	0	0	477,961	477,961
Executive Group Life Insurance	0	0	0	0	2,300,000
Steven D. Bishop					
Salary	0	870,000	0	0	0
STAR[1]	0	0	0	0	411,360
Long-Term Incentive Program[2]	0	855,616	855,616	855,616	855,616
PSP[3]	0	2,831,626	2,831,626	2,831,626	2,831,626
Special Equity Awards[4]	0	0	0	0	0
Executive Group Life Insurance	0	0	0	0	1,740,000
Giovanni Ciserani					
Salary	0	940,000	0	0	0
STAR[1]	0	0	0	0	0
Long-Term Incentive Program[2]	0	0	0	0	0
PSP[3]	0	3,963,418	3,963,418	3,963,418	3,963,418
Special Equity Awards[4]	0	0	0	0	0
Executive Group Life Insurance	0	0	0	0	2,068,000
Mary Lynn Ferguson-McHugh					
Salary	0	850,000	0	0	0
STAR[1]	0	0	0	0	0
Long-Term Incentive Program[2]	0	0	0	0	0
PSP[3]	0	2,982,126	2,982,126	2,982,126	2,982,126
Special Equity Awards[4]	0	0	0	446,737	446,737
Executive Group Life Insurance	0	0	0	0	1,700,000

[1] STAR awards previously elected in stock options that would vest and become exercisable immediately upon death. No other amounts are included for STAR because the NEO would be entitled to the same payment whether or not separation occurred on June 30, 2018.

[2] Upon voluntary separation or termination, all outstanding awards would be forfeited. While all unvested awards are retained (except for the current year grant if separation occurs before June 30) in the event of Company encouraged separation, retirement, or disability, these events do not trigger any change in the original payment terms of the awards. The amounts shown for the LTIP Stock Grant in the event of Company-encouraged separation, retirement or disability represents the value of the unexercisable stock options and undelivered RSUs as of June 30, 2018, that would be retained at separation and payout according to the original terms and timing of the grants. Awards vest and become immediately exercisable in the event of death or change in control with termination for reasons other than cause or for good reason.

[3] Upon voluntary separation or termination, all outstanding awards would be forfeited. While all unvested awards are retained (except for the current year grant if separation occurs before June 30) in the event of Company-encouraged separation, retirement or disability, or death, these events do not trigger any change in the original payment terms of the awards. In the event of change in control, PSP will pay out at target on the date of the change in control. The amounts shown for the PSP grants represent the value of the unvested PSUs as of June 30, 2018 that would be retained on the triggering event and pay out according to the original terms and timing of the grants.

[4] Upon voluntary separation or termination, all outstanding awards would be forfeited. In the event of Company encouraged separation, retirement or disability, the CHRO has the discretion to allow retention of the awards with delivery under the original payment terms. Awards vest and become immediately deliverable in the event of death or change in control with termination for reasons other than cause or for good reason.

Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information about the relationship of the annual total compensation of our employees and the annual total compensation of Mr. David S. Taylor, our Chairman of the Board, President and Chief Executive Officer. The pay ratio was calculated in a manner consistent with Item 402(u) of Regulation S-K and based upon our reasonable judgment and assumptions.

For FY 2017-18, the median of the annual total compensation of all employees of the company (other than our CEO) was $60,412, and the annual total compensation of our CEO was $17,354,256. Based on this information, the ratio of the annual total compensation of Mr. Taylor to the median of the annual total compensation of employees was 287 to 1.

To identify the median of the annual total compensation of all our employees, we determined that, as of April 1, 2018, our employee population consisted of approximately 94,481 active employees working at our parent company and consolidated subsidiaries. Applying the *de minimis* exemption under the rule, we chose to exclude approximately 4,539 employees in 31 countries where payroll data is maintained outside the system that holds data for the majority of our employees, or less than 5% of the total.[1] We also excluded 7 employees of Snowberry and 10 employees of Native because those businesses were acquired during FY 2017-18.

To identify the "median employee" from the resulting employee population of 89,942, we selected Total Gross Pay as the consistently applied compensation measure. Total Gross Pay reflects a wide variety of pay items, including monthly and bi-weekly wages earned, time-related bonuses (such as overtime, shift premiums, holiday bonuses), vacation pay, bonuses, stock option exercises, and other benefits and allowances. Because pay periods vary across jurisdictions, we measured Total Gross Pay using a three-month period covering January, February, and March 2018. We adjusted the Total Gross Pay of approximately 1,477 employees who were hired during the three-month period but did not work the entire period.

For purposes of this disclosure, we converted the gross salary amounts from the local currency paid in the country into U.S. dollar amounts using an average of the exchange rates at the end of each month in the three-month period.

With respect to the annual total compensation of the "median employee," we identified and calculated the elements of such employee's compensation for FY 2017-18 in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K. With respect to the annual total compensation of our CEO, we used the amount reported in the "Total" column (column (j)) of our FY 2017-18 Summary Compensation Table included in this Proxy Statement.

[1] We excluded the following approximate number of employees by jurisdiction: Saudi Arabia, 834; Ukraine, 585; Czech Republic, 555; Pakistan, 413; Nigeria, 363; South Africa, 323; United Arab Emirates, 290; Morocco, 201; Greece, 197; Netherlands, 144; Sweden, 129; Portugal, 84; Kazakhstan, 56; Austria, 47; Israel, 45; Croatia, 44; Kenya, 43; Serbia, 28; Slovakia, 25; Denmark, 24; Finland, 23; Bulgaria, 19; Azerbaijan, 19; Norway, 15; Latvia, 10; Ghana, 8; Algeria, 7; Ethiopia, 3; Luxembourg, 2; Dominican Republic, 2; Bangladesh, 1.

Security Ownership of Management and Certain Beneficial Owners

The following table shows all entities that are the beneficial owners of more than 5% of any class of the Company's voting securities:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature	Percent of Class
Common	BlackRock, Inc. 55 East 52nd Street New York, NY 10055	159,639,663[1]	6.3%
Common	The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	185,434,627[2]	7.3%

[1] Based on information as of December 31, 2017 contained in a Schedule 13G/A filed with the SEC on February 8, 2018 by BlackRock, Inc. The Schedule 13G/A indicates that BlackRock, Inc. has (i) sole power to vote or direct to vote with respect to 136,352,872 shares, and (ii) sole dispositive power with respect to 159,639,663 shares.

[2] Based on information as of December 31, 2017 contained in a Schedule 13G/A filed with the SEC on February 12, 2018 by The Vanguard Group. The Schedule 13G indicates that The Vanguard Group has (i) sole power to vote or direct to vote with respect to 3,578,055 shares, (ii) shared voting power with respect to 567,077 shares, (iii) sole dispositive power with respect to 181,376,639 shares, and (iv) shared dispositive power with respect to 4,057,988 shares.

The following tables and footnotes provide information regarding the ownership of the Company's Common Stock and Series A and B ESOP Convertible Class A Preferred Stock by all Directors and nominees, each NEO, and all Directors and executive officers as a group on June 30, 2018:

Common Stock
Number of shares/options

	Amount and Nature of Beneficial Ownership						
Name	Direct[1] and Profit Sharing Plan[2]	Right to Acquire[3]	Trusteeships and Family Holdings[4]	Indirect Holdings	Total	Percent of Class	Restricted Stock Units[5]
Steven D. Bishop	45,683	489,650	2,101		537,434	[6]	27,726
Francis S. Blake	4,323				4,323	[6]	6,616
Angela F. Braly	9,148				9,148	[6]	25,939
Amy L. Chang						[6]	1,940
Kenneth I. Chenault	6,700				6,700	[6]	31,021
Giovanni Ciserani	38,097	676,107			714,204	[6]	45,536
Scott D. Cook	35,139		32,636		67,775	[6]	40,641
Mary Lynn Ferguson-McHugh[7]	27,368	310,382	28,491		366,241	[6]	70,653
Joseph Jimenez	12,468				12,468	[6]	479
Terry J. Lundgren	2,686		530		3,216	[6]	16,495
W. James McNerney, Jr.	32,125				32,125	[6]	40,641
Jon R. Moeller[8]	103,221	853,787	7,949		964,957	[6]	70,895
Nelson Peltz[9]				37,908,621	37,908,621	1.52%	
David Taylor	82,417	883,258			965,675	[6]	118,365
Margaret C. Whitman			11,075		11,075	[6]	17,520
Patricia A. Woertz	1,660				1,660	[6]	26,358
Ernesto Zedillo	5,785				5,785	[6]	41,430
31 Directors and executive officers, as a group	696,990	7,173,525	94,850	37,908,621	45,873,986	1.84%	918,766

[1] Includes unrestricted Common Stock over which each Director or executive officer has sole voting and investment power and restricted Common Stock over which they have voting power but no investment power (until restrictions lapse).
[2] Common Stock allocated to personal accounts of executive officers under the Retirement Trust pursuant to PST. Plan participants have sole discretion as to voting and, within limitations provided by PST, investment of shares. Shares are voted by the Trustees in accordance with instructions from participants. If instructions are not received by the Trustees as to the voting of particular shares, shares are to be voted in proportion to instructions actually received from other participants in the Retirement Trust.
[3] Total includes stock options that have vested or will vest within 60 days, Common Stock pursuant to the PST that will be allocated to personal accounts of executive officers within 60 days, PSP awards (as described beginning on page 37) that will deliver as Common Stock in August 2018, any Restricted Stock that will vest within 60 days, and any RSUs that will deliver as Common Stock within 60 days.
[4] This column includes shares in which voting and/or investment powers are shared. It also includes shares indirectly held through family members who reside in the household of the director or officer.
[5] RSUs represent the right to receive unrestricted shares of Common Stock upon the lapse of restrictions, at which point the holders will have a non-forfeitable right to delivery of Common Stock on a specific date in the future. Total includes RSUs that will not deliver as Common Stock within 60 days and any PSP awards that will deliver as RSUs in August 2018. RSUs that will not deliver within 60 days of the record date are not considered "beneficially owned" because holders are not entitled to voting rights or investment control until the shares are delivered. RSUs that will deliver within 60 days are listed in the "Right to Acquire" column.
[6] Excluding Mr. Peltz, less than .039% for any one Director or NEO.
[7] Totals include shares, stock options, and RSUs indirectly held by Ms. Ferguson-McHugh through her spouse, who was previously employed by the Company.
[8] Totals include shares, stock options, and RSUs indirectly held by Mr. Moeller through his spouse, who is also employed by the Company.

[9] These shares are owned by certain funds and investment vehicles (the "Trian Funds") managed by Trian Fund Management, L.P. ("Trian"), an institutional investment manager. None of such shares are held directly by Mr. Peltz. From time to time, certain of these shares are held in the ordinary course of business with other investment securities owned by the Trian Funds in co-mingled margin accounts with a prime broker, which prime broker may, from time to time, extend margin credit to certain Trian Funds, subject to applicable federal margin regulations, stock exchange rules and credit policies. Trian Fund Management GP, LLC, of which Mr. Peltz is a member, is the general partner of Trian, and therefore is in a position to determine the investment and voting decisions made by the Trian Funds. Accordingly, Mr. Peltz and Trian may be deemed to indirectly beneficially own the shares that the Trian Funds directly and beneficially own.

Series A ESOP Convertible

Class A Preferred Stock

Number of shares

Name	Amount and Nature of Beneficial Ownership		Percent of Series
	Profit Sharing Plan[1]	Trusteeships	
Steven D. Bishop	8,578		[2]
Francis S. Blake			
Angela F. Braly			
Amy L. Chang			
Kenneth I. Chenault			
Giovanni Ciserani			
Scott D. Cook			
Mary Lynn Ferguson-McHugh[3]	8,427		[2]
Terry J. Lundgren			
Joseph Jimenez			
W. James McNerney, Jr.			
Jon R. Moeller[4]	13,907		[2]
David Taylor	12,465		[2]
Nelson Peltz			
Margaret C. Whitman			
Patricia A. Woertz			
Ernesto Zedillo			
31 Directors and executive officers, as a group	107,426		[2]
Employee Stock Ownership Trust of The Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan P.O. Box 599, Cincinnati, Ohio 45201-0599 (R. L. Antoine, S. P. Donovan, Jr. and R. C. Stewart, Trustees)	4,117,004[5]		

[1] Shares allocated to personal accounts of executive officers under the Employee Stock Ownership Trust pursuant to PST. Plan participants have sole discretion as to voting and, within limitations provided by PST, investment of shares. Shares are voted by the Trustees in accordance with instructions from participants. If instructions are not received by the Trustees as to the voting of particular shares, shares are to be voted in proportion to instructions actually received from other participants in the Trust.

[2] Less than .036% for any NEO, and for the Directors and executive officers, as a group; by the terms of the stock, only persons who are or have been employees can have beneficial ownership of these shares.

[3] Total includes shares indirectly held by Ms. Ferguson-McHugh through her spouse, who was previously employed by the Company.

[4] Total includes shares indirectly held by Mr. Moeller through his spouse, who is also employed by the Company.

[5] Unallocated shares. The voting of these shares is governed by the terms of PST, which provides that the Trustees shall vote unallocated shares held by them in proportion to instructions received from Trust participants as to voting of allocated shares. The disposition of these shares in connection with a tender offer would be governed by the terms of PST, which provides that the Trustees shall dispose of unallocated shares held by them in proportion to instructions received from Trust participants as to the disposition of allocated shares.

Series B ESOP Convertible
Class A Preferred Stock
Number of shares

Name	Amount and Nature of Beneficial Ownership: Profit Sharing Plan[1]	Amount and Nature of Beneficial Ownership: Trusteeships	Percent of Series
Steven D. Bishop			
Francis S. Blake			
Angela F. Braly			
Amy L. Chang			
Kenneth I. Chenault			
Giovanni Ciserani			
Scott D. Cook			
Mary Lynn Ferguson-McHugh[3]	171		[2]
Terry J. Lundgren			
Joseph Jimenez			
W. James McNerney, Jr.			
Jon R. Moeller			
David Taylor	187		[2]
Nelson Peltz			
Margaret C. Whitman			
Patricia A. Woertz			
Ernesto Zedillo			
31 Directors and executive officers, as a group	1,085		[2]
Employee Stock Ownership Trust of The Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan P.O. Box 599, Cincinnati, Ohio 45201-0599 (R. L. Antoine, S. P. Donovan, Jr. and R. C. Stewart, Trustees)		29,105,710[4]	

[1] Shares allocated to personal accounts of executive officers under the Employee Stock Ownership Trust pursuant to PST. Plan participants have sole discretion as to voting and, within limitations provided by PST, investment of shares. Shares are voted by the Trustees in accordance with instructions from participants. If instructions are not received by the Trustees as to the voting of particular shares, shares are to be voted in proportion to instructions actually received from other participants in the Trust.

[2] Less than .0005% for any NEO, and for the Directors and executive officers, as a group; by the terms of the stock, only persons who are or have been employees can have beneficial ownership of these shares.

[3] Total includes shares indirectly held by Ms. Ferguson-McHugh through her spouse, who was previously employed by the Company.

[4] Unallocated shares. The voting of these shares is governed by the terms of PST, which provides that the Trustees shall vote unallocated shares held by them in proportion to instructions received from Trust participants as to voting of allocated shares. The disposition of these shares in connection with a tender offer would be governed by the terms of PST, which provides that the Trustees shall dispose of unallocated shares held by them in proportion to instructions received from Trust participants as to the disposition of allocated shares.

Section 16(a) Beneficial Ownership Reporting Compliance

Ownership of, and transactions in, Company stock by executive officers and Directors of the Company are required to be reported to the SEC pursuant to Section 16 of the Securities Exchange Act of 1934. As a practical matter, the Company assists its Directors and officers by monitoring transactions and completing and filing Section 16 reports on their behalf. All Directors and officers complied with these requirements during the past fiscal year.

Report of the Audit Committee

Each member of the Audit Committee is an independent Director as determined by the Board of Directors, based on the NYSE listing standards and the Board's own Independence Guidelines. Each member of the Committee also satisfies the SEC's additional independence requirement for members of audit committees. The Board of Directors has determined that Ms. Woertz and Mr. Chenault meet the criteria for "Audit Committee Financial Expert" as defined by SEC rules. The Board of Directors has also determined that all Audit Committee members are financially literate. See page 17 for further detail on Audit Committee composition.

As noted previously in the proxy statement, the Committee's work is guided by a charter, which can be found in the corporate governance section of the Company's website at www.pg.com. The Audit Committee has the responsibilities set forth in its charter with respect to:

- Accounting, financial reporting and disclosure processes, and adequacy of systems of disclosure and internal control established by management;
- Quality and integrity of the Company's financial statements;
- Company's compliance with legal and regulatory requirements;
- Company's overall risk management profile;
- Independent registered public accounting firm's qualifications and independence;
- Performance of the Company's internal audit function and the independent registered public accounting firm;
- Performance of the Company's ethics and compliance function;
- Preparing this annual Report of the Audit Committee to be included in the Company's proxy statement.

Management has the Company's primary responsibility for establishing and maintaining adequate internal financial controllership, for preparing the financial statements and for the public reporting process. Deloitte & Touche LLP, the Audit Committee-appointed independent registered public accounting firm for the fiscal year ended June 30, 2018, is responsible for expressing opinions on the conformity of the Company's audited financial statements with generally accepted accounting principles and on management's assessment of the effectiveness of the Company's internal control over financial reporting.

In its role of financial reporting oversight, the Committee reviewed and discussed with management and Deloitte & Touche LLP the audited financial statements for the year ended June 30, 2018, and management's assessment of the effectiveness of the Company's internal control over financial reporting. In this context, the Committee met nine times (including telephone meetings to discuss quarterly results) during the fiscal year ended June 30, 2018. The Committee has reviewed with Deloitte & Touche LLP matters required to be discussed pursuant to auditing standards adopted by the Public Company Accounting Oversight Board ("PCAOB"). In addition, the Committee has discussed various matters with Deloitte & Touche LLP related to the Company's consolidated financial statements, including critical accounting policies and practices used, alternative treatments for material items that have been discussed with management, and other material written communications between Deloitte & Touche LLP and management. The Committee has also received written disclosures and the letter from Deloitte & Touche LLP required by PCAOB Rule 3526, "Communication with Audit Committees Concerning Independence," and has discussed with Deloitte & Touche LLP its independence from the Company and its management. In addition, the Committee has received written material addressing Deloitte & Touche LLP's internal quality control procedures and other matters, as required by the NYSE listing standards. The Committee understands the need for Deloitte & Touche LLP to maintain objectivity and independence in its audit of the Company's financial statements and internal controls over financial reporting. The Committee has implemented a formal pre-approval process for non-audit fee spending, and it seeks to limit this spending to a level that keeps the core relationship with Deloitte & Touche LLP focused on financial statement review and evaluation. A copy of this pre-approval process is attached to this proxy statement as Exhibit B.

Based on the considerations referred to above, the Committee recommended to our Board of Directors that the audited financial statements for the year ended June 30, 2018 be included in our Annual Report on Form 10-K for

2018 and selected Deloitte & Touche LLP as the independent registered public accounting firm for the Company for the fiscal year ending June 30, 2019. This report is provided by the following independent Directors, who constitute the Committee:

Patricia A. Woertz, Chair
Frank S. Blake
Angela F. Braly
Amy L. Chang
Kenneth I. Chenault

Fees Paid to the Independent Registered Public Accounting Firm

The Audit Committee, with the ratification of the shareholders, engaged Deloitte & Touche LLP to perform an annual audit of the Company's financial statements for the fiscal year ended June 30, 2018. The Audit Committee was responsible for determination and approval of audit fees primarily based on audit scope, with consideration of audit team skills and experiences.

Pursuant to rules of the SEC, the fees billed by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively "Deloitte"), are disclosed in the table below:

Fees Paid to Deloitte
(Dollars in Thousands)

	FY 2016-17	FY 2017-18
Audit Fees	$30,375	$28,684
Audit-Related Fees	3,421	2,439
Tax Fees	384	285
Subtotal	34,180	31,408
All Other Fees	584	501
Deloitte Total Fees	$34,764	$31,909

Services Provided by Deloitte

All services provided by Deloitte are permissible under applicable laws and regulations. The Company has adopted policies and procedures for pre-approval of services by Deloitte as described in Exhibit B to this proxy statement. The fees paid to Deloitte shown in the table above were all pre-approved in accordance with these procedures and include:

1) Audit Fees—These are fees for professional services performed by Deloitte for the audit of the Company's annual financial statements and review of financial statements included in the Company's 10-Q filings, and services that are normally provided in connection with statutory and regulatory filings or engagements.

2) Audit-Related Fees—These are fees for assurance and related services performed by Deloitte that are reasonably related to the performance of the audit or review of the Company's financial statements. This includes: employee benefit and compensation plan audits; due diligence related to mergers and acquisitions; other attestations by Deloitte, including those that are required by statute, regulation or contract; and consulting on financial accounting/reporting standards and controls.

3) Tax Fees—These are fees for professional services performed by Deloitte with respect to tax compliance and tax returns. This includes review of original and amended tax returns for the Company and its consolidated subsidiaries; refund claims, payment planning/tax audit assistance; and tax work stemming from "Audit-Related" items.

4) All Other Fees—These are fees for other permissible work performed by Deloitte that does not meet the above category descriptions. The fees cover training programs, consulting, and various subscriptions and local engagements that are permissible under applicable laws and regulations including tax filings for individual employees included in the Company expatriate program.

These services are actively monitored (both spending level and work content) by the Audit Committee to maintain the appropriate objectivity and independence in Deloitte's core work, which is the audit of the Company's consolidated financial statements. The Committee also concluded that Deloitte's provision of audit and non-audit services to the Company and its affiliates is compatible with Deloitte's independence.

ITEM 1. ELECTION OF DIRECTORS
See pages 6-14 of this proxy statement

ITEM 2. PROPOSAL TO RATIFY APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the independent external audit firm retained to audit the Company's financial statements. In order to assure continuing audit independence and objectivity, the Audit Committee will periodically consider whether there should be a rotation of the independent external audit firm. In accordance with the SEC-mandated rotation of the audit firm's lead engagement partner, the Audit Committee is also involved in the selection of the external audit firm's lead engagement partner.

The Audit Committee selected Deloitte & Touche LLP as the Company's independent registered public accounting firm to perform the audit of our financial statements and our internal controls over financial reporting for the fiscal year ending June 30, 2019. Deloitte & Touche LLP was our independent registered public accounting firm for the fiscal year ended June 30, 2018. The members of the Audit Committee and Board believe that the retention of Deloitte & Touche LLP to serve as the Company's independent external auditor is in the best interest of the Company and its shareholders. In the course of these reviews, the Audit Committee considers, among other things: external auditor capability, effectiveness and efficiency of audit services, results from periodic management and Audit Committee performance assessments, and appropriateness of fees in the context of audit scope. The Committee also reviews and approves non-audit fees.

Deloitte & Touche LLP representatives are expected to attend the 2018 annual meeting. They will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate shareholder questions.

We are asking our shareholders to ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm. Although ratification is not required by the Company's Code of Regulations, the By Laws of the Board of Directors, or otherwise, the Board is submitting the selection of Deloitte & Touche LLP to our shareholders for ratification as a matter of good corporate practice. The Board will take into consideration the shareholder vote, but the Audit Committee, in its discretion, may retain Deloitte & Touche LLP or select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interest of the Company and our shareholders.

The Board of Directors recommends a vote FOR the following proposal:

RESOLVED, That action by the Audit Committee appointing Deloitte & Touche LLP as the Company's independent registered public accounting firm to conduct the annual audit of the financial statements of the Company and its subsidiaries for the fiscal year ending June 30, 2019 is hereby ratified, confirmed, and approved.

ITEM 3. PROPOSAL FOR AN ADVISORY VOTE ON EXECUTIVE COMPENSATION (THE SAY ON PAY VOTE)

Pursuant to Section 14A of the Securities Exchange Act of 1934, we are providing our shareholders with the opportunity to vote to approve, on a non-binding, advisory basis, the compensation of our NEOs as set forth in this proxy statement in accordance with the compensation disclosure rules of the SEC. This proposal is also referred to as the "Say on Pay" vote.

Our executive compensation program pays for performance, supports our business strategies, discourages excessive risk-taking, makes us competitive with other multinational corporations for top talent, and aligns our executives' interests with the long-term interests of our shareholders. In 2017, shareholders approved the compensation paid to the NEOs with a FOR vote of 92.95%. In FY 2017-18, the C&LD Committee approved several changes to our executive compensation programs to better align rewards to business results and company strategy, and to reflect suggestions by shareholders during last year's dialogue with investors.

Our Compensation Discussion & Analysis, which begins on page 30 of this proxy statement, describes in detail the components of our executive compensation program and the process by which our Board makes executive compensation decisions. Highlights of our program include the following:

- Consistent with our pay-for-performance philosophy, about 87% of our total NEO compensation is tied to Company performance;
- Multiple performance metrics are utilized to discourage excessive risk-taking by removing any incentive to focus on a single performance goal to the detriment of others;
- Substantial stock ownership requirements ensure that our senior executives maintain a significant stake in our long-term success;
- Equity plans prohibit re-pricing and backdating of stock options;
- Clawback policies allow recovery of certain compensation payments and proceeds from stock transactions from executives in the event of a significant restatement of financial results for any reason or for a violation of certain stock plan provisions;
- We do not grant time-based equity awards that vest immediately solely on account of a change in control;
- We do not execute employment agreements with executives that contain special severance payments such as golden parachutes;
- We do not provide gross-ups to cover personal income taxes that pertain to executive or severance benefits; and
- We do not provide special executive retirement programs.

We design our compensation programs to motivate our executives to win during tough economic times and to achieve our fundamental and overriding objective—to create value for our shareholders at leadership levels on a consistent basis.

This vote is non-binding; however, we highly value the opinions of our shareholders. Accordingly, the Board and the C&LD Committee will consider the outcome of this advisory vote in connection with future executive compensation decisions.

The Board of Directors recommends that you vote FOR the following resolution:

RESOLVED, That the compensation paid to the NEOs, as disclosed pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion & Analysis, compensation tables and narrative discussion, is hereby approved.

Specific information on how to file notices, proposals, and/or recommendations pursuant to either SEC Rule 14-8 or the provisions in the Company's Regulations is noted in the following sections. All notices/proposals/recommendations should be sent to:

The Procter & Gamble Company
c/o The Corporate Secretary's Office
One Procter & Gamble Plaza
Cincinnati, OH 45202-3315

2019 Annual Meeting Date and Shareholder Proposals

It is anticipated that the 2019 annual meeting of shareholders will be held on Tuesday, October 8, 2019. Pursuant to regulations issued by the SEC, to be considered for inclusion in the Company's proxy statement for presentation at that meeting, all shareholder proposals must be received by the Company on or before the close of business on April 26, 2019.

Annual Meeting Advance Notice Requirements

Our Code of Regulations requires advance notice for any business to be brought before an annual meeting of shareholders. For business to be properly brought before an annual meeting by a shareholder (other than in connection with the election of Directors, see sections entitled "Director Nominations for Inclusion in the 2019 Proxy Statement" and "Shareholder Recommendations of Board Nominees and Committee Process for Recommending Board Nominees" below; or any matter brought pursuant to SEC Rule 14a-8), the shareholder must meet the requirements set forth in our Regulations, which are publicly available at www.pg.com. A shareholder wishing to bring such business before the 2019 annual meeting must provide such notice no earlier than February 11, 2019 and no later than July 11, 2019.

If a shareholder notifies the Company of an intent to present business at the 2019 annual meeting of shareholders, and such business may be properly presented at that meeting consistent with the Company's Code of Regulations and Amended Articles of Incorporation, the Company will have the right to exercise its discretionary voting authority with respect to such business without including information regarding such proposal in its proxy materials.

Director Nominations for Inclusion in the 2019 Proxy Statement

In 2016, our Board amended the Company's Code of Regulations to permit a shareholder, or a group of up to 20 shareholders, who has owned at least 3% of our outstanding Common Stock for at least 3 years, to nominate and include in our proxy statement candidates for our Board, subject to certain requirements. Each eligible shareholder, or group of shareholders, may nominate candidates for Director, up to a limit of the greater of 2 or 20% of the number of Directors on the Board. Any nominee must meet the qualification standards set forth in the Corporate Governance Guidelines, as described below.

Any such notice and nomination materials must be received at the address above not less than 120 days and not more than 150 days prior to the one-year anniversary of the preceding year's annual shareholder meeting. Certain other notice periods apply if the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date. Based on the anticipated one-year anniversary of the 2018 annual meeting, an eligible shareholder wishing to nominate a candidate for election to the Board at the 2019 annual meeting must provide such notice no earlier than May 12, 2019 and no later than June 11, 2019. Any such notice and accompanying nomination materials must meet the requirements set forth in our Regulations, which are publicly available at www.pg.com.

Shareholder Recommendations of Board Nominees and Committee Process for Recommending Board Nominees

The Governance & Public Responsibility Committee will consider shareholder recommendations for candidates for the Board. The minimum qualifications and preferred specific qualities and skills required for Directors are set forth in Article II, Sections B through E of the Corporate Governance Guidelines. The Committee considers all candidates using these criteria, regardless of the source of the recommendation. The Committee's process for evaluating candidates also includes the considerations set forth in Article II, Section B of the Committee's Charter. After initial screening for minimum qualifications, the Committee determines appropriate next steps, including requests for additional information, reference checks, and interviews with potential candidates. In addition to shareholder recommendations, the Committee also relies on recommendations from current Directors, Company personnel, and others. From time to time, the Committee may engage the services of outside search firms to help identify candidates. During the fiscal year ended June 30, 2018, the Company engaged Egon Zehnder to help identify potential candidates for the Board. All nominees for election as Directors who currently serve on the Board are known to the Committee and were recommended by the Committee to the Board as Director nominees.

Pursuant to the Company's Regulations, a shareholder wishing to nominate a candidate for election to the Board at an annual meeting of shareholders without being included in the Company's proxy statement is required to give written notice to the Secretary of the Company of his or her intention to make such nomination. The notice of nomination must be received at the Company's principal executive offices not less than 140 days nor more than 240 days prior to the one-year anniversary of the preceding year's annual shareholder meeting. Certain other notice periods apply if the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date. Based on the anticipated one-year anniversary of the 2018 annual meeting, a shareholder wishing to nominate a candidate for election to the Board at the 2019 annual meeting must provide such notice no earlier than February 11, 2019, and no later than May 22, 2019.

As set forth in the Company's Code of Regulations, the notice of nomination is required to contain information about both the nominee and the shareholder making the nomination, including information sufficient to allow the G&PR Committee to determine if the candidate meets certain criteria. A nomination that does not comply with the requirements set forth in the Company's Code of Regulations will not be considered for presentation at the annual meeting.

Other Matters

Unless corrections are identified, the minutes of the annual meeting of shareholders held October 10, 2017 will be approved as recorded. Any such action approving the minutes does not constitute approval or disapproval of any of the matters referenced therein.

If any matters other than those set forth in the notice should be properly presented for action at the annual meeting, the persons named in the proxy will use their discretion to take such action as they deem to be in harmony with the policies of the Company.

EXHIBIT A

Reconciliation of Non-GAAP Financial Measures

In accordance with the SEC's Regulation G, the following provides definitions of the non-GAAP measures used in this proxy statement and the reconciliation to the most closely related GAAP measure. We believe that these measures provide useful perspective of underlying business trends (i.e. trends excluding non-recurring or unusual items) and results and provide a supplemental measure of year-on-year results. The non-GAAP measures described below are used by Management in making operating decisions, allocating financial resources and for business strategy purposes. These measures may be useful to investors as they provide supplemental information about business performance and provide investors a view of our business results through the eyes of Management. These measures are also used to evaluate senior management and are a factor in determining their at-risk compensation. These non-GAAP measures are not intended to be considered by the user in place of the related GAAP measure, but rather as supplemental information to our business results. These non-GAAP measures may not be the same as similar measures used by other companies due to possible differences in method and in the items or events being adjusted.

The non-GAAP measures provided are as follows: Organic Sales Growth; Adjusted Free Cash Flow; Adjusted Free Cash Flow Productivity; Core Before-Tax Operating Profit Growth 3 Year CAGR; Core EPS Growth and Core EPS Growth 3 Year CAGR.

The Core earnings measures included in the following reconciliation tables refer to the equivalent GAAP measures adjusted as applicable for the following items:

- Incremental restructuring: The Company has had and continues to have an ongoing level of restructuring activities. Such activities have resulted in ongoing annual restructuring related charges of approximately $250—$500 million before tax. In 2012, the Company began a $10 billion strategic productivity and cost savings initiative that includes incremental restructuring activities. In 2017, we communicated details of an additional multi-year productivity and cost savings plan. These plans result in incremental restructuring charges to accelerate productivity efforts and cost savings. The adjustment to Core earnings includes only the restructuring costs above what we believe are the normal recurring level of restructuring costs.
- Transitional Impact of the U.S. Tax Act: In December 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "U.S. Tax Act"). This resulted in a net charge of $602 million for the fiscal year 2018. The adjustment to Core earnings only includes this transitional impact. It does not include the ongoing impacts of the lower U.S. statutory rate on current year earnings.
- Early debt extinguishment charges: In fiscal 2018 and 2017, the Company recorded after-tax charges of $243 million and $345 million, respectively, due to the early extinguishment of certain long-term debt. These charges represent the difference between the reacquisition price and the par value of the debt extinguished.
- Venezuela deconsolidation charge: For accounting purposes, evolving conditions resulted in a lack of control over our Venezuelan subsidiaries. Therefore, in accordance with the applicable accounting standards for consolidation, effective June 30, 2015, we deconsolidated our Venezuelan subsidiaries and began accounting for our investment in those subsidiaries using the cost method of accounting. The charge was incurred to write off our net assets related to Venezuela.
- Charges for certain European legal matters: Several countries in Europe issued separate complaints alleging that the Company, along with several other companies, engaged in violations of competition laws in prior periods. In 2016, the Company incurred after-tax charges of $11 million to adjust legal reserves related to these matters.
- Venezuela B/S remeasurement & devaluation impacts: Venezuela is a highly inflationary economy under U.S. GAAP. Prior to deconsolidation, the government enacted episodic changes to currency exchange mechanisms and rates, which resulted in currency remeasurement charges for non-dollar denominated monetary assets and liabilities held by our Venezuelan subsidiaries.

We do not view the above items to be part of our sustainable results, and their exclusion from core earnings measures provides a more comparable measure of year-on-year results

Organic sales growth: Organic sales growth is a non-GAAP measure of sales growth excluding the impacts of the India Goods & Services Tax changes, acquisitions, divestitures and foreign exchange from year-over-year comparisons. We believe this measure provides investors with a supplemental understanding of underlying sales trends by providing sales growth on a consistent basis.

Adjusted free cash flow and 3-year total adjusted free cash flow: Adjusted free cash flow is defined as operating cash flow less capital spending and excluding certain divestiture impacts (tax payments related to certain divestitures). Adjusted free cash flow represents the cash that the Company is able to generate after taking into account planned maintenance and asset expansion. We view adjusted free cash flow as an important measure because it is one factor used in determining the amount of cash available for dividends, share repurchases, acquisitions and other discretionary investments. 3-year total adjusted free cash flow is sum of the adjusted free cash flows over the specified period.

Adjusted free cash flow productivity and 3-year total adjusted free cash flow productivity: Adjusted free cash flow productivity is defined as the ratio of adjusted free cash flow to net earnings excluding the transitional impacts of the U.S. Tax Act, the losses on early debt extinguishment, the gain on the sale of the Batteries and Beauty Brands businesses and the Batteries impairments. We view adjusted free cash flow productivity as a useful measure to help investors understand P&G's ability to generate cash. Adjusted free cash flow productivity is used by management in making operating decisions, allocating financial resources and for budget planning purposes. The Company's long-term target is to generate annual adjusted free cash flow productivity at or above 90 percent. 3-year total adjusted free cash flow productivity is the ratio of 3-year adjusted cash flow to 3-year net earnings excluding the specified adjustments.

Core before-tax operating profit and 3-year compound annual growth rate (CAGR): Core before-tax operating profit is a measure of the Company's operating profit adjusted for items as indicated. Management believes this non-GAAP measure provides a supplemental perspective to the Company's operating efficiency over time. Core before-tax operating profit 3-year compound annual growth rate (CAGR) is the annualized average rate of growth between specified years.

Core EPS and 3-year compound annual growth rate (CAGR): Core EPS is a measure of the Company's diluted net earnings per share from continuing operations adjusted as indicated. Management views this non-GAAP measure as a useful supplemental measure of Company performance over time. The tables below provide a reconciliation of diluted net earnings per share to Core EPS. Core EPS 3-year compound annual growth rate (CAGR) is the annualized average rate of growth between specified years.

Organic Sales

Total Company	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact /Other*	Organic Sales Growth
FY 2017-18	3%	(2)%	—%	1%

*Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures, the impact of India Goods and Services Tax implementation and rounding impacts necessary to reconcile net sales to organic sales.

Adjusted Free Cash Flow

	Operating Cash Flow	Capital Spending	Tax Payment on Divestitures	Adjusted Free Cash Flow
FY 2017-18	$14,867	($ 3,717)	$ —	$ 11,150
FY 2016-17	12,753	(3,384)	418	9,787
FY 2015-16	15,435	(3,314)	$ —	12,121
3-Year Total	**$43,055**	**($10,415)**	**$ 418**	**$ 33,058**

Adjusted Free Cash Flow Productivity

	Adjusted Free Cash Flow	Net Earnings	Adjustments to Net Earnings[1]	Net Earnings Excluding Adjustments	Adjusted Free Cash Flow Productivity
FY 2017-18	$11,150	$ 9,861	$ 845	$10,706	104%
FY 2016-17	9,787	15,411	(4,990)	10,421	
FY 2015-16	12,121	10,604	(72)	10,532	
3-Year Total	**$33,058**	**$35,876**	**($4,217)**	**$31,659**	**104%**

[1] Adjustments to Net Earnings relate to the transitional impacts of the U.S. Tax Act in fiscal 2018, the losses on early extinguishment of debt in fiscal 2018 and 2017, the gain on the sale of the Beauty Brands business in fiscal 2017, the gain on the sale of the Batteries business in fiscal 2016 and the Batteries impairment in fiscal 2016.

Core Before-Tax Operating Profit 3-Year CAGR

	FY 2017-18	FY 2016-17	FY 2015-16	FY 2014-15
Before-Tax Operating Profit	**$13,711**	**$13,955**	**$13,441**	**$11,049**
Incremental Restructuring	739	399	593	621
Venezuela B/S Remeasurement & Devaluation Impacts			—	138
Charges for European Legal Matters			13	29
Venezuela Deconsolidation Charge			—	2,028
Rounding				(1)
Core Before-Tax Operating Profit	**$14,450**	**$14,354**	**$14,047**	**$13,864**
3-Year Compound Annual Growth Rate	**1.4%**			

Core EPS

	FY 2017-18	FY 2016-17
Diluted Net Earnings Per Share from Continuing Operations, attributable to P&G	**$3.67**	**$3.69**
Incremental Restructuring	0.23	0.10
Early Debt Extinguishment Charges	0.09	0.13
Transitional Impacts of the U.S. Tax Act	0.23	—
Core EPS	**$4.22**	**$3.92**
Percentage change vs. prior period	*8%*	

Note – All reconciling items are presented net of tax. Tax effects are calculated consistent with the nature of the underlying transaction.

Core EPS 3-Year CAGR

	FY 2017-18	FY 2016-17	FY 2015-16	FY 2014-15
Diluted Net Earnings Per Share from Continuing Operations, attributable to P&G	**$3.67**	**$3.69**	**$3.49**	**$ 2.84**
Incremental Restructuring	0.23	0.10	0.18	0.17
Transitional Impact of the U.S. Tax Act	0.23	—	—	—
Early Debt Extinguishment Charges	0.09	0.13	—	—
Venezuela B/S Remeasurement & Devaluation Impacts	—	—	—	0.04
Charges for European Legal Matters	—	—	—	0.01
Venezuela Deconsolidation Charge	—	—	—	0.71
Rounding	—	—	—	-0.01
Core EPS	**$4.22**	**$3.92**	**$3.67**	**$ 3.76**
3-Year Compound Annual Growth Rate	**3.9%**			

Note – All reconciling items are presented net of tax. Tax effects are calculated consistent with the nature of the underlying transaction.

EXHIBIT B

The Procter & Gamble Company Audit Committee Policies

I. Guidelines for Pre-Approval of Independent Auditor Services

The Audit Committee (the "Committee") has adopted the following guidelines regarding the engagement of the Company's independent auditor to perform services for the Company:

A. For audit services (including statutory audit engagements as required under local country laws), the independent auditor will provide the Committee with an engagement letter during the fourth quarter of each fiscal year outlining the scope of the audit services proposed to be performed during the coming fiscal year. If agreed to by the Committee, this engagement letter will be formally accepted by the Committee.

B. The independent auditor will submit to the Committee for approval an audit services fee proposal with the engagement letter.

C. For non-audit services, Company management will submit to the Committee for approval the list of non-audit services that it recommends the Committee engage the independent auditor to provide for the fiscal year. Company management and the independent auditor will each confirm to the Committee that each non-audit service on the list is permissible under all applicable legal requirements. In addition to the list of planned non-audit services, a budget estimating non-audit service spending for the fiscal year will be provided. The Committee will approve both the list of permissible non-audit services and the budget for such services. The Committee will be informed routinely as to the non-audit services actually provided by the independent auditor pursuant to this pre-approval process.

D. To ensure prompt handling of unexpected matters, the Committee delegates to the Chair the authority to amend or modify the list of approved permissible non-audit services and fees. The Chair will report action taken to the Committee at the next Committee meeting.

E. The independent auditor must ensure that all audit and non-audit services provided to the Company have been approved by the Committee. The Vice President of Internal Controls will be responsible for tracking all independent auditor fees against the budget for such services and report at least annually to the Audit Committee.

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The Procter & Gamble Company General Offices

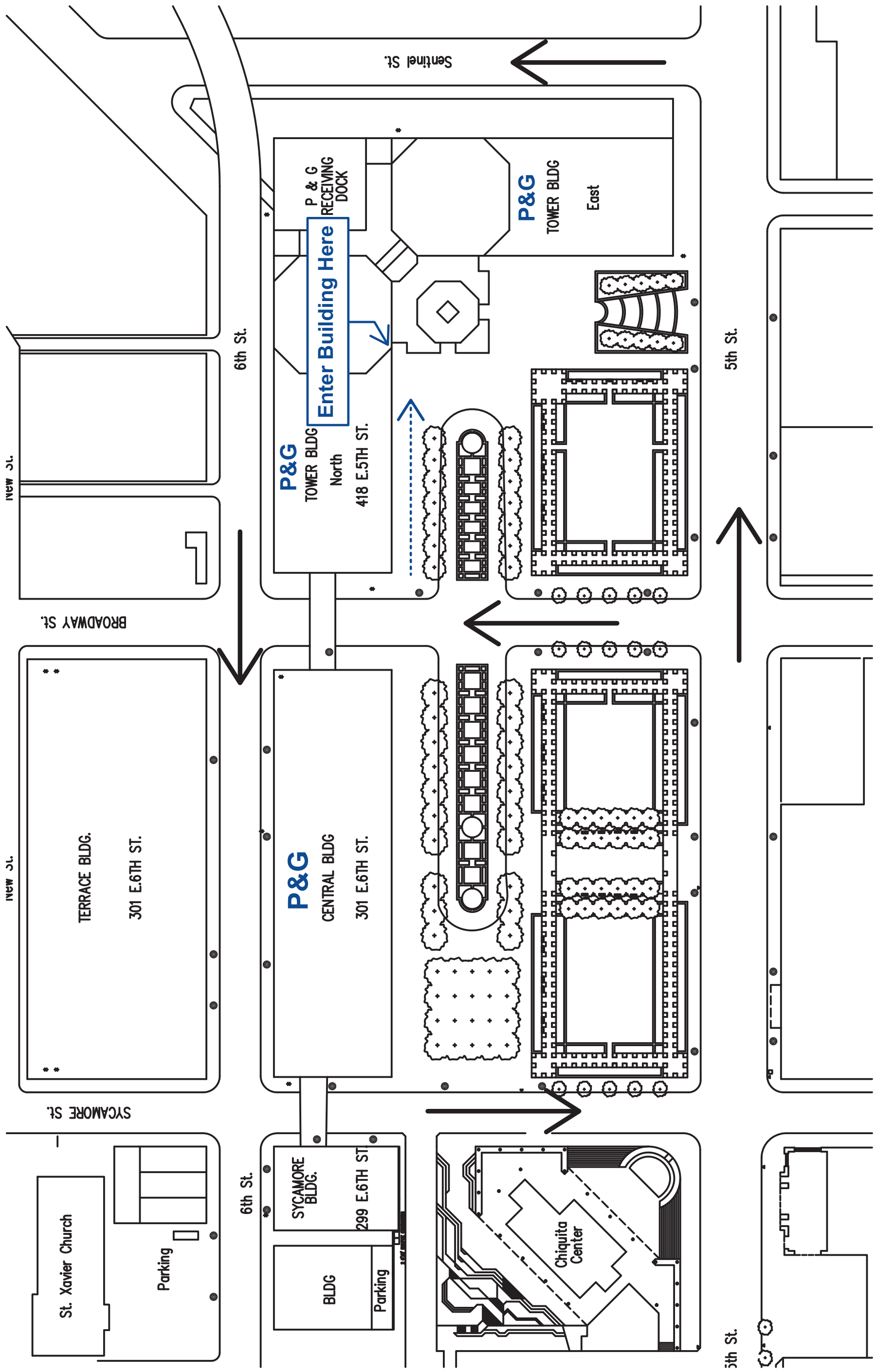

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EXHIBIT IV – TAX AND SOCIAL SECURITY CONSEQUENCES OF PARTICIPATION IN THE ISOP

A. BELGIUM

The following section has been prepared to provide you with a summary of the tax consequences of your participation in the Plan.

