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, 2022

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 COM

One Procter & Gamble Plaza, Cincinnati, O

Telephone (513) 983-1100

IRS Employer Identification No. 31-04

State of Incorporation: Ohio

Commission File No. 1-434

Title of each class	Trading Sy
Common Stock, without Par Value	PG
2.000% Notes due 2022	PG22B
1.125% Notes due 2023	PG23A
0.500% Notes due 2024	PG24A
0.625% Notes due 2024	PG24B
1.375% Notes due 2025	PG25
0.110% Notes due 2026	PG26D
4.875% EUR Notes due May 2027	PG27A
1.200% Notes due 2028	PG28
1.250% Notes due 2029	PG29B
1.800% Notes due 2029	PG29A
6.250% GBP Notes due January 2030	PG30
0.350% Notes due 2030	PG30C
0.230% Notes due 2031	PG31A
5.250% GBP Notes due January 2033	PG33
1.875% Notes due 2038	PG38
0.900% Notes due 2041	PG41

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

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 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 and post 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 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	☐	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 ☑

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☑ No ☐

The aggregate market value of the voting stock held by non-affiliates amounted to $392 billion on December 31, 2021.

There were 2,389,553,883 shares of Common Stock outstanding as of July 31, 2022.

Documents Incorporated by Reference

Portions of the Proxy Statement for the 2022 Annual Meeting of Shareholders, which will be filed within one hundred and twenty days of the fiscal year ended June 30, 2022 (2022 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.

The Procter & Gamble Company (the Company) is focused on providing branded products of superior quality and value to improve the lives of the world's consumers, now and for generations to come. The Company was incorporated in Ohio in 1905, having first been established as a New Jersey corporation in 1890, and was built from a business founded in Cincinnati in 1837 by William Procter and James Gamble. Today, our products are sold in approximately 180 countries and territories.

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.

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. Reports can also be accessed through links from our website at: www.pginvestor.com. P&G includes the website link solely as a textual reference. The information contained on our website is not incorporated by reference into this report.

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

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 and brands. The markets and industry segments in which we offer our products are highly competitive. Our products are sold in approximately 180 countries and territories through numerous channels as well as direct-to-consumer. Our growth strategy is to deliver meaningful and noticeable superiority across five key vectors of our consumer proposition - product performance, packaging, brand communication, retail execution and consumer and customer value. We use our research and development (R&D) 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 vectors, we provide superior value to consumers and our retail customers in each price tier in which we compete. Productivity improvement is also critical to delivering our objectives of balanced top and bottom-line growth and value creation.

Key Product Categories. Information on key product categories can be found in the MD&A and Note 2 to our Consolidated Financial Statements.

Key Customers. Our customers include mass merchandisers, e-commerce (including social commerce) channels, grocery stores, membership club stores, drug stores, department stores, distributors, wholesalers, specialty beauty stores (including airport duty-free stores), high-frequency stores, pharmacies, electronics stores and professional channels. We also sell direct to consumers. Sales to Walmart Inc. and its affiliates represent approximately 15% of our total sales in 2022, 2021 and 2020. No other customer represents more than 10% of our total sales. Our top ten customers accounted for approximately 39% of our total sales in 2022, 39% in 2021 and 38% in 2020.

Sources and Availability of Materials. Almost all of the raw and packaging materials used by the Company are purchased from third parties, 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 processes and in the transportation of input materials and finished products. 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 are 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.

Government Regulation. Our Company is subject to a wide variety of laws and regulations across the countries in which we do business. In the United States, many of our products and manufacturing operations are subject to one or more federal or state regulatory agencies, including the U.S. Food and Drug Administration (FDA), the Environmental Protection Agency (EPA), the Occupational Safety and Health Administration (OSHA), the Federal Trade Commission (FTC) and the Consumer Product Safety Commission (CPSC). We are also subject to anti-corruption laws and regulations, such as the U.S. Foreign Corrupt Practices Act, and antitrust and competition laws and regulations that govern our dealings with suppliers, customers, competitors and government officials.

In addition, many foreign jurisdictions in which we do business have regulations and regulatory bodies that govern similar aspects of our operations and products, in some cases to an even more significant degree. We are also subject to expanding laws and regulations related to environmental protection and other sustainability-related matters, non-financial reporting and diligence, labor and employment, trade, taxation and data privacy and protection, including the European Union's General Data Protection Regulation (GDPR) and similar regulations in states within the United States and in countries around the world. For additional information on the potential impacts of global legal and regulatory requirements on our business, see "Item 1A. Risk Factors" herein.

The Company has in place compliance programs and internal and external experts to help guide our business in complying with these and other existing laws and regulations that apply to us around the globe; and we have made, and plan to continue making, necessary expenditures for compliance with these laws and regulations. We also expect that our many suppliers, consultants and other third parties working on our behalf share our commitment to compliance, and we have policies and procedures in place to manage these relationships, though they inherently involve a lesser degree of control over operations and governance. We do not expect that the Company's expenditures for compliance with current government regulations, including current environmental regulations, will have a material effect on our total capital expenditures, earnings or competitive position in fiscal year 2023 as compared to prior periods.

Human Capital. Our employees are a key source of competitive advantage. Their actions, guided by our Purpose, Values and Principles (PVPs), are critical to the long-term success of our business. We aim to retain our talented employees by offering competitive compensation and benefits, strong career development and a respectful and inclusive culture that provides equal opportunity for all.

Our Board of Directors, through the Compensation and Leadership Development Committee (C&LD Committee), provides oversight of the Company's policies and strategies relating to talent including diversity, equality and inclusion as well as the Company's compensation principles and practices. The C&LD Committee also evaluates and approves the Company's compensation plans, policies and programs applicable to our senior executives.

Employees

As of June 30, 2022, the Company had approximately 106,000 employees, an increase of five percent versus the prior year due primarily to business growth. The total number of employees is an estimate of total Company employees excluding interns, co-ops, contractors and employees of joint ventures. 49% of our employees are in manufacturing roles and 26% of our employees are located in the United States. 41% of our global employees are women. As of June 30, 2022, 28% of our U.S. employees identify as multicultural.

Training and Development

We focus on attracting, developing and retaining skilled and diverse talent, both from universities and the broader market. We recruit from among the best universities across markets in which we compete and are generally able to select from the top talent. We focus on developing our employees by providing a variety of job experiences, training programs and skill development opportunities. Given our develop-from-within model for staffing most of our senior leadership positions, it is particularly important for us to ensure holistic growth and full engagement of our employees.

Diversity, Equality and Inclusion

As a consumer products company, we believe that it is important for our workforce to reflect the diversity of our consumers worldwide. We also seek to foster an inclusive work environment where each individual can bring their authentic self, which helps drive innovation and enables us to better serve our consumers. We aspire to achieve equal gender representation globally and at key management and leadership levels. Within the U.S. workforce, our aspiration is to achieve 40% multicultural representation overall as well as at management and leadership levels.

Compensation and Benefits

Our compensation plans are based on the principles of paying for performance, paying competitively versus peer companies that we compete with for talent and in the marketplace and focusing on long-term success through a combination of short-term and long-term incentive programs. We also offer competitive benefit programs, including retirement plans and health insurance in line with local country practices with flexibility to accommodate the needs of a diverse workforce.

Sustainability. Environmental sustainability is a key focus area and integrated into P&G's business strategies. The Company has declared its focus on developing irresistibly superior products and packages that are sustainable. The Company announced an ambition to reduce greenhouse gas emissions, purchase renewable electricity for our operations, reduce our use of virgin petroleum-based plastic in our packaging, increase the recyclability or reusability of our packaging and increase responsible sourcing of key forest-based commodities such as wood pulp and palm oil.

Additional detailed information on our sustainability efforts including our TCFD (Task Force on Climate-Related Financial Disclosures), SASB (Sustainability Accounting Standards Board) and CDP (Carbon Disclosure Project) reports can be found on our website at https://pginvestor.com/esg. References to our sustainability reports and website are for informational purposes only and neither the sustainability reports nor the other information on our website is incorporated by reference into this Annual Report on Form 10-K.

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, as well as in our quarterly and annual reports, current reports on Form 8-K, 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, except to the extent required by law. 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 Management's Discussion and Analysis 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, perhaps materially.

MACROECONOMIC CONDITIONS AND RELATED FINANCIAL RISKS

Our business is subject to numerous risks as a result of 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 approximately 180 countries and territories around the world. We hold assets, incur liabilities, generate sales and pay expenses in a variety of currencies other than the U.S. dollar, and our operations outside the U.S. generate more than fifty percent of our annual net sales. Fluctuations in exchange rates for foreign currencies have and could continue to reduce the U.S. dollar value of sales, earnings 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. Further, we have a significant amount of foreign currency debt and derivatives as part of our capital markets activities. The maturity cash outflows of these instruments could be adversely impacted by significant appreciation of foreign currency exchange rates (particularly the Euro), which could adversely impact our overall cash flows. Moreover, discriminatory or conflicting fiscal or trade policies in different countries, including 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 the Consolidated Financial Statements and related Notes.

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, Turkey, Argentina and Egypt. Our results of operations, financial condition and cash flows 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 have been and could continue to be adversely affected (including by the need to de-consolidate or even exit certain businesses in particular countries) by political volatility, labor market disruptions or other crises or vulnerabilities in individual countries or regions, including political instability or upheaval or acts of war (such as the Russia-Ukraine War) and the related government and other entity responses, broad economic instability or sovereign risk related to a default by or deterioration in the creditworthiness of local governments, particularly in emerging markets.

Uncertain economic or social 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 or social disruptions. These disruptions have included and may in the future include: a slow-down, recession or inflationary pressures in the general economy; reduced market growth rates; tighter credit markets for our suppliers, vendors or customers; a significant shift in government policies; significant social unrest; the deterioration of economic relations between countries or regions, including potential negative consumer sentiment toward non-local products or sources; 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, these and other economic conditions may cause our suppliers, distributors, contractors or other third-party partners to suffer financial or operational 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

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 sales, income and cash flow, it could affect the Company's ability to achieve expected share repurchase and dividend payments.

Disruptions in credit markets or to our banking partners or changes to our credit ratings may reduce our access to credit or overall liquidity.

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. In addition, we rely on top-tier banking partners in key markets around the world, who themselves face economic, societal, political and other risks, for access to credit and to facilitate collection, payment and supply chain finance programs. A disruption to one or more of these top-tier partners could impact our ability to draw on existing credit facilities or otherwise adversely affect our cash flows or the cash flows of our customers and vendors.

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. Results of elections, referendums, sanctions 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, tariffs, import and export controls and the general 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, new or increased tariffs, trade barriers and market contraction, could adversely affect the Company's results of operations and cash flows.

The war between Russia and Ukraine has adversely impacted and could continue to adversely impact our business and financial results.

The war between Russia and Ukraine has negatively impacted, and the situation it generates may continue to negatively impact, our operations. Beginning in March 2022, the Company reduced its product portfolio, discontinued new capital investments and suspended media, advertising and promotional activity in Russia. Future impacts to the Company are difficult to predict due to the high level of uncertainty as to how the overall situation will evolve. Within Ukraine, there is a possibility of physical damage and destruction of our two manufacturing facilities, our distribution centers or those of our customers. We may not be able to operate our manufacturing sites and source raw materials from our suppliers or ship finished products to our customers. Within Russia, we may reduce further or discontinue our operations due to sanctions and export controls and counter-sanctions, monetary, currency or payment controls, restrictions on access to financial institutions, supply and transportation challenges or other circumstances and considerations. Ultimately, these could result in loss of assets or impairments of our manufacturing plants and fixed assets or write-downs of other operating assets and working capital.

The war between Russia and Ukraine could also amplify or affect the other risk factors set forth in this Part I, Item 1A, including, but not limited to, foreign exchange volatility, disruptions to the financial and credit markets, energy supply and supply chain disruptions, increased risks of an information security or operational technology incident, cost fluctuations and commodity cost increases and increased costs to ensure compliance with global and local laws and regulations. The occurrence of any of these risks, combined with the increased impact from the war between Russia and Ukraine, could adversely impact our business and financial results.

More broadly, there could be additional negative impacts to our net sales, earnings and cash flows should the situation worsen, including, among other potential impacts, economic recessions in certain neighboring countries or globally due to inflationary pressures, energy and supply chain cost increases or the geographic proximity of the war relative to the rest of Europe.

BUSINESS OPERATIONS RISKS

Our business results depend on our ability to manage disruptions in our global supply chain.

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 or controversies, loss or impairment of key manufacturing sites, discontinuity or disruptions in our internal information and data systems or those of our suppliers, inability to procure sufficient raw or input materials (including water, recycled materials and materials that meet our labor standards), 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, disease outbreaks or other external factors over which we have no control, have at times interrupted and could, in the future, interrupt product supply and, if not effectively managed and remedied, could have an adverse impact on our business, financial condition, results of operations or cash flows.

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 (including certain petroleum-derived materials like resins and paper-based

materials like pulp) and raw and packaging materials and the costs of labor, transportation (including trucks and containers), energy, pension and healthcare. Inflation pressures could also result in increases in these input costs. Therefore, our business results depend, 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 results of operations or cash flows.

The ability to achieve our business objectives depends 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 sales and 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, ease of competitive entry into certain categories 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 or social commerce applications, could negatively impact our results of operations or cash flows.

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 (including social commerce) channels, grocery stores, membership club stores, drug stores, department stores, distributors, wholesalers, specialty beauty stores (including airport duty-free stores), high-frequency stores, pharmacies, electronics stores and professional channels. Our success depends 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 of or shelf space allocated to our products as a result of increased offerings of other branded manufacturers, 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 directly depends 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 of operations or cash flows could also be negatively impacted if the Company or 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, negative perceptions of packaging (such as plastic and other petroleum- based materials), lack of recyclability or other environmental impacts, concerns about actual or alleged labor or equality and inclusion practices, privacy lapses or data breaches, 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 or social impacts or similar matters, sentiments toward the Company or our products could be negatively impacted, and our results of operations or cash flows 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, equality and inclusion and environmental sustainability. While the Company has many programs and initiatives to further these goals, our ability to achieve these goals is impacted in part by the actions and efforts of third parties including local and other governmental authorities, suppliers, vendors and customers. If these programs are not executed as planned or suffer negative publicity, the Company's reputation and results of operations or cash flows 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, contract manufacturers, 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 results of operations and cash flows could be adversely impacted. Further, failure of these third parties to meet their obligations to the Company or substantial disruptions in the relationships between the

Company and these third parties could adversely impact our operations and financial results. 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.

A significant 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.

We rely extensively on information and operational technology (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 persons covered by an expanding landscape of privacy and data regulations, such as citizens of the European Union who are covered by the General Data Protection Regulation (GDPR), residents of California covered by the California Consumer Privacy Act (CCPA), citizens of China covered by the Personal Information Protection Law (PIPL) and citizens of Brazil covered by the General Personal Data Protection Law (LGPD);
- 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. In addition, 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 outside parties, hackers, criminal organizations or other threat actors, including nation states. In addition, insider actors-malicious or otherwise-could cause technical disruptions and/or confidential data leakage. 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.

A breach of our data security systems or failure of our IT/OT databases and systems may have a material adverse impact on our business operations and financial results. 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, including catastrophic events, natural disasters, power outages, computer and telecommunications failures, improper data handling, viruses, phishing attempts, cyber-attacks, malware and ransomware attacks, security breaches, security incidents or employee error or malfeasance, and our business continuity plans do not effectively address these failures on a timely basis, we may suffer interruptions in our ability to manage operations and be exposed to reputational, competitive, operational, financial and business harm as well as litigation and regulatory action. If our critical IT systems or back-up systems or those of our third-party vendors are damaged or cease to function properly, we may have to make a significant investment to repair or replace them.

In addition, if a ransomware attack or other cybersecurity incident occurs, either internally or at our third-party technology service providers, we could be prevented from accessing our data or systems, which may cause interruptions or delays in our business operations, cause us to incur remediation costs, subject us to demands to pay a ransom or damage our reputation. In addition, such events could result in unauthorized disclosure of confidential information, and we may suffer financial and reputational damage because of lost or misappropriated confidential information belonging to us or to our partners, our employees, customers and suppliers. Additionally, we could

be exposed to potential liability, litigation, governmental inquiries, investigations or regulatory enforcement actions; and we could be subject to payment of fines or other penalties, legal claims by our suppliers, customers or employees and significant remediation costs.

Periodically, we also 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. The costs and operational consequences of responding to the above items and implementing remediation measures could be significant and could adversely impact our results of operations and cash flows.

We must successfully manage the demand, supply and operational challenges associated with the effects of a disease outbreak, including epidemics, pandemics or similar widespread public health concerns.

Our business may be negatively impacted by the fear of exposure to or actual effects of a disease outbreak, epidemic, pandemic or similar widespread public health concern, such as travel restrictions or recommendations or mandates from governmental authorities as a result of the COVID-19 virus, the threat of the virus or the emergence of any variants. These impacts include, but are not limited to:

- Significant reductions in demand or significant volatility in demand for one or more of our products, which may be caused by, among other things: the temporary inability of consumers to purchase our products due to illness, quarantine or other travel restrictions or financial hardship, shifts in demand away from one or more of our more discretionary or higher priced products to lower priced products, or stockpiling or similar pantry-loading activity. If prolonged, such impacts can further increase the difficulty of business or operations planning and may adversely impact our results of operations and cash flows;
- Inability to meet our customers' needs and achieve cost targets due to disruptions in our manufacturing and supply arrangements caused by constrained workforce capacity or the loss or disruption of other essential manufacturing and supply elements such as raw materials or other finished product components, transportation, or other manufacturing and distribution capability;
- Failure of third parties on which we rely, including our suppliers, contract manufacturers, distributors, contractors, commercial banks, joint venture partners and external business partners, to meet their obligations to the Company, or significant disruptions in their ability to do so, which may be caused by their own financial or operational difficulties and may adversely impact our operations;
- Periods of disruption that limit the ability to access the financial markets or which increase the cost of liquidity; or
- Significant changes in the political conditions in markets in which we manufacture, sell or distribute our products, including quarantines, import/export restrictions, price controls, or governmental or regulatory actions, closures or other restrictions that limit or close our operating and manufacturing facilities, restrict our employees' ability to travel or perform necessary business functions, or otherwise prevent our third-party partners, suppliers or customers from sufficiently staffing operations, including operations necessary for the production, distribution, sale and support of our products, which could adversely impact our results of operations and cash flows.

Despite our efforts to manage and remedy these impacts to the Company, their ultimate impact also depends on factors beyond our knowledge or control, including the duration and severity of any such outbreak as well as third-party actions taken to contain its spread and mitigate its public health effects. In the case of COVID-19, the emergence of variants may continue to occur across regions and countries where we operate, leading to varied government responses and the potential for decreased vaccine effectiveness, resulting in further volatility and disparity in our results and operations across geographies.

BUSINESS STRATEGY & ORGANIZATIONAL RISKS

Our ability to meet our growth targets depends on successful product, marketing and operations innovation and successful responses to competitive innovation, evolving digital marketing and selling platforms 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 and to continue to deliver efficient and effective marketing across evolving media and mobile platforms with dynamic and increasingly more restrictive privacy requirements. We must also successfully respond to technological advances made by, and intellectual property rights granted to, competitors, customers and vendors. Failure to continually innovate, improve and respond to competitive moves, platform evolution and changing consumer habits could compromise our competitive position and adversely impact our financial condition, results of operations or cash flows.

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 have been, and in the future could be, adversely impacted by the dilutive impacts from the loss of earnings associated with divested brands or dissolution of joint ventures. Our results of operations and cash flows have been, and in the future could also be, impacted by acquisitions or joint venture activities, 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 result in an impairment of goodwill and intangible assets.

Our business results depend on our ability to successfully manage productivity improvements and ongoing organizational change, including attracting and retaining key talent as part of our overall succession planning.

Our financial projections assume certain ongoing productivity improvements and cost savings, including staffing adjustments and employee departures. Failure to deliver these planned productivity improvements and cost savings, while continuing to invest in business growth, could adversely impact our results of operations and cash flows. Additionally, successfully executing organizational change, 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 individuals. Our success depends 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.

LEGAL & REGULATORY RISKS

We must successfully manage compliance with current and expanding 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 the countries in which we do business, including those laws and regulations involving intellectual property, product liability, product composition or formulation, packaging content or corporate responsibility after consumer purchase, marketing, antitrust and competition, privacy, data protection, environmental (including increasing focus on the climate, water and waste impacts of consumer packaged goods companies' operations and products), employment, healthcare, anti-bribery, anti-corruption, trade (including tariffs, sanctions and export controls), tax, accounting and financial reporting or other matters. In addition, increasing governmental and societal attention to environmental, social and governance (ESG) matters, including expanding mandatory and voluntary reporting, diligence and disclosure on topics such as climate change, waste production, water usage, human capital, labor and risk oversight, could expand the nature, scope and complexity of matters that we are required to control, assess and report. These and other rapidly changing laws, regulations, policies and related interpretations as well as increased enforcement actions by various governmental and regulatory agencies, create challenges for the Company, including our compliance and ethics programs, may alter the environment in which we do business and may increase the ongoing costs of compliance, which could adversely impact our results of operations and cash flows. If we are unable to continue to meet these challenges and comply with all laws, regulations, policies and related interpretations, it could negatively impact our reputation and our business results. Additionally, we are currently, and in the future may be, subject to a number of inquiries, investigations, claims, proceedings and requests for information from governmental agencies or private parties, the adverse outcomes of which could harm our business. Failure to successfully manage these new or pending regulatory and legal matters and resolve such matters without significant liability or damage to our reputation may materially adversely impact our financial condition, results of operations and cash flows. Furthermore, if new or 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 laws and 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, 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). The changes included in the U.S. Tax Act were broad and complex. Under the current U.S. presidential administration, comprehensive federal income tax reform has been proposed, including an increase in the U.S. Federal corporate income tax rate, elimination of certain investment incentives and a more than doubling of U.S. residual taxation of non-U.S. earnings. While these proposals are controversial, likely to change during the legislative process and may prove difficult to enact as proposed in the current closely divided U.S. Congress, their impact could nonetheless be significant.

Additionally, longstanding international tax norms that determine each country's jurisdiction to tax cross-border international trade are subject to potential evolution. An outgrowth of the original Base Erosion and Profit Shifting (BEPS) project is a project undertaken by the approximately

140 member countries of the expanded Organisation for Economic Co-operation and Development (OECD) Inclusive Framework focused on "Addressing the Challenges of the Digitalization of the Economy." The breadth of this project extends beyond pure digital businesses and, as proposed, would likely impact a large portion of multinational businesses by potentially redefining jurisdictional taxation rights in market countries and establishing a global minimum tax. Recent pronouncements related to this project suggest an implementation of the proposed 15% global minimum tax in the near to mid-term. Continued negotiations on important details of this project are ongoing, and ultimate enactment and timing in the EU, US and other jurisdictions remains uncertain.

While it is too early to assess the overall impact of these potential changes, as these and other tax laws and related regulations are revised, enacted and implemented, our financial condition, results of operations and cash flows could be materially impacted.

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 results of operations and cash flows.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

In the U.S., we own and operate 23 manufacturing sites located in 17 different states. In addition, we own and operate 81 manufacturing sites in 35 other countries. Many of the domestic and international sites manufacture products for multiple businesses. Beauty products are manufactured at 22 of these locations; Grooming products at 17; Health Care products at 20; Fabric & Home Care products at 38; and Baby, Feminine & Family Care products at 37. We own our Corporate headquarters in Cincinnati, Ohio. We own or lease our principal regional general offices in Switzerland, Panama, Singapore, China and Dubai. 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. In addition, SEC regulations require that we disclose certain environmental proceedings arising under Federal, State or local law when a governmental authority is a party and such proceeding involves potential monetary sanctions that the Company reasonably believes will exceed a certain threshold ($1 million or more). There are no relevant matters to disclose under this Item for this period. See Note 13 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.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The names, ages and positions held by the Executive Officers of the Company on August 5, 2022, are:

Name	Position	Age	First Elected to Officer Position
Jon R. Moeller	Chairman of the Board, President and Chief Executive Officer	58	2009 (1)
Shailesh Jejurikar	Chief Operating Officer	55	2018 (2)
Andre Schulten	Chief Financial Officer	51	2021 (3)
Gary A. Coombe	Chief Executive Officer - Grooming	58	2014 (4)
Jennifer L. Davis	Chief Executive Officer - Health Care	51	2022 (5)
Ma. Fatima D. Francisco	Chief Executive Officer - Baby, Feminine and Family Care and Executive Sponsor for Gender Equality	54	2018 (6)
R. Alexandra Keith	Chief Executive Officer - Beauty and Executive Sponsor for Corporate Sustainability	54	2017 (7)
Sundar Raman	Chief Executive Officer - Fabric and Home Care	47	2021 (8)
Victor Aguilar	Chief Research, Development and Innovation Officer	55	2020 (9)
M. Tracey Grabowski	Chief Human Resources Officer	54	2018 (10)
Marc S. Pritchard	Chief Brand Officer	62	2008
Susan Street Whaley	Chief Legal Officer and Secretary	48	2022 (11)

All the Executive Officers named above have been employed by the Company for more than the past five years.

(1) Mr. Moeller previously served as President and Chief Executive Officer (2021 - 2022), Vice Chairman, Chief Operating Officer and Chief Financial Officer (2019 - 2021), Vice Chairman and Chief Financial Officer (2017 - 2019) and as Chief Financial Officer (2009 - 2017).

(2) Mr. Jejurikar previously served as Chief Executive Officer - Fabric and Home Care (2019 - 2021), President - Global Fabric, Home Care and P&G Professional (2018 - 2019), and President - Global Fabric Care and Brand-Building Officer Global Fabric & Home Care (2015 - 2018).

(3) Mr. Schulten previously served as Senior Vice President - Baby Care, North America (2018 - 2021) and Senior Vice President - Finance & Accounting, Global Baby, Feminine and Family Care (2014 - 2018).

(4) Mr. Coombe previously served as President - Europe Selling & Market Operations (2014 - 2018).

(5) Ms. Davis previously served as President - Feminine Care (2019 - 2022), President - Global Feminine Care (2018 - 2019), and Vice President - Feminine Care, North America and Brand Franchise Leader, Tampax (2016 - 2018).

(6) Ms. Francisco previously served as Chief Executive Officer - Baby and Feminine Care (2019 - 2021), President - Global Baby Care and Baby & Feminine Care Sector (2018 - 2019), and President - Global Feminine Care (2015 - 2018).

(7) Ms. Keith previously served as Chief Executive Officer - Beauty (2017 - 2022).

(8) Mr. Raman previously served as President–Home Care and P&G Professional (2020 - 2021), President - Fabric Care, North America and P&G Professional (2019 - 2020), and Vice President - Fabric Care, North America (2015 - 2019).

(9) Mr. Aguilar previously served as Senior Vice President - Research & Development, Corporate Function Research & Development (2020), Senior Vice President - Research & Development, Corporate Function Research & Development and Global Fabric Care (2019), and Senior Vice President - Research & Development Global Fabric Care; and Sector Leader, Research & Development Global Fabric and Home Care (2014 - 2019).

(10) Ms. Grabowski previously served as Senior Vice President - Human Resources, North America Selling and Market Operations (2015 - 2018).

(11) Ms. Whaley previously served as Senior Vice President and General Counsel - North America, Practice Groups and Sector Business Units (2019 - 2022), and Vice President and General Counsel - North America, Global Go-To-Market and Practice Groups, and Global Business Units (2016 - 2019).

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
4/1/2022 - 4/30/2022	3,772,818	$159.03	3,772,818	[3]
5/1/2022 - 5/31/2022	—	—	—	[3]
6/1/2022 - 6/30/2022	5,319,017	140.93	4,620,153	[3]
Total	9,091,835	$148.44	8,392,971	[3]

(1) All transactions are reported on a trade date basis and 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 excludes commission.

(3) On April 20, 2022, the Company stated that in fiscal year 2022 the Company expected to reduce outstanding shares through direct share repurchases at a value of approximately $10 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 debt. The total value of the shares purchased under the share repurchase plan was $10 billion. The share repurchase plan ended on June 30, 2022.

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 132 consecutive years since its incorporation in 1890 and has increased its dividend for 66 consecutive years since 1956. Over the past ten years, the dividend has increased at an annual compound average rate of 5%. Nevertheless, as in the past, further dividends will be considered after reviewing dividend yields, profitability and cash flow expectations and financing needs and will be declared at the discretion of the Company's Board of Directors.

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(in dollars; split-adjusted)	1956	1962	1972	1982	1992	2002
Dividends per share	$ 0.01	$ 0.02	$ 0.05	$ 0.13	$ 0.26	$ 0

Common Stock Information

P&G trades on the New York Stock Exchange under the stock symbol PG. As of June 30, 2022, there were approximately 5 million common stock shareowners, including shareowners of record, participants in P&G stock ownership plans and beneficial owners with accounts at banks and brokerage firms.

Shareholder Return

The following graph compares the cumulative total return of P&G's common stock for the five-year period ended June 30, 2022, 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, 2017, and that all dividends were reinvested.

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	Cumulative Value of $100 Investment, through June 30					
Company Name/Index	**2017**	**2018**	**2019**	**2020**	**2021**	
P&G	$ 100	$ 93	$ 134	$ 150	$ 174	$
S&P 500 Stock Index	100	114	126	136	191	
S&P 500 Consumer Staples Index	100	96	112	116	143	

Item 6. Intentionally Omitted.

Item 7. 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, 8 and 13 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, except to the extent required by law.

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 effect the expected share repurchases and dividend payments; (3) the ability to manage disruptions in credit markets or to our banking partners 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 various factors, including ones outside of our control, such as natural disasters, acts of war (including the Russia-Ukraine War) or terrorism or disease outbreaks; (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, evolving digital marketing and selling platform requirements 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, packaging content, supply chain practices 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, contract manufacturers, distributors, contractors and external business partners; (11) the ability to rely on and maintain key company and third-party information and operational 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 and potential implications such as exchange rate fluctuations and market contraction; (13) the ability to successfully manage current and expanding regulatory and legal requirements and matters (including, without limitation, those laws and regulations involving product liability, product and packaging composition, intellectual property, labor and employment, antitrust, privacy and data protection, tax, the environment, due diligence, risk oversight, accounting and financial reporting) and to resolve new and pending matters within current estimates; (14) the ability to manage changes in applicable tax laws and regulations; (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; (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; (17) the ability to successfully manage the demand, supply and operational challenges, as well as governmental responses or mandates, associated with a disease outbreak, including epidemics, pandemics or similar widespread public health concerns (including COVID-19); (18) the ability to manage the uncertainties, sanctions and economic effects from the war between Russia and Ukraine; and (19) the ability to successfully achieve our ambition of reducing our greenhouse gas emissions and delivering progress towards our environmental sustainability priorities. 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 I, Item 1A) of this Form 10-K.

Purpose, Approach and Non-GAAP Measures

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 2022 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, net earnings, diluted net earnings per share and operating cash flow. 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), consisting of 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 and foreign exchange 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 transitional tax payments related to the U.S. Tax Act. 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 as well as reconciliations to the most directly comparable U.S. GAAP 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 of our products in dollar terms on a constant currency basis relative to all product sales in the category. The Company measures quarter and 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 as compared to the end of the reporting period. Management also uses unit volume growth to evaluate and explain drivers of changes in net sales. Organic volume growth reflects year-over-year changes in unit volume excluding the impacts of acquisitions, divestitures and certain one-time items, if applicable, and is used to explain changes in organic sales.

OVERVIEW

Procter & Gamble 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 approximately 180 countries and territories primarily through mass merchandisers, e-commerce (including social commerce) channels, grocery stores, membership club stores, drug stores, department stores, distributors, wholesalers, specialty beauty stores (including airport duty-free stores), high-frequency stores, pharmacies, electronics stores and professional channels. We also sell direct to individual consumers. 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 believe 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 Sector Business Units (SBUs), Enterprise Markets (EMs), Corporate Functions (CF) and Global Business Services (GBS).

Sector Business Units

The Company's ten product categories are organized into five SBUs and five reportable segments (under U.S. GAAP): Beauty; Grooming; Health Care; Fabric & Home Care; and Baby, Feminine & Family Care. The SBUs are responsible for global brand strategy, new product upgrades and innovation, marketing plans and supply chain. They have direct profit responsibility for markets representing the large majority of the Company's sales and earnings (referred to as Focus Markets) and are also responsible for innovation plans, supply plans and operating frameworks to drive growth and value creation in the remaining markets (referred to as Enterprise Markets). Throughout the MD&A, we reference business results by region, which are comprised of North America, Europe, Greater China, Latin America, Asia Pacific and India, Middle East and Africa (IMEA).

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)	
Beauty	18%	22%	Hair Care (*Conditioner, Shampoo, Styling Aids, Treatments*)	Head Herb Pant
			Skin and Personal Care (*Antiperspirant and Deodorant, Personal Cleansing, Skin Care*)	Olay Safe II
Grooming	8%	10%	Grooming [2] (Shave Care - *Female Blades & Razors, Male Blades & Razors, Pre- and Post-Shave Products, Other Shave Care;* Appliances)	Brau
Health Care	14%	14%	Oral Care (*Toothbrushes, Toothpaste, Other Oral Care*)	Cres
			Personal Health Care (*Gastrointestinal, Rapid Diagnostics, Respiratory, Vitamins/Minerals/ Supplements, Pain Relief, Other Personal Health Care*)	Meta Neur Bism
Fabric & Home Care	35%	31%	Fabric Care (*Fabric Enhancers, Laundry Additives, Laundry Detergents*)	Arie Tide
			Home Care (*Air Care, Dish Care, P&G Professional, Surface Care*)	Casc Febr Swif
Baby, Feminine & Family Care	25%	23%	Baby Care (*Baby Wipes, Taped Diapers and Pants*)	Luvs
			Feminine Care (*Adult Incontinence, Feminine Care*)	Alwa Disc
			Family Care (*Paper Towels, Tissues, Toilet Paper*)	Boun Puffs

(1) Percent of Net sales and Net earnings for the year ended June 30, 2022 (excluding results held in Corporate).