This section is based on the tax laws concerning stock purchase rights in effect in your country as of February 2019. Such laws are often complex and change frequently. As a result, the information contained in this section may be out of date at the time you purchase shares or sell shares you acquire under the Plan.

In addition, this section is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and P&G is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of another country, the information contained in this section may not be applicable to you.

Purchase of Shares

When you enroll in the Plan and become eligible, there is no taxation. P&G shares are purchased using monthly deductions from your payroll, where applicable, and a matching Company Contribution, where applicable, paid through payroll. The deduction from your payroll is made after taxation. The Company Contribution is taxed as income and your employer withholds income tax and social contributions.

Dividends – US Withholding

Dividend payments are reinvested in additional P&G shares credited to your account. If you are a non-US person, the dividends on your P&G stock are generally subject to US tax. The tax rate may vary and change at any time based on tax treaties between the U.S. and various countries. If you do not have a tax form on file, your employer will withhold at the default US tax rate. If you have a W-8 form on file, your employer will withhold the proper U.S. tax based on the data within the W-8 form. If you have a W-9 form on file, there is no withholding, unless you or the IRS have notified your employer that you are subject to backup withholding.

Distribution

When shares are sold or distributed, you are responsible for reporting and paying any income tax, social insurance contributions, and capital gains tax resulting from the distribution or sale of the shares via your annual tax return. Your employer does not withhold amounts for these taxes.

B. CZECH REPUBLIC

The following section has been prepared to provide you with a summary of the tax consequences of your participation in the Plan.

This section is based on the tax laws concerning stock purchase rights in effect in your country as of February 2019. Such laws are often complex and change frequently. As a result, the information contained in this section may be out of date at the time you purchase shares or sell shares you acquire under the Plan.

In addition, this section is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and P&G is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of another country, the information contained in this section may not be applicable to you.

Purchase of Shares

When you enroll in the Plan and become eligible, there is no taxation. P&G shares are purchased using monthly deductions from your payroll, where applicable, and a matching Company Contribution, where applicable, paid through payroll. The deduction from your payroll is made after taxation. The Company Contribution is taxed as income and your employer withholds income tax and social contributions.

Dividends – US Withholding

Dividend payments are reinvested in additional P&G shares credited to your account. If you are a non-US person, the dividends on your P&G stock are generally subject to US tax. The tax rate may vary and change at any time based on tax treaties between the U.S. and various countries. If you do not have a tax form on file, your employer will withhold at the default US tax rate. If you have a W-8 form on file, your employer will withhold the proper U.S. tax based on the data within the W-8 form. If you have a W-9 form on file, there is no withholding, unless you or the IRS have notified your employer that you are subject to backup withholding.

Distribution

When shares are sold or distributed, you are responsible for reporting and paying any income tax, social insurance contributions, and capital gains tax resulting from the distribution or sale of the shares via your annual tax return. Your employer does not withhold amounts for these taxes.

C. GERMANY

The following section has been prepared to provide you with a summary of the tax consequences of your participation in the Plan.

This section is based on the tax laws concerning stock purchase rights in effect in your country as of February 2019. Such laws are often complex and change frequently. As a result, the information contained in this section may be out of date at the time you purchase shares or sell shares you acquire under the Plan.

In addition, this section is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and P&G is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of another country, the information contained in this section may not be applicable to you.

Purchase of Shares

When you enroll in the Plan and become eligible, there is no taxation. P&G shares are purchased using monthly deductions from your payroll, where applicable, and a matching Company Contribution, where applicable, paid through payroll. The deduction from your payroll is made before taxation. The Company Contribution is taxed as income and your employer withholds income tax and social contributions.

Dividends – US Withholding

Dividend payments are reinvested in additional P&G shares credited to your account. If you are a non-US person, the dividends on your P&G stock are generally subject to US tax. The tax rate may vary and change at any time based on tax treaties between the U.S. and various countries. If you do not have a tax form on file, your employer will withhold at the default US tax rate. If you have a W-8 form on file, your employer will withhold the proper U.S. tax based on the data within the W-8 form. If you have a W-9 form on file, there is no withholding, unless you or the IRS have notified your employer that you are subject to backup withholding.

Distribution

When shares are sold or distributed, you are responsible for reporting and paying any income tax, social insurance contributions, and capital gains tax resulting from the distribution or sale of the shares via your annual tax return. Your employer does not withhold amounts for these taxes.

D. GREECE

The following section has been prepared to provide you with a summary of the tax consequences of your participation in the Plan.

This section is based on the tax laws concerning stock purchase rights in effect in your country as of February 2019. Such laws are often complex and change frequently. As a result, the information contained in this section may be out of date at the time you purchase shares or sell shares you acquire under the Plan.

In addition, this section is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and P&G is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of another country, the information contained in this section may not be applicable to you.

Purchase of Shares

When you enroll in the Plan and become eligible, there is no taxation. P&G shares are purchased using monthly deductions from your payroll, where applicable, and a matching Company Contribution, where applicable, paid through payroll. The deduction from your payroll is made before taxation. The Company Contribution is taxed as income and your employer withholds income tax and social contributions.

Dividends – US Withholding

Dividend payments are reinvested in additional P&G shares credited to your account. If you are a non-US person, the dividends on your P&G stock are generally subject to US tax. The tax rate may vary and change at any time based on tax treaties between the U.S. and various countries. If you do not have a tax form on file, your employer will withhold at the default US tax rate. If you have a W-8 form on file, your employer will withhold the proper U.S. tax based on the data within the W-8 form. If you have a W-9 form on file, there is no withholding, unless you or the IRS have notified your employer that you are subject to backup withholding.

Distribution

When shares are sold or distributed, you are responsible for reporting and paying any income tax, social insurance contributions, and capital gains tax resulting from the distribution or sale of the shares via your annual tax return. Your employer does not withhold amounts for these taxes.

E. HUNGARY

The following section has been prepared to provide you with a summary of the tax consequences of your participation in the Plan.

This section is based on the tax laws concerning stock purchase rights in effect in your country as of February 2019. Such laws are often complex and change frequently. As a result, the information contained in this section may be out of date at the time you purchase shares or sell shares you acquire under the Plan.

In addition, this section is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and P&G is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of another country, the information contained in this section may not be applicable to you.

Purchase of Shares

When you enroll in the Plan and become eligible, there is no taxation. P&G shares are purchased using monthly deductions from your payroll, where applicable, and a matching Company Contribution, where applicable, paid through payroll. The deduction from your payroll is made after taxation. The Company Contribution is taxed as income and your employer withholds income tax and social contributions.

Dividends – US Withholding

Dividend payments are reinvested in additional P&G shares credited to your account. If you are a non-US person, the dividends on your P&G stock are generally subject to US tax. The tax rate may vary and change at any time based on tax treaties between the U.S. and various countries. If you do not have a tax form on file, your employer will withhold at the default US tax rate. If you have a W-8 form on file, your employer will withhold the proper U.S. tax based on the data within the W-8 form. If you have a W-9 form on file, there is no withholding, unless you or the IRS have notified your employer that you are subject to backup withholding.

Distribution

When shares are sold or distributed, you are responsible for reporting and paying any income tax, social insurance contributions, and capital gains tax resulting from the distribution or sale of the shares via your annual tax return. Your employer does not withhold amounts for these taxes.

F. ITALY

The following section has been prepared to provide you with a summary of the tax consequences of your participation in the Plan.

This section is based on the tax laws concerning stock purchase rights in effect in your country as of February 2019. Such laws are often complex and change frequently. As a result, the information contained in this section may be out of date at the time you purchase shares or sell shares you acquire under the Plan.

In addition, this section is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and P&G is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of another country, the information contained in this section may not be applicable to you.

Purchase of Shares

When you enroll in the Plan and become eligible, there is no taxation. P&G shares are purchased using monthly deductions from your payroll, where applicable, and a matching Company Contribution, where applicable, paid through payroll. The deduction from your payroll is made after taxation. The Company Contribution is taxed as income and your employer withholds income tax and social contributions.

Dividends – US Withholding

Dividend payments are reinvested in additional P&G shares credited to your account. If you are a non-US person, the dividends on your P&G stock are generally subject to US tax. The tax rate may vary and change at any time based on tax treaties between the U.S. and various countries. If you do not have a tax form on file, your employer will withhold at the default US tax rate. If you have a W-8 form on file, your employer will withhold the proper U.S. tax based on the data within the W-8 form. If you have a W-9 form on file, there is no withholding, unless you or the IRS have notified your employer that you are subject to backup withholding.

Distribution

When shares are sold or distributed, you are responsible for reporting and paying any income tax, social insurance contributions, and capital gains tax resulting from the distribution or sale of the shares via your annual tax return. Your employer does not withhold amounts for these taxes.

G. POLAND

The following section has been prepared to provide you with a summary of the tax consequences of your participation in the Plan.

This section is based on the tax laws concerning stock purchase rights in effect in your country as of February 2019. Such laws are often complex and change frequently. As a result, the information contained in this section may be out of date at the time you purchase shares or sell shares you acquire under the Plan.

In addition, this section is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and P&G is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of another country, the information contained in this section may not be applicable to you.

Purchase of Shares

When you enroll in the Plan and become eligible, there is no taxation. P&G shares are purchased using monthly deductions from your payroll, where applicable, and a matching Company Contribution, where applicable, paid through payroll. The deduction from your payroll is made after taxation. The Company Contribution is taxed as income and your employer withholds income tax and social contributions.

Dividends – US Withholding

Dividend payments are reinvested in additional P&G shares credited to your account. If you are a non-US person, the dividends on your P&G stock are generally subject to US tax. The tax rate may vary and change at any time based on tax treaties between the U.S. and various countries. If you do not have a tax form on file, your employer will withhold at the default US tax rate. If you have a W-8 form on file, your employer will withhold the proper U.S. tax based on the data within the W-8 form. If you have a W-9 form on file, there is no withholding, unless you or the IRS have notified your employer that you are subject to backup withholding.

Distribution

When shares are sold or distributed, you are responsible for reporting and paying any income tax, social insurance contributions, and capital gains tax resulting from the distribution or sale of the shares via your annual tax return. Your employer does not withhold amounts for these taxes.

H. ROMANIA

The following section has been prepared to provide you with a summary of the tax consequences of your participation in the Plan.

This section is based on the tax laws concerning stock purchase rights in effect in your country as of February 2019. Such laws are often complex and change frequently. As a result, the information contained in this section may be out of date at the time you purchase shares or sell shares you acquire under the Plan.

In addition, this section is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and P&G is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of another country, the information contained in this section may not be applicable to you.

Purchase of Shares

When you enroll in the Plan and become eligible, there is no taxation. P&G shares are purchased using monthly deductions from your payroll, where applicable, and a matching Company Contribution, where applicable, paid through payroll. The deduction from your payroll is made after taxation. The Company Contribution is taxed as income and your employer withholds income tax and social contributions.

Dividends – US Withholding

Dividend payments are reinvested in additional P&G shares credited to your account. If you are a non-US person, the dividends on your P&G stock are generally subject to US tax. The tax rate may vary and change at any time based on tax treaties between the U.S. and various countries. If you do not have a tax form on file, your employer will withhold at the default US tax rate. If you have a W-8 form on file, your employer will withhold the proper U.S. tax based on the data within the W-8 form. If you have a W-9 form on file, there is no withholding, unless you or the IRS have notified your employer that you are subject to backup withholding.

Distribution

When shares are sold or distributed, you are responsible for reporting and paying any income tax, social insurance contributions, and capital gains tax resulting from the distribution or sale of the shares via your annual tax return. Your employer does not withhold amounts for these taxes.

I. SPAIN

The following section has been prepared to provide you with a summary of the tax consequences of your participation in the Plan.

This section is based on the tax laws concerning stock purchase rights in effect in your country as of February 2019. Such laws are often complex and change frequently. As a result, the information contained in this section may be out of date at the time you purchase shares or sell shares you acquire under the Plan.

In addition, this section is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and P&G is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of another country, the information contained in this section may not be applicable to you.

Purchase of Shares

When you enroll in the Plan and become eligible, there is no taxation. P&G shares are purchased using monthly deductions from your payroll, where applicable, and a matching Company Contribution, where applicable, paid through payroll. The deduction from your payroll is made before taxation. The Company Contribution is taxed as income and your employer withholds income tax and social contributions.

Dividends – US Withholding

Dividend payments are reinvested in additional P&G shares credited to your account. If you are a non-US person, the dividends on your P&G stock are generally subject to US tax. The tax rate may vary and change at any time based on tax treaties between the U.S. and various countries. If you do not have a tax form on file, your employer will withhold at the default US tax rate. If you have a W-8 form on file, your employer will withhold the proper U.S. tax based on the data within the W-8 form. If you have a W-9 form on file, there is no withholding, unless you or the IRS have notified your employer that you are subject to backup withholding.

Distribution

When shares are sold or distributed, you are responsible for reporting and paying any income tax, social insurance contributions, and capital gains tax resulting from the distribution or sale of the shares via your annual tax return. Your employer does not withhold amounts for these taxes.

J. IRISH AND UK PLANS

1. <u>Ireland</u>

The following section has been prepared to provide you with a summary of the tax consequences of your participation in the Plan.

This section is based on the tax laws concerning stock purchase rights in effect in your country as of February 2019. Such laws are often complex and change frequently. As a result, the information contained in this section may be out of date at the time you purchase shares or sell shares you acquire under the Plan.

In addition, this section is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and P&G is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of another country, the information contained in this section may not be applicable to you.

Purchase of Shares

When you enroll in the Plan and become eligible, there is no taxation. P&G shares are purchased using monthly deductions from your payroll after taxation. The Company matches your contribution by adding a free share for each share you purchase (“Free Shares”). Pay Related Social Insurance (“PRSI”) and Universal Social Charge (“USC”) are charged on the value of the Free Shares and will be deducted from your normal pay in the month that the Free Shares are allocated to you.

Dividends – US Withholding

If you are a non-US person, the dividends on your P&G stock are generally subject to US tax. The tax rate may vary and change at any time based on tax treaties between the U.S. and various countries. If you do not have a tax form on file, your employer will withhold at the default US tax rate. If you have a W-8 form on file, your employer will withhold the proper U.S. tax based on the data within the W-8 form. If you have a W-9 form on file, there is no withholding, unless you or the IRS have notified your employer that you are subject to backup withholding.

Distribution

When shares are sold or distributed, you are responsible for reporting and paying any income tax, social insurance contributions, and capital gains tax resulting from the distribution or sale of the shares via your annual tax return. In general, if you hold the shares for three years or longer, you will not be subject to income tax liability on the sale of the shares. If you sell the shares before three years, you will be subject to income tax liability. Your employer does not withhold amounts for these taxes.

2. <u>UK 1-4-1</u>

The following section has been prepared to provide you with a summary of the tax consequences of your participation in the Plan.

This section is based on the tax laws concerning stock purchase rights in effect in your country as of February 2019. Such laws are often complex and change frequently. As a result, the information contained in this section may be out of date at the time you purchase shares or sell shares you acquire under the Plan.

In addition, this section is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and P&G is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of another country, the information contained in this section may not be applicable to you.

Purchase of Shares

When you enroll in the Plan and become eligible, there is no taxation. P&G shares are purchased using monthly deductions from your payroll before taxation (“Contributory Shares”). The Company matches your contribution by adding a free share (“Matching Shares”) for each share you purchase. This contribution is not subject to taxation or withholding at the time of the contribution.

Dividends – US Withholding

Dividend payments are reinvested in additional P&G shares credited to your account. If you are a non-US person, the dividends on your P&G stock are generally subject to US tax. The tax rate may vary and change at any time based on tax treaties between the U.S. and various countries. If you do not have a tax form on file, taxes will be withheld at the default US tax rate. If you have a W-8 form on file, your employer will withhold the proper U.S. tax based on the data within the W-8 form. If you have a W-9 form on file, there is no withholding, unless you or the IRS have notified your employer that you are subject to backup withholding.

Distribution

When shares are sold or distributed, you are responsible for reporting and paying any income tax, social insurance contributions, and capital gains tax resulting from the distribution or sale of the shares via your annual tax return. Your employer does not withhold amounts for these taxes.

3. <u>UK SIS</u>

The following section has been prepared to provide you with a summary of the tax consequences of your participation in the Plan.

This section is based on the tax laws concerning stock purchase rights in effect in your country as of February 2019. Such laws are often complex and change frequently. As a result, the information contained in this section may be out of date at the time you purchase shares or sell shares you acquire under the Plan.

In addition, this section is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and P&G is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of another country, the information contained in this section may not be applicable to you.

Purchase of Shares

When you enroll in the Plan and become eligible, there is no taxation. P&G shares purchased using monthly deductions from your payroll are made after taxation. P&G shares purchased using any other means are not subject to withholding at the time of purchase.

Dividends – US Withholding

Dividend payments are either reinvested in additional P&G shares credited to your account or distributed as cash. If you are a non-US person, the dividends on your P&G stock are generally subject to US tax. The tax rate may vary and change at any time based on tax treaties between the U.S. and various countries. If you do not have a tax form on file, taxes will be withheld at the default US tax rate. If you have a W-8 form on file, your employer will withhold the proper U.S. tax based on the data within the W-8 form. If you have a W-9 form on file, there is no withholding, unless you or the IRS have notified your employer that you are subject to backup withholding.

Distribution

When shares are sold or distributed, you are responsible for reporting and paying any income tax, social insurance contributions, and capital gains tax resulting from the distribution or sale of the shares via your annual tax return. The Plan does not withhold amounts for these taxes.

EXHIBIT V – QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2018 FILED ON OCTOBER 19, 2018

Section 1: 10-Q (FY1819 Q1 JAS 10-Q)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the Quarterly Period Ended September 30, 2018

OR

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

For the transition period from _________ to _________

P&G

THE PROCTER & GAMBLE COMPANY
(Exact name of registrant as specified in its charter)

Ohio	**1-434**	**31-0411980**
(State of Incorporation)	*(Commission File Number)*	*(I.R.S. Employer Identification Number)*

One Procter & Gamble Plaza, Cincinnati, Ohio	**45202**
(Address of principal executive offices)	*(Zip Code)*

(513) 983-1100
(Registrant's telephone number, including area code)

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 ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).
Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act).

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

There were 2,491,408,329 shares of Common Stock outstanding as of September 30, 2018.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

	Three Months Ended September 30	
Amounts in millions except per share amounts	2018	2017
NET SALES	**$ 16,690**	$ 16,653
Cost of products sold	**8,484**	8,269
Selling, general and administrative expense	**4,652**	4,736
OPERATING INCOME	**3,554**	3,648
Interest expense	**129**	115
Interest income	**53**	49
Other non-operating income, net	**462**	169
EARNINGS BEFORE INCOME TAXES	**3,940**	3,751
Income taxes	**729**	881
NET EARNINGS	**3,211**	2,870
Less: Net earnings attributable to noncontrolling interests	**12**	17
NET EARNINGS ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 3,199**	$ 2,853
NET EARNINGS PER SHARE [(1)]		
Basic	**1.26**	1.09
Diluted	**1.22**	1.06
DIVIDENDS PER COMMON SHARE	**$ 0.7172**	$ 0.6896
Diluted Weighted Average Common Shares Outstanding	**2,612.1**	2,690.6

(1) Basic net earnings per share and Diluted net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

	Three Months Ended September 30	
Amounts in millions	2018	2017
NET EARNINGS	**$ 3,211**	$ 2,870
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX		
Financial statement foreign currency translation	**(216)**	840
Unrealized gains/(losses) on hedges	**7**	(463)
Unrealized gains/(losses) on investment securities	**(5)**	(4)
Unrealized gains/(losses) on defined benefit retirement plans	**152**	(33)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX	**(62)**	340
TOTAL COMPREHENSIVE INCOME	**3,149**	3,210
Less: Total comprehensive income attributable to noncontrolling interests	**8**	17
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 3,141**	$ 3,193

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

Amounts in millions			September 30, 2018	June 30, 2018
Assets				
CURRENT ASSETS				
Cash and cash equivalents			$ **2,545**	$ 2,569
Available-for-sale investment securities			**8,708**	9,281
Accounts receivable			**5,035**	4,686
INVENTORIES				
Materials and supplies			**1,429**	1,335
Work in process			**600**	588
Finished goods			**3,153**	2,815
Total inventories			**5,182**	4,738
Prepaid expenses and other current assets			**1,876**	2,046
TOTAL CURRENT ASSETS			**23,346**	23,320
PROPERTY, PLANT AND EQUIPMENT, NET			**20,590**	20,600
GOODWILL			**45,225**	45,175
TRADEMARKS AND OTHER INTANGIBLE ASSETS, NET			**23,919**	23,902
OTHER NONCURRENT ASSETS			**5,360**	5,313
TOTAL ASSETS			$ **118,440**	$ 118,310
Liabilities and Shareholders' Equity				
CURRENT LIABILITIES				
Accounts payable			$ **10,243**	$ 10,344
Accrued and other liabilities			**8,469**	7,470
Debt due within one year			**10,508**	10,423
TOTAL CURRENT LIABILITIES			**29,220**	28,237
LONG-TERM DEBT			**20,779**	20,863
DEFERRED INCOME TAXES			**6,179**	6,163
OTHER NONCURRENT LIABILITIES			**9,758**	10,164
TOTAL LIABILITIES			**65,936**	65,427
SHAREHOLDERS' EQUITY				
Preferred stock			**951**	967
Common stock – shares issued –	September 2018	4,009.2		
	June 2018	4,009.2	**4,009**	4,009
Additional paid-in capital			**63,711**	63,846
Reserve for ESOP debt retirement			**(1,177)**	(1,204)
Accumulated other comprehensive income/(loss)			**(15,133)**	(14,749)
Treasury stock			**(99,956)**	(99,217)
Retained earnings			**99,831**	98,641
Noncontrolling interest			**268**	590
TOTAL SHAREHOLDERS' EQUITY			**52,504**	52,883
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			$ **118,440**	$ 118,310

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Amounts in millions	Three Months Ended September 30 2018	2017
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	**$ 2,569**	$ 5,569
OPERATING ACTIVITIES		
Net earnings	**3,211**	2,870
Depreciation and amortization	**643**	692
Share-based compensation expense	**102**	84
Deferred income taxes	**34**	426
Gain on sale of assets	**(361)**	(81)
Changes in:		
Accounts receivable	**(475)**	(304)
Inventories	**(494)**	(357)
Accounts payable, accrued and other liabilities	**933**	235
Other operating assets and liabilities	**(84)**	(30)
Other	**58**	96
TOTAL OPERATING ACTIVITIES	**3,567**	3,631
INVESTING ACTIVITIES		
Capital expenditures	**(1,080)**	(1,132)
Proceeds from asset sales	**9**	120
Acquisitions, net of cash acquired	**(237)**	—
Purchases of short-term investments	**(158)**	(1,942)
Proceeds from sales and maturities of short-term investments	**649**	388
Change in other investments	**(48)**	32
TOTAL INVESTING ACTIVITIES	**(865)**	(2,534)
FINANCING ACTIVITIES		
Dividends to shareholders	**(1,853)**	(1,823)
Change in short-term debt	**24**	48
Additions to long-term debt	**—**	2,124
Reductions of long-term debt	**—**	(151)
Treasury stock purchases	**(1,252)**	(2,502)
Impact of stock options and other	**425**	580
TOTAL FINANCING ACTIVITIES	**(2,656)**	(1,724)
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**(70)**	82
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**(24)**	(545)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	**$ 2,545**	$ 5,024

See accompanying Notes to Consolidated Financial Statements.

1. Basis of Presentation

These statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2018. In the opinion of management, the accompanying unaudited Consolidated Financial Statements of The Procter & Gamble Company and subsidiaries (the "Company," "Procter & Gamble," "P&G," "we" or "our") contain all adjustments necessary to present fairly the financial position, results of operations and cash flows for the interim periods reported. However, the results of operations included in such financial statements may not necessarily be indicative of annual results.

2. New Accounting Pronouncements and Policies and U.S. Tax Reform

On July 1, 2018, we adopted ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." This guidance outlines a single, comprehensive model of accounting for revenue from contracts with customers. We adopted the standard using the modified retrospective transition method, under which prior periods were not revised to reflect the impacts of the new standard. Our revenue is primarily generated from the sale of finished product to customers. Those sales predominantly contain a single delivery element and revenue is recognized at a single point in time when ownership, risks and rewards transfer. Accordingly, the timing of revenue recognition is not materially impacted by the new standard. Trade promotions, consisting primarily of customer pricing allowances, in-store merchandising funds, advertising and other promotional activities, and consumer coupons, are offered through various programs to customers and consumers. The adoption of the new standard impacts the accrual timing for certain portions of our customer and consumer promotional spending, which resulted in a cumulative adjustment to Retained earnings of $534, net of tax, on the date of adoption. The provisions of the new standard also impact the classification of certain payments to customers, moving an immaterial amount of such payments from expense to a deduction from net sales. Had this standard been effective and adopted during fiscal 2018, the impact would have been to reclassify $77 from Selling, General and Administrative expense (SG&A) to a reduction of Net sales for the quarter ended September 30, 2017 and $309 for the year ended June 30, 2018, with no impact to operating profit. This guidance included practical expedients, none of which are material to our Consolidated Financial Statements. This new guidance does not have any other material impacts on our Consolidated Financial Statements, including financial disclosures.

On July 1, 2018, we adopted ASU 2017-07, "Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715)." This guidance requires an entity to disaggregate the current service cost component from the other components of net benefit costs in the face of the income statement. It requires the service cost component to be presented with other current compensation costs for the related employees in the operating section of the income statement, with other components of net benefit cost presented outside of income from operations. We adopted the standard retrospectively, using the practical expedient which allows entities to use information previously disclosed in their pension and other postretirement benefit plans footnote as the basis to apply the retrospective presentation requirements. As such, prior periods’ results have been revised to report the other components of net defined benefit costs, previously reported in Cost of products sold and SG&A, in Other non-operating income, net.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows: Restricted Cash (Topic 230)." This guidance requires the Statement of Cash Flows to present changes in the total of cash, cash equivalents and restricted cash. Prior to the adoption of this ASU, the relevant accounting guidance did not require the Statement of Cash Flows to include changes in restricted cash. We adopted the standard retrospectively on July 1, 2018. We currently have no significant restricted cash balances. Historically, we had restricted cash balances and changes related to divestiture activity. Such balances were presented as Current assets held for sale on the balance sheets, with changes presented as Investing activities on the Statements of Cash Flow. In accordance with ASU 2016-08, such balances are now included in the beginning and ending balances of Cash, cash equivalents and restricted cash for all periods presented.

In February 2018, the FASB issued ASU 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (Topic 220)." This guidance permits companies to make an election to reclassify stranded tax effects from the recently enacted U.S. Tax Cuts and Jobs Act included in Accumulated other comprehensive income (AOCI) to Retained earnings. ASU 2018-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The Company has elected to early adopt this guidance in the quarter ended September 30, 2018. The reclassification from the adoption of this standard resulted in an increase of $326 to Retained earnings and a decrease of $326 to AOCI.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity transfers of Assets other than Inventory." The standard eliminates the prohibition in ASC 740 against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. We have adopted this standard effective July 1, 2018 on a modified retrospective basis. The adoption of ASU 2016-16 did not have a material impact on our Consolidated Financial Statements, including the cumulative effect adjustment required upon adoption.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." The standard requires lessees to recognize lease assets and lease liabilities on the balance sheet and requires expanded disclosures about leasing arrangements. We plan to adopt the standard on July 1, 2019. We are currently assessing the impact that the new standard will have on our Consolidated Financial Statements, which will consist primarily of a balance sheet gross up of our operating leases to show equal and offsetting lease assets and lease liabilities.

In January 2017, the FASB issued ASU 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." The standard simplifies the accounting for goodwill impairment by requiring a goodwill impairment to be measured using a single step impairment model, whereby the impairment equals the difference between the carrying amount and the fair value of the specified reporting units in their entirety. This eliminates the second step of the current impairment model that requires companies to first estimate the fair value of all assets in a reporting unit and measure impairments based on those fair values and a residual measurement approach. It also specifies that any loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. We will adopt the standard no later than July 1, 2020. The impact of the new standard will be dependent on the specific facts and circumstances of future individual impairments, if any.

No other new accounting pronouncement issued or effective during the fiscal year had, or is expected to have, a material impact on our Consolidated Financial Statements.

U.S. Tax Reform

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "U.S. Tax Act"). The U.S. Tax Act significantly revises the future ongoing U.S. corporate income tax by, among other things, lowering the U.S. corporate income tax rates and implementing a hybrid territorial tax system. As the Company has a June 30 fiscal year-end, the lower corporate income tax rate was phased in, resulting in a U.S. statutory federal rate of approximately 28% for our fiscal year ended June 30, 2018, and 21% for subsequent fiscal years. However, the U.S. Tax Act eliminates the domestic manufacturing deduction and moves to a hybrid territorial system, which also largely eliminates the ability to credit certain foreign taxes that existed prior to enactment of the U.S. Tax Act.

There are also certain transitional impacts of the U.S. Tax Act. As part of the transition to the new hybrid territorial tax system, the U.S. Tax Act imposed a one-time repatriation tax on deemed repatriation of historical earnings of foreign subsidiaries. In addition, the reduction of the U.S. corporate tax rate caused us to adjust our U.S. deferred tax assets and liabilities to the lower federal base rate of 21%. These transitional impacts resulted in a provisional net charge of $602 million for the fiscal year ended June 30, 2018, comprised of an estimated repatriation tax charge of $3.8 billion (comprised of U.S. repatriation taxes and foreign withholding taxes) and an estimated net deferred tax benefit of $3.2 billion.

The changes included in the U.S. Tax Act are broad and complex. The final transitional impacts of the U.S. Tax Act may differ from the above estimate, possibly materially, due to, among other things, changes in interpretations of the U.S. Tax Act, any legislative action to address questions that arise because of the U.S. Tax Act, or any updates or changes to estimates the Company has utilized to calculate the transitional impacts, which we expect to finalize when we complete our tax return for fiscal 2018. The SEC has issued rules that would allow for a measurement period of up to one year after the enactment date of the U.S. Tax Act to finalize the recording of the related tax impacts. We currently anticipate finalizing and recording any resulting adjustments during the quarter ending December 31, 2018.

3. Segment Information

Under U.S. GAAP, our Global Business Units (GBUs) are aggregated into five reportable segments: 1) Beauty, 2) Grooming, 3) Health Care, 4) Fabric & Home Care and 5) Baby, Feminine & Family Care. Our five reportable segments are comprised of:

- *Beauty*: Hair Care (Conditioner, Shampoo, Styling Aids, Treatments); Skin and Personal Care (Antiperspirant and Deodorant, Personal Cleansing, Skin Care);
- *Grooming*: Shave Care (Female Blades & Razors, Male Blades & Razors, Pre- and Post-Shave Products, Other Shave Care); Appliances
- *Health Care*: Oral Care (Toothbrushes, Toothpaste, Other Oral Care); Personal Health Care (Gastrointestinal, Rapid Diagnostics, Respiratory, Vitamins/Minerals/Supplements, Other Personal Health Care);
- *Fabric & Home Care*: Fabric Care (Fabric Enhancers, Laundry Additives, Laundry Detergents); Home Care (Air Care, Dish Care, P&G Professional, Surface Care); and
- *Baby, Feminine & Family Care*: Baby Care (Baby Wipes, Diapers and Pants); Feminine Care (Adult Incontinence, Feminine Care); Family Care (Paper Towels, Tissues, Toilet Paper).

Our business units are comprised of similar product categories. Nine business units individually accounted for 5% or more of consolidated net sales as follows:

% of Net sales by Business Unit [(1)]

Three Months Ended September 30	**2018**	**2017**
Fabric Care	**23%**	22%
Baby Care	**12%**	13%
Hair Care	**10%**	11%
Home Care	**10%**	10%
Skin and Personal Care	**9%**	9%
Family Care	**9%**	8%
Shave Care	**8%**	8%
Oral Care	**8%**	8%
Feminine Care	**6%**	6%
All Other	**5%**	5%
Total	**100%**	100%

(1) % of Net sales by business unit excludes sales held in Corporate.

Following is a summary of reportable segment results:

		Three Months Ended September 30		
		Net Sales	Earnings/(Loss) Before Income Taxes	Net Earnings
Beauty	**2018**	**$ 3,289**	**$ 947**	**$ 759**
	2017	3,138	836	632
Grooming	**2018**	**1,562**	**417**	**340**
	2017	1,577	414	329
Health Care	**2018**	**1,845**	**440**	**332**
	2017	1,902	455	305
Fabric & Home Care	**2018**	**5,488**	**1,144**	**877**
	2017	5,383	1,179	769
Baby, Feminine & Family Care	**2018**	**4,390**	**902**	**692**
	2017	4,545	964	630
Corporate	**2018**	**116**	**90**	**211**
	2017	108	(97)	205
Total Company	**2018**	**$ 16,690**	**$ 3,940**	**$ 3,211**
	2017	16,653	3,751	2,870

4. Goodwill and Other Intangible Assets

Goodwill is allocated by reportable segment as follows:

	Beauty	Grooming	Health Care	Fabric & Home Care	Baby, Feminine & Family Care	Total Company
Goodwill at June 30, 2018	$ 12,992	$ 19,820	$ 5,929	$ 1,865	$ 4,569	$ 45,175
Acquisitions and divestitures	117	—	(50)	6	—	73
Translation and other	(7)	(3)	(1)	(6)	(6)	(23)
Goodwill at September 30, 2018	**$ 13,102**	**$ 19,817**	**$ 5,878**	**$ 1,865**	**$ 4,563**	**$ 45,225**

Goodwill increased from June 30, 2018 due to acquisitions in the Beauty and Fabric & Home Care reportable segments partially offset by the divestiture of the Teva portion of the PGT business in the Health Care reportable segment and currency translation.

Amounts in millions of dollars unless otherwise specified.

Identifiable intangible assets at September 30, 2018 were comprised of:

	Gross Carrying Amount	Accumulated Amortization
Intangible assets with determinable lives	$ 7,420	$ (5,184)
Intangible assets with indefinite lives	21,683	—
Total identifiable intangible assets	**$ 29,103**	**$ (5,184)**

Intangible assets with determinable lives consist of brands, patents, technology and customer relationships. The intangible assets with indefinite lives consist of brands. The amortization expense of intangible assets for the three months ended September 30, 2018 and 2017 was $73 and $77, respectively.

Goodwill and indefinite lived intangible assets are not amortized, but are tested annually for impairment. The test to evaluate goodwill for impairment is a two-step process. In the first step, we compare the fair value of the reporting unit to its carrying value. If the fair value of the reporting unit is less than its carrying value, we perform a second step to determine the implied fair value of the reporting unit's goodwill. The second step of the impairment analysis requires a valuation of a reporting unit's tangible and intangible assets and liabilities in a manner similar to the allocation of purchase price in a business combination. If the resulting implied fair value of the reporting unit's goodwill is less than its carrying value, that difference represents an impairment.

The business unit valuations used to test goodwill and intangible assets for impairment are dependent on a number of significant estimates and assumptions, including macroeconomic conditions, overall category growth rates, competitive activities, cost containment, margin expansion and Company business plans. We believe these estimates and assumptions are reasonable. However, future changes in the judgments, assumptions and estimates that are used in our impairment testing for goodwill and indefinite-lived intangible assets, including discount and tax rates or future cash flow projections, could result in significantly different estimates of the fair values.

Most of our goodwill reporting units are comprised of a combination of legacy and acquired businesses and as a result have fair value cushions that, at a minimum, exceed two times their underlying carrying values. Certain of our goodwill reporting units, in particular Shave Care and Appliances, are comprised entirely of acquired businesses and as a result, have fair value cushions that are not as high. Both of these wholly acquired reporting units have fair value cushions (the fair values currently exceed the underlying carrying values). However, the overall Shave Care cushion and the related Gillette indefinite-lived intangible asset cushion have both been reduced to below 10%, both due in large part to an increased competitive market environment in the U.S., a deceleration of category growth caused by changing grooming habits and significant currency devaluations in a number of countries relative to the U.S. dollar that have occurred in recent years and resulted in reduced cash flow projections. As a result, this reporting unit and indefinite-lived intangible asset are more susceptible to impairment risk.

The most significant assumptions utilized in the determination of the estimated fair values of Shave Care reporting unit and the Gillette indefinite-lived intangible asset are the residual net sales and earnings growth rates and discount rate. The residual growth rate represents the expected rate at which the reporting unit and Gillette brand are expected to grow beyond the shorter term business planning period. The residual growth rate utilized in our fair value estimates is consistent with the reporting unit and brand operating plans, and approximates expected long term category market growth rates. The residual growth rate is dependent on overall market growth rates, the competitive environment, inflation, relative currency exchange rates and business activities that impact market share. As a result, the residual growth rate could be adversely impacted by a sustained deceleration in category growth, grooming habit changes, devaluation of currencies against the U.S. dollar or an increased competitive environment. The discount rate, which is consistent with a weighted average cost of capital that is likely to be expected by a market participant, is based upon industry required rates of return, including consideration of both debt and equity components of the capital structure. Our discount rate may be impacted by adverse changes in the macroeconomic environment, volatility in the equity and debt markets or other country specific factors, such as further devaluation of currencies against the U.S. dollar. While management can and has implemented strategies to address these events, significant changes in operating plans or adverse changes in the future could reduce the underlying cash flows used to estimate fair values and could result in a decline in fair value that could trigger future impairment charges of the business unit's goodwill and indefinite-lived intangibles. As of September 30, 2018, the carrying values of Shave Care goodwill and the Gillette indefinite-lived intangible asset were $19.5 billion and $15.7 billion, respectively.

The table below provides a sensitivity analysis for the Shave Care reporting unit and the Gillette indefinite lived intangible asset, utilizing reasonably possible changes in the assumptions for the residual growth rate and the discount rate, to demonstrate the potential impacts to the estimated fair values. The table below provides, in isolation, the estimated fair value impacts related to a 50 basis point decrease to our residual growth rate or a 50 basis point increase to our discount rate.

	Approximate Percent Change in Estimated Fair Value	
	+50 bps Discount Rate	-50 bps Long-term Growth
Shave Care goodwill reporting unit	**(10)%**	**(7)%**
Gillette indefinite-lived intangible asset	**(10)%**	**(7)%**

Amounts in millions of dollars unless otherwise specified.

5. Earnings Per Share

Basic net earnings per common share are calculated by dividing Net earnings attributable to Procter & Gamble less preferred dividends (net of related tax benefits) by the weighted average number of common shares outstanding during the period. Diluted net earnings per common share are calculated using the treasury stock method on the basis of the weighted average number of common shares outstanding plus the dilutive effect of stock options and other stock-based awards and the assumed conversion of preferred stock.

Net earnings per share were as follows:

CONSOLIDATED AMOUNTS	Three months ended September 30	
	2018	2017
Net earnings	**$ 3,211**	$ 2,870
Less: Net earnings attributable to noncontrolling interests	**12**	17
Net earnings attributable to P&G (Diluted)	**3,199**	2,853
Preferred dividends, net of tax	**(66)**	(62)
Net earnings attributable to P&G available to common shareholders (Basic)	**$ 3,133**	$ 2,791
SHARES IN MILLIONS		
Basic weighted average common shares outstanding	**2,495.8**	2,550.5
Add: Effect of dilutive securities		
Conversion of preferred shares [1]	**91.9**	96.6
Impact of stock options and other unvested equity awards [2]	**24.4**	43.5
Diluted weighted average common shares outstanding	**2,612.1**	2,690.6
NET EARNINGS PER SHARE [3]		
Basic	**$ 1.26**	$ 1.09
Diluted	**$ 1.22**	$ 1.06

(1) Despite being included currently in Diluted net earnings per common share, the actual conversion to common stock occurs when the preferred shares are sold. Shares may only be sold after being allocated to the ESOP participants pursuant to the repayment of the ESOP's obligations through 2035.

(2) Weighted average outstanding stock options of approximately 69 million and 20 million for the three months ended September 30, 2018 and 2017 respectively, were not included in the Diluted net earnings per share calculation because the options were out of the money or to do so would have been antidilutive (i.e., the total proceeds upon exercise would have exceeded the market value of the underlying common shares).

(3) Net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

6. Share-Based Compensation and Postretirement Benefits

The following table provides a summary of our share-based compensation expense and postretirement benefit costs:

	Three Months Ended September 30	
	2018	2017
Share-based compensation expense	**$ 102**	$ 84
Net periodic benefit cost for pension benefits [1]	**28**	51
Net periodic benefit cost/(credit) for other retiree benefits [1]	**(41)**	(38)

(1) The components of the total net periodic benefit cost for both pension benefits and other retiree benefits for those interim periods, on an annualized basis, do not differ materially from the amounts disclosed in the Annual Report on Form 10-K for the fiscal year ended June 30, 2018.

7. Risk Management Activities and Fair Value Measurements

As a multinational company with diverse product offerings, we are exposed to market risks, such as changes in interest rates, currency exchange rates and commodity prices. There have been no significant changes in our risk management policies or activities during the three months ended September 30, 2018.

The Company has not changed its valuation techniques used in measuring the fair value of any financial assets and liabilities during the period. The Company recognizes transfers between levels within the fair value hierarchy, if any, at the end of each quarter. There were no transfers between levels during the periods presented. Also, there was no significant activity within the Level 3 assets and liabilities during the periods presented. There were no significant assets or liabilities that were remeasured at fair value on a non-recurring basis for the three months ended September 30, 2018.

The following table sets forth the Company's financial assets as of September 30, 2018 and June 30, 2018 that are measured at fair value on a recurring basis during the period:

	Fair Value Asset	
	September 30, 2018	**June 30, 2018**
Investments:		
U.S. government securities	**$ 5,233**	$ 5,544
Corporate bond securities	**3,475**	3,737
Other investments	**158**	141
Total	**$ 8,866**	$ 9,422

Investment securities are presented in Available-for-sale investment securities and Other noncurrent assets. The amortized cost of U.S. government securities with maturities less than one year was $1,702 as of September 30, 2018 and $2,003 as of June 30, 2018. The amortized cost of U.S. government securities with maturities between one and five years was $3,658 as of September 30, 2018 and $3,659 as of June 30, 2018. The amortized cost of Corporate bond securities with maturities of less than a year was $1,431 as of September 30, 2018 and $1,291 as of June 30, 2018. The amortized cost of Corporate bond securities with maturities between one and five years was $2,095 as of September 30, 2018 and $2,503 as of June 30, 2018. The Company's investments measured at fair value are generally classified as Level 2 within the fair value hierarchy. There are no material investment balances classified as Level 1 or Level 3 within the fair value hierarchy, or using net asset value as a practical expedient. Fair values are generally estimated based upon quoted market prices for similar instruments.

The fair value of long-term debt was $23,260 and $23,402 as of September 30, 2018 and June 30, 2018, respectively. This includes the current portion of debt instruments ($1,772 and $1,769 as of September 30, 2018 and June 30, 2018, respectively). Certain long-term debt (debt tied to derivatives designated as a fair value hedge) is recorded at fair value. All other long-term debt is recorded at amortized cost, but is measured at fair value for disclosure purposes. We consider our debt to be Level 2 in the fair value hierarchy. Fair values are generally estimated based on quoted market prices for identical or similar instruments.

Disclosures about Financial Instruments

The notional amounts and fair values of financial instruments used in hedging transactions as of September 30, 2018 and June 30, 2018 are as follows:

	Notional Amount		Fair Value Asset		Fair Value (Liability)	
	September 30, 2018	**June 30, 2018**	**September 30, 2018**	**June 30, 2018**	**September 30, 2018**	**June 30, 2018**
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS						
Interest rate contracts	**$ 4,588**	$ 4,587	**$ 110**	$ 125	**$ (62)**	$ (53)
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS						
Foreign currency interest rate contracts	**$ 1,842**	$ 1,848	**$ 33**	$ 41	**$ (76)**	$ (75)
TOTAL DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS	**$ 6,430**	$ 6,435	**$ 143**	$ 166	**(138)**	(128)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS						
Foreign currency contracts	**$ 7,936**	$ 7,358	**$ 42**	$ 30	**$ (21)**	$ (56)
TOTAL DERIVATIVES AT FAIR VALUE	**$ 14,366**	$ 13,793	**$ 185**	$ 196	**(159)**	(184)

All derivative assets are presented in Prepaid expenses and other current assets or Other noncurrent assets. All derivative liabilities are presented in Accrued and other liabilities or Other noncurrent liabilities.

Amounts in millions of dollars unless otherwise specified.

The fair value of the interest rate derivative asset/liability directly offsets the cumulative amount of the fair value hedging adjustment included in the carrying amount of the underlying debt obligation. The carrying amount of the underlying debt obligation, which includes the unamortized discount or premium and the fair value adjustment, was $4,618 and $4,639 as of September 30, 2018 and June 30, 2018, respectively. In addition to the foreign currency derivative contracts designated as net investment hedges, certain of our foreign currency denominated debt instruments are designated as net investment hedges. The carrying value of those debt instruments designated as net investment hedges, which includes the adjustment for the foreign currency transaction gain or loss on those instruments, was $15,054 and $15,012 as of September 30, 2018 and June 30, 2018, respectively. All of the Company's derivative assets and liabilities measured at fair value are classified as Level 2 within the fair value hierarchy.

Before tax gains/(losses) on our financial instruments in hedging relationships are categorized as follows:

	Amount of Gain/(Loss) Recognized in AOCI on Derivatives	
	Three Months Ended September 30	
	2018	2017
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS (1) (2)		
Foreign exchange contracts	**$ (43)**	$ (184)

	Amount of Gain/(Loss) Recognized in Earnings	
	Three Months Ended September 30	
	2018	2017
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS		
Interest rate contracts	**$ (24)**	$ (3)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS		
Foreign currency contracts	**$ (2)**	$ (1)

(1) For the derivatives in net investment hedging relationships, the amount of gain/(loss) excluded from effectiveness testing, which was recognized in earnings, was $14 and $31 for the three months ended September 30, 2018 and 2017, respectively.

(2) In addition to the foreign currency derivative contracts designated as net investment hedges, certain of our foreign currency denominated debt instruments are designated as net investment hedges. The amount of gain/(loss) recognized in AOCI for such instruments was $207 and $248, as of September 30, 2018 and 2017, respectively.

The gain/(loss) on the derivatives in fair value hedging relationships is fully offset by the mark-to-market impact of the related exposure. These are both recognized in the Consolidated Statements of Earnings in Interest Expense. The gain/(loss) on derivatives not designated as hedging instruments is substantially offset by the currency mark-to-market of the related exposure. These are both recognized in the Consolidated Statements of Earnings in SG&A.

8. Accumulated Other Comprehensive Income/(Loss)

The table below presents the changes in Accumulated other comprehensive income/(loss) (AOCI), including the reclassifications out of Accumulated other comprehensive income/(loss) by component:

	Changes in Accumulated Other Comprehensive Income/(Loss) by Component				
	Hedges	Investment Securities	Pension and Other Retiree Benefits	Financial Statement Translation	Total AOCI
Balance at June 30, 2018	$ (3,246)	$ (173)	$ (4,058)	$ (7,272)	$ (14,749)
OCI before reclassifications (1)	7	(4)	100	(218)	(115)
Amounts reclassified from AOCI (2)	—	(1)	52	2	53
Net current period OCI	7	(5)	152	(216)	(62)
Reclassification to retained earnings in accordance with ASU 2018-02 (3)	(18)	—	(308)	—	(326)
Less: Other comprehensive income/(loss) attributable to non-controlling interests	—	—	—	(4)	(4)
Balance at September 30, 2018	**$ (3,257)**	**$ (178)**	**$ (4,214)**	**$ (7,484)**	**$ (15,133)**

(1) Net of tax expense/(benefit) of $2, $0 and $20 for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively.

(2) Net of tax expense/(benefit) of $0, $0 and $16 for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively.

(3) Adjustment made to early adopt ASU 2018-02: "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income," as discussed in Note 2.

Amounts in millions of dollars unless otherwise specified.

The below provides additional details on amounts reclassified from AOCI into the Consolidated Statements of Earnings:

- Hedges: see Note 7 for classification of gains and losses from hedges in the Consolidated Statements of Earnings.
- Investment securities: amounts reclassified from AOCI into Other non-operating income, net.
- Pension and other retiree benefits: amounts reclassified from AOCI into Other non-operating income, net and included in the computation of net periodic postretirement costs.
- Financial statement translation: amounts reclassified from AOCI into SG&A.

9. Restructuring Program

The Company has historically incurred an ongoing annual level of restructuring-type activities to maintain a competitive cost structure, including manufacturing and workforce optimization. Before-tax costs incurred under the ongoing program have generally ranged from $250 to $500 annually.

In fiscal 2017, the Company announced specific elements of a multi-year productivity and cost savings plan to further reduce costs in the areas of supply chain, certain marketing activities and overhead expenses. This program is expected to result in incremental enrollment reductions, along with further optimization of the supply chain and other manufacturing processes.

Restructuring costs incurred consist primarily of costs to separate employees, asset-related costs to exit facilities and other costs. For the three month period ended September 30, 2018, the Company incurred total restructuring charges of $137. Approximately $72 of these charges were recorded in SG&A, $64 of these charges were recorded in Cost of products sold. The remainder of these charges were recorded in Other non-operating income, net. The following table presents restructuring activity for the three months ended September 30, 2018:

		Three Months Ended September 30, 2018			
	Reserve Balance June 30, 2018	Charges	Cash Spent	Charges Against Assets	Reserve Balance September 30, 2018
Separations	$ 259	$ 53	$ (62)	$ —	**$ 250**
Asset-related costs	—	28	—	(28)	**—**
Other costs	254	56	(66)	—	**244**
Total	**$ 513**	**$ 137**	**$ (128)**	**$ (28)**	**$ 494**

Separation Costs

Employee separation charges for the three month period ended September 30, 2018 relate to severance packages for approximately 470 employees. Separations related to non-manufacturing employees were approximately 150 for the three month period ended September 30, 2018. The packages were predominantly voluntary and the amounts were calculated based on salary levels and past service periods. Severance costs related to voluntary separations are generally charged to earnings when the employee accepts the offer.

Asset-Related Costs

Asset-related costs consist of both asset write-downs and accelerated depreciation. Asset write-downs relate to the establishment of a new fair value basis for assets held-for-sale or disposal. These assets were written down to the lower of their current carrying basis or amounts expected to be realized upon disposal, less minor disposal costs. Charges for accelerated depreciation relate to long-lived assets that will be taken out of service prior to the end of their normal service period. These assets relate primarily to manufacturing consolidations and technology standardizations. The asset-related charges will not have a significant impact on future depreciation charges.

Other Costs

Other restructuring-type charges are incurred as a direct result of the restructuring program. Such charges primarily include asset removal and termination of contracts related to supply chain optimization.

Consistent with our historical policies for ongoing restructuring-type activities, the restructuring program charges are funded by and included within Corporate for both management and segment reporting. Accordingly, all of the charges under the program are included within the Corporate reportable segment. However, for informative purposes, the following table summarizes the total restructuring costs related to our reportable segments:

	Three Months Ended September 30, 2018
Beauty	$ 10
Grooming	6
Health Care	8
Fabric & Home Care	13
Baby, Feminine & Family Care	21
Corporate [(1)]	79
Total Company	**$ 137**

(1) Corporate includes costs related to allocated overheads, including charges related to our Sales and Market Operations, Global Business Services and Corporate Functions activities.

10. Commitments and Contingencies

Litigation

The Company is subject to various legal proceedings and claims arising out of our business which cover a wide range of matters such as antitrust, trade and other governmental regulations, product liability, patent and trademark, advertising, contracts, environmental, labor and employment and tax. With respect to these and other litigation and claims, while considerable uncertainty exists, in the opinion of management and our counsel, the ultimate resolution of the various lawsuits and claims will not materially affect our financial position, results of operations or cash flows.

We are also subject to contingencies pursuant to environmental laws and regulations that in the future may require us to take action to correct the effects on the environment of prior manufacturing and waste disposal practices. Based on currently available information, we do not believe the ultimate resolution of environmental remediation will materially affect our financial position, results of operations or cash flows.

Income Tax Uncertainties

The Company is present in approximately 150 taxable jurisdictions and, at any point in time, has 50 – 60 jurisdictional audits underway at various stages of completion. We evaluate our tax positions and establish liabilities for uncertain tax positions that may be challenged by local authorities and may not be fully sustained, despite our belief that the underlying tax positions are fully supportable. Uncertain tax positions are reviewed on an ongoing basis and are adjusted in light of changing facts and circumstances, including progress of tax audits, developments in case law and closing of statutes of limitations. Such adjustments are reflected in the tax provision as appropriate. We have tax years open ranging from 2008 and forward. We are generally not able to reliably estimate the ultimate settlement amounts until the close of the audit. While we do not expect material changes, it is possible that the amount of unrecognized benefit with respect to our uncertain tax positions could increase or decrease within the next 12 months. At this time, we are not able to make a reasonable estimate of the range of impact on the balance of uncertain tax positions or the impact on the effective tax rate related to these items.

Additional information on the Commitments and Contingencies of the Company can be found in our Annual Report on Form 10-K for the year ended June 30, 2018.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report, including without limitation, the following sections: "Management's Discussion and Analysis," "Risk Factors," and "Notes 4 and 10 to the Consolidated Financial Statements." These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions, which are subject to risks and uncertainties that may cause results to differ materially from those expressed or implied in the forward-looking statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events or otherwise.

Risks and uncertainties to which our forward-looking statements are subject include, without limitation: (1) the ability to successfully manage global financial risks, including foreign currency fluctuations, currency exchange or pricing controls and localized volatility; (2) the ability to successfully manage local, regional or global economic volatility, including reduced market growth rates, and to generate sufficient income and cash flow to allow the Company to affect the expected share repurchases and dividend payments; (3) the ability to manage disruptions in credit markets or changes to our credit rating; (4) the ability to maintain key manufacturing and supply arrangements (including execution of supply chain optimizations and sole supplier and sole manufacturing plant arrangements) and to manage disruption of business due to factors outside of our control, such as natural disasters and acts of war or terrorism; (5) the ability to successfully manage cost fluctuations and pressures, including prices of commodities and raw materials, and costs of labor, transportation, energy, pension and healthcare; (6) the ability to stay on the leading edge of innovation, obtain necessary intellectual property protections and successfully respond to changing consumer habits and technological advances attained by, and patents granted to, competitors; (7) the ability to compete with our local and global competitors in new and existing sales channels, including by successfully responding to competitive factors such as prices, promotional incentives and trade terms for products; (8) the ability to manage and maintain key customer relationships; (9) the ability to protect our reputation and brand equity by successfully managing real or perceived issues, including concerns about safety, quality, ingredients, efficacy or similar matters that may arise; (10) the ability to successfully manage the financial, legal, reputational and operational risk associated with third-party relationships, such as our suppliers, distributors, contractors and external business partners; (11) the ability to rely on and maintain key company and third party information technology systems, networks and services, and maintain the security and functionality of such systems, networks and services and the data contained therein; (12) the ability to successfully manage uncertainties related to changing political conditions (including the United Kingdom's decision to leave the European Union) and potential implications such as exchange rate fluctuations and market contraction; (13) the ability to successfully manage regulatory and legal requirements and matters (including, without limitation, those laws and regulations involving product liability, intellectual property, antitrust, data protection, tax, environmental, and accounting and financial reporting) and to resolve pending matters within current estimates; (14) the ability to manage changes in applicable tax laws and regulations including maintaining our intended tax treatment of divestiture transactions; (15) the ability to successfully manage our ongoing acquisition, divestiture and joint venture activities, in each case to achieve the Company's overall business strategy and financial objectives, without impacting the delivery of base business objectives; and (16) the ability to successfully achieve productivity improvements and cost savings and manage ongoing organizational changes, while successfully identifying, developing and retaining key employees, including in key growth markets where the availability of skilled or experienced employees may be limited. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from those projected herein, is included in the section titled "Economic Conditions and Uncertainties" and the section titled "Risk Factors" (Part II, Item 1A) of this Form 10-Q.

The purpose of Management's Discussion and Analysis (MD&A) is to provide an understanding of Procter & Gamble's financial condition, results of operations and cash flows by focusing on changes in certain key measures from year to year. The MD&A is provided as a supplement to, and should be read in conjunction with, our Consolidated Financial Statements and accompanying notes. The MD&A is organized in the following sections:

- Overview
- Summary of Results – Three Months Ended September 30, 2018
- Economic Conditions and Uncertainties
- Results of Operations – Three Months Ended September 30, 2018
- Business Segment Discussion – Three Months Ended September 30, 2018
- Liquidity and Capital Resources
- Reconciliation of Measures Not Defined by U.S. GAAP

Throughout the MD&A, we refer to measures used by management to evaluate performance, including unit volume growth, net sales and net earnings. We also refer to a number of financial measures that are not defined under accounting principles generally accepted in the United States of America (U.S. GAAP), including organic sales growth, core net earnings per share (Core EPS), adjusted free cash flow and adjusted free cash flow productivity. The explanation at the end of the MD&A provides the definition of these non-GAAP measures as well as details on the use and the derivation of these measures.

Management also uses certain market share and market consumption estimates to evaluate performance relative to competition despite some limitations on the availability and comparability of share and consumption information. References to market share and market consumption in the MD&A are based on a combination of vendor-reported consumption and market size data, as well as internal estimates. All market share references represent the percentage of sales in dollar terms on a constant currency basis of our products, relative to all product sales in the category.

OVERVIEW

P&G is a global leader in fast-moving consumer goods, focused on providing branded consumer packaged goods of superior quality and value to our consumers around the world. Our products are sold in more than 180 countries and territories primarily through mass merchandisers, e-commerce, grocery stores, membership club stores, drug stores, department stores, distributors, wholesalers, baby stores, specialty beauty stores, high-frequency stores and pharmacies. We have on-the-ground operations in approximately 70 countries.

Our market environment is highly competitive with global, regional and local competitors. In many of the markets and industry segments in which we sell our products, we compete against other branded products as well as retailers' private-label brands. Additionally, many of the product segments in which we compete are differentiated by price tiers (referred to as super-premium, premium, mid-tier and value-tier products). We are well positioned in the industry segments and markets in which we operate, often holding a leadership or significant market share position.

The table below provides detail on our reportable segments, including the product categories and brand composition within each segment.

Reportable Segments	Product Categories (Sub-Categories)	Major Brands
Beauty	Hair Care (*Conditioner, Shampoo, Styling Aids, Treatments*)	Head & Shoulders, Pantene, Rejoice
	Skin and Personal Care (*Antiperspirant and Deodorant, Personal Cleansing, Skin Care*)	Olay, Old Spice, Safeguard, SK-II
Grooming	Grooming [(1)] (Shave Care - *Female Blades & Razors, Male Blades & Razors, Pre- and Post-Shave Products, Other Shave Care;* Appliances)	Braun, Fusion, Gillette, Mach3, Prestobarba, Venus
Health Care	Oral Care (*Toothbrushes, Toothpaste, Other Oral Care*)	Crest, Oral-B
	Personal Health Care (*Gastrointestinal, Rapid Diagnostics, Respiratory, Vitamins/Minerals/Supplements, Other Personal Health Care*)	Metamucil, Prilosec, Vicks
Fabric & Home Care	Fabric Care (*Fabric Enhancers, Laundry Additives, Laundry Detergents*)	Ariel, Downy, Gain, Tide
	Home Care (*Air Care, Dish Care, P&G Professional, Surface Care*)	Cascade, Dawn, Febreze, Mr. Clean, Swiffer
Baby, Feminine & Family Care	Baby Care (*Baby Wipes, Diapers and Pants*)	Luvs, Pampers
	Feminine Care (*Adult Incontinence, Feminine Care*)	Always, Tampax
	Family Care (*Paper Towels, Tissues, Toilet Paper*)	Bounty, Charmin, Puffs

(1) The Grooming product category is comprised of the Shave Care and Appliances Global Business Units.

The following table provides the percentage of net sales and net earnings by reportable business segment for the three months ended September 30, 2018 (excluding net sales and net earnings in Corporate):

	Three Months Ended September 30, 2018	
	Net Sales	Net Earnings
Beauty	20%	25%
Grooming	9%	12%
Health Care	11%	11%
Fabric & Home Care	33%	29%
Baby, Feminine & Family Care	27%	23%
Total Company	**100%**	**100%**

SUMMARY OF RESULTS

Following are highlights of results for the three months ended September 30, 2018 versus the three months ended September 30, 2017:

- Net sales were unchanged at $16.7 billion. Organic sales, which exclude the impacts of acquisitions and divestitures and foreign exchange, increased 4%. Organic sales increased 7% in Beauty, 4% in Grooming and Health Care and 5% in Fabric & Home Care. Organic sales decreased 1% in Baby, Feminine & Family Care.
- Unit volume increased 3%, with organic volume also up 3%. Volume increased mid-single digits in Grooming and Fabric & Home Care and low single digits in Beauty, Health Care and Baby, Feminine & Family Care. Excluding the impacts of the PGT Healthcare partnership dissolution and other minor divestitures, organic volume increased mid-single digits in Health Care.
- Net earnings were $3.2 billion, an increase of $341 million, or 12% versus the prior year due to a reduction in income taxes (due primarily to the ongoing impacts of the U.S. Tax Act) and a gain on the dissolution of the PGT Healthcare partnership.
- Diluted net earnings per share increased 15% to $1.22 due primarily to the increase in net earnings and a reduction in shares outstanding due to share repurchases.
- Net earnings attributable to Procter & Gamble increased $346 million or 12% versus the prior year period to $3.2 billion.
- Core net earnings attributable to Procter & Gamble, which represents net earnings excluding the current period gain on the dissolution of the PGT Healthcare partnership and incremental restructuring charges in both periods, was unchanged at $2.9 billion. Core net earnings per share increased 3% to $1.12 due to the reduction in shares outstanding.
- Operating cash flow was $3.6 billion. Adjusted free cash flow, which is operating cash flow less capital expenditures and certain other impacts, was $2.7 billion. Adjusted free cash flow productivity was 95%. Adjusted free cash flow and adjusted free cash flow productivity are defined in the section entitled "Reconciliation of Measures not defined by U.S. GAAP"

ECONOMIC CONDITIONS AND UNCERTAINTIES

Global Economic Conditions. Current macroeconomic factors remain dynamic, and any causes of market size contraction, such as reduced GDP in commodity-dependent economies, greater political unrest in the Middle East, Central & Eastern Europe and the Korean peninsula, economic uncertainty related to the execution of the United Kingdom's exit from the European Union, political instability in certain Latin American markets and overall economic slowdowns, could reduce our sales or erode our operating margin, in either case reducing our earnings.

Changes in Costs. Our costs are subject to fluctuations, particularly due to changes in commodity prices, transportation costs and our own productivity efforts. We have significant exposures to certain commodities, in particular certain oil-derived materials like resins and paper-based materials like pulp, and volatility in the market price of these commodity input materials has a direct impact on our costs. If we are unable to manage commodity fluctuations through pricing actions, cost savings projects and sourcing decisions, as well as through consistent productivity improvements, it may adversely impact our gross margin, operating margin and net earnings. Sales could also be adversely impacted following pricing actions if there is a negative impact on consumption of our products. We strive to implement, achieve and sustain cost improvement plans, including outsourcing projects, supply chain optimization and general overhead and workforce optimization. As discussed later in this MD&A, in 2012 we initiated overhead and supply chain cost improvement projects. In fiscal 2017, we communicated specific elements of an additional multi-year cost reduction program which is resulting in enrollment reductions and other savings. If we are not successful in executing and sustaining these changes, there could be a negative impact on our operating margin and net earnings.

Foreign Exchange. We have both translation and transaction exposure to the fluctuation of exchange rates. Translation exposures relate to exchange rate impacts of measuring income statements of foreign subsidiaries that do not use the U.S. dollar as their functional currency. Transaction exposures relate to 1) the impact from input costs that are denominated in a currency other than the local reporting currency and 2) the revaluation of transaction-related working capital balances denominated in currencies other than the functional currency. In four of the past five fiscal years, as well as the current year, the U.S. dollar had strengthened versus a number of foreign currencies leading to lower sales and earnings from these foreign exchange impacts. Certain countries experiencing significant exchange rate fluctuations, like Argentina, Russia, Turkey, Brazil, China and India have previously had, and could in the future have, a significant impact on our sales, costs and earnings. Increased pricing in response to certain fluctuations in foreign currency exchange rates may offset portions of the currency impacts but could also have a negative impact on consumption of our products, which would affect our sales and profits.

Government Policies. Our net earnings could be affected by changes in U.S. or foreign government tax policies, for example, the U.S. Tax Act enacted in December 2017, the implications and uncertainties of which are disclosed elsewhere in this report. Additionally, we attempt to carefully manage our debt, currency and other exposures in certain countries with currency exchange, import authorization and pricing controls, such as Nigeria, Algeria and Egypt. Further, our earnings and sales could be affected by changes to international trade agreements in North America and elsewhere, including increases of import tariffs, both currently effective and future potential changes. Changes in government policies in these areas might cause an increase or decrease in our sales, operating margin and net earnings.

For information on risk factors that could impact our results, please refer to “Risk Factors” in Part I, Item 1A of the Company's Form 10-K for the fiscal year ended June 30, 2018.

RESULTS OF OPERATIONS – Three Months Ended September 30, 2018

The following discussion provides a review of results for the three months ended September 30, 2018 versus the three months ended September 30, 2017.

	Three Months Ended September 30		
Amounts in millions, except per share amounts	**2018**	**2017**	**% Chg**
Net sales	**$16,690**	$16,653	—%
Operating income	**3,554**	3,648	(3)%
Net earnings	**3,211**	2,870	12%
Net earnings attributable to Procter & Gamble	**3,199**	2,853	12%
Diluted net earnings per common share	**1.22**	1.06	15%
Core net earnings per common share	**1.12**	1.09	3%

	Three Months Ended September 30		
COMPARISONS AS A PERCENTAGE OF NET SALES	**2018**	**2017**	**Basis Pt Chg**
Gross profit	**49.2%**	50.3%	(110)
Selling, general & administrative expense	**27.9%**	28.4%	(50)
Operating income	**21.3%**	21.9%	(60)
Earnings before income taxes	**23.6%**	22.5%	110
Net earnings	**19.2%**	17.2%	200
Net earnings attributable to Procter & Gamble	**19.2%**	17.1%	210

Net Sales

Net sales for the quarter were unchanged versus the previous period at $16.7 billion including a three percent negative impact from foreign exchange. Unit volume increased 3%. Excluding the impact of minor brand divestitures, organic volume also increased 3%. Mix was a one percent positive impact to net sales, driven by disproportionate organic growth of the Skin and Personal Care and Personal Health Care categories and developed regions, all of which have higher than company average prices. Volume increased mid-single digits in Fabric & Home Care and Grooming and increased low single digits in Beauty, Health Care and Baby, Feminine & Family Care. Excluding the impact of the PGT Healthcare partnership dissolution, Health Care organic volume increased mid-single digits. Volume increased mid-single digits in developed and low single digits in developing regions. Organic sales increased 4%.

	Net Sales Change Drivers 2018 vs. 2017 (Three Months Ended September 30) [(1)]						
	Volume with Acquisitions & Divestitures	**Volume Excluding Acquisitions & Divestitures**	**Foreign Exchange**	**Price**	**Mix**	**Other [(2)]**	**Net Sales Growth**
Beauty	3%	3%	(3)%	2%	3%	—%	5%
Grooming	5%	5%	(4)%	1%	(2)%	(1)%	(1)%
Health Care	1%	4%	(2)%	—%	(1)%	(1)%	(3)%
Fabric & Home Care	4%	5%	(2)%	(1)%	1%	—%	2%
Baby, Feminine & Family Care	1%	1%	(2)%	(1)%	—%	(1)%	(3)%
Total Company	**3%**	**3%**	**(3)%**	**—%**	**1%**	**(1)%**	**—%**

(1) Net sales percentage changes are approximations based on quantitative formulas that are consistently applied.

[2] Other includes the sales mix impact from acquisitions and divestitures, the impact from the July 1, 2018 adoption of new accounting standards for "Revenue from Contracts with Customers" and rounding impacts necessary to reconcile volume to net sales.

Operating Costs

Gross margin decreased 110 basis points to 49.2% of net sales for the quarter. Gross margin benefited from 170 basis points of gross manufacturing cost savings projects (which nets to 100 basis points due to 30 basis points of product and packaging reinvestments and 40 basis points of manufacturing cyclicality impacts). This was offset by:

- a 100 basis point decline due to higher commodity costs,
- a 60 basis point decline from unfavorable product mix (primarily within segments due to disproportionate growth of lower margin products forms and club channels in certain categories) and
- a 60 basis point decline from unfavorable foreign exchange

Total SG&A spending decreased 2% to $4.7 billion due to decreases in overhead and marketing spending costs. SG&A as a percentage of net sales decreased 50 basis points to 27.9%. Reductions in overhead costs and marketing spending as a percentage of net sales were partially offset by an increase in other net operating costs as a percentage of net sales. Overhead costs as a percentage of net sales decreased 40 basis points due to productivity savings and positive scale impacts of the organic net sales increase, partially offset by an increase in restructuring costs. Marketing spending as a percentage of net sales decreased 100 basis points due to the positive scale impacts of the organic net sales increase, savings in agency compensation, production costs and advertising spending, and the impact of adopting the new standard on "Revenue from Contracts with Customers" which prospectively reclassified certain customer spending from marketing (SG&A) expense to a reduction of net sales. Other net operating costs as a percentage of net sales increased 90 basis points primarily due to an increase in foreign exchange transactional charges. Productivity-driven cost savings delivered 80 basis points of benefit in SG&A.

Non-Operating Expenses and Income

Interest expense was $129 million for the quarter, an increase of $14 million versus the prior year period due to an increase in weighted average interest rates. Interest income was $53 million for the quarter, a marginal increase versus the prior year period. Other non-operating income was $462 million, an increase of $293 million versus the prior year period primarily due to a $355 million before-tax gain from the dissolution of the PGT Healthcare partnership, partially offset by the impact of minor brand divestiture gains in the base period.

Income Taxes

For the three months ended September 30, 2018 the effective tax rate decreased 500 basis points versus the prior year period to 18.5% due to:

- a 390 basis point reduction from the ongoing impacts of the U.S. Tax Act, as the impact of the lower blended U.S. federal rate on current period earnings versus prior year rate was partially offset by reduced foreign tax credits versus prior year due to the inability to fully credit foreign taxes under the U.S. Tax Act,
- a 180 basis point reduction from the tax impact of the gain on the dissolution of the PGT Healthcare partnership,
- a 40 basis point reduction from favorable impacts from geographic mix of earnings,
- a 60 basis point increase from reduced excess tax benefits from the exercise of stock options (50 basis points in the current year versus 110 basis points in the prior year), and
- a 50 basis point increase from reduced favorable discrete impacts related to uncertain tax positions (10 basis points unfavorable in the current year versus 40 basis points favorable in the prior year period).

Net Earnings

Net earnings increased $341 million or 12% to $3.2 billion for the quarter, due primarily to the gain on the dissolution of the PGT Healthcare partnership and the decrease in the effective tax rate, partially offset by the decrease in gross margin, all of which are discussed above. Foreign exchange had a negative $255 million impact on net earnings for the quarter, including both transactional charges and translational impacts from converting earnings from foreign subsidiaries to U.S. dollars. Net earnings attributable to Procter & Gamble increased $346 million or 12% to $3.2 billion for the quarter. Diluted net earnings per share increased 15% to $1.22. The difference between the change in net earnings and diluted net earnings per share was due to a reduction in the number of shares outstanding. Core net earnings per share increased 3% to $1.12. Core net earnings per share represents diluted net earnings per share excluding the current period gain on the dissolution of the PGT Healthcare partnership and incremental restructuring charges in both periods related to our productivity and cost savings plans.

BUSINESS SEGMENT DISCUSSION – Three Months Ended September 30, 2018

The following discussion provides a review of results by reportable business segment. Analysis of the results for the three-month period ended September 30, 2018 is provided based on a comparison to the same three month period ended September 30, 2017. The primary financial measures used to evaluate segment performance are net sales and net earnings. The table below provides supplemental information on net sales and net earnings by reportable business segment for the three months ended September 30, 2018 versus the comparable prior year period (dollar amounts in millions):

	Three Months Ended September 30, 2018					
	Net Sales	% Change Versus Year Ago	Earnings Before Income Taxes	% Change Versus Year Ago	Net Earnings	% Change Versus Year Ago
Beauty	$ 3,289	5 %	$ 947	13 %	$ 759	20%
Grooming	1,562	(1)%	417	1 %	340	3%
Health Care	1,845	(3)%	440	(3)%	332	9%
Fabric & Home Care	5,488	2 %	1,144	(3)%	877	14%
Baby, Feminine & Family Care	4,390	(3)%	902	(6)%	692	10%
Corporate	116	7 %	90	N/A	211	N/A
Total Company	**$ 16,690**	**— %**	**$ 3,940**	**5 %**	**$ 3,211**	**12%**

Beauty

Three months ended September 30, 2018 compared with three months ended September 30, 2017

Beauty net sales increased 5% to $3.3 billion during the first fiscal quarter on a 3% increase in unit volume. Favorable product mix added 3% to net sales due to the disproportionate growth of the super-premium SK-II and Olay Skin Care brands, which have higher than segment average selling prices. Higher pricing increased net sales by 2%. Unfavorable foreign exchange impacts reduced net sales by 3%. Organic sales increased 7%. Global market share of the Beauty segment was unchanged. Volume increased low single digits in developed regions and mid-single digits in developing regions.

- Volume in Hair Care increased low single digits. Developed market volume was unchanged. Volume in developing regions increased low single digits due to market growth and product innovation. Global market share of the Hair Care category decreased slightly.
- Volume in Skin and Personal Care increased mid-single digits. Volume increased low single digits in developed regions due to premium innovation and market growth. Volume increased high single digits in developing regions due to premium innovation, increased marketing spending and market growth. Global market share of the Skin and Personal Care category increased slightly.

Net earnings increased 20% to $759 million due to the increase in net sales and a 290 basis-point increase in net earnings margin. The net earnings margin increased primarily due to a decrease in SG&A as a percentage of net sales and a reduction in U.S. income tax rates. Gross margin was relatively unchanged. The reduction in SG&A as a percentage of sales was primarily driven by the positive scale impacts of the net sales increase and the impacts of adopting the new accounting standard on "Revenue from Contracts with Customers."

Grooming

Three months ended September 30, 2018 compared with three months ended September 30, 2017

Grooming net sales decreased 1% to $1.6 billion during the first fiscal quarter on a 5% increase in unit volume. Foreign exchange had a 4% unfavorable impact on net sales. Pricing had a positive 1% impact on net sales due to price increases in certain markets. Negative mix reduced net sales 2% due to the disproportionate growth of lower tier products and club channels which have lower than segment average selling prices. Organic sales increased 4%. Global market share of the Grooming segment decreased 0.7 points. Volume increased mid-single digits in developed and developing regions.

- Shave Care volume increased mid-single digits. Developed regions volume increased mid-single digits due to increased competitiveness following price reductions in prior quarters and an increase in consumer promotions. Developing regions volume increased mid-single digits due to increase in consumer promotions and higher trade inventories in certain markets. Global market share of the Shave Care category was unchanged.
- Volume in Appliances increased mid-single digits. Volume increased mid-single digits in developed regions and low single digits in developing regions due to market growth. Global market share of the Appliances category decreased more than half a point.

Net earnings increased 3% to $340 million as the reduction in net sales was more than offset by a 90 basis-point increase in net earnings margin. Net earnings margin increased primarily due to a reduction in SG&A as a percentage of net sales and a reduction in U.S. income tax rates, partially offset by a decrease in gross margin. Gross margin declined due to the negative impact of unfavorable product mix and other manufacturing cost increases. SG&A as a percentage of net sales decreased due to reductions in both overhead costs and marketing spending and the impacts from adoption of the new accounting standard on "Revenue from Contracts with Customers."

Health Care

Three months ended September 30, 2018 compared with three months ended September 30, 2017

Health Care net sales decreased 3% to $1.8 billion during the first fiscal quarter on a 1% increase in unit volume. Excluding the impact of the dissolution of the PGT Healthcare partnership, organic volume increased 4%. Unfavorable foreign exchange impacts decreased net sales by 2%. Unfavorable mix impacts reduced net sales by 1%. Organic sales increased 4%. Global market share of the Health Care segment increased 0.4 points. Volume increased low single digits in developed regions and was unchanged in developing regions. Excluding the impact of the dissolution of the PGT Healthcare partnership, organic volume increased mid-single digits in both developed and developing regions.

- Oral Care volume increased low single digits. Volume increased low single digits in developed regions due to product innovation and lower pricing in the form of increased promotional spending. Volume in developing regions was unchanged. Global market share of the Oral Care category increased slightly.
- Volume in Personal Health Care decreased low single digits. Excluding the impact of the dissolution of the PGT Healthcare partnership, organic volume increased double digits. Developed regions volume decreased mid-single digits, while organic volume grew mid-single digits due to product innovation and increased advertising spending. Volume in developing regions increased low single digits and double digits on an organic basis, due to innovation and market growth. Global market share of the Personal Health Care category increased more than half a point.

Net earnings increased 9% to $332 million, as the reduction in net sales was more than offset by a 200 basis point increase in net earnings margin. Net earnings margin increased due to a reduction in SG&A as a percentage of sales and a decrease in U.S. income tax rates, partially offset by a reduction in gross margin. Gross margin decreased driven by unfavorable mix due to the impact of the dissolution of the PGT Healthcare partnership, and other manufacturing cost increases. SG&A as a percentage of net sales decreased primarily due to the impact of the dissolution of the PGT Healthcare partnership and the impacts from adoption of the new accounting standard on "Revenue from Contracts with Customers."

Fabric & Home Care

Three months ended September 30, 2018 compared with three months ended September 30, 2017

Fabric & Home Care net sales increased 2% to $5.5 billion for the first fiscal quarter on a 4% increase in unit volume. Unfavorable foreign exchange impacts reduced net sales by 2%. Positive mix impacts increased net sales by 1%, while lower pricing reduced net sales 1%. Organic sales increased 5% on a 5% increase in organic volume. Global market share of the Fabric & Home Care segment increased 0.5 points. Volume increased mid-single digits in developed regions and increased low single digits in developing regions.

- Fabric Care volume increased mid-single digits. Volume in developed regions grew mid-single digits due to product innovation and lower pricing in the form of increased promotional spending. Volume in developing regions increased low single digits. Excluding the impact of minor brand divestitures, developing regions volume increased mid-single digits driven by product innovation and market growth. Global market share of the Fabric Care category increased more than half a point.
- Home Care volume increased mid-single digits. Volume in developed regions increased high single digits due to product innovation and market growth. Volume in developing regions decreased low single digits due to category contraction in certain markets. Global market share of the Home Care category increased nearly half a point.

Net earnings increased 14% to $877 million due to the increase in net sales and a 170 basis point increase in net earnings margin. Net earnings margin increase was primarily due to a reduction in SG&A as a percentage of sales and a decrease in U.S. income tax rates partially offset by a reduction in gross margin. Gross margin decreased due to negative product mix impacts (driven by disproportionate growth of product forms with lower than segment-average margins) and an increase in commodity costs, which were partially offset by manufacturing cost savings. SG&A as a percentage of net sales was down due to productivity savings, the positive scale effects of the increase in net sales and the impacts from adoption of the new accounting standard on "Revenue from Contracts with Customers."

Baby, Feminine & Family Care

Three months ended September 30, 2018 compared with three months ended September 30, 2017

Baby, Feminine & Family Care net sales decreased 3% to $4.4 billion during the first fiscal quarter on a 1% increase in unit volume. Unfavorable foreign exchange impacts decreased net sales by 2%. Lower pricing reduced net sales 1%. Organic sales decreased 1%. Global market share of the Baby, Feminine & Family Care segment decreased 0.2 points. Volume increased mid-single digits in developed regions. Volume in developing regions decreased mid-single digits.

- Volume in Baby Care decreased high single digits. Volume in developed regions declined mid-single digits due to competitive activity, including lower competitor pricing due to higher promotional spending in certain markets. Volume in developing regions declined high single digits due to competitive activity, volume declines following increased prices and category contraction in certain markets. Global market share of the Baby Care category decreased more than a point.

- Volume in Feminine Care increased low single digits. Volume in developed regions increased mid-single digits due to product innovation and adult incontinence category growth. Volume increased low single digits in developing regions driven by innovation and lower pricing in the form of increased promotional spending. Global market share of the Feminine Care category increased less than half a point.
- Volume in Family Care, which is predominantly a North American business, increased high single digits driven by product innovation and distribution gains. In the U.S., all-outlet share of the Family Care category increased more than half a point.

Net earnings increased 10% to $692 million as the reduction in net sales was more than offset by a 190 basis point increase in net earnings margin. Net earnings margin increased primarily due to a decrease in U.S. income tax rates and a reduction in SG&A as a percentage of net sales, partially offset by a reduction in gross margin. Gross margin decreased primarily due to an increase in commodity costs, lower pricing and unfavorable foreign exchange impacts, partially offset by manufacturing cost savings projects. SG&A as a percentage of net sales decreased due to reduced marketing spending and overhead costs, and the impacts from adoption of the new accounting standard on "Revenue from Contracts with Customers."

Corporate

Corporate includes certain operating and non-operating activities not allocated to specific business segments. These include: the incidental businesses managed at the corporate level; financing and investing activities; certain employee benefit costs; other general corporate items; the gains and losses related to certain divested brands and categories; certain restructuring-type activities to maintain a competitive cost structure, including manufacturing and workforce optimization. Corporate also includes reconciling items to adjust the accounting policies used in the segments to U.S. GAAP. The most significant reconciling item includes income taxes to adjust from blended statutory rates that are reflected in the segments to the overall Company effective tax rate.

Corporate net sales improved by $8 million to $116 million during the first fiscal quarter. Corporate net earnings increased $6 million to $211 million in the first fiscal quarter as higher current year divestiture gains (driven by the current year gain on the dissolution of the PGT healthcare partnership) was largely offset by higher current year foreign exchange transactional charges and higher income taxes in the current period caused by lower foreign tax credits under the U.S. Tax Act, each of which has been discussed earlier in the Results of Operations section.

Restructuring Program to deliver Productivity and Cost Savings

In 2012, the Company initiated a productivity and cost savings plan to reduce costs and better leverage scale in the areas of supply chain, research and development, marketing and overheads. The plan was designed to accelerate cost reductions by streamlining management decision making, manufacturing and other work processes to fund the Company's growth strategy. In 2017, the Company communicated specific elements of an additional multi-year productivity and cost savings program.

The current productivity and cost savings plan will further reduce costs in the areas of supply chain, certain marketing activities and overhead expenses. As part of this plan, the Company incurred $1.1 billion in total before-tax restructuring costs in fiscal 2018, with an additional amount of approximately $0.8 billion expected in fiscal 2019. This program is expected to result in additional enrollment reductions, along with further optimization of the supply chain and other manufacturing processes. Consistent with our historical policies for ongoing restructuring-type activities, the resulting charges are funded by and included within Corporate for segment reporting.

In addition to our restructuring programs, we have additional ongoing savings efforts in our supply chain, marketing and overhead areas that yield additional benefits to our operating margins.

Refer to Note 9 in the Notes to the Consolidated Financial Statements for more details on the restructuring program.

LIQUIDITY & CAPITAL RESOURCES

Operating Activities

We generated $3.6 billion of cash from operating activities fiscal year to date, flat versus the prior year. Net earnings, adjusted for non-cash items (depreciation and amortization, share-based compensation expense, deferred income taxes, and gain on sale of assets), generated $3.6 billion of operating cash flow. Working capital and other impacts used $62 million of cash in the period. Accounts receivable increased, using $475 million of cash due to sales growth and to a lesser extent, the extension of customer payment terms for seasonal products. Inventory consumed $494 million of cash primarily due to product initiatives, business growth, and production seasonality builds in certain GBU's. Accounts payable, accrued and other liabilities increased, generating $933 million of cash primarily driven by extended payment terms with our suppliers, an increase in payables to support the increase in inventory and an increase in taxes payable due to the timing of payments. All other operating assets and liabilities used $84 million of cash, driven by payments of the current year portion of taxes due related to the U.S. Tax Act, partially offset by collection of other receivables.

Investing Activities

Cash used by investing activities was $865 million fiscal year to date. Capital expenditures were $1.1 billion, or 6.5% of net sales. Acquisition activity used $237 million of cash. We used $158 million for purchases of short-term investments. These uses were partially offset by $649 million of cash generated from sales and maturities of short-term investments.

Financing Activities

Our financing activities consumed net cash of $2.7 billion fiscal year to date. We used $1.3 billion for treasury stock purchases and $1.9 billion for dividends. Cash from the exercise of stock options and other impacts generated $425 million of cash.

As of September 30, 2018, our current liabilities exceeded current assets by $5.9 billion. We have short- and long-term debt to meet our financing needs. We anticipate being able to support our short-term liquidity and operating needs largely through cash generated from operations. We have strong short- and long-term debt ratings that have enabled and should continue to enable us to refinance our debt as it becomes due at favorable rates in commercial paper and bond markets. In addition, we have agreements with a diverse group of financial institutions that, if needed, should provide sufficient credit funding to meet short-term financing requirements.

RECONCILIATION OF MEASURES NOT DEFINED BY U.S. GAAP

In accordance with the SEC's Regulation G, the following provides definitions of the non-GAAP measures and the reconciliation to the most closely related GAAP measures. We believe that these measures provide useful perspective on underlying business results and trends (i.e., trends excluding non-recurring or unusual items) and provide a supplemental measure of year-on-year results. The non-GAAP measures described below are used by management in making operating decisions, allocating financial resources and for business strategy purposes. These measures may be useful to investors as they provide supplemental information about business performance and provide investors a view of our business results through the eyes of management. These measures are also used to evaluate senior management and are a factor in determining their at-risk compensation. These non-GAAP measures are not intended to be considered by the user in place of the related GAAP measure, but rather as supplemental information to our business results. These non-GAAP measures may not be the same as similar measures used by other companies due to possible differences in method and in the items or events being adjusted.

Organic sales growth: Organic sales growth is a non-GAAP measure of sales growth excluding the impacts of acquisitions and divestitures, the impact from the July 1, 2018 adoption of new accounting standards for "Revenue from Contracts with Customers" and foreign exchange from year-over-year comparisons. The impact of the adoption of the new accounting standard for Revenue from Contracts with Customers is driven by the prospective reclassification of certain customer spending from marketing (SG&A) expense to a reduction of Net sales. We believe this measure provides investors with a supplemental understanding of underlying sales trends by providing sales growth on a consistent basis. This measure is used in assessing achievement of management goals for at-risk compensation.

Adjusted free cash flow: Adjusted free cash flow is defined as operating cash flow less capital spending and excluding payments for the transitional tax resulting from the comprehensive U.S. legislation commonly referred to as the Tax Cuts and Jobs Act in December 2017 (the U.S. Tax Act). Adjusted free cash flow represents the cash that the Company is able to generate after taking into account planned maintenance and asset expansion. Management views adjusted free cash flow as an important measure because it is one factor used in determining the amount of cash available for dividends, share repurchases, acquisitions and other discretionary investments.

Adjusted free cash flow productivity: Adjusted free cash flow productivity is defined as the ratio of adjusted free cash flow to net earnings excluding the gain on dissolution of the PGT Healthcare partnership, which is non-recurring and not considered indicative of underlying cash flow performance. Management views adjusted free cash flow productivity as a useful measure to help investors understand P&G’s ability to generate cash. Adjusted free cash flow productivity is used by management in making operating decisions, allocating financial resources and for budget planning purposes. This measure is also used in assessing the achievement of management goals for at-risk compensation. The Company's long-term target is to generate annual adjusted free cash flow productivity at or above 90 percent.

Core EPS: Core earnings per share, or Core EPS, is a measure of the Company's diluted net earnings per share adjusted as indicated. Management views this non-GAAP measure as a useful supplemental measure of Company performance over time. This measure is also used when evaluating senior management in determining their at-risk compensation.

The Core earnings measures included in the following reconciliation tables refer to the equivalent GAAP measures adjusted as applicable for the following items:

Incremental Restructuring: The Company has had and continues to have an ongoing level of restructuring activities. Such activities have resulted in ongoing annual restructuring related charges of approximately $250 - $500 million before tax. In 2012, the Company began a $10 billion strategic productivity and cost savings initiative that included incremental restructuring activities. In 2017, we communicated details of an additional multi-year productivity and cost savings plan. This results in incremental restructuring charges to accelerate productivity efforts and cost savings. The adjustment to Core earnings includes only the restructuring costs above what we believe are the normal recurring level of restructuring costs.

Gain on Dissolution of PGT Healthcare Partnership: The Company finalized the dissolution of our PGT Healthcare partnership, a venture between the Company and Teva Pharmaceuticals Industries, Ltd. (Teva) in the OTC consumer healthcare business, in the quarter ended September 30, 2018. The transaction was accounted for as a sale of the Teva portion of the PGT business; the Company recognized an after-tax gain on the dissolution of $353 million.

We do not view the above items to be part of our sustainable results and their exclusion from Core earnings measures provides a more comparable measure of year-on-year results. These items are also excluded when evaluating senior management in determining their at-risk compensation.

Organic sales growth:

Three Months Ended September 30, 2018	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other [1]	Organic Sales Growth
Beauty	5%	3%	(1)%	7%
Grooming	(1)%	4%	1%	4%
Health Care	(3)%	2%	5%	4%
Fabric & Home Care	2%	2%	1%	5%
Baby, Feminine & Family Care	(3)%	2%	—%	(1)%
Total Company	**—%**	**3%**	**1%**	**4%**

[1] Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures, the impact from the July 1, 2018 adoption of new accounting standards for "Revenue from Contracts with Customers" and rounding impacts necessary to reconcile net sales to organic sales.