(2) The Grooming product category is comprised of the Shave Care and Appliances operating segments.

Organization Design:

Sector Business Units

Beauty: We are a global market leader amongst the beauty categories in which we compete, including hair care and skin and personal care. We are a global market leader in the retail hair care market with more than 20% global market share primarily behind our Pantene and Head & Shoulders brands. 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 approximately 6% global market share.

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 more than 60%, primarily behind our Gillette and Venus brands. Our appliances, such as electric shavers and epilators, are sold primarily under the Braun brand in a number of markets around the world where we compete against both global and regional competitors. We hold over 25% of the male electric shavers market and over 65% 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 Crest and Oral-B brands. In personal health care, we are a global market leader among the categories in which we compete, including respiratory treatments, digestive wellness, vitamins and analgesics behind our Vicks, Metamucil, Pepto-Bismol and Neurobion brands.

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 35% global market share, primarily behind our Tide, Ariel and Downy brands. Our global home care market share is nearly 25% across the categories in which we compete, primarily behind our Cascade, Dawn, Febreze and Swiffer brands.

Baby, Feminine & Family Care: In baby care, we are a global market leader and compete mainly in taped diapers, pants and baby wipes with more than 20% 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 over $7 billion. We are a global market leader in the feminine care category with over 20% global market share, primarily behind our Always and Tampax brands. We also compete in the adult incontinence category in certain markets behind Always Discreet, with over 10% market share in the key markets in which we compete. Our family care business is predominantly a North American business comprised primarily of the Bounty paper towel and

Charmin toilet paper brands. North America market shares are over 40% for Bounty and over 25% for Charmin.

Enterprise Markets

Enterprise Markets are responsible for sales and profit delivery in specific countries, supported by SBU-agreed innovation and supply chain plans, along with scaled services like planning, distribution and customer management.

Corporate Functions

Corporate Functions provides company-level strategy and portfolio analysis, corporate accounting, treasury, tax, external relations, governance, human resources, information technology and legal services.

Global Business Services

Global Business Services provides scaled services in technology, process and data tools to enable the SBUs, the EMs and CF to better serve consumers and customers. The GBS organization is responsible for providing world-class services and solutions that drive value for P&G.

Strategic Focus

Procter & Gamble 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- and bottom-line growth and strong cash generation.

The Company competes in daily-use product categories where performance plays a significant role in the consumer's choice of brands, and therefore, play to P&G's strengths. Our focused portfolio of businesses consists of ten product categories where P&G has leading market positions, strong brands and consumer-meaningful product technologies.

Within these categories, our strategic choices are focused on delighting and winning with consumers. Our consumers are at the center of everything we do. We win with consumers by delivering irresistible superiority across five key vectors - product performance, packaging, brand communication, retail execution and value. Winning with consumers around the world and against our best competitors requires superior innovation. Innovation has always been, and continues to be, P&G's lifeblood. Superior products delivered with superior execution drive market growth, value creation for retailers and build share growth for P&G.

Ongoing productivity improvement is crucial to delivering our balanced top- and bottom-line growth, cash generation and value creation objectives. Productivity improvement enables investments to strengthen the superiority of our brands via product and packaging innovation, more efficient and effective supply chains, equity and awareness-building brand advertising and other programs and expansion of sales coverage and R&D programs. Productivity improvements also enable us to mitigate challenging cost environments (including periods of increasing commodity and negative foreign exchange impacts). Our objective is to drive productivity improvements across all elements of the statement of earnings and balance sheet, including cost of goods sold, marketing and promotional spending, overhead costs and capital spending.

We act with agility and are constructively disrupting our highly competitive industry and the way we do business, including how we innovate, communicate and leverage new technologies, to create more value.

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

Additionally, within these strategies of superiority, productivity, constructive disruption and organization, we have declared four focus areas to strengthen our performance going forward. These are 1) leveraging environmental sustainability as an additional driver of superior performing products and packaging innovations, 2) increasing digital acumen to drive consumer and customer preference, reduce cost and enable rapid and efficient decision making, 3) developing next-level supply chain capabilities to enable flexibility, agility, resilience and a new level of productivity adapting to a new reality and 4) delivering employee value equation for all gender identities, races, ethnicities, sexual orientations, ages and abilities for all roles to ensure we continue to attract, retain and develop the best talent.

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 growth algorithm will result in total shareholder returns in the top third of the competitive, fast-moving consumer goods peer group:

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

During periods of significant macroeconomic pressures, we intend to maintain a disciplined approach to investing in our business, which may cause short-term results to deviate from the long-term growth algorithm.

SUMMARY OF 2022 RESULTS

Amounts in millions, except per share amounts	2022	2021	Change vs. Prior Year
Net sales	**$ 80,187**	$ 76,118	5 %
Operating income	**17,813**	17,986	(1)%
Net earnings	**14,793**	14,352	3 %
Net earnings attributable to Procter & Gamble	**14,742**	14,306	3 %
Diluted net earnings per common share	**5.81**	5.50	6 %
Core earnings per share	**5.81**	5.66	3 %
Cash flow from operating activities	**16,723**	18,371	(9)%

- Net sales increased 5% to $80.2 billion on a 2% increase in unit volume. Unfavorable foreign exchange had a negative 2% impact on net sales. Net sales growth was driven by a high single digit increase in Health Care, mid-single digit increases in Fabric & Home Care and Baby, Feminine & Family Care and low single digit increases in Beauty and Grooming. Excluding the impact of acquisitions and divestitures and foreign exchange, Organic sales increased 7% on a 2% increase in organic volume. Organic sales increased double digits in Health Care, increased high single digits in Fabric & Home Care, increased mid-single digits in Baby, Feminine & Family Care and in Grooming and increased low single digits in Beauty.
- Operating income decreased $0.2 billion, or 1% versus year ago to $17.8 billion, as the increase in net sales was more than offset by a decrease in operating margin.
- Net earnings increased $0.4 billion or 3% versus year ago to $14.8 billion, due to a prior year loss on early debt extinguishment, lower taxes and interest expense in the current year. Foreign exchange impacts negatively affected net earnings by approximately $274 million.
- Net earnings attributable to Procter & Gamble were $14.7 billion, an increase of $0.4 billion or 3% versus the prior year primarily due to the increase in net earnings.
- Diluted net earnings per share (EPS) increased 6% to $5.81 due to the increase in net earnings, a reduction in shares outstanding and due to the prior year loss on early debt extinguishment. Net earnings per share increased 3% versus the prior year core net earnings per share due to the increase in net earnings and a reduction in shares outstanding.
- Cash flow from operating activities was $16.7 billion.
    - Adjusted free cash flow, which is operating cash flow less capital expenditures and certain other impacts, was $13.8 billion.
    - Adjusted free cash flow productivity, which is the ratio of adjusted free cash flow to net earnings, was 93%.

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, except as required by law. Forward-looking statements are inherently uncertain and investors must recognize that events could be significantly different from our expectations. For more information on risk factors that could impact our results, please refer to “Risk Factors” in Part I, Item 1A of this Form 10-K.

Global Economic Conditions. Our products are sold in numerous countries across 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 macroeconomic factors, U.S. and foreign government policies and foreign exchange fluctuations. Global economic conditions continue to be volatile due to the COVID-19 pandemic, resulting in market size contractions in certain countries due to economic slowdowns and government restrictions on movement. Other macroeconomic factors also remain dynamic, and any causes of market size contraction, such as greater political unrest or instability in the Middle East, Central and Eastern Europe (including the ongoing Russia-Ukraine War), certain Latin American markets, the Hong Kong market in Greater China and the Korean peninsula could reduce our sales or erode our operating margin and consequently reduce our net earnings and cash flows.

Changes in Costs. Our costs are subject to fluctuations, particularly due to changes in commodity prices, transportation costs, other broader inflationary impacts 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. Volatility in the market price of these commodity input materials has a direct impact on our costs. Disruptions in our manufacturing, supply and distribution operations, including energy shortages, port congestions, labor constraints and freight container and truck shortages have impacted our costs and could do so in the future. If we are unable to manage these impacts 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, net earnings and cash flows. Net sales could also be adversely impacted following pricing actions if there is a negative impact on the consumption of our products. We strive to implement, achieve and sustain cost improvement plans, including supply chain optimization and general overhead and workforce optimization. If we are not successful in executing and sustaining these changes, there could be a negative impact on our gross margin, operating margin, net earnings and cash flows.

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 the past three years, a number of foreign currencies have weakened versus the U.S. dollar, leading to lower sales and earnings from these foreign exchange impacts. Certain countries that recently had and are currently experiencing significant exchange rate fluctuations include Argentina, Turkey, Brazil and Russia. These fluctuations have significantly impacted our historical net sales, costs and net earnings and could do so in the future. 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 the consumption of our products, which would negatively affect our net sales, gross margin, operating margin, net earnings and cash flows.

Government Policies. Our net earnings and cash flows could be affected by changes in U.S. or foreign government legislative, regulatory or enforcement policies. For example, our net earnings and cash flows could be affected by any future legislative or regulatory changes in U.S. or non-U.S. tax policy, or any significant change in global tax policy adopted under the current work being led by the OECD for the G20 focused on "Addressing the Challenges of the Digitalization of the Economy." The breadth of the OECD project extends beyond pure digital businesses, and if agreed and enacted by most countries, is likely to impact most large multinational businesses by both redefining jurisdictional taxation rights and broadly establishing a 15% minimum tax on their foreign operations. Our net sales, gross margin, operating margin, net earnings and cash flows may also be impacted by changes in U.S. and foreign government policies related to environmental and climate change matters. 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, Turkey, Argentina and Egypt. Further, our net sales, gross margin, operating margin, net earnings and cash flows could be affected by changes to international trade agreements in North America and elsewhere. Changes in government policies in these areas might cause an increase or decrease in our net sales, gross margin, operating margin, net earnings and cash flows.

COVID-19 Pandemic. Because we sell products that are essential to the daily lives of consumers, the pandemic has not had a materially negative impact to our consolidated net sales, net earnings and cash flows.

However, the continued evolution of the pandemic may result in economic recessions or a slowdown of economic growth in certain countries or regions. It could also lead to volatility in consumer access to our products (due to governmental actions or key material, transportation and labor shortages impacting our ability to produce and ship products) or could impact consumers' movements and access to our products. There could also be reduced demand due to consumption decreases and consumer pantry destocking (particularly, in home cleaning, health and hygiene products) as economic activity resumes following slowdowns or relaxation of governmental restrictions. Net, the uncertainty in the timing and extent of demand volatility, the relaxation and reimplementation of movement restrictions, the timing and impact of potential consumer pantry destocking, the future economic trends due to a resurgence of positive cases and governmental actions in response to the pandemic may result in heightened volatility and negative impacts to net sales, net earnings and cash flows during and subsequent to the pandemic.

While we have been able to broadly maintain our operations, we experienced some disruption in our supply chain in certain markets due primarily to the restriction of employee movements, key material and labor shortages and transportation constraints. We intend to continue to work with our suppliers and government authorities to implement employee safety measures to minimize disruption to the manufacturing and distribution of our products. The continued evolution of the pandemic and uncertainty with regards to the disruptions caused either by resurgence of positive cases or governmental actions in response to the pandemic could result in an unforeseen disruption to our supply chain and impact our operations (for example, the closure of a key manufacturing or distribution facility or the inability of a key material or transportation supplier to source and transport materials).

The pandemic has not had a material negative impact on the Company's liquidity position. We continue to generate operating cash flows to meet our short-term liquidity needs and continue to maintain access to capital markets enabled by our strong short- and long-term credit ratings.

Russia-Ukraine War. The war between Russia and Ukraine has negatively impacted our operations in both countries. Our Ukraine business includes two manufacturing sites. We have approximately 500 employees including both manufacturing and non-manufacturing personnel. Our operations in Ukraine accounted for less than 1% of consolidated net sales and net earnings in fiscal 2022. Additionally, net assets of our Ukraine subsidiary, along

with Ukraine related assets held by other subsidiaries, account for less than 1% of net assets as of June 30, 2022.

Our Russia business includes two manufacturing sites with a net book value of approximately $350 million as of June 30, 2022. We have approximately 2,400 employees, including both manufacturing and non-manufacturing personnel. In fiscal 2022, our operations in Russia accounted for less than 2% of consolidated net sales and less than 1% of net earnings. Additionally, net assets of our Russia subsidiaries, along with Russia related assets held by other subsidiaries, account for less than 2% of net assets as of June 30, 2022. Beginning in March 2022, the Company has reduced its product portfolio, discontinued new capital investments and suspended media, advertising and promotional activity in Russia.

Future impacts to the Company are difficult to predict due to the high level of uncertainty as to how the war will evolve, what its duration will be and its ultimate resolution. Within Ukraine, there is a possibility of physical damage and destruction of our two manufacturing facilities. We may not be able to operate our manufacturing sites and source raw materials from our suppliers or ship finished products to our customers. Ultimately, these could result in impairments of our manufacturing plants and fixed assets or write-downs of other operating assets and working capital.

Within Russia, we may not be able to continue our reduced operations at current levels due to sanctions and counter-sanctions, monetary, currency or payment controls, restrictions on access to financial institutions and supply and transportation challenges. Our suppliers, distributors and retail customers are also impacted by the war and their ability to successfully maintain their operations could also impact our operations or negatively impact the sales of our products.

More broadly, there could be additional negative impacts to our net sales, earnings and cash flows should the situation escalate beyond its current scope, including, among other potential impacts, economic recessions in certain neighboring countries or globally due to inflationary pressures and supply chain cost increases or the geographic proximity of the war relative to the rest of Europe.

For additional 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 the discussion of our consolidated results of operations include net sales, gross margin, selling, general and administrative costs (SG&A), operating margin, other non-operating items, income taxes and net earnings. 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, pricing and other activities by competitors), marketing spending, retail executions (both in-store and online) and acquisition and divestiture activity, all of which drive changes in our underlying unit volume, as well as our pricing actions (which can also impact volume), changes in product and geographic mix and foreign exchange impacts on sales outside the U.S.

For most of our categories, our cost of products sold and SG&A are variable in nature to some extent. 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 North America are generally higher than the Company average 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. While overhead costs are variable to some extent, we generally experience more scale-related impacts for these costs due to our ability to leverage our organization and systems' infrastructures to support business growth. The main drivers of changes in SG&A as a percentage of net sales are overhead and marketing cost savings, reinvestments (for example, increased advertising), inflation, foreign exchange fluctuations and scale impacts.

For a detailed discussion of the fiscal 2021 year-over-year changes, please refer to the MD&A in Part II, Item 7 of the Company's Form 10-K for the fiscal year ended June 30, 2021.

Net Sales

Net sales increased 5% to $80.2 billion in fiscal 2022 on a 2% increase in unit volume versus the prior year. Unfavorable foreign exchange decreased net sales by 2%. Favorable pricing had a 4% positive impact on net sales. Mix increased net sales by 1% due to positive geographic mix from the disproportionate growth of the North America region and positive category mix from the disproportionate growth of the Personal Health Care category, both of which have higher than Company-average selling prices. This was partially offset by the disproportionate growth of the Fabric Care business, which has lower than Company-average selling prices. Excluding the net impacts of foreign exchange and acquisitions and divestitures, organic sales grew 7% on a 2% increase in organic volume. Net sales increased high single digits in Health Care, increased mid-single digits in Fabric & Home Care and in Baby, Feminine & Family Care and increased low single digits in Beauty and Grooming.

On a regional basis, volume increased mid-single digits in North America and Latin America, increased low single digits in Asia Pacific and IMEA. Volume in Europe was unchanged and decreased mid-single digits in Greater China.

Operating Costs

Comparisons as a percentage of net sales; Years ended June 30	2022	2021	Basis Point Change
Gross margin	**47.4 %**	51.2 %	(380)
Selling, general and administrative expense	**25.2 %**	27.6 %	(240)
Operating margin	**22.2 %**	23.6 %	(140)
Earnings before income taxes	**22.4 %**	23.1 %	(70)
Net earnings	**18.4 %**	18.9 %	(50)
Net earnings attributable to Procter & Gamble	**18.4 %**	18.8 %	(40)

Gross margin decreased 380 basis points to 47.4% of net sales in fiscal 2022. The decrease in gross margin was due to:

- 390 basis points of increased commodity costs,
- a 130 basis-point decline from unfavorable mix, due primarily to negative product mix resulting from the launch and growth of premium-priced products that are profit-accretive but have lower than Company-average gross margin, and
- 40 basis points of net manufacturing cost increases, as 60 basis points of increased transportation costs and 20 basis points of product and packaging investments were partially offset by 40 basis points of productivity savings net of inflation and other cost increases.

These impacts were partially offset by a 180 basis-point increase due to higher pricing.

Total SG&A decreased 4% to $20.2 billion, due to decreased overhead costs, marketing spending and other operating costs. SG&A as a percentage of net sales decreased 240 basis points to 25.2% primarily due to the positive scale impacts of the net sales increase and, to a lesser extent, a decrease in overhead costs and marketing spending.

- Marketing spending as a percentage of net sales decreased 120 basis points due primarily to the positive scale impacts of the net sales increase and, to a lesser extent, due to increased media and production cost savings and decreased media spending.
- Overhead costs as a percentage of net sales decreased 110 basis points due to the positive scale impacts of the net sales increase and productivity savings.
- Other net operating expenses as a percentage of net sales decreased approximately 10 basis points due primarily to gains from the divestiture of a minor business and sale of real estate, partially offset by increased foreign exchange transactional charges.

Productivity-driven cost savings delivered 70 basis points of benefit to SG&A as a percentage of net sales.

Operating margin decreased 140 basis points to 22.2% due to the decrease in gross margin partially offset by the decrease in SG&A as a percentage of net sales as discussed above.

Non-Operating Items

- Interest expense was $439 million in fiscal 2022, a decrease of $63 million versus the prior year driven primarily by lower average interest rates on fixed rate debt.
- Interest income was $51 million in fiscal 2022, an increase of $6 million versus the prior year.
- Other non-operating income increased $484 million to $570 million, due primarily to a prior year loss on early-debt extinguishment and a current year increase in net non-operating benefits on post-retirement benefit plans, partially offset by unrealized gains on equity investments in the prior year and unrealized losses on equity investments in the current year.

Income Taxes

The effective tax rate decreased 70 basis points to 17.8% in 2022 due to:

- a 45 basis-point decrease from higher excess tax benefits of share-based compensation (a 200 basis-point benefit in the current year versus a 155 basis-point benefit in the prior year),
- a 30 basis-point decrease from discrete impacts related to uncertain tax positions (35 basis-point favorable impact in the current year versus a 5 basis-point favorable impact in the prior year), and
- a 15 basis-point decrease from higher current year deductions for foreign-derived intangible income versus prior year.

These decreases were partially offset by a 20 basis-point increase due to unfavorable geographic mix impacts of current year earnings.

Net Earnings

Operating income decreased 1% or $0.2 billion, to $17.8 billion as the increase in net sales was more than fully offset by the decrease in operating margin, both of which are discussed above.

Earnings before income taxes increased 2%, or $0.4 billion, to $18.0 billion, as the decrease in operating income was more than fully offset by a prior year loss on early-debt extinguishment and lower interest expense. Net earnings increased 3%, or $0.4 billion, to $14.8 billion due to the increase in earnings before income taxes and the decrease in the effective income tax rate discussed above. Foreign exchange impacts reduced net earnings by approximately $274 million in fiscal 2022 due to a weakening of certain currencies against the U.S. dollar. This impact includes both transactional charges and translational impacts from converting earnings from foreign subsidiaries to U.S. dollars.

Net earnings attributable to Procter & Gamble increased $0.4 billion, or 3%, to $14.7 billion.

Diluted net EPS increased $0.31, or 6%, to $5.81 due primarily to the increase in net earnings and, to a lesser extent, a reduction in shares outstanding. Net earnings per share increased 3% versus the prior year core EPS due to the prior year loss on early debt extinguishment.

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 which are reported in our Corporate segment and are included as part of our Corporate segment discussion. Additionally, we apply blended statutory tax rates in the segments. Eliminations to adjust segment results to arrive at our consolidated effective tax rate are included in Corporate. See Note 2 to the Consolidated Financial Statements for additional information on items included in the Corporate segment.

	Net Sales Change Drivers 2022 vs. 2021 (1)						
	Volume with Acquisitions & Divestitures	**Volume Excluding Acquisitions & Divestitures**	**Foreign Exchange**	**Price**	**Mix**	**Other (2)**	**Net Sales Growth**
Beauty	— %	— %	— %	3 %	(1)%	— %	2 %
Grooming	— %	— %	(3)%	5 %	— %	— %	2 %
Health Care	4 %	4 %	(1)%	3 %	3 %	— %	9 %
Fabric & Home Care	3 %	3 %	(2)%	5 %	— %	— %	6 %
Baby, Feminine & Family Care	1 %	1 %	(1)%	4 %	1 %	— %	5 %
TOTAL COMPANY	**2 %**	**2 %**	**(2)%**	**4 %**	**1 %**	**— %**	**5 %**

(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 and rounding impacts necessary to reconcile volume to net sales.

BEAUTY

($ millions)	2022	2021	Change vs. 2021
Volume	**N/A**	N/A	—%
Net sales	**$14,740**	$14,417	2%
Net earnings	**$3,160**	$3,210	(2)%
% of net sales	**21.4%**	22.3%	(90) bps

Beauty net sales increased 2% to $14.7 billion in fiscal 2022 on unit volume that was unchanged. Higher pricing increased net sales by 3%. Foreign exchange had no impact on net sales. Unfavorable mix decreased net sales by 1% due to the disproportionate decline of SK-II, which has higher than segment-average selling prices. Organic sales also increased 2%. Global market share of the Beauty segment increased 0.1 points.

- Hair Care net sales increased low single digits. A negative impact of a low single digit decrease in volume was more than offset by increased pricing and favorable mix (due to a higher proportion of premium products, which have higher than category-average selling prices). Organic sales also increased low single digits. Volume decreased mid-single digits in Greater China (due to pandemic-related lockdowns and market slowdown in traditional retailers where our shares are disproportionately higher versus social commerce) and IMEA (due to competitive activity) and decreased low single digits in Europe (as a result of portfolio reduction in Russia and higher pricing in certain markets) and Asia Pacific (due to competitive activity). This was offset by a low single digit volume increase in North America (due to acquisitions). Excluding the impacts of acquisitions, volume was unchanged in North America. Global market share of the hair care category decreased less than a point.
- Skin and Personal Care net sales increased low single digits. Positive impacts of a low single digit increase in volume and increased pricing were partially offset by negative category mix due to the decline of SK-II brand (which has higher than category-average selling prices). Organic sales increased low single digits. Volume increased mid-teens in Latin America (due to innovation) and increased mid-single digits in North America (due to innovation in personal care and acquisitions) and in Greater China (due to innovation and market growth). Global market share of the skin and personal care category increased half a point.

Net earnings decreased 2% to $3.2 billion in fiscal 2022 as the increase in net sales was more than offset by a 90 basis-point decrease in net earnings margin. Net earnings margin decreased due primarily to a reduction in gross margin, partially offset by a reduction in SG&A as a percentage of sales. The gross margin reduction was driven by increased commodity and transportation costs and negative product mix caused by the decline of SK-II (which has higher than

segment-average gross margins), partially offset by increased pricing. SG&A as a percentage of net sales decreased as the positive scale benefit of the net sales increase and increased cost savings in marketing spending were partially offset by an increase in overhead costs.

GROOMING

($ millions)	2022	2021	Change vs. 2021
Volume	**N/A**	N/A	—%
Net sales	**$6,587**	$6,440	2%
Net earnings	**$1,490**	$1,427	4%
% of net sales	**22.6%**	22.2%	40 bps

Grooming net sales increased 2% to $6.6 billion in fiscal 2022 on unit volume that was unchanged. Higher pricing increased net sales by 5%. Unfavorable foreign exchange decreased net sales by 3%. Mix had a neutral impact to net sales. Organic sales increased 5%. Global market share of the Grooming segment increased 1.2 points.

- Shave Care net sales increased mid-single digits. Positive impacts of a low single digit volume increase and increased pricing were partially offset by unfavorable foreign exchange. Organic sales increased high single digits. Volume increased low single digits in North America (due to innovation), Europe (due to innovation and market growth versus the prior year that was negatively impacted by the pandemic), IMEA (due to market growth) and Latin America (due to innovation). This was partially offset by a high teens decline in Greater China (due to pandemic-related shutdowns and market slowdown in traditional retailers where our shares are disproportionately higher versus social commerce retailers). Global market share of the shave care category increased nearly half a point.
- Appliances net sales decreased mid-single digits. Negative impacts of a high single digit decline in volume and unfavorable foreign exchange were partially offset by increased pricing (net of increased trade spending) and positive mix (due to a higher proportion of premium shavers and epilators, which have higher than category-average selling prices). Organic sales decreased low single digits. Volume declined double digits in Europe, mid-single digits in North America and low single digits in Asia Pacific, all due to market declines versus the prior year that benefited from pandemic-related consumption increases. Excluding the impact of a divestiture, volume declined high single digits in Europe. Global market share of the appliances category increased less than a point.

Net earnings increased 4% to $1.5 billion in fiscal 2022 due to the increase in net sales and a 40 basis-point increase in net earnings margin. The net earnings margin increased due to a reduction in SG&A as a percentage of net sales, partially offset by a decrease in gross margin and a higher effective tax rate. The gross margin decrease was driven by negative product mix (due to the launch and growth of premium-priced, profit-accretive products that have lower than segment-average gross margins) and increased commodity and transportation costs, partially offset by increased pricing and manufacturing cost savings. SG&A as a percentage of net sales decreased due primarily to the positive scale impacts of the net sales increase. The higher effective tax rate was driven by disproportionate growth in North America, which has higher than segment-average tax rates.

HEALTH CARE

($ millions)	2022	2021	Change vs. 2021
Volume	**N/A**	N/A	4%
Net sales	**$10,824**	$9,956	9%
Net earnings	**$2,006**	$1,851	8%
% of net sales	**18.5%**	18.6%	(10) bps

Health Care net sales increased 9% to $10.8 billion in fiscal 2022 on a 4% increase in unit volume. Unfavorable foreign exchange impacts decreased net sales by 1%. Favorable mix increased net sales by 3% due to the disproportionate growth in North America and the Personal Health Care category, both of which have higher than segment-average selling prices. Higher pricing increased net sales by 3%. Organic sales increased 10%. Global market share of the Health Care segment decreased 0.2 points.

- Oral Care net sales increased low single digits. A negative impact of a low single digit volume decrease and unfavorable foreign exchange were more than fully offset by the positive impacts from favorable mix (due to growth in North America and a higher proportion of premium tier products, both of which have higher than category-average selling prices) and increased pricing. Organic sales increased mid-single digits. Volume decreased low teens in Greater China (due to slowdown of the power brush market and pandemic-related lockdowns) and mid-single digits in Europe (as a result of supply constraints primarily due to the global chip shortage). This was partially offset by a double digit increase in Asia Pacific (due to distribution gains and market growth), a mid-single digit increase in IMEA (due to market growth and innovation) and low single digit increases in North America and Latin America (both due to market growth and innovation). Global market share of the oral care category increased half a point.
- Personal Health Care net sales increased high-teens. This was due primarily to a low teens increase in volume, increased pricing, increased trade spend efficiencies and positive mix (due to the disproportionate growth in North America and respiratory products, both of which have higher than category-average selling prices), partially offset by unfavorable foreign exchange impacts. Organic sales increased about 20%. Volume increased high teens in North America, increased high single digits in Europe (both due to stronger respiratory seasons and innovation) and increased mid-single digits in IMEA (due to innovation, increased marketing spending and distribution gains). Global market share of the personal health care category increased less than half a point.

Net earnings increased 8% to $2.0 billion in fiscal 2022 due primarily to the increase in net sales. Net earnings margin decreased slightly as a decrease in gross margin and a higher effective tax rate were mostly offset by a decrease in SG&A as a percentage of net sales. The decrease in gross margin was driven primarily by increased commodity and transportation costs and other cost increases associated with the global chip shortage, partially offset by increased pricing. SG&A as a percentage of net sales decreased due to the positive scale impacts of the net sales increase and overhead productivity, partially offset by an increase in media spending. The higher effective tax rate was driven by disproportionate growth in North America, which has higher than segment-average tax rates.

FABRIC & HOME CARE

($ millions)	2022	2021	Change vs. 2021
Volume	**N/A**	N/A	3%
Net sales	**$27,556**	$26,014	6%
Net earnings	**$4,386**	$4,622	(5)%
% of net sales	**15.9%**	17.8%	(190) bps

Fabric & Home Care net sales increased 6% to $27.6 billion in fiscal 2022 on a 3% increase in unit volume. Unfavorable foreign exchange decreased net sales by 2%. Higher pricing increased net sales by 5%. Mix had a neutral impact to net sales. Organic sales increased 8%. Global market share of the Fabric & Home Care segment increased 1.5 points.

- Fabric Care net sales increased high single digits. The positive impacts of a mid-single digit increase in volume, increased pricing, increased trade spend efficiencies and positive mix (due to the disproportionate growth in North America and growth of fabric enhancers and premium forms, all of which have higher than category-average selling prices) were partially offset by unfavorable foreign exchange. Organic sales increased double digits. Volume increased high single digits in North America and increased low single digits in Asia Pacific, both due to market growth and innovation. Global market share of the fabric care category increased more than a point.
- Home Care net sales were unchanged. Negative impacts of a low single digit decrease in volume, increased trade spending and unfavorable foreign exchange were offset by increased pricing. Organic sales increased low single digits. Volume decreased 20% in IMEA (due to market contraction and competitive activity) and decreased low single digits in North America (due to market contraction versus a prior year that benefited from pandemic-related consumption increases). Global market share of the home care category increased more than a point.

Net earnings decreased 5% to $4.4 billion in fiscal 2022 as the increase in net sales was more than offset by a 190 basis-point reduction in net earnings margin. Net earnings margin decreased due primarily to a reduction in gross margin, partially offset by a reduction in SG&A as a percentage of net sales. The gross margin decrease was primarily driven by an increase in commodity and transportation costs, and unfavorable mix caused by the growth of premium-priced, profit-accretive products that have lower than segment-average gross margins, partially offset by increased pricing. SG&A as a percentage of net sales declined due to the positive scale benefits of the net sales increase and a reduction in marketing spending.

BABY, FEMININE & FAMILY CARE

($ millions)	2022	2021	Change vs. 2021
Volume	**N/A**	N/A	1%
Net sales	**$19,736**	$18,850	5%
Net earnings	**$3,266**	$3,629	(10)%
% of net sales	**16.5%**	19.3%	(280) bps

Baby, Feminine & Family Care net sales increased 5% to $19.7 billion in fiscal 2022 on a 1% increase in unit volume. Higher pricing increased net sales by 4%. Favorable mix increased net sales by 1% due to the disproportionate growth in North America and growth of premium tier products, both of which have higher than segment-average selling prices. Unfavorable foreign exchange decreased net sales by 1%. Organic sales increased 6%. Global market share of the Baby, Feminine & Family Care segment increased 0.8 points.

- Baby Care net sales increased mid-single digits on unit volume that was unchanged. Positive impacts of increased pricing and favorable mix (due to a higher proportion of sales in North America and the growth of premium pants and taped diaper products, all of which have higher than category-average selling prices) were partially offset by unfavorable foreign exchange. Organic sales increased high single digits. Volume increased high single digits in Latin America (due to innovation) and increased low single digits in North America (due to market growth and better on-shelf availability versus competitors), Europe (due to market growth) and IMEA (due to market growth versus a prior year impacted by pandemic-related contraction). This increase was fully offset by a mid-teens decline in Greater China (due to competitive activity) and a mid-single digit decline in Asia Pacific (due to market decline). Global market share of the baby care category increased nearly half a point.
- Feminine Care net sales increased high single digits. Positive impacts of a low single digit increase in volume, increased pricing and positive mix (due to a higher proportion of sales in North America and the growth of premium products, including adult incontinence, both of which have higher than category-average selling prices) were partially offset by unfavorable foreign exchange. Organic sales increased double digits. The volume increase was driven by a high single digit increase in North America (due to innovation, distribution gains and market growth) partially offset by a low single digit decrease in IMEA (due to market decline). Market share of the feminine care category increased more than a point.

- Net sales in Family Care, which is predominantly a North American business, increased low single digits. Positive impacts of a low single digit increase in volume (due to increased promotional activity and innovation) and increased pricing were partially offset by increased promotional spending (versus the prior year with low promotional activity due to the pandemic) and unfavorable mix (due to disproportionate growth in the club channel, which have lower than category-average selling prices). Organic sales also increased low single digits. North America's share of the family care category increased nearly a point.

Net earnings in fiscal 2022 decreased 10% to $3.3 billion as the increase in net sales was more than offset by a 280 basis-point decrease in net earnings margin. Net earnings margin decreased primarily due to a decrease in gross margin, partially offset by lower SG&A as a percentage of net sales. Gross margin decreased primarily due to an increase in commodity and transportation costs partially offset by increased pricing. SG&A as a percentage of net sales decreased due to the positive scale benefits of the net sales increase and reductions in both marketing and overhead costs.

CORPORATE

($ millions)	2022	2021	Change vs. 2021
Net sales	**$744**	$441	69%
Net earnings/(loss)	**$485**	$(387)	N/A

Corporate includes certain operating and non-operating activities not allocated to specific business segments. These include but are not limited to incidental businesses managed at the corporate level, gains and losses related to certain divested brands or businesses, impacts from various financing and investing activities and other impacts related to employee benefits, asset impairments and restructuring activities including manufacturing and workforce optimization. Corporate also includes reconciling items to adjust the accounting policies used within the reportable segments to U.S. GAAP. The most notable ongoing reconciling item is income taxes, which adjusts the blended statutory rates that are reflected in the reportable segments to the overall Company effective tax rate.

Corporate net sales increased 69% to $744 million in fiscal 2022 due to an increase in the net sales of the incidental businesses managed at the corporate level. Corporate net earnings improved by $872 million to $485 million in fiscal 2022 due primarily to the prior year loss on the early debt extinguishment, a current year gain on the divestiture of a minor business, net sales growth, current year tax benefits (primarily higher excess tax benefits of share-based compensation) and lower restructuring charges, partially offset by increased commodity costs tied to the aforementioned incidental businesses.