Adjusted free cash flow (dollar amounts in millions):

Fiscal Year-to-Date, September 30, 2018			
Operating Cash Flow	**Capital Spending**	**U.S. Tax Act Payments**	**Adjusted Free Cash Flow**
$3,567	**$(1,080)**	**$235**	**$2,722**

Adjusted free cash flow productivity (dollar amounts in millions):

Fiscal Year-to-Date, September 30, 2018				
Adjusted Free Cash Flow	**Net Earnings**	**Gain on Dissolution of PGT Partnership**	**Adjusted Net Earnings**	**Adjusted Free Cash Flow Productivity**
$2,722	**$3,211**	**$(353)**	**$2,858**	**95%**

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
(Amounts in Millions Except Per Share Amounts)
Reconciliation of Non-GAAP Measures

Three Months Ended September 30, 2018

	AS REPORTED (GAAP)	INCREMENTAL RESTRUCTURING	GAIN ON DISSOLUTION OF PGT PARTNERSHIP	ROUNDING	NON-GAAP (CORE)
COST OF PRODUCTS SOLD	8,484	(46)	—	—	8,438
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE	4,652	(28)	—	1	4,625
OPERATING INCOME	3,554	74	—	(1)	3,627
INCOME TAX	729	6	(2)	1	734
NET EARNINGS ATTRIBUTABLE TO P&G	3,199	69	(353)	—	2,915
					Core EPS
DILUTED NET EARNINGS PER COMMON SHARE [1]	1.22	0.03	(0.14)	0.01	1.12

[1] Diluted net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

CHANGE VERSUS YEAR AGO	
CORE EPS	3%

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
(Amounts in Millions Except Per Share Amounts)
Reconciliation of Non-GAAP Measures

Three Months Ended September 30, 2017

	AS REPORTED (GAAP)	INCREMENTAL RESTRUCTURING	ROUNDING	NON-GAAP (CORE)
COST OF PRODUCTS SOLD	8,269	(100)	—	8,169
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE	4,736	7	—	4,743
OPERATING INCOME	3,648	93	—	3,741
INCOME TAX	881	20	—	901
NET EARNINGS ATTRIBUTABLE TO P&G	2,853	75	—	2,928
				Core EPS:
DILUTED NET EARNINGS PER COMMON SHARE [1]	1.06	0.03	—	1.09

[1] Diluted net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the Company’s exposure to market risk since June 30, 2018. Additional information can be found in Note 7 - Risk Management Activities and Fair Value Measurements of the Consolidated Financial Statements.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company’s Chairman of the Board, President and Chief Executive Officer, David S. Taylor, and the Company’s Vice Chairman and Chief Financial Officer, Jon R. Moeller, performed an evaluation of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (“Exchange Act”)) as of the end of the period covered by this report. Messrs. Taylor and Moeller have concluded that the Company’s disclosure controls and procedures were effective to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) accumulated and communicated to our management, including Messrs. Taylor and Moeller, to allow their timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the Company’s fiscal quarter ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is subject, from time to time, to certain legal proceedings and claims arising out of our business, which cover a wide range of matters, including antitrust and trade regulation, product liability, advertising, contracts, environmental issues, patent and trademark matters, labor and employment matters, and tax.

Item 1A. Risk Factors

For information on risk factors, please refer to “Risk Factors” in Part I, Item 1A of the Company's Form 10-K for the year ended June 30, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased [1]	Average Price Paid per Share [2]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [3]	Approximate Dollar Value of Shares That May Yet Be Purchased Under Our Share Repurchase Program
7/01/2018 - 7/31/2018	15,834,932	$79.09	12,638,835	[3]
8/01/2018 - 8/31/2018	3,024,703	$82.65	3,024,703	[3]
9/01/2018 - 9/30/2018	—	$0.00	—	[3]
Total	**18,859,635**	**$79.66**	**15,663,538**	

(1) All transactions were made in the open market with large financial institutions. This table excludes shares withheld from employees to satisfy minimum tax withholding requirements on option exercises and other equity-based transactions. The Company administers cashless exercises through an independent third party and does not repurchase stock in connection with cashless exercises.

(2) Average price paid per share for open market transactions is calculated on a settlement basis and excludes commission.

(3) On October 19, 2018, the Company stated that in fiscal year 2019 the Company expects to reduce outstanding shares through direct share repurchases at a value of up to $5 billion, notwithstanding any purchases under the Company's compensation and benefit plans. Purchases may be made in the open market and/or private transactions and purchases may be increased, decreased or discontinued at any time without prior notice. The share repurchases are authorized pursuant to a resolution issued by the Company's Board of Directors and are expected to be financed by a combination of operating cash flows and issuance of long-term and short-term debt.

Item 6. Exhibits

3-1	Amended Articles of Incorporation (as amended by shareholders at the annual meeting on October 11, 2011 and consolidated by the Board of Directors on April 8, 2016) (Incorporated by reference to Exhibit (3-1) of the Company's Form 10-K for the year ended June 30, 2016)
3-2	Regulations (as approved by the Board of Directors on April 8, 2016, pursuant to authority granted by shareholders at the annual meeting on October 13, 2009) (Incorporated by reference to Exhibit (3-2) of the Company's Form 10-K for the year ended June 30, 2016)
10-1	The Procter & Gamble Performance Stock Program Summary * +
10-2	The Procter & Gamble Company Executive Deferred Compensation Plan * +
10-3	Summary of Additional Personal Benefits Available to Certain Officers and Non-Employee Directors * +
12	Computation of Ratio of Earnings to Fixed Charges +
31.1	Rule 13a-14(a)/15d-14(a) Certification – Chief Executive Officer +
31.2	Rule 13a-14(a)/15d-14(a) Certification – Chief Financial Officer +
32.1	Section 1350 Certifications – Chief Executive Officer +
32.2	Section 1350 Certifications – Chief Financial Officer +
101.INS (1)	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH (1)	XBRL Taxonomy Extension Schema Document
101.CAL (1)	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF (1)	XBRL Taxonomy Definition Linkbase Document
101.LAB (1)	XBRL Taxonomy Extension Label Linkbase Document
101.PRE (1)	XBRL Taxonomy Extension Presentation Linkbase Document

* Compensatory plan or arrangement

+ Filed herewith

(1) Pursuant to Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 or 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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

THE PROCTER & GAMBLE COMPANY

October 19, 2018	/s/ VALARIE L. SHEPPARD
Date	(Valarie L. Sheppard)
	Senior Vice President, Comptroller and Treasurer

EXHIBIT INDEX

Exhibit

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\+ Filed herewith

[(1)] Pursuant to Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 or 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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Section 2: EX-10.1 (THE PROCTER & GAMBLE PERFORMANCE STOCK PROGRAM SUMMARY)

EXHIBIT (10-1)

The Procter & Gamble Performance Stock Program Summary

PERFORMANCE STOCK PROGRAM SUMMARY

(Effective July 1, 2018)

The Performance Stock Program ("PSP") is a part of The Procter & Gamble Company's (the "Company") long-term incentive ("LTI") compensation and is designed to provide additional focus on key Company measures for top executives with senior management responsibility for total Company results. Awards granted under the PSP ("PSP Awards") are made pursuant to authority delegated to the Compensation & Leadership Development Committee (the "C&LD Committee") by the Board of Directors for determining compensation for the Company's principal officers and for making awards under the Procter & Gamble 2014 Stock and Incentive Compensation Plan (the "2014 Plan") or any successor stock plan approved in accordance with applicable listing standards. PSP Awards are Performance-Based Compensation (as defined in Article 15 of the 2014 Plan).

I. ELIGIBILITY

The Chairman of the Board and/or Chief Executive Officer and those active executives at Band 6 or above as of October 1 prior to the grant date and recommended by management are eligible to participate ("Participants").

II. OVERVIEW

A significant portion of the Band 6 and above compensation is delivered through two long-term incentive programs tied to Company performance: PSP and the Long-term Incentive Program.

Total long-term incentive compensation targets are based on relevant competitive market data considering the median total long-term compensation of comparable positions, regressed for revenue size. The C&LD Committee establishes the Peer Group and sets compensation targets for all Principal Officers including the CEO. The CEO approves compensation targets for non-Principal Officers (generally Band 6 managers).

The C&LD Committee determines the long-term incentive award for the CEO. The CEO recommends all other Principal Officer awards to the C&LD Committee based on benchmarked long-term compensation targets, adjusted for business results and individual contributions attributable to each executive and including that individual's leadership skills. The C&LD Committee retains full authority to accept, modify, or reject these recommendations. The CEO approves awards for participants who are not Principal Officers based on long-term compensation targets, business results and individual contributions. Long-term incentive awards can be up to 50% above or 50% below the benchmarked target. In exceptional cases, no award will be made. After total LTI award size is determined then approximately half of each Band 7 manager's long-term compensation is allocated to PSP via an Initial PSU Grant (as defined below). The remaining portion is a Long-term Incentive Program Grant. Approximately 25% of each Band 6 manager's total LTI is allocated to PSP with the remainder awarded under the Long-term Incentive Program.

PSP rewards Participants for Company performance against certain three-year performance goals in categories established by the C&LD Committee. The C&LD Committee sets these performance goals for each three-year period that begins on July 1 and ends on June 30 three years later ("Performance Period"). In the first year of each Performance Period, the C&LD Committee grants Performance Stock Units ("PSUs") to Participants that will vest at the end of the Performance Period based on the Company's performance relative to the pre-established performance goals ("Initial PSU Grant"). The number of PSUs that vest at the end of the Performance Period depends on the Company's performance against the pre-established performance goals. Vested PSUs, including dividend equivalents, are converted into shares of the Company's common stock ("Common Stock") delivered to the applicable Participant within 60 days following the end of the Performance Period, or such later date as may be elected by the Participant in accordance with Section 409A of the Internal Revenue Code ("Section 409A").

III. PERFORMANCE CATEGORIES

The PSP Award is based on the Company's performance in each of the following categories (each a "Performance Category") and weighted as indicated:

- Organic sales growth (percentile rank in the competitive peer group)* - 30%
- Constant currency core before-tax operating profit growth - 20%
- Core earnings per share (EPS) growth - 30%
- Adjusted free cash flow productivity - 20%

Awards will be further adjusted based on the three-year relative total shareholder return (R-TSR) of P&G compared to the competitive peer group*. Awards will be adjusted for top quartile performance using a 125% multiplier to increase awards, and reduced for bottom quartile performance using a 75% multiplier.

* *Competitive peer group is defined in the PSP Accounting Guidelines.*

Within the first 90 days of each Performance Period, the C&LD Committee sets three-year performance goals ("Performance Goals") for each Performance Category for such Performance Period and establishes a sliding scale to measure the Company's performance against each Performance Goal in each Performance Category. The C&LD Committee uses the sliding scale to establish a payout factor between 0% and 200% for each Performance Category (a "Sales Factor", "Profit Factor", "EPS Factor" and "Cash Flow Factor", collectively, "Performance Factors").

In all cases, the C&LD Committee retains the discretion to include or exclude certain of the Performance Categories for purposes of determining the PSP Award. The C&LD Committee may reduce or eliminate any payment if it determines that such payout is inconsistent with long-term shareholders' interests or incongruous with the overall performance of the company.

PSP awards will have the following terms unless otherwise approved by the C&LD Committee:

IV. THE INITIAL PSU GRANT

The C&LD Committee has the sole discretion to establish the target award ("PSP Target") for each Participant serving as a Principal Officer. The CEO establishes the PSP Targets for participants who are not Principal Officers. The PSP Target will be a cash amount and will be the basis for the Initial PSU Grant. The C&LD Committee will make the Initial PSU Grant on the last business date in February ("Grant Date") following the beginning of each Performance Period. If the New York Stock Exchange is closed on the day of the grant, then the C&LD will establish a grant date as soon as practical subsequent to the date previously specified for such award. The Initial PSU Grant will set forth a target and maximum number of PSUs. The target number of PSUs will be determined by dividing the PSP Target by the expense value of one PSU using the same methodology by which the Company expenses PSUs, rounding to the nearest whole unit.

The Initial PSU Grant maximum will be two times the Initial PSU Grant.

V. PSU VESTING AND PAYMENT

After the Performance Period is complete, the C&LD Committee will establish the Payout Factors for each of the Performance Categories based on the Company's results versus the pre-established Performance Goals. The number of PSUs that vest will be determined by multiplying the Performance Factors by their respective weightings, summing up the results, then applying the R-TSR multiplier if applicable. The final result will be rounded up or down to the nearest full percentage. The resulting percentage will be applied to the number of PSUs in the Initial PSU Grant target, including dividends that would have accumulated since the initial PSU grant on the vested units, rounding up to the nearest whole share. The number of PSUs that vest may be equal to, above or below the Initial PSU Grant target depending on the Company's performance in the Performance Categories, but in no event more than the Initial PSU Grant maximum. Vested PSUs are converted into shares of Common Stock delivered to the applicable Participant within 60 days following the end of the Performance Period, or such later date as may be elected by the Participant if applicable and in accordance with Section 409A.

Participants at Band 7 and above may elect to defer delivery of the Common Stock by electing to receive Restricted Stock Units. PSP RSUs will have the following terms unless otherwise approved by the Committee at grant:

VESTING AND SETTLEMENT: PSP RSUs will be vested on the grant date with a settlement date at least one year following the original PSU delivery date (as elected by the Participant), are eligible for dividend equivalents, and can be further deferred in accordance with Section 409A. These RSUs will be paid on their Original Settlement Date or the Agreed Settlement Date, except in the case of death. In the case of death (except in France and the UK), payment will be made by the later of the end of the calendar year or two and a half months following the date of death. For awards granted in France or the UK, the consequences of death are determined by the local plan supplement, if applicable.

VI. SEPARATION FROM THE COMPANY (Defined terms shall have the meaning designated in the 2014 Plan or related award documents)

If the Participant's Termination of Employment occurs for any reason before the Vest Date, except for the reasons listed below, the Award will be forfeited. Participants must remain in compliance with the terms and conditions set forth in the 2014 Plan, including those in Article 6.

- Termination on Account of Death (except in France and the UK). The Award is immediately vested and will become deliverable on the Settlement Date or Agreed Settlement Date, whichever is applicable.

- Termination on Account of Death for awards granted in France or the UK. The consequences of death are determined by the local plan supplement, if applicable.

- Termination on Account of Retirement or Disability after June 30th of the fiscal year in which this Award was granted. PSUs are retained and will be delivered on the Settlement Date.

- Termination pursuant to a Written Separation Agreement that provides for retention of the Award, after June 30th of the fiscal year in which this Award was granted. PSUs are retained and will be delivered on the Settlement Date.

- Termination in connection with a divestiture or separation of any of the Company's businesses, as determined by the Company's Chief Human Resources Officer. PSUs are retained and will be delivered on the Settlement Date.

VII. CHANGE IN CONTROL

Notwithstanding the foregoing, if there is a Change in Control that meets the requirements of a change in control event under Section 409A, all outstanding PSP Awards will vest at 100% of the Initial PSU Grant target (or 100% of the PSP Target if the Change in Control occurs prior to the Initial PSU Grant) including dividends that would have accumulated since the initial PSU grant on the vested units, and shall be paid in shares of Common Stock at the time of such Change in Control. If there is a Change in Control event that does not meet the requirements of a change in control event under Section 409A, all outstanding PSP Awards will be settled according to the terms and conditions set forth herein, without the application Article 17 of the 2014 Plan. "Change in Control" shall have the same meaning as defined in the 2014 Plan or any successor stock plan approved in accordance with applicable listing standards.

VIII. GENERAL TERMS AND CONDITIONS

It shall be understood that the PSP does not give to any officer or employee any contract rights, express or implied, against any Company for any PSP Award, or for compensation in addition to the salary paid to him or her, or any right to question the action of the Board of Directors or the C&LD Committee.

Each PSP Award made to an individual at Band 7 and above is subject to the Senior Executive Recoupment Policy adopted by the C&LD Committee in December 2006.

To the extent applicable, it is intended that the PSP comply with the provisions of Section 409A. The PSP will be administered and interpreted in a manner consistent with this intent. Neither a Participant nor any of a Participant's creditors or beneficiaries will have the right to subject any deferred compensation (within the meaning of Section 409A) payable under the PSP to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to a Participant under the PSP may not be reduced by, or offset against, any amount owing by a Participant to the Company.

This program document may be amended at any time by the C&LD Committee.

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Section 3: EX-10.2 (THE PROCTER & GAMBLE COMPANY EXECUTIVE DEFERRED COMP PLAN)

EXHIBIT (10-2)

The Procter & Gamble Company Executive Deferred Compensation Plan

The Procter & Gamble Company
Executive Deferred Compensation Plan
(As Amended and Restated Effective August 15, 2018)

Contents

The Procter & Gamble Company

Deferred Compensation Plan

Article 1. Purpose, Status, and Effective Date

1.1 Purpose of Plan. The Procter & Gamble Company (the "Company"), an Ohio corporation, has adopted The Procter & Gamble Company Executive Deferred Compensation Plan (the "Plan"), as set forth herein, as a means of rewarding and retaining selected employees and providing such individuals the opportunity for capital accumulation through elective deferrals of compensation.

1.2 Status of Plan. The Company has established the Plan as an unfunded deferred compensation plan for a select group of management and highly compensated employees within the meaning of Sections 201(2), 301(3), and 401(1) of the Employee Retirement Income Security Act of 1974, as amended. The Plan shall at all times be administered and interpreted in a manner that is consistent with such status.

1.3 Effective Date. The Effective Date of the Plan is July 1, 2004, as originally adopted, and August 15, 2018, for the Plan as amended and restated herein.

Article 2. Definitions

Whenever used in this Plan, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized.

(a) **"Account"** shall mean the bookkeeping account for a Participant that is established and maintained to record the Participant's interest under the Plan. The balance posted to the record of the Account of a Participant shall reflect the Participant's Contributions, PST Restoration Program Contributions, distributions, adjustments for income, gain, or loss, and other charges and credits pursuant to Article 6.

(b) **"Administrative Committee"** shall mean the committee that administers the Short-Term Achievement Reward incentive plan or such other administrative committee of the Company appointed by the Compensation and Leadership Development Committee to administer the Plan. Pursuant to Section 9.2, the Administrative Committee has the authority to delegate its responsibilities. Throughout this plan document, the term "Administrative Committee" shall also include any individual to whom the Administrative Committee has delegated its responsibilities pursuant to Section 9.2.

(c) **"Beneficiary"** shall mean the person or persons or entity designated by the Participant to receive the balance of the Participant's Account in the event of the Participant's death. The designation may be in favor of one or more Beneficiaries, may include contingent as well as primary designations and named or unnamed trustees under any will or trust agreement and may apportion the benefits payable in any manner among the Beneficiaries. A Participant's designation of one or more Beneficiaries shall be made in writing in a manner designated by the Administrative Committee and shall not be effective until received by the Administrative Committee. If a Participant fails to properly designate a Beneficiary or if the designated beneficiaries of such Participant shall have predeceased the Participant, the Participant's estate shall be the Beneficiary.

A Participant may change his or her Beneficiary without the consent of any Beneficiary by similar instrument in accordance with rules and procedures established by the Administrative Committee. The beneficiary designation form received and acknowledged most recently by the Administrative Committee shall control as of any date. If concurrent Beneficiaries are named without specifying the proportion of benefits due each, distribution shall be made in equal shares to those Beneficiaries.

(d) **"Claimant"** shall mean the Participant or Beneficiary or his or her representative submitting a claim for benefits under the Plan.

(e) **“Code”** shall mean the Internal Revenue Code of 1986, as amended, or as it may be amended from time to time. Furthermore, the phrase “to the extent permitted under the Code” means to the extent the action described does not cause taxation of a Participant’s Account prior to distribution of all or a portion of the Participant’s Account.

(f) **“Company”** shall mean The Procter & Gamble Company, an Ohio corporation, and any successor thereto which continues the Plan.

(g) **“Compensation”** shall mean the definition of compensation for the Plan Year announced in writing by the Administrative Committee on or before the due date for the Administrative Committee’s receipt of Participants’ Deferral Elections for such Plan Year. Unless and until superseded, the definition of compensation announced by the Administrative Committee for a Plan Year shall remain in effect for subsequent Plan Years.

(h) **“Compensation and Leadership Development Committee”** shall mean the Compensation and Leadership Development Committee of the Board of Directors, as constituted from time to time, of the Company. If the Compensation and Leadership Development Committee has delegated any of its authority under the Plan to a committee or to an individual, the term “Compensation and Leadership Development Committee” shall also include such committee or individual.

(i) **“Contributions”** shall mean Deferrals.

(j) **“Deferral Election”** shall mean the election or elections filed by the Participant with the Company to defer Compensation under the Plan.

(k) **“Deferrals”** shall mean the amounts credited to a Participant’s Account as Deferrals pursuant to the Participant’s Deferral Election.

(l) **“Disability”** shall mean the time when: (a) the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expect to last for a continuous period of not less than twelve (12) months; or (b) the Participant is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan of the Employer covering the Participant.”

For purposes of any terms or conditions of the Plan related to PST Restoration Program Contributions (including any adjustments thereon pursuant to Article 6.4), Disability shall have the meaning set forth in Form RTD -_C.

(m) **“Effective Date”** shall mean the date set forth in Section 1.3.

(n) **“Eligible Employee”** shall mean an Employee who satisfies one of the requirements for eligibility under Article 3 of the Plan.

(o) **“Employee”** shall mean any employee of the Company or a subsidiary who is expressly designated as an Employee. Any person who is not expressly designated as an Employee by the Company (or by the subsidiary of the Company for whom the person performs services) shall not be an Employee for purposes of the Plan, notwithstanding that such person may be later determined by the Internal Revenue Service or by a court of competent jurisdiction to be an employee.

(p) **“Employer”** shall mean, with respect to any Participant, the Company or, if applicable, a subsidiary of the Company (that is participating in the Plan with the consent of the Compensation and Leadership Development Committee) that employs such Participant.

(q) **“ERISA”** shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

(r) **“Form RTD-C”** shall mean the Statement of Terms and Conditions for Restricted Stock Units on Form RTD-C or similar grant materials provided by the Company for Profit Sharing Restoration Program Restricted Stock Unit grants, as may be amended from time to time.

(s) **“Investment Option”** shall mean a security (other than stock of the Company), mutual fund, common or collective trust, insurance company pooled separate account, or other benchmark selected by the Administrative Committee pursuant to Section 6.2 for measuring the income, gain, or loss, and other charges and credits recorded for a Participant’s Account.

(t) **“Participant”** shall mean an Employee who is eligible to participate in the Plan: (i) by reason of being selected for participation pursuant to Section 3.1(a) of the Plan; or (ii) because the Employee satisfies eligibility criteria established by the Administrative Committee for participation by a class of employees pursuant to Section 3.1(b) of the Plan.

(u) **“Plan”** shall mean The Procter & Gamble Company Deferred Compensation Plan, as herein set out or as duly amended, together with any election forms executed by the Participant.

(v) **“Plan Year”** for this Plan shall mean the calendar year.

(w) **“PST Restoration Program Contributions”** shall mean the amounts credited to a Participant’s Account as Deferrals pursuant to the conversion of Restricted Stock Units under the PST Restoration Diversification Program solely for purposes of determining the value, under Article 6 of the Plan, of such Restricted Stock Units after conversion.

(x) **“PST Restoration Diversification Program”** shall mean the Company’s executive compensation program which allows certain employees to convert certain Restricted Stock Units granted to them at specified times into PST Restoration Program Contributions.

(y) **“Retirement”** shall have the same meaning as provided under The Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan as in effect on December 31, 2008.

(z) **“Scheduled In-Service Withdrawal”** shall mean a distribution of all or a portion of the Deferrals credited to a Participant’s Account in the Plan Year elected by the Participant for such distribution.

(aa) **“Separation from Service”** shall have the meaning provided under Section 409A of the Code and regulations thereto.

Article 3. Eligibility and Participation

3.1 Eligibility.

(a) Participation in the Plan is limited to the class of Employees who are expressly selected for Plan participation by the Compensation and Leadership Development Committee, or to those Employees at Band 6 selected for Plan participation by the Company’s Chief Human Resources Officer.

(b) In lieu of expressly selecting Employees for Plan participation, the Compensation and Leadership Development Committee may establish eligibility criteria providing for the participation of all Employees who satisfy such criteria.

(c) The Compensation and Leadership Development Committee may adopt, amend, or abolish a Participant's selection for eligibility or eligibility criteria under Sections 3.1(a) and 3.1(b) hereof at any time, and for any reason, by resolution, which resolutions shall be attached to the copy of the Plan maintained by the Company and shall be effective as of the date specified therein, or if later, the date submitted to the Company.

3.2 Participation. A Participant shall continue to participate in the Plan with respect to amounts credited to his or her Account until: (i) the Participant ceases to satisfy any of the eligibility criteria for participation under Section 3.1, and (ii) there has been a complete distribution or forfeiture of the Participant's Account.

Article 4. Contributions and Credits

4.1 Deferrals and Deferral Elections.

(a) A Participant may elect to make Deferrals to his or her Account for a Plan Year by timely executing and filing a Deferral Election with the Administrative Committee on or before the due date established by the Administrative Committee for the Plan Year for which the Deferral Election is being made. Except as provided in paragraphs (b), (c) and (d) of this Section 4.1, such due date shall be prior to January 1 of the Plan Year in which services for which the Compensation would otherwise be payable commence.

(b) The Administrative Committee may provide for separate Deferral Elections and due dates for the various elements of Compensation, such as base salary and bonuses. Any Deferral Election must be made prior to the period for which the element of Compensation being deferred is earned, as determined by the Administrative Committee in its sole discretion, and the Participant's Deferral Election shall only apply to Compensation earned after the date on which it is received by the Administrative Committee. Notwithstanding the above, in the case of "performance-based compensation" (as such term is defined under Code Section 409A and regulations thereto) based upon a performance period of at least twelve (12) months, the Administrative Committee may allow elections to defer such performance-based compensation no later than the date that is six (6) months before the end of the related performance period provided that the Participant has performed services continuously from a date no later than the date upon which the performance criteria are established through a date no earlier than the date upon which the Participant makes an initial deferral election, and further provided that in no event may an election to defer performance-based compensation be made after such compensation has become both substantially certain to be paid and readily ascertainable.

(c) A Participant may elect to make PST Restoration Program Contributions at any time during the Company's open window trading period for executives so long as such contributions are consistent with all Company policies and procedures and Form RTD - C, as amended ("Terms and Conditions"). Other than for purposes of determining the value of such contributions under Article 6 of the Plan, the Terms and Conditions shall apply to PST Restoration Program Contributions accounted for under this Plan.

(d) A Participant who first becomes eligible for participation in the Plan after January 1 of a Plan Year who wishes to make Deferrals to his or her Account for such Plan Year shall execute and file with the Administrative Committee a Deferral Election within thirty (30) days after the date on which such Participant is notified that he or she has become eligible to participate in the Plan. For this purpose, the date of the notice shall be the date of notification, regardless of when actually received by the Participant. A Participant may not, however, make a Deferral Election under this Section 4.1(c) if the Participant is already eligible to participate in another deferred compensation plan that is required under Code Section 409A to be aggregated with the Plan.

(e) Except as otherwise set forth in paragraph (c) of this Article 4.1, only one Deferral Election may be made for each element of Compensation earned in a single Plan Year (or earned over a period of more than one Plan Year). Any Participant who fails to timely execute and file a Deferral Election with the Administrative Committee for a Plan Year with respect to an element of Compensation shall not be permitted to make Deferrals for such element of Compensation for such Plan Year.

(f) A Deferral Election shall direct the Employer to reduce the Participant's Compensation (or the element thereof) by a whole percentage specified by the Participant in the Deferral Election.

(g) The amount specified by the Participant in the Deferral Election cannot reduce the Participant's current Compensation for such Plan Year below the amount necessary to satisfy any applicable taxes and withholdings required by law, as determined by the Administrative Committee.

(h) Except as otherwise provided in paragraphs (c) and (h) of this Article 4.1, a Deferral Election for Compensation shall be effective only for the Plan Year for which it is made. Once filed with the Administrative Committee, a Deferral Election shall be irrevocable.

(i) In making a Deferral Election, the Participant consents to the Employer's withholding from his or her currently payable Compensation the amount or amounts elected and the crediting of such withheld amounts to the Participant's Account, as provided in the Plan.

4.2 Automatic Cancellation of Deferral Elections. Notwithstanding anything in the Plan to the contrary, in the event the Participant ceases to be a Participant, all of such Participant's Deferral Elections pertaining to Plan Years that have not commenced shall immediately be cancelled, and the Participant's right to make future Deferral Elections shall be suspended until the Participant again becomes a Participant.

Article 5. Vesting

With the exception of PST Restoration Program Contributions, a Participant shall at all times be one hundred percent (100%) vested in amounts credited to the Participant's Account. PST Restoration Program Contributions vest upon completion of the Forfeiture Period on the Forfeiture Date, as those terms are defined in the applicable Form RTD - C, or similar grant materials provided by the Company, as amended.

Article 6. Participant Accounts; Investment Options

6.1 Accounts. The Administrative Committee shall establish an Account for each Participant to record the Contributions, distributions, adjustments for income, gain, or loss, and other charges and credits to the Account under the Plan. All PST Restoration Program Contributions, and any adjustments for income, gain or loss, and other charges and credits to the account related to any such contributions, shall be segregated and tracked separately.

6.2 Investment Options. The Administrative Committee shall designate one or more Investment Options for measuring the income, gain, or loss, and other charges and credits recorded for a Participant's Account and may change Investment Options prospectively at any time provided that any Investment Options designated must be comparable to an investment option available under a tax-qualified defined contribution plan of the Company. Notwithstanding anything in this Plan to the contrary, an Investment Option that provides an above-market return, as defined by Item 402 of Regulation S-K of the Securities Act of 1933, may not be designated without the approval of the Compensation and Leadership Development Committee.

6.3 Participant Allocations.

(a) A Participant shall elect on his or her Deferral Election form or on such other form or by such other means as may be specified by the Administrative Committee, one or more Investment Options to which Contributions to be credited to the Participant's Account shall be allocated. A

Participant may change the allocation of future Contributions among the Investment Options and may change the allocation of his or her Account balance among the Investment Options as frequently as permitted by the Administrative Committee under rules and procedures applicable to all Participants. The Administrative Committee shall establish and may prospectively change its rules regarding the timing and frequency of Investment Option elections and may establish minimum amounts or percentages for allocating Contributions and transferring Account balances among the Investment Options.

(b) In the event a Participant fails or refuses to make an election allocating Contributions credited to his or her Account among the then available Investment Options, the Administrative Committee shall specify the Investment Option or Options to which the Participant's Account shall be allocated and notify the Participant of its selection, which notification may be the Account statements provided to the Participant.

6.4 Adjustment of Accounts. A Participant's Account balance shall be adjusted daily, based on the performance of the Investment Options selected by the Participant, as if the portion of the Participant's Account allocated to an Investment Option were actually invested in such Investment Option and adjusted for other amounts as if such other amounts were actually charged or credited to an actual Account balance of the Participant. The Administrative Committee may also charge as an expense against a Participant's Account: (i) amounts customarily charged by the sponsor of one or more Investment Options that are charged on a per-Participant or per-transaction basis and not otherwise charged as an expense of an Investment Option, and (ii) the Administrative Committee's and the Employer's own expenses and out-of-pocket fees in administering the Plan. The Administrative Committee's allocation of charges and expenses among Participant Accounts shall be final and conclusive against the Participants and all other parties.

6.5 Status of Investment Options. The Investment Options established by the Administrative Committee from time to time are for the sole purpose of providing a performance measurement for adjusting Participants' Accounts for income, gain, or loss, and other charges and credits. Notwithstanding anything in this Plan to the contrary, neither the Company nor the Administrative Committee shall be required to actually invest monies in any fund designated as an Investment Option, any decision to so invest shall remain within the discretion of the Company (subject to the approval of the Compensation and Leadership Development Committee), and any amounts so invested shall remain the property of the Company.

Article 7. Distribution of Benefits

7.1 Distribution Commencement Election.

(a) With the exception of PST Restoration Program Contributions, at the time each Deferral Election is made, the Participant may elect to receive a distribution of up to one hundred percent (100%) of the related amount deferred (including adjustments thereon pursuant to Section 6.4) upon a Separation from Service (for reasons other than death) or Disability.

(b) A Participant may instead elect to receive a Scheduled In-Service Withdrawal of up to one hundred percent (100%) of the related amount deferred (including adjustments thereon pursuant to Section 6.4); provided, however, that any Scheduled In-Service Withdrawal must occur at least one (1) year after the end of the Plan Year in which the Deferrals being distributed were credited to the Participant's Account. Scheduled In-Service Withdrawals are not available for PST Restoration Program Contributions (including any adjustments thereon pursuant to Article 6.4).

(c) With the exception of any PST Restoration Program Contributions, separate distribution elections may be made for each Plan Year's credited Contributions. The Participant's distribution election shall be made in writing as specified by the Administrative Committee.

(d) Notwithstanding anything to the contrary in this Article 7, a distribution payable with respect to any PST Restoration Program Contributions (including any adjustments thereon pursuant to Article 6.4) shall be made in accordance with the Terms and Conditions associated with those contributions, except that such distributions shall be payable in cash and not in the Company's common stock.

7.2 Retirement/Disability Form of Distribution Election and Time of Payment.

(a) At the time each Deferral Election is made, a Participant may elect one or both of the following forms of distribution for his or her Account distributable by reason of the Participant's Retirement or Disability: (i) a single sum distribution, or (ii) a distribution in approximately equal annual installments payable over a period of two (2) to ten (10) years. The Account balance of a Participant who fails or refuses to elect a method of distribution shall be paid in a single sum.

(b) Except as set forth in paragraph (c) of this Article 7.2, a distribution payable by reason of the Participant's Retirement or Disability shall be paid (in the case of a single sum) or commence to be paid (in the case of annual payments) as soon as practicable in the calendar year following the calendar year in which the Participant's Retirement or Disability occurs. A distribution may, however, be delayed in order to comply with Section 7.7 of the Plan.

(c) Notwithstanding anything to the contrary in this Article 7, a distribution payable with respect to any PST Restoration Program Contributions (including any adjustments thereon pursuant to Article 6.4) shall be made in accordance with the Terms and Conditions associated with those contributions, except that such distributions shall be payable in cash and not in the Company's common stock.

7.3 Death Form of Distribution Election and Time of Payment.

(a) At the time a Participant first makes a Deferral Election, the Participant may elect how to receive the undistributed portion of his or her Account in the event of death. The Participant may elect: (i) a single sum distribution, or (ii) a distribution in approximately equal annual installments payable over a period of two (2) to ten (10) years. If a Participant fails or refuses to elect a method of distribution, the undistributed portion of his or her Account shall be paid in a single sum.

(b) If a Participant dies before a complete distribution of his or her Account under the Plan has occurred, the Participant's undistributed Account balance shall commence to be distributed to his or her Beneficiary under the distribution method (for death) elected by the Participant as soon as administratively possible following receipt by the Administrative Committee of satisfactory notice and confirmation of the Participant's death.

(c) Notwithstanding anything to the contrary in this Article 7, a distribution payable with respect to any PST Restoration Program Contributions (including any adjustments thereon pursuant to Article 6.4) shall be made in accordance with the Terms and Conditions associated with those contributions, except that such distributions shall be payable in cash and not in the Company's common stock.

7. 4 Scheduled In-Service Withdrawals.

(a) A Scheduled In-Service Withdrawal shall be paid in a single sum as soon as practicable in the January of the payout year elected by the Participant to receive such Scheduled In-Service Withdrawal.

(b) If a Participant has elected a Scheduled In-Service Withdrawal for all or a portion of his or her Account, but terminates employment with all Employers for any reason other than Disability or death prior to the year specified by the Participant for such Scheduled In-Service Withdrawal to be paid, the Scheduled In-Service Withdrawal shall be paid in the year following the year employment terminates.

(c) If a Participant terminates employment with all Employers by reason of Disability or death prior to the year specified by the Participant for such Scheduled In-Service Withdrawal to be paid, the Scheduled In-Service Withdrawal distribution shall be distributed in the manner elected by the Participant for Disability or death. However, if Disability or death occurs within a Plan Year during which a Scheduled In-Service Withdrawal is still to be paid, such withdrawal shall be paid as scheduled to the Participant (or in the event of death, to the Participant's estate).

(d) Notwithstanding the above, PST Restoration Program Contributions (including any adjustments thereon pursuant to Article 6.4) are not eligible for Scheduled In-Service Withdrawals.

7.5 Termination of Employment. If a Participant has a Separation from Service prior to his or her Retirement, death, or Disability for any reason, notwithstanding any distribution election made by the Participant, the vested but undistributed portion of the Participant's Account balance shall be payable to the Participant in a single sum as soon as practicable in the calendar year following the calendar year in which such Separation from Service occurs. Any unvested amounts in the Account shall be immediately forfeited, unless otherwise agreed to in writing by the Company.

7.6 Form of Distributions. All amounts distributed to a Participant from his or her Account shall be paid in cash by the Employer or its designee.

7.7 Postponement of Distributions. Except as otherwise set forth herein, in the event of a Participant's Separation from Service for reasons other than death, there shall be no payment to the Participant for the six (6) month period following the Participant's Separation from Service (the "Postponement Period"). In addition, the Administrative Committee shall further postpone the distribution of all or part of an amount otherwise payable under Article 7 to a Participant to the extent that the distribution would not be deductible by the Employer under Section 162(m) of the Code. Once the Postponement Period has passed, a conversion or distribution that is postponed pursuant to this Article 7.7 shall be converted and/or paid as soon as it is possible to do so within the deduction limitations of Section 162(m) of the Code, but in no event will any such payment be delayed beyond the later of (a) the last day of the taxable year of the Employer in which the Postponement Period ends; or (b) the 15th day of the third month following the Postponement Period. Notwithstanding anything to the contrary in this Article 7, a distribution payable with respect to any PST Restoration Program Contributions, including any postponement thereof, shall be made in accordance with the Terms and Conditions associated with those contributions.

7.8 Permitted Changes in Distribution Elections. To the extent permitted under the Code and by the Administrative Committee, a Participant may change his or her distribution election related to amount(s) distributable by reason of his or her Disability or death if such change is made in writing at least twelve (12) months prior to the Participant's Disability or death and only if such change will not result in taxation of amounts previously deferred. In the event that the Participant's most recent form of distribution election was made within twelve (12) months of the Participant's Disability or death, the next most recent election made by the Participant at least twelve (12) months prior to the Participant's Separation from Service by reason of Disability or death (or if none, the Participant's initial election) shall be used. Notwithstanding anything to the contrary in this Article 7, a distribution payable with respect to any PST Restoration Program Contributions, including any postponement thereof, shall be made in accordance with the Terms and Conditions associated with those contributions.

Article 8. Claims Procedures

8.1 Generally. A distribution request (also referred to herein as a claim) shall be made by filing a written request with the Administrative Committee on a form provided by the Administrative Committee, which shall be delivered to the Administrative Committee. If the claims procedure form made available by the Administrative Committee does not contain information on where to file the claim, the claim may be submitted to the human resources office at the site where the Claimant is employed.

8.2 **Denied Claims**. If a claim is denied in whole or in part, the Claimant shall receive a written or electronic notice explaining the denial of the claim within ninety (90) days after the Administrative Committee's receipt of the claim. If the Administrative Committee determines that for reasons beyond its control, a ninety (90) day extension of time is necessary to process the claim, the Claimant shall be notified in writing of the extension and reason for the extension within ninety (90) days after the Administrative Committee's receipt of the claim. The written extension notification shall also indicate the date by which the Administrative Committee expects to render a final decision. A notice of denial of claim shall contain the following: the specific reason or reasons for the denial; reference to the specific Plan provisions on which the denial is based; a description of any additional materials or information necessary for such Claimant to perfect the claim and an explanation of why such material or information is necessary; and a description of the Plan's review procedures and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under Section 502(c) of ERISA following an adverse determination on review.

8.3 **Review of Denied Claims**. A Claimant may file a written request for a review of the denial of a claim within sixty (60) days after receiving written notice of the denial. The Claimant may submit written comments, documents, records, and other relevant information in support of the claim. A Claimant shall be provided, upon request and without charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim. A document, record, or other information shall be considered relevant if it: (a) was relied upon in denying the claim; (b) was submitted, considered or generated in the course of processing the claim, regardless of whether it was relied upon; (c) demonstrates compliance with the claims procedures process; or (d) constitutes a statement of Plan policy or guidance concerning the denied claim.

8.4 **Decisions on Reviewed Claims**. The Administrative Committee shall notify the Claimant in writing of its decision on the appeal. Such notification shall be in a form designed to be understood by the Claimant. If the claim is denied in whole or in part on appeal, the notification shall also contain: the specific reason or reasons for the denial; reference to the specific Plan provisions on which the determination is based; a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim for benefits; and a statement that the Claimant has a right to bring an action under Section 502(a) of ERISA. A document, record, or other information shall be considered relevant if it: (a) was relied upon in denying the claim; (b) was submitted, considered, or generated in the course of processing the claim, regardless of whether it was relied upon; (c) demonstrates compliance with the claims procedures process; or (d) constitutes a statement of Plan policy or guidance concerning the denied claim. Such notification shall be given by the Administrative Committee within sixty (60) days after the complete appeal is received by the Administrative Committee (or within one hundred twenty (120) days if the Administrative Committee determines special circumstances require an extension of time for considering the appeal, and if written notice of such extension and circumstances is given to the Claimant within the initial sixty (60) day period). Such written extension notice shall also indicate the date by which the Administrative Committee expects to render a decision.

8.5 **Review Procedures**. In reviewing a denied claim, the reviewer shall take into consideration all comments, documents, records, and other information submitted by the Claimant in support of the claim, without regard to whether such information was submitted or considered in the initial determination.

Article 9. Plan Administration

9.1 **Establishment of the Administrative Committee**. The Administrative Committee shall have the sole responsibility for the administration of the Plan. The Administrative Committee shall consist of at least three (3) members who shall be appointed by the Compensation and Leadership Development Committee and who may also be officers, directors, or employees of the Company or an Employer. An Administrative Committee member may resign by written notice to, or may be removed by, the Company, which shall appoint a successor to fill any vacancy on the Administrative Committee, howsoever caused. An Employee's membership on the Administrative Committee shall automatically terminate upon such Employee's termination of employment with all Employers.

9.2 Appointment and Duties of the Administrative Committee.

(a) The Administrative Committee may delegate its responsibilities hereunder to one or more persons, to serve at the Administrative Committee's discretion. The Administrative Committee or its delegatee(s) shall have such powers as may be necessary to discharge its duties hereunder, including, but not by way of limitation, the following:

(i) To administer and enforce the Plan, including the discretionary and exclusive authority to interpret the Plan, to make all factual determinations under the Plan, and to resolve questions between the Company and Participants or Beneficiaries, including questions which relate to eligibility and distributions from the Plan, to remedy possible ambiguities, inconsistencies, or omissions, and decisions on claims which shall, subject to the claims procedures under the Plan, be conclusive and binding upon all persons hereunder, including, without limitation, Participants, other Employees of the Company, Beneficiaries, and former Participants, and their executors, administrators, conservators, or heirs;

(ii) To prescribe procedures to be followed by Participants or Beneficiaries filing applications for benefits;

(iii) To prepare and distribute, in such manner as the Administrative Committee determines to be appropriate, information explaining the Plan;

(iv) To receive from the Employer and from Participants such information as shall be necessary for the proper administration of the Plan;

(v) To furnish the Employer, upon request, such reports with respect to the administration of the Plan as are reasonable and appropriate;

(vi) To receive, review, and keep on file (as it deems convenient or proper) reports of the receipts and disbursements under the Plan;

(vii) To appoint or employ individuals to assist in the administration of the Plan and any other agents it deems advisable, including legal counsel, and such clerical, medical, accounting, auditing, actuarial, and other services as it may require in carrying out the provisions of the Plan or in connection with any legal claim or proceeding involving the Plan, to settle, compromise, contest, prosecute, or abandon claims in favor of or against the Plan; and

(viii) To discharge all other duties set forth herein.

(b) The Administrative Committee shall have no power to add to, subtract from, or modify any of the terms of the Plan, or to change or add to any benefits provided by the Plan, or to waive or fail to apply any requirements of eligibility under the Plan. No member of the Administrative Committee shall participate in any action on any matters involving solely his or her own rights or benefits as a Participant under the Plan, and any such matters shall be determined by the Compensation and Leadership Development Committee.

9.3 Actions by the Administrative Committee. The Administrative Committee may act at a meeting or by writing without a meeting, by the vote or assent of a majority of its members. The Administrative Committee may adopt such bylaws and regulations as it deems desirable for the conduct of its affairs and the administration of the Plan. A dissenting Administrative Committee member who, within a reasonable time after he or she has knowledge of any action or failure to act by the majority, registers his or her dissent in writing delivered to the other Administrative Committee members shall not be responsible for any such action or failure to act.