Restructuring Program to Deliver Productivity and Cost Savings

The Company has historically had an ongoing restructuring program with annual spending in the range of $250 to $500 million. Savings generated from the Company's restructuring program are difficult to estimate, given the nature of the activities, the timing of the execution and the degree of reinvestment. In fiscal 2022, the Company incurred before tax restructuring costs within the range of our historical annual ongoing level of $250 to $500 million.

Restructuring accruals of $147 million as of June 30, 2022, are classified as current liabilities. Approximately 65% of the restructuring charges incurred in fiscal 2022 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.

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.

Cash Flow Analysis

($ millions)	2022	2021
Net cash provided by operating activities	$ 16,723	$ 18,371
Net cash provided/(used) by investing activities	(4,424)	(2,834)
Net cash used in financing activities	(14,876)	(21,531)
Adjusted Free Cash Flow	13,792	15,809
Adjusted Free Cash Flow Productivity	93 %	107 %

Operating Cash Flow

Operating cash flow was $16.7 billion in 2022, a 9% decrease versus the prior year. Net earnings, adjusted for non-cash items (depreciation and amortization, share-based compensation, deferred income taxes and gain on sale of assets) generated approximately $17.6 billion of operating cash flow. Working capital and other impacts used $918 million of operating cash flow as summarized below.

- An increase in accounts receivable used $694 million of cash primarily due to sales growth. The number of days

sales outstanding increased approximately 1 day versus prior year.

- Higher inventory used $1.2 billion of cash, due to business growth and increased safety stock levels to strengthen supply chain sufficiency amidst business growth and commodity cost increases. Inventory days on hand increased approximately 1 day primarily due to these same factors.
- Accounts payable, accrued and other liabilities generated $1.4 billion of cash. Accounts payable increased in line with the increase in inventory and, to a lesser extent, the impact of extended payment terms with suppliers (see *Extended Payment Terms and Supply Chain Financing* below); partially offset by lower marketing spending. Days payable outstanding increased approximately 1 day versus prior year due to these same factors.
- Other net operating assets and liabilities used $406 million of cash primarily driven by the current portion of transitional tax payments due related to the U.S. Tax Act and pension related contributions, partially offset by other impacts.

Adjusted Free Cash Flow. We view adjusted free cash flow as an important non-GAAP measure because it is a factor impacting the amount of cash available for dividends, share repurchases, acquisitions and other discretionary investments. It is defined as operating cash flow less capital expenditures and excluding payments for the transitional tax resulting from the U.S. Tax Act. Adjusted free cash flow is one of the measures used to evaluate senior management and determine their at-risk compensation.

Adjusted free cash flow was $13.8 billion in 2022, a decrease of 13% versus the prior year. The decrease was primarily driven by the decrease in operating cash flows as discussed above. Adjusted free cash flow productivity, defined as the ratio of adjusted free cash flow to net earnings was 93% in 2022.

Extended Payment Terms and Supply Chain Financing. Beginning in fiscal 2014, in response to evolving market practices, the Company began a program to negotiate extended payment terms with its suppliers. At the same time, the Company initiated a Supply Chain Finance program (the "SCF") with a number of global financial institutions (the "SCF Banks"). Under the SCF, qualifying suppliers may elect to sell their receivables from the Company to a SCF Bank. These participating suppliers negotiate their receivables sales arrangements directly with the respective SCF Bank. While the Company is not party to those agreements, the SCF Banks allow the participating suppliers to utilize the Company's creditworthiness in establishing credit spreads and associated costs. This generally provides the suppliers with more favorable terms than they would be able to secure on their own. The Company has no economic interest in a supplier's decision to sell a receivable. Once a qualifying supplier elects to participate in the SCF and reaches an agreement with an SCF Bank, they elect which individual Company invoices they sell to the SCF bank. However, all the Company's payments to participating suppliers are paid to the SCF Bank on the invoice due date, regardless of whether the individual invoice is sold by the supplier to the SCF Bank. The SCF Bank pays the supplier on the invoice due date for any invoices that were not previously sold to the SCF Bank under the SCF.

The terms of the Company's payment obligation are not impacted by a supplier's participation in the SCF. Our payment terms with our suppliers for similar services and materials within individual markets are consistent between suppliers that elect to participate in the SCF and those that do not participate. Accordingly, our average days outstanding are not significantly impacted by the portion of suppliers or related input costs that are included in the SCF. In addition, the SCF is available to both material suppliers, where the underlying costs are largely included in Cost of goods sold, and to service suppliers, where the underlying costs are largely included in SG&A. As of June 30, 2022, approximately 3% of our global suppliers have elected to participate in the SCF. Payments to those suppliers during fiscal year 2022 total approximately $15 billion, which equals approximately 25% of our total Cost of goods sold and SG&A for the year. For participating suppliers, we believe substantially all of their receivables with the Company are sold to the SCF Banks. Accordingly, we would expect that at each balance sheet date, a similar proportion of amounts originally due to suppliers would instead be payable to SCF Banks. All outstanding amounts related to suppliers participating in the SCF are recorded within Accounts payable in our Consolidated Balance Sheets, and the associated payments are included in operating activities within our Consolidated Statements of Cash Flows. As of June 30, 2022 and 2021, the amount due to suppliers participating in the SCF and included in Accounts payable were approximately $6 billion and $5 billion, respectively.

Although difficult to project due to market and other dynamics, we anticipate incremental cash flow benefits from the extended payment terms with suppliers could increase at a slower rate in fiscal 2023. Future changes in our suppliers' financing policies or economic developments, such as changes in interest rates, general market liquidity or the Company's credit-worthiness relative to participating suppliers, could impact suppliers' participation in the SCF and/or our ability to negotiate extended payment terms with our suppliers. However, any such impacts are difficult to predict.

Investing Cash Flow

Net investing activities used $4.4 billion of cash in 2022, primarily due to capital spending and acquisitions. Net investing activities used $2.8 billion in cash in 2021, mainly due to capital spending.

Capital Spending. Capital expenditures, primarily to support capacity expansion, innovation and cost efficiencies, were $3.2 billion in 2022 and $2.8 billion in 2021. Capital spending as a percentage of net sales increased 20 basis points to 3.9% in 2022.

Acquisitions. Acquisition activity used cash of $1.4 billion in 2022, primarily related to Beauty acquisitions of Farmacy Beauty, Ouai and TULA. Acquisition activity used $34 million in 2021, primarily related to a minor Health Care acquisition.

Proceeds from Divestitures and Other Asset Sales. Proceeds from asset sales were $110 million in 2022 and $42 million in 2021, primarily from fixed asset sales and minor brand divestitures.

Investment Securities. Investments provided net cash of $3 million in 2022 primarily from the sale of other investments and used cash of $55 million in 2021 primarily from the purchase of investment securities.

Financing Cash Flow

Net financing activities consumed $14.9 billion of cash in 2022, mainly due to treasury stock purchases and dividends to shareholders, partially offset by a net debt increase and the impact of proceeds received from stock option exercises. Net financing activities consumed $21.5 billion in cash in 2021, mainly due to treasury stock purchases, dividends to shareholders and a net debt reduction, partially offset by the impact of stock options.

Dividend Payments. Our first discretionary use of cash is dividend payments. Dividends per common share increased 9% to $3.5227 per share in 2022. Total dividend payments to common and preferred shareholders were $8.8 billion in 2022 and $8.3 billion in 2021. In April 2022, the Board of Directors declared a 5% increase in our quarterly dividend from $0.8698 to $0.9133 per share on Common Stock and Series A and B Employee Stock Ownership Plan (ESOP) Convertible Class A Preferred Stock. This is the 66th consecutive year that our dividend has increased. We have paid a dividend for 132 consecutive 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 $31.5 billion as of June 30, 2022, and $32.0 billion as of June 30, 2021. We generated $1.9 billion from net debt increases, primarily due to issuance of bonds. In 2021, we used $3.9 billion for net debt reductions, including $512 million for early debt extinguishment costs related to the early retirement of $2.3 billion of debt.

Treasury Purchases. Total share repurchases were $10.0 billion in 2022 and $11.0 billion in 2021.

Impact of Stock Options and Other. The exercise of stock options and other financing activities generated $2.0 billion and $1.6 billion of cash in 2022 and 2021, respectively.

Liquidity

At June 30, 2022, our current liabilities exceeded current assets by $11.4 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, 2022, the Company had $5.8 billion of cash and cash equivalents related to foreign subsidiaries, primarily in various Western European and Asian countries. We did not have material cash and cash equivalents related to any country subject to exchange controls that significantly restrict our ability to access or repatriate the funds. 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.

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 funding to meet short-term financing requirements.

On June 30, 2022, 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 2026 and November 2022, 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, 2022.

($ millions)	Total	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
RECORDED LIABILITIES					
Total debt	**$ 31,925**	$ 8,656	$ 4,190	$ 6,508	$ 12,571
Leases	**885**	206	314	156	209
U.S. Tax Act transitional charge [1]	**1,886**	225	983	678	—
OTHER					
Interest payments relating to long-term debt	**4,813**	568	988	868	2,389
Minimum pension funding [2]	**493**	160	333	—	—
Purchase obligations [3]	**2,785**	1,082	826	452	425
TOTAL CONTRACTUAL COMMITMENTS	**$ 42,787**	$ 10,897	$ 7,634	$ 8,662	$ 15,594

(1) Represents the U.S. federal tax liability associated with the repatriation provisions of the U.S. Tax Act.

(2) 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 2025 are not currently determinable.

(3) 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 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. 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

Our revenue is primarily generated from the sale of finished product to customers. Those sales predominantly contain a single performance obligation and revenue is recognized at a single point in time when ownership, risks and rewards transfer, 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 at the time of the sale. Amounts accrued for trade promotions at the end of a period require estimation, based on contractual terms, 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.

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 judgements 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 in the jurisdictions where those functions are performed. 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 considering changing facts and circumstances, such as the progress of tax audits, and adjust them accordingly. We have several 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 several estimates and assumptions inherent in calculating the various components of our tax provision, certain 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. See Note 5 to the Consolidated Financial Statements for additional details on the Company's income taxes.

Employee Benefits

We sponsor various postretirement benefits throughout the world. These include pension plans, both defined contribution plans and defined benefit plans, and other postretirement benefit (OPRB) plans, consisting primarily of health care and life insurance for retirees. For accounting purposes, the defined benefit pension and OPRB plans require assumptions to estimate the net 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 net 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 OPRB plan are partially funded. The process for setting the expected rates of return is described in Note 8 to the Consolidated Financial Statements. For 2022, the average return on assets assumptions for pension plan assets and OPRB assets was 5.5% and 8.4%, respectively. A change in the rate of return of 100 basis points for both pension and OPRB assets would impact annual after-tax benefit/expense by approximately $125 million.

Since pension and OPRB 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 OPRB 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 3.7% 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 $135 million. The average discount rate on the OPRB plan of 5.0% reflects the higher interest rates generally applicable in the U.S., which is where most of the plan participants receive benefits. A 100 basis point change in the discount rate would impact annual after-tax OPRB expense by approximately $10 million. See Note 8 to the Consolidated Financial Statements for additional details on our defined benefit pension and OPRB plans.

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 establish and 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 at least annually for impairment. Our ongoing annual impairment testing for goodwill and indefinite-lived intangible assets occurs during the 3 months ended December 31. 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. If the fair value of the reporting unit or indefinite-lived intangible 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 three 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 as our legacy businesses. The Appliances reporting unit has a fair value that significantly exceeds the underlying carrying value.

Based on our annual impairment testing during the three months ended December 31, 2021, the Shave Care reporting unit's fair value exceeded its carrying value by more than 30% and the Gillette indefinite-lived intangible asset's fair value exceeded its carrying value by approximately 5%.

The most significant assumptions utilized in the determination of the estimated fair values of the 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. Another key assumption in our fair value determination of the Gillette indefinite-lived intangible asset is the royalty rate, which is driven by historical and estimated future profitability of the underlying Gillette business. The royalty rate may be impacted by significant adverse changes in long-term operating margins.

While management can and has implemented strategies to address these events in the past, changes in operating plans or adverse changes in the business or in the macroeconomic environment 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 Shave Care reporting unit's goodwill and indefinite-lived intangible assets.

The duration and severity of the pandemic and the Russia-Ukraine War could result in a slow-down or a recession or drive inflationary pressures or foreign currency devaluations in the general economy. These could trigger additional future impairment charges for the Shave Care reporting unit goodwill and the Gillette indefinite-lived intangible asset. While we have concluded that a triggering event did not occur during the quarter ended June 30, 2022, the Gillette indefinite-lived intangible asset is most susceptible to future impairment risk. Our assessment of the Gillette intangible asset assumes the net sales growth rates will continue to recover from the impact of the pandemic. There continues to be a high level of uncertainty relating to geopolitical and macroeconomic factors as a result of the Russia-Ukraine War and the COVID-19 pandemic. Accordingly, there

continues to be risk related to this key assumption. The continued evolution of the pandemic and the Russia-Ukraine War could impact the assumptions utilized in the determination of the estimated fair values of Shave Care reporting unit and the Gillette indefinite-lived intangible asset that are significant enough to trigger an impairment. Net sales and earnings growth rates could be negatively impacted by more prolonged reductions or changes in demand for our shave care products, which may be caused by, among other things: the temporary inability of consumers to purchase our products due to illness, quarantine or other travel restrictions, financial hardship, changes in the use and frequency of grooming products or by shifts in demand away from one or more of our higher priced products to lower priced products or by disruption in the supply chain or operations due to the evolving Russia-Ukraine War. In addition, relative global and country/regional macroeconomic factors including the Russia-Ukraine War could result in additional and prolonged devaluation of other countries' currencies relative to the U.S. dollar. Finally, the discount rate utilized in our valuation model could be impacted by changes in the underlying interest rates and risk premiums included in the determination of the cost of capital. As of June 30, 2022, the carrying values of the Shave Care goodwill and the Gillette indefinite-lived intangible asset were $12.3 billion and $14.1 billion, respectively.

We performed a sensitivity analysis for the Shave Care reporting unit and the Gillette indefinite-lived intangible asset during our annual impairment testing, utilizing reasonably possible changes in the assumptions for the shorter-term and residual growth rates, the discount rate and the royalty 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 in the discount rate, a 25 basis point decrease in our shorter-term and residual growth rates, or a 50 basis point decrease in our royalty rate, some of which would result in an impairment of the Gillette indefinite-lived intangible asset.

	Approximate Percent Change in Estimated Fair Value		
	+25 bps Discount Rate	**-25 bps Growth Rate**	**-50 bps Royalty Rate**
Shave Care goodwill reporting unit	**(6)%**	**(6)%**	**N/A**
Gillette indefinite-lived intangible asset	**(6)%**	**(6)%**	**(3)%**

In light of the Russia-Ukraine War, we performed an additional sensitivity analysis for the Shave Care reporting unit and the Gillette indefinite-lived intangible asset for a range of outcomes, including reduced future cash flows and no future cash flows in Ukraine and Russia. Under these scenarios, the Shave Care reporting unit fair value continued to exceed its carrying value by approximately 30% and the Gillette indefinite-lived intangible asset's fair value exceeded or approximated its carrying value. However, if the impact of the war were to extend beyond its current scope, there could be a triggering event for the Gillette indefinite-lived intangible asset that may cause us to perform an additional impairment assessment for that asset in a future period that may result in an impairment charge.

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, 2022.

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. 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 within our financing operations, as discussed below, 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, 2022. 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, 2022, 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.

Based on our currency rate exposure on derivative and other instruments as of and during the year ended June 30, 2022, 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, 2022, and June 30, 2021, we did not have any financial commodity hedging activity.

Measures Not Defined By U.S. GAAP

In accordance with the SEC's Regulation S-K Item 10(e), the following provides definitions of the non-GAAP measures 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 measures, 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 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. 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, 2022	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/ Other [1]	Organic Sales Growth
Beauty	2 %	— %	— %	2 %
Grooming	2 %	3 %	— %	5 %
Health Care	9 %	1 %	— %	10 %
Fabric & Home Care	6 %	2 %	— %	8 %
Baby, Feminine & Family Care	5 %	1 %	— %	6 %
TOTAL COMPANY	**5 %**	**2 %**	**— %**	**7 %**

[1] Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures 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 transitional tax payments resulting from the U.S. Tax Act beginning in 2019. 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.

The following table provides a numerical reconciliation of adjusted free cash flow ($ millions):

	Operating Cash Flow	Capital Spending	Adjustments to Operating Cash Flow [1]	Adjusted Free Cash Flow
2022	**$ 16,723**	**$ (3,156)**	**$ 225**	**$ 13,792**
2021	$ 18,371	$ (2,787)	$ 225	$ 15,809

[1] Adjustments to Operating Cash Flow include transitional tax payments resulting from the U.S. Tax Act of $225 in 2022 and 2021.

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 charges for early debt extinguishment (which are not considered part of our ongoing operations). 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):

	Adjusted Free Cash Flow	Net Earnings	Early Debt Extinguishment Charges	Net Earnings Excluding Adjustments	Adjusted Free Cash Flow Productivity
2022	**$ 13,792**	**$ 14,793**	**$ —**	**$ 14,793**	**93 %**
2021	$ 15,809	$ 14,352	$ 427	$ 14,779	107 %

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. Core EPS is also used in assessing the achievement of management goals for at-risk compensation. The table below provides a reconciliation of diluted net earnings per share to Core EPS, including the following reconciling items:

- Charges for early debt extinguishment: During fiscal year 2021 the Company recorded after tax charges of $427 million ($512 million before tax), 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.

We do not view the above items to be indicative of underlying business results and its exclusion from Core earnings measures provides a more comparable measure of year-on-year results. This item is 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, 2022	Twelve Months Ended June 30, 2021		
	AS REPORTED (GAAP)	AS REPORTED (GAAP)	EARLY DEBT EXTINGUISHMENT	NON-GAAP (CORE)
NET EARNINGS ATTRIBUTABLE TO P&G	$ 14,742	$ 14,306	$ 427	$ 14,733
				Core EPS
DILUTED NET EARNINGS PER COMMON SHARE [(1)]	$ 5.81	$ 5.50	$ 0.16	$ 5.66

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

CHANGE IN CURRENT YEAR REPORTED (GAAP) VERSUS NON-GAAP (CORE)[(1)]	
CORE EPS	3 %

[(1)] Change versus year ago is calculated based on As Reported (GAAP) values for the twelve months ended June 30, 2022, versus the Non-GAAP (Core) values for the twelve months ended June 30, 2021.

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.

Global Internal Audit performs audits of internal controls over financial reporting as well as broader financial, operational and compliance audits around the world, provides training and continually improves our internal control processes. The Company's internal control over financial reporting also includes a robust Control Self-Assessment Program that is conducted annually on critical financial reporting areas of the Company. Management takes the appropriate action to correct any identified control deficiencies.

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, 2022, 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, 2022, 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, 2022, as stated in their report which is included herein.

/s/ Jon R. Moeller

(Jon R. Moeller)

Chairman of the Board, President and Chief Executive Officer

/s/ Andre Schulten

(Andre Schulten)

Chief Financial Officer

August 5, 2022

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, 2022 and 2021, 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, 2022, 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 as of June 30, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2022, 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, 2022, 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 5, 2022, 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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Intangible Assets — Gillette Indefinite Lived Intangible Asset — Refer to Notes 1 and 4 to the financial statements

Critical Audit Matter Description

The Company's evaluation of indefinite lived intangible assets for impairment involves the comparison of the fair value of each indefinite lived intangible asset to its carrying value. The Company estimates fair value using the income method, which is based on the present value of estimated future cash flows attributable to the respective assets. This requires management to make significant estimates and assumptions related to forecasts of future net sales and earnings, including growth rates beyond a 10-year time period, royalty rates, and discount rate. Changes in the assumptions could have a significant impact on either the fair value, the amount of any impairment charge, or both. The Company performed their annual impairment assessment of the Gillette brand indefinite lived intangible asset (the "Gillette brand") as of December 31, 2021. Because the estimated fair value exceeds the carrying value, no impairment was recorded. As of June 30, 2022, the carrying value of Gillette indefinite lived intangible asset was $14.1 billion.

We identified the Company's impairment evaluation of the Gillette indefinite lived intangible asset as a critical audit matter because of the significant judgments made by management to estimate the fair value of the indefinite lived intangible asset. A high degree of auditor judgment and an increased extent of effort was required when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the forecasts of future net sales and earnings as well as the selection of royalty rates and discount rate, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to forecasts of future net sales and earnings and the selection of the royalty rates and discount rate for the Gillette indefinite lived intangible asset included the following, among others:

- We tested the effectiveness of controls over indefinite lived intangible assets, including those over the determination of fair value, such as controls related to management's development of forecasts of future net sales and earnings, and the selection of royalty rates and discount rate.
- We evaluated management's ability to accurately forecast net sales and earnings by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's forecast of net sales and earnings by comparing the forecasts to:
  - Historical net sales and earnings.
  - Underlying analysis detailing business strategies and growth plans including consideration of the effects related to the COVID-19 pandemic.
  - Internal communications to management and the Board of Directors.
  - Forecasted information included in Company press releases as well as in analyst and industry reports for the Company and certain of its peer companies.
- With the assistance of our fair value specialists, we evaluated the net sales and earnings growth rates, royalty rates, and discount rate by:
  - Testing the source information underlying the determination of net sales and earnings growth rates, royalty rates, and discount rate and the mathematical accuracy of the calculations.
  - Developing a range of independent estimates for the discount rate and comparing the discount rate selected by management to that range.

/s/ Deloitte & Touche LLP
Cincinnati, Ohio
August 5, 2022

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, 2022, 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, 2022, 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, 2022, of the Company and our report dated August 5, 2022, 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 5, 2022

Consolidated Statements of Earnings

Amounts in millions except per share amounts; Years ended June 30	2022	2021	2020
NET SALES	**$ 80,187**	$ 76,118	$ 70,950
Cost of products sold	**42,157**	37,108	35,250
Selling, general and administrative expense	**20,217**	21,024	19,994
OPERATING INCOME	**17,813**	17,986	15,706
Interest expense	**(439)**	(502)	(465)
Interest income	**51**	45	155
Other non-operating income, net	**570**	86	438
EARNINGS BEFORE INCOME TAXES	**17,995**	17,615	15,834
Income taxes	**3,202**	3,263	2,731
NET EARNINGS	**14,793**	14,352	13,103
Less: Net earnings attributable to noncontrolling interests	**51**	46	76
NET EARNINGS ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 14,742**	$ 14,306	$ 13,027
NET EARNINGS PER COMMON SHARE: (1)			
Basic	**$ 6.00**	$ 5.69	$ 5.13
Diluted	**$ 5.81**	$ 5.50	$ 4.96

(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	2022	2021	2020
NET EARNINGS	**$ 14,793**	$ 14,352	$ 13,103
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX			
Foreign currency translation (net of tax of $515, $(266) and $59, respectively)	**(1,450)**	1,023	(1,083)
Unrealized gains/(losses) on investment securities (net of tax of $1, $5 and $(1), respectively)	**5**	16	(12)
Unrealized gains/(losses) on defined benefit postretirement plans (net of tax of $1,022, $445 and $(42), respectively)	**2,992**	1,386	(150)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX	**1,547**	2,425	(1,245)
TOTAL COMPREHENSIVE INCOME	**16,340**	16,777	11,858
Less: Comprehensive income attributable to noncontrolling interests	**43**	50	60
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 16,297**	$ 16,727	$ 11,798

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

Amounts in millions except stated values; As of June 30	2022	2021
Assets		
CURRENT ASSETS		
Cash and cash equivalents	**$ 7,214**	$ 10,288
Accounts receivable	**5,143**	4,725
INVENTORIES		
Materials and supplies	**2,168**	1,645
Work in process	**856**	719
Finished goods	**3,900**	3,619
Total inventories	**6,924**	5,983
Prepaid expenses and other current assets	**2,372**	2,095
TOTAL CURRENT ASSETS	**21,653**	23,091
PROPERTY, PLANT AND EQUIPMENT, NET	**21,195**	21,686
GOODWILL	**39,700**	40,924
TRADEMARKS AND OTHER INTANGIBLE ASSETS, NET	**23,679**	23,642
OTHER NONCURRENT ASSETS	**10,981**	9,964
TOTAL ASSETS	**$ 117,208**	$ 119,307
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES		
Accounts payable	**$ 14,882**	$ 13,720
Accrued and other liabilities	**9,554**	10,523
Debt due within one year	**8,645**	8,889
TOTAL CURRENT LIABILITIES	**33,081**	33,132
LONG-TERM DEBT	**22,848**	23,099
DEFERRED INCOME TAXES	**6,809**	6,153
OTHER NONCURRENT LIABILITIES	**7,616**	10,269
TOTAL LIABILITIES	**70,354**	72,653
SHAREHOLDERS' EQUITY		
Convertible Class A preferred stock, stated value $1 per share (600 shares authorized)	**843**	870
Non-Voting Class B preferred stock, stated value $1 per share (200 shares authorized)	**—**	—
Common stock, stated value $1 per share (10,000 shares authorized; shares issued: 2022 - 4,009.2, 2021 - 4,009.2)	**4,009**	4,009
Additional paid-in capital	**65,795**	64,848
Reserve for ESOP debt retirement	**(916)**	(1,006)
Accumulated other comprehensive loss	**(12,189)**	(13,744)
Treasury stock, at cost (shares held: 2022 - 1,615.4, 2021 - 1,579.5)	**(123,382)**	(114,973)
Retained earnings	**112,429**	106,374
Noncontrolling interest	**265**	276
TOTAL SHAREHOLDERS' EQUITY	**46,854**	46,654
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 117,208**	$ 119,307

See accompanying Notes to Consolidated Financial Statements.

Dollars in millions except per share amounts; shares in thousands	Common Stock Shares	Common Stock Amount	Preferred Stock	Additional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumulated Other Comp-rehensive Income/ (Loss)	Treas Sto
BALANCE JUNE 30, 2019	2,504,751	$4,009	$928	$63,827	($1,146)	($14,936)	($100,
Net earnings							
Other comprehensive income/ (loss)						(1,229)	
Dividends and dividend equivalents ($3.0284 per share):							
Common							
Preferred							
Treasury stock purchases	(61,346)						(7,405
Employee stock plans	32,603			362			2,212
Preferred stock conversions	3,738		(31)	5			26
ESOP debt impacts					66		
Noncontrolling interest, net							
BALANCE JUNE 30, 2020	2,479,746	$4,009	$897	$64,194	($1,080)	($16,165)	($105,
Net earnings							
Other comprehensive income/ (loss)						2,421	
Dividends and dividend equivalents ($3.2419 per share):							
Common							
Preferred							
Treasury stock purchases	(81,343)						(11,00
Employee stock plans	28,001			650			1,586
Preferred stock conversions	3,302		(27)	4			23

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Amounts in millions; Years ended June 30	2022	2021	2020
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	**$ 10,288**	$ 16,181	$ 4,239
OPERATING ACTIVITIES			
Net earnings	**14,793**	14,352	13,103
Depreciation and amortization	**2,807**	2,735	3,013
Loss on early extinguishment of debt	**—**	512	—
Share-based compensation expense	**528**	540	558
Deferred income taxes	**(402)**	(258)	(596)
Loss/(gain) on sale of assets	**(85)**	(16)	7
Change in accounts receivable	**(694)**	(342)	634
Change in inventories	**(1,247)**	(309)	(637)
Change in accounts payable, accrued and other liabilities	**1,429**	1,391	1,923
Change in other operating assets and liabilities	**(635)**	(369)	(710)
Other	**229**	135	108
TOTAL OPERATING ACTIVITIES	**16,723**	18,371	17,403
INVESTING ACTIVITIES			
Capital expenditures	**(3,156)**	(2,787)	(3,073)
Proceeds from asset sales	**110**	42	30
Acquisitions, net of cash acquired	**(1,381)**	(34)	(58)
Purchases of investment securities	**—**	(55)	—
Proceeds from sales and maturities of investment securities	**—**	—	6,151
Change in other investments	**3**	—	(5)
TOTAL INVESTING ACTIVITIES	**(4,424)**	(2,834)	3,045
FINANCING ACTIVITIES			
Dividends to shareholders	**(8,770)**	(8,263)	(7,789)
Additions to short-term debt with original maturities of more than three months	**10,411**	7,675	14,371
Reductions in short-term debt with original maturities of more than three months	**(11,478)**	(7,577)	(12,984)
Additions/(reductions) in other short-term debt	**917**	(3,431)	958
Additions to long-term debt	**4,385**	4,417	4,951
Reductions of long-term debt [1]	**(2,343)**	(4,987)	(2,447)
Treasury stock purchases	**(10,003)**	(11,009)	(7,405)
Impact of stock options and other	**2,005**	1,644	1,978
TOTAL FINANCING ACTIVITIES	**(14,876)**	(21,531)	(8,367)
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**(497)**	101	(139)
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**(3,074)**	(5,893)	11,942
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	**$ 7,214**	$ 10,288	$ 16,181

SUPPLEMENTAL DISCLOSURE			
Cash payments for interest	**$ 451**	$ 531	$ 434
Cash payments for income taxes	**3,818**	3,822	3,550

(1) Includes early extinguishment of debt costs of $512 in 2021.

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 approximately 180 countries and territories primarily through mass merchandisers, e-commerce (including social commerce) channels, grocery stores, membership club stores, drug stores, department stores, distributors, wholesalers, specialty beauty stores (including airport duty-free stores), high-frequency stores, pharmacies, electronics stores and professional channels. We also sell direct to consumers. 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 Venezuelan 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 at cost, less impairments, plus or minus observable price changes.

Beginning in fiscal year 2022, the Company began to present increases and reductions in short-term debt with maturities of more than three months separately within the Consolidated Statements of Cash Flows. The presentation for the twelve months ended June 30, 2021, and June 30, 2020, have been revised to align with the current period presentation. This change had no impact on total financing activities, and we have concluded the change is not material.

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, postretirement 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, regarding 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

Our revenue is primarily generated from the sale of finished product to customers. Those sales predominantly contain a single performance obligation and revenue is recognized at a single point in time when ownership, risks and rewards transfer, 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. 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.

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 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 expenses necessary to acquire and convert the purchased materials and supplies into finished products. 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 $2.0 billion in 2022, $1.9 billion in 2021 and $1.8 billion in 2020. Advertising costs, charged to expense as incurred, include worldwide television, print, radio, internet and in-store advertising expenses and were $7.9 billion in 2022, $8.2 billion in 2021 and $7.3 billion in 2020. 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, Net

Other non-operating income, net primarily includes net acquisition and divestiture gains, net non-service impacts related to postretirement benefit plans, 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 flows from operating activities. Cash flows from foreign currency transactions and operations are translated at monthly exchange rates for each 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 rates, commodity or other currency exposures are classified as operating activities. Cash payments related to income taxes are classified as operating activities.

Investments

The Company holds minor equity investments in certain companies over which we exert significant influence, but do not control the financial and operating decisions. These are accounted for as equity method investments. Other equity investments that are not controlled, and over which we do not have the ability to exercise significant influence, and for which there is a readily determinable market value, are recorded at fair value, with gains and losses recorded through net earnings. Equity investments without readily determinable fair values are measured at cost, less impairments, plus or minus observable price changes. Equity investments are included as Other noncurrent assets in the Consolidated Balance Sheets.

The Company also holds highly-liquid investments, primarily money market funds and time deposits. Such investments are considered cash equivalents and are included within Cash and cash equivalents in the Consolidated Balance Sheets.

Inventory Valuation

Inventories are valued at the lower of cost or net realizable 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. We evaluate several 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 certain 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 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." In January 2021, the FASB issued ASU 2021-01, "Reference Rate Reform (Topic 848): Scope." The amendments were effective upon issuance and provide optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. We have completed our evaluation of significant contracts. Most contracts reviewed will mature prior to the termination of LIBOR or will be modified to apply a new reference rate, primarily the Secured Overnight Financing Rate (SOFR) where applicable. As a result, the guidance has not had, and is not expected to have, a material impact on the Company's Consolidated Financial Statements.

In November 2021, the FASB issued ASU 2021-10, "Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance". This guidance requires annual disclosures for transactions with a government authority that are accounted for by applying a grant or contribution model. These amendments are effective for annual periods beginning after December 15, 2021, with early adoption permitted. We plan to adopt the standard for the fiscal year ending June 30, 2023. We are currently assessing the impact of this guidance and do not expect a material impact at this time.

No other new accounting pronouncements issued or effective during the fiscal year or in future years had, or are expected to have, a material impact on our Consolidated Financial Statements.

NOTE 2

SEGMENT INFORMATION

Under U.S. GAAP, our operating segments 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, Pain Relief, 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, Taped Diapers and Pants); Feminine Care (Adult Incontinence, Feminine Care); Family Care (Paper Towels, Tissues, Toilet Paper).

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.

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. In addition, capital expenditures in the segments are on an accrual basis consistent with the balance sheet. Adjustments to move from an accrual to cash basis, for purposes of the cash flow statement, are reflected in Corporate.

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, 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 operating segments are comprised of similar product categories. Operating segments that individually accounted for 5% or more of consolidated net sales are as follows:

% of Net sales by operating segment [1]

Years ended June 30	2022	2021	2020
Fabric Care	23%	22%	22%
Home Care	12%	12%	11%
Baby Care	10%	10%	11%
Skin and Personal Care	9%	10%	10%
Hair Care	9%	9%	9%
Family Care	9%	9%	9%
Oral Care	8%	8%	8%
Shave Care	6%	7%	7%
Feminine Care	6%	6%	6%
Personal Health Care	6%	5%	5%
All Other	*2%*	*2%*	*2%*
TOTAL	100%	100%	100%

(1) % of Net sales by operating segment excludes sales recorded in Corporate.

Net sales and long-lived assets in the United States and internationally were as follows (in billions):

Years ended June 30	2022	2021	2020
NET SALES			
United States	**$ 36.5**	$ 33.7	$ 31.3
International	**$ 43.7**	$ 42.4	$ 39.7
LONG-LIVED ASSETS [1]			
United States	**$ 10.7**	$ 10.1	$ 9.9
International	**$ 10.5**	$ 11.6	$ 10.8

(1) Long-lived assets consists of property, plant and equipment.