9.4 Expenses of the Administrative Committee. Members of the Administrative Committee shall not receive compensation from the Plan for those services they perform as the Administrative Committee members while employed by an Employer. Any and all necessary expenses related to Plan administration shall be paid by the Company but may be charged against Plan Accounts.

9.5 Records of the Administrative Committee. The Administrative Committee shall keep a record of all of its meetings and shall keep all such books of account, records, and other data as may be necessary or desirable in its judgment for the administration of the Plan.

9.6 Information From Participant. The Administrative Committee may require a Participant to complete and file with the Administrative Committee forms approved by the Administrative Committee, and to furnish all pertinent information requested by such Administrative Committee. The Administrative Committee may rely upon all such information so furnished, including the Participant's current mailing address.

9.7 Notification of Participant's Address. Each Participant, retired Participant, and Beneficiary entitled to benefits under the Plan must file with the Administrative Committee or such other person designated by the Administrative Committee, in writing, his or her post office address and each change of post office address. Any communication, statement, or notice addressed to such a person at this latest post office address as filed with the Administrative Committee shall, on deposit in the United States mail with postage prepaid, be binding upon such person for all purposes of the Plan, and the Administrative Committee shall not be obliged to search for, or ascertain the whereabouts of, any such person.

9.8 Indemnification. Notwithstanding any provision herein to the contrary, no member of the Administrative Committee nor any individual to whom the Administrative Committee has delegated duties under this Plan shall be liable to any Participant, former Participant, designated Beneficiary, or any other person for any claim, loss, liability, or expense incurred in connection with the Plan, unless attributable to fraud or willful misconduct on the part of such member or individual. Furthermore, members of the Administrative Committee and all individuals to whom the Administrative Committee has delegated duties under this Plan shall be indemnified by the Company against any and all liabilities arising by reason of any act or failure to act made in good faith pursuant to the provisions of the Plan, including expenses reasonably incurred in the defense of any claim relating thereto.

Article 10. Amendment and Termination

The Company hereby reserves the right, by written resolution of the Compensation and Leadership Development Committee, to amend or terminate the Plan at any time, and for any reason, without the consent of any Participant. No amendment shall impair or curtail the Employer's contractual obligations to a Participant for the vested portion of the Participant's Account prior to the date of any such amendment or termination of the Plan. In addition, the Compensation and Leadership Development Committee may, by written resolution, liquidate the plan provided such liquidation is implemented in accordance with the rules of Code Section 409A.

Article 11. Additional Provisions

11.1 No Contract. Nothing in the Plan shall be deemed to give a Participant any right to be retained in the employ of the Employer or to interfere with the Employer's right to discharge the Participant at any time, with or without cause.

11.2 Withholdings. The Employer shall withhold from any amount distributable to a Participant under the Plan any applicable actual or hypothetical federal, state, or local income or employment taxes or any other amounts required to be withheld by law or withheld pursuant to Section 11.4. In addition, the Employer may withhold from a Participant’s currently payable salary, bonus, or other compensation any applicable federal, state, or local income or employment taxes that may be due upon the crediting of an amount to the Participant’s Account.

11.3 Rights Not Transferable. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate, alienate, or convey in advance of actual receipt, the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are expressly declared to be, unassignable and nontransferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure, attachment, garnishment, or sequestration for the payment of any debts, judgments, alimony, or separate maintenance owed by a Participant or any other person, be transferable by operation of law in the event of a Participant’s or any other person’s bankruptcy or insolvency or be transferable to a spouse as a result of a property settlement or otherwise.

11.4 Offset. If, at the time payments or installments of payments are to be made hereunder, the Participant or Beneficiary or both are indebted or obligated to the Company, then such payments or installments of payments to be made to the Participant or the Beneficiary or both may, at the discretion of the Company, be reduced by the amount of the indebtedness or obligation, provided, however, that an election by the Company not to reduce any such payment or payments shall not constitute a waiver of its claim for such indebtedness or obligation or a waiver of its right to make an offset against payments in the future. Notwithstanding the above, payments or installments of payments that are payable under the Plan may not be offset against amounts otherwise owed to the Company that are otherwise due prior to the time payment is due under the Plan.

11.5 No Funding. The Plan constitutes a mere promise of the Employer to make payments in accordance with the terms of the Plan. This Plan does not give any Participant or his or her Beneficiary any interest, lien, or claim in or against any specific assets of the Employer. The Participant and his or her Beneficiary shall have only the rights of general, unsecured creditors of the Employer with respect to their rights under the Plan.

The Company may, but shall not be required to, establish a grantor trust as a funding source for its obligations under the Plan. If such a trust is so established, it shall be the intention of the Company that the trust shall constitute an unfunded arrangement for purposes of the Plan, such that the Plan shall continue to be an unfunded plan maintained for the purpose of providing deferred compensation to a select group of management or highly compensated employees under ERISA. With respect to any Participant, the assets of the trust so established shall remain subject to the claims of the creditors of that Participant’s Employer in the event of the Employer’s bankruptcy or insolvency.

11.6 Construction. The headings in this Plan have been inserted for convenience of reference only and are to be ignored in any construction of the provision.

11.7 Gender and Number. Except when otherwise clearly indicated by the context, when used in the Plan words in any gender shall include any other gender, and words in the singular shall include the plural, and words in the plural shall include the singular.

11.8 Severability. In the event any provision of the Plan shall be held invalid or illegal for any reason, any illegality or invalidity shall not affect the remaining parts of the Plan, but the Plan shall be construed and enforced as if the illegal or invalid provision had never been inserted, and the Company shall have the right to correct and remedy such questions of illegality or invalidity by amendment as provided by the Plan.

11.9 Governing Law. The Plan shall be regulated, construed, and administered in all respects under and by the laws of the state of Ohio, without regard to its conflict of laws provisions, except when preempted by federal law.

11.10 Voiding of Plan Provisions. If any provision under this Plan causes an amount deferred to become subject to income tax under the Code prior to the time such amount is paid to the Participant, such provision shall be deemed null and void with respect to such amount deferred and the Administrative Committee shall take whatever steps as may be required to accomplish the deferral objectives of the Plan without causing early taxation of such amount deferred and without any Employer incurring additional cost or liability.

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Section 4: EX-10.3 (SUMMARY OF ADD PERSONAL BEN AVAIL TO CERTAIN OFFICERS AND NON-EMP DIRECTORS)

EXHIBIT (10-3)

Summary of Additional Personal Benefits Available to Certain Officers and Non-Employee Directors

ADDITIONAL PROGRAMS AVAILABLE TO CERTAIN OFFICERS AND
NON-EMPLOYEE DIRECTORS

I. **Certain Officer Programs**

The following is a summary of programs that are available to employees at the President level or higher ("Eligible Employees").

Financial Counseling
The Financial Counseling Program is an annual stipend program designed to address the special tax, estate, and financial planning needs of Eligible Employees. The Company provides an annual $8,500 stipend upon confirmation from each participant that a tax or financial planning service has been retained in the current calendar year.

Executive Physical
The Company will provide an annual physical offered at a Company-approved health facility in Cincinnati.

Personal Security
The Company provides personal security services such as home security systems/monitoring and secured workplace parking to the Chief Executive Officer at Company expense. In addition, the Chief Human Resources Officer may approve personal security services to other Company Employees where appropriate, again at Company expense.

Spouse and Personal Travel
The Company pays for reasonable air and ground transportation, other incidental costs plus sightseeing tours and similar activities when applicable, when spouses (or significant others) accompany employees for business purposes. Business purpose is established and approved by the Chief Human Resources Officer, for example in circumstances where there is a need to familiarize the spouse with business issues and demands facing employees, or to meet other P&G employees and spouses.

While Company aircraft is generally used for Company business only, for security reasons the Chief Executive Officer is required to use Company aircraft for all air travel, including personal travel and travel to outside board meetings. While traveling on Company aircraft, the Chief Executive may bring a limited number of guests to accompany him. If a Company aircraft flight is already scheduled for business purposes and can accommodate additional passengers, the Chief Financial Officer and the Vice Chairs of the Company may use the aircraft for personal travel and guest accompaniment including travel to outside board meetings where the other company cannot provide transportation. Outside boards typically provide some level of reimbursement to the Company for these trips. To the extent personal travel results in imputed income to the executive, the Company does not provide gross-up payments to cover the executive's personal income tax due on such imputed income.

Limited Local Transportation
To increase efficiency, Eligible Employees are provided limited local transportation within Cincinnati.

II. **Non-Employee Director Programs**

This paragraph summarizes a travel program available to spouses, significant others and family members (collectively, "Guests") who accompany non-employee directors ("Directors"). The purpose of this program is to familiarize the Guests with the business issues and demands facing the Directors and to meet other Guests.

Generally, Guests are permitted to accompany Directors to regular Board meetings and other Board activities, so long as the Director is using Company aircraft and the Guests do not cause incremental aircraft costs. In addition, Directors are encouraged to bring a Guest to two Board meetings each year. With respect to these meetings, the Guests' travel costs may be incremental and/or may involve commercial flights. The Company pays for these costs and arranges and pays for sightseeing tours and similar activities and other incidental costs for Directors and Guests, while Directors attend both regular and off-site Board meetings.

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Section 5: EX-12 (COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES)

EXHIBIT 12

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Years Ended June 30					Three Months Ended September 30	
Amounts in millions, except ratio amounts	**2018**	**2017**	**2016**	**2015**	**2014**	**2018**	**2017**

EARNINGS, AS DEFINED							
Earnings from operations before income taxes after eliminating undistributed earnings of equity method investees	$ 13,285	$ 13,233	$ 13,356	$ 11,009	$ 13,492	**$ 3,920**	$ 3,732
Fixed charges (excluding capitalized interest)	676	640	778	842	928	**170**	153
TOTAL EARNINGS, AS DEFINED	$ 13,961	$ 13,873	$ 14,134	$ 11,851	$ 14,420	**$ 4,090**	$ 3,885
FIXED CHARGES, AS DEFINED							
Interest expense (including capitalized interest)	$ 560	$ 521	$ 634	$ 693	$ 789	**$ 144**	$ 128
1/3 of rental expense	111	118	144	166	174	**27**	28
TOTAL FIXED CHARGES, AS DEFINED	$ 671	$ 639	$ 778	$ 859	$ 963	**$ 171**	$ 156
RATIO OF EARNINGS TO FIXED CHARGES	20.8x	21.7x	18.2x	13.8x	15.0x	**23.9x**	24.9x

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Section 6: EX-31.1 (EXHIBIT 31.1 RULE 13A-14(A)/15D-14(A) CERTIFICATION CHIEF EXECUTIVE OFFICER)

EXHIBIT 31.1

Rule 13a-14(a)/15d-14(a) Certifications

I, David S. Taylor, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of The Procter & Gamble 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(s) 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;

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; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) 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.

/s/ DAVID S. TAYLOR

(David S. Taylor)

Chairman of the Board, President and Chief Executive Officer

October 19, 2018

Date

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Section 7: EX-31.2 (EXHIBIT 31.1 RULE 13A-14(A)/15D-14(A) CERTIFICATION CHIEF FINANCIAL OFFICER)

EXHIBIT 31.2

Rule 13a-14(a)/15d-14(a) Certifications

I, Jon R. Moeller, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of The Procter & Gamble 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(s) 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;

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; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) 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.

/s/ JON R. MOELLER

(Jon R. Moeller)

Vice Chairman and Chief Financial Officer

October 19, 2018

Date

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Section 8: EX-32.1 (SECTION 1350 CERTIFICATIONS CHIEF EXECUTIVE OFFICER)

EXHIBIT 32.1

Section 1350 Certifications

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of The Procter & Gamble Company (the "Company") certifies to his knowledge that:

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2018 fully complies with the requirements of Section 13 (a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in that Form 10-Q fairly presents, in all material respects, the financial conditions and results of operations of the Company.

/s/ DAVID S. TAYLOR

(David S. Taylor)

Chairman of the Board, President and Chief Executive Officer

October 19, 2018

Date

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

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Section 9: EX-32.2 (SECTION 1350 CERTIFICATIONS CHIEF FINANCIAL OFFICER)

EXHIBIT 32.2

Section 1350 Certifications

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of The Procter & Gamble Company (the "Company") certifies to his knowledge that:

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2018 fully complies with the requirements of Section 13 (a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in that Form 10-Q fairly presents, in all material respects, the financial conditions and results of operations of the Company.

/s/ JON R. MOELLER

(Jon R. Moeller)

Vice Chairman and Chief Financial Officer

October 19, 2018

Date

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

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EXHIBIT VI – QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED DECEMBER 31, 2018 FILED ON JANUARY 23, 2019

Section 1: 10-Q (FY1819 Q2 OND 10-Q)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the Quarterly Period Ended December 31, 2018

OR

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

For the transition period from ________ to ________

THE PROCTER & GAMBLE COMPANY

(Exact name of registrant as specified in its charter)

Ohio	**1-434**	**31-0411980**
(State of Incorporation)	***(Commission File Number)***	***(I.R.S. Employer Identification Number)***

One Procter & Gamble Plaza, Cincinnati, Ohio	**45202**
(Address of principal executive offices)	***(Zip Code)***

(513) 983-1100
(Registrant's telephone number, including area code)

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 ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act).

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

There were 2,501,579,709 shares of Common Stock outstanding as of December 31, 2018.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

Amounts in millions except per share amounts	Three Months Ended December 31		Six Months Ended December 31	
	2018	**2017**	**2018**	**2017**
NET SALES	**$ 17,438**	$ 17,395	**$ 34,128**	$ 34,048
Cost of products sold	**8,919**	8,709	**17,403**	16,978
Selling, general and administrative expense	**4,623**	4,767	**9,275**	9,503
OPERATING INCOME	**3,896**	3,919	**7,450**	7,567
Interest expense	**138**	122	**267**	237
Interest income	**63**	66	**116**	115
Other non-operating income, net	**95**	170	**557**	339
EARNINGS BEFORE INCOME TAXES	**3,916**	4,033	**7,856**	7,784
Income taxes	**700**	1,472	**1,429**	2,353
NET EARNINGS	**3,216**	2,561	**6,427**	5,431
Less: Net earnings attributable to noncontrolling interests	**22**	66	**34**	83
NET EARNINGS ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 3,194**	$ 2,495	**$ 6,393**	$ 5,348
NET EARNINGS PER SHARE [(1)]				
Basic	**$ 1.25**	$ 0.96	**$ 2.51**	$ 2.05
Diluted	**$ 1.22**	$ 0.93	**$ 2.44**	$ 2.00
DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	**2,623.0**	2,669.6	**2,617.6**	2,680.1

(1) Basic net earnings per share and Diluted net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

Amounts in millions	Three Months Ended December 31 2018	Three Months Ended December 31 2017	Six Months Ended December 31 2018	Six Months Ended December 31 2017
NET EARNINGS	**$ 3,216**	$ 2,561	**$ 6,427**	$ 5,431
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX				
Financial statement foreign currency translation	**(370)**	188	**(586)**	1,028
Unrealized gains/(losses) on hedges	**192**	(167)	**199**	(630)
Unrealized gains/(losses) on investment securities	**58**	(61)	**53**	(65)
Unrealized gains/(losses) on defined benefit retirement plans	**98**	161	**250**	128
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX	**(22)**	121	**(84)**	461
TOTAL COMPREHENSIVE INCOME	**3,194**	2,682	**6,343**	5,892
Less: Total comprehensive income attributable to noncontrolling interests	**23**	66	**31**	83
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 3,171**	$ 2,616	**$ 6,312**	$ 5,809

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

Amounts in millions			December 31, 2018	June 30, 2018
Assets				
CURRENT ASSETS				
Cash and cash equivalents			$ 3,696	$ 2,569
Available-for-sale investment securities			8,421	9,281
Accounts receivable			5,055	4,686
INVENTORIES				
Materials and supplies			1,524	1,335
Work in process			593	588
Finished goods			3,164	2,815
Total inventories			5,281	4,738
Prepaid expenses and other current assets			1,978	2,046
TOTAL CURRENT ASSETS			24,431	23,320
PROPERTY, PLANT AND EQUIPMENT, NET			20,822	20,600
GOODWILL			46,932	45,175
TRADEMARKS AND OTHER INTANGIBLE ASSETS, NET			25,947	23,902
OTHER NONCURRENT ASSETS			5,555	5,313
TOTAL ASSETS			$ 123,687	$ 118,310
Liabilities and Shareholders' Equity				
CURRENT LIABILITIES				
Accounts payable			$ 10,266	$ 10,344
Accrued and other liabilities			8,868	7,470
Debt due within one year			12,113	10,423
TOTAL CURRENT LIABILITIES			31,247	28,237
LONG-TERM DEBT			21,514	20,863
DEFERRED INCOME TAXES			6,872	6,163
OTHER NONCURRENT LIABILITIES			9,611	10,164
TOTAL LIABILITIES			69,244	65,427
SHAREHOLDERS' EQUITY				
Preferred stock			946	967
Common stock – shares issued –	December 2018	4,009.2		
	June 2018	4,009.2	4,009	4,009
Additional paid-in capital			63,679	63,846
Reserve for ESOP debt retirement			(1,178)	(1,204)
Accumulated other comprehensive income/(loss)			(15,156)	(14,749)
Treasury stock			(99,480)	(99,217)
Retained earnings			101,170	98,641
Noncontrolling interest			453	590
TOTAL SHAREHOLDERS' EQUITY			54,443	52,883
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			$ 123,687	$ 118,310

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

	Three Months Ended December 31, 2018									
	Common Stock									
Dollars in millions; shares in thousands	Shares	Amount	Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumu-lated Other Comp-rehensive Income/(Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Share-holders' Equity
BALANCE SEPTEMBER 30, 2018	2,491,408	$4,009	$951	$63,711	($1,177)	($15,133)	($99,956)	$99,831	$268	$52,504
Net earnings								3,194	22	3,216
Other comprehensive income/(loss)						(23)			1	(22)
Dividends and dividend equivalents ($0.7172 per share):										
Common								(1,790)		(1,790)
Preferred, net of tax benefits								(65)		(65)
Treasury stock purchases	(8,647)						(751)			(751)
Employee stock plans	18,021			(73)			1,222			1,149
Preferred stock conversions	798		(5)	—			5			—
ESOP debt impacts					(1)			—		(1)
Noncontrolling interest, net				41					162	203
BALANCE DECEMBER 31, 2018	2,501,580	$4,009	$946	$63,679	($1,178)	($15,156)	($99,480)	$101,170	$453	$54,443

	Six Months Ended December 31, 2018									
	Common Stock									
Dollars in millions; shares in thousands	Shares	Amount	Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumu-lated Other Comp-rehensive Income/(Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Share-holders' Equity
BALANCE JUNE 30, 2018	2,498,093	$4,009	$967	$63,846	($1,204)	($14,749)	($99,217)	$98,641	$590	$52,883
Impact of adoption of new accounting standards						(326)		(200)	(27)	(553)
Net earnings								6,393	34	6,427
Other comprehensive income/(loss)						(81)			(3)	(84)
Dividends and dividend equivalents ($1.4344 per share):										
Common								(3,581)		(3,581)
Preferred, net of tax benefits								(131)		(131)
Treasury stock purchases	(24,337)						(2,003)			(2,003)
Employee stock plans	25,389			(53)			1,722			1,669
Preferred stock conversions	2,435		(21)	3			18			—
ESOP debt impacts					26			48		74
Noncontrolling interest, net				(117)					(141)	(258)
BALANCE DECEMBER 31, 2018	2,501,580	$4,009	$946	$63,679	($1,178)	($15,156)	($99,480)	$101,170	$453	$54,443

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (cont.)

	Three Months Ended December 31, 2017									
	Common Stock									
Dollars in millions; shares in thousands	Shares	Amount	Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumu-lated Other Comp-rehensive Income/(Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Share-holders' Equity
BALANCE SEPTEMBER 30, 2017	2,536,958	$4,009	$991	$63,705	($1,229)	($14,292)	($95,563)	$97,197	$597	$55,415
Net earnings								2,495	66	2,561
Other comprehensive income/(loss)						121			—	121
Dividends and dividend equivalents ($0.6896 per share):										
Common								(1,751)		(1,751)
Preferred, net of tax benefits								(62)		(62)
Treasury stock purchases	(19,409)						(1,751)			(1,751)
Employee stock plans	2,791			51			189			240
Preferred stock conversions	664		(5)	1			4			—
ESOP debt impacts					—			2		2
Noncontrolling interest, net									(54)	(54)
BALANCE DECEMBER 31, 2017	2,521,004	$4,009	$986	$63,757	($1,229)	($14,171)	($97,121)	$97,881	$609	$54,721

	Six Months Ended December 31, 2017									
	Common Stock									
Dollars in millions; shares in thousands	Shares	Amount	Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumu-lated Other Comp-rehensive Income/(Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Share-holders' Equity
BALANCE JUNE 30, 2017	2,553,297	$4,009	$1,006	$63,641	($1,249)	($14,632)	($93,715)	$96,124	$594	$55,778
Net earnings								5,348	83	5,431
Other comprehensive income/(loss)						461			—	461
Dividends and dividend equivalents ($1.3792 per share):										
Common								(3,512)		(3,512)
Preferred, net of tax benefits								(124)		(124)
Treasury stock purchases	(46,736)						(4,253)			(4,253)
Employee stock plans	12,239			113			830			943
Preferred stock conversions	2,204		(20)	3			17			—
ESOP debt impacts					20			45		65
Noncontrolling interest, net									(68)	(68)
BALANCE DECEMBER 31, 2017	2,521,004	$4,009	$986	$63,757	($1,229)	($14,171)	($97,121)	$97,881	$609	$54,721

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Amounts in millions	Six Months Ended December 31 2018	Six Months Ended December 31 2017
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	**$ 2,569**	$ 5,569
OPERATING ACTIVITIES		
Net earnings	**6,427**	5,431
Depreciation and amortization	**1,293**	1,368
Share-based compensation expense	**181**	157
Deferred income taxes	**37**	(2,008)
Gain on sale of assets	**(370)**	(158)
Changes in:		
Accounts receivable	**(398)**	(547)
Inventories	**(531)**	(457)
Accounts payable, accrued and other liabilities	**1,141**	857
Other operating assets and liabilities	**(370)**	2,524
Other	**164**	148
TOTAL OPERATING ACTIVITIES	**7,574**	7,315
INVESTING ACTIVITIES		
Capital expenditures	**(1,781)**	(1,900)
Proceeds from asset sales	**18**	201
Acquisitions, net of cash acquired	**(3,848)**	(101)
Purchases of short-term investments	**(158)**	(3,598)
Proceeds from sales and maturities of short-term investments	**1,117**	1,643
Change in other investments	**(58)**	50
TOTAL INVESTING ACTIVITIES	**(4,710)**	(3,705)
FINANCING ACTIVITIES		
Dividends to shareholders	**(3,703)**	(3,636)
Change in short-term debt	**1,206**	1,524
Additions to long-term debt	**2,368**	5,072
Reductions of long-term debt	**(978)**	(1,281)
Treasury stock purchases	**(2,003)**	(4,253)
Impact of stock options and other	**1,486**	698
TOTAL FINANCING ACTIVITIES	**(1,624)**	(1,876)
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**(113)**	129
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**1,127**	1,863
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	**$ 3,696**	$ 7,432

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

These statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2018 and the Form 8-K filed October 22, 2018 to update the Form 10-K to revise disclosures to reflect the adoption of the Financial Accounting Standards Board (FASB) ASU 2017-07 and 2016-18. For additional details on the impacts of adoption, see Note 2. In the opinion of management, the accompanying unaudited Consolidated Financial Statements of The Procter & Gamble Company and subsidiaries (the "Company," "Procter & Gamble," "P&G," "we" or "our") contain all adjustments necessary to present fairly the financial position, results of operations and cash flows for the interim periods reported. However, the results of operations included in such financial statements may not necessarily be indicative of annual results.

2. New Accounting Pronouncements and Policies and U.S. Tax Reform

On July 1, 2018, we adopted ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." This guidance outlines a single, comprehensive model of accounting for revenue from contracts with customers. We adopted the standard using the modified retrospective transition method, under which prior periods were not revised to reflect the impacts of the new standard. Our revenue is primarily generated from the sale of finished product to customers. Those sales predominantly contain a single delivery element and revenue is recognized at a single point in time when ownership, risks and rewards transfer. Accordingly, the timing of revenue recognition is not materially impacted by the new standard. Trade promotions, consisting primarily of customer pricing allowances, in-store merchandising funds, advertising and other promotional activities, and consumer coupons, are offered through various programs to customers and consumers. The adoption of the new standard impacts the accrual timing for certain portions of our customer and consumer promotional spending, which resulted in a cumulative adjustment to Retained earnings of $534, net of tax, on the date of adoption. The provisions of the new standard also impact the classification of certain payments to customers, moving an immaterial amount of such payments from expense to a deduction from net sales. Had this standard been effective and adopted during fiscal 2018, the impact would have been to reclassify $157 from Selling, General and Administrative expense (SG&A) to a reduction of Net sales for the six months ended December 31, 2017 and $309 for the year ended June 30, 2018, with no impact to operating profit. This guidance included practical expedients, none of which are material to our Consolidated Financial Statements. This new guidance does not have any other material impacts on our Consolidated Financial Statements, including financial disclosures.

On July 1, 2018, we adopted ASU 2017-07, "Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715)." This guidance requires an entity to disaggregate the current service cost component from the other components of net benefit costs in the face of the income statement. It requires the service cost component to be presented with other current compensation costs for the related employees in the operating section of the income statement, with other components of net benefit cost presented outside of income from operations. We adopted the standard retrospectively, using the practical expedient which allows entities to use information previously disclosed in their pension and other postretirement benefit plans footnote as the basis to apply the retrospective presentation requirements. As such, prior periods’ results have been revised to report the other components of net defined benefit costs, previously reported in Cost of products sold and SG&A, in Other non-operating income, net.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows: Restricted Cash (Topic 230)." This guidance requires the Statement of Cash Flows to present changes in the total of cash, cash equivalents and restricted cash. Prior to the adoption of this ASU, the relevant accounting guidance did not require the Statement of Cash Flows to include changes in restricted cash. We adopted the standard retrospectively on July 1, 2018. We currently have no significant restricted cash balances. Historically, we had restricted cash balances and changes related to divestiture activity. Such balances were presented as Current assets held for sale on the balance sheets, with changes presented as Investing activities on the Statements of Cash Flow. In accordance with ASU 2016-08, such balances are now included in the beginning and ending balances of Cash, cash equivalents and restricted cash for all periods presented.

In February 2018, the FASB issued ASU 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (Topic 220)." This guidance permits companies to make an election to reclassify stranded tax effects from the recently enacted U.S. Tax Cuts and Jobs Act included in Accumulated other comprehensive income (AOCI) to Retained earnings. ASU 2018-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The Company elected to early adopt this guidance in the quarter ended September 30, 2018. The reclassification from the adoption of this standard resulted in an increase of $326 to Retained earnings and a decrease of $326 to AOCI.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity transfers of Assets other than Inventory." The standard eliminates the prohibition in ASC 740 against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. We have adopted this standard effective July 1, 2018 on a modified retrospective basis. The adoption of ASU 2016-16 did not have a material impact on our Consolidated Financial Statements, including the cumulative effect adjustment required upon adoption.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." The standard requires lessees to recognize lease assets and lease liabilities on the balance sheet and requires expanded disclosures about leasing arrangements. In July 2018, the FASB issued ASU 2018-11, “Leases (Topic 842) Targeted Improvements”. The updated guidance provides an optional transition method, which allows for the application of the standard as of the adoption date with no restatement of prior period amounts. We plan to adopt the standard on July 1, 2019 under the optional transition method described above. We are currently in the process of implementing lease accounting software as well as assessing the impact that the new standard will have on our Consolidated Financial Statements, which will consist primarily of a balance sheet gross up of our operating leases to show equal and offsetting lease assets and lease liabilities.

In January 2017, the FASB issued ASU 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." The standard simplifies the accounting for goodwill impairment by requiring a goodwill impairment to be measured using a single step impairment model, whereby the impairment equals the difference between the carrying amount and the fair value of the specified reporting units in their entirety. This eliminates the second step of the current impairment model that requires companies to first estimate the fair value of all assets in a reporting unit and measure impairments based on those fair values and a residual measurement approach. It also specifies that any loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. We will adopt the standard no later than July 1, 2020. The impact of the new standard will be dependent on the specific facts and circumstances of future individual impairments, if any.

No other new accounting pronouncement issued or effective during the fiscal year had, or is expected to have, a material impact on our Consolidated Financial Statements.

U.S. Tax Reform

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "U.S. Tax Act"). The U.S. Tax Act significantly revises the future ongoing U.S. corporate income tax by, among other things, lowering the U.S. corporate income tax rates and implementing a hybrid territorial tax system. As the Company has a June 30 fiscal year-end, the lower corporate income tax rate was phased in, resulting in a U.S. statutory federal rate of approximately 28% for our fiscal year ended June 30, 2018, and 21% for subsequent fiscal years. However, the U.S. Tax Act eliminates the domestic manufacturing deduction and moves to a hybrid territorial system, which also largely eliminates the ability to credit certain foreign taxes that existed prior to enactment of the U.S. Tax Act.

There are also certain transitional impacts of the U.S. Tax Act. As part of the transition to the new hybrid territorial tax system, the U.S. Tax Act imposed a one-time repatriation tax on deemed repatriation of historical earnings of foreign subsidiaries. In addition, the reduction of the U.S. corporate tax rate caused us to adjust our U.S. deferred tax assets and liabilities to the lower federal base rate of 21%. These transitional impacts resulted in a provisional net charge of $602 million for the fiscal year ended June 30, 2018, and $628 million for the three months ended December 31, 2017 (the quarter of enactment), comprised of an estimated repatriation tax charge of $3.8 billion (comprised of U.S. repatriation taxes and foreign withholding taxes) and an estimated net deferred tax benefit of $3.2 billion. We have finalized our assessment of the transitional impacts of the U.S. Tax Act, which did not have a significant impact on tax expense during the six months ended December 31, 2018. Any legislative changes, including the final Section 965 transition tax regulations issued on January 15, 2019, whose impact is currently being assessed due to the complexity and interdependency of the legislative provisions, as well as any other new or proposed Treasury regulations, which have yet to be issued, may result in additional income tax impacts which could be material in the period any such changes are enacted.

3. Segment Information

Under U.S. GAAP, our Global Business Units (GBUs) are aggregated into five reportable segments: 1) Beauty, 2) Grooming, 3) Health Care, 4) Fabric & Home Care and 5) Baby, Feminine & Family Care. Our five reportable segments are comprised of:

- *Beauty*: Hair Care (Conditioner, Shampoo, Styling Aids, Treatments); Skin and Personal Care (Antiperspirant and Deodorant, Personal Cleansing, Skin Care);
- *Grooming*: Shave Care (Female Blades & Razors, Male Blades & Razors, Pre- and Post-Shave Products, Other Shave Care); Appliances
- *Health Care*: Oral Care (Toothbrushes, Toothpaste, Other Oral Care); Personal Health Care (Gastrointestinal, Rapid Diagnostics, Respiratory, Vitamins/Minerals/Supplements, Other Personal Health Care);
- *Fabric & Home Care*: Fabric Care (Fabric Enhancers, Laundry Additives, Laundry Detergents); Home Care (Air Care, Dish Care, P&G Professional, Surface Care); and
- *Baby, Feminine & Family Care*: Baby Care (Baby Wipes, Diapers and Pants); Feminine Care (Adult Incontinence, Feminine Care); Family Care (Paper Towels, Tissues, Toilet Paper).

Our business units are comprised of similar product categories. Nine business units individually accounted for 5% or more of consolidated net sales as follows:

	% of Net sales by Business Unit [1]			
	Three Months Ended December 31		Six Months Ended December 31	
	2018	2017	**2018**	2017
Fabric Care	**22%**	21%	**22%**	22%
Baby Care	**12%**	13%	**12%**	13%
Home Care	**10%**	10%	**10%**	10%
Skin and Personal Care	**10%**	9%	**10%**	9%
Hair Care	**9%**	10%	**10%**	10%
Family Care	**9%**	8%	**9%**	8%
Oral Care	**9%**	9%	**8%**	8%
Shave Care	**7%**	8%	**8%**	8%
Feminine Care	**6%**	6%	**6%**	6%
All Other	**6%**	6%	**5%**	6%
Total	**100%**	100%	**100%**	100%

[1] % of Net sales by business unit excludes sales held in Corporate.

Following is a summary of reportable segment results:

		Three Months Ended December 31			Six Months Ended December 31		
		Net Sales	Earnings/(Loss) Before Income Taxes	Net Earnings/ (Loss)	Net Sales	Earnings/(Loss) Before Income Taxes	Net Earnings/ (Loss)
Beauty	**2018**	**$ 3,357**	**$ 964**	**$ 772**	**$ 6,646**	**$ 1,911**	**$ 1,531**
	2017	3,233	853	655	6,371	1,689	1,287
Grooming	**2018**	**1,617**	**448**	**378**	**3,179**	**865**	**718**
	2017	1,776	531	423	3,353	945	752
Health Care	**2018**	**2,220**	**669**	**520**	**4,065**	**1,109**	**852**
	2017	2,212	668	455	4,114	1,123	760
Fabric & Home Care	**2018**	**5,557**	**1,134**	**860**	**11,045**	**2,278**	**1,737**
	2017	5,434	1,101	714	10,817	2,280	1,483
Baby, Feminine & Family Care	**2018**	**4,558**	**930**	**707**	**8,948**	**1,832**	**1,399**
	2017	4,613	933	597	9,158	1,897	1,227
Corporate	**2018**	**129**	**(229)**	**(21)**	**245**	**(139)**	**190**
	2017	127	(53)	(283)	235	(150)	(78)
Total Company	**2018**	**$ 17,438**	**$ 3,916**	**$ 3,216**	**$ 34,128**	**$ 7,856**	**$ 6,427**
	2017	17,395	4,033	2,561	34,048	7,784	5,431

4. Goodwill and Other Intangible Assets

Goodwill is allocated by reportable segment as follows:

	Beauty	Grooming	Health Care	Fabric & Home Care	Baby, Feminine & Family Care	Total Company
Goodwill at June 30, 2018	$ 12,992	$ 19,820	$ 5,929	$ 1,865	$ 4,569	$ 45,175
Acquisitions and divestitures	132	—	1,955	6	—	2,093
Translation and other	(116)	(135)	(36)	(13)	(36)	(336)
Goodwill at December 31, 2018	**$ 13,008**	**$ 19,685**	**$ 7,848**	**$ 1,858**	**$ 4,533**	**$ 46,932**

Amounts in millions of dollars unless otherwise specified.

Goodwill from current year acquisitions primarily reflects the acquisition of the over-the-counter (OTC) healthcare business of Merck KGaA (Merck OTC) in the Health Care reportable segment (see Note 11), along with other minor acquisitions in the Beauty and Fabric & Home Care reportable segments. Goodwill increases due to acquisitions was partially offset by the divestiture of the Teva portion of the PGT business in the Health Care reportable segment and currency translation.

Identifiable intangible assets at December 31, 2018 were comprised of:

	Gross Carrying Amount	Accumulated Amortization
Intangible assets with determinable lives	$ 8,580	$ (5,251)
Intangible assets with indefinite lives	22,618	—
Total identifiable intangible assets	**$ 31,198**	**$ (5,251)**

Intangible assets with determinable lives consist of brands, patents, technology and customer relationships. The intangible assets with indefinite lives consist of brands. The amortization expense of intangible assets for the three months ended December 31, 2018 and 2017 was $81 and $75, respectively. For the six months ended December 31, 2018 and 2017, the amortization expense of intangible assets was $154 and $152, respectively.

Goodwill and indefinite lived intangible assets are not amortized, but are tested annually for impairment. The test to evaluate goodwill for impairment is a two-step process. In the first step, we compare the fair value of the reporting unit to its carrying value. If the fair value of the reporting unit is less than its carrying value, we perform a second step to determine the implied fair value of the reporting unit's goodwill. The second step of the impairment analysis requires a valuation of a reporting unit's tangible and intangible assets and liabilities in a manner similar to the allocation of purchase price in a business combination. If the resulting implied fair value of the reporting unit's goodwill is less than its carrying value, that difference represents an impairment.

The business unit valuations used to test goodwill and intangible assets for impairment are dependent on a number of significant estimates and assumptions, including macroeconomic conditions, overall category growth rates, competitive activities, cost containment, margin expansion and Company business plans. We believe these estimates and assumptions are reasonable. However, future changes in the judgments, assumptions and estimates that are used in our impairment testing for goodwill and indefinite-lived intangible assets, including discount and tax rates or future cash flow projections, could result in significantly different estimates of the fair values. Our annual impairment testing for goodwill and indefinite lived intangible assets occurs during the 3 months ended December 31.

Most of our goodwill reporting units are comprised of a combination of legacy and acquired businesses and as a result have fair value cushions that, at a minimum, exceed two times their underlying carrying values. Certain of our goodwill reporting units, in particular Shave Care and Appliances, are comprised entirely of acquired businesses and as a result, have fair value cushions that are not as high. Both of these wholly acquired reporting units have fair value cushions that currently equal or exceed the underlying carrying values. However, the overall Shave Care goodwill cushion has been reduced in recent years, with the fair value in the current year being reduced to an amount that approximates the reporting unit's carrying value. The related Gillette indefinite-lived intangible asset cushion has also been reduced to below 5%. These reductions are due in large part to an increased competitive market environment in the U.S. and certain other markets, a deceleration of category growth caused by changing grooming habits and significant currency devaluations in a number of countries relative to the U.S. dollar, which collectively have resulted in reduced cash flow projections. The current year reduction in the fair value was primarily caused by further currency devaluations, along with competitive activities. As a result of these factors and the reduction in the fair values and related cushions, goodwill for the Shave Care reporting unit and the related indefinite-lived intangible asset are more susceptible to impairment risk.

The most significant assumptions utilized in the determination of the estimated fair values of Shave Care reporting unit and the Gillette indefinite-lived intangible asset are the net sales and earnings growth rates (including residual growth rates) and discount rate. The residual growth rate represents the expected rate at which the reporting unit and Gillette brand are expected to grow beyond the shorter-term business planning period. The residual growth rate utilized in our fair value estimates is consistent with the reporting unit and brand operating plans, and approximates expected long term category market growth rates. The residual growth rate is dependent on overall market growth rates, the competitive environment, inflation, relative currency exchange rates and business activities that impact market share. As a result, the residual growth rate could be adversely impacted by a sustained deceleration in category growth, grooming habit changes, devaluation of currencies against the U.S. dollar or an increased competitive environment. The discount rate, which is consistent with a weighted average cost of capital that is likely to be expected by a market participant, is based upon industry required rates of return, including consideration of both debt and equity components of the capital structure. Our discount rate may be impacted by adverse changes in the macroeconomic environment, volatility in the equity and debt markets or other country specific factors, such as further devaluation of currencies against the U.S. dollar. Spot rates as of the fair value measurement date are utilized in our fair value estimates for cash flows outside the U.S.

Amounts in millions of dollars unless otherwise specified.

While management can and has implemented strategies to address these events, changes in operating plans or adverse changes in the future could reduce the underlying cash flows used to estimate fair values and could result in a decline in fair value that would trigger future impairment charges of the reporting unit's goodwill and indefinite-lived intangibles. As of December 31, 2018, the carrying values of Shave Care goodwill and the Gillette indefinite-lived intangible asset were $19.4 billion and $15.7 billion, respectively.

The table below provides a sensitivity analysis for the Shave Care reporting unit and the Gillette indefinite lived intangible asset, utilizing reasonably possible changes in the assumptions for the shorter term and residual growth rates and the discount rate, to demonstrate the potential impacts to the estimated fair values. The table below provides, in isolation, the estimated fair value impacts related to a 25 basis point increase to discount rate or a 25 basis point decrease to our shorter-term and residual growth rates, both of which would result in impairment charges.

	Approximate Percent Change in Estimated Fair Value	
	+25 bps Discount Rate	-25 bps Growth Rate
Shave Care goodwill reporting unit	**(5)%**	**(6)%**
Gillette indefinite-lived intangible asset	**(5)%**	**(6)%**

5. Earnings Per Share

Basic net earnings per common share are calculated by dividing Net earnings attributable to Procter & Gamble less preferred dividends (net of related tax benefits) by the weighted average number of common shares outstanding during the period. Diluted net earnings per common share are calculated using the treasury stock method on the basis of the weighted average number of common shares outstanding plus the dilutive effect of stock options and other stock-based awards and the assumed conversion of preferred stock.

Net earnings per share were as follows:

CONSOLIDATED AMOUNTS	Three Months Ended December 31		Six Months Ended December 31	
	2018	2017	2018	2017
Net earnings	**$ 3,216**	$ 2,561	**$ 6,427**	$ 5,431
Less: Net earnings attributable to noncontrolling interests	**22**	66	**34**	83
Net earnings attributable to P&G (Diluted)	**3,194**	2,495	**6,393**	5,348
Preferred dividends, net of tax	**(65)**	(62)	**(131)**	(124)
Net earnings attributable to P&G available to common shareholders (Basic)	**$ 3,129**	$ 2,433	**$ 6,262**	$ 5,224
SHARES IN MILLIONS				
Basic weighted average common shares outstanding	**2,499.7**	2,533.9	**2,497.8**	2,542.2
Add: Effect of dilutive securities				
Conversion of preferred shares [1]	**90.7**	95.5	**91.3**	96.0
Impact of stock options and other unvested equity awards [2]	**32.6**	40.2	**28.5**	41.9
Diluted weighted average common shares outstanding	**2,623.0**	2,669.6	**2,617.6**	2,680.1
NET EARNINGS PER SHARE [3]				
Basic	**$ 1.25**	$ 0.96	**$ 2.51**	$ 2.05
Diluted	**$ 1.22**	$ 0.93	**$ 2.44**	$ 2.00

(1) Despite being included currently in Diluted net earnings per common share, the actual conversion to common stock occurs when the preferred shares are sold. Shares may only be sold after being allocated to the ESOP participants pursuant to the repayment of the ESOP's obligations through 2035.

(2) Weighted average outstanding stock options of approximately 23 million and 24 million for the three months ended December 31, 2018 and 2017, and approximately 35 million and 22 million for the six months ended December 31, 2018 and 2017 respectively, were not included in the Diluted net earnings per share calculation because the options were out of the money or to do so would have been antidilutive (i.e., the total proceeds upon exercise would have exceeded the market value of the underlying common shares).

(3) Net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

6. Share-Based Compensation and Postretirement Benefits

The following table provides a summary of our share-based compensation expense and postretirement benefit costs:

	Three Months Ended December 31		Six Months Ended December 31	
	2018	**2017**	**2018**	**2017**
Share-based compensation expense	**$ 79**	$ 73	**$ 181**	$ 157
Net periodic benefit cost for pension benefits [(1)]	**36**	52	**64**	103
Net periodic benefit cost/(credit) for other retiree benefits [(1)]	**(42)**	(38)	**(83)**	(76)

(1) The components of the total net periodic benefit cost for both pension benefits and other retiree benefits for those interim periods, on an annualized basis, do not differ materially from the amounts disclosed in the Annual Report on Form 10-K for the fiscal year ended June 30, 2018, as revised by the Form 8-K filed October 22, 2018 to update the Form 10-K to revise disclosures to reflect the adoption of the Financial Accounting Standards Board (FASB) ASU 2017-07 and 2016-18.

7. Risk Management Activities and Fair Value Measurements

As a multinational company with diverse product offerings, we are exposed to market risks, such as changes in interest rates, currency exchange rates and commodity prices. There have been no significant changes in our risk management policies or activities during the six months ended December 31, 2018.

The Company has not changed its valuation techniques used in measuring the fair value of any financial assets and liabilities during the period. The Company recognizes transfers between levels within the fair value hierarchy, if any, at the end of each quarter. There were no transfers between levels during the periods presented. Also, there was no significant activity within the Level 3 assets and liabilities during the periods presented. There were no significant assets or liabilities that were remeasured at fair value on a non-recurring basis for the six months ended December 31, 2018.

The following table sets forth the Company’s financial assets as of December 31, 2018 and June 30, 2018 that are measured at fair value on a recurring basis during the period:

	Fair Value Asset	
	December 31, 2018	**June 30, 2018**
Investments:		
U.S. government securities	**$ 5,177**	$ 5,544
Corporate bond securities	**3,244**	3,737
Other investments	**163**	141
Total	**$ 8,584**	$ 9,422

Investment securities are presented in Available-for-sale investment securities and Other noncurrent assets. The amortized cost of U.S. government securities with maturities less than one year was $1,601 as of December 31, 2018 and $2,003 as of June 30, 2018. The amortized cost of U.S. government securities with maturities between one and five years was $3,657 as of December 31, 2018 and $3,659 as of June 30, 2018. The amortized cost of Corporate bond securities with maturities of less than a year was $1,525 as of December 31, 2018 and $1,291 as of June 30, 2018. The amortized cost of Corporate bond securities with maturities between one and five years was $1,760 as of December 31, 2018 and $2,503 as of June 30, 2018. The Company's investments measured at fair value are generally classified as Level 2 within the fair value hierarchy. There are no material investment balances classified as Level 1 or Level 3 within the fair value hierarchy, or that used net asset value as a practical expedient. Fair values are generally estimated based upon quoted market prices for similar instruments.