No country, other than the United States, exceeds 10% of the Company's consolidated net sales or long-lived assets.

Our largest customer, Walmart Inc. and its affiliates, accounted for consolidated net sales of approximately 15% in 2022, 2021 and 2020. No other customer represents more than 10% of our consolidated net sales.

Global Segment Results		Net Sales	Earnings/(Loss) Before Income Taxes	Net Earnings/ (Loss)	Depreciation and Amortization	Total Assets	Capital Expenditures
BEAUTY	**2022**	**$ 14,740**	**$ 3,946**	**$ 3,160**	**$ 348**	**$ 6,055**	**$ 331**
	2021	14,417	4,018	3,210	333	5,587	386
	2020	13,359	3,437	2,737	320	5,531	397
GROOMING	**2022**	**6,587**	**1,835**	**1,490**	**361**	**20,482**	**260**
	2021	6,440	1,728	1,427	378	20,668	291
	2020	6,069	1,613	1,329	406	20,589	305
HEALTH CARE	**2022**	**10,824**	**2,618**	**2,006**	**376**	**7,888**	**410**
	2021	9,956	2,398	1,851	372	7,976	364
	2020	9,028	2,156	1,652	350	7,726	338
FABRIC & HOME CARE	**2022**	**27,556**	**5,729**	**4,386**	**672**	**8,567**	**988**
	2021	26,014	5,986	4,622	646	8,334	1,006
	2020	23,735	5,426	4,154	605	7,745	887
BABY, FEMININE & FAMILY CARE	**2022**	**19,736**	**4,267**	**3,266**	**826**	**8,443**	**932**
	2021	18,850	4,723	3,629	846	8,666	814
	2020	18,364	4,534	3,465	839	8,628	764
CORPORATE	**2022**	**744**	**(400)**	**485**	**224**	**65,773**	**235**
	2021	441	(1,238)	(387)	160	68,076	(74)
	2020	395	(1,332)	(234)	493	70,481	382
TOTAL COMPANY	**2022**	**$ 80,187**	**$ 17,995**	**$ 14,793**	**$ 2,807**	**$117,208**	**$ 3,156**
	2021	76,118	17,615	14,352	2,735	119,307	2,787
	2020	70,950	15,834	13,103	3,013	120,700	3,073

NOTE 3

SUPPLEMENTAL FINANCIAL INFORMATION

The components of property, plant and equipment were as follows:

As of June 30	2022	2021
PROPERTY, PLANT AND EQUIPMENT		
Buildings	**$ 8,087**	$ 8,165
Machinery and equipment	**35,098**	35,367
Land	**756**	808
Construction in progress	**2,756**	2,358
TOTAL PROPERTY, PLANT AND EQUIPMENT	**46,697**	46,698
Accumulated depreciation	**(25,502)**	(25,012)
PROPERTY, PLANT AND EQUIPMENT, NET	**$ 21,195**	$ 21,686

Selected components of current and noncurrent liabilities were as follows:

As of June 30	2022	2021
ACCRUED AND OTHER LIABILITIES - CURRENT		
Marketing and promotion	**$ 3,878**	$ 4,140
Compensation expenses	**1,797**	2,145
Taxes payable	**587**	637
Restructuring reserves	**147**	278
Leases	**205**	219
Other	**2,940**	3,104
TOTAL	**$ 9,554**	$ 10,523
OTHER NONCURRENT LIABILITIES		
Pension benefits	**$ 3,139**	$ 5,452
U.S. Tax Act transitional tax payable	**1,661**	1,891
Other retiree benefits	**672**	922
Uncertain tax positions	**752**	794
Long term operating leases	**595**	631
Other	**797**	579
TOTAL	**$ 7,616**	$ 10,269

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 ongoing programs have generally ranged from $250 to $500 annually.

Restructuring costs incurred consist primarily of costs to separate employees, asset-related costs to exit facilities and other costs. Employee separation costs relate to severance packages that are primarily voluntary and the amounts calculated are 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 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 for disposal. These assets are 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 restructuring-type charges primarily include asset removal and termination of contracts related to supply chain and overhead optimization. The Company incurred total restructuring charges of $253 and $330 for the years ended June 30, 2022 and 2021. Of the charges incurred for fiscal year 2022, $67 were recorded in SG&A, $182 in Costs of products sold and $4 in Other non-operating income, net. Of the charges incurred in fiscal year 2021, $176 were recorded in SG&A, $134 in Costs of products sold and $20 in Other non-operating income, net. The following table presents restructuring activity for the years ended June 30, 2022 and 2021:

	Separations	Asset-Related Costs	Other	Total
RESERVE JUNE 30, 2020	$ 285	$ —	$ 187	$ 472
Cost incurred and charged to expense	127	24	179	330
Cost paid/settled	(236)	(24)	(264)	(524)
RESERVE JUNE 30, 2021	176	—	102	278
Cost incurred and charged to expense	**88**	**87**	**78**	**253**
Cost paid/settled	**(143)**	**(87)**	**(154)**	**(384)**
RESERVE JUNE 30, 2022	**$ 121**	**$ —**	**$ 26**	**$ 147**

Consistent with our historical policies for ongoing restructuring-type activities, the restructuring charges are funded by and included within Corporate for both management and segment reporting. Accordingly, all of the charges are included within the Corporate reportable segment.

However, for information purposes, the following table summarizes the total restructuring costs related to our reportable segments:

Years ended June 30	2022	2021	2020 [2]
Beauty	**$ 11**	$ 13	$ 54
Grooming	**14**	25	102
Health Care	**32**	51	136
Fabric & Home Care	**42**	22	75
Baby, Feminine & Family Care	**83**	29	192
Corporate [1]	**71**	190	223
Total Company	**$ 253**	$ 330	$ 782

[1] Corporate includes costs related to allocated overheads, including charges related to our Enterprise Markets, Global Business Services and Corporate Functions activities.

[2] Fiscal 2020 includes incremental restructuring charges above ongoing programs and tied to a multi-year productivity and cost savings plan (announced in 2017) to further reduce costs in the areas of supply chain, certain marketing activities and overhead expense.

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	Total Company
BALANCE AT JUNE 30, 2020 - NET [1]	$ 12,902	$ 12,815	$ 7,786	$ 1,841	$ 4,557	$ 39,901
Acquisitions and divestitures	—	—	16	—	—	16
Translation and other	355	280	244	32	96	1,007
BALANCE AT JUNE 30, 2021 - NET [1]	13,257	13,095	8,046	1,873	4,653	40,924
Acquisitions and divestitures	**781**	**—**	**1**	**—**	**—**	**782**
Translation and other	**(742)**	**(524)**	**(458)**	**(65)**	**(217)**	**(2,006)**
BALANCE AT JUNE 30, 2022 - NET [1]	**$ 13,296**	**$ 12,571**	**$ 7,589**	**$ 1,808**	**$ 4,436**	**$ 39,700**

[1] Grooming goodwill balance is net of $7.9 billion accumulated impairment losses.

Goodwill and indefinite-lived intangibles are tested for impairment at least annually by comparing the estimated fair values of our reporting units and underlying indefinite-lived intangible assets to their respective carrying values. We typically use an income method to estimate the fair value of these assets, which is based on forecasts of the expected future cash flows attributable to the respective assets. Significant estimates and assumptions inherent in the valuations reflect a consideration of other marketplace participants and include the amount and timing of future cash flows (including expected growth rates and profitability). Significant judgement by management is required to estimate the impact of macroeconomic and other factors on future cash flows, including those related to the COVID-19 pandemic and the Russia-Ukraine War. Estimates utilized in the projected cash flows include consideration of macroeconomic conditions, overall category growth rates, competitive activities, cost containment and margin expansion, Company business plans, the underlying product or technology life cycles, economic barriers to entry, a brand's relative market position and the discount rate applied to the cash flows. Unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions.

We believe the estimates and assumptions utilized in our impairment testing 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 or subsequently impairing the carrying amount of goodwill and related intangible assets, we may need to record additional non-cash impairment charges in the future.

Goodwill decreased during fiscal 2022 due to currency translation across all reportable segments, partially offset by three acquisitions (Farmacy Beauty, Ouai and TULA) in the Beauty reportable segment.

Goodwill increased during fiscal 2021 driven by a minor brand acquisition in the Health Care reportable segment and currency translation across all reportable segments. Identifiable intangible assets were comprised of:

	2022		2021	
As of June 30	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
INTANGIBLE ASSETS WITH DETERMINABLE LIVES				
Brands	**$ 4,299**	**$ (2,628)**	$ 3,908	$ (2,546)
Patents and technology	**2,769**	**(2,609)**	2,781	(2,575)
Customer relationships	**1,797**	**(939)**	1,789	(882)
Other	**147**	**(97)**	150	(97)
TOTAL	**$ 9,012**	**$ (6,273)**	$ 8,628	$ (6,100)
INTANGIBLE ASSETS WITH INDEFINITE LIVES				
Brands	**20,940**	**—**	21,114	—
TOTAL	**$29,952**	**$ (6,273)**	$29,742	$ (6,100)

Amortization expense of intangible assets was as follows:

Years ended June 30	2022	2021	2020
Intangible asset amortization	**$ 312**	$ 318	$ 360

Estimated amortization expense over the next five fiscal years is as follows:

Years ending June 30	2023	2024	2025	2026	2027
Estimated amortization expense	$ 316	$ 305	$ 288	$ 268	$ 258

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.

We have elected to account for the tax effects of Global Intangible Low-Taxed Income (GILTI) as a current period expense when incurred.

Earnings before income taxes consisted of the following:

Years ended June 30	2022	2021	2020
United States	**$ 11,698**	$ 10,858	$ 10,338
International	**6,297**	6,757	5,496
TOTAL	**$ 17,995**	$ 17,615	$ 15,834

Income taxes consisted of the following:

Years ended June 30	2022	2021	2020
CURRENT TAX EXPENSE			
U.S. federal	**$ 1,916**	$ 1,663	$ 1,266
International	**1,333**	1,534	1,769
U.S. state and local	**355**	324	292
TOTAL	**3,604**	3,521	3,327
DEFERRED TAX EXPENSE/(BENEFIT)			
U.S. federal	**(320)**	(65)	39
International and other	**(82)**	(193)	(635)
TOTAL	**(402)**	(258)	(596)
TOTAL TAX EXPENSE	**$ 3,202**	$ 3,263	$ 2,731

A reconciliation of the U.S. federal statutory income tax rate to our actual effective income tax rate is provided below:

Years ended June 30	2022	2021	2020
U.S. federal statutory income tax rate	**21.0 %**	21.0 %	21.0 %
Country mix impacts of foreign operations	**(0.3)%**	(0.5)%	(0.1)%
State income taxes, net of federal benefit	**1.5 %**	1.3 %	1.4 %
Excess tax benefits from the exercise of stock options	**(2.0)%**	(1.6)%	(1.6)%
Tax benefit from simplification of legal entity structure	**— %**	— %	(1.4)%
Foreign derived intangible income deduction (FDII)	**(1.1)%**	(1.0)%	(1.0)%
Changes in uncertain tax positions	**(0.4)%**	(0.1)%	0.1 %
Other	**(0.9)%**	(0.6)%	(1.2)%
EFFECTIVE INCOME TAX RATE	**17.8 %**	18.5 %	17.2 %

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 excess of actual tax benefits received on employee exercises of stock options and other share-based payments (which generally equals the income taxable to the employee) over the amount of tax benefits that were calculated and recognized based on the grant date fair values of such instruments.

Tax costs charged to shareholders' equity totaled $1,538 for the year ended June 30, 2022. This primarily relates to the tax effects of certain adjustments to pension obligations recorded in shareholders' equity and the tax effects of net investment hedges. Tax costs charged to shareholders' equity totaled $215 for the year ended June 30, 2021. This primarily relates to the tax effects of certain adjustments to

pension obligations recorded in shareholders' 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. This charge included 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 taxes on approximately $22 billion of earnings that are considered indefinitely invested.

A reconciliation of the beginning and ending liability for uncertain tax positions is as follows:

Years ended June 30	2022	2021	2020
BEGINNING OF YEAR	**$ 627**	$ 485	$ 466
Increases in tax positions for prior years	**102**	157	60
Decreases in tax positions for prior years	**(118)**	(34)	(21)
Increases in tax positions for current year	**53**	60	82
Settlements with taxing authorities	**(42)**	(26)	(83)
Lapse in statute of limitations	**(17)**	(24)	(12)
Currency translation	**(22)**	9	(7)
END OF YEAR	**$ 583**	$ 627	$ 485

Included in the total liability for uncertain tax positions at June 30, 2022, is $363 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 2010 and forward. We are generally not able to reliably estimate the ultimate settlement amounts until the close of the audit. Based on information currently available, we anticipate that over the next 12-month period, audit activity could be completed related to uncertain tax positions in multiple jurisdictions for which we have accrued existing liabilities of approximately $12, including interest and penalties.

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, 2022, 2021 and 2020, we had accrued interest of $179, $166 and $141 and accrued penalties of $12, $10 and $17, respectively, which are not included in the above table. During the fiscal years ended June 30, 2022, 2021 and 2020, we recognized $21, $38 and $39 in interest expense and $2, $6 and $1 in penalties expense, respectively.

Deferred income tax assets and liabilities were comprised of the following:

As of June 30	2022	2021
DEFERRED TAX ASSETS		
Loss and other carryforwards	**914**	1,030
Pension and other retiree benefits	**$ 740**	$ 1,476
Capitalized research & development	**646**	358
Accrued marketing and promotion	**420**	424
Stock-based compensation	**386**	386
Fixed assets	**209**	223
Lease liabilities	**185**	196
Unrealized loss on financial and foreign exchange transactions	**138**	109
Advance payments	**82**	—
Inventory	**41**	31
Accrued interest and taxes	**22**	22
Other	**717**	878
Valuation allowances	**(409)**	(569)
TOTAL	**$ 4,091**	**$ 4,564**
DEFERRED TAX LIABILITIES		
Goodwill and intangible assets	**$ 5,783**	$ 5,761
Fixed assets	**1,542**	1,512
Other retiree benefits	**1,031**	645
Unrealized gain on financial and foreign exchange transactions	**439**	111
Lease right-of-use assets	**179**	191
Foreign withholding tax on earnings to be repatriated	**70**	108
Other	**244**	175
TOTAL	**$ 9,288**	$ 8,503

Net operating loss carryforwards were $2.5 billion at June 30, 2022, and $3.0 billion at June 30, 2021. If unused, approximately $300 will expire between 2022 and 2041. The remainder, totaling $2.2 billion at June 30, 2022, may be carried forward indefinitely.

NOTE 6

EARNINGS PER SHARE

Basic net earnings per common share are calculated by dividing Net earnings attributable to Procter & Gamble less preferred dividends by the weighted average number of common shares outstanding during the year. Diluted net earnings per common share are calculated by dividing Net earnings attributable to Procter & Gamble by the diluted weighted average number of common shares outstanding during the year. The diluted shares include the dilutive effect of stock options and other stock-based awards based on the treasury stock method (see Note 7) and the assumed conversion of preferred stock (see Note 8).

Net earnings per share were calculated as follows:

Years ended June 30	2022	2021	2020
CONSOLIDATED AMOUNTS			
Net earnings	**$ 14,793**	$ 14,352	$ 13,103
Less: Net earnings attributable to noncontrolling interests	**51**	46	76
Net earnings attributable to P&G	**14,742**	14,306	13,027
Less: Preferred dividends	**281**	271	263
Net earnings attributable to P&G available to common shareholders (Basic)	**$ 14,461**	$ 14,035	$ 12,764
Net earnings attributable to P&G available to common shareholders (Diluted)	**$ 14,742**	$ 14,306	$ 13,027
SHARES IN MILLIONS			
Basic weighted average common shares outstanding	**2,410.3**	2,465.8	2,487.1
Add effect of dilutive securities:			
Stock options and other unvested equity awards [(1)]	**49.5**	52.5	52.7
Convertible preferred shares [(2)]	**79.3**	82.7	86.0
Diluted weighted average common shares outstanding	**2,539.1**	2,601.0	2,625.8
NET EARNINGS PER SHARE [(3)]			
Basic	**$ 6.00**	$ 5.69	$ 5.13
Diluted	**$ 5.81**	$ 5.50	$ 4.96

(1) Excludes 11 million, 9 million and 6 million in 2022, 2021 and 2020, respectively, of weighted average stock options outstanding because the exercise price of these options was greater than the average market value of the Company's stock or their effect was antidilutive.

(2) An overview of preferred shares can be found in Note 8.

(3) Net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

NOTE 7

STOCK-BASED COMPENSATION

The Company has 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. RSUs vest and settle in shares of common stock three 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 subject to pre-established performance goals. The program includes a Relative Total Shareholder Return (R-TSR) modifier under which the number of shares ultimately granted is also impacted by the Company's actual shareholder return relative to our consumer products competitive peer set.

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 150 million shares of common stock were newly authorized for issuance under the stock-based compensation plan approved by shareholders in 2019. A total of 119 million shares remain available for grant under the 2019 plan.

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/or 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	2022	2021	2020
Stock options	**$ 271**	$ 279	$ 249
RSUs and PSUs	**257**	261	309
Total stock-based expense	**$ 528**	$ 540	$ 558
Income tax benefit	**$ 88**	$ 102	$ 97

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	2022	2021	2020
Interest rate	**0.1- 1.6 %**	0.1- 0.7 %	1.1- 1.4 %
Weighted average interest rate	**1.5 %**	0.6 %	1.3 %
Dividend yield	**2.4 %**	2.4 %	2.4 %
Expected volatility	**19 %**	20 %	17 %
Expected life in years	**9.1**	9.2	9.2

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, 2022, 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 at July 1, 2021	138,272	$ 91.24		
Granted	**14,369**	**141.67**		
Exercised	**(25,040)**	**77.07**		
Forfeited/				

The following table provides additional information on stock options:

Years ended June 30	2022	2021	2020
Weighted average grant-date fair value of options granted	**$ 21.55**	$ 20.94	$ 15.60
Intrinsic value of options exercised	**1,886**	1,401	1,455
Grant-date fair value of options that vested	**177**	236	217
Cash received from options exercised	**1,930**	1,705	2,019
Actual tax benefit from options exercised	**399**	292	298

At June 30, 2022, $166 of compensation cost had not yet been recognized related to stock option grants. That cost is expected to be recognized over a remaining weighted average period of 1.5 years.

A summary of non-vested RSUs and PSUs outstanding under the plans as of June 30, 2022, 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, 2021	3,237	$ 114.68	971	$ 135.24
Granted	**1,365**	**141.13**	**539**	**152.69**
Vested	**(1,656)**	**109.08**	**(550)**	**121.62**
Forfeited	**(114)**	**123.06**	**(32)**	**152.89**
Non-vested at June 30, 2022	**2,832**	**$ 130.37**	**928**	**$ 152.94**

At June 30, 2022, $216 of compensation cost had not yet been recognized related to RSUs and PSUs. That cost is expected to be recognized over a remaining weighted average period of 1.6 years. The total grant date fair value of shares vested was $248, $266 and $264 in 2022, 2021 and 2020, 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.

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 2022, 2021 and 2020.

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 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 benefits for the majority of our U.S. employees who become eligible for these benefits when they meet minimum age and service requirements. The plans require cost sharing with retirees and pay a stated percentage of expenses, reduced by deductibles and other coverages. These benefits are 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:

	Pension Benefits [1]		Other Retiree Benefits [2]	
Years ended June 30	2022	2021	2022	2021
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year [3]	**$ 18,469**	$ 17,761	**$ 4,206**	$ 4,770
Service cost	**253**	275	**86**	94
Interest cost	**253**	240	**99**	114
Participants' contributions	**14**	13	**67**	76
Amendments [5]	**5**	34	**(586)**	—
Net actuarial loss/(gain)	**(4,067)**	(466)	**(586)**	(678)
Special termination benefits	**4**	17	**1**	2
Currency translation and other	**(1,720)**	1,220	**51**	64
Benefit payments	**(603)**	(625)	**(268)**	(236)
BENEFIT OBLIGATION AT END OF YEAR [3]	**$ 12,608**	$ 18,469	**$ 3,070**	$ 4,206
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	**$ 13,041**	$ 11,484	**$ 6,444**	$ 5,618
Actual return on plan assets	**(1,233)**	1,058	**526**	879
Employer contributions	**222**	202	**37**	34
Participants' contributions	**14**	13	**67**	76
Currency translation and other	**(1,268)**	909	**1**	2
ESOP debt impacts [4]	**—**	—	**82**	71
Benefit payments	**(603)**	(625)	**(268)**	(236)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**$ 10,173**	$ 13,041	**$ 6,889**	$ 6,444
FUNDED STATUS	**$ (2,435)**	$ (5,428)	**$ 3,819**	$ 2,238

(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) Represents the net impact of ESOP debt service requirements, which is netted against plan assets for other retiree benefits.
(5) Primarily relates to adjustments in the self-insured U.S. retiree health care program to utilize fully-insured Medicare Advantage Programs beginning in January 2022.

The actuarial gain for pension plans in 2022 was primarily related to increases in discount rates. The actuarial gain for other retiree benefits in 2022 was primarily related to increases in discount rates, partially offset by unfavorable medical claim experience. The actuarial gain for pension plans in 2021 was primarily related to increases in discount rates, partially offset by unfavorable actuarial assumptions, including inflation assumptions. The actuarial gain for other retiree benefits in 2021 was primarily related to favorable medical cost trends.

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.

	Pension Benefits		Other Retiree Benefits	
As of June 30	2022	2021	2022	2021
CLASSIFICATION OF NET AMOUNT RECOGNIZED				
Noncurrent assets	**$ 765**	$ 88	**$ 4,525**	$ 3,193
Current liabilities	**(61)**	(64)	**(34)**	(33)
Noncurrent liabilities	**(3,139)**	(5,452)	**(672)**	(922)
NET AMOUNT RECOGNIZED	**$ (2,435)**	$ (5,428)	**$ 3,819**	$ 2,238
AMOUNTS RECOGNIZED IN ACCUMULATED OTHER COMPREHENSIVE (INCOME)/LOSS (AOCI)				
Net actuarial loss/(gain)	**$ 1,906**	$ 4,869	**$ (1,093)**	$ (504)
Prior service cost/(credit)	**170**	198	**(907)**	(471)
NET AMOUNTS RECOGNIZED IN AOCI	**$ 2,076**	$ 5,067	**$ (2,000)**	$ (975)

The accumulated benefit obligation for all defined benefit pension plans, which differs from the projected obligation in that it excludes the assumption of future salary increases, was $11.9 billion and $17.3 billion as of June 30, 2022 and 2021, respectively. Information related to the funded status of selected pension and other retiree benefits at June 30 is as follows:

As of June 30	2022	2021
PENSION PLANS WITH A PROJECTED BENEFIT OBLIGATION IN EXCESS OF PLAN ASSETS		
Projected benefit obligation	**$ 7,989**	$ 11,747
Fair value of plan assets	**4,789**	6,231
PENSION PLANS WITH AN ACCUMULATED BENEFIT OBLIGATION IN EXCESS OF PLAN ASSETS		
Accumulated benefit obligation	**$ 7,191**	$ 11,005
Fair value of plan assets	**4,433**	6,226
OTHER RETIREE BENEFIT PLANS WITH AN ACCUMULATED BENEFIT OBLIGATION IN EXCESS OF PLAN ASSETS		
Accumulated benefit obligation	**$ 808**	$ 1,082
Fair value of plan assets	**102**	127

Amounts in millions of dollars except per share amounts or as otherwise specified.

Net Periodic Benefit Cost. Components of the net periodic benefit cost were as follows:

	Pension Benefits			Other Retiree Benefits		
Years ended June 30	2022	2021	2020	2022	2021	2020
AMOUNTS RECOGNIZED IN NET PERIODIC BENEFIT COST/(CREDIT)						
Service cost	**$ 253**	$ 275	$ 247	**$ 86**	$ 94	$ 100
Interest cost	**253**	240	276	**99**	114	160
Expected return on plan assets	**(684)**	(783)	(740)	**(564)**	(508)	(473)
Amortization of net actuarial loss	**337**	423	340	**11**	47	68
Amortization of prior service cost/(credit)	**28**	25	25	**(107)**	(60)	(48)
Amortization of net actuarial (gain)/loss due to settlements	**(5)**	5	7	**—**	—	—
Special termination benefits	**4**	17	11	**1**	2	2
GROSS BENEFIT COST/(CREDIT)	**186**	202	166	**(474)**	(311)	(191)
Dividends on ESOP preferred stock	**—**	—	—	**—**	(8)	(19)
NET PERIODIC BENEFIT COST/ (CREDIT)	**$ 186**	$ 202	$ 166	**$ (474)**	$ (319)	$ (210)
CHANGE IN PLAN ASSETS AND BENEFIT OBLIGATIONS RECOGNIZED IN AOCI						
Net actuarial loss/(gain) - current year	**$ (2,150)**	$ (741)		**$ (548)**	$ (1,049)	
Prior service cost/(credit) - current year	**5**	34		**(586)**	—	
Amortization of net actuarial loss	**(337)**	(423)		**(11)**	(47)	
Amortization of prior service (cost)/credit	**(28)**	(25)		**107**	60	
Amortization of net actuarial loss/(gain) due to settlements	**5**	(5)		**—**	—	
Currency translation and other	**(486)**	367		**13**	—	
TOTAL CHANGE IN AOCI	**(2,991)**	(793)		**(1,025)**	(1,036)	
NET AMOUNTS RECOGNIZED IN PERIODIC BENEFIT COST/(CREDIT) AND AOCI	**$ (2,805)**	$ (591)		**$ (1,499)**	$ (1,355)	

The service cost component of the net periodic benefit cost is included in the Consolidated Statements of Earnings in Cost of products sold and SG&A. All other components are included in the Consolidated Statements of Earnings in Other non-operating income/(expense), net, unless otherwise noted.

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, 2022 and 2021, were as follows: [1]

	Pension Benefits		Other Retiree Benefits	
As of June 30	2022	2021	2022	2021
Discount rate	**3.7 %**	1.7 %	**5.0 %**	3.2 %
Rate of compensation increase	**2.8 %**	2.7 %	**N/A**	N/A
Interest crediting rate for cash balance plans	**4.3 %**	4.4 %	**N/A**	N/A
Health care cost trend rates assumed for next year	**N/A**	N/A	**6.4 %**	6.4 %
Rate to which the health care cost trend rate is assumed to decline (ultimate trend rate)	**N/A**	N/A	**4.5 %**	4.5 %
Year that the rate reaches the ultimate trend rate	**N/A**	N/A	**2028**	2028

[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	**2022**	**2021**	**2020**	**2022**	**2021**	**2020**
Discount rate	**1.7 %**	1.5 %	1.9 %	**3.2 %**	3.1 %	3.7 %
Expected return on plan assets	**5.5 %**	6.5 %	6.6 %	**8.4 %**	8.4 %	8.4 %
Rate of compensation increase	**2.7 %**	2.5 %	2.6 %	**N/A**	N/A	N/A
Interest crediting rate for cash balance plans	**4.4 %**	4.4 %	4.4 %	**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 3 - 5% 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.

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.

Our target asset allocation for the year ended June 30, 2022, and actual asset allocation by asset category as of June 30, 2022 and 2021, were as follows:

	Target Asset Allocation		Actual Asset Allocation at June 30			
			Pension Benefits		Other Retiree Benefits	
Asset Category	**Pension Benefits**	**Other Retiree Benefits**	**2022**	**2021**	**2022**	**2021**
Cash	**— %**	**2 %**	**1 %**	1 %	**2 %**	2 %
Debt securities	**61 %**	**2 %**	**58 %**	59 %	**1 %**	2 %
Equity securities	**39 %**	**96 %**	**41 %**	40 %	**97 %**	96 %
TOTAL	**100 %**	**100 %**	**100 %**	100 %	**100 %**	100 %

Amounts in millions of dollars except per share amounts or as otherwise specified.

The following table sets forth the fair value of the Company's plan assets as of June 30, 2022 and 2021, segregated by level within the fair value hierarchy (refer to Note 9 for further discussion on the fair value hierarchy and fair value principles). Investments valued using net asset value as a practical expedient 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	2022	2021	Fair Value Hierarchy Level	2022	2021
ASSETS AT FAIR VALUE						
Cash and cash equivalents	1	**$ 78**	$ 82	1	**$ 130**	$ 131
Company common stock		**—**	—	1	**319**	275
Company preferred stock [1]		**—**	—	2	**6,340**	5,911
Fixed income securities [2]	2	**1,545**	1,931	2	**—**	3
Insurance contracts [3]	3	**94**	111		**—**	—
TOTAL ASSETS IN THE FAIR VALUE HIERARCHY		**1,717**	2,124		**6,789**	6,320
Investments valued at net asset value [4]		**8,456**	10,917		**100**	124
TOTAL ASSETS AT FAIR VALUE		**$ 10,173**	13,041		**$ 6,889**	6,444

(1) Company preferred stock is valued based on the value of Company common stock and is presented net of ESOP debt discussed below.

(2) Fixed income securities, classified as Level 2, are estimated by using pricing models or quoted prices of securities with similar characteristics.

(3) Fair values of insurance contracts are valued based on either their cash equivalent value 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. The activity for Level 3 assets is not significant for all years presented.

(4) Investments valued using net asset value as a practical expedient are primarily equity and fixed income collective funds.

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, 2023, is $244 and $47, respectively. 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		
2023	$ 571	$ 177
2024	564	186
2025	590	190
2026	585	193
2027	601	198
2028 - 2032	3,459	1,076

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 $15 remain outstanding at June 30, 2022. 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 $3.52 per share. The liquidation value is $6.82 per share.

Amounts in millions of dollars except per share amounts or as otherwise specified.

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. The original borrowings of $1.0 billion were repaid in 2021. Debt service requirements were funded by preferred stock dividends, cash contributions and advances provided by the Company, of which $901 are outstanding at June 30, 2022. 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 $3.52 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 was guaranteed by the Company, was recorded as debt 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 was recorded as Interest expense. Dividends on all preferred shares 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	2022	2021	2020
Allocated	**25,901**	27,759	29,591
Unallocated	**1,123**	1,769	2,479
TOTAL SERIES A	**27,024**	29,528	32,070
Allocated	**30,719**	29,203	27,894
Unallocated	**20,120**	22,349	24,418
TOTAL SERIES B	**50,839**	51,552	52,312

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, 2022, 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 on fixed rate debt 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.

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.

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 the Foreign Currency Translation component of OCI and offset the change in the value of the net investment being hedged. The time value component of the net investment hedge currency swaps is excluded from the assessment of hedge effectiveness. 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. The time value component is subsequently reported in income on a systematic basis.

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. As of and during the years ended June 30, 2022 and 2021, we did not have any material financial 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.

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 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.

Assets and Liabilities Measured at Fair Value

Cash equivalents were $6.0 billion and $9.1 billion as of June 30, 2022 and 2021, respectively, and are classified as Level 1 within the fair value hierarchy. Other investments had a fair value of $140 and $192 as of June 30, 2022 and 2021, respectively, including equity securities of $113 and $163 as of June 30, 2022 and 2021, respectively, and are presented in Other noncurrent assets. Investments are measured at fair value and primarily classified as Level 1 and Level 2 within the fair value hierarchy. Level 1 are based on quoted market prices in active markets for identical assets, and Level 2 are based on quoted market prices for similar investments. There are no material investment balances classified as Level 3 within the fair value hierarchy or using net asset value as a practical expedient. Unrealized gains/(losses) on equity securities were $(45) and $69 for the fiscal years ended June 30, 2022 and 2021, respectively, and are recognized in the Consolidated Statements of Earnings in Other non-operating income, net.

The fair value of long-term debt was $25.7 billion and $28.8 billion as of June 30, 2022 and 2021, respectively. This includes the current portion of long-term debt instruments ($3.6 billion as of June 30, 2022 and 2021). 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, 2022 and 2021, are as follows:

	Notional Amount		Fair Value Asset		Fair Value (Liability)	
As of June 30	2022	2021	2022	2021	2022	2021
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS						
Interest rate contracts	**$ 4,972**	$ 7,415	**$ 3**	$ 146	**$ (307)**	$ —
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS						
Foreign currency interest rate contracts	**$ 7,943**	$ 8,484	**$ 561**	$ 89	**$ (1)**	$ (94)
TOTAL DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS	**$ 12,915**	$ 15,899	**$ 564**	$ 235	**$ (308)**	$ (94)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS						
Foreign currency contracts	**$ 5,625**	$ 5,060	**$ 6**	$ 20	**$ (61)**	$ (22)
TOTAL DERIVATIVES AT FAIR VALUE	**$ 18,540**	$ 20,959	**$ 570**	$ 255	**$ (369)**	$ (116)

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 $4.7 billion and $7.5 billion as of June 30, 2022 and 2021, 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 $11.2 billion and $12.0 billion as of June 30, 2022 and 2021, respectively. The decrease in the notional balance of interest rate contracts was primarily due to the maturity of interest rate swaps that were associated with multiple bonds maturing in the period.

All of the Company's derivative assets and liabilities are measured at fair value that is derived from observable market data, including interest rate yield curves and foreign exchange rates, and are classified as Level 2 within the fair value hierarchy. 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, 2022 and 2021.

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:

Years ended June 30	Amount of Gain/(Loss) Recognized in OCI on Derivatives 2022	2021
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS [(1)] [(2)]		
Foreign currency interest rate contracts	**$ 1,033**	$ (232)

[(1)] For the derivatives in net investment hedging relationships, the amount of gain excluded from effectiveness testing, which was recognized in earnings, was $73 and $60 for the fiscal years ended June 30, 2022 and 2021, 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 $1,639 and $(918), for the fiscal years ended June 30, 2022 and 2021, respectively.

Years ended June 30	Amount of Gain/(Loss) Recognized in Earnings 2022	2021
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS		
Interest rate contracts	**$ (450)**	$ (123)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS		
Foreign currency contracts	**$ (149)**	$ 296

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.

NOTE 10

SHORT-TERM AND LONG-TERM DEBT

As of June 30	2022	2021
DEBT DUE WITHIN ONE YEAR		
Current portion of long-term debt	**$ 3,647**	$ 3,62
Commercial paper	**4,805**	5,17
Other	**193**	9
TOTAL	**$ 8,645**	$ 8,88
Short-term weighted average interest rates [(1)]	**0.8 %**	(

[(1)] Short-term weighted average interest rates include the effects of interest rate swaps discussed in Note 9.

As of June 30	2022	2021
LONG-TERM DEBT		
2.15% USD note due August 2022	**$ 1,250**	$ 1,250
2.00% EUR note due August 2022	**1,045**	1,190
3.10% USD note due August 2023	**1,000**	1,000
1.13% EUR note due November 2023	**1,306**	1,488
0.50% EUR note due October 2024	**523**	595
0.63% EUR note due October 2024	**836**	952
0.55% USD note due October 2025	**1,000**	1,000
2.70% USD note due February 2026	**600**	600
1.00% USD note due April 2026	**1,000**	1,000
2.45% USD note due November 2026	**875**	875
1.90% USD note due February 2027	**1,000**	—
2.80% USD note due March 2027	**500**	500
4.88% EUR note due May 2027	**1,045**	1,190
2.85% USD note due August 2027	**750**	750
1.20% EUR note due October 2028	**836**	952
1.25% EUR note due October 2029	**523**	595
3.00% USD note due March 2030	**1,500**	1,500
0.35% EUR note due May 2030	**523**	—
1.20% USD note due October 2030	**1,250**	1,250
1.95% USD		

NOTE 11

ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

The table below presents the changes in Accumulated other comprehensive income/(loss) attributable to Procter & Gamble (AOCI), including the reclassifications out of AOCI by component:

Changes in Accumulated Other Comprehensive Income/(Loss) by Component

	Investment Securities	Post-retirement Benefit Plans	Foreign Currency Translation	Total AOCI
BALANCE at JUNE 30, 2020	$ (1)	$ (4,350)	$ (11,814)	$ (16,165)
OCI before reclassifications [1]	20	1,046	1,023	2,089
Amounts reclassified to the Consolidated Statement of Earnings [2]	(4)	340	—	336
Net current period OCI	16	1,386	1,023	2,425
Less: OCI attributable to non-controlling interests	—	(1)	5	4
BALANCE at JUNE 30, 2021	15	(2,963)	(10,796)	(13,744)
OCI before reclassifications [3]	**4**	**2,797**	**(1,451)**	**1,350**
Amounts reclassified to the Consolidated Statement of Earnings [4]	**1**	**195**	**1**	**197**
Net current period OCI	**5**	**2,992**	**(1,450)**	**1,547**
Less: OCI attributable to non-controlling interests	**—**	**2**	**(10)**	**(8)**
BALANCE at JUNE 30, 2022	**$ 20**	**$ 27**	**$ (12,236)**	**$ (12,189)**

(1) Net of tax (benefit)/expense of $5, $345 and $(266) for gains/losses on investment securities, postretirement benefit plans and foreign currency translation, respectively, for the period ended June 30, 2021. Income tax effects within foreign currency translation include impacts from items such as net investment hedge transactions. Foreign cumulative translation is not adjusted for income taxes related to permanent investments in international subsidiaries.

(2) Net of tax (benefit)/expense of $0, $100 and $0 for gains/losses on investment securities, postretirement benefit plans and foreign currency translation, respectively, for the period ended June 30, 2021.

(3) Net of tax (benefit)/expense of $1, $953 and $515 for gains/losses on investment securities, postretirement benefit plans and foreign currency translation, respectively, for the period ended June 30, 2022. Income tax effects within foreign currency translation include impacts from items such as net investment hedge transactions. Foreign cumulative translation is not adjusted for income taxes related to permanent investments in international subsidiaries.

(4) Net of tax (benefit)/expense of $0, $69 and $0 for gains/losses on investment securities, postretirement benefit plans and foreign currency translation, respectively, for the period ended June 30, 2022.

The below provides additional details on amounts reclassified from AOCI into the Consolidated Statement of Earnings:

- Investment securities: amounts reclassified from AOCI into Other non-operating income, net.
- Postretirement benefit plans: amounts reclassified from AOCI into Other non-operating income, net and included in the computation of net periodic postretirement costs (see Note 8).

Amounts in millions of dollars except per share amounts or as otherwise specified.

NOTE 12

LEASES

The Company determines whether a contract contains a lease at the inception of a contract by determining if the contract conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. We lease certain real estate, machinery, equipment, vehicles and office equipment for varying periods. Many of these leases include an option to either renew or terminate the lease. For purposes of calculating lease liabilities, these options are included within the lease term when it has become reasonably certain that the Company will exercise such options. The incremental borrowing rate utilized to calculate our lease liabilities is based on the information available at commencement date, as most of the leases do not provide an implicit borrowing rate. Our operating lease agreements do not contain any material guarantees or restrictive covenants. The Company does not have any material finance leases or sublease activities. Short-term leases, defined as leases with initial terms of 12 months or less, are not reflected on the Consolidated Balance Sheets. Lease expense for such short-term leases is not material. The most significant assets in our leasing portfolio relate to real estate and vehicles. For purposes of calculating lease liabilities for such leases, we have combined lease and non-lease components.

The components of the Company's total operating lease cost for the years ended June 30, 2022, 2021 and 2020, were as follows:

Years ended June 30	2022	2021	2020
Operating lease cost	**220**	245	271
Variable lease cost [1]	**89**	75	76
Total lease cost	**$ 309**	$ 320	$ 347

[1] Includes primarily costs for utilities, common area maintenance, property taxes and other operating costs associated with operating leases that are not included in the lease liability and are recognized in the period in which they are incurred.

Supplemental balance sheet and other information related to leases is as follows:

As of June 30	2022	2021
Operating leases:		
Right-of-use assets (Other noncurrent assets)	**$ 760**	$ 808
Current lease liabilities (Accrued and other liabilities)	**205**	219
Noncurrent lease liabilities (Other noncurrent liabilities)	**595**	631
Total operating lease liabilities	**$ 800**	$ 850
Weighted average remaining lease term:		
Operating leases	**6.4 years**	6.4 years
Weighted average discount rate:		
Operating leases	**3.2 %**	3.8 %

At June 30, 2022, future payments of operating lease liabilities were as follows:

	Operating Leases June 30, 2022
1 year	$ 206
2 years	179
3 years	135
4 years	92
5 years	64
Over 5 years	209
Total lease payments	**885**
Less: Interest	(85)
Present value of lease liabilities	**$ 800**

Total cash paid for amounts included in the measurement of lease liabilities was $228 and $253 for the years ended June 30, 2022, and June 30, 2021, respectively.

The right-of-use assets obtained in exchange for lease liabilities were $217 and $163 for the years ended June 30, 2022, and June 30, 2021, respectively.

Amounts in millions of dollars except per share amounts or as otherwise specified.

NOTE 13

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

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	2023	2024	2025	2026	2027	There-after
Purchase obligations	$1,082	$ 494	$ 332	$ 259	$ 193	$ 425

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. 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.

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.

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 Chairman of the Board, President and Chief Executive Officer, Jon R. Moeller, and the Company's Chief Financial Officer, Andre Schulten, 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. Moeller and Schulten 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. Moeller and Schulten, 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.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

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 Ms. Christine M. McCarthy.

The information required by this item is incorporated by reference to the following sections of the 2022 Proxy Statement filed pursuant to Regulation 14A, which will be filed no later than 120 days after June 30, 2022: 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; and the subsection of the Other Matters section entitled Shareholder Recommendations or Nominations of Director Candidates.

Pursuant to the Instruction to Item 401 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 2022 Proxy Statement filed pursuant to Regulation 14A, which will be filed no later than 120 days after June 30, 2022: the subsections of the Corporate Governance section entitled Board Meetings and Committees of the Board, Compensation Committee Interlocks and Insider Participation, and The Board's Oversight of Risk - Compensation-Related Risk; 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, 2022. 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 Procter & Gamble 2009 Stock and Incentive Compensation Plan; The Procter & Gamble 2014 Stock and Incentive Compensation Plan; and The Procter & Gamble 2019 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			
Stock Options/Stock Appreciation Rights	126,737,581	$99.5228	[1]
Restricted Stock Units (RSUs)/ Performance Stock Units (PSUs)	6,448,414	N/A	[1]
TOTAL	**133,185,995**	**$99.5228** [2]	

(1) Of the plans listed above, only The Procter & Gamble 2019 Stock and Incentive Compensation Plan (the "2019 Plan") allows for future grants of securities. The maximum number of shares that may be granted under this plan is 187 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) are counted as five shares for each share awarded. Total shares available for future issuance under this plan is 119 million.

(2) Weighted average exercise price of outstanding options only.

Additional information required by this item is incorporated by reference to the following section of the 2022 Proxy Statement filed pursuant to Regulation 14A, which will be filed no later than 120 days after June 30, 2022: the subsection of the Beneficial Ownership section entitled Security Ownership of Management and Certain Beneficial Owners.

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 2022 Proxy Statement filed pursuant to Regulation 14A, which will be filed no later than 120 days after June 30, 2022: 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 2022 Proxy Statement filed pursuant to Regulation 14A, which will be filed no later than 120 days after June 30, 2022: 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 (PCAOB Firm ID is 34)
- Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements
- Consolidated Statements of Earnings - for years ended June 30, 2022, 2021 and 2020
- Consolidated Statements of Comprehensive Income - for years ended June 30, 2022, 2021 and 2020
- Consolidated Balance Sheets - as of June 30, 2022 and 2021
- Consolidated Statements of Shareholders' Equity - for years ended June 30, 2022, 2021 and 2020
- Consolidated Statements of Cash Flows - for years ended June 30, 2022, 2021 and 2020
- 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).
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(10-4) - The Procter & Gamble Executive Group Life Insurance Policy (Incorporated by reference to Exhibit (10-3) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).*

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(10-6) - Retirement Plan Restoration Program 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).*

(10-7) - Summary of the Company's Long-Term Incentive Program (Incorporated by reference to Exhibit (10-3) of the Company's Form 10-Q for the quarter ended September 30, 2020).*

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(10-10) - Summary of the Company's Short Term Achievement Reward Program.* +

(10-11) - 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, 2021).*

(10-12) - Company's Form of Separation Agreement & Release.* +

(10-13) - Company's Form of Separation Letter and Release.* +

(10-14) - Summary of personal benefits available to certain officers and non-employee directors (Incorporated by reference to Exhibit (10-5) of the Company's Form 10-Q for the quarter ended September 30, 2021).*

(10-15) - 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).*

(10-16) - Senior Executive Recoupment Policy (Incorporated by reference to Exhibit (10-19) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).*

(10-17) - 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).*

(10-18) - 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).*

(10-19) - 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 (Incorporated by reference to Exhibit (10-21) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).*

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(10-21) - The Procter & Gamble Performance Stock Program Summary (Incorporated by reference to Exhibit (10-5) of the Company's Form 10-Q for the quarter ended September 30, 2020).*

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(10-24) - 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).*

(10-25) - Regulations of the Compensation and Leadership Development Committee for The Procter & Gamble 2019 Stock and Incentive Compensation Plan and 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, 2019).*

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(1)	Pursuant to Rule 406T of Regulation S-T, these interactive data fi registration statement or prospectus for purposes of Sections 11 o Section 18 of the Securities Exchange Act of 1934 and otherwise
*	Compensatory plan or arrangement.
+	Filed herewith.

Item 16. Form 10-K Summary.

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/ JON R. MOELLER
(Jon R. Moeller)
Chairman of the Board, President and Chief Executive Officer
August 05, 2022

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/ JON R. MOELLER (Jon R. Moeller)	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	August 05, 2022
/s/ ANDRE SCHULTEN (Andre Schulten)	Chief Financial Officer (Principal Financial Officer)	August 05, 2022
/s/ MATTHEW W. JANZARUK (Matthew W. Janzaruk)	Senior Vice President - Chief Accounting Officer (Principal Accounting Officer)	August 05, 2022
/s/ B. MARC ALLEN (B. Marc Allen)	Director	August 05, 2022
/s/ ANGELA F. BRALY (Angela F. Braly)	Director	August 05, 2022
/s/ AMY L. CHANG (Amy L. Chang)	Director	August 05, 2022
/s/ JOSEPH JIMENEZ (Joseph Jimenez)	Director	August 05, 2022
/s/ CHRISTOPHER J. KEMPCZINSKI (Christopher J. Kempczinski)	Director	August 05, 2022
/s/ DEBRA L. LEE (Debra L. Lee)	Director	August 05, 2022
/s/ TERRY J. LUNDGREN (Terry J. Lundgren)	Director	August 05, 2022
/s/ CHRISTINE M. MCCARTHY (Christine M. McCarthy)	Director	August 05, 2022
/s/ PATRICIA A. WOERTZ (Patricia A. Woertz)	Director	August 05, 2022

EXHIBIT INDEX

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104 Cover Page Interactive Data File (formatted in Inline XBRL and

(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.

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 TRUE

For the Fiscal Year Ended June 30, 2021

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	Trading Symbol	Name
Common Stock, without Par Value	PG	
2.000% notes due 2021	PG21	
2.000% notes due 2022	PG22B	
1.125% notes due 2023	PG23A	
0.500% notes due 2024	PG24A	
0.625% notes due 2024	PG24B	
1.375% notes due 2025	PG25	
4.875% EUR notes due May 2027	PG27A	
1.200% notes due 2028	PG28	
1.250% notes due 2029	PG29B	
1.800% notes due 2029	PG29A	
6.250% GBP notes due January 2030	PG30	
5.250% GBP notes due January 2033	PG33	
1.875% notes due 2038	PG38	

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 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 and post 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 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	☐	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 ☑

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of

the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.

7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☑ No ☐ TRUE

The aggregate market value of the voting stock held by non-affiliates amounted to $341 billion on December 31, 2020.

There were 2,427,424,874 shares of Common Stock outstanding as of July 31, 2021.

Documents Incorporated by Reference

Portions of the Proxy Statement for the 2021 Annual Meeting of Shareholders, which will be filed within one hundred and twenty days of the fiscal year ended June 30, 2021 (2021 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.

The Procter & Gamble Company (the Company) is focused on providing branded products of superior quality and value to improve the lives of the world's consumers, now and for generations to come. The Company was incorporated in Ohio in 1905, having first been established as a New Jersey corporation in 1890, and was built from a business founded in Cincinnati in 1837 by William Procter and James Gamble. Today, our products are sold in more than 180 countries and territories.

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.

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. P&G includes the website link solely as a textual reference. The information contained on our website is not incorporated by reference into this report.

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

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 and brands. 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 through numerous channels as well as direct-to-consumer. Our growth strategy is to deliver meaningful and noticeable superiority in all elements of our consumer proposition - product, packaging, brand communication, retail execution and consumer and customer 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 in which we compete. Productivity improvement is also critical to delivering our objectives of balanced top and bottom-line growth and value creation.

Key Product Categories. Information on key product categories can be found in the MD&A and 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, specialty beauty stores (including airport duty-free stores), high-frequency stores, pharmacies, electronics stores and professional channels. These customers sell our products to individual consumers. We also sell direct to consumers. Sales to Walmart Inc. and its affiliates represent approximately 15% of our total sales in 2021, 2020 and 2019. No other customer represents more than 10% of our total sales. Our top ten customers accounted for approximately 39% of our total sales in 2021, 38% in 2020 and 36% in 2019.

Sources and Availability of Materials. Almost all of the raw and packaging materials used by the Company are purchased from third parties, 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 processes 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 are 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.

Government Regulation. Our Company is subject to a wide variety of laws and regulations across the countries in which we do business. In the United States, many of our products and manufacturing operations are subject to one or more federal or state regulatory agencies, including the U.S. Food and Drug Administration (FDA), the Environmental Protection Agency (EPA), the Occupational Safety and Health Administration (OSHA), the Federal Trade Commission (FTC), and the Consumer Product Safety Commission (CPSC). We are also subject to anti-corruption laws and regulations, such as the U.S. Foreign Corrupt Practices Act, and antitrust and competition laws and regulations that govern our dealings with suppliers, customers, competitors, and government officials.

In addition, many foreign jurisdictions in which we do business have regulations and regulatory bodies that govern similar aspects of our operations and products, in some cases to an even more significant degree. We are also subject to expanding laws and regulations related to environmental protection, non-financial reporting and diligence, labor and employment, trade, taxation, and data privacy and protection, including the European Union's General Data Protection Regulation (GDPR) and similar regulations in states within the United States and in countries around the world. For additional information on the potential impacts of global legal and regulatory requirements on our business, see "Item 1A. Risk Factors" herein.

The Company has in place compliance programs and internal and external experts to help guide our business in complying with these and other existing laws and regulations that apply to us around the globe; and we have made, and plan to continue making, necessary expenditures for compliance with these laws and regulations. We also expect that our many suppliers, consultants, and other third parties working on our behalf share our commitment to compliance, and we have policies and procedures in place to manage these relationships, though they inherently involve a lesser degree of control over operations and governance. We do not expect that the Company's expenditures for compliance with current government regulations, including current environmental regulations, will have a material effect on our total capital expenditures, earnings, or competitive position in fiscal year 2022 as compared to prior periods.

Human Capital. Our employees are a key source of competitive advantage and their actions, guided by our Purpose, Values and Principles (PVPs), are critical to the long- term success of our business. As of June 30, 2021, the Company had approximately 101,000 employees, an increase of two percent versus the prior year due primarily to business growth. The total number of employees is an estimate of total Company employees excluding interns, co-ops, contractors and employees of joint ventures. As of June 30, 2021, 49% of our employees are in manufacturing roles and 26% of our employees are located in the United States.

We focus on attracting, developing and retaining skilled, diverse talent, including recruiting from among the best universities across the markets in which we compete and are generally able to select from the top talent. We focus on developing our employees by providing a variety of job experiences, training programs and skill development opportunities. Our employees' holistic growth and full engagement is particularly important, as we primarily have a develop-from-within model for staffing our senior leadership positions. We aim to retain our talented employees by offering competitive compensation and benefits, strong career development and a respectful and inclusive culture that provides equal opportunity for all.

As a consumer products company, we believe that it is important for our workforce to reflect the diversity of our consumers. We also seek to foster an inclusive work environment where each individual can bring their whole self, which helps drive innovation and enables us to better serve our consumers. We aspire to achieve equal gender representation globally and at key management and leadership levels. As of June 30, 2021, 40% of our global employees are women. In the U.S. workforce, we are progressing towards our aspiration of 40% multicultural representation overall as well as at management and leadership levels. As of June 30, 2021, 26% of our U.S. employees identify as multicultural.

Our compensation plans are based on the principles of paying for performance, paying competitively versus peer companies that we compete with for talent and in the marketplace, and focusing on long-term success through a combination of short-term and long-term incentive plans. We also offer competitive benefit programs, including retirement plans and health insurance in line with local country practices with flexibility to accommodate the needs of a diverse workforce.

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, as well as in our quarterly and annual reports, current reports on Form 8-K, 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, except to the extent required by law. 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 Management's Discussion and Analysis 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, perhaps materially.

MACROECONOMIC CONDITIONS AND RELATED FINANCIAL RISKS

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, generate sales and pay expenses in a variety of currencies other than the U.S. dollar, and our operations outside the U.S. generate more than fifty percent of our annual net sales. Fluctuations in exchange rates for foreign currencies have and could continue to reduce the U.S. dollar value of sales, earnings 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. Further, we have a significant amount of foreign currency debt and derivatives as part of our capital markets activities. The maturity cash outflows of these instruments could be adversely impacted by significant appreciation of foreign currency exchange rates (particularly the Euro), which could adversely impact our overall cash flows. Moreover, discriminatory or conflicting fiscal or trade policies in different countries, including 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 the Consolidated Financial Statements and related Notes.

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, Egypt, Argentina and Turkey. Our results of operations, financial condition and cash flows 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 have been and could continue to be adversely affected (including by the need to de-consolidate or even exit certain businesses in particular countries) 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 creditworthiness of local governments, particularly in emerging markets.

Uncertain economic or social 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 or social disruptions. These disruptions have included and may in the future include: a slow-down or recession in the general economy; reduced market growth rates; tighter credit markets for our suppliers, vendors or customers; a significant shift in government policies; significant social unrest; the deterioration of economic relations between countries or regions, including potential negative consumer sentiment toward non-local products or sources; 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, these and other economic conditions may cause our suppliers, distributors, contractors or other third-party partners to suffer financial or operational 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 sales, income and cash flow, it could affect the Company’s ability to achieve expected share repurchase and dividend payments.

Disruptions in credit markets or to our banking partners or changes to our credit ratings may reduce our access to credit or overall liquidity.

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. In addition, we rely on top-tier banking partners in key markets around the world, who themselves face economic, societal, political, and other risks, for access to credit and to facilitate collection and payment programs. A disruption to one or more of these top-tier partners could impact our ability to draw on existing credit facilities or otherwise adversely affect our cash flows.

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. Results of elections, referendums or other political processes in certain markets in which our products

are manufactured, sold or distributed (such as the United Kingdom's withdrawal from the European Union) could create uncertainty regarding how existing governmental policies, laws and regulations may change, including with respect to sanctions, taxes, tariffs, import and export controls and the general 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, new or increased tariffs, trade barriers and market contraction, could adversely affect the Company’s results of operations and cash flows.

BUSINESS OPERATIONS RISKS

Our business results depend on our ability to manage disruptions in our global supply chain.

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 or controversies, loss or impairment of key manufacturing sites, discontinuity or disruptions in our internal information and data systems, inability to procure sufficient raw or input materials (including water, recycled materials, and materials that meet our labor standards), 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, disease outbreaks or other external factors over which we have no control, have at times interrupted and could, in the future, interrupt product supply and, if not effectively managed and remedied, could have an adverse impact on our business, financial condition, results of operations or cash flows.

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 (including certain petroleum-derived materials like resins and paper-based materials like pulp) and raw and packaging materials and the costs of labor, transportation (including trucks and containers), energy, pension and healthcare. Inflation pressures could also result in increases in these input costs. Therefore, our business results depend, 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 results of operations or cash flows.

The ability to achieve our business objectives depends 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 sales and 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, ease of competitive entry into certain categories, 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 or social commerce applications, could negatively impact our results of operations or cash flows.

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, specialty beauty stores (including airport duty-free stores), high-frequency stores, pharmacies, electronics stores and professional channels. Our success depends 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 of or shelf space allocated to our products as a result of increased offerings of other branded manufacturers, 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 directly depends 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 of operations or cash flows could also be negatively impacted if the Company or 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, negative perceptions of packaging (such as plastic and other petroleum- based materials), lack of recyclability or other environmental impacts, concerns about actual or alleged labor or equality and inclusion practices, privacy lapses or data breaches, 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 or social impacts or similar matters, sentiments toward the Company or our products could be negatively impacted, and our results of operations or cash flows 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, equality and inclusion, and environmental sustainability. If these programs are not executed as planned or suffer negative publicity, the Company's reputation and results of operations or cash flows 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, contract manufacturers, 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 results of operations and cash flows could be adversely impacted. Further, failure of these third parties to meet their obligations to the Company or substantial disruptions in the relationships between the Company and these third parties could adversely impact our operations and financial results. 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.

A significant 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.

We rely extensively on information and operational technology (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 persons covered by an expanding landscape of privacy and data regulations, such as citizens of the European Union who are covered by the GDPR or residents of California covered by the California Consumer Privacy Act (CCPA);
- 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. In addition, 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 outside parties, hackers, criminal organizations or other threat actors, including nation states. In addition, insider actors-malicious or otherwise-could cause technical disruptions and/or confidential data leakage. 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.

A breach of our data security systems or failure of our IT/OT databases and systems may have a material adverse impact on our business operations and financial results. 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, including catastrophic events, natural disasters, power outages, computer and telecommunications failures, improper data handling, viruses, phishing attempts, cyber-attacks, malware and ransomware attacks, security breaches, security incidents or employee error or malfeasance, and our business continuity plans do not effectively address these failures on a timely basis, we may suffer interruptions in our ability to manage operations and be exposed to reputational, competitive, operational, financial and business harm as well as litigation and regulatory action. If our critical IT systems or back-up systems or those of our third-party vendors are damaged or cease to function properly, we may have to make a significant investment to repair or replace them.

In addition, if a ransomware attack or other cybersecurity incident occurs, either internally or at our third-party technology service providers, we could be prevented from accessing our data or systems, which may cause interruptions or delays in our business operations, cause us to incur remediation costs, subject us to demands to pay a ransom, or damage our reputation. In addition, such events could result in unauthorized disclosure of confidential information, and we may suffer financial and reputational damage because of lost or misappropriated confidential information belonging to us or to our partners, our employees, customers, and suppliers. Additionally, we could be exposed to potential liability, litigation, governmental inquiries, investigations, or regulatory enforcement actions; and we could be subject to payment of fines or other penalties, legal claims by our suppliers, customers or employees, and significant remediation costs.

Periodically, we also 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. The costs and operational consequences of responding to the above items and implementing remediation measures could be significant and could adversely impact our results of operations and cash flows.

We must successfully manage the demand, supply, and operational challenges associated with the effects of a disease outbreak, including epidemics, pandemics, or similar widespread public health concerns.

Our business may be negatively impacted by the fear of exposure to or actual effects of a disease outbreak, epidemic, pandemic, or similar widespread public health concerns, such as travel restrictions or recommendations or mandates from governmental authorities to avoid large gatherings or to self-quarantine as a result of the novel coronavirus (COVID-19) pandemic. These impacts include, but are not limited to:

- Significant reductions in demand or significant volatility in demand for one or more of our products, which may be caused by, among other things: the temporary inability of consumers to purchase our products due to illness, quarantine or other travel restrictions, or financial hardship, shifts in demand away from one or more of our more discretionary or higher priced products to lower priced products, or stockpiling or similar pantry-loading activity. If prolonged, such impacts can further increase the difficulty of business or operations planning and may adversely impact our results of operations and cash flows;
- Inability to meet our customers' needs and achieve cost targets due to disruptions in our manufacturing and supply arrangements caused by constrained workforce capacity or the loss or disruption of other essential manufacturing and supply elements such as raw materials or other finished product components, transportation, or other manufacturing and distribution capability;
- Failure of third parties on which we rely, including our suppliers, contract manufacturers, distributors, contractors, commercial banks, joint venture partners and external business partners, to meet their obligations to the Company, or significant disruptions in their ability to do so, which may be caused by their own financial or operational difficulties and may adversely impact our operations; or
- Significant changes in the political conditions in markets in which we manufacture, sell or distribute our products, including quarantines, import/export restrictions, price controls, or governmental or regulatory actions, closures or other restrictions that limit or close our operating and manufacturing facilities, restrict our employees' ability to travel or perform necessary business functions, or otherwise prevent our third-party partners, suppliers, or customers from sufficiently staffing operations, including operations necessary for the production, distribution, sale, and support of our products, which could adversely impact our results of operations and cash flows.

Despite our efforts to manage and remedy these impacts to the Company, their ultimate impact also depends on factors beyond our knowledge or control, including the duration and severity of any such outbreak as well as third-party actions taken to contain its spread and mitigate its public health effects. In the case of COVID-19, the availability and public acceptance of effective vaccines has initially varied and may continue to vary significantly across regions and countries where we operate, leading to further volatility and disparity in our results and operations across geographies.

BUSINESS STRATEGY & ORGANIZATIONAL RISKS

Our ability to meet our growth targets depends on successful product, marketing and operations innovation and successful responses to competitive innovation, evolving digital marketing and selling platforms, 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, and to continue to deliver efficient and effective marketing across evolving media and mobile platforms with dynamic privacy requirements. We must also successfully respond to technological advances made by, and intellectual property rights granted to, competitors, customers and vendors. Failure to continually innovate, improve and respond to competitive moves, platform evolution, and changing consumer habits could compromise our competitive position and adversely impact our financial condition, results of operations or cash flows.

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 have been, and in the future could be, adversely impacted by the dilutive impacts from the loss of earnings associated with divested brands or dissolution of joint ventures. Our results of operations and cash flows have been and, in the future could also be, impacted by acquisitions or joint venture activities, 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 result in an impairment of goodwill and intangible assets.

Our business results depend on our ability to successfully manage productivity improvements and ongoing organizational change, including attracting and retaining key talent as part of our overall succession planning.

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 results of operations and cash flows. Additionally, successfully executing organizational change, 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 individuals. Our success depends 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.

LEGAL & REGULATORY RISKS

We must successfully manage compliance with current and expanding 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 the countries in which we do business, including those laws and regulations involving intellectual property, product liability, product composition or formulation, packaging content or end-of-life responsibility, marketing, antitrust and competition, privacy, data protection, environmental (including increasing focus on the climate, water, and waste impacts of consumer packaged goods companies' operations and products), employment, healthcare, anti-bribery, anti-corruption, trade (including tariffs, sanctions and export controls), tax, accounting and financial reporting or other matters. In addition, increasing governmental and societal attention to environmental, social, and governance (ESG) matters, including expanding mandatory and voluntary reporting, diligence, and disclosure on topics such as climate change, waste production, water usage, human capital, labor, and risk oversight, could expand the nature, scope, and complexity of matters that we are required to control, assess, and report. These and other rapidly changing laws, regulations, policies and related interpretations, as well as increased enforcement actions by various governmental and regulatory agencies, create challenges for the Company, including our compliance and ethics programs, may alter the environment in which we do business and may increase the ongoing costs of compliance, which could adversely impact our results of operations and cash flows. If we are unable to continue to meet these challenges and comply with all laws, regulations, policies and related interpretations, it could negatively impact our reputation and our business results. Additionally, we are currently, and in the future may be, subject to a number of inquiries, investigations, claims, proceeding, and requests for information from governmental agencies or private parties, the adverse outcomes of which could harm our business. Failure to successfully manage these new or pending regulatory and legal matters and resolve such matters without significant liability or damage to our reputation may

materially adversely impact our financial condition, results of operations and cash flows. Furthermore, if new or 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 laws and 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, 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). The changes included in the U.S. Tax Act were broad and complex. Under the current U.S. presidential administration, comprehensive federal income tax reform has been proposed, including an increase in the U.S. Federal corporate income tax rate, elimination of certain investment incentives, and a more than doubling of U.S. residual taxation of non-U.S. earnings. While these proposals are controversial, likely to change during the legislative process, and may prove difficult to enact as proposed in the current closely divided U.S. Congress, their impact could nonetheless be significant.

Additionally, longstanding international tax norms that determine each country's jurisdiction to tax cross-border international trade are subject to potential evolution. An outgrowth of the original Base Erosion and Profit Shifting (BEPS) project is a project undertaken by the more than 130 member countries of the expanded OECD Inclusive Framework focused on "Addressing the Challenges of the Digitalization of the Economy." The breadth of this project extends beyond pure digital businesses and is likely to impact all multinational businesses by potentially redefining jurisdictional taxation rights in market countries and establishing a global minimum tax.

While it is too early to assess the overall impact of these potential changes, as these and other tax laws and related regulations are revised, enacted, and implemented, our financial condition, results of operations, and cash flows could be materially impacted.

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 results of operations and cash flows.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

In the U.S., we own and operate 23 manufacturing sites located in 17 different states. In addition, we own and operate 82 manufacturing sites in 36 other countries. Many of the domestic and international sites manufacture products for multiple businesses. Beauty products are manufactured at 22 of these locations; Grooming products at 18; Health Care products at 21; Fabric & Home Care products at 38; and Baby, Feminine & Family Care at 37. We own our Corporate headquarters in Cincinnati, Ohio. We own or lease our principal regional general offices in Switzerland, Panama, Singapore, China and Dubai. 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. In addition, SEC regulations require that we disclose certain environmental proceedings arising under Federal, State, or local law when a governmental authority is a party and such proceeding involves potential monetary sanctions that the Company reasonably believes will exceed a certain threshold ($1 million or more). There are no relevant matters to disclose under this Item for this period. See Note 13 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.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The names, ages and positions held by the Executive Officers of the Company on August 6, 2021, are:

Name	Position	Age	First Elected to Officer Position
David S. Taylor	Chairman of the Board, President and Chief Executive Officer	63	2013
Jon R. Moeller	Vice Chairman and Chief Operating Officer; Director	57	2009 (1)
Andre Schulten	Chief Financial Officer	50	2021 (2)
Gary A. Coombe	Chief Executive Officer - Grooming	57	2014 (3)
Mary Lynn Ferguson-McHugh	Chief Executive Officer - Family Care and New Business	61	2016
Ma. Fatima D. Francisco	Chief Executive Officer - Baby and Feminine Care	53	2018 (4)
Shailesh Jejurikar	Chief Executive Officer - Fabric and Home Care	54	2018 (5)
R. Alexandra Keith	Chief Executive Officer - Beauty	53	2017 (6)
Carolyn M. Tastad	Chief Executive Officer - Health Care	60	2014 (7)
M. Tracey Grabowski	Chief Human Resources Officer	53	2018 (8)
Victor Aguilar	Chief Research, Development and Innovation Officer	54	2020 (9)
Deborah P. Majoras S	Chief Legal Officer and Secretary	57	2010
Marc S. Pritchard	Chief Brand Officer	61	2008

All the Executive Officers named above have been employed by the Company for more than the past five years.

(1) Mr. Moeller previously served as Vice Chairman, Chief Operating Officer and Chief Financial Officer (2019-2021), Vice Chairman and Chief Financial Officer (2017 - 2019) and as Chief Financial Officer (2009 - 2017). He was appointed a Director of the Company in July 2021.

(2) Mr. Schulten previously served as Senior Vice President - Baby Care, North America (2018-2021) and Senior Vice President - Finance & Accounting, Global Baby, Feminine and Family Care (2014-2018).

(3) Mr. Coombe previously served as President - Europe Selling & Market Operations (November 2014 - February 2018).

(4) Ms. Francisco previously served as President - Global Feminine Care (November 2015 - August 2018).

(5) Mr. Jejurikar previously served as President - Global Fabric Care and Brand-Building Officer Global Fabric & Home Care (November 2015 - July 2018).