The fair value of long-term debt was $24,602 and $23,402 as of December 31, 2018 and June 30, 2018, respectively. This includes the current portion of debt instruments ($2,301 and $1,769 as of December 31, 2018 and June 30, 2018, respectively). Certain long-term debt (debt tied to derivatives designated as a fair value hedge) is recorded at fair value. All other long-term debt is recorded at amortized cost, but is measured at fair value for disclosure purposes. We consider our debt to be Level 2 in the fair value hierarchy. Fair values are generally estimated based on quoted market prices for identical or similar instruments.

Amounts in millions of dollars unless otherwise specified.

Disclosures about Financial Instruments

The notional amounts and fair values of financial instruments used in hedging transactions as of December 31, 2018 and June 30, 2018 are as follows:

	Notional Amount		Fair Value Asset		Fair Value (Liability)	
	December 31, 2018	June 30, 2018	December 31, 2018	June 30, 2018	December 31, 2018	June 30, 2018
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS						
Interest rate contracts	**$ 4,550**	$ 4,587	**$ 118**	$ 125	**$ (28)**	$ (53)
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS						
Foreign currency interest rate contracts	**$ 1,855**	$ 1,848	**$ 21**	$ 41	**$ (59)**	$ (75)
TOTAL DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS	**$ 6,405**	$ 6,435	**$ 139**	$ 166	**$ (87)**	$ (128)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS						
Foreign currency contracts	**$ 7,025**	$ 7,358	**$ 49**	$ 30	**$ (29)**	$ (56)
TOTAL DERIVATIVES AT FAIR VALUE	**$ 13,430**	$ 13,793	**$ 188**	$ 196	**$ (116)**	$ (184)

All derivative assets are presented in Prepaid expenses and other current assets or Other noncurrent assets. All derivative liabilities are presented in Accrued and other liabilities or Other noncurrent liabilities.

The fair value of the interest rate derivative asset/liability directly offsets the cumulative amount of the fair value hedging adjustment included in the carrying amount of the underlying debt obligation. The carrying amount of the underlying debt obligation, which includes the unamortized discount or premium and the fair value adjustment, was $4,623 and $4,639 as of December 31, 2018 and June 30, 2018, respectively. In addition to the foreign currency derivative contracts designated as net investment hedges, certain of our foreign currency denominated debt instruments are designated as net investment hedges. The carrying value of those debt instruments designated as net investment hedges, which includes the adjustment for the foreign currency transaction gain or loss on those instruments, was $17,092 and $15,012 as of December 31, 2018 and June 30, 2018, respectively. All of the Company's derivative assets and liabilities measured at fair value are classified as Level 2 within the fair value hierarchy.

Before tax gains/(losses) on our financial instruments in hedging relationships are categorized as follows:

	Amount of Gain/(Loss) Recognized in OCI on Derivatives			
	Three Months Ended December 31		Six Months Ended December 31	
	2018	2017	2018	2017
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS (1) (2)				
Foreign exchange contracts	**$ 23**	$ (89)	**$ 19**	$ (262)

(1) For the derivatives in net investment hedging relationships, the amount of gain/(loss) excluded from effectiveness testing, which was recognized in earnings, was $13 and $42 for the three months ended December 31, 2018 and 2017, respectively. The amount of gain/(loss) excluded from effectiveness testing was $27 and $73 for the six months ended December 31, 2018 and 2017, respectively.

(2) In addition to the foreign currency derivative contracts designated as net investment hedges, certain of our foreign currency denominated debt instruments are designated as net investment hedges. The amount of gain/(loss) recognized in AOCI for such instruments was $228 and $(176), for the three months ended December 31, 2018 and 2017, respectively. The amount of gain/(loss) recognized in AOCI for such instruments was $241 and $(745), for the six months ended December 31, 2018 and 2017, respectively.

	Amount of Gain/(Loss) Recognized in Earnings			
	Three Months Ended December 31		Six Months Ended December 31	
	2018	2017	2018	2017
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS				
Interest rate contracts	**$ 42**	$ (38)	**$ 18**	**$ (41)**
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS				
Foreign currency contracts	**$ (5)**	$ (1)	**$ (7)**	**$ (2)**

The gain/(loss) on the derivatives in fair value hedging relationships is fully offset by the mark-to-market impact of the related exposure. These are both recognized in the Consolidated Statements of Earnings in Interest Expense. The gain/(loss) on derivatives not designated as hedging instruments is substantially offset by the currency mark-to-market of the related exposure. These are both recognized in the Consolidated

Statements of Earnings in SG&A.

8. Accumulated Other Comprehensive Income/(Loss)

The table below presents the changes in Accumulated other comprehensive income/(loss) (AOCI), including the reclassifications out of Accumulated other comprehensive income/(loss) by component:

	Changes in Accumulated Other Comprehensive Income/(Loss) by Component				
	Hedges	Investment Securities	Pension and Other Retiree Benefits	Financial Statement Translation	Total AOCI
Balance at June 30, 2018	$ (3,246)	$ (173)	$ (4,058)	$ (7,272)	$ (14,749)
OCI before reclassifications [(1)]	199	54	149	(587)	(185)
Amounts reclassified from AOCI [(2)]	—	(1)	101	1	101
Net current period OCI	199	53	250	(586)	(84)
Reclassification to retained earnings in accordance with ASU 2018-02 [(3)]	(18)	—	(308)	—	(326)
Less: Other comprehensive income/(loss) attributable to non-controlling interests	—	—	—	(3)	(3)
Balance at December 31, 2018	**$ (3,065)**	**$ (120)**	**$ (4,116)**	**$ (7,855)**	**$ (15,156)**

(1) Net of tax expense/(benefit) of $61, $0 and $38 for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively.

(2) Net of tax expense/(benefit) of $0, $0 and $32 for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively.

(3) Adjustment made to early adopt ASU 2018-02: "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income," as discussed in Note 2.

The below provides additional details on amounts reclassified from AOCI into the Consolidated Statements of Earnings:

- Investment securities: amounts reclassified from AOCI into Other non-operating income, net.
- Pension and other retiree benefits: amounts reclassified from AOCI into Other non-operating income, net and included in the computation of net periodic postretirement costs.
- Financial statement translation: amounts reclassified from AOCI into SG&A.

9. Restructuring Program

The Company has historically incurred an ongoing annual level of restructuring-type activities to maintain a competitive cost structure, including manufacturing and workforce optimization. Before-tax costs incurred under the ongoing program have generally ranged from $250 to $500 annually.

In fiscal 2017, the Company announced specific elements of a multi-year productivity and cost savings plan to further reduce costs in the areas of supply chain, certain marketing activities and overhead expenses. This program is expected to result in incremental enrollment reductions, along with further optimization of the supply chain and other manufacturing processes.

Restructuring costs incurred consist primarily of costs to separate employees, asset-related costs to exit facilities and other costs. For the three and six month periods ended December 31, 2018, the Company incurred total restructuring charges of $177 and $314, respectively. Of these charges incurred, $25 and $97 were recorded in SG&A and $143 and $207 were recorded in Cost of products sold, respectively. The remainder of these charges were recorded in Other non-operating income, net. The following table presents restructuring activity for the six months ended December 31, 2018:

	Reserve Balance June 30, 2018	Charges Previously Reported (Three Months Ended September 30, 2018)	Charges for the Three Months Ended December 31, 2018	Six Months Ended December 31, 2018		Reserve Balance December 31, 2018
				Cash Spent	Charges Against Assets	
Separations	$ 259	$ 53	$ 56	$ (115)	$ —	**$ 253**
Asset-related costs	—	28	22	—	(50)	**—**
Other costs	254	56	99	(180)	—	**229**
Total	**$ 513**	**$137**	**$ 177**	**$ (295)**	**$ (50)**	**$ 482**

Separation Costs

Employee separation charges for the three and six month periods ended December 31, 2018 relate to severance packages for approximately 500 employees and 970 employees, respectively. The packages were predominantly voluntary and the amounts were calculated based on salary levels and past service periods. Severance costs related to voluntary separations are generally charged to earnings when the employee accepts the offer.

Asset-Related Costs

Asset-related costs consist of both asset write-downs and accelerated depreciation. Asset write-downs relate to the establishment of a new fair value basis for assets held-for-sale or disposal. These assets were written down to the lower of their current carrying basis or amounts expected to be realized upon disposal, less minor disposal costs. Charges for accelerated depreciation relate to long-lived assets that will be taken out of service prior to the end of their normal service period. These assets relate primarily to manufacturing consolidations and technology standardizations. The asset-related charges will not have a significant impact on future depreciation charges.

Other Costs

Other restructuring-type charges are incurred as a direct result of the restructuring program. Such charges primarily include asset removal and termination of contracts related to supply chain optimization.

Consistent with our historical policies for ongoing restructuring-type activities, the restructuring program charges are funded by and included within Corporate for both management and segment reporting. Accordingly, all of the charges under the program are included within the Corporate reportable segment. However, for informative purposes, the following table summarizes the total restructuring costs related to our reportable segments:

	Three Months Ended December 31, 2018	Six Months Ended December 31, 2018
Beauty	$ 17	$ 27
Grooming	25	31
Health Care	4	12
Fabric & Home Care	18	31
Baby, Feminine & Family Care	70	91
Corporate [1]	43	122
Total Company	**$177**	**$ 314**

[1] Corporate includes costs related to allocated overheads, including charges related to our Sales and Market Operations, Global Business Services and Corporate Functions activities.

10. Commitments and Contingencies

Litigation

The Company is subject to various legal proceedings and claims arising out of our business which cover a wide range of matters such as antitrust, trade and other governmental regulations, product liability, patent and trademark, advertising, contracts, environmental, labor and employment and tax. With respect to these and other litigation and claims, while considerable uncertainty exists, in the opinion of management and our counsel, the ultimate resolution of the various lawsuits and claims will not materially affect our financial position, results of operations or cash flows.

We are also subject to contingencies pursuant to environmental laws and regulations that in the future may require us to take action to correct the effects on the environment of prior manufacturing and waste disposal practices. Based on currently available information, we do not believe the ultimate resolution of environmental remediation will materially affect our financial position, results of operations or cash flows.

Income Tax Uncertainties

The Company is present in approximately 150 taxable jurisdictions and, at any point in time, has 40 – 50 jurisdictional audits underway at various stages of completion. We evaluate our tax positions and establish liabilities for uncertain tax positions that may be challenged by local authorities and may not be fully sustained, despite our belief that the underlying tax positions are fully supportable. Uncertain tax positions are reviewed on an ongoing basis and are adjusted in light of changing facts and circumstances, including progress of tax audits, developments in case law and closing of statutes of limitations. Such adjustments are reflected in the tax provision as appropriate. We have tax years open ranging from 2008 and forward. We are generally not able to reliably estimate the ultimate settlement amounts until the close of the audit. While we do not expect material changes, it is possible that the amount of unrecognized benefit with respect to our uncertain tax positions could increase or decrease within the next 12 months. At this time, we are not able to make a reasonable estimate of the range of impact on the balance of uncertain tax positions or the impact on the effective tax rate related to these items.

Additional information on the Commitments and Contingencies of the Company can be found in our Annual Report on Form 10-K for the year ended June 30, 2018.

Amounts in millions of dollars unless otherwise specified.

11. Merck Acquisition

On November 30, 2018, we completed our acquisition of the over the counter (OTC) healthcare business of Merck KGaA (Merck OTC) for $3.7 billion (based on exchange rates at the time of closing) in an all-cash transaction. This business primarily sells OTC consumer healthcare products, mainly in Europe, Latin America and Asia markets. The results of Merck OTC, which are not material to the Company, are reported in our consolidated financial statements beginning December 1, 2018. Total sales for Merck OTC's most recently completed fiscal year ended December 31, 2017 were approximately $1 billion.

The following table presents the preliminary allocation of purchase price related to the Merck OTC business as of the date of acquisition. The preliminary allocation of the purchase price is based on the best estimates of management and is subject to revision based on final determination of fair values of the assets and liabilities acquired, which will be completed as we complete our analysis of the underlying assets and acquired liabilities, such as pensions, litigation cases, environmental issues, and tax positions.

Amounts in Millions	November 30, 2018
Current assets	$ 393
Property, plant and equipment	122
Intangible assets	2,111
Goodwill	2,010
Other non-current assets	143
Total Assets Acquired	$ 4,779
Current liabilities	$ 233
Deferred income taxes	661
Non-current liabilities	60
Total Liabilities Acquired	$ 954
Noncontrolling Interest [1]	$ 169
Net Assets Acquired	$ 3,656

[1] Represents a 48% minority ownership interest in the Merck India company.

The acquisition resulted in $2.0 billion in goodwill, of which approximately $180 million is expected to be deductible for tax purposes. All of this goodwill was allocated to the Health Care Segment. The goodwill is primarily attributable to the assembled workforce and synergies we expect to generate by combining the Merck OTC business with the Company's existing personal health care business.

We have preliminarily estimated the fair value of Merck OTC's identifiable intangible assets as $2.1 billion. The preliminary allocation of identifiable intangible assets and their average useful lives is as follows:

Amounts in Millions	Estimated Fair Value	Avg Remaining Useful Life
Intangible Assets with Determinable Lives		
Brands	$ 701	14
Patents and technology	118	7
Customer relationships	346	20
Total	$ 1,165	15
Intangible Assets with Indefinite Lives		
Brands	946	
Total Intangible Assets	$ 2,111	

The majority of the intangible valuation relates to brand intangibles. Our preliminary assessment as to brand intangibles that have an indefinite life and those that have a definite life was based on a number of factors, including competitive environment, market share, brand history, product life cycles, operating plan and the macroeconomic environment of the countries in which the brands are sold. The indefinite-lived brand intangibles include Neurobion and Dolo Neurobion. The definite-lived brand intangibles primarily include regional or local brands. The definite-lived brand intangibles have estimated lives ranging from 10 to 20 years. The technology intangibles are related to R&D and manufacturing know-how; these intangibles have a 7 year estimated life. The customer relationships intangibles have a 20 year estimated life and reflect the historical and projected attrition rates for Merck OTC’s relationships with health care professionals, retailers and distributors.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report, including without limitation, the following sections: “Management's Discussion and Analysis,” “Risk Factors,” and "Notes 4 and 10 to the Consolidated Financial Statements." These forward-looking statements generally are identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “intend,” “strategy,” “future,” “opportunity,” “plan,” “may,” “should,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. Forward-looking statements are based on current expectations and assumptions, which are subject to risks and uncertainties that may cause results to differ materially from those expressed or implied in the forward-looking statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events or otherwise.

Risks and uncertainties to which our forward-looking statements are subject include, without limitation: (1) the ability to successfully manage global financial risks, including foreign currency fluctuations, currency exchange or pricing controls and localized volatility; (2) the ability to successfully manage local, regional or global economic volatility, including reduced market growth rates, and to generate sufficient income and cash flow to allow the Company to affect the expected share repurchases and dividend payments; (3) the ability to manage disruptions in credit markets or changes to our credit rating; (4) the ability to maintain key manufacturing and supply arrangements (including execution of supply chain optimizations and sole supplier and sole manufacturing plant arrangements) and to manage disruption of business due to factors outside of our control, such as natural disasters and acts of war or terrorism; (5) the ability to successfully manage cost fluctuations and pressures, including prices of commodities and raw materials, and costs of labor, transportation, energy, pension and healthcare; (6) the ability to stay on the leading edge of innovation, obtain necessary intellectual property protections and successfully respond to changing consumer habits and technological advances attained by, and patents granted to, competitors; (7) the ability to compete with our local and global competitors in new and existing sales channels, including by successfully responding to competitive factors such as prices, promotional incentives and trade terms for products; (8) the ability to manage and maintain key customer relationships; (9) the ability to protect our reputation and brand equity by successfully managing real or perceived issues, including concerns about safety, quality, ingredients, efficacy or similar matters that may arise; (10) the ability to successfully manage the financial, legal, reputational and operational risk associated with third-party relationships, such as our suppliers, distributors, contractors and external business partners; (11) the ability to rely on and maintain key company and third party information technology systems, networks and services, and maintain the security and functionality of such systems, networks and services and the data contained therein; (12) the ability to successfully manage uncertainties related to changing political conditions (including the United Kingdom’s decision to leave the European Union) and potential implications such as exchange rate fluctuations and market contraction; (13) the ability to successfully manage regulatory and legal requirements and matters (including, without limitation, those laws and regulations involving product liability, intellectual property, antitrust, data protection, tax, environmental, and accounting and financial reporting) and to resolve pending matters within current estimates; (14) the ability to manage changes in applicable tax laws and regulations including maintaining our intended tax treatment of divestiture transactions; (15) the ability to successfully manage our ongoing acquisition, divestiture and joint venture activities, in each case to achieve the Company’s overall business strategy and financial objectives, without impacting the delivery of base business objectives; and (16) the ability to successfully achieve productivity improvements and cost savings and manage ongoing organizational changes, while successfully identifying, developing and retaining key employees, including in key growth markets where the availability of skilled or experienced employees may be limited. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from those projected herein, is included in the section titled “Economic Conditions and Uncertainties” and the section titled “Risk Factors” (Part II, Item 1A) of this Form 10-Q.

The purpose of Management's Discussion and Analysis (MD&A) is to provide an understanding of Procter & Gamble's financial condition, results of operations and cash flows by focusing on changes in certain key measures from year to year. The MD&A is provided as a supplement to, and should be read in conjunction with, our Consolidated Financial Statements and accompanying notes.

The MD&A is organized in the following sections:

- Overview
- Summary of Results – Six Months Ended December 31, 2018
- Economic Conditions and Uncertainties
- Results of Operations – Three and Six Months Ended December 31, 2018
- Business Segment Discussion – Three and Six Months Ended December 31, 2018
- Liquidity and Capital Resources
- Reconciliation of Measures Not Defined by U.S. GAAP

Throughout the MD&A, we refer to measures used by management to evaluate performance, including unit volume growth, net sales and net earnings. We also refer to a number of financial measures that are not defined under accounting principles generally accepted in the United States of America (U.S. GAAP), including organic sales growth, core net earnings per share (Core EPS), adjusted free cash flow and adjusted free cash flow productivity. The explanation at the end of the MD&A provides the definition of these non-GAAP measures as well as details on the use and the derivation of these measures.

Management also uses certain market share and market consumption estimates to evaluate performance relative to competition despite some limitations on the availability and comparability of share and consumption information. References to market share and market consumption in the MD&A are based on a combination of vendor purchased traditional brick-and-mortar and online data in key markets as well as internal estimates. All market share references represent the percentage of sales in dollar terms on a constant currency basis of our products, relative to all product sales in the category. The Company measures fiscal-year-to-date market shares through the most recent period for which market share data is available, which typically reflects a lag time of one or two months.

OVERVIEW

P&G is a global leader in the fast-moving consumer goods industry, focused on providing branded consumer packaged goods of superior quality and value to our consumers around the world. Our products are sold in more than 180 countries and territories primarily through mass merchandisers, e-commerce, grocery stores, membership club stores, drug stores, department stores, distributors, wholesalers, baby stores, specialty beauty stores, high-frequency stores and pharmacies. We have on-the-ground operations in approximately 70 countries.

Our market environment is highly competitive with global, regional and local competitors. In many of the markets and industry segments in which we sell our products, we compete against other branded products as well as retailers' private-label brands. Additionally, many of the product segments in which we compete are differentiated by price tiers (referred to as super-premium, premium, mid-tier and value-tier products). We are well positioned in the industry segments and markets in which we operate, often holding a leadership or significant market share position.

The table below provides detail on our reportable segments, including the product categories and brand composition within each segment.

Reportable Segments	Product Categories (Sub-Categories)	Major Brands
Beauty	Hair Care (*Conditioner, Shampoo, Styling Aids, Treatments*)	Head & Shoulders, Pantene, Rejoice
	Skin and Personal Care (*Antiperspirant and Deodorant, Personal Cleansing, Skin Care*)	Olay, Old Spice, Safeguard, SK-II
Grooming	Grooming [(1)] (Shave Care - *Female Blades & Razors, Male Blades & Razors, Pre- and Post-Shave Products, Other Shave Care;* Appliances)	Braun, Fusion, Gillette, Mach3, Prestobarba, Venus
Health Care	Oral Care (*Toothbrushes, Toothpaste, Other Oral Care*)	Crest, Oral-B
	Personal Health Care (*Gastrointestinal, Rapid Diagnostics, Respiratory, Vitamins/Minerals/Supplements, Other Personal Health Care*)	Metamucil, Prilosec, Vicks
Fabric & Home Care	Fabric Care (*Fabric Enhancers, Laundry Additives, Laundry Detergents*)	Ariel, Downy, Gain, Tide
	Home Care (*Air Care, Dish Care, P&G Professional, Surface Care*)	Cascade, Dawn, Febreze, Mr. Clean, Swiffer
Baby, Feminine & Family Care	Baby Care (*Baby Wipes, Diapers and Pants*)	Luvs, Pampers
	Feminine Care (*Adult Incontinence, Feminine Care*)	Always, Tampax
	Family Care (*Paper Towels, Tissues, Toilet Paper*)	Bounty, Charmin, Puffs

(1) The Grooming product category is comprised of the Shave Care and Appliances Global Business Units.

The following table provides the percentage of net sales and net earnings by reportable business segment for the three and six months ended December 31, 2018 (excluding net sales and net earnings in Corporate):

	Three Months Ended December 31, 2018		Six Months Ended December 31, 2018	
	Net Sales	Net Earnings	Net Sales	Net Earnings
Beauty	20%	24%	20%	25%
Grooming	9%	12%	9%	11%
Health Care	13%	16%	12%	14%
Fabric & Home Care	32%	26%	33%	28%
Baby, Feminine & Family Care	26%	22%	26%	22%
Total Company	**100%**	**100%**	**100%**	**100%**

SUMMARY OF RESULTS

Following are highlights of results for the six months ended December 31, 2018 versus the six months ended December 31, 2017:

- Net sales were unchanged at $34.1 billion. Organic sales, which exclude the impacts of acquisitions and divestitures and foreign exchange, increased 4%. Organic sales increased 8% in Beauty, 5% in Health Care and Fabric & Home Care and 1% in Baby, Feminine & Family Care. Organic sales were unchanged in Grooming.
- Unit volume increased 2%, with organic volume up 3%. Volume increased mid-single digits in Fabric & Home Care, low single digits in Beauty, Health Care and Baby, Feminine & Family Care and was unchanged in Grooming. Excluding the impacts of the PGT Healthcare partnership dissolution and the Merck OTC acquisition, organic volume increased mid-single digits in Health Care.
- Net earnings were $6.4 billion, an increase of $996 million, or 18% versus the prior year due to a reduction in current year income tax expense

(due primarily to the ongoing impacts of the U.S. Tax Act), a current year gain on the dissolution of the PGT Healthcare partnership and base period charges related to the transitional impacts of the U.S. Tax Act.

- Diluted net earnings per share increased 22% to $2.44 due primarily to the increase in net earnings and a reduction in shares outstanding due to share repurchases.
- Net earnings attributable to Procter & Gamble increased $1.0 billion or 20% versus the prior year period to $6.4 billion.
- Core net earnings attributable to Procter & Gamble, which represents net earnings excluding the current period gain on the dissolution of the PGT Healthcare partnership, incremental restructuring charges in both periods and the base period charges related to the transitional impacts of the U.S. Tax Act, increased 1% to $6.2 billion. Core net earnings per share increased 4% to $2.36 due to the increase in Core net earnings and the reduction in shares outstanding.
- Operating cash flow was $7.6 billion. Adjusted free cash flow, which is operating cash flow less capital expenditures and certain other impacts, was $6.0 billion. Adjusted free cash flow productivity was 99%. Adjusted free cash flow and adjusted free cash flow productivity are defined in the section entitled "Reconciliation of Measures not defined by U.S. GAAP."

ECONOMIC CONDITIONS AND UNCERTAINTIES

Global Economic Conditions. Our products are sold in countries around the world including North America, Europe, Latin America, Asia and Africa with more than half our sales generated outside the United States. As such, we are exposed to and impacted by global macro-economic factors, U.S. and foreign government policies and foreign exchange fluctuations. Current macroeconomic factors remain dynamic, and any causes of market size contraction, such as reduced GDP in commodity-dependent economies, greater political unrest in the Middle East, Central & Eastern Europe and the Korean peninsula, economic uncertainty related to the execution of the United Kingdom's exit from the European Union, political instability in certain Latin American markets and overall economic slowdowns, could reduce our sales or erode our operating margin, in either case reducing our earnings.

Changes in Costs. Our costs are subject to fluctuations, particularly due to changes in commodity prices, transportation costs and our own productivity efforts. We have significant exposures to certain commodities, in particular certain oil-derived materials like resins and paper-based materials like pulp, and volatility in the market price of these commodity input materials has a direct impact on our costs. If we are unable to manage commodity fluctuations through pricing actions, cost savings projects and sourcing decisions, as well as through consistent productivity improvements, it may adversely impact our gross margin, operating margin and net earnings. Sales could also be adversely impacted following pricing actions if there is a negative impact on consumption of our products. We strive to implement, achieve and sustain cost improvement plans, including outsourcing projects, supply chain optimization and general overhead and workforce optimization. As discussed later in this MD&A, in 2012 we initiated overhead and supply chain cost improvement projects. In fiscal 2017, we communicated specific elements of an additional multi-year cost reduction program which is resulting in enrollment reductions and other savings. If we are not successful in executing and sustaining these changes, there could be a negative impact on our operating margin and net earnings.

Foreign Exchange. We have both translation and transaction exposure to the fluctuation of exchange rates. Translation exposures relate to exchange rate impacts of measuring income statements of foreign subsidiaries that do not use the U.S. dollar as their functional currency. Transaction exposures relate to 1) the impact from input costs that are denominated in a currency other than the local reporting currency and 2) the revaluation of transaction-related working capital balances denominated in currencies other than the functional currency. In four of the past five fiscal years, as well as the current year, the U.S. dollar has strengthened versus a number of foreign currencies leading to lower sales and earnings from these foreign exchange impacts. Certain countries experiencing significant exchange rate fluctuations, like Argentina, Russia, Turkey, Brazil, China and the United Kingdom have previously had, and could in the future have, a significant impact on our sales, costs and earnings. Increased pricing in response to certain fluctuations in foreign currency exchange rates may offset portions of the currency impacts but could also have a negative impact on consumption of our products, which would affect our sales and profits.

Government Policies. Our net earnings could be affected by changes in U.S. or foreign government tax policies, for example, the U.S. Tax Act enacted in December 2017, the implications and uncertainties of which are disclosed elsewhere in this report. Additionally, we attempt to carefully manage our debt, currency and other exposures in certain countries with currency exchange, import authorization and pricing controls, such as Nigeria, Algeria and Egypt. Further, our earnings and sales could be affected by changes to international trade agreements in North America and elsewhere, including increases of import tariffs, both currently effective and future potential changes. Changes in government policies in these areas might cause an increase or decrease in our sales, operating margin and net earnings.

For information on risk factors that could impact our results, please refer to “Risk Factors” in Part I, Item 1A of the Company's Form 10-K for the fiscal year ended June 30, 2018.

RESULTS OF OPERATIONS – Three Months Ended December 31, 2018

The following discussion provides a review of results for the three months ended December 31, 2018 versus the three months ended December 31, 2017.

	Three Months Ended December 31		
Amounts in millions, except per share amounts	**2018**	**2017**	**% Chg**
Net sales	**$17,438**	$17,395	—%
Operating income	**3,896**	3,919	(1)%
Net earnings	**3,216**	2,561	26%
Net earnings attributable to Procter & Gamble	**3,194**	2,495	28%
Diluted net earnings per common share	**1.22**	0.93	31%
Core net earnings per common share	**1.25**	1.19	5%

COMPARISONS AS A PERCENTAGE OF NET SALES	Three Months Ended December 31 2018	2017	Basis Pt Chg
Gross profit	**48.9%**	49.9%	(100)
Selling, general & administrative expense	**26.5%**	27.4%	(90)
Operating income	**22.3%**	22.5%	(20)
Earnings before income taxes	**22.5%**	23.2%	(70)
Net earnings	**18.4%**	14.7%	370
Net earnings attributable to Procter & Gamble	**18.3%**	14.3%	400

Net Sales

Net sales for the quarter were unchanged versus the previous period at $17.4 billion including a 4% negative impact from foreign exchange. Unit volume increased 2%. Pricing was a 1% favorable impact to net sales. Mix was a 1% positive impact to net sales, driven by disproportionate growth of the premium Skin Care category (behind the SK-II brand) and developed regions, all of which have higher than company average selling prices. Volume increased mid-single digits in Fabric & Home Care and increased low single digits in Beauty, Health Care and Baby, Feminine & Family Care. Volume decreased mid-single digits in Grooming. Excluding the impacts of the PGT Healthcare partnership dissolution and Merck OTC acquisition, Health Care organic volume increased mid-single digits. Excluding the impact of minor acquisitions and divestitures, Beauty organic volume was unchanged. Volume increased low single digits in developed regions and was unchanged in developing regions. Excluding the impact of minor brand divestitures, organic volume in developing regions increased low single digits. Organic sales increased 4% on a 2% increase in organic volume.

Net Sales Change Drivers 2018 vs. 2017 (Three Months Ended December 31) [1]

	Volume with Acquisitions & Divestitures	Volume Excluding Acquisitions & Divestitures	Foreign Exchange	Price	Mix	Other [2]	Net Sales Growth
Beauty	1%	—%	(4)%	2%	5%	—%	4%
Grooming	(4)%	(4)%	(5)%	1%	—%	(1)%	(9)%
Health Care	3%	4%	(3)%	1%	—%	(1)%	—%
Fabric & Home Care	4%	4%	(3)%	1%	1%	(1)%	2%
Baby, Feminine & Family Care	1%	1%	(4)%	1%	1%	—%	(1)%
Total Company	**2%**	**2%**	**(4)%**	**1%**	**1%**	**—%**	**—%**

(1) Net sales percentage changes are approximations based on quantitative formulas that are consistently applied.

(2) Other includes the sales mix impact from acquisitions and divestitures, the impact from the July 1, 2018 adoption of new accounting standards for "Revenue from Contracts with Customers" and rounding impacts necessary to reconcile volume to net sales.

Operating Costs

Gross margin decreased 100 basis points to 48.9% of net sales for the quarter. Gross margin benefited from 150 basis points of gross manufacturing cost savings projects (120 basis points net of product and packaging reinvestments) and 50 basis points of positive pricing impacts. This was offset by:

- a 90 basis point decline due to higher commodity costs,
- a 120 basis point decline from unfavorable product mix (primarily within segments due to the growth of lower margin products forms in certain categories and due to the disproportionate growth of the Fabric Care category which has lower than company-average margins) and other impacts and
- a 60 basis point decline from unfavorable foreign exchange

Total SG&A spending decreased 3% to $4.6 billion due to decreases in marketing spending costs. SG&A as a percentage of net sales decreased 90 basis points to 26.5%. Reductions in marketing spending as a percentage of net sales were partially offset by an increase in overhead costs as a percentage of net sales. Marketing spending as a percentage of net sales decreased 130 basis points due to the positive scale impacts of the organic net sales increase, savings in agency compensation, production costs and advertising spending, and the impact of adopting the new standard on "Revenue from Contracts with Customers" which prospectively reclassified certain customer spending from marketing (SG&A) expense to a reduction of net sales. Overhead costs as a percentage of net sales increased 30 basis points as the fixed cost leverage of increased volume and productivity savings were more than offset by inflation, Merck OTC transition related spending and other costs. Other net operating costs as a percentage of net sales increased 10 basis points. Productivity-driven cost savings delivered 60 basis points of benefit in SG&A.

Non-Operating Expenses and Income

Interest expense was $138 million for the quarter, an increase of $16 million versus the prior year period due to an increase in debt and in weighted average interest rates. Interest income was $63 million for the quarter, a marginal decrease versus the prior year period. Other non-operating income was $95 million, a decrease of $75 million versus the prior year period primarily due to the impact of minor brand divestiture gains in the base period.

Income Taxes

For the three months ended December 31, 2018 the effective tax rate decreased 1,860 basis points versus the prior year period to 17.9% due to:

- a 1,550 basis-point reduction due to prior year transitional impacts from the U.S. Tax Act,
- a 410 basis-point reduction from the on-going impacts of U.S. Tax reform. The lower blended U.S. federal tax rate on current year earnings was partially offset by the impact of recording a year-to-date (6 month) impact in December 2017 upon passage of the tax reform.
- a 150 basis-point reduction from excess tax benefits from share-based compensation (170 basis points in the current year versus 20 basis points in the prior year),
- a 90 basis-point reduction from discrete impacts related to uncertain tax positions (90 basis points in the current year versus 0 basis points in the prior year),
- a 340 basis-point increase from unfavorable impacts from geographic mix of earnings.

Net Earnings

Net earnings increased $655 million or 26% to $3.2 billion for the quarter. The tax rate reduction discussed above drove a $772 million increase in net earnings. This tax benefit and the decrease in SG&A spending were partially offset by the decrease in gross margin, all of which are discussed above. Foreign exchange had a negative impact of $229 million on net earnings for the quarter, including both transactional charges and translational impacts from converting earnings from foreign subsidiaries to U.S. dollars. Net earnings attributable to Procter & Gamble increased $699 million or 28% to $3.2 billion for the quarter. Diluted net earnings per share increased 31% to $1.22. The difference between the change in net earnings and diluted net earnings per share was due to a reduction in the number of shares outstanding. Core net earnings per share increased 5% to $1.25. Core net earnings per share represents diluted net earnings per share excluding the transitional impacts from the U.S. Tax Act in the base period and incremental restructuring charges in both periods related to our productivity and cost savings plans.

RESULTS OF OPERATIONS – Six Months Ended December 31, 2018

The following discussion provides a review of results for the six months ended December 31, 2018 versus the six months ended December 31, 2017.

	Six Months Ended December 31		
Amounts in millions, except per share amounts	**2018**	**2017**	**% Chg**
Net sales	**$34,128**	$34,048	—%
Operating income	**7,450**	7,567	(2)%
Net earnings	**6,427**	5,431	18%
Net earnings attributable to Procter & Gamble	**6,393**	5,348	20%
Diluted net earnings per common share	**2.44**	2.00	22%
Core net earnings per common share	**$2.36**	$2.28	4%

	Six Months Ended December 31		
COMPARISONS AS A PERCENTAGE OF NET SALES	**2018**	**2017**	**Basis Pt Chg**
Gross profit	**49.0%**	50.1%	(110)
Selling, general & administrative expense	**27.2%**	27.9%	(70)
Operating income	**21.8%**	22.2%	(40)
Earnings before income taxes	**23.0%**	22.9%	10
Net earnings	**18.8%**	16.0%	280
Net earnings attributable to Procter & Gamble	**18.7%**	15.7%	300

Net Sales

Net sales for the six months ended December 31, 2018 were unchanged at $34.1 billion including a 3% negative impact from foreign exchange. Unit volume increased 2%. Mix was a 1% positive impact to net sales, driven by disproportionate organic growth of the Skin and Personal Care and Personal Health Care categories and developed regions, all of which have higher than company average selling prices. Volume increased mid-single digits in Fabric & Home Care and increased low single digits in Beauty, Health Care and Baby, Feminine & Family Care. Volume was unchanged in Grooming. Excluding the impacts of the PGT Healthcare partnership dissolution and Merck OTC acquisition, Health Care organic volume increased mid-single digits. Volume increased mid-single digits in developed regions and low single digits in developing regions. Organic sales increased 4% on a 3% increase in organic volume.

	Net Sales Change Drivers 2018 vs. 2017 (Six Months Ended December 31) [1]						
	Volume with Acquisitions & Divestitures	**Volume Excluding Acquisitions & Divestitures**	**Foreign Exchange**	**Price**	**Mix**	**Other [2]**	**Net Sales Growth**
Beauty	2%	2%	(4)%	2%	4%	—%	4%
Grooming	—%	—%	(5)%	1%	(1)%	—%	(5)%
Health Care	2%	4%	(2)%	1%	(1)%	(1)%	(1)%
Fabric & Home Care	4%	5%	(2)%	—%	—%	—%	2%
Baby, Feminine & Family Care	1%	1%	(3)%	—%	—%	—%	(2)%
Total Company	**2%**	**3%**	**(3)%**	**—%**	**1%**	**—%**	**—%**

[1] Net sales percentage changes are approximations based on quantitative formulas that are consistently applied.

[(2)] Other includes the sales mix impact from acquisitions and divestitures, the impact from the July 1, 2018 adoption of new accounting standards for "Revenue from Contracts with Customers" and rounding impacts necessary to reconcile volume to net sales.

Operating Costs

Gross margin decreased 110 basis points to 49.0% of net sales for the six months ended December 31, 2018. Gross margin benefited from 130 basis points of gross manufacturing cost savings projects (100 basis points net of product and packaging reinvestments) and 20 basis points of positive pricing impacts. This was offset by:

- a 100 basis point decline due to higher commodity costs,
- a 70 basis point decline from unfavorable product mix (primarily within segments due to the growth of lower margin products forms and club channels in certain categories and due to the disproportionate growth of the Fabric Care category which has lower than company-average margins) and other impacts and
- a 60 basis point decline from unfavorable foreign exchange

Total SG&A spending decreased 2% to $9.3 billion primarily due to decreases in marketing spending costs. SG&A as a percentage of net sales decreased 70 basis points to 27.2%. Reduction in marketing spending as a percentage of net sales was partially offset by an increase in other net operating costs as a percentage of net sales. Overhead costs as a percentage of net sales was unchanged as productivity savings and fixed cost leverage of increased volume, were offset by an increase in inflation and other costs. Marketing spending as a percentage of net sales decreased 110 basis points due to the positive scale impacts of the organic net sales increase, savings in agency compensation, production costs and advertising spending, and the impact of adopting the new standard on "Revenue from Contracts with Customers" which prospectively reclassified certain customer spending from marketing (SG&A) expense to a reduction of net sales. Other net operating costs as a percentage of net sales increased approximately 50 basis points primarily due to an increase in foreign exchange transactional charges. Productivity-driven cost savings delivered 70 basis points of benefit in SG&A.

Non-Operating Expenses and Income

Interest expense was $267 million for the six months ended December 31, 2018, an increase of $30 million versus the prior year period due to an increase in debt and in weighted average interest rates. Interest income was $116 million for the six months ended December 31, 2018, a marginal increase versus the prior year period. Other non-operating income was $557 million, an increase of $218 million versus the prior year period primarily due to the $355 million before-tax gain from the dissolution of the PGT Healthcare partnership, partially offset by the impact of minor brand divestiture gains in the base period.

Income Taxes

For the six months ended December 31, 2018 the effective tax rate decreased 1,200 basis points versus the prior year period to 18.2% due to:

- an 810 basis-point reduction due to prior year transitional impacts from the U.S. Tax Act,
- a 490 basis-point reduction from the impact of the lower blended U.S. federal tax rate on current year earnings versus the prior year rate,
- an 80 basis-point reduction from the tax impact of the gain on the dissolution of the PGT Healthcare partnership,
- a 40 basis-point reduction from excess tax benefits from share-based compensation (110 basis points in the current year versus 70 basis points in the prior year),
- a 20 basis-point reduction from discrete impacts related to uncertain tax positions (20 basis points in the current year versus 0 basis points in the prior year),
- a 240 basis-point increase from unfavorable impacts from geographic mix of earnings.

Net Earnings

Net earnings increased $996 million or 18% to $6.4 billion for the fiscal year to date period. The tax rate reduction discussed above drove a $924 million increase in net earnings. This tax benefit along with the current period gain on the dissolution of the PGT Healthcare partnership and decrease in SG&A spending were partially offset by the decrease in gross margin, all of which are discussed above. Foreign exchange had a $484 million negative impact on net earnings for the fiscal year to date period, including both transactional charges and translational impacts from converting earnings from foreign subsidiaries to U.S. dollars. Net earnings attributable to Procter & Gamble increased $1 billion or 20% to $6.4 billion. Diluted net earnings per share increased 22% to $2.44. The difference between the change in net earnings and diluted net earnings per share was due to a reduction in the number of shares outstanding. Core net earnings per share increased 4% to $2.36. Core net earnings per share represents diluted net earnings per share excluding the current period gain on the dissolution of the PGT Healthcare partnership, incremental restructuring charges in both periods related to our productivity and cost savings plans and the base period charges related to the transitional impacts of the U.S. Tax Act.

BUSINESS SEGMENT DISCUSSION – Three and Six Months Ended December 31, 2018

The following discussion provides a review of results by reportable business segment. Analysis of the results for the three and six months periods ended December 31, 2018 is provided based on a comparison to the same three and six months periods ended December 31, 2017. The primary financial measures used to evaluate segment performance are net sales and net earnings. The table below provides supplemental information on net sales and net earnings by reportable business segment for the three and six months ended December 31, 2018 versus the comparable prior year period (dollar amounts in millions):

	Three Months Ended December 31, 2018					
	Net Sales	% Change Versus Year Ago	Earnings/(Loss) Before Income Taxes	% Change Versus Year Ago	Net Earnings/(Loss)	% Change Versus Year Ago
Beauty	$ 3,357	4 %	$ 964	13 %	$ 772	18 %
Grooming	1,617	(9)%	448	(16)%	378	(11)%
Health Care	2,220	— %	669	— %	520	14 %
Fabric & Home Care	5,557	2 %	1,134	3 %	860	20 %
Baby, Feminine & Family Care	4,558	(1)%	930	— %	707	18 %
Corporate	129	2 %	(229)	N/A	(21)	N/A
Total Company	**$ 17,438**	**— %**	**$ 3,916**	**(3)%**	**$ 3,216**	**26 %**

	Six Months Ended December 31, 2018					
	Net Sales	% Change Versus Year Ago	Earnings/(Loss) Before Income Taxes	% Change Versus Year Ago	Net Earnings/(Loss)	% Change Versus Year Ago
Beauty	$ 6,646	4 %	$ 1,911	13 %	$ 1,531	19 %
Grooming	3,179	(5)%	865	(8)%	718	(5)%
Health Care	4,065	(1)%	1,109	(1)%	852	12 %
Fabric & Home Care	11,045	2 %	2,278	— %	1,737	17 %
Baby, Feminine & Family Care	8,948	(2)%	1,832	(3)%	1,399	14 %
Corporate	245	4 %	(139)	N/A	190	N/A
Total Company	**$ 34,128**	**— %**	**$ 7,856**	**1 %**	**$ 6,427**	**18 %**

Beauty

Three months ended December 31, 2018 compared with three months ended December 31, 2017

Beauty net sales increased 4% to $3.4 billion during the second fiscal quarter on a 1% increase in unit volume. Favorable product mix added 5% to net sales due to the disproportionate growth of the super-premium SK-II and Olay Skin Care brands, which have higher than segment average selling prices. Higher pricing increased net sales by 2%. Unfavorable foreign exchange impacts reduced net sales by 4%. Organic sales increased 8% on flat organic volume. Global market share of the Beauty segment increased 0.1 points. Volume increased low single digits in developed and developing regions. Excluding the impact of minor brand acquisitions, volume decreased low single digits in developed regions.

- Volume in Hair Care was unchanged. Developed market volume was unchanged. Volume in developing regions decreased low single digits. Excluding the impact of minor brand divestitures, volume in developing markets was unchanged. Global market share of the Hair Care category was unchanged.
- Volume in Skin and Personal Care increased mid-single digits. Excluding the impact of minor brand acquisitions, organic volume increased low single digits. Volume increased low single digits in developed regions. Excluding the impact of minor brand acquisitions, developed regions volume declined low single digits due to price increases in the current period and higher retail inventory to support new product launches in the base period. Volume increased high single digits in developing regions due to premium innovation and increased marketing spending. Global market share of the Skin and Personal Care category increased slightly.

Net earnings increased 18% to $772 million due to the increase in net sales and a 280 basis-point increase in net earnings margin. The net earnings margin increased due to a decrease in SG&A as a percentage of net sales, an increase in gross margin and a reduction in U.S. income tax rates resulting from the U.S. Tax Act. The gross margin increase was primarily driven by manufacturing cost savings and the benefit of increased pricing. The reduction in SG&A as a percentage of sales was primarily driven by the positive scale impacts of the net sales increase and the impacts of adopting the new accounting standard on "Revenue from Contracts with Customers."

Six months ended December 31, 2018 compared with six months ended December 31, 2017

Beauty fiscal year to date net sales increased 4% to $6.6 billion on a 2% increase in unit volume. Favorable product mix added 4% to net sales due to the disproportionate growth of the super-premium SK-II and Olay Skin Care brands, which have higher than segment average selling prices. Higher pricing increased net sales by 2%. Unfavorable foreign exchange impacts reduced net sales by 4%. Organic sales increased 8%. Global market share of the Beauty segment was unchanged. Volume increased low single digits in developed and developing regions. Excluding the impact of minor brand acquisitions, developed regions volume was unchanged.

- Volume in Hair Care increased low single digits. Developed market volume was unchanged. Volume in developing regions increased low single digits due to market growth and product innovation. Global market share of the Hair Care category was unchanged.
- Volume in Skin and Personal Care increased mid-single digits. Developed regions volume increased low single digits. Excluding the impact of minor brand acquisitions, developed regions volume was unchanged. Volume increased high single digits in developing regions due to premium innovation, increased marketing spending and market growth. Global market share of the Skin and Personal Care category was unchanged.