(6) Ms. Keith previously served as President - Global Skin & Personal Care (November 2014 - June 2017).

(7) Ms. Tastad previously served as Group President - North America and Chief Sales Officer (June 2019 - July 2021) and Group President - North America Selling & Market Operations (January 2015 - May 2019).

(8) Ms. Grabowski previously served as Senior Vice President - Human Resources, North America Selling and Market Operations (April 2015 - July 2018).

(9) Mr. Aguilar previously served as Senior Vice President - Research & Development, Corporate Function Research & Development (January 2020 - September 2020), Senior Vice President - Research & Development, Corporate Function Research & Development and Global Fabric Care (April 2019 - January 2020), and Senior Vice President–Research & Development, Global Fabric Care; and Sector Leader, Research & Development Global Fabric and Home Care (November 2014 - April 2019).

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
4/1/2021 - 4/30/2021	5,908,114	$135.41	5,908,114	(3)
5/1/2021 - 5/31/2021	8,038,515	136.84	8,038,515	(3)
6/1/2021 - 6/30/2021	8,184,384	134.40	8,184,384	(3)
Total	22,131,013	$135.56	22,131,013	(3)

(1) All transactions are reported on a trade date basis and 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 excludes commission.

(3) On April 20, 2021, the Company stated that in fiscal year 2021 the Company expected to reduce outstanding shares through direct share repurchases at a value of approximately $11 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 $11 billion. The share repurchase plan ended on June 30, 2021.

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 131 consecutive years since its incorporation in 1890 and has increased its dividend for 65 consecutive years since 1956. Over the past ten years, the dividend has increased at an annual compound average rate of 5%. Nevertheless, as in the past, further dividends will be considered after reviewing dividend yields, profitability and cash flow expectations and financing needs and will be declared at the discretion of the Company's Board of Directors.

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(in dollars; split-adjusted)	1956	1961	1971	1981	1991	2001
Dividends per share	$ 0.01	$ 0.02	$ 0.04	$ 0.12	$ 0.24	$ 0

Common Stock Information

P&G trades on the New York Stock Exchange under the stock symbol PG. As of June 30, 2021, there were approximately 4 million common stock shareowners, including shareowners of record, participants in P&G stock ownership plans and beneficial owners with accounts at banks and brokerage firms.

Shareholder Return

The following graph compares the cumulative total return of P&G's common stock for the five-year period ended June 30, 2021, 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, 2016, and that all dividends were reinvested.

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	Cumulative Value of $100 Investment, through June 30				
Company Name/Index	2016	2017	2018	2019	2020
P&G	$ 100	$ 106	$ 98	$ 143	$ 160
S&P 500 Stock Index	100	118	135	149	160
S&P 500 Consumer Staples Index	100	103	99	115	119

Item 6. Intentionally Omitted.

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," "Risk Factors" and "Notes 4, 8 and 13 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, except to the extent required by law.

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 effect the expected share repurchases and dividend payments; (3) the ability to manage disruptions in credit markets or to our banking partners 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 various factors, including ones outside of our control, such as natural disasters, acts of war or terrorism, or disease outbreaks; (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, evolving digital marketing and selling platform requirements, 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, packaging content, supply chain practices, 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, contract manufacturers, distributors, contractors and external business partners; (11) the ability to rely on and maintain key company and third party information and operational 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 and potential implications such as exchange rate fluctuations and market contraction; (13) the ability to successfully manage current and expanding regulatory and legal requirements and matters (including, without limitation, those laws and regulations involving product liability, product and packaging composition, intellectual property, labor and employment, antitrust, privacy and data protection, tax, environmental, due diligence, risk oversight, and accounting and financial reporting) and to resolve new and 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; (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; and (17) the ability to successfully manage the demand, supply, and operational challenges associated with a disease outbreak, including epidemics, pandemics, or similar widespread public health concerns (including the COVID-19 outbreak). 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 I, Item 1A) of this Form 10-K.

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 2021 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, net earnings, diluted net earnings per share and operating cash flow. 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), consisting of 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 and foreign exchange 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, transitional tax payments related to the U.S. Tax Act and tax payments related to the Merck OTC consumer healthcare acquisition. 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, as well as reconciliations to the most directly comparable U.S. GAAP 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 of our products in dollar terms on a constant currency basis, relative to all product sales in the category. The Company measures quarter and 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 as compared to the end of the reporting period. Management also uses unit volume growth to evaluate and explain drivers of changes in net sales. Organic volume growth reflects year-over-year changes in unit volume excluding the impacts of acquisitions and divestitures and certain one-time items, if applicable, and is used to explain changes in organic sales.

OVERVIEW

Procter & Gamble 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, specialty beauty stores (including airport duty-free stores), high-frequency stores, pharmacies, electronics stores and professional channels. We also sell direct to consumers. 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 believe 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 Sector Business Units (SBUs), Enterprise Markets (EMs), Corporate Functions (CF) and Global Business Services (GBS).

Sector Business Units

The Company's ten product categories are organized into six SBUs. The SBUs are responsible for global brand strategy, new product upgrades and innovation, marketing plans and supply chain. They have direct profit responsibility for markets representing the large majority of the Company's sales and earnings (referred to as Focus Markets) and are responsible for innovation plans, supply plans and operating frameworks to drive growth and value creation in the remaining markets (referred to as Enterprise Markets). Effective September 2021, the Company will be organized into five SBUs as Baby and Feminine Care will combine with Family Care into one SBU to leverage organizational and business synergies. Under U.S. GAAP, the categories underlying the SBUs are, and will continue to be, aggregated into five reportable segments: Beauty; Grooming; Health Care; Fabric & Home Care; and Baby, Feminine & Family Care. Throughout the MD&A, we reference business results by region, which are comprised of North America, Europe, Greater China, Latin America, Asia Pacific and India, Middle East and Africa (IMEA). 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%	22%	Hair Care (*Conditioner, Shampoo, Styling Aids, Treatments*) Skin and Personal Care (*Antiperspirant and Deodorant, Personal Cleansing, Skin Care*)	Head & Shoulders, Herbal Essences, Pantene, Rejoice Olay, Old Spice, Safeguard, Secret, SK-II
Grooming	9%	10%	Grooming [(2)] (Shave Care - *Female Blades & Razors, Male Blades & Razors, Pre- and Post-Shave Products, Other Shave Care;* Appliances)	Braun, Gillette, Venus
Health Care	13%	12%	Oral Care (*Toothbrushes, Toothpaste, Other Oral Care*) Personal Health Care (*Gastrointestinal, Rapid Diagnostics, Respiratory, Vitamins/Minerals/ Supplements, Pain Relief, Other Personal Health Care*)	Crest, Oral-B Metamucil, Neurobion, Pepto-Bismol, Vicks
Fabric & Home Care	34%	31%	Fabric Care (*Fabric Enhancers, Laundry Additives, Laundry Detergents*) Home Care (*Air Care, Dish Care, P&G Professional, Surface Care*)	Ariel, Downy, Gain, Tide Cascade, Dawn, Fairy, Febreze, Mr. Clean, Swiffer
Baby, Feminine & Family Care	25%	25%	Baby Care (*Baby Wipes, Taped Diapers and Pants*) Feminine Care (*Adult Incontinence, Feminine Care*) Family Care (*Paper Towels, Tissues, Toilet Paper*)	Luvs, Pampers Always, Always Discreet, Tampax Bounty, Charmin, Puffs

(1) Percent of Net sales and Net earnings for the year ended June 30, 2021 (excluding results held in Corporate).
(2) The Grooming product category is comprised of the Shave Care and Appliances operating segments.

Recent Developments:

During fiscal 2019, the Company completed the acquisition of the over-the-counter (OTC) healthcare business of Merck KGaA (Merck OTC) for approximately $3.7 billion. This business primarily sells OTC consumer healthcare products, mainly in markets in Europe, Latin America and Asia and is included within our personal health care category.

During fiscal 2019, the Company also dissolved 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 were returned to the original respective parent companies to reestablish independent OTC businesses. This transaction was accounted for as a sale of the Teva portion of the PGT business. The Company recorded an after-tax gain on the sale of $353 million.

Organization Design:

Sector Business Units

Beauty: We are a global market leader amongst the beauty categories in which we compete, including hair care and skin and personal care. 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. 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 approximately 6% global market share.

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 over 60%, primarily behind our Gillette and Venus brands. Our appliances, such as electric shavers and epilators, are sold primarily under the Braun brand in a number of markets around the world where we compete against both global and regional competitors. We hold over 25% of the male electric 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 Crest and Oral-B brands. In personal health care, we are a top ten competitor in a large, highly fragmented industry, primarily behind respiratory treatments (Vicks brand) and digestive wellness products (Metamucil and Pepto Bismol brands). As discussed earlier, in fiscal 2019, we dissolved the PGT Healthcare partnership with Teva, and reestablished an independent OTC business. We also acquired Merck OTC 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 nearly 25% across the categories in which we compete, primarily behind our Cascade, Dawn, Febreze and Swiffer brands.

Baby, Feminine & Family Care: In baby care, we are the global market leader and compete mainly in taped diapers, pants and baby wipes with over 20% 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 over $7 billion. We are the global market leader in the feminine care category with 25% global market share, primarily behind our Always and Tampax brands. We also compete in the adult incontinence category in certain markets behind Always Discreet, with nearly 10% market share in the key markets in which we compete. Our family care business is predominantly a North American business comprised primarily of the Bounty paper towel and Charmin toilet paper brands. North America market shares are over 40% for Bounty and approximately 25% for Charmin.

Enterprise Markets

Enterprise Markets are responsible for sales and profit delivery in specific countries, supported by SBU-agreed innovation and supply chain plans, along with scaled services like planning, distribution and customer management.

Corporate Functions

Corporate Functions provides company-level strategy and portfolio analysis, corporate accounting, treasury, tax, external relations, governance, human resources and legal services.

Global Business Services

Global Business Services provides technology, processes and standard data tools to enable the SBUs, the EMs and CF 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

Procter & Gamble 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- and bottom-line growth and strong cash generation.

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. Our portfolio of businesses consists of ten product categories where P&G has leading market positions, strong brands and consumer-meaningful product technologies.

Within these categories, 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- and bottom-line growth, cash generation and value creation objectives. Productivity improvement and sales growth reinforce and fuel each other. Our objective is to drive productivity improvement across all elements of cost, including cost of goods sold, marketing and promotional spending and overhead costs. We plan to use productivity improvements and cost savings to help offset cost increases (including commodity and foreign exchange impacts), reinvest in product and packaging improvements, brand awareness-building advertising and trial-building sampling programs, increased sales coverage and R&D programs as well as to improve operating margins.

We are constructively disrupting our industry and the way we do business, including how we innovate, communicate and leverage new technologies, to create more value.

We are improving operational effectiveness and organizational culture through enhanced clarity of roles and

responsibilities, accountability and incentive compensation programs.

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, fast-moving consumer goods peer group:

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

In periods with significant macroeconomic pressures, such as the current COVID-19 pandemic, 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 2021 RESULTS

Amounts in millions, except per share amounts	2021	2020	Change vs. Prior Year
Net sales	**$ 76,118**	$ 70,950	7 %
Operating income	**17,986**	15,706	15 %
Net earnings	**14,352**	13,103	10 %
Net earnings attributable to Procter & Gamble	**14,306**	13,027	10 %
Diluted net earnings per common share	**5.50**	4.96	11 %
Core earnings per share	**5.66**	5.12	11 %
Cash flow from operating activities	**18,371**	17,403	6 %

- Net sales increased 7% to $76.1 billion on a 3% increase in unit volume. Favorable foreign exchange had a positive 1% impact on net sales. Net sales growth was driven by double digit increases in Health Care and in Fabric & Home Care, a high single digit increase in Beauty, a mid-single digit increase in Grooming and a low single digit increase in Baby, Feminine & Family Care. Organic sales, which exclude the impacts of acquisitions and divestitures and foreign exchange, increased 6% on a 3% increase in organic volume. Organic sales increased high single digits in Health Care and in Fabric & Home Care, increased mid-single digits in Beauty and in Grooming and increased low single digits in Baby, Feminine & Family Care.
- Operating income increased $2.3 billion, or 15% versus year ago to $18.0 billion, driven by the net sales increase and an increase in operating margin.
- Net earnings increased $1.2 billion or 10% versus year ago to $14.4 billion, due to the increase in operating income, partially offset by current year charges of $427 million after tax for the early extinguishment of debt and an increase in the current year effective tax rate. Foreign exchange impacts negatively affected net earnings by approximately $108 million.
- Net earnings attributable to Procter & Gamble were $14.3 billion, an increase of $1.3 billion or 10% versus the prior year primarily due to the increase in net earnings.
- Diluted net earnings per share (EPS) increased 11% to $5.50 due to the increase in net earnings and a reduction in shares outstanding.
  - Core EPS, which represents net earnings per share excluding charges for the early extinguishment of debt in the current period and incremental restructuring charges in the base period, increased 11% to $5.66.
- Cash flow from operating activities was $18.4 billion.
  - Adjusted free cash flow, which is operating cash flow less capital expenditures and certain other impacts, was $15.8 billion.
  - Adjusted free cash flow productivity, which is the ratio of adjusted free cash flow to net earnings, excluding the charges for early debt extinguishment, was 107%.

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, except as required by law. Forward-looking statements are inherently uncertain and investors must recognize that events could be significantly different from our expectations. For more information on risk factors that could impact our results, please refer to “Risk Factors” in Part I, Item 1A of this Form 10-K.

Global Economic Conditions. Our products are sold in numerous countries across 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 macroeconomic factors, U.S. and foreign government policies and foreign exchange fluctuations. Current global economic conditions continue to be highly volatile due to the COVID-19 pandemic, resulting in market size contractions in certain countries due to economic slowdowns and government restrictions on movement. Other macroeconomic factors also remain dynamic, and any causes of market size contraction, such as greater political unrest or instability in the Middle East, Central & Eastern Europe, certain Latin American markets and the Hong Kong market in Greater China, could reduce our sales or erode our operating margin, in either case reducing our net earnings and cash flows.

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. Disruptions in our manufacturing, supply and distribution operations, including freight container and truck availabilities, due to the COVID-19 pandemic may also impact our costs. If we are unable to manage these impacts 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, net earnings and cash flows. Net sales could also be adversely impacted following pricing actions if there is a negative impact on the 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. If we are not successful in executing and sustaining these changes, there could be a negative impact on our gross margin, operating margin, net earnings and cash flows.

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 the past three fiscal years, a number of foreign currencies have weakened versus the U.S. dollar, leading to lower earnings from these foreign exchange impacts. In the current fiscal year, foreign exchange impacts have benefited net sales while negatively impacting earnings due to the mix of currencies in which input costs are denominated. Certain countries currently experiencing significant exchange rate fluctuations include Argentina, Brazil, Russia, Turkey as well as the European Union. These fluctuations have significantly impacted our historical net sales, costs and net earnings and could do so in the future. 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 the consumption of our products, which would affect our net sales, gross margin, operating margin, net earnings and cash flows.

Government Policies. Our net earnings and cash flows could be affected by changes in U.S. or foreign government legislative, regulatory or enforcement policies. For example, any future legislative or regulatory changes in U.S. or non-U.S. tax policy, or any significant change in global tax policy adopted under the current work being led by the OECD for the G20 focused on "Addressing the Challenges of the Digitalization of the Economy." The breadth of the OECD project extends beyond pure digital businesses and is likely to impact all multinational businesses by redefining jurisdictional taxation rights. Our net sales, gross margin, operating margin, net earnings and cash flows may also be impacted by changes in U.S. and foreign government policies related to environmental and climate change matters. 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, Egypt, Argentina and Turkey. Further, our net sales, gross margin, operating margin, net earnings and cash flows could be affected by changes to international trade agreements in North America and elsewhere, including any changes related to the United Kingdom's exit from the European Union. Changes in government policies in these areas might cause an increase or decrease in our net sales, gross margin, operating margin, net earnings and cash flows.

COVID-19 Pandemic Disclosures. Our net sales, net earnings and cash flows may be impacted by the U.S. and foreign government policies to manage the COVID-19 pandemic, such as movement restrictions or site closures. The Company’s priorities during the COVID-19 pandemic continue to be protecting the health and safety of our

employees; maximizing the availability of products that help consumers with their health, hygiene and cleaning needs; and using our employees' talents and our resources to help society meet and overcome the current challenges. Because the Company sells products that are essential to the daily lives of consumers, the COVID-19 pandemic has not had a materially negative impact to our consolidated net sales as positive and negative impacts during fiscal 2021 have largely offset each other. We have experienced a significant increase in demand and consumption of certain of our product categories (fabric, home cleaning and hygiene products) primarily in North America, caused in part by changing consumer habits, pantry stocking and retailer inventory replenishment, due to the COVID-19 pandemic, contributing to increases in net sales. At the same time, net sales have been negatively impacted due to the economic slowdown and restricted consumer movements in certain markets in Asia Pacific and Europe, in certain channels, such as professional and in certain categories, such as shave care. In the future, the pandemic may cause reduced demand for our products if it results in a recessionary global economic environment. Demand in certain countries in Latin America, Asia Pacific, and IMEA may be particularly susceptible to recession. It could also lead to volatility in consumer access to our products due to government actions impacting our ability to produce and ship products or impacting consumers' movements and access to our products. The resumption of normal economic activity as we emerge from the pandemic in certain markets, including North America, could also result in reduced demand due to consumption decreases and consumer pantry destocking (particularly, in home cleaning and hygiene products). We believe that over the long term, there will continue to be strong demand for categories in which we operate, particularly our products that deliver essential health, hygiene and cleaning benefits. However, the timing and extent of demand recovery in certain markets in Asia Pacific, IMEA and Latin America, the resumption of international travel, the timing and impact of potential consumer pantry destocking and product demand volatility caused by future economic trends are unclear. Accordingly, there may be heightened volatility in net sales, net earnings and cash flows during and subsequent to the duration of the pandemic. Our retail customers are also being impacted by the pandemic. Their success in addressing the issues and maintaining their operations could impact consumer access to and, as a result, sales of our products.

Our ability to continue to operate without any significant negative impacts will in part depend on our ability to protect our employees and our supply chain. The Company has endeavored to follow actions recommended by governments and health authorities, including on vaccine administration, to protect our employees worldwide, with particular measures in place for those working in our plants and distribution facilities. We have also worked closely with local and national officials to keep our manufacturing facilities open due to the essential nature of the majority of our products. While we have been able to broadly maintain our operations, we experienced some disruption in our supply chain in certain markets in Asia Pacific and IMEA in the first months of the pandemic due primarily to the restriction of employee movements, as well as increased transportation and manufacturing costs. We intend to continue to work with government authorities and implement our employee safety measures to ensure that we continue manufacturing and distributing our products during the pandemic. However, uncertainty resulting from the pandemic could result in an unforeseen disruption to our supply chain (for example, a closure of a key manufacturing or distribution facility or the inability of a key material or transportation supplier to source and transport materials) that could impact our operations.

Because the pandemic has not had a material negative impact on our operations, on the demand for our products or the resulting net sales and net earnings, it has also not negatively impacted the Company's liquidity position. We continue to generate operating cash flows to meet our short-term liquidity needs, and we continue to maintain access to the capital markets enabled by our strong short- and long-term credit ratings. We have also not observed any material impairments of our assets or a significant change in the fair value of assets due to the COVID-19 pandemic.

For additional 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 the discussion of our consolidated results of operations include net sales, gross margin, selling, general and administrative costs (SG&A), operating margin, other non-operating items, income taxes and net earnings. 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, pricing and other activities by competitors), marketing spending, retail executions (both in-store and online), and acquisition and divestiture activity, all of which drive changes in our underlying unit volume, as well as our pricing actions (which can also 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 North America are generally higher than the Company average 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. While overhead costs are variable to some extent, we generally experience more scale-related impacts for these costs due to our ability to leverage our organization and systems' infrastructures to support business growth. The main drivers of changes in SG&A as a percentage of net sales are overhead and marketing cost savings, reinvestments (for example, increased advertising), inflation, foreign exchange fluctuations and scale impacts.

For a detailed discussion of the fiscal 2020 year-over-year changes, please refer to the MD&A in Part II, Item 7 of the Company's Form 10-K/A for the fiscal year ended June 30, 2020.

Net Sales

Net sales increased 7% to $76.1 billion in fiscal 2021 on a 3% increase in unit volume versus the prior year. Favorable foreign exchange increased net sales by 1%. Favorable pricing had a 1% positive impact on net sales. Mix had a positive 2% impact on net sales driven by the disproportionate growth of the North America region, the Health Care segment and the Home Care and Appliances categories, all of which have higher than company-average selling prices. Excluding the net impacts of foreign exchange and acquisitions and divestitures, organic sales grew 6% on a 3% increase in organic volume. Net sales increased double digits in Health Care and Fabric & Home Care, increased high single digits in Beauty, increased mid-single digits in Grooming and increased low single digits in Baby, Feminine & Family Care. Organic sales grew high single digits in Health Care and Fabric & Home Care.

On a regional basis, volume increased high single digits in Greater China, increased mid-single digits in North America and IMEA and increased low single digits in Latin America due to innovation, market growth and increased demand, particularly in household cleaning and personal hygiene products. This was partially driven by increased consumption and retailer inventory restocking due to the COVID-19 pandemic. Volume in Europe was unchanged and decreased low single digits in Asia Pacific due to pandemic-related market contraction. Excluding the impact of a minor brand divestiture, organic volume in Europe increased low single digits.

Operating Costs

Comparisons as a percentage of net sales; Years ended June 30	2021	2020	Basis Point Change
Gross margin	**51.2 %**	50.3 %	90
Selling, general and administrative expense	**27.6 %**	28.2 %	(60)
Operating margin	**23.6 %**	22.1 %	150
Earnings before income taxes	**23.1 %**	22.3 %	80
Net earnings	**18.9 %**	18.5 %	40
Net earnings attributable to Procter & Gamble	**18.8 %**	18.4 %	40

Gross margin increased 90 basis points to 51.2% of net sales in fiscal 2021. Gross margin benefited from:

- 120 basis points from total manufacturing cost savings, net of freight cost increases (100 basis points after including product and packaging reinvestments),
- 70 basis points of help from lower restructuring costs versus the base period, and
- 60 basis points of positive pricing impacts.

These benefits were offset by an 80 basis-point negative impact from unfavorable product mix (due to the disproportionate growth of the Home Care and Appliances categories which have lower than company-average gross margin and mix within segments due to the growth of lower margin product forms and larger sizes in certain categories), a 40 basis-point negative impact from unfavorable foreign exchange rates and a 20 basis-point negative impact from higher commodity costs.

Total SG&A increased 5% to $21.0 billion, primarily due to an increase in marketing spending and, to a lesser extent, an increase in overhead costs. SG&A as a percentage of net sales decreased 60 basis points to 27.6% due to a decrease in overhead costs and other operating expenses as a percentage of net sales.

- Marketing spending as a percentage of net sales was unchanged, as investments in media and other marketing spending were offset by the positive scale impacts of the net sales increase and savings in agency compensation and production costs.
- Overhead costs as a percentage of net sales decreased 40 basis points due to the positive scale impacts of the net sales increase and productivity savings, partially offset by inflation and other cost increases.
- Other net operating expenses as a percentage of net sales decreased 20 basis points primarily due to a reduction in foreign exchange transactional charges.

Productivity-driven cost savings delivered 110 basis points of benefit to SG&A as a percentage of net sales.

Operating margin increased 150 basis points to 23.6% for fiscal 2021 due to both the increase in gross margin and the decrease in SG&A as a percentage of net sales as discussed above.

Non-Operating Items

- Interest expense was $502 million in fiscal 2021, an increase of $37 million versus the prior year due to higher average interest rates for the fiscal year driven by a higher proportion of fixed rate debt.
- Interest income was $45 million in fiscal 2021, a reduction of $110 million versus the prior year due to lower U.S. interest rates.
- Other non-operating income, which consists primarily of divestiture gains and other non-operating items decreased $352 million to $86 million, primarily due to current period charges of $512 million ($427 million after tax) for the early debt extinguishment. Excluding the debt extinguishment charges, other non-operating income increased $160 million primarily due to an unrealized gain on an equity investment that became publicly traded in fiscal 2021 and an increase in net non-operating benefits on defined benefit retirement plans driven by annual updates to actuarial assumptions.

Income Taxes

Income taxes increased to $3.3 billion due to increased earnings and an increase in the effective tax rate. The effective tax rate increased 130 basis points to 18.5% in 2021 due to:

- a 135 basis-point increase related to the prior year tax benefit arising from transactions to simplify our legal entity structure, and
- a 15 basis-point increase from unfavorable impacts from the geographic mix of current year earnings.

These increases are partially offset by:

- a 20 basis-point decrease from discrete impacts related to uncertain tax positions (5 basis-point favorable impact in the current year versus a 15 basis-point unfavorable impact in the prior year period).

Net Earnings

Operating income increased 15%, or $2.3 billion, to $18.0 billion due to the net sales increase and the increase in operating margin, both of which are discussed above.

Earnings before income taxes increased 11%, or $1.8 billion, to $17.6 billion, as the increase in operating income was partially offset by the current period charges of $512 million for the early extinguishment of debt. Net earnings increased 10%, or $1.2 billion, to $14.4 billion due to the increase in earnings before income taxes, partially offset by the increase in the effective income tax rate discussed above. Foreign exchange impacts reduced net earnings by approximately $108 million in fiscal 2021 due to a weakening of certain currencies against the U.S. dollar. This impact includes both transactional charges and translational impacts from converting earnings from foreign subsidiaries to U.S. dollars.

Net earnings attributable to Procter & Gamble increased $1.3 billion, or 10%, to $14.3 billion.

Diluted net EPS increased $0.54, or 11%, to $5.50 due primarily to the increase in net earnings and, to a lesser extent, a reduction in shares outstanding.

Core EPS increased 11% to $5.66. Core EPS represents diluted net EPS from continuing operations excluding the current year charge for the early debt extinguishment and incremental restructuring charges in the base year related to our productivity and cost savings plans. The increase was primarily driven by the increase in net sales and the increase in operating margin, both of which are 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 which are reported in our Corporate segment and are included as part of our Corporate segment discussion. Additionally, we apply blended statutory tax rates in the segments. Eliminations to adjust segment results to arrive at our consolidated effective tax rate are included in Corporate. See Note 2 to the Consolidated Financial Statements for additional information on items included in the Corporate segment.

	Net Sales Change Drivers 2021 vs. 2020 [1]				
	Volume with Acquisitions & Divestitures	**Volume Excluding Acquisitions & Divestitures**	**Foreign Exchange**	**Price**	**Mix**
Beauty	3 %	3 %	2 %	2 %	1 %
Grooming	3 %	3 %	— %	2 %	1 %
Health Care	6 %	6 %	1 %	1 %	2 %
Fabric & Home Care	5 %	5 %	1 %	1 %	3 %
Baby, Feminine & Family Care	— %	— %	1 %	1 %	1 %
TOTAL COMPANY	**3 %**	**3 %**	**1 %**	**1 %**	**2 %**

(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 and rounding impacts necessary to reconcile volume to net sales.

BEAUTY

($ millions)	2021	2020	Change vs. 2020
Volume	**N/A**	N/A	3%
Net sales	**$14,417**	$13,359	8%
Net earnings	**$3,210**	$2,737	17%
% of net sales	**22.3%**	20.5%	180 bps

Beauty net sales increased 8% to $14.4 billion in fiscal 2021 on a 3% increase in unit volume. Favorable foreign exchange impacts increased net sales by 2%. Higher pricing increased net sales by 2%. Favorable product mix added 1% to net sales due to the disproportionate growth of the SK-II brand, which has higher than segment-average selling prices. Organic sales increased 6% on a 3% increase in organic volume. Global market share of the Beauty segment decreased 0.4 points.

- Hair Care net sales increased mid-single digits due to a low single digit increase in volume and increased pricing. Organic sales also increased mid-single digits. Volume growth was driven by a double digit increase in Greater China (due to market growth and increased distribution), a high single digit increase in IMEA (due to innovation and the low base period due to pandemic-related shutdowns) and a mid-single digit increase in Latin America (due to product innovation), partially offset by a low single digit decrease in Europe due to pandemic-related category declines in certain markets. Global market share of the hair care category was unchanged.
- Skin and Personal Care net sales increased high single digits due to a low single digit volume increase, favorable mix due to the disproportionate growth of the super premium SK-II brand, increased pricing and favorable foreign exchange impacts. Organic sales also increased high single digits. Volume increased double digits in Greater China and increased low single digits in North America driven by increased consumption of personal care products due to the pandemic. This volume growth was partially offset by a double digit decrease in IMEA and a low single digit decrease in Asia Pacific due to pandemic-related market contractions. Global market share of the skin and personal care category decreased nearly half a point.

Net earnings increased 17% to $3.2 billion in fiscal 2021 due to the increase in net sales and a 180 basis-point increase in net earnings margin. Net earnings margin increased due to an increase in gross margin and a decrease in SG&A as a percentage of net sales. The gross margin increase was mainly driven by manufacturing cost savings and increased selling prices, partially offset by the negative impacts of unfavorable mix (due to the decline of the skin care category which has higher than segment-average margins and to a lesser extent the disproportionate growth of Latin America and IMEA, which have lower than segment-average margins) and increased commodity costs. SG&A as a percentage of net sales decreased primarily due to the positive scale impacts of the net sales increase.

GROOMING

($ millions)	2021	2020	Change vs. 2020
Volume	**N/A**	N/A	3%
Net sales	**$6,440**	$6,069	6%
Net earnings	**$1,427**	$1,329	7%
% of net sales	**22.2%**	21.9%	30 bps

Grooming net sales increased 6% to $6.4 billion in fiscal 2021 on a 3% increase in unit volume. Increased pricing had a 2% positive impact to net sales. Favorable mix had a 1% positive impact to net sales due to the disproportionate growth of the Appliances category, which has higher than segment-average selling prices. Foreign exchange had no net impact on net sales. Organic sales also increased 6%. Global market share of the Grooming segment decreased 0.6 points.

- Shave Care net sales increased low single digits driven by a low single digit increase in volume and increased pricing, partially offset by unfavorable mix impacts due to the disproportionate growth of lower priced products in IMEA and Latin America. Organic sales also increased low single digits. The volume increase was driven by a mid-teens increase in IMEA (due to innovation and a low base period due to pandemic-related shutdowns), a high single digit increase in Greater China (due to innovation and market growth) and low-single digit increases in Latin America (due to innovation and distribution increases in certain markets) and in North America (due to innovation and a lower base period due to pandemic-related consumption declines), partially offset by a mid-single digit decline in Asia Pacific and a low single digit decline in Europe due to pandemic-related consumption declines. Global market share of the shave care category was unchanged.
- Appliances net sales increased more than 20% primarily due to a high teens increase in volume, favorable foreign exchange impacts, favorable mix impact due to the disproportionate growth of premium shaver and styling products and increased pricing. Organic sales also increased more than 20%. Volume increased in all regions led by high teen increases in Europe and Greater China and double digit increases in North America and Asia Pacific, all driven by innovation and increased consumption of at-home grooming and styling products due to the pandemic. Global market share of the appliances category increased more than a point.

Net earnings increased 7% to $1.4 billion in fiscal 2021 due to the increase in net sales and a 30 basis-point increase in net earnings margin. Net earnings margin increased due to a decrease in SG&A as a percentage of net sales partially offset by a decrease in gross margin. Gross margin decreased due to the negative impact of unfavorable mix (due to the disproportionate growth of the appliances category and the IMEA region, both of which have lower than segment-average margins) and unfavorable foreign exchange impacts, partially offset by the positive impacts of manufacturing cost savings and increased selling prices. SG&A as a percentage of net sales decreased primarily due to the positive scale impacts of the net sales increase and reductions in overhead costs due to productivity savings, partially offset by the impact of a favorable legal settlement in the base period.

HEALTH CARE

($ millions)	2021	2020	Change vs. 2020
Volume	**N/A**	N/A	6%
Net sales	**$9,956**	$9,028	10%
Net earnings	**$1,851**	$1,652	12%
% of net sales	**18.6%**	18.3%	30 bps

Health Care net sales increased 10% to $10.0 billion in fiscal 2021 on a 6% increase in unit volume. Favorable foreign exchange impacts increased net sales by 1%. Favorable product mix increased net sales by 2% due to the disproportionate growth of premium power brush and paste products. Increased pricing had a 1% positive impact on net sales. Organic sales increased 9%. Global market share of the Health Care segment increased 1.8 points.

- Oral Care net sales increased double digits driven by a high-single digit volume increase, favorable mix impacts from the disproportionate growth of premium power brush and paste products, favorable foreign exchange impacts and increased pricing. Organic sales also increased double digits. Volume increased in all regions led by around 20% growth in IMEA, high single digit growth in North America, mid-single digits growth in Greater China and in Asia Pacific and low single digit growth in Europe due to product innovation, increased marketing spending and a low base period in certain markets due to pandemic-related shutdowns. Global market share of the oral care category increased more than a point.
- Personal Health Care net sales increased mid-single digits driven by a mid-single digit increase in volume and increased pricing. Organic sales also increased mid-single digits. Volume increased mid-teens in Asia Pacific, increased double digits in Latin America and in IMEA, and increased mid-single digits in North America due to product innovation, increased marketing spending and increased consumption of certain health care products including supplements and pain relief. Global market share of the personal health care category increased more than a point.

Net earnings increased 12% to $1.9 billion in fiscal 2021 due to the increase in net sales and a 30 basis-point increase in net earnings margin. Net earnings margin increased due a decrease in SG&A as a percentage of net sales partially offset by a decrease in gross margin. Gross margin decreased due to unfavorable mix impacts (due to the decline of higher-margin respiratory products and the disproportionate growth of oral care category, which has lower than segment-average margins) and unfavorable foreign exchange impacts, partially offset by manufacturing cost savings and increased selling prices. SG&A as a percentage of net sales decreased primarily due to the positive scale impacts of the net sales increase, partially offset by increased marketing spending.

FABRIC & HOME CARE

($ millions)	2021	2020	Change vs. 2020
Volume	**N/A**	N/A	5%
Net sales	**$26,014**	$23,735	10%
Net earnings	**$4,622**	$4,154	11%
% of net sales	**17.8%**	17.5%	30 bps

Fabric & Home Care net sales increased 10% to $26.0 billion in fiscal 2021 on a 5% increase in unit volume. Favorable foreign exchange impacts increased net sales by 1%. Higher pricing increased net sales by 1%. Positive mix impacts increased net sales by 3% due to the disproportionate growth of the Home Care category and the North America region, both of which have higher than segment-average selling prices. Organic sales increased 9%. Global market share of the Fabric & Home Care segment increased 1 point.

- Fabric Care net sales increased high single digits due to a low single digit increase in volume, favorable foreign exchange impacts and positive mix impacts due to the disproportionate growth of premium products (including scent beads and unit dose) and the North America region, all of which have higher than category-average selling prices. Organic sales increased mid-single digits. Volume grew high single digits in North America and Greater China and grew low single digits in Latin America (all due to product innovation, incremental marketing spending and pandemic-related consumption increases) partially offset by a low single digit decrease in Asia Pacific due to pandemic-related market contraction and competitive activity. Global market share of the Fabric Care category increased more than a point.
- Home Care net sales increased high-teens due to mid-teens volume growth, positive mix impact due to the disproportionate growth of premium dish care and surface cleaning products and the North America region, all of which have higher than category-average selling prices, increased pricing and favorable foreign exchange impacts. Organic sales also increased high-teens. Volume increased in all regions led by high teens growth in North America and Latin America and double digit growth in Europe, all due to consumption increases related to the COVID-19 pandemic, product innovation and incremental marketing spending. Global market share of the Home Care category increased more than a point.

Net earnings increased 11% to $4.6 billion in fiscal 2021 due to the increase in net sales and a 30 basis-point increase in net earnings margin. The net earnings margin increased primarily due to an increase in gross margin, partially offset by an increase in SG&A as a percentage of net sales. The gross margin increase was driven by manufacturing cost savings and increased selling prices, partially offset by unfavorable foreign exchange impacts and unfavorable product mix (due to the disproportionate growth of products that are premium-priced and profit-accretive but with lower than segment-average margins). SG&A as a percentage of net sales increased due to an increase in marketing spending, partially offset by the positive scale benefits of the net sales increase.

BABY, FEMININE & FAMILY CARE

($ millions)	2021	2020	Change vs. 2020
Volume	**N/A**	N/A	—%
Net sales	**$18,850**	$18,364	3%
Net earnings	**$3,629**	$3,465	5%
% of net sales	**19.3%**	18.9%	40 bps

Baby, Feminine & Family Care net sales increased 3% to $18.9 billion in fiscal 2021 on unit volume that was unchanged. Favorable foreign exchange impacts increased net sales by 1%. Increased pricing was a positive 1% impact to net sales. Positive mix impact increased net sales by 1% due to the growth of the North America region which has higher than segment-average selling prices. Organic sales increased 2%. Global market share of the Baby, Feminine & Family Care segment decreased 0.2 points.

- Baby Care net sales increased low single digits driven by positive mix impact due to the growth of the North America region and premium products, both of which have higher than category-average selling prices, increased pricing and favorable foreign exchange impacts, partially offset by a low single digit decrease in volume. Organic sales were unchanged. The volume decrease was driven by a double digit decline in Greater China (due to competitive activities), mid-single digit declines in Asia Pacific (due to market contraction and competitive activity), Latin America (due to market contraction) and IMEA (due to pandemic-related retailer inventory reductions and market contraction) and a low single digit decline in Europe (due to market contractions and competitive activity in certain markets). These volume declines were partially offset by a low single digit volume increase in North America due to market growth and product innovation. Global market share of the baby care category decreased less than half a point.
- Feminine Care net sales increased mid-single digits due to positive mix impacts (from the disproportionate growth of the North America region and premium products, such as adult incontinence, all of which have higher than category-average selling prices), increased pricing and favorable foreign exchange impacts. Organic sales also increased mid-single digits. Volume was unchanged as mid-single digits increases in North America (due to product innovation) and in IMEA (due to market growth, innovation and low base period due to pandemic-related economic slowdowns) were offset by a mid-single digit volume decrease in Europe (due to pandemic-related consumption declines) and low single digit decreases in Latin America, Greater China and Asia Pacific (all due to pandemic-related consumption

declines, competitive activities in certain markets and, to a lesser extent, a high base period due to pandemic-related pantry loading). Market share of the feminine care category increased more than half a point.

- Net sales in Family Care, which is predominantly a North American business, increased mid-single digits driven by a low single digit volume increase and increased pricing in the form of lower consumer promotions, partially offset by unfavorable mix due to the disproportionate growth of large pack sizes, which have lower than category-average selling prices. The volume increase was driven by pandemic-related consumption increases, pantry loading and to a lesser extent, retailer inventory restocking. Organic sales increased low single digits. North America's share of the family care category decreased less than a point.

Net earnings in fiscal 2021 increased 5% to $3.6 billion due to the increase in net sales and a 40 basis-point increase in net earnings margin. Net earnings margin increased due to an increase in gross margin, partially offset by an increase in SG&A as a percentage of sales. The gross margin increase was driven by manufacturing cost savings and higher selling prices, partially offset by unfavorable foreign exchange impacts and unfavorable mix (due to the growth of large sizes which have lower than segment-average margins). SG&A as a percentage of net sales increased marginally due primarily to an increase in marketing spending, partially offset by the positive scale benefits of the net sales increase.

CORPORATE

($ millions)	2021	2020	Change vs. 2020
Net sales	**$441**	$395	12%
Net earnings/(loss)	**$(387)**	$(234)	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; certain asset impairment charges; 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 reportable segments to U.S. GAAP. The most significant ongoing reconciling item is income taxes, to adjust from blended statutory rates that are reflected in the reportable segments to the overall Company effective tax rate.

Corporate net sales increased 12% to $441 million in fiscal 2021 due to an increase in the net sales of the incidental businesses managed at the corporate level. Corporate net loss increased by $153 million in fiscal 2021 primarily due to the $427 million ($512 million before tax) current period charge for early debt extinguishment. Excluding this charge, Corporate had net earnings of $40 million, an improvement of $274 million driven by lower restructuring charges versus the base period and the current period unrealized gain from an equity investment that became publicly traded in

2021, partially offset by higher interest expense and lower interest income in the current period. Each of these items have been discussed above.

Restructuring Program to Deliver Productivity and Cost Savings

The Company has historically had an ongoing restructuring program with annual spending in the range of $250 to $500 million. In fiscal 2012, the Company initiated a productivity and cost savings plan, in addition to our ongoing restructuring-type activities, to reduce costs and better leverage scale in the areas of supply chain, research and development, marketing and overheads. In fiscal 2017, the Company communicated specific elements of an additional multi-year productivity and cost savings program. The plan was designed to accelerate cost reductions by streamlining decision making, manufacturing and other work processes to both fund the Company's growth strategy and increase the Company's operating margin. The plan was substantially completed in fiscal 2020, with spending totaling approximately $782 million in that year.

Savings generated from the Company's restructuring program are difficult to estimate, given the nature of the activities, the timing of the execution and the degree of reinvestment. However, we estimate that the underlying restructuring costs incurred since 2012 (approximately $8.2 billion), along with other non-manufacturing enrollment reductions since 2012 have delivered approximately $3.7 billion in annual before-tax gross savings. In fiscal 2021, the Company incurred restructuring costs within the range of our historical ongoing level of $250 to $500 million annually.

Restructuring accruals of $278 million as of June 30, 2021 are classified as current liabilities. Approximately 91% of the restructuring charges incurred in fiscal 2021 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.

Cash Flow Analysis

($ millions)	2021	2020
Net cash provided by operating activities	**$ 18,371**	$ 17,403
Net cash provided/(used) by investing activities	**(2,834)**	3,045
Net cash used in financing activities	**(21,531)**	(8,367)
Adjusted Free Cash Flow	**15,809**	14,873
Adjusted Free Cash Flow Productivity	**107 %**	114 %

Operating Cash Flow

Operating cash flow was $18.4 billion in 2021, a 6% increase from the prior year. Net earnings, adjusted for non-cash items (depreciation and amortization, loss on early extinguishment of debt, share-based compensation, deferred income taxes and gain on sale of assets) generated approximately $17.9 billion of operating cash flow. Working capital and other impacts generated $506 million of operating cash flow as summarized below.

- An increase in accounts receivable used $342 million of cash primarily due to sales growth and lower relative sales at the end of the base period in certain markets due to COVID-19. The number of days sales outstanding increased approximately 1 day versus prior year.
- Higher inventory used $309 million of cash, primarily due to commodity cost increases and business growth. Inventory days on hand increased approximately 2 days primarily due to these same factors.
- Accounts payable, accrued and other liabilities increased, generating $1.4 billion of cash. About half of this was driven by extended payment terms with our suppliers (see *Extended Payment Terms and Supply Chain Financing* below). The remaining amount was driven by higher current period marketing spending and to support the increase in inventory. Days payable outstanding is approximately 87 days as of June 30, 2021, an increase of 6 days versus prior year due to these same factors.
- Other net operating assets and liabilities declined, using $369 million of cash, primarily driven by the payment of the current year portion of transitional taxes due related to the U.S. Tax Act repatriation charge ($225 million) and pension related accruals and contributions.

Adjusted Free Cash Flow. We view adjusted free cash flow as an important non-GAAP measure because it is a factor impacting the amount of cash available for dividends, share repurchases, acquisitions and other discretionary investments. It is defined as operating cash flow less capital expenditures and excluding payments for the transitional tax resulting from the U.S. Tax Act and tax payments related to the Merck acquisition. Adjusted free cash flow is one of the measures used to evaluate senior management and determine their at-risk compensation.

Adjusted free cash flow was $15.8 billion in 2021, an increase of 6% 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 charges for early debt extinguishment (which are not considered part of our ongoing operations), was 107% in 2021.

Extended Payment Terms and Supply Chain Financing. Beginning in fiscal 2014, in response to evolving market practices, the Company began a program to negotiate extended payment terms with its suppliers. At the same time, the Company initiated a Supply Chain Finance program (the "SCF") with a number of global financial institutions (the "SCF Banks"). Under the SCF, qualifying suppliers may elect to sell their receivables from the company to a SCF Bank. These participating suppliers negotiate their receivables sales arrangements directly with the respective SCF Bank. While the Company is not party to those agreements, the SCF Banks allow the participating suppliers to utilize the Company's creditworthiness in establishing credit spreads and associated costs. This generally provides the suppliers with more favorable terms than they would be able to secure on their own. The Company has no economic interest in a supplier's decision to sell a receivable. Once a qualifying supplier elects to participate in the SCF and reaches an agreement with an SCF Bank, they elect which individual Company invoices they sell to the SCF bank. However, all the Company's payments to participating suppliers are paid to the SCF Bank on the invoice due date, regardless of whether the individual invoice is sold by the supplier to the SCF Bank. The SCF Bank pays the supplier on the invoice due date for any invoices that were not previously sold to the SCF Bank under the SCF.

The terms of the Company's payment obligation are not impacted by a supplier's participation in the SCF. Our payment terms with our suppliers for similar services and materials within individual markets are consistent between suppliers that elect to participate in the SCF and those that do not participate. Accordingly, our average days outstanding are not significantly impacted by the portion of suppliers or related input costs that are included in the SCF. In addition, the SCF is available to both material suppliers, where the underlying costs are largely included in Cost of goods sold, and to service suppliers, where the underlying costs are largely included in SG&A. As of June 30, 2021, approximately 3% of our global suppliers have elected to participate in the SCF. Payments to those suppliers during fiscal year 2021 total approximately $15 billion, which equals approximately 26% of our total Cost of goods sold and SG&A for the period. For participating suppliers, we believe substantially all of their receivables with the

Company are sold to the SCF Banks. Accordingly, we would expect that at each balance sheet date, a similar proportion of amounts originally due to suppliers would instead be payable to SCF Banks. All outstanding amounts related to suppliers participating in the SCF are recorded within Accounts payable in our Consolidated Balance Sheets, and the associated payments are included in operating activities within our Consolidated Statements of Cash Flows. As of June 30, 2021 and 2020, the amount due to suppliers participating in the SCF and included in Accounts payable were approximately $5 billion and $4 billion, respectively.

Although difficult to project due to market and other dynamics, we anticipate incremental cash flow benefits from the extended payment terms with suppliers could increase at a slower rate in fiscal 2022. Future changes in our suppliers' financing policies or economic developments, such as changes in interest rates, general market liquidity or the Company's credit-worthiness relative to participating suppliers could impact suppliers' participation in the SCF and/or our ability to negotiate extended payment terms with our suppliers. However, any such impacts are difficult to predict.

Investing Cash Flow

Net investing activities used $2.8 billion in cash in 2021, primarily due to capital spending. Net investing activities generated $3.0 billion in cash in 2020, mainly due to proceeds from sales and maturities of investment securities, partially offset by capital spending.

Capital Spending. Capital expenditures, primarily to support capacity expansion, innovation and cost efficiencies, were $2.8 billion in 2021 and $3.1 billion in 2020. Capital spending as a percentage of net sales decreased 60 basis points to 3.7% in 2021.

Acquisitions. Acquisition activity used cash of $34 million in 2021, primarily related to a minor Health Care acquisition. Acquisition activity used $58 million in 2020, primarily related to final contractual payments from the fiscal 2019 acquisition of Merck OTC, along with a minor Baby Care acquisition.

Proceeds from Divestitures and Other Asset Sales. Proceeds from asset sales were $42 million in 2021, primarily from fixed asset sales and a minor brand divestiture and $30 million in 2020, primarily from a minor brand divestiture.

Investment Securities. Investments used net cash of $55 million in 2021 primarily from the purchase of investment securities and generated $6.2 billion in 2020 primarily from sales and maturities of investment securities.

Financing Cash Flow

Net financing activities consumed $21.5 billion of cash in 2021, mainly due to treasury stock purchases, dividends to shareholders and net debt reductions, partially offset by the impact of proceeds received from stock option exercises. Net financing activities consumed $8.4 billion in cash in 2020, mainly due to treasury stock purchases and dividends to shareholders, partially offset by a net debt increase and the impact of stock options.

Dividend Payments. Our first discretionary use of cash is dividend payments. Dividends per common share increased 7% to $3.2419 per share in 2021. Total dividend payments to common and preferred shareholders were $8.3 billion in 2021 and $7.8 billion in 2020. In April 2021, the Board of Directors declared a 10% increase in our quarterly dividend from $0.7907 to $0.8698 per share on Common Stock and Series A and B ESOP Convertible Class A Preferred Stock. This is the 65th consecutive year that our dividend has increased. We have paid a dividend for 131 consecutive 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 $32.0 billion as of June 30, 2021 and $34.7 billion as of June 30, 2020. We used $3.9 billion for net debt reductions, including $512 million for early debt extinguishment costs related to the early retirement of $2.3 billion of debt. In 2020, we generated $4.8 billion from net debt increases, primarily due to the issuance of bonds of $5.0 billion.

Treasury Purchases. Total share repurchases were $11.0 billion in 2021 and $7.4 billion in 2020.

Impact of Stock Options and Other. The exercise of stock options and other financing activities generated $1.6 billion and $2.0 billion of cash in 2021 and 2020, respectively.

Liquidity

At June 30, 2021, our current liabilities exceeded current assets by $10.0 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, 2021, the Company had $4.7 billion of cash and cash equivalents related to foreign subsidiaries, primarily in various Western European and Asian countries. We did not have material cash and cash equivalents related to any country subject to exchange controls that significantly restrict our ability to access or repatriate the funds. 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.

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 funding to meet short-term financing requirements.

On June 30, 2021, 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 2025 and November 2021, 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, 2021.

($ millions)	Total	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
RECORDED LIABILITIES					
Total debt	**$ 31,967**	$ 8,880	$ 4,928	$ 4,858	$ 13,301
Leases	**953**	219	349	175	210
U.S. Tax Act transitional charge [1]	**2,115**	224	645	1,246	—
Uncertain tax positions [2]	**9**	9	—	—	—
OTHER					
Interest payments relating to long-term debt	**5,020**	599	1,010	866	2,545
Minimum pension funding [3]	**552**	179	373	—	—
Purchase obligations [4]	**1,982**	809	599	259	315
TOTAL CONTRACTUAL COMMITMENTS	**$ 42,598**	$ 10,919	$ 7,904	$ 7,404	$ 16,371

(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, 2021, the Company's Consolidated Balance Sheet reflects a liability for uncertain tax positions of $803 million, including $176 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, 2021 cannot be made.

(3) 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 2023 are not currently determinable.

(4) 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 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. 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

Our revenue is primarily generated from the sale of finished product to customers. Those sales predominantly contain a single performance obligation and revenue is recognized at a

single point in time when ownership, risks and rewards transfer, 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 at the time of the sale. Amounts accrued for trade promotions at the end of a period require estimation, based on contractual terms, 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.

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 judgements 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 in the jurisdictions where those functions are performed. 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. See Note 5 to the Consolidated Financial Statements for additional details on the Company's income taxes.

Employee Benefits

We sponsor various postretirement benefits throughout the world. These include pension plans, both defined contribution plans and defined benefit plans, and other postretirement benefit (OPRB) plans, consisting primarily of health care and life insurance for retirees. For accounting purposes, the defined benefit pension and OPRB plans require assumptions to estimate the net 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 net 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 OPRB plan are partially funded. The process for setting the expected rates of return is described in Note 8 to the Consolidated Financial Statements. For 2021, the average return on assets assumptions for pension plan assets and OPRB assets was 6.5% and 8.4%, respectively. A change in the rate of return of 100 basis points for both pension and OPRB assets would impact annual after-tax benefit/expense by approximately $140 million.

Since pension and OPRB 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 OPRB 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 1.7% 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 $210 million. The average discount rate on the OPRB plan of 3.2% 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 OPRB expense by approximately $15 million. See Note 8 to the Consolidated Financial Statements for additional details on our defined benefit pension and OPRB plans.

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 establish and 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 at least annually for impairment. Our ongoing annual impairment testing for goodwill and indefinite-lived intangible assets occurs during the 3 months ended December 31. 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. If the fair value of the reporting unit or indefinite-lived intangible 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 as our legacy businesses. The Appliances reporting unit has a fair value that significantly exceeds the underlying carrying value.

During fiscal 2019, a non-cash before- and after-tax impairment charge of $6.8 billion was recognized to reduce the carrying amount of goodwill for the Shave Care reporting unit, and a non-cash, before-tax impairment charge

of $1.6 billion ($1.2 billion after-tax) was recognized to reduce the carrying amount of the Gillette indefinite-lived intangible asset to its fair value. The underlying reductions in fair values were due in large part to significant currency devaluations in a number of countries relative to the U.S. dollar, a deceleration of category growth caused by changing grooming habits, primarily in the developed markets, and an increased competitive market environment in the U.S. and certain other markets. As a result of the fiscal 2019 impairment determined by the step two testing (that existed under previous accounting standards), the Shave Care fair value exceeded the carrying value by approximately 20% as of June 30, 2019. Because the impairment testing for intangible assets has historically been a one-step process, the Gillette indefinite-lived intangible asset fair value approximated its carrying value at that date.

During our annual impairment testing during the quarter ended December 31, 2019, we reduced the discount rate used in the valuation based on developments in the macroeconomic environment. As a result of this change and updates to other underlying cash flow projections, the Shave Care fair value exceeded its carrying value by more than 20% and the Gillette indefinite-lived intangible asset's fair value exceeded its carrying value by approximately 5%.

The COVID-19 pandemic that originated during the second half of fiscal 2020 resulted in a reduction in shave incidents by consumers and a weakening of certain currencies relative to the U.S. dollar, which led to a reduction in net sales for Gillette-branded products. This resulted in a triggering event for the Gillette indefinite-lived intangible asset, which caused us to perform an additional impairment assessment for that asset as of June 30, 2020. That assessment indicated that the fair value of the Gillette trade name approximated its carrying value. Accordingly, no impairment charge was recorded during the year ended June 30, 2020. Based on our annual impairment testing during the three months ended December 31, 2020, the Shave Care reporting unit's fair value continued to exceed its carrying value by more than 20% and the Gillette indefinite-lived intangible asset's fair value continued to approximate its carrying value.

The most significant assumptions utilized in the determination of the estimated fair values of the 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. Another key assumption in our fair value determination of the Gillette indefinite-lived intangible asset is the royalty rate, which is driven by historical and estimated future profitability of the underlying Gillette business. The royalty rate may be impacted by significant adverse changes in long-term operating margins.

While management can and has implemented strategies to address these events in the past, 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 Shave Care reporting unit's goodwill and indefinite-lived intangibles.

The duration and severity of the pandemic could result in additional future impairment charges for the Shave Care reporting unit goodwill and the Gillette indefinite-lived intangible asset. While we have concluded that a triggering event did not occur during the quarter ended June 30, 2021, the Gillette indefinite-lived intangible asset is most susceptible to future impairment risk. Our assessment of the Gillette intangible asset assumes the net sales growth rates will begin to recover from the impact of the pandemic during the next fiscal year. There continues to be a high level of uncertainty relating to how the pandemic will evolve, how governments and consumers will react and progress on the distribution of vaccines. Accordingly, there continues to be risk related to this key assumption. A more prolonged pandemic recovery period could impact the assumptions utilized in the determination of the estimated fair values of Shave Care reporting unit and the Gillette indefinite-lived intangible asset that are significant enough to trigger an impairment. Net sales and earnings growth rates could be negatively impacted by more prolonged reductions or changes in demand for our shave care products, which may be caused by, among other things: the temporary inability of consumers to purchase our products due to illness, quarantine or other travel restrictions, financial hardship, changes in the use and frequency of grooming products or by shifts in demand away from one or more of our higher priced products to lower priced products. In addition, relative global and country/regional macroeconomic factors could result in additional and prolonged devaluation of other countries' currencies relative to the U.S. dollar. Finally, the discount rate utilized in our valuation model could be impacted by changes in the underlying interest rates and risk premiums included in the determination of the cost of

capital. As of June 30, 2021, the carrying values of the Shave Care goodwill and the Gillette indefinite-lived intangible asset were $12.8 billion and $14.1 billion, respectively.

We performed a sensitivity analysis for the Shave Care reporting unit and the Gillette indefinite-lived intangible asset during our annual impairment testing, utilizing reasonably possible changes in the assumptions for the shorter-term and residual growth rates, the discount rate, and the royalty 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 in the discount rate, a 25 basis point decrease in our shorter-term and residual growth rates, or a 50 basis point decrease in our royalty rate, any of which, in isolation, would result in an impairment of the Gillette indefinite-lived intangible asset.

	Approximate Percent Change in Estimated Fair Value		
	+25 bps Discount Rate	**-25 bps Growth Rate**	**-50 bps Royalty Rate**
Shave Care goodwill reporting unit	**(6)%**	**(6)%**	**N/A**
Gillette indefinite-lived intangible asset	**(6)%**	**(6)%**	**(4)%**

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, 2021.

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. 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 within our financing operations, as discussed below, 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, 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, 2021. 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, 2021, 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.

Based on our currency rate exposure on derivative and other instruments as of and during the year ended June 30, 2021, 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, 2021 and June 30, 2020, we did not have any financial commodity hedging activity.

Measures Not Defined By U.S. GAAP

In accordance with the SEC's Regulation S-K Item 10(e), 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 measures, 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 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. 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, 2021	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/ Other (1)	Organic Sales Growth
Beauty	8 %	(2)%	— %	6 %
Grooming	6 %	— %	— %	6 %
Health Care	10 %	(1)%	— %	9 %
Fabric & Home Care	10 %	(1)%	— %	9 %
Baby, Feminine & Family Care	3 %	(1)%	— %	2 %
TOTAL COMPANY	**7 %**	**(1)%**	**— %**	**6 %**

(1) Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures 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, tax payments related to the Merck OTC Consumer Healthcare acquisition in 2020 and transitional tax payments resulting from the U.S. Tax Act in 2021 and 2020 (the Company incurred a transitional tax liability of approximately $3.8 billion from the U.S. Tax Act, which is payable over a period of 8 years). 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.

The following table provides a numerical reconciliation of adjusted free cash flow ($ millions):

	Operating Cash Flow	Capital Spending	Adjustments to Operating Cash Flow (1)	Adjusted Free Cash Flow
2021	**$ 18,371**	**$ (2,787)**	**$ 225**	**$ 15,809**
2020	$ 17,403	$ (3,073)	$ 543	$ 14,873

(1) Adjustments to Operating Cash Flow include transitional tax payments resulting from the U.S. Tax Act of $225 and $215 in 2021 and 2020, respectively, and tax payments related to the Merck acquisition of $328 in 2020.

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 charges for early debt extinguishment (which are not considered part of our ongoing operations). 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):

	Adjusted Free Cash Flow	Net Earnings	Early Debt Extinguishment Charges	Net Earnings Excluding Adjustments	Adjusted Free Cash Flow Productivity
2021	**$ 15,809**	**$ 14,352**	**$ 427**	**$ 14,779**	**107 %**
2020	14,873	13,103	—	13,103	114 %

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. Core EPS is also used in assessing the achievement of management goals for at-risk compensation. The table below provides a reconciliation of diluted net earnings per share to Core EPS, including the following reconciling items:

- Charges for early debt extinguishment: During fiscal year 2021, the Company recorded after tax charges of $427 million ($512 million before tax), 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.
- Incremental Restructuring: The Company has historically had an ongoing level of restructuring activities. Such activities have resulted in ongoing annual restructuring related charges of approximately $250 - $500 million before tax. Beginning in fiscal 2012, the Company had a strategic productivity and cost savings initiative that resulted in incremental restructuring charges through fiscal 2020. The adjustment to Core earnings includes only the restructuring costs above the normal recurring level of restructuring costs. In fiscal 2021, the Company incurred restructuring costs within our historical ongoing level.

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, 2021			Twelve Months Ended June 30, 2020		
	AS REPORTED (GAAP)	EARLY DEBT EXTINGUISHMENT	NON-GAAP (CORE)	AS REPORTED (GAAP)	INCREMENTAL RESTRUCTURING	NON-GAAP (CORE)
NET EARNINGS ATTRIBUTABLE TO P&G	14,306	427	14,733	13,027	415	13,442
			Core EPS			**Core EPS**
DILUTED NET EARNINGS PER COMMON SHARE [(1)]	$ 5.50	$ 0.16	$ 5.66	$ 4.96	$ 0.16	$ 5.12

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

CHANGE VERSUS YEAR AGO	
CORE EPS	11 %

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, 2021, 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, 2021, 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, 2021, 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/ Andre Schulten

(Andre Schulten)

Chief Financial Officer

August 6, 2021

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, 2021 and 2020, 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, 2021 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 as of June 30, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2021, 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, 2021, 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 6, 2021 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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill and Intangible Assets - Shave Care Goodwill and Gillette Indefinite Lived Intangible Asset - Refer to Notes 1 and 4 to the financial statements

Critical Audit Matter Description

The Company's evaluation of goodwill and indefinite lived intangible assets for impairment involves the comparison of the fair value of each reporting unit or indefinite lived intangible asset to its carrying value. The Company estimates fair value using the income method, which is based on the present value of estimated future cash flows attributable to the respective assets. This requires management to make significant estimates and assumptions related to forecasts of future net sales and earnings, including growth rates beyond a 10-year time period, royalty rates and discount rates. Changes in the assumptions could have a significant impact on either the fair value, the amount of any impairment charge, or both. The Company performed their annual impairment assessments of the Shave Care reporting unit as of October 1, 2020 and the Gillette brand indefinite lived intangible asset (the "Gillette brand") as of December 31, 2020. Because the estimated fair values exceeded their carrying values, no impairments were recorded. As of June 30, 2021, the Shave Care reporting unit goodwill was $12.8 billion, and the Gillette brand was $14.1 billion.

We identified the Company's impairment evaluations of goodwill for the Shave Care reporting unit and the Gillette brand as a critical audit matter because of the significant judgments made by management to estimate the fair values of the reporting unit and the brand. A high degree of auditor judgment and an increased extent of effort was required when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the forecasts of future net sales and earnings as well as the selection of royalty rates and discount rates, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to forecasts of future net sales and earnings and the selection of the royalty rates and discount rates for the Shave Care reporting unit and the Gillette brand included the following, among others:

- We tested the effectiveness of controls over goodwill and indefinite lived intangible assets, including those over the determination of fair value, such as controls related to management's development of forecasts of future net sales and earnings, and the selection of royalty rates, and discount rates.
- We evaluated management's ability to accurately forecast net sales and earnings by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's forecast of net sales and earnings by comparing the forecasts to:
    - Historical net sales and earnings.
    - Underlying analysis detailing business strategies and growth plans including consideration of the effects related to the COVID-19 pandemic.
    - Internal communications to management and the Board of Directors.
    - Forecasted information included in Company press releases as well as in analyst and industry reports for the Company and certain of its peer companies.
- With the assistance of our fair value specialists, we evaluated the net sales and earnings growth rates, royalty rates, and discount rates by:
    - Testing the source information underlying the determination of net sales and earnings growth rates, royalty rates, and discount rates and the mathematical accuracy of the calculations.
    - Developing a range of independent estimates for the discount rates and comparing those to the discount rates selected by management.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio

August 6, 2021

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, 2021, 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, 2021, 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, 2021, of the Company and our report dated August 6, 2021, 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 6, 2021

Consolidated Statements of Earnings

Amounts in millions except per share amounts; Years ended June 30	2021	2020	2019
NET SALES	**$ 76,118**	$ 70,950	$ 67,684
Cost of products sold	**37,108**	35,250	34,768
Selling, general and administrative expense	**21,024**	19,994	19,084
Goodwill and indefinite-lived intangible impairment charges	**—**	—	8,345
OPERATING INCOME	**17,986**	15,706	5,487
Interest expense	**(502)**	(465)	(509)
Interest income	**45**	155	220
Other non-operating income, net	**86**	438	871
EARNINGS BEFORE INCOME TAXES	**17,615**	15,834	6,069
Income taxes	**3,263**	2,731	2,103
NET EARNINGS	**14,352**	13,103	3,966
Less: Net earnings attributable to noncontrolling interests	**46**	76	69
NET EARNINGS ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 14,306**	$ 13,027	$ 3,897
NET EARNINGS PER COMMON SHARE: [(1)]			
Basic	**$ 5.69**	$ 5.13	$ 1.45
Diluted	**$ 5.50**	$ 4.96	$ 1.43

(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	2021	2020	2019
NET EARNINGS	**$ 14,352**	$ 13,103	$ 3,966
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX			
Foreign currency translation (net of tax of $(266), $59 and $78, respectively)	**1,023**	(1,083)	(213)
Unrealized gains/(losses) on investment securities (net of tax of $5, $(1) and $0, respectively)	**16**	(12)	184
Unrealized gains/(losses) on defined benefit retirement plans (net of tax of $445, $(42) and $22, respectively)	**1,386**	(150)	169
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX	**2,425**	(1,245)	140
TOTAL COMPREHENSIVE INCOME	**16,777**	11,858	4,106
Less: Total comprehensive income attributable to noncontrolling interests	**50**	60	70
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 16,727**	$ 11,798	$ 4,036

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

Amounts in millions except stated values; As of June 30	2021	2020
Assets		
CURRENT ASSETS		
Cash and cash equivalents	**$ 10,288**	$ 16,181
Accounts receivable	**4,725**	4,178
INVENTORIES		
Materials and supplies	**1,645**	1,414
Work in process	**719**	674
Finished goods	**3,619**	3,410
Total inventories	**5,983**	5,498
Prepaid expenses and other current assets	**2,095**	2,130
TOTAL CURRENT ASSETS	**23,091**	27,987
PROPERTY, PLANT AND EQUIPMENT, NET	**21,686**	20,692
GOODWILL	**40,924**	39,901
TRADEMARKS AND OTHER INTANGIBLE ASSETS, NET	**23,642**	23,792
OTHER NONCURRENT ASSETS	**9,964**	8,328
TOTAL ASSETS	**$ 119,307**	$ 120,700
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES		
Accounts payable	**$ 13,720**	$ 12,071
Accrued and other liabilities	**10,523**	9,722
Debt due within one year	**8,889**	11,183
TOTAL CURRENT LIABILITIES	**33,132**	32,976
LONG-TERM DEBT	**23,099**	23,537
DEFERRED INCOME TAXES	**6,153**	6,199
OTHER NONCURRENT LIABILITIES	**10,269**	11,110
TOTAL LIABILITIES	**72,653**	73,822
SHAREHOLDERS' EQUITY		
Convertible Class A preferred stock, stated value $1 per share (600 shares authorized)	**870**	897
Non-Voting Class B preferred stock, stated value $1 per share (200 shares authorized)	**—**	—
Common stock, stated value $1 per share (10,000 shares authorized; shares issued: 2021 - 4,009.2, 2020 - 4,009.2)	**4,009**	4,009
Additional paid-in capital	**64,848**	64,194
Reserve for ESOP debt retirement	**(1,006)**	(1,080)
Accumulated other comprehensive loss	**(13,744)**	(16,165)
Treasury stock, at cost (shares held: 2021 - 1,579.5, 2020 - 1,529.5)	**(114,973)**	(105,573)
Retained earnings	**106,374**	100,239
Noncontrolling interest	**276**	357
TOTAL SHAREHOLDERS' EQUITY	**46,654**	46,878
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 119,307**	$ 120,700

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

Dollars in millions except per share amounts; shares in thousands	Common Stock Shares	Common Stock Amount	Preferred Stock	Additional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumulated 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								3,897	69	3,966
Other comprehensive income/ (loss)						139			1	140
Dividends and dividend equivalents ($2.8975 per share):										
Common								(7,256)		(7,256)
Preferred								(263)		(263)
Treasury stock purchases	(53,714)						(5,003)			(5,003)
Employee stock plans	55,734			93			3,781			3,874
Preferred stock conversions	4,638		(39)	6			33			—
ESOP debt impacts					58			99		157
Noncontrolling interest, net				(118)					(248)	(366)
BALANCE JUNE 30, 2019	2,504,751	$4,009	$928	$63,827	($1,146)	($14,936)	($100,406)	$94,918	$385	$47,579
Net earnings								13,027	76	13,103
Other comprehensive income/ (loss)						(1,229)			(16)	(1,245)
Dividends and dividend equivalents ($3.0284 per share):										
Common								(7,551)		(7,551)
Preferred								(263)		(263)
Treasury stock purchases	(61,346)						(7,405)			(7,405)

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Amounts in millions; Years ended June 30	2021	2020	2019
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	**$ 16,181**	$ 4,239	$ 2,569
OPERATING ACTIVITIES			
Net earnings	**14,352**	13,103	3,966
Depreciation and amortization	**2,735**	3,013	2,824
Loss on early extinguishment of debt	**512**	—	—
Share-based compensation expense	**540**	558	515
Deferred income taxes	**(258)**	(596)	(411)
Loss/(gain) on sale of assets	**(16)**	7	(678)
Goodwill and indefinite-lived intangible impairment charges	**—**	—	8,345
Change in accounts receivable	**(342)**	634	(276)
Change in inventories	**(309)**	(637)	(239)
Change in accounts payable, accrued and other liabilities	**1,391**	1,923	1,856
Change in other operating assets and liabilities	**(369)**	(710)	(973)
Other	**135**	108	313
TOTAL OPERATING ACTIVITIES	**18,371**	17,403	15,242
INVESTING ACTIVITIES			
Capital expenditures	**(2,787)**	(3,073)	(3,347)
Proceeds from asset sales	**42**	30	394
Acquisitions, net of cash acquired	**(34)**	(58)	(3,945)
Purchases of investment securities	**(55)**	—	(158)
Proceeds from sales and maturities of investment securities	**—**	6,151	3,628
Change in other investments	**—**	(5)	(62)
TOTAL INVESTING ACTIVITIES	**(2,834)**	3,045	(3,490)
FINANCING ACTIVITIES			
Dividends to shareholders	**(8,263)**	(7,789)	(7,498)
Increases/(reductions) in short-term debt	**(3,333)**	2,345	(2,215)
Additions to long-term debt	**4,417**	4,951	2,367
Reductions of long-term debt [(1)]	**(4,987)**	(2,447)	(969)
Treasury stock purchases	**(11,009)**	(7,405)	(5,003)
Impact of stock options and other	**1,644**	1,978	3,324
TOTAL FINANCING ACTIVITIES	**(21,531)**	(8,367)	(9,994)
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**101**	(139)	(88)
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**(5,893)**	11,942	1,670
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	**$ 10,288**	$ 16,181	$ 4,239
SUPPLEMENTAL DISCLOSURE			
Cash payments for interest	**$ 531**	$ 434	$ 497
Cash payments for income taxes	**3,822**	3,550	3,064

(1) Includes early extinguishment of debt costs of $512 in 2021.