Net earnings increased 19% to $1.5 billion due to the increase in net sales and a 280 basis-point increase in net earnings margin. The net earnings margin increased primarily due to a decrease in SG&A as a percentage of net sales, an increase in gross margin and a reduction in U.S. income tax rates resulting from the U.S. Tax Act. Gross margin increase was primarily driven by manufacturing cost savings and the benefit of increased pricing. The reduction in SG&A as a percentage of sales was primarily driven by the fixed cost leverage of increased volume and the impacts of adopting the new accounting standard on "Revenue from Contracts with Customers."

Grooming

Three months ended December 31, 2018 compared with three months ended December 31, 2017

Grooming net sales decreased 9% to $1.6 billion during the second fiscal quarter on a 4% decrease in unit volume. Foreign exchange had a 5% unfavorable impact on net sales. Pricing had a positive 1% impact on net sales due to devaluation related price increases in certain markets. Organic sales decreased 3%. Global market share of the Grooming segment decreased 0.5 points. Volume decreased low single digits in developed regions and decreased mid-single digits in developing regions.

- Shave Care volume decreased mid-single digits. Developed regions volume decreased low single digits due to competitive activity. Developing regions volume decreased mid-single digits due to devaluation related price increases and competitive activity. Global market share of the Shave Care category was unchanged.
- Volume in Appliances was unchanged. Volume decreased low single digits in developed regions due to competitive activity and lower trade inventories in certain countries. Volume increased low single digits in developing regions due to market growth. Global market share of the Appliances category decreased slightly.

Net earnings decreased 11% to $378 million primarily due to the reduction in net sales and a 40 basis-point decrease in net earnings margin. Net earnings margin decreased primarily due to a reduction in gross margin, partially offset by a reduction in U.S. income tax rates and a reduction in SG&A as a percentage of net sales. Gross margin declined due to the negative impact of unfavorable mix (due to the disproportionate growth of disposable razors and large count packs which have lower than segment average margins) and unfavorable foreign exchange impacts, partially offset by manufacturing cost savings. SG&A as a percentage of net sales decreased due to reductions in both overhead costs and marketing spending and the impacts from adoption of the new accounting standard on "Revenue from Contracts with Customers."

Six months ended December 31, 2018 compared with six months ended December 31, 2017

Grooming fiscal year to date net sales decreased 5% to $3.2 billion on unit volume that was unchanged. Foreign exchange had a 5% unfavorable impact on net sales. Pricing had a positive 1% impact on net sales due to devaluation related price increases in certain markets. Negative mix reduced net sales by 1% due to the growth of lower tier products and club channels which have lower than segment average selling prices. Organic sales were unchanged. Global market share of the Grooming segment decreased 0.6 points. Volume increased low single digits in developed regions and declined low single digits in developing regions.

- Shave Care volume was unchanged. Developed regions volume increased low single digits due to increased competitiveness following price reductions in prior quarters and an increase in consumer promotions. Developing regions volume decreased low single digits following devaluation related price increases and competitive activity. Global market share of the Shave Care category was unchanged.
- Volume in Appliances increased low single digits. Volume increased low single digits in both developed and developing regions due to market growth. Global market share of the Appliances category decreased nearly half a point.

Net earnings decreased 5% to $718 million due to the reduction in net sales partially offset by a 20 basis-point increase in net earnings margin. Net earnings margin increased primarily due to a reduction in SG&A as a percentage of net sales and a reduction in U.S. income tax rates, partially offset by a decrease in gross margin. Gross margin declined due to the negative impact of unfavorable mix (due to the disproportionate growth of disposable razors and large count packs which have lower than segment average margins), unfavorable foreign exchange impacts and commodity cost increases. SG&A as a percentage of net sales decreased due to reductions in both overhead costs and marketing spending and the impacts from adoption of the new accounting standard on "Revenue from Contracts with Customers."

Health Care

Three months ended December 31, 2018 compared with three months ended December 31, 2017

Health Care net sales was unchanged at $2.2 billion during the second fiscal quarter on a 3% increase in unit volume. Excluding the impact of the dissolution of the PGT Healthcare partnership and the Merck OTC consumer healthcare acquisition, organic volume increased 4%. Unfavorable foreign exchange impacts decreased net sales by 3%. Higher pricing increased net sales by 1%. Organic sales increased 5%. Global market share of the Health Care segment increased 0.5 points. Volume increased low single digits in developed regions and increased high single digits in developing regions. Excluding the impact of the dissolution of the PGT Healthcare partnership and the Merck OTC consumer healthcare acquisition, organic volume increased mid-single digits in both developed and developing regions.

- Oral Care volume increased mid-single digits. Volume increased mid-single digits in developed regions due to premium paste and power toothbrush innovation. Volume in developing regions increased mid-single digits due to innovation and base period trade inventory reductions. Global market share of the Oral Care category increased less than half a point.
- Volume in Personal Health Care was unchanged. Excluding the impact of the PGT Healthcare partnership dissolution and the Merck OTC consumer healthcare acquisition, organic volume increased low single digits. Developed regions volume decreased high single digits, while organic volume grew low single digits due to product innovation. Volume in developing regions increased double digits and mid-single digits on an organic basis, due to innovation and market growth. Global market share of the Personal Health Care category increased more than half a point.

Net earnings increased 14% to $520 million, primarily due to a 290 basis point increase in net earnings margin. Net earnings margin increased due to a reduction in SG&A as a percentage of sales and a decrease in U.S. income tax rates, partially offset by a reduction in gross margin. Gross margin decreased driven by unfavorable mix due to the disproportionate growth of developing markets and the net impacts of acquisitions and divestitures in personal health care. SG&A as a percentage of net sales decreased primarily due to a reduction in marketing spending and the impacts from adoption of the new accounting standard on "Revenue from Contracts with Customers", partially offset by an increase in overhead costs due to the net impacts of personal health care acquisitions and divestitures.

Six months ended December 31, 2018 compared with six months ended December 31, 2017

Health Care fiscal year to date net sales decreased 1% to $4.1 billion on a 2% increase in unit volume. Excluding the impact of the dissolution of the PGT Healthcare partnership and the Merck OTC consumer healthcare acquisition, organic volume increased 4%. Unfavorable foreign exchange impacts decreased net sales by 2%. Higher pricing increased net sales by 1%. Unfavorable mix impacts reduced net sales by 1% due to the disproportionate growth of developing regions. Organic sales increased 5%. Global market share of the Health Care segment increased 0.4 points. Volume increased low single digits in developed regions and increased mid-single digits in developing regions. Excluding the impact of the dissolution of the PGT Healthcare partnership and the Merck OTC consumer healthcare acquisition, organic volume increased mid-single digits in both developed and developing regions.

- Oral Care volume increased low single digits. Volume increased mid-single digits in developed regions due to premium paste and power toothbrush innovation and lower pricing in the form of increased promotional spending. Volume in developing regions increased low single digits due to innovation and trade inventory reduction in the base period. Global market share of the Oral Care category increased less than half a point.
- Volume in Personal Health Care decreased low single digits. Excluding the impact of the PGT Healthcare partnership dissolution and Merck OTC consumer healthcare acquisition, organic volume increased high single digits. Developed regions volume decreased mid-single digits, while organic volume grew low single digits due to product innovation. Volume in developing regions increased high single digits and double digits on an organic basis, due to innovation and market growth. Global market share of the Personal Health Care category increased more than half a point.

Net earnings increased 12% to $852 million, as the reduction in net sales was more than offset by a 250 basis point increase in net earnings margin. Net earnings margin increased due to a reduction in SG&A as a percentage of sales and a decrease in U.S. income tax rates, partially offset by a reduction in gross margin. Gross margin decreased driven by unfavorable mix, due to the disproportionate growth of developing markets and the net impacts of acquisitions and divestitures in personal health care and other manufacturing cost increases. SG&A as a percentage of net sales decreased primarily due to a reduction in marketing spending and the impacts from adoption of the new accounting standard on "Revenue from Contracts with Customers", partially offset by an increase in overhead costs due to the net impacts of personal health care acquisitions and divestitures.

Fabric & Home Care

Three months ended December 31, 2018 compared with three months ended December 31, 2017

Fabric & Home Care net sales increased 2% to $5.6 billion during the second fiscal quarter on a 4% increase in unit volume. Unfavorable foreign exchange impacts reduced net sales by 3%. Positive mix impacts increased net sales by 1% due to the disproportionate growth of premium products and higher pricing increased net sales by 1%. Organic sales increased 6%. Global market share of the Fabric & Home Care segment increased 0.6 points. Volume increased mid-single digits in developed regions and increased low single digits in developing regions. Excluding the impact of minor brand divestitures, developing regions volume increased mid-single digits.

- Fabric Care volume increased mid-single digits. Volume in developed regions grew mid-single digits due to product innovation and lower pricing in the form of increased promotional spending. Volume in developing regions increased mid-single digits driven by product innovation. Global market share of the Fabric Care category increased slightly.
- Home Care volume increased low single digits. Volume in developed regions increased low single digits due to product innovation and market growth. Volume in developing regions decreased mid-single digits. Excluding the impact of minor brand divestitures, volume in developing regions decreased low single digits following devaluation related price increases. Global market share of the Home Care category increased more than a point.

Net earnings increased 20% to $860 million due to the increase in net sales and a 230 basis point increase in net earnings margin. The net earnings margin increase was primarily due to a reduction in SG&A as a percentage of sales and a decrease in U.S. income tax rates partially offset by a reduction in gross margin. Gross margin decreased due to negative product mix impacts (driven by disproportionate growth of product forms with lower than segment-average margins) and an increase in commodity costs, partially offset by manufacturing cost savings. SG&A as a percentage of net sales was down due to reduction in overhead costs and marketing spending driven by productivity savings, fixed cost leverage of increased volume and the impacts from adoption of the new accounting standard on "Revenue from Contracts with Customers."

Six months ended December 31, 2018 compared with six months ended December 31, 2017

Fabric & Home Care fiscal year to date net sales increased 2% to $11.0 billion on a 4% increase in unit volume. Unfavorable foreign exchange impacts reduced net sales by 2%. Pricing and mix had no impact on net sales. Organic sales increased 5% on a 5% increase in organic volume. Global market share of the Fabric & Home Care segment increased 0.5 points. Volume increased mid-single digits in developed regions and increased low single digits in developing regions. Excluding the impact of minor brand divestitures, volume in developing regions grew mid-single digits.

- Fabric Care volume increased mid-single digits. Volume in developed regions grew mid-single digits due to product innovation and lower pricing in the form of increased promotional spending. Volume in developing regions increased low single digits. Excluding the impact of minor brand divestitures, developing regions volume increased mid-single digits driven by product innovation and market growth. Global market share of the Fabric Care category increased nearly half a point.
- Home Care volume increased mid-single digits. Volume in developed regions increased mid-single digits due to product innovation and market growth. Volume in developing regions decreased low single digits due to devaluation related price increases and category contraction in certain markets. Global market share of the Home Care category increased less than a point.

Net earnings increased 17% to $1.7 billion due to the increase in net sales and a 200 basis point increase in net earnings margin. Net earnings margin increase was primarily due to a reduction in SG&A as a percentage of sales and a decrease in U.S. income tax rates partially offset by a reduction in gross margin. Gross margin decreased due to negative product mix impacts (driven by disproportionate growth of product forms with lower than segment-average margins) and an increase in commodity costs, partially offset by manufacturing cost savings. SG&A as a percentage of net sales was down due to reduction in overhead costs and marketing spending driven by productivity savings, fixed cost leverage of increased volume and the impacts from adoption of the new accounting standard on "Revenue from Contracts with Customers."

Baby, Feminine & Family Care

Three months ended December 31, 2018 compared with three months ended December 31, 2017

Baby, Feminine & Family Care net sales decreased 1% to $4.6 billion during the second fiscal quarter on a 1% increase in unit volume. Unfavorable foreign exchange impacts decreased net sales by 4%. Higher pricing increased net sales by 1%. Favorable mix increased sales by 1% due to the disproportionate growth of developed regions which have higher than segment average prices. Organic sales increased 3%. Global market share of the Baby, Feminine & Family Care segment increased 0.3 points. Volume increased low single digits in developed regions. Volume in developing regions decreased low single digits.

- Volume in Baby Care decreased mid-single digits. Volume in developed regions declined low single digits due to competitive activity. Volume in developing regions declined high single digits due to competitive activity, volume declines following devaluation related price increases and category contraction in certain markets. Global market share of the Baby Care category decreased nearly half a point.
- Volume in Feminine Care increased mid-single digits. Volume in developed regions increased low single digits due to product innovation and adult incontinence category growth. Volume increased mid-single digits in developing regions. Excluding the impact of minor brand divestitures, volume in developing regions increased high single digits driven by innovation. Global market share of the Feminine Care category increased less than half a point.

- Volume in Family Care, which is predominantly a North American business, increased mid-single digits driven by product innovation and distribution gains. In the U.S., all-outlet share of the Family Care category increased more than a point.

Net earnings increased 18% to $707 million as the reduction in net sales was more than offset by a 260 basis point increase in net earnings margin. Net earnings margin increased primarily due to a decrease in U.S. income tax rates and a reduction in SG&A as a percentage of net sales, partially offset by a reduction in gross margin. Gross margin decreased primarily due to an increase in commodity costs and unfavorable foreign exchange impacts, partially offset by manufacturing cost savings projects. SG&A as a percentage of net sales decreased due to reduced marketing spending and overhead costs, driven by productivity savings and the impacts from adoption of the new accounting standard on "Revenue from Contracts with Customers."

Six months ended December 31, 2018 compared with six months ended December 31, 2017

Baby, Feminine & Family Care fiscal year to date net sales decreased 2% to $8.9 billion on a 1% increase in unit volume. Unfavorable foreign exchange impacts decreased net sales by 3%. Pricing and mix had no impact to net sales. Organic sales increased 1%. Global market share of the Baby, Feminine & Family Care segment increased 0.1 points. Volume increased low single digits in developed regions. Volume in developing regions decreased mid-single digits. Excluding the impact of minor brand divestitures, volume in developing regions decreased low single digits.

- Volume in Baby Care decreased mid-single digits. Volume in developed regions declined low single digits due to competitive pricing activity. Volume in developing regions declined high single digits due to competitive activity, volume declines following devaluation related price increases and category contraction in certain markets. Global market share of the Baby Care category decreased more than half a point.
- Volume in Feminine Care increased mid-single digits. Volume in developed regions increased low single digits due to product innovation and adult incontinence category growth. Volume increased mid-single digits in developing regions driven by innovation and lower pricing in the form of increased promotional spending. Global market share of the Feminine Care category increased less than half a point.
- Volume in Family Care, which is predominantly a North American business, increased mid-single digits driven by product innovation and distribution gains. In the U.S., all-outlet share of the Family Care category increased a point.

Net earnings increased 14% to $1.4 billion as the reduction in net sales was more than offset by a 220 basis point increase in net earnings margin. Net earnings margin increased primarily due to a decrease in U.S. income tax rates and a reduction in SG&A as a percentage of net sales, partially offset by a reduction in gross margin. Gross margin decreased primarily due to an increase in commodity costs and unfavorable foreign exchange impacts, partially offset by manufacturing cost savings projects. SG&A as a percentage of net sales decreased due to reduced marketing spending and overhead costs, driven by productivity savings and the impacts from adoption of the new accounting standard on "Revenue from Contracts with Customers."

Corporate

Corporate includes certain operating and non-operating activities not allocated to specific business segments. These include: the incidental businesses managed at the corporate level; financing and investing activities; certain employee benefit costs; other general corporate items; the gains and losses related to certain divested brands and categories; certain restructuring-type activities to maintain a competitive cost structure, including manufacturing and workforce optimization. Corporate also includes reconciling items to adjust the accounting policies used in the segments to U.S. GAAP. The most significant reconciling item includes income taxes to adjust from blended statutory rates that are reflected in the segments to the overall Company effective tax rate.

Corporate net sales increased $2 million to $129 million for the quarter ended December 31, 2018 and increased $10 million to $245 million for the fiscal year to date. Corporate net earnings increased $262 million in the quarter primarily due to a reduction in income tax expense of $446 million, partially offset by the impact of minor brand divestiture gains in the base period and higher unallocated SG&A costs in the current year. The reduction in income tax expense was driven by the base period charges for the transitional impacts of the U.S. Tax Act, partially offset by the impact of the allocation methodology of the lower U.S. tax rates (in the prior year the net benefit was held in Corporate, whereas the lower rates are included in the reporting segments in the current year). Fiscal year to date Corporate net earnings increased $268 million due to a $270 million reduction in income tax expense (driven by the same factors impacting the quarter ended December 31, 2018) and higher current year divestiture gains (driven by the current year gain on the dissolution of the PGT healthcare partnership), partially offset by higher current year foreign exchange transactional charges (discussed earlier in the Results of Operations section) and higher unallocated SG&A costs in the current year.

Restructuring Program to deliver Productivity and Cost Savings

In 2012, the Company initiated a productivity and cost savings plan to reduce costs and better leverage scale in the areas of supply chain, research and development, marketing and overheads. The plan was designed to accelerate cost reductions by streamlining management decision making, manufacturing and other work processes to fund the Company's growth strategy. In 2017, the Company communicated specific elements of an additional multi-year productivity and cost savings program.

The current productivity and cost savings plan will further reduce costs in the areas of supply chain, certain marketing activities and overhead expenses. As part of this plan, the Company incurred $1.1 billion in total before-tax restructuring costs in fiscal 2018, with an additional amount of approximately $0.8 billion expected in fiscal 2019. This program is expected to result in additional enrollment reductions, along with further optimization of the supply chain and other manufacturing processes. Consistent with our historical policies for ongoing restructuring-type activities, the resulting charges are funded by and included within Corporate for segment reporting.

In addition to our restructuring programs, we have additional ongoing savings efforts in our supply chain, marketing and overhead areas that yield additional benefits to our operating margins.

Refer to Note 9 in the Notes to the Consolidated Financial Statements for more details on the restructuring program.

LIQUIDITY & CAPITAL RESOURCES

Operating Activities

We generated $7.6 billion of cash from operating activities fiscal year to date, an increase of approximately $0.3 billion versus the prior year. Net earnings, adjusted for non-cash items (depreciation and amortization, share-based compensation expense, deferred income taxes, and gain on sale of assets), generated $7.6 billion of operating cash flow. Working capital and other impacts had no net impact on operating cash flow in the period. Accounts receivable increased, using $398 million of cash due to sales growth and to a lesser extent, the timing of collections at quarter-end due to the holidays. Inventory consumed $531 million of cash primarily due to product initiatives and business growth. Accounts payable, accrued and other liabilities increased, generating $1.1 billion of cash primarily driven by an increase in payables to support the increase in inventory, increased marketing accruals based on timing of spending and extended payment terms with our suppliers. All other operating assets and liabilities used $370 million of cash, driven primarily by payments of the current year portion of taxes due related to the U.S. Tax Act.

Investing Activities

Cash used by investing activities was $4.7 billion fiscal year to date. Capital expenditures were $1.8 billion, or 5.2% of net sales. Acquisition activity used $3.8 billion of cash, primarily related to the Merck OTC acquisition. We used $158 million for purchases of short-term investments. These uses were partially offset by $1.1 billion of cash generated from sales and maturities of short-term investments.

Financing Activities

Our financing activities consumed net cash of $1.6 billion fiscal year to date. We used $2.0 billion for treasury stock purchases and $3.7 billion for dividends. Cash generated from the net effect of debt issuances and payments was $2.6 billion. Cash from the exercise of stock options and other impacts generated $1.5 billion of cash.

As of December 31, 2018, our current liabilities exceeded current assets by $6.8 billion. We have short- and long-term debt to meet our financing needs. We anticipate being able to support our short-term liquidity and operating needs largely through cash generated from operations. We have strong short- and long-term debt ratings that have enabled and should continue to enable us to refinance our debt as it becomes due at favorable rates in commercial paper and bond markets. In addition, we have agreements with a diverse group of financial institutions that, if needed, should provide sufficient credit funding to meet short-term financing requirements.

RECONCILIATION OF MEASURES NOT DEFINED BY U.S. GAAP

In accordance with the SEC's Regulation G, the following provides definitions of the non-GAAP measures and the reconciliation to the most closely related GAAP measures. We believe that these measures provide useful perspective on underlying business results and trends (i.e., trends excluding non-recurring or unusual items) and provide a supplemental measure of year-on-year results. The non-GAAP measures described below are used by management in making operating decisions, allocating financial resources and for business strategy purposes. These measures may be useful to investors as they provide supplemental information about business performance and provide investors a view of our business results through the eyes of management. These measures are also used to evaluate senior management and are a factor in determining their at-risk compensation. These non-GAAP measures are not intended to be considered by the user in place of the related GAAP measure, but rather as supplemental information to our business results. These non-GAAP measures may not be the same as similar measures used by other companies due to possible differences in method and in the items or events being adjusted.

Organic sales growth: Organic sales growth is a non-GAAP measure of sales growth excluding the impacts of acquisitions and divestitures, the impact from the July 1, 2018 adoption of new accounting standards for "Revenue from Contracts with Customers" and foreign exchange from year-over-year comparisons. The impact of the adoption of the new accounting standard for Revenue from Contracts with Customers is driven by the prospective reclassification of certain customer spending from marketing (SG&A) expense to a reduction of Net sales. We believe this measure provides investors with a supplemental understanding of underlying sales trends by providing sales growth on a consistent basis. This measure is used in assessing achievement of management goals for at-risk compensation.

Adjusted free cash flow: Adjusted free cash flow is defined as operating cash flow less capital spending and excluding payments for the transitional tax resulting from the comprehensive U.S. legislation commonly referred to as the Tax Cuts and Jobs Act enacted in December 2017 (the U.S. Tax Act). Adjusted free cash flow represents the cash that the Company is able to generate after taking into account planned maintenance and asset expansion. Management views adjusted free cash flow as an important measure because it is one factor used in determining the amount of cash available for dividends, share repurchases, acquisitions and other discretionary investments.

Adjusted free cash flow productivity: Adjusted free cash flow productivity is defined as the ratio of adjusted free cash flow to net earnings excluding the gain on dissolution of the PGT Healthcare partnership, which is non-recurring and not considered indicative of underlying cash flow performance. Management views adjusted free cash flow productivity as a useful measure to help investors understand P&G's ability to generate cash. Adjusted free cash flow productivity is used by management in making operating decisions, allocating financial resources and for budget planning purposes. This measure is also used in assessing the achievement of management goals for at-risk compensation. The Company's long-term target is to generate annual adjusted free cash flow productivity at or above 90 percent.

Core EPS: Core earnings per share, or Core EPS, is a measure of the Company's diluted net earnings per share adjusted as indicated. Management views this non-GAAP measure as a useful supplemental measure of Company performance over time. This measure is also used when evaluating senior management in determining their at-risk compensation.

The Core earnings measures included in the following reconciliation tables refer to the equivalent GAAP measures adjusted as applicable for the following items:

Incremental Restructuring: The Company has had and continues to have an ongoing level of restructuring activities. Such activities have resulted in ongoing annual restructuring related charges of approximately $250 - $500 million before tax. In 2012, the Company began a $10 billion strategic productivity and cost savings initiative that included incremental restructuring activities. In 2017, we communicated details of an additional multi-year productivity and cost savings plan. This results in incremental restructuring charges to accelerate productivity efforts and cost savings. The adjustment to Core earnings includes only the restructuring costs above what we believe are the normal recurring level of restructuring costs.

Transitional Impact of U.S. Tax Reform: As discussed in Note 2 to the Consolidated Financial Statements, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act") in December 2017. This resulted in a net charge of $628 million for the quarter ended December 31, 2017, comprised of an estimated repatriation tax charge of $3.8 billion and a net deferred tax benefit of $3.2 billion. The adjustment to core earnings only includes this transitional impact. It does not include the ongoing impacts of the lower U.S. statutory rate on current year earnings.

Gain on Dissolution of PGT Healthcare Partnership: The Company finalized the dissolution of our PGT Healthcare partnership, a venture between the Company and Teva Pharmaceuticals Industries, Ltd. (Teva) in the OTC consumer healthcare business, in the quarter ended September 30, 2018. The transaction was accounted for as a sale of the Teva portion of the PGT business; the Company recognized an after-tax gain on the dissolution of $353 million.

We do not view the above items to be part of our sustainable results and their exclusion from Core earnings measures provides a more comparable measure of year-on-year results. These items are also excluded when evaluating senior management in determining their at-risk compensation.

Organic sales growth:

Three Months Ended December 31, 2018	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other [1]	Organic Sales Growth
Beauty	4%	4%	—%	8%
Grooming	(9)%	5%	1%	(3)%
Health Care	—%	3%	2%	5%
Fabric & Home Care	2%	3%	1%	6%
Baby, Feminine & Family Care	(1)%	4%	—%	3%
Total Company	**—%**	**4%**	**—%**	**4%**

Six Months Ended December 31, 2018	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other [1]	Organic Sales Growth
Beauty	4%	4%	—%	8%
Grooming	(5)%	5%	—%	—%
Health Care	(1)%	2%	4%	5%
Fabric & Home Care	2%	2%	1%	5%
Baby, Feminine & Family Care	(2)%	3%	—%	1%
Total Company	**—%**	**3%**	**1%**	**4%**

[1] Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures, the impact from the July 1, 2018 adoption of new accounting standards for "Revenue from Contracts with Customers" and rounding impacts necessary to reconcile net sales to organic sales.

Adjusted free cash flow (dollar amounts in millions):

Fiscal Year-to-Date, December 31, 2018			
Operating Cash Flow	**Capital Spending**	**U.S. Tax Act Payments**	**Adjusted Free Cash Flow**
$7,574	**$(1,781)**	**$235**	**$6,028**

Adjusted free cash flow productivity (dollar amounts in millions):

Fiscal Year-to-Date, December 31, 2018

Adjusted Free Cash Flow	Net Earnings	Gain on Dissolution of PGT Partnership	Adjusted Net Earnings	Adjusted Free Cash Flow Productivity
$6,028	$6,427	$(353)	$6,074	99%

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
(Amounts in Millions Except Per Share Amounts)
Reconciliation of Non-GAAP Measures

Three Months Ended December 31, 2018

	AS REPORTED (GAAP)	INCREMENTAL RESTRUCTURING	ROUNDING	NON-GAAP (CORE)
COST OF PRODUCTS SOLD	$ 8,919	$ (123)	$ —	$ 8,796
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE	4,623	38	(1)	4,660
OPERATING INCOME	3,896	85	1	3,982
INCOME TAX	700	17	(2)	715
NET EARNINGS ATTRIBUTABLE TO P&G	3,194	77	1	3,272
				Core EPS
DILUTED NET EARNINGS PER COMMON SHARE [(1)]	$ 1.22	$ 0.03	$ —	$ 1.25

[(1)] Diluted net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

CHANGE VERSUS YEAR AGO	
CORE EPS	5%

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
(Amounts in Millions Except Per Share Amounts)
Reconciliation of Non-GAAP Measures

Three Months Ended December 31, 2017

	AS REPORTED (GAAP)	INCREMENTAL RESTRUCTURING	TRANSITIONAL IMPACTS OF U.S. TAX REFORM	ROUNDING	NON-GAAP (CORE)
COST OF PRODUCTS SOLD	$ 8,709	$ (86)	$ —	$ 1	$ 8,624
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE	4,767	19	—	(1)	4,785
OPERATING INCOME	3,919	67	—	—	3,986
INCOME TAX	1,472	21	(628)	—	865
NET EARNINGS ATTRIBUTABLE TO P&G	2,495	51	628	—	3,174
					Core EPS
DILUTED NET EARNINGS PER COMMON SHARE [(1)]	$ 0.93	$ 0.02	$ 0.24	$ —	$ 1.19

[(1)] Diluted net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
(Amounts in Millions Except Per Share Amounts)
Reconciliation of Non-GAAP Measures

Six Months Ended December 31, 2018

	AS REPORTED (GAAP)	INCREMENTAL RESTRUCTURING	GAIN ON DISSOLUTION OF PGT PARTNERSHIP	ROUNDING	NON-GAAP (CORE)
COST OF PRODUCTS SOLD	$ 17,403	$ (169)	$ —	$ —	$ 17,234
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE	9,275	10	—	—	9,285
OPERATING INCOME	7,450	159	—	—	7,609
INCOME TAX	1,429	23	(2)	(1)	1,449
NET EARNINGS ATTRIBUTABLE TO P&G	6,393	146	(353)	1	6,187
					Core EPS:
DILUTED NET EARNINGS PER COMMON SHARE [(1)]	$ 2.44	$ 0.06	$ (0.14)	$ —	$ 2.36

(1) Diluted net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

CHANGE VERSUS YEAR AGO	
CORE EPS	4%

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
(Amounts in Millions Except Per Share Amounts)
Reconciliation of Non-GAAP Measures

Six Months Ended December 31, 2017

	AS REPORTED (GAAP)	INCREMENTAL RESTRUCTURING	TRANSITIONAL IMPACTS OF U.S. TAX REFORM	ROUNDING	NON-GAAP (CORE)
COST OF PRODUCTS SOLD	$ 16,978	$ (186)	$ —	$ 1	$ 16,793
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE	9,503	26	—	(1)	9,528
OPERATING INCOME	7,567	160	—	—	7,727
INCOME TAX	2,353	41	(628)	—	1,766
NET EARNINGS ATTRIBUTABLE TO P&G	5,348	126	628	—	6,102
					Core EPS:
DILUTED NET EARNINGS PER COMMON SHARE [(1)]	$ 2.00	$ 0.05	$ 0.23	$ —	$ 2.28

(1) Diluted net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the Company’s exposure to market risk since June 30, 2018. Additional information can be found in Note 7 - Risk Management Activities and Fair Value Measurements of the Consolidated Financial Statements.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company’s Chairman of the Board, President and Chief Executive Officer, David S. Taylor, and the Company’s Vice Chairman and Chief Financial Officer, Jon R. Moeller, performed an evaluation of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (“Exchange Act”)) as of the end of the period covered by this report. Messrs. Taylor and Moeller have concluded that the Company’s disclosure controls and procedures were effective to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) accumulated and communicated to our management, including Messrs. Taylor and Moeller, to allow their timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the Company’s fiscal quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is subject, from time to time, to certain legal proceedings and claims arising out of our business, which cover a wide range of matters, including antitrust and trade regulation, product liability, advertising, contracts, environmental issues, patent and trademark matters, labor and employment matters, and tax.

Item 1A. Risk Factors

For information on risk factors, please refer to “Risk Factors” in Part I, Item 1A of the Company's Form 10-K for the year ended June 30, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased [1]	Average Price Paid per Share [2]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [3]	Approximate Dollar Value of Shares That May Yet Be Purchased Under Our Share Repurchase Program
10/01/2018 - 10/31/2018	5,384,600	$83.57	5,384,600	[3]
11/01/2018 - 11/30/2018	3,259,875	$92.03	3,259,875	[3]
12/01/2018 - 12/31/2018	—	—	—	[3]
Total	**8,644,475**	**$86.76**	**8,644,475**	

(1) All transactions were made in the open market with large financial institutions. This table excludes shares withheld from employees to satisfy minimum tax withholding requirements on option exercises and other equity-based transactions. The Company administers cashless exercises through an independent third party and does not repurchase stock in connection with cashless exercises.

(2) Average price paid per share for open market transactions is calculated on a settlement basis and excludes commission.

(3) On January 23, 2019, the Company stated that in fiscal year 2019 the Company expects to reduce outstanding shares through direct share repurchases at a value of up to $5 billion, notwithstanding any purchases under the Company's compensation and benefit plans. Purchases may be made in the open market and/or private transactions and purchases may be increased, decreased or discontinued at any time without prior notice. The share repurchases are authorized pursuant to a resolution issued by the Company's Board of Directors and are expected to be financed by a combination of operating cash flows and issuance of long-term and short-term debt.

Item 6. Exhibits

3-1	Amended Articles of Incorporation (as amended by shareholders at the annual meeting on October 11, 2011 and consolidated by the Board of Directors on April 8, 2016) (Incorporated by reference to Exhibit (3-1) of the Company's Form 10-K for the year ended June 30, 2016)
3-2	Regulations (as approved by the Board of Directors on April 8, 2016, pursuant to authority granted by shareholders at the annual meeting on October 13, 2009) (Incorporated by reference to Exhibit (3-2) of the Company's Form 10-K for the year ended June 30, 2016)
4-1	Indenture, dated as of September 3, 2009, between the Company and Deutsche Bank Trust Company Americas, as Trustee (Incorporated by reference to Exhibit (4-1) of the Company Annual Report on Form 10-K for the year ended June 30, 2015)
10-1	The Procter & Gamble Performance Stock Program Summary * +
10-2	Summary of the Company’s Long-Term Incentive Program * +
10-3	Company’s Form of Separation Agreement and Release * +
31.1	Rule 13a-14(a)/15d-14(a) Certification – Chief Executive Officer +
31.2	Rule 13a-14(a)/15d-14(a) Certification – Chief Financial Officer +
32.1	Section 1350 Certifications – Chief Executive Officer +
32.2	Section 1350 Certifications – Chief Financial Officer +
101.INS (1)	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH (1)	XBRL Taxonomy Extension Schema Document
101.CAL (1)	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF (1)	XBRL Taxonomy Definition Linkbase Document
101.LAB (1)	XBRL Taxonomy Extension Label Linkbase Document
101.PRE (1)	XBRL Taxonomy Extension Presentation Linkbase Document

* Compensatory plan or arrangement

\+ Filed herewith

(1) Pursuant to Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 or 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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

THE PROCTER & GAMBLE COMPANY

January 23, 2019	/s/ VALARIE L. SHEPPARD
Date	(Valarie L. Sheppard)
	Senior Vice President, Comptroller and Treasurer

EXHIBIT INDEX

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Section 2: EX-10.1 (THE PROCTER & GAMBLE PERFORMANCE STOCK PROGRAM SUMMARY)

EXHIBIT (10-1)

Summary of the Company's Performance Stock Program

PERFORMANCE STOCK PROGRAM SUMMARY

(Effective July 1, 2018)

The Performance Stock Program ("PSP") is a part of The Procter & Gamble Company's (the "Company") long-term incentive ("LTI") compensation and is designed to provide additional focus on key Company measures for top executives with senior management responsibility for total Company results. Awards granted under the PSP ("PSP Awards") are made pursuant to authority delegated to the Compensation & Leadership Development Committee (the "C&LD Committee") by the Board of Directors for determining compensation for the Company's principal officers and for making awards under the Procter & Gamble 2014 Stock and Incentive Compensation Plan (the "2014 Plan") or any successor stock plan approved in accordance with applicable listing standards. PSP Awards are Performance-Based Compensation (as defined in Article 15 of the 2014 Plan).

I. ELIGIBILITY

The Chairman of the Board and/or Chief Executive Officer and those active executives at Band 6 or above as of October 1 prior to the grant date and recommended by management are eligible to participate ("Participants"). In special circumstances such as for acquisitions or experienced hires, the CHRO may authorize participation for Band 6 or above employees who are not active as of October 1 but are active employees as of the grant date.

II. OVERVIEW

A significant portion of the Band 6 and above compensation is delivered through two long-term incentive programs tied to Company performance: PSP and the Long-term Incentive Program.

Total long-term incentive compensation targets are based on relevant competitive market data considering the median total long-term compensation of comparable positions, regressed for revenue size. The C&LD Committee establishes the Peer Group and sets compensation targets for all Principal Officers including the CEO. The CEO approves compensation targets for non-Principal Officers (generally Band 6 managers).

The C&LD Committee determines the long-term incentive award for the CEO. The CEO recommends all other Principal Officer awards to the C&LD Committee based on benchmarked long-term compensation targets, adjusted for business results and individual contributions attributable to each executive and including that individual's leadership skills. The C&LD Committee retains full authority to accept, modify, or reject these recommendations. The CEO approves awards for participants who are not Principal Officers based on long-term compensation targets, business results and individual contributions. Long-term incentive awards can be up to 50% above or 50% below the benchmarked target. In exceptional cases, no award will be made. After total LTI award size is determined then approximately half of each Band 7 manager's long-term compensation is allocated to PSP via an Initial PSU Grant (as defined below). The remaining portion is a Long-term Incentive Program Grant. Approximately 25% of each Band 6 manager's total LTI is allocated to PSP with the remainder awarded under the Long-term Incentive Program.

PSP rewards Participants for Company performance against certain three-year performance goals in categories established by the C&LD Committee. The C&LD Committee sets these performance goals for each three-year period that begins on July 1 and ends on June 30 three years later ("Performance Period"). In the first year of each Performance Period, the C&LD Committee grants Performance Stock Units ("PSUs") to Participants that will vest at the end of the Performance Period based on the Company's performance relative to the pre-established performance goals ("Initial PSU Grant"). The number of PSUs that vest at the end of the Performance Period depends on the Company's performance against the pre-established performance goals. Vested PSUs, including dividend equivalents, are converted into shares of the Company's common stock ("Common Stock") delivered to the applicable Participant within 60 days following the end of the Performance Period, or such later date as may be elected by the Participant in accordance with Section 409A of the Internal Revenue Code ("Section 409A").

III. PERFORMANCE CATEGORIES

The PSP Award is based on the Company's performance in each of the following categories (each a "Performance Category") and weighted as indicated:

- Organic sales growth (percentile rank in the competitive peer group)* - 30%
- Constant currency core before-tax operating profit growth - 20%
- Core earnings per share (EPS) growth - 30%
- Adjusted free cash flow productivity - 20%

Awards will be further adjusted based on the three-year relative total shareholder return (R-TSR) of P&G compared to the competitive peer group*. Awards will be adjusted for top quartile performance using a 125% multiplier to increase awards, and reduced for bottom quartile performance using a 75% multiplier.
** Competitive peer group is defined in the PSP Accounting Guidelines.*

Within the first 90 days of each Performance Period, the C&LD Committee sets three-year performance goals ("Performance Goals") for each Performance Category for such Performance Period and establishes a sliding scale to measure the Company's performance against each Performance Goal in each Performance Category. The C&LD Committee uses the sliding scale to establish a payout factor between 0% and 200% for each Performance Category (a "Sales Factor", "Profit Factor", "EPS Factor" and "Cash Flow Factor", collectively, "Performance Factors").

In all cases, the C&LD Committee retains the discretion to include or exclude certain of the Performance Categories for purposes of determining the PSP Award. The C&LD Committee may reduce or eliminate any payment if it determines that such payout is inconsistent with long-term shareholders' interests or incongruous with the overall performance of the company.

PSP awards will have the following terms unless otherwise approved by the C&LD Committee:

IV. THE INITIAL PSU GRANT

The C&LD Committee has the sole discretion to establish the target award ("PSP Target") for each Participant serving as a Principal Officer. The CEO establishes the PSP Targets for participants who are not Principal Officers. The PSP Target will be a cash amount and will be the basis for the Initial PSU Grant. The C&LD Committee will make the Initial PSU Grant on the last business date in February ("Grant Date") following the beginning of each Performance Period. If the New York Stock Exchange is closed on the day of the grant, then the C&LD will establish a grant date as soon as practical subsequent to the date previously specified for such award. The Initial PSU Grant will set forth a target and maximum number of PSUs. The target number of PSUs will be determined by dividing the PSP Target by the expense value of one PSU using the same methodology by which the Company expenses PSUs, rounding to the nearest whole unit.

The Initial PSU Grant maximum will be two times the Initial PSU Grant.

V. PSU VESTING AND PAYMENT

After the Performance Period is complete, the C&LD Committee will establish the Payout Factors for each of the Performance Categories based on the Company's results versus the pre-established Performance Goals. The number of PSUs that vest will be determined by multiplying the Performance Factors by their respective weightings, summing up the results, then applying the R-TSR multiplier if applicable. The final result will be rounded up or down to the nearest full percentage. The resulting percentage will be applied to the number of PSUs in the Initial PSU Grant target, including dividends that would have accumulated since the initial PSU grant on the vested units, rounding up to the nearest whole share. The number of PSUs that vest may be equal to, above or below the Initial PSU Grant target depending on the Company's performance in the Performance Categories, but in no event more than the Initial PSU Grant maximum. Vested PSUs are converted into shares of Common Stock delivered to the applicable Participant within 60 days following the end of the Performance Period, or such later date as may be elected by the Participant if applicable and in accordance with Section 409A.

Participants at Band 7 and above may elect to defer delivery of the Common Stock by electing to receive Restricted Stock Units. PSP RSUs will have the following terms unless otherwise approved by the Committee at grant:

VESTING AND SETTLEMENT: PSP RSUs will be vested on the grant date with a settlement date at least one year following the original PSU delivery date (as elected by the Participant), are eligible for dividend equivalents, and can be further deferred in accordance with Section 409A. These RSUs will be paid on their Original Settlement Date or the Agreed Settlement Date, except in the case of death. In the case of death (except in France and the UK), payment will be made by the later of the end of the calendar year or two and a half months following the date of death. For awards granted in France or the UK, the consequences of death are determined by the local plan supplement, if applicable.

VI. <u>SEPARATION FROM THE COMPANY</u> (Defined terms shall have the meaning designated in the 2014 Plan or related award documents)

If the Participant's Termination of Employment occurs for any reason before the Vest Date, except for the reasons listed below, the Award will be forfeited. Participants must remain in compliance with the terms and conditions set forth in the 2014 Plan, including those in Article 6.

- <u>Termination on Account of Death (except in France and the UK).</u> The Award is immediately vested and will become deliverable on the Settlement Date or Agreed Settlement Date, whichever is applicable.

- <u>Termination on Account of Death for awards granted in France or the UK.</u> The consequences of death are determined by the local plan supplement, if applicable.

- <u>Termination on Account of Retirement or Disability after June 30th of the fiscal year in which this Award was granted.</u> PSUs are retained and will be delivered on the Settlement Date.

- <u>Termination pursuant to a Written Separation Agreement that provides for retention of the Award, after June 30th of the fiscal year in which this Award was granted.</u> PSUs are retained and will be delivered on the Settlement Date.

- <u>Termination in connection with a divestiture or separation of any of the Company's businesses, as determined by the Company's Chief Human Resources Officer.</u> PSUs are retained and will be delivered on the Settlement Date.

VII. <u>CHANGE IN CONTROL</u>

Notwithstanding the foregoing, if there is a Change in Control that meets the requirements of a change in control event under Section 409A, all outstanding PSP Awards will vest at 100% of the Initial PSU Grant target (or 100% of the PSP Target if the Change in Control occurs prior to the Initial PSU Grant) including dividends that would have accumulated since the initial PSU grant on the vested units, and shall be paid in shares of Common Stock at the time of such Change in Control. If there is a Change in Control event that does not meet the requirements of a change in control event under Section 409A, all outstanding PSP Awards will be settled according to the terms and conditions set forth herein, without the application Article 17 of the 2014 Plan. "Change in Control" shall have the same meaning as defined in the 2014 Plan or any successor stock plan approved in accordance with applicable listing standards.

VIII. <u>GENERAL TERMS AND CONDITIONS</u>

It shall be understood that the PSP does not give to any officer or employee any contract rights, express or implied, against any Company for any PSP Award, or for compensation in addition to the salary paid to him or her, or any right to question the action of the Board of Directors or the C&LD Committee.

Each PSP Award made to an individual at Band 7 and above is subject to the Senior Executive Recoupment Policy adopted by the C&LD Committee in December 2006.

To the extent applicable, it is intended that the PSP comply with the provisions of Section 409A. The PSP will be administered and interpreted in a manner consistent with this intent. Neither a Participant nor any of a Participant's creditors or beneficiaries will have the right to subject any deferred compensation (within the meaning of Section 409A) payable under the PSP to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to a Participant under the PSP may not be reduced by, or offset against, any amount owing by a Participant to the Company.

This program document may be amended at any time by the C&LD Committee

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Section 3: EX-10.2 (SUMMARY OF THE COMPANY'S LONG-TERM INCENTIVE PROGRAM)

EXHIBIT (10-2)

Summary of the Company's Long-Term Incentive Program

LONG-TERM INCENTIVE PROGRAM

(Effective July 1, 2018)

The Long-Term Incentive Program (“LTI Program”) is part of The Procter & Gamble Company’s (the “Company”) long-term incentive compensation and is designed to increase employee ownership and focus employees on the long-term success of the Company. Awards granted under the LTI Program (“LTI Awards”) are made pursuant to authority delegated to the Compensation & Leadership Development Committee (the “Committee”) by the Board of Directors for determining compensation for the Company’s principal officers and for making awards under The Procter & Gamble 2014 Stock and Incentive Compensation Plan (the “2014 Plan”) or any successor stock plan approved in accordance with applicable listing standards.

I. ELIGIBILITY

Active employees at Band 4 and above as of October 1 prior to grant date are included in the Plan, as well as a select percent of Band 3 employees. In special circumstances such as for acquisitions or experienced hires, the CHRO may authorize grants for employees who are not active as of October 1 but are employees as of the grant date. Employees recommended by management and approved by the Committee or Committee’s delegate are eligible to participate (“Participants”).

II. OVERVIEW

The LTI Program motivates leaders to achieve results in the long term by driving ownership behavior through the awarding of stock options, stock appreciation rights (SARs), and restricted stock units (RSUs). Participants at Band 4 and above may be provided a choice of a mix of stock options and RSUs, except for the CEO, whose grant form is solely determined by the Committee. The choice must be made before the end of the calendar year preceding the award date. Band 3 participants receive awards in the form of stock options, RSUs, or a mix as authorized by the CEO prior to grant date. Exceptions may exist in some countries where stock options and/or RSUs are not locally allowed or effective as a compensation vehicle.

III. AWARD DETERMINATION

Market target grant values by Job Band are based on competitive market data from peer companies and analysis of global long-term incentive practices.

- CEO - The market analysis is reviewed and a final award value for the CEO is determined solely by the Committee.
- Principal Officers - Market target grant values for Principal Officers are authorized by the Committee. Final awards for Principal Officers are recommended by the CEO and approved directly by the Committee.
- Band 4-6 - The CEO authorizes market target grant values by band below Band 7. Individual employee award targets are determined based on the employee’s home country and job band. The final award values for Band 4-6 may be further adjusted by Business Unit leaders for individual performance. Final award amounts for employees Band 4-6 are approved by the CEO as delegated by the Committee. Awards for low performers are reduced or eliminated.
- Band 3 - The CEO authorizes market grant values, award mix, and participation rates at Band 3. The Business Unit leaders select the Band 3 participants within their organizations. The final award values for Band 3 are set based on home country and approved by the CEO as authorized by the Committee.

The number of stock options or SARs awarded to each employee will be determined on grant date using the same methodology by which the Company expenses stock options. The number of RSUs awarded will be determined based on the price of P&G stock on grant date.

The option price or grant price used for any LTI Award will be the closing price for a share of Common Stock on the New York Stock Exchange on the day of the grant, or such higher price as may be specified in the French

Addendum of the Regulations (the "Grant Price"). If the New York Stock Exchange is closed on the day of the grant, then the date of the Award will be the first day of trading of the Company's stock subsequent to the date previously specified for such award.

LTI Awards will be granted on the last business day of February each year. Employees who did not receive the appropriate award on this date due to an administrative or data error will receive their appropriate LTI Award on the last business day prior to May 10 each year.

If applicable, Participants must accept their awards according to the terms of the Award Letter or the Award will not be granted.

IV. VESTING AND SETTLEMENT

Stock options and SARs vest three years following the grant date. They expire ten years after the grant date. RSUs have a vest date and settlement date three years following the grant date, are eligible for dividend equivalents, and cannot be deferred in accordance with Internal Revenue Code 409A unless otherwise determined by the Committee at grant.

V. SEPARATION FROM THE COMPANY (Defined terms shall have the meaning designated in the 2014 Plan or related award documents)

If the Participant's Termination of Employment occurs for any reason before the Expiration Date and prior to exercising the Award for stock options and SARs, or before the Vest Date for RSUs, except for the reasons listed below, the Award will be forfeited. Participants must remain in compliance with the terms and conditions set forth in the 2014 Plan, including those in Article 6.

- Termination on Account of Death (except in France and the UK). The Vest Date for stock options and SARs becomes the date of death and the Award remains exercisable until the Expiration Date. For RSUs, the Award will be fully vested and payment will be made by the later of the end of the calendar year or two and a half months following the date of death.

- Termination on Account of Death for awards granted in France or the UK. The consequences of death are determined by the local plan supplement, if applicable.

- Termination on Account of Retirement or Disability after June 30th of the fiscal year in which this Award was granted. Stock options and SARs are retained and will be exercisable on the Vest Date and will expire on the Expiration Date. RSUs are retained and will be delivered on the Settlement Date.

- Termination pursuant to a Written Separation Agreement that provides for retention of the Award, after June 30th of the fiscal year in which this Award was granted. Stock options and SARS are retained and will become exercisable on the Vest Date and will expire on the Expiration Date. RSUs are retained and will be delivered on the Settlement Date.

- Termination in connection with a divestiture or separation of any of the Company's businesses, as determined by the Company's Chief Human Resource's Officer. All outstanding Stock options and SARs are retained and will become exercisable on the Vest Date and will expire on the Expiration Date. All outstanding RSUs are retained and will be delivered on the Settlement Date.

VI. CHANGE IN CONTROL

If there is a Change in Control, the provisions of Article 17 of the 2014 Plan will apply.

VII. GENERAL TERMS AND CONDITIONS

It shall be understood that the LTI Program does not give to any employee any contract rights, express or implied, against the Company for any LTI Award, or for compensation in addition to the salary paid to him or her.

This program document may be amended at any time by the Committee.

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Section 4: EX-10.3 (COMPANY'S FORM OF SEPARATION AGREEMENT & RELEASE)

EXHIBIT (10-3)

Company’s Form of Separation Agreement & Release

SEPARATION AGREEMENT AND RELEASE

To: «Employee_Name»
Date: «Actual_Offer_Date»

«Company» ("P&G") is willing to provide you with certain assistance in connection with your employment separation from the Company. The following, which is subject to your approval, sets forth our proposed agreement to do so. Your receipt of the benefits described below is conditioned upon your accepting, and abiding by, the terms of this Agreement.

Last Day of Employment:	Your last day of employment will be **«Exit_Date»,** referred to as your "Last Day of Employment." Unless otherwise noted below, your pay and benefits will cease as of your Last Day of Employment.
Separation Payment:	As soon as administratively practical after your Last Day of Employment, P&G will provide you with a Separation Payment of **«Total_Amount»,** less legally required withholdings and deductions. In no event will payment be made before expiration of the seven-day revocation period discussed below or later than the March 15th of the year following the year which includes your last day of employment. Amounts you owe to P&G as of your Last Day of Employment, including, but not limited to, wage and/or benefit overpayments and unpaid loans, will also be deducted from the Separation Payment.
Payment for Unvested PST:	If you are not fully-vested in the Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan ("PST") as of your Last Day of Employment, as soon as administratively practical after your Last Day of Employment, but no later than the March 15th of the year following the year which includes your Last Day of Employment, you will receive a lump sum payment in an amount substantially equivalent to the non-vested credits in your account in the PST.
STAR Awards:	As of your Last Day of Employment, if you were otherwise eligible for a STAR award <u>and</u> you worked at least 28 days (4 calendar weeks) during that fiscal year, you will receive a pro-rated STAR award for that fiscal year. Your STAR award will be pro-rated by dividing the number of calendar days during the fiscal year from July 1 through your Last Day of Employment by 365. Your STAR award will be paid in cash in the September (but no later than September 15th) immediately following the end of the fiscal year in which you terminate.

Equity Awards (including Recognition Shares):	Your separation will be treated as a Special Separation for purposes of any outstanding equity awards granted under the Procter & Gamble 2009 Stock and Incentive Compensation Plan, the Procter & Gamble 2001 Stock and Incentive Compensation Plan, the Procter & Gamble 1992 Stock Plan, or the Gillette Company 2004 Long-Term Incentive Plan and as a result the awards will be retained subject to the original terms and conditions of the awards. Awards granted under the Procter & Gamble 2014 Stock & Incentive Compensation Plan are retained subject to the terms and conditions of the Awards. This agreement does not alter the rights and obligations that you may have under the Procter & Gamble 2014 Stock & Incentive compensation Plan, the Procter & Gamble 2009 Stock and Incentive Compensation Plan, the Procter & Gamble 2001 Stock and Incentive Plan, the Procter & Gamble 1992 Stock Plan, and the Gillette Company 2004 Long-Term Incentive Plan.
Current Health, Dental, and Life Insurance Benefits:	If you are enrolled in P&G's active health (including medical, prescription drug, and EAP coverage), active dental, and company-paid life insurance coverage, that coverage will continue under the same terms until **«Benefits_End_Date»**. **Note:** Any life insurance coverage other than company-paid life insurance coverage will not continue during this time. When your extended coverage ends, you may be entitled to continue your health and dental coverage under COBRA. If you are entitled to COBRA continuation coverage, you will receive a notice of your right to elect COBRA.
Retiree Medical and Dental Benefits:	If you were eligible for P&G retiree healthcare coverage on your Last Day of Employment, you will be eligible to enroll in P&G's retiree medical and dental insurance coverage. You are eligible for P&G retiree healthcare coverage if you satisfy the regular retiree eligibility rules (i.e., you are a Regular Retiree) as of your Last Day of Employment. Under the terms of this Agreement, you also are eligible for P&G retiree healthcare coverage as a Special Retiree by satisfying the Rule of 70 as of your Last Day of Employment. You satisfy the Rule of 70 when your full years of age plus your full years of service equal 70. Special rules apply to Gillette Heritage Employees with regard to retiree medical eligibility and the retiree medical cost sharing under the retiree medical plan. If you are a Gillette Heritage Employee, you will receive a separate handout on your retiree medical eligibility. If you are eligible for P&G's retiree healthcare coverage as either a Regular Retiree or a Special Retiree as of your Last Day of Employment, you should contact P&G Employee Care before your extension of coverage ends to request retiree healthcare enrollment information. For details regarding the terms and conditions of your retiree health coverage, please refer to and review the summary plan descriptions, available at PGOneLife and Career **Important Note:** If you become employed by a direct competitor of P&G (as determined by P&G's Chief Human Resources Officer) in an officer and/or director capacity, you will not be eligible for coverage under P&G's retiree healthcare coverage as long as you remain employed by such competitor. If you have questions, please contact P&G Employee Care at 1-833-441-4357.

Outplacement Services:	P&G's outplacement supplier, Right Management Consultants, will provide services to assist you in managing your transition to a new future, based on your interest. Services include pre-decision counseling, career transition programs, and job development opportunities. Right Management Consultants will also assist you in preparing for your job search, including résumé preparation, cover letters, other written materials and interview and networking training. After accepting this Agreement, and after obtaining your manager's approval, you may begin utilizing outplacement services on a limited basis prior to your Last Day of Employment, consistent with the needs of the business and your responsibilities to complete and/or transition your work. Note that you must begin utilizing outplacement services within 45 days of your Last Day of Employment to be eligible for this benefit.
Retraining:	You are eligible for reimbursement (up to $5,000) for the cost of tuition, registration and laboratory fees for courses taken at accredited colleges and universities, or at 2-year colleges, trade schools, or vocational schools approved by appropriate accrediting boards. Correspondence courses which result in credit towards diplomas, degrees, etc. may be acceptable if offered by eligible non-profit institutions. You must have courses approved in advance and submit proof of payment of covered fees and proof (such as a transcript) that the courses were completed successfully. Courses that are recreational in nature, such as golf lessons, will not be approved. All expenses for retraining must be incurred within twenty-four (24) months of your Last Day of Employment. The retraining reimbursement benefit is administered by Right Management Consultants.
No Consideration Without Executing this Agreement:	You affirm that you understand and agree that you would not receive the separation payment and/or benefits specified in this Agreement without executing this Agreement and fulfilling the promises contained in it. Except as provided in this Agreement or under the terms and conditions of an applicable benefit plan or policy sponsored by P&G, you shall not be due any payments or benefits from P&G in connection with the termination of your employment.
Continued Employment Through Your Last Day of Employment:	You agree to perform your work and responsibilities as an employee in a satisfactory manner up to and including your Last Day of Employment, including compliance with all provisions of this "Separation Agreement and Release." If P&G determines that you have engaged in serious misconduct during your employment, you understand and agree that P&G may terminate your employment immediately and will not provide, nor will it be obligated to provide, you with the Separation payment, medical benefits, outplacement, retraining and other benefits described above. If you have already received any such pay or benefits, you agree to repay them to P&G upon demand.
Nonadmission of Wrongdoing:	You affirm that you understand and agree that neither this Agreement nor the furnishing of the consideration for this Agreement, including the Separation Payment, shall be deemed or construed at any time for any purpose as an admission by P&G of wrongdoing or evidence of any liability or unlawful conduct of any kind.

	In consideration of the Separation Payment and other benefits provided above to which you would not have been entitled under any existing P&G Policy, you release P&G from any and all claims you have against P&G. The term “P&G” includes «Company» and any of its present, former and future owners, parents, affiliates and subsidiaries, and its and their directors, officers, shareholders, employees, agents, servants, representatives, predecessors, successors and assigns and their employee benefit plans and programs and their administrators and fiduciaries. This release applies to claims about which you now know or may later discover, and includes but is not limited to: (1) claims arising under the Age Discrimination in Employment Act, 29 U.S.C. § 621, et seq.; (2) claims arising out of or relating in any way to your employment with P&G or the conclusion of that employment; (3) claims arising under any federal, state and local employment discrimination laws, regulations or ordinances or other orders that relate to the employment relationship and/or employee benefits; and (4) any other federal, state or local law, rule, regulation or ordinance, public policy, contract, tort or common law. This release does not apply to claims that may arise after the date you accept this Agreement or that may not be released under applicable law. You are not waiving any rights you may have to: (a) your own vested accrued employee benefits under the P&G health, welfare, or retirement benefit plans as of the Last Day of Employment; (b) benefits and/or the right to seek benefits under applicable workers’ compensation and/or unemployment compensation statutes; (c) pursue claims which by law cannot be waived by signing this Agreement; (d) enforce this Agreement; and/or (e) challenge the validity of this Agreement. You agree that the decision that your last day of employment would be on the Last Day of Employment was made prior to your accepting and executing this Agreement, and you agree that you are releasing any claim in connection with the separation of your employment. If any claim is not subject to release, to the extent permitted by law, you agree that you waive any right or ability to be a class or collective action representative or to otherwise participate in any putative or certified class, collective or multi-party action or proceeding based on such a claim in which P&G is a party. Governmental Agencies: Nothing in this Agreement prohibits or prevents you from filing a charge with or participating, testifying, or assisting in any investigation, hearing, or other proceeding before the U.S. Equal Employment Opportunity Commission, the National Labor Relations Board or a similar agency enforcing federal, state or local anti-discrimination laws. However, to the maximum extent permitted by law, you agree that if such an administrative claim is made to such an anti-discrimination agency, you shall not be entitled to recover any individual monetary relief or other individual remedies. Nothing in this Agreement, including but not limited to the “*Release of Claims - Including Age Discrimination and Employment Claims*” and the “*Confidential, Proprietary, Trade Secret Information & Period of Non-Competition*” sections of this Agreement, prohibits you from: (1) reporting possible violations of federal law or regulations, including any possible securities laws violations, to any governmental agency or entity, including but not limited to the U.S. Department of Justice, the U.S. Securities and Exchange Commission, the U.S. Congress, or any agency Inspector General; (2) making any other disclosures that are protected under the whistleblower provisions of federal law or regulations; or (3)

Release of Claims - Including Age Discrimination and Employment Claims:	otherwise fully participating in any federal whistleblower programs, including but not limited to any such programs managed by the U.S. Securities and Exchange Commission and/or the Occupational Safety and Health Administration. You understand you do not need the prior authorization from the Company to make any such reports or disclosures, and you are not required to notify the Company that you have made such reports or disclosures. Moreover, nothing in this Agreement prohibits or prevents you from receiving individual monetary awards or other individual relief by virtue of participating in such federal whistleblower programs.

	Subject to the "Governmental Agencies" portion of the "*Release of Claims - Including Age Discrimination and Employment Claims*" above, you agree that you will not use or share any confidential, proprietary or trade secret information about any aspect of P&G's business with any non-P&G employee or business entity at any time in the future. You further agree that you will not obtain or have in your possession any confidential, proprietary or trade secret information on or after your last day of employment. Confidential, proprietary or trade secret information includes, but is not limited to, marketing and advertising plans, pricing information, upstream plans, specific areas of research and development, project work, product formulation, processing methods, assignments of individual employees, testing and evaluation procedures, cost figures, construction plans, and special techniques or methods of any kind. Notwithstanding the requirements of confidentiality contained in this section, the federal Defend Trade Secrets Act of 2016 immunizes you against criminal and civil liability under federal or state trade secret laws for your disclosure of trade secrets that is made i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law; ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; or iii) to your attorney for use in a lawsuit alleging retaliation for reporting a suspected violation of law, provided that any document containing the trade secret is filed under seal and you do not otherwise disclose the trade secret, except pursuant to court order. Additional non-compete obligation for management employees only: You understand and agree that, unless you have prior written consent from P&G, you will not engage in any activity or provide any services for a period of three (3) years following your Last Day of Employment in connection with the manufacture, development, advertising, promotion or sale of any product which is the same as, similar to, or competitive with any products of P&G or its subsidiaries (including both existing products as well as products in development which are known to you, as a consequence of your employment with P&G): With respect to which your work has been directly concerned at any time during the two (2) years preceding your Last Day of Employment; or With respect to which during that period of time you, as a consequence of your job performance and duties, acquired knowledge of trade secrets or other confidential information of P&G. For the purposes of this section, it shall be conclusively presumed that you have knowledge or information to which you were directly exposed through the actual receipt of memos or documents containing such information or through actual attendance at meetings at which such information was discussed or disclosed. The provisions of this section are not in lieu of, but are in addition to, your continuing obligation to not use or disclose P&G's trade secrets and confidential information known to you until any particular trade secret or confidential information becomes generally known (through no fault of yours). Information regarding products in development, in test market or being marketed or promoted in a discrete geographic region, which information P&G is considering for a broader use, shall not be deemed generally known until such broader use is actually commercially implemented. Also, "generally known" means known throughout the domestic United States industry or, if you have job responsibilities outside of the United States, the appropriate foreign country or countries' industry.

Confidential, Proprietary, Trade Secret Information & Period of Non-Competition:	If any restriction in this section is found by any court of competent jurisdiction or arbitrator to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it will be modified and interpreted to extend only over the maximum period of time, range of activities or geographic area so that it may be enforceable. If you are a participant in the 2009 Stock and Incentive Compensation Plan, the 2001 Stock and Incentive Compensation Plan, or the 1992 Stock Plan, you are also bound by the terms of Article F - Restrictions & Covenants of those plans, which are incorporated herein by reference. If you are a participant in the 2014 Stock & Incentive Compensation Plan, you are also bound by the terms of Article 6 - Restrictions and Covenants of this plan which are incorporated herein by reference.

Acknowledgements and Affirmations:	Subject to the "Governmental Agencies" portion of the "*Release of Claims - Including Age Discrimination and Employment Claims*" above, you affirm that you have not filed, caused to be filed, or presently are a party to any claim against P&G. You affirm that you have been paid and/or have received all compensation, wages, bonuses, commissions, and/or benefits which are due and payable as of the date you sign this Agreement. To the extent that you are required to report hours worked, you affirm that you have reported all hours worked as of the date you sign this Agreement. You affirm that you have been granted any leave to which you were entitled under the Family and Medical Leave Act or related state or local leave or disability accommodation laws. You further affirm that you have no known workplace injuries or occupational diseases that have not been reported.
Assignment of Intellectual Property:	You will promptly and fully disclose, transfer and assign to P&G all inventions and any other intellectual property (collectively "Intellectual Property") made or conceived by you during your employment with P&G. You agree to fully cooperate in executing any papers required for establishing or protecting the Intellectual Property and for establishing P&G's ownership, even if such cooperation is necessary after your Last Day of Employment.
Return of P&G Property:	You agree that on or before your Last Day of Employment, you will return to P&G in good condition all of its equipment, materials and information that were in your possession, custody or control (including, but not limited to, computers, files, documents, credit cards, keys and identification badges). You further agree that you will provide your manager with all passwords to P&G electronic communication and data systems before your Last Day of Employment. You further agree that on or before your Last Day of Employment, you will return or if directed to do so by your immediate manager, delete (i.e., destroy all copies of) any and all P&G confidential, proprietary or trade secret information you have maintained in your possession, custody, or control in paper, electronic and/or digital formats, including but not limited to, any such confidential, proprietary, or trade secret information (e.g., files, documents, etc.) that you may have electronically or digitally processed or stored on P&G-issued or on personally-owned or maintained digital devices and/or service accounts. Such digital devices and/or service accounts may include, but are not limited to desktop and laptop computers, notebooks, tablets, iPads, mobile phones, smartphones, personal digital assistants (PDAs), USB and flash drives, external hard drives, CDs, DVDs, and/or external file processing or storage provided by cloud service providers such as box.net, dropbox, Google docs, etc.
Ethics Compliance:	Subject to the "Governmental Agencies" portion of the "*Release of Claims - Including Age Discrimination and Employment Claims*" above, you agree that you provided P&G all information known to you regarding any violations of the Procter & Gamble Worldwide Business Conduct Manual and/or any other violations of P&G policy or the law.

Agreement to Arbitrate Disputes:	Resolving any future differences we may have in the courts can take a long time and be expensive. You and P&G therefore agree that the only remedy for all disputes that are not released by this Agreement or that arise out of your employment with or separation from P&G, or any aspect of this Agreement, will be to submit any such disputes (with the exception noted at the end of this section) to final and binding arbitration in accordance with the National Rules for Resolution of Employment Disputes of the American Arbitration Association then in effect. You and P&G agree that the aggrieved party must send written notice of any claim to the other party by certified mail, return receipt requested. Written notice for P&G will be sent to: Secretary, One Procter & Gamble Plaza, Cincinnati, OH 45202, and to you at the most current address shown for you in P&G's records. The arbitrator will apply Ohio law. At your written request, P&G will reimburse you for all fees and costs charged by the American Arbitration Association and its arbitrator to the extent they exceed the applicable fees and costs that would have been charged by a court of competent jurisdiction had your claim been filed in court. There is one exception to this section. P&G may seek injunctive relief in any court of competent jurisdiction if it has reason to believe that you have violated or are about to violate (1) the terms of the "Confidential, Proprietary, Trade Secret Information & Period of Non-Competition" section above, or (2) if you are a participant in the 2009 Stock and Incentive Compensation Plan, the 2001 Stock and Incentive Compensation Plan, or the 1992 Stock Plan, the terms of Article F - Restrictions & Covenants of those plans or (3) if you are a participant in the 2014 Stock and Incentive Compensation Plan, the terms of Article 6 - Restrictions & Covenants of that plan.
Severability:	If any court of competent jurisdiction or arbitrator should later find that any portion of this Agreement is invalid, that invalidity will not affect the enforceability of any other portion of this Agreement.
Employment References:	You understand that P&G's historical policy is to not provide employment references to prospective employers. However, P&G is willing to waive that policy in your case on the following basis: You authorize your manager or human resources representative to provide an employment reference upon written or verbal request. In return, you release any claim against P&G and will not bring a lawsuit in court against P&G based upon that employment reference (or lack thereof). You agree that you will refer all reference inquiries to your manager or human resources representative only. You further understand that all disputes regarding employment references or the lack thereof must be resolved through the arbitration process described above.
No Reliance:	This Agreement sets forth the entire agreement between you and P&G and fully supersedes any prior agreements or understanding between the parties except that if you are a participant in the 2009 Stock and Incentive Compensation Plan, the 2001 Stock and Incentive Compensation Plan, or the 1992 Stock Plan, the terms of Article F - Restrictions & Covenants of those plans remain in full force and effect and are incorporated herein by reference and if you are a participant in the 2014 Stock Plan, the terms of Article 6 - Restrictions & Covenants of the plan remain in full force and are in effect and are incorporated herein by reference. In deciding to accept this Agreement, you agree that you have not relied upon any statements or promises by P&G, its managers, agents or employees, other than those set forth in this Agreement. No other promises or agreements concerning the matters described in this Agreement shall be binding unless in a subsequent document signed by these parties.
Your Attorney:	You acknowledge that you have been and hereby are advised to consult with legal counsel before accepting this Agreement and have either done so or have voluntarily declined to do so.

Timing for Acceptance or Revocation:	You have forty-five (45) calendar days in which to consider this Agreement in which you waive important rights, including those under the Age Discrimination in Employment Act of 1967. If you choose to sign this Agreement, please do so by indicating your acceptance of this Agreement with your electronic signature in P&G's electronic system. We advise you to consult with an attorney of your choosing prior to signing this Agreement. Further, you may within seven (7) calendar days following the date you accept this Agreement, cancel and terminate the Agreement by giving written notice of your intention to revoke the Agreement to your immediate manager, and by returning to P&G any remuneration or benefits that have been advanced to you in anticipation of your not revoking your Agreement and to which you are not entitled. If notice of your revocation is mailed, it must be postmarked within seven (7) calendar days after you sign this Agreement. You agree that any modifications, material or otherwise, made to this Agreement, do not restart or affect in any manner the original up to forty-five (45) calendar day consideration period.

The benefits described in this Agreement and pursuant to the summary plan description for the Procter & Gamble Basic Separation Program for U.S. Employees (see embedded document below), are the special benefits you will receive by signing this Agreement. To the extent this Agreement describes benefits under other benefit plans and policies sponsored by P&G, these special benefits are also described in the summary plan descriptions for those plans. As such, nothing in this Agreement amends or changes the terms of any P&G-sponsored employee benefit plan or policy.

[Embedded SPD, reproduced below]

After your Last Day of Employment, you will no longer be an active P&G employee, which may affect your coverage under those plans and policies. For example, plans may require that you enroll in Medicare to be eligible for coverage. For more information on how not being an active P&G employee may affect your coverage, please refer to and review the summary plan descriptions for each plan.

Procter & Gamble
Basic Separation Program for
U.S. Employees

Summary Plan Description

July 1, 2016

INTRODUCTION

The Procter & Gamble Company ("Company" or "P&G") sponsors The Procter & Gamble Insured-Unfunded Welfare Plan ("Plan"), which includes the Procter & Gamble Basic Separation Program for U.S. Employees ("Program"). Under the Program, the Company provides certain eligible employees with financial support and other benefits upon termination of employment with the Company.

This summary plan description ("SPD") provides the specific terms and conditions of the Program's benefits. You should read this SPD carefully as it gives you a detailed description of the Program, how it works, what benefits it provides, how those benefits may be obtained, and how those benefits may be lost. If this SPD does not answer your questions or if you need further information, contact the Associate Director, NA Employee Relations Manager, The Procter & Gamble Company, P&G Plaza, TN-3, Cincinnati, OH 45202, [email] [phone number].

You may examine the SPD during regular business hours at the Plan Administrator's office and obtain a copy of the SPD by written request to the Plan Administrator. You may be charged a fee to cover copying costs.

BASIC INFORMATION

Plan Name: The Procter & Gamble Basic Separation Program for U.S. Employees ("Basic U.S. Separation Program," "Basic Separation Program," "Program," or "Plan") is a component of the Procter & Gamble Insured-Unfunded Welfare Plan ("Insured-Unfunded Plan").

Effective Date: July 1, 2016

Plan Sponsor: The Procter & Gamble Company, P&G Plaza, Cincinnati, OH 45202

Employer/Sponsor Tax ID: 31-0411980

Plan Number: 556

Plan Year: For purposes of operating the Insured-Unfunded Plan, the plan year is January 1 through December 31. For purposes of financial reporting (i.e., Form 5500 filing), the plan year is July 1 through June 30

Plan Type: The Basic Separation Program provides severance benefits to eligible employees of the Company (and its subsidiaries). The Insured-Unfunded Plan also provides other employee benefits, the terms of which are described in separate summary plan descriptions.

Plan Administrator: The Procter & Gamble U.S. Business Services Company, c/o U.S. Benefits Manager, P&G Plaza, TE-3, Cincinnati, OH 45202, [phone number].

Claims Administrator: The Company's Director of Global Employee Relations (or appropriate delegate) handles initial claims for separation benefits under the Basic Separation Program. The Policy Committee handles appeals.

Plan Administration Type: The Plan Administrator, Employee Relations, and the Policy Committee share responsibility for administering the Basic Separation Program. Other benefits under the Plan (not described in this booklet) are provided through a combination of contract administration, insurer administration, and self-administration.

Plan Funding: The Company provides from its general assets 100% of the funding for the benefits under the Basic Separation Program.

Agent for Legal Service of Process: CT Corporation System, 1300 East 9th Street, Cleveland, OH 44114. Legal service of process may also be served on the Plan Administrator.

ELIGIBILITY, PARTICIPATION & BENEFITS

Who is Eligible? An individual is eligible for benefits under the Program if the individual is an employee of the Company who is based in the United States. For purposes of the Program, the United States means only the 50 states and the District of Columbia (but not territories of the United States, such as Puerto Rico). An employee is “based” in the United States if the employee’s home country (as designated by the Company) is the United States, including an employee who is on an expatriate assignment outside the United States.

What triggers an employee’s right to Separation Benefits? An employee of the Company who is otherwise eligible for separation benefits under the Program becomes entitled to such benefits if the Company, acting through its Chief Human Resources Officer or appropriate delegate, and the employee enter into a Negotiated Separation Agreement and the employee signs it. Employees may sign a Negotiated Separation Agreement via electronic signature through the Global Separation System. *IMPORTANT NOTE*: Only the Company can initiate the process of entering a Negotiated Separation Agreement. If the Company wants to provide an employee with an incentive to leave the Company earlier than the employee planned, the Company may choose to initiate the process by offering the employee a Negotiated Separation Agreement.

What is a Negotiated Separation Agreement? For purposes of the Program, a Negotiated Separation Agreement is an agreement between the Company and an employee that provides the terms of an employee’s termination of employment from the Company and must include (1) a Release of Claims; (2) a Last Day of Employment agreed to by the Company; and (3) all other necessary provisions in accordance with the Program. A Negotiated Separation Agreement may include some of the benefits listed in Appendix A, all of which are in addition to the normal benefits an employee would already be entitled to upon separation from the Company. For more information on how separating from the Company impacts your benefits, refer to the applicable summary plan descriptions and policies for such benefits.

IMPORTANT NOTE: *Except for certain limited situations involving extenuating circumstances,* the Company will not enter a Negotiated Separation Agreement with an individual who is no longer an employee of the Company.

What if an employee refuses to sign (or signs and later revokes) the Release of Claims? If an employee refuses to sign (or signs and later revokes) the Release of Claims, the employee will be disqualified from receiving any benefits under the Program, to the extent permitted by law and the terms of the Program.

If an employee signs a Negotiated Separation Agreement, when does his or her employment with the Company end? If an employee signs a Negotiated Separation Agreement with the Company, his or her employment with the Company ends at the conclusion of the Last Day of Employment specified in the Negotiated Separation Agreement.

If an employee signs a Negotiated Separation Agreement, when does participation in the Program begin? If an employee signs a Negotiated Separation Agreement with the Company, his or her participation in the Program begins on the day he or she signs the agreement. However, certain Program benefits will not be provided until after an employee’s Last Day of Employment.

If an employee signs a Negotiated Separation Agreement, what impact will it have on his or her Company sponsored employee benefits? Except to the extent otherwise described in this document and/or an applicable Negotiated Separation Agreement, the employee benefits for an employee who separates from the Company under the terms of a Negotiated Separation Agreement are impacted in the same manner as other separations from the Company. For example, if an employee signs a Negotiated Separation Agreement, in addition to the normal benefits he or she would otherwise be entitled to after terminating employment, the employee will also be entitled to the benefits specified in the Negotiated Separation Agreement. For more information on how separating from the

Company impacts your benefits, refer to the applicable summary plan descriptions and policies.

IMPORTANT CONSIDERATIONS: Signing a Negotiated Separation Agreement may have a significant impact on your benefits. For example, if you (or your spouse or dependents) are eligible for Medicare, after your Last Day of Employment, P&G medical coverage will be treated as secondary to Medicare, even if you are not enrolled in Medicare. This means that P&G's medical coverage will cover expenses only after Medicare has covered its share of the expenses. If you (or your spouse or dependents) are not enrolled in Medicare, P&G's medical coverage will determine what portion of the expense Medicare would have covered when determining the portion that P&G's medical coverage will pay. This is just one example of how your benefits may be affected by signing a Negotiated Separation Agreement. Therefore, you are encouraged to consult with your family, as well as your legal and financial advisors, before you sign a Negotiated Separation Agreement.

How can an employee who is otherwise eligible for benefits under the Program lose his or her eligibility for such benefits? An employee who is otherwise eligible for benefits under the Program will lose his or her eligibility for such benefits if he or she:

☐ Unilaterally and voluntarily resigns from the Company;[1]

☐ Is terminated from the Company for cause;[2] or

☐ Fails to comply with the terms of the Negotiated Separation Agreement, including, but not limited to, failing to (a) continue working through the Last Day of Employment without prior written approval from the Company, (b) continue to perform all the required duties of the employee's position and complete all required reporting and other documentation associated with such position, as determined by the employee's manager, through the Last Day of Employment, (c) comply with the terms of the non-compete provisions, or (d) return all Company property.

1 If you unilaterally and voluntarily resign from the Company, you will not be eligible for benefits under the Program. For purposes of the Program, if you unilaterally and voluntarily submit an Intent to Retire, the Company will consider such submission to be a unilateral and voluntary resignation.
2 "Cause" means the participant's (a) conviction or plea of guilty, nolo contendere, or no contest, to a felony; (b) willful misconduct; (c) violation of a material written Company policy; or (d) willful and continued failure or refusal to substantially perform essential job functions.

To the extent an employee has received any benefits under this Program and later loses his or eligibility for benefits under this Program, the employee may be required to repay the value of such benefits received.

NON-ASSIGNABILITY OF PLAN BENEFITS

No benefits under this Program may be assigned or transferred by you or any other person entitled to benefits. If any person attempts to assign, sell, or otherwise transfer any benefits under the Program, the Plan Administrator may terminate that person's interest in the benefit and dispose of that interest for the benefit of such person or such person's dependents as it sees fit.

CLAIMS PROCEDURES

The Claims Administrator determines the right of any person to benefits under the Program. If you do not receive a benefit to which you believe you are entitled under the Program, you may file a written claim for benefits with the Claims Administrator. Claims should be sent to: Claims Administrator, Basic Separation Program, The Procter & Gamble Company, c/o Global Employee Relations, P&G Plaza, TN-3, Cincinnati, OH 45202.

The Claims Administrator will process your claim and notify you in writing of its decision within a reasonable time, normally within 90 days after you submitted your written claim. When the Claims Administrator requires additional time (up to an additional 90 days) to process your claim because of special circumstances, it may obtain an extension by notifying you within the initial 90-day period that a decision on the claim will be delayed and when a decision can be expected. If your claim is denied, you will receive a written explanation of the specific findings and conclusions on which the denial is based.

If you do not agree with the Claims Administrator's decision, you or your authorized representative may appeal the decision to the Policy Committee. Your appeal must be submitted in writing within 60 days after you receive the initial claim decision. Appeals should be sent to: Policy Committee, Basic Separation Program, The Procter & Gamble Company, c/o Corporate Secretary's Office, P&G Plaza, C9-159, Cincinnati, OH 45202.

The Policy Committee will review the decision and issue a final written decision, normally within 60 days after the receipt of your appeal, specifying the reasons for its decision. If special circumstances require an extension, the Policy Committee may obtain such an extension by notifying you within the initial 60-day period that the decision on review of the denied claim will be delayed (for up to an additional 60 days), and why and when a decision can be expected.

The claim and appeal procedures are available to any employee or beneficiary who wishes to submit a claim for benefits or request an appeal. To the extent permitted by law, the Policy Committee's decision on appeal is final, binding, and conclusive as to any fact or interpretation of the Program.

A claim or action to recover benefits, clarify rights under the Program or Plan, or enforce rights under the Program or Plan (collectively, "Action") may not be filed in any court or other forum[3] until these claim procedures have been exhausted with respect to such Action. No Action may be filed in any court or other forum if more than two (2) years has passed since the earlier of (a) the date the first benefit payment was actually made, (b) the date the first benefit payment was allegedly due, (c) for a reimbursement claim, the date on which the expense was incurred, or (d) the date the Plan, the Program, the Company, the Claims Administrator, or the Policy Committee first denied the alleged obligation to provide such benefits. A denial described in (d) above may be made by way of a direct communication with you or a more general oral or written communication related to benefits payable under the Program (such as this summary plan description). If at the end of the two (2) year period described above, the Claims Procedures described above are pending, the deadline for filing an Action will be extended to the date that is 60 calendar days after the final denial (including a deemed denial) by the Policy Committee.

3 If a Negotiated Separation Agreement includes a provision that requires the employee (or former employee) to settle all disputes arising from the Negotiated Separation Agreement through arbitration, then such employee (or former employee) is limited to pursuing such Action in accordance with the terms of such provision (including, but not limited to, whether such arbitration is final and binding).

FUTURE OF THE PROGRAM

Consistent with the terms of the Plan, the Company intends to continue the benefits under this Program indefinitely. However, the Company reserves the right to amend, modify, suspend, or terminate the Program to any extent and in any manner that it may deem advisable at any time or times. Any such action shall be taken by the Board of Directors, or its appropriate delegate, through a formal written statement or through formal action at a Board of Directors meeting.

DEFINITIONS

Last Day of Employment. The Last Day of Employment means the date specified in a Negotiated Separation Agreement as the employee's last day being employed by the Company. The date must be a date to which the Company has agreed and which will be the last day the employee is employed with the Company. If an employee dies after executing a Negotiated Separation Agreement, but before the Last Day of Employment, such employee's Last Day of Employment shall be considered the employee's date of death. All Negotiated Separation Agreements must have a specified Last Day of Employment.

Release of Claims ("Release"). A Release of Claims means a provision in a Negotiated Separation Agreement in which the employee releases legal and other claims against the Company. All Negotiated Separation Agreements must include a Release, which will be in a form approved by the Company. By executing a Negotiated Separation Agreement, an employee also executes and agrees to the terms of the Release therein. Each Release becomes effective in accordance with its terms.

Regular Retiree. A Regular Retiree means a former employee of the Company who was, on his or her Last Day of Employment, (1) at least 55 years old with his or her full years of age plus full Years of Service equal to at least 75, or (2) at least 60 years old with at least 10 full Years of Service. Regular Retirees are eligible to enroll in retiree medical and dental coverage under The Procter & Gamble Retiree Welfare Benefits Plan ("Retiree Plan"), subject to the terms and conditions of the Retiree Plan, including any amendments to the Retiree Plan. Regular Retirees are automatically enrolled in retiree life insurance benefits under the Retiree Plan when their basic life insurance benefits terminate.

Special Retiree. A Special Retiree means a former employee of the Company who executed a Negotiated Separation Agreement and satisfied the Rule of 70 on his or her Last Day of Employment. The Rule of 70 is satisfied if an employee's full years of age plus full Years of Service equal at least 70. Special Retirees are eligible to enroll in retiree medical and dental coverage under The Procter & Gamble Retiree Welfare Benefits Plan ("Retiree Plan"), subject to the terms and conditions of the Retiree Plan, including any amendments to the Retiree Plan. Special Retirees are automatically enrolled in retiree life insurance benefits under the Retiree Plan when their basic life insurance benefits terminate.

Special Separation. Special Separation means a former employee of the Company who executed a Negotiated Separation Agreement and was neither a Regular Retiree nor a Special Retiree on his or her Last Day of Employment.

Years of Service. Years of Service means an employee's adjusted years of service with the Company, as determined by the Company.

YOUR RIGHTS UNDER ERISA

As a participant in the Plan, you are entitled to certain rights and protection under the Employee Retirement Income Security Act of 1974 ("ERISA"). ERISA provides that all Plan participants shall be entitled to:

☐ Examine without charge, at the Plan Administrator's office and at other specified locations, such as work sites, all documents governing the Plan.

☐ Obtain a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor, which is available at the Public Disclosure Room of the Employee Benefits Security Administration.

☐ Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including insurance contracts and collective bargaining agreements, copies of the latest annual report (Form 5500 Series) and an updated Summary Plan Description. The Plan Administrator may make a reasonable charge for the copies.

☐ Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so responsibly and in the interest of you and other Plan participants and beneficiaries. No one, including your employer, your union or any other person, may terminate your employment or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you make a written request for a copy of Plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator.

If you have a claim for benefits that is denied or ignored, in whole or in part, you may file suit in a state or federal court. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a medical child support order, you may file suit in federal court. If it should happen that the Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S.
Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Your Questions
If you have questions about your Plan, you should contact the Plan Administrator. If you have questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor (listed in your local telephone directory), or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, NW, Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

APPENDIX A:
SEPARATION BENEFITS

The benefits described in this Appendix A are the separation benefits available under the Program. Whether and to what extent you are entitled to any of the benefits below is solely within the Company's discretion, subject to the limitations described below.

SEPARATION PAYMENT	If the Company offers you Separation Payment as part of your Negotiated Separation Agreement, the amount of the Separation Payment will be specified in the terms of your Negotiated Separation Agreement, but shall not exceed the percentage of your Annual Base Pay provided below, based on your full Years of Service. <u>Years of Service</u> <u>% Annual Base Pay</u> 0-2 25.00% 3-4 33.33% 5-9 54.17% 10-14 75.00% 15-19 95.83% 20+ 100.00% Separation Payments are payable in one lump sum, less tax withholding, and are issued as soon as administratively practical (typically, four to six weeks) *after your Last Day of Employment*. Separation Payments are not considered "compensation" for purposes of determining any benefits provided under any pension, savings, or other benefit plan sponsored by the Company.
PAYMENT FOR UNVESTED PST	If you are not fully-vested in the Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan ("PST") as of your Last Day of Employment, as soon as administratively practical after your Last Day of Employment, but no later than the March 15th of the year following the year which includes your Last Day of Employment, you will receive a lump sum payment in an amount substantially equivalent to the non-vested credits in your account in the PST.
EXTENSION OF MEDICAL, DENTAL, AND BASIC LIFE COVERAGE	If you are enrolled in medical, dental, or basic life insurance benefits on your Last Day of Employment, such benefits will be extended through the end of the month in which the Last Day of Employment occurs. If the Company offers you a further extension of these benefits as part of your Negotiated Separation Agreement, the extension period will begin on the day *after your Last Day of Employment* and last for the number of months specified in the terms of your Negotiated Separation Agreement, but such period shall not exceed the number of months provided below, based on your full Years of Service. <u>Years of Service</u> <u># Months</u> 0-2 3 3-4 4 5-9 6 10-14 9 15+ 12 If the Company offers you a further extension of benefits, you are required to continue paying for those benefits at the same rate you paid while you were employed, but on an after-tax basis. **COBRA:** When your medical and dental benefits terminate after your Last Day of Employment (either at the end of that month or, if provided, at the end of your extension of benefits period) you may be eligible for continuation coverage under COBRA, which generally requires a greater premium payment for coverage. If you are a Regular Retiree or Special Retiree, in addition to COBRA, you will be eligible to enroll in retiree medical, dental, and life insurance coverage under The Procter & Gamble Retiree Welfare Benefits Plan. For more information, see definitions of Regular Retiree and Special Retiree. **Surviving Spouse/Domestic Partner & Dependents:** If you die during an extension of benefits period and your spouse/domestic partner and other dependents were enrolled in P&G medical or dental coverage at the time of your death, they may continue such coverage for 12 months after your death at the same rate on an after-tax basis. This 12-month continuation period begins on the first of the month following the month in which your death occurs. If you are Regular Retiree or Special Retiree, after the 12-month extension of benefits period, your spouse/domestic partner is eligible to enroll in the National Surviving Spouse Program for medical and dental coverage under The Procter & Gamble Retiree Welfare Benefits Plan.
OUTPLACEMENT	Outplacement assistance (including pre-decision counseling, career transition programs, and job development services) is available for up to two years after your Last Day of Employment.
TRAINING	You are eligible to receive reimbursement for the cost of tuition and registration/lab fees at accredited institutions, for up to $5,000 or two years after your Last Day of Employment, whichever comes first. All courses must be approved by Right Management Consultants who administers the benefit.

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Section 5: EX-31.1 (EXHIBIT 31.1 RULE 13A-14(A)/15D-14(A) CERTIFICATION CHIEF EXECUTIVE OFFICER)

EXHIBIT 31.1

Rule 13a-14(a)/15d-14(a) Certifications

I, David S. Taylor, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of The Procter & Gamble 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(s) 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;

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; and

(5) The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) 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.

/s/ DAVID S. TAYLOR

(David S. Taylor)

Chairman of the Board, President and Chief Executive Officer

January 23, 2019

Date

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Section 6: EX-31.2 (EXHIBIT 31.1 RULE 13A-14(A)/15D-14(A) CERTIFICATION CHIEF FINANCIAL OFFICER)

EXHIBIT 31.2

Rule 13a-14(a)/15d-14(a) Certifications

I, Jon R. Moeller, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of The Procter & Gamble 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(s) 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;

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; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) 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.

/s/ JON R. MOELLER

(Jon R. Moeller)
Vice Chairman and Chief Financial Officer

January 23, 2019

Date

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Section 7: EX-32.1 (SECTION 1350 CERTIFICATION CHIEF EXECUTIVE OFFICER)

EXHIBIT 32.1

Section 1350 Certifications

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of The Procter & Gamble Company (the “Company”) certifies to his knowledge that:

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended December 31, 2018 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in that Form 10-Q fairly presents, in all material respects, the financial conditions and results of operations of the Company.

/s/ DAVID S. TAYLOR

(David S. Taylor)

Chairman of the Board, President and Chief Executive Officer

January 23, 2019

Date

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

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Section 8: EX-32.2 (SECTION 1350 CERTIFICATION-CHIEF FINANCIAL OFFICER)

EXHIBIT 32.2

Section 1350 Certifications

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of The Procter & Gamble Company (the “Company”) certifies to his knowledge that:

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended December 31, 2018 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in that Form 10-Q fairly presents, in all material respects, the financial conditions and results of operations of the Company.

/s/ JON R. MOELLER

(Jon R. Moeller)

Vice Chairman and Chief Financial Officer

January 23, 2019

Date

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

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