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, specialty beauty stores (including airport duty-free stores), high-frequency stores, pharmacies, electronics stores and professional channels. We also sell direct to consumers. 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 Venezuelan 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 at cost, less impairments, plus or minus observable price changes.

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, postretirement 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

Our revenue is primarily generated from the sale of finished product to customers. Those sales predominantly contain a single performance obligation and revenue is recognized at a single point in time when ownership, risks and rewards transfer, 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. 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.

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 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 expenses necessary to acquire and convert the purchased materials and supplies into finished products. 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 2021, $1.8 billion in 2020 and $1.9 billion in 2019. Advertising costs, charged to expense as incurred, include worldwide television, print, radio, internet and in-store advertising expenses and were $8.2 billion in 2021, $7.3 billion in 2020 and $6.8 billion in 2019. 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, Net

Other non-operating income, net primarily includes net acquisition and divestiture gains, net non-service costs related to defined benefit plans, 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 flows from operating activities. Cash flows from foreign currency transactions and operations are translated at monthly exchange rates for each 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 rates, commodity or other currency exposures are classified as operating activities. Cash payments related to income taxes are classified as operating activities.

Investments

The Company holds minor equity investments in certain companies over which we exert significant influence, but do not control the financial and operating decisions. These are accounted for as equity method investments. Other equity investments that are not controlled, and over which we do not have the ability to exercise significant influence, and for which there is a readily determinable market value, are recorded at fair value, with gains and losses recorded through net earnings. Equity investments without readily determinable fair values are measured at cost, less impairments, plus or minus observable price changes. Equity investments are included as Other noncurrent assets in the Consolidated Balance Sheets.

In addition to equity investments, we have historically held other investment securities, primarily consisting of readily marketable debt securities. Unrealized gains or losses from debt securities classified as trading, if any, are charged to earnings. Unrealized gains on debt securities classified as available-for-sale are recorded in OCI. Unrealized losses on available-for-sale debt securities are 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. Debt securities are included as Prepaid expenses and other current assets and Other noncurrent assets in the Consolidated Balance Sheets.

The Company also holds highly-liquid investments, including treasury bills, commercial paper, U.S. and foreign government securities and money market funds with original maturity dates of three months or less. Such investments are considered cash equivalents and are included within Cash and cash equivalents in the Consolidated Balance Sheets.

Inventory Valuation

Inventories are valued at the lower of cost or net realizable 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. 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 certain 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

On July 1, 2020, we adopted 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 estimated fair value of the specified reporting units in their entirety. This eliminated the second step of the previous impairment model that required companies to first estimate the fair value of all assets in a reporting unit and measure impairments based on those estimated 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. The impact of the new standard will depend on the specific facts and circumstances of future individual impairments, if any.

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The amendments provide optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts and other transactions affected by reference rate reform if certain criteria are met and to hedging relationships, including derivative instruments, if there is a change to the interest rates used for discounting, margining or contract price alignment. These amendments are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. We are currently evaluating our contracts and the optional expedients provided by the new standard.

No other new accounting pronouncements issued or effective during the fiscal year or in future years had, or are expected to have, a material impact on our Consolidated Financial Statements.

NOTE 2

SEGMENT INFORMATION

Under U.S. GAAP, our operating segments 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, Pain Relief, 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, Taped Diapers and Pants); Feminine Care (Adult Incontinence, Feminine Care); Family Care (Paper Towels, Tissues, Toilet Paper).

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.

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. In addition, capital expenditures in the segments are on an accrual basis consistent with the balance sheet. Adjustments to move from an accrual to cash basis, for purposes of the cash flow statement, are reflected in Corporate.

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 operating segments are comprised of similar product categories. Operating segments that individually accounted for 5% or more of consolidated net sales are as follows:

% of Net sales by operating segment [(1)]

Years ended June 30	2021	2020	2019
Fabric Care	**22%**	22%	22%
Home Care	**12%**	11%	10%
Baby Care	**10%**	11%	12%
Skin and Personal Care	**10%**	10%	10%
Hair Care	**9%**	9%	10%
Family Care	**9%**	9%	9%
Oral Care	**8%**	8%	8%
Shave Care	**7%**	7%	8%
Feminine Care	**6%**	6%	6%
Personal Health Care	**5%**	5%	4%
All Other	***2%***	*2%*	*1%*
TOTAL	**100%**	100%	100%

(1) % of Net sales by operating segment excludes sales held in Corporate.

Net sales and long-lived assets in the United States and internationally were as follows (in billions):

Years ended June 30	2021	2020	2019
NET SALES			
United States	**$ 33.7**	$ 31.3	$ 28.6
International	**$ 42.4**	$ 39.7	$ 39.1
LONG-LIVED ASSETS [(1)]			
United States	**$ 10.1**	$ 9.9	$ 10.0
International	**$ 11.6**	$ 10.8	$ 11.3

(1) Long-lived assets consists of property, plant and equipment.

No country, other than the United States, exceeds 10% of the Company's consolidated net sales or long-lived assets.

Our largest customer, Walmart Inc. and its affiliates, accounted for consolidated net sales of approximately 15% in 2021, 2020 and 2019. No other customer represents more than 10% of our consolidated net sales.

Global Segment Results		Net Sales	Earnings/(Loss) Before Income Taxes	Net Earnings/ (Loss)	Depreciation and Amortization	Total Assets	Capital Expenditures
BEAUTY	**2021**	**$ 14,417**	**$ 4,018**	**$ 3,210**	**$ 333**	**$ 5,587**	**$ 386**
	2020	13,359	3,437	2,737	320	5,531	397
	2019	12,897	3,282	2,637	272	5,362	634
GROOMING	**2021**	**6,440**	**1,728**	**1,427**	**378**	**20,668**	**291**
	2020	6,069	1,613	1,329	406	20,589	305
	2019	6,199	1,777	1,529	429	20,882	367
HEALTH CARE	**2021**	**9,956**	**2,398**	**1,851**	**372**	**7,976**	**364**
	2020	9,028	2,156	1,652	350	7,726	338
	2019	8,218	1,984	1,519	294	7,708	363
FABRIC & HOME CARE	**2021**	**26,014**	**5,986**	**4,622**	**646**	**8,334**	**1,006**
	2020	23,735	5,426	4,154	605	7,745	887
	2019	22,080	4,601	3,518	557	7,620	984
BABY, FEMININE & FAMILY CARE	**2021**	**18,850**	**4,723**	**3,629**	**846**	**8,666**	**814**
	2020	18,364	4,534	3,465	839	8,628	764
	2019	17,806	3,593	2,734	861	9,271	819
CORPORATE [(1)]	**2021**	**441**	**(1,238)**	**(387)**	**160**	**68,076**	**(74)**
	2020	395	(1,332)	(234)	493	70,481	382
	2019	484	(9,168)	(7,971)	411	64,252	180
TOTAL COMPANY	**2021**	**$ 76,118**	**$ 17,615**	**$ 14,352**	**$ 2,735**	**$119,307**	**$ 2,787**
	2020	70,950	15,834	13,103	3,013	120,700	3,073
	2019	67,684	6,069	3,966	2,824	115,095	3,347

(1) The Corporate reportable segment includes the \$8.3 billion non-cash before-tax (\$8.0 billion after-tax) goodwill and intangible asset impairment charge in fiscal 2019. For additional details on goodwill and intangible assets see Note 4.

NOTE 3

SUPPLEMENTAL FINANCIAL INFORMATION

The components of property, plant and equipment were as follows:

As of June 30	2021	2020
PROPERTY, PLANT AND EQUIPMENT		
Buildings	**$ 8,165**	$ 7,700
Machinery and equipment	**35,367**	33,260
Land	**808**	777
Construction in progress	**2,358**	2,034
TOTAL PROPERTY, PLANT AND EQUIPMENT	**46,698**	43,771
Accumulated depreciation	**(25,012)**	(23,079)
PROPERTY, PLANT AND EQUIPMENT, NET	**$ 21,686**	$ 20,692

Selected components of current and noncurrent liabilities were as follows:

As of June 30	2021	2020
ACCRUED AND OTHER LIABILITIES - CURRENT		
Marketing and promotion	**$ 4,140**	$ 3,531
Compensation expenses	**2,145**	1,921
Taxes payable	**637**	693
Restructuring reserves	**278**	472
Leases	**219**	239
Other	**3,104**	2,866
TOTAL	**$ 10,523**	$ 9,722
OTHER NONCURRENT LIABILITIES		
Pension benefits	**$ 5,452**	$ 6,223
U.S. Tax Act transitional tax payable	**1,891**	2,121
Other retiree benefits	**922**	965
Uncertain tax positions	**794**	580
Long term operating leases	**631**	652
Other	**579**	569
TOTAL	**$ 10,269**	$ 11,110

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 accelerate cost reductions in the areas of supply chain, research and development, marketing activities and overhead expenses.

In fiscal 2017, the Company announced specific elements of an incremental multi-year productivity and cost savings plan to further reduce costs in the areas of supply chain, certain marketing activities and overhead expense, which resulted in incremental restructuring charges through fiscal 2020. For fiscal 2021, restructuring charges were in line with our historical ongoing program.

Restructuring costs incurred consist primarily of costs to separate employees, asset-related costs to exit facilities and other costs. Employee separation costs relate to severance packages that are primarily voluntary and the amounts calculated are 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 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 for disposal. These assets are 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 restructuring-type charges primarily include asset removal and termination of contracts related to supply chain and overhead optimization. The Company incurred total restructuring charges of $330 and $782 for the years ended June 30, 2021 and 2020. Of the charges incurred for fiscal year 2021, $176 were recorded in SG&A, $134 in Costs of products sold, and $20 in Other non-operating income, net. Of the charges incurred in fiscal year 2020, $155 were recorded in SG&A, $614 in Costs of products sold, and $13 in Other non-operating income, net. The following table presents restructuring activity for the years ended June 30, 2021 and 2020:

	Separations	Asset-Related Costs	Other	Total
RESERVE JUNE 30, 2019	$ 280	$ —	$ 188	$ 468
Cost incurred and charged to expense	221	372	189	782
Cost paid/ settled	(216)	(372)	(190)	(778)
RESERVE JUNE 30, 2020	285	—	187	472
Cost incurred and charged to expense	**127**	**24**	**179**	**330**
Cost paid/ settled	**(236)**	**(24)**	**(264)**	**(524)**
RESERVE JUNE 30, 2021	**$ 176**	**$ —**	**$ 102**	**$ 278**

Consistent with our historical policies for ongoing restructuring-type activities, the restructuring charges are funded by and included within Corporate for both management and segment reporting. Accordingly, all of the charges are included within the Corporate reportable segment.

However, for information purposes, the following table summarizes the total restructuring costs related to our reportable segments:

Years ended June 30	2021	2020	2019
Beauty	**$ 13**	$ 54	$ 49
Grooming	**25**	102	65
Health Care	**51**	136	23
Fabric & Home Care	**22**	75	84
Baby, Feminine & Family Care	**29**	192	226
Corporate [1]	**190**	223	307
Total Company	**$ 330**	$ 782	$ 754

[1] Corporate includes costs related to allocated overheads, including charges related to our Enterprise Markets, Global Business Services and Corporate Functions activities.

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	Total Company
BALANCE AT JUNE 30, 2019 - NET [1]	$ 12,985	$ 12,881	$ 7,972	$ 1,855	$ 4,580	$ 40,273
Acquisitions and divestitures	(1)	—	(46)	—	5	(42)
Translation and other	(82)	(66)	(140)	(14)	(28)	(330)
BALANCE AT JUNE 30, 2020 - NET [1]	12,902	12,815	7,786	1,841	4,557	39,901
Acquisitions and divestitures	**—**	**—**	**16**	**—**	**—**	**16**
Translation and other	**355**	**280**	**244**	**32**	**96**	**1,007**
BALANCE AT JUNE 30, 2021 - NET [1]	**$ 13,257**	**$ 13,095**	**$ 8,046**	**$ 1,873**	**$ 4,653**	**$ 40,924**

[1] Grooming goodwill balance is net of $7.9 billion accumulated impairment losses.

Goodwill and indefinite-lived intangibles are tested for impairment at least annually by comparing the estimated fair values of our reporting units and underlying indefinite-lived intangible assets to their respective carrying values. We typically use an income method to estimate the fair value of these assets, which is based on forecasts of the expected future cash flows attributable to the respective assets. Significant estimates and assumptions inherent in the valuations reflect a consideration of other marketplace participants, and include the amount and timing of future cash flows (including expected growth rates and profitability). Estimates utilized in the projected cash flows include consideration of macroeconomic conditions, overall category growth rates, competitive activities, cost containment and margin expansion, Company business plans, the underlying product or technology life cycles, economic barriers to entry, a brand's relative market position and the discount rate applied to the cash flows. Unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions.

We believe the estimates and assumptions utilized in our impairment testing 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 or subsequently impairing the carrying amount of goodwill and related intangible assets, we may need to record additional non-cash impairment charges in the future.

Goodwill increased during fiscal 2021 driven by a minor brand acquisition in the Health Care reportable segment and currency translation across all reportable segments.

Goodwill decreased in fiscal 2020 primarily due to opening balance sheet adjustments from the fiscal 2019 acquisition of the over-the-counter (OTC) healthcare business of Merck KGaA (Merck OTC) in the Health Care reportable segment (see Note 14) and currency translation across all reportable segments.

During fiscal 2019, we determined that the estimated fair value of our Shave Care reporting unit was less than its carrying value. We also determined that the estimated fair value of the Gillette indefinite-lived intangible asset was less than its carrying value. As a result, we recorded non-cash

impairment charges for both assets. These reductions were due in large part to significant currency devaluations in a number of countries relative to the U.S. dollar, a deceleration of category growth caused by changing grooming habits, primarily in the developed markets, and an increased competitive market environment in the U.S. and certain other markets, which collectively resulted in reduced cash flow projections. A non-cash, before and after-tax impairment charge of $6.8 billion was recognized to reduce the carrying amount of goodwill for the Shave Care reporting unit. Additionally, a non-cash, before-tax impairment charge of $1.6 billion ($1.2 billion after-tax) was recognized to reduce the carrying amount of the Gillette indefinite-lived intangible asset to its estimated fair value as of June 30, 2019.

Identifiable intangible assets were comprised of:

	2021		2020	
As of June 30	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
INTANGIBLE ASSETS WITH DETERMINABLE LIVES				
Brands	**$ 3,908**	**$ (2,546)**	$ 3,820	$ (2,347)
Patents and technology	**2,781**	**(2,575)**	2,776	(2,513)
Customer relationships	**1,789**	**(882)**	1,752	(778)
Other	**150**	**(97)**	143	(92)
TOTAL	**$ 8,628**	**$ (6,100)**	$ 8,491	$ (5,730)
INTANGIBLE ASSETS WITH INDEFINITE LIVES				
Brands	**21,114**	**—**	21,031	—
TOTAL	**$ 29,742**	**$ (6,100)**	$ 29,522	$ (5,730)

Amortization expense of intangible assets was as follows:

Years ended June 30	2021	2020	2019
Intangible asset amortization	**$ 318**	$ 360	$ 349

Estimated amortization expense over the next five fiscal years is as follows:

Years ending June 30	2022	2023	2024	2025	2026
Estimated amortization expense	$ 301	$ 289	$ 277	$ 259	$ 243

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 Global Intangible Low-Taxed Income (GILTI) provision of the U.S. Tax Act requires the Company to include in its U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary's tangible assets. An accounting policy election is available to account for the tax effects of GILTI either as a current period expense when incurred, or to recognize deferred taxes for book and tax basis differences expected to reverse as GILTI in future years. We have elected to account for the tax effects of GILTI as a current period expense when incurred.

Earnings before income taxes consisted of the following:

Years ended June 30	2021	2020	2019
United States	**$ 10,858**	$ 10,338	$ 1,659
International	**6,757**	5,496	4,410
TOTAL	**$ 17,615**	$ 15,834	$ 6,069

Income taxes consisted of the following:

Years ended June 30	2021	2020	2019
CURRENT TAX EXPENSE			
U.S. federal	**$ 1,663**	$ 1,266	$ 1,064
International	**1,534**	1,769	1,259
U.S. state and local	**324**	292	191
TOTAL	**3,521**	3,327	2,514
DEFERRED TAX EXPENSE/(BENEFIT)			
U.S. federal	**(65)**	39	(296)
International and other	**(193)**	(635)	(115)
TOTAL	**(258)**	(596)	(411)
TOTAL TAX EXPENSE	**$ 3,263**	$ 2,731	$ 2,103

A reconciliation of the U.S. federal statutory income tax rate to our actual effective income tax rate is provided below:

Years ended June 30	2021	2020	2019
U.S. federal statutory income tax rate	**21.0 %**	21.0 %	21.0 %
Country mix impacts of foreign operations	**(0.5)%**	(0.1)%	(0.5)%
State income taxes, net of federal benefit	**1.3 %**	1.4 %	2.6 %
Excess tax benefits from the exercise of stock options	**(1.6)%**	(1.6)%	(3.8)%
Tax benefit from simplification of legal entity structure	**— %**	(1.4)%	— %
Foreign derived intangible income deduction (FDII)	**(1.0)%**	(1.0)%	(2.2)%
Changes in uncertain tax positions	**(0.1)%**	0.1 %	(0.3)%
Goodwill impairment	**— %**	— %	22.8 %
Other	**(0.6)%**	(1.2)%	(4.9)%
EFFECTIVE INCOME TAX RATE	**18.5 %**	17.2 %	34.7 %

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 excess of actual tax benefits received on employee exercises of stock options and other share-based payments (which generally equals the income taxable to the employee) over the amount of tax benefits that were calculated and recognized based on the grant date fair values of such instruments.

Tax costs charged to shareholders' equity totaled $215 for the year ended June 30, 2021. This primarily relates to the tax effects of certain adjustments to pension obligations recorded in in shareholders' equity, partially offset by the tax effects of net investment hedges. Tax benefits credited to shareholders' equity totaled $18 for the year ended June 30, 2020. This primarily relates to the tax effects of certain adjustments to pension obligations and unrealized foreign exchange losses recorded in shareholders' 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. This charge included 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 taxes on approximately $21 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	2021	2020	2019
BEGINNING OF YEAR	**$ 485**	$ 466	$ 470
Increases in tax positions for prior years	**157**	60	85
Decreases in tax positions for prior years	**(34)**	(21)	(94)
Increases in tax positions for current year	**60**	82	71
Settlements with taxing authorities	**(26)**	(83)	(37)
Lapse in statute of limitations	**(24)**	(12)	(27)
Currency translation	**9**	(7)	(2)
END OF YEAR	**$ 627**	$ 485	$ 466

Included in the total liability for uncertain tax positions at June 30, 2021 is $408 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. Based on information currently available, we anticipate that over the next 12-month period, audit activity could be completed related to uncertain tax positions in multiple jurisdictions for which we have accrued existing liabilities of approximately $10, including interest and penalties.

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, 2021, 2020 and 2019, we had accrued interest of $166, $141 and $133 and accrued penalties of $10, $17 and $17, respectively, which are not included in the above table. During the fiscal years ended June 30, 2021, 2020 and 2019, we recognized $38, $39 and $40 in interest expense and $6, $1 and $2 in penalties expense, respectively.

Deferred income tax assets and liabilities were comprised of the following:

As of June 30	2021	2020
DEFERRED TAX ASSETS		
Pension and other retiree benefits	**$ 1,476**	$ 1,602
Loss and other carryforwards	**1,030**	875
Accrued marketing and promotion	**424**	353
Stock-based compensation	**386**	398
Capitalized research & development	**358**	—
Fixed assets	**223**	218
Lease liabilities	**196**	190
Unrealized loss on financial and foreign exchange transactions	**109**	64
Inventory	**31**	27
Accrued interest and taxes	**22**	20
Other	**878**	829
Valuation allowances	**(569)**	(486)
TOTAL	**$ 4,564**	**$ 4,090**

DEFERRED TAX LIABILITIES		
Goodwill and intangible assets	**$ 5,761**	$ 5,775
Fixed assets	**1,512**	1,485
Lease right-of-use assets	**191**	185
Unrealized gain on financial and foreign exchange transactions	**111**	169
Foreign withholding tax on earnings to be repatriated	**108**	118
Other retiree benefits	**645**	265
Other	**175**	101
TOTAL	**$ 8,503**	$ 8,098

Net operating loss carryforwards were $3.0 billion at June 30, 2021 and $2.9 billion at June 30, 2020. If unused, approximately $900 will expire between 2021 and 2040. The remainder, totaling $2.1 billion at June 30, 2021, may be carried forward indefinitely.

NOTE 6

EARNINGS PER SHARE

Basic net earnings per common share are calculated by dividing Net earnings attributable to Procter & Gamble less preferred dividends by the weighted average number of common shares outstanding during the year. For fiscal years 2021 and 2020, Diluted net earnings per common share are calculated by dividing Net earnings attributable to Procter & Gamble by the diluted weighted average number of common shares outstanding during the year. The diluted shares include the dilutive effect of stock options and other stock-based awards based on the treasury stock method (see Note 7) and the assumed conversion of preferred stock (see Note 8).

For fiscal year 2019, Diluted net earnings per common share do not include the assumed conversion of preferred stock because to do so would have been antidilutive, due to the lower Net earnings driven by the Shave Care impairment charges (see Note 4). Therefore, Diluted net earnings per common share are calculated by dividing Net earnings attributable to Procter & Gamble less preferred dividends by the diluted weighted average number of common shares outstanding during the year. The diluted shares include the dilutive effect of stock options and other stock-based awards based on the treasury stock method.

Amounts in millions of dollars except per share amounts or as otherwise specified.

Net earnings per share were calculated as follows:

Years ended June 30	2021	2020	2019
CONSOLIDATED AMOUNTS			
Net earnings	**$ 14,352**	$ 13,103	$ 3,966
Less: Net earnings attributable to noncontrolling interests	**46**	76	69
Net earnings attributable to P&G	**14,306**	13,027	3,897
Less: Preferred dividends	**271**	263	263
Net earnings attributable to P&G available to common shareholders (Basic)	**$ 14,035**	$ 12,764	$ 3,634
Net earnings attributable to P&G available to common shareholders (Diluted)	**$ 14,306**	$ 13,027	$ 3,634
SHARES IN MILLIONS			
Basic weighted average common shares outstanding	**2,465.8**	2,487.1	2,503.6
Add: Effect of dilutive securities			
Stock options and other unvested equity awards [(1)]	**52.5**	52.7	35.9
Convertible preferred shares [(2)]	**82.7**	86.0	—
Diluted weighted average common shares outstanding	**2,601.0**	2,625.8	2,539.5
NET EARNINGS PER SHARE [(3)]			
Basic	**$ 5.69**	$ 5.13	$ 1.45
Diluted	**$ 5.50**	$ 4.96	$ 1.43

(1) Excludes 9 million, 6 million and 13 million in 2021, 2020 and 2019, respectively, of weighted average stock options outstanding because the exercise price of these options was greater than their average market value or their effect was antidilutive.

(2) See an overview of the preferred shares in Note 8. In fiscal year 2019, preferred shares exclude 90 million because to do so would have been antidilutive, due to lower Net earnings driven by the Shave Care impairment charges (see Note 4).

(3) Net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

NOTE 7

STOCK-BASED COMPENSATION

The Company has 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 year 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 subject to pre-established performance goals. Effective for fiscal year 2019, we added a Relative Total Shareholder Return (R-TSR) modifier to the PSUs, under which the number of shares ultimately granted is also impacted by the Company's actual shareholder return relative to our consumer products competitive peer set.

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 150 million shares of common stock were newly authorized for issuance under the stock-based compensation plan approved by shareholders in 2019. A total of 144 million shares remain available for grant under the 2019 plan.

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/or 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	2021	2020	2019
Stock options	**$ 279**	$ 249	$ 246
RSUs and PSUs	**261**	309	269
Total stock-based expense	**$ 540**	$ 558	$ 515
Income tax benefit	**$ 102**	$ 97	$ 101

Amounts in millions of dollars except per share amounts or as otherwise specified.

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	2021	2020	2019
Interest rate	**0.1- 0.7 %**	1.1- 1.4 %	2.5- 2.7 %
Weighted average interest rate	**0.6 %**	1.3 %	2.6 %
Dividend yield	**2.4 %**	2.4 %	3.0 %
Expected volatility	**20 %**	17 %	17 %
Expected life in years	**9.2**	9.2	9.2

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, 2021 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	149,872	$ 84.71		
Granted	**12,133**	**139.05**		
Exercised	**(23,102)**	**73.72**		
Forfeited/ expired	**(631)**	**106.72**		
OUTSTANDING, END OF YEAR	**138,272**	**$ 91.24**	**5.4**	**$ 6,098**
EXERCISABLE	**99,177**	**$ 81.47**	**4.1**	**$ 5,302**

The following table provides additional information on stock options:

Years ended June 30	2021	2020	2019
Weighted average grant-date fair value of options granted	**$ 20.94**	$ 15.60	$ 13.60
Intrinsic value of options exercised	**1,401**	1,455	1,770
Grant-date fair value of			

At June 30, 2021, there was $169 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 1.6 years.

A summary of non-vested RSUs and PSUs outstanding under the plans as of June 30, 2021 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, 2020	4,498	$ 92.15	1,048	$ 117.02
Granted	**1,274**	**137.71**	**472**	**152.04**
Vested	**(2,445)**	**85.40**	**(529)**	**106.66**
Forfeited	**(90)**	**108.30**	**(20)**	**140.88**
Non-vested at June 30, 2021	**3,237**	**$ 114.68**	**971**	**$ 135.24**

At June 30, 2021, there was $229 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 1.6 years. The total grant date fair value of shares vested was $266, $264 and $205 in 2021, 2020 and 2019, 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 $340, $317 and $272 in 2021, 2020 and 2019, 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 2021, 2020 and 2019.

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.

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 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 benefits 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:

	Pension Benefits (1)		Other Retiree Benefits (2)	
Years ended June 30	2021	2020	2021	2020
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year (3)	**$ 17,761**	$ 17,037	**$ 4,770**	$ 4,964
Service cost	**275**	247	**94**	100
Interest cost	**240**	276	**114**	160
Participants' contributions	**13**	11	**76**	74
Amendments	**34**	3	**—**	(136)
Net actuarial loss/(gain)	**(466)**	951	**(678)**	(85)
Special termination benefits	**17**	11	**2**	2
Currency translation and other	**1,220**	(218)	**64**	(64)
Benefit payments	**(625)**	(557)	**(236)**	(245)
BENEFIT OBLIGATION AT END OF YEAR (3)	**$ 18,469**	$ 17,761	**$ 4,206**	$ 4,770
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	**$ 11,484**	$ 11,382	**$ 5,618**	$ 5,096
Actual return on plan assets	**1,058**	664	**879**	595
Employer contributions	**202**	180	**34**	33
Participants' contributions	**13**	11	**76**	74
Currency translation and other	**909**	(196)	**2**	2
ESOP debt impacts (4)	**—**	—	**71**	63
Benefit payments	**(625)**	(557)	**(236)**	(245)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**$ 13,041**	$ 11,484	**$ 6,444**	$ 5,618
FUNDED STATUS	**$ (5,428)**	$ (6,277)	**$ 2,238**	$ 848

(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) Represents the net impact of ESOP debt service requirements, which is netted against plan assets for other retiree benefits. The original borrowing of the ESOP debt was fully repaid in 2021.

Amounts in millions of dollars except per share amounts or as otherwise specified.

The actuarial gain for pension plans in 2021 was primarily related to increases in discount rates, partially offset by unfavorable actuarial assumptions, including inflation assumptions. The actuarial gain for other retiree benefits in 2021 was primarily related to favorable medical cost trends. The actuarial loss for pension plans in 2020 was primarily related to decreases in discount rates. The actuarial gain for other retiree benefits in 2020 was primarily related to favorable updates to mortality tables and favorable medical cost trends, largely offset by decreases in discount rates.

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.

	Pension Benefits		Other Retiree Benefits	
As of June 30	**2021**	**2020**	**2021**	**2020**
CLASSIFICATION OF NET AMOUNT RECOGNIZED				
Noncurrent assets	**$ 88**	$ 12	**$ 3,193**	$ 1,843
Current liabilities	**(64)**	(66)	**(33)**	(30)
Noncurrent liabilities	**(5,452)**	(6,223)	**(922)**	(965)
NET AMOUNT RECOGNIZED	**$ (5,428)**	$ (6,277)	**$ 2,238**	$ 848
AMOUNTS RECOGNIZED IN ACCUMULATED OTHER COMPREHENSIVE (INCOME)/LOSS (AOCI)				
Net actuarial loss/(gain)	**$ 4,869**	$ 5,662	**$ (504)**	$ 572
Prior service cost/(credit)	**198**	198	**(471)**	(511)
NET AMOUNTS RECOGNIZED IN AOCI	**$ 5,067**	$ 5,860	**$ (975)**	$ 61

The accumulated benefit obligation for all defined benefit pension plans, which differs from the projected obligation in that it excludes the assumption of future salary increases, was $17.3 billion and $16.5 billion as of June 30, 2021 and 2020, respectively. Information related to the funded status of selected pension and other retiree benefits at June 30 is as follows:

As of June 30	**2021**	**2020**
PENSION PLANS WITH A PROJECTED BENEFIT OBLIGATION IN EXCESS OF PLAN ASSETS		
Projected benefit obligation	**$ 11,747**	$ 17,635
Fair value of plan assets	**6,231**	11,347
PENSION PLANS WITH AN ACCUMULATED BENEFIT OBLIGATION IN EXCESS OF PLAN ASSETS		
Accumulated benefit obligation	**$ 11,005**	$ 11,196
Fair value of plan assets	**6,226**	5,994
OTHER RETIREE BENEFIT PLANS WITH AN ACCUMULATED BENEFIT OBLIGATION IN EXCESS OF PLAN ASSETS		
Accumulated benefit obligation	**$ 1,082**	$ 1,136
Fair value of plan assets	**127**	141

Amounts in millions of dollars except per share amounts or as otherwise specified.

Net Periodic Benefit Cost. Components of the net periodic benefit cost were as follows:

	Pension Benefits			Other Retiree Benefits		
Years ended June 30	2021	2020	2019	2021	2020	2019
AMOUNTS RECOGNIZED IN NET PERIODIC BENEFIT COST						
Service cost	**$ 275**	$ 247	$ 259	**$ 94**	$ 100	$ 101
Interest cost	**240**	276	339	**114**	160	187
Expected return on plan assets	**(783)**	(740)	(732)	**(508)**	(473)	(447)
Amortization of net actuarial loss	**423**	340	225	**47**	68	66
Amortization of prior service cost/(credit)	**25**	25	26	**(60)**	(48)	(48)
Amortization of net actuarial loss/prior service cost due to settlements	**5**	7	9	**—**	—	—
Special termination benefits	**17**	11	13	**2**	2	8
GROSS BENEFIT COST/(CREDIT)	**202**	166	139	**(311)**	(191)	(133)
Dividends on ESOP preferred stock	**—**	—	—	**(8)**	(19)	(28)
NET PERIODIC BENEFIT COST/(CREDIT)	**$ 202**	$ 166	$ 139	**$ (319)**	$ (210)	$ (161)
CHANGE IN PLAN ASSETS AND BENEFIT OBLIGATIONS RECOGNIZED IN AOCI						
Net actuarial loss/(gain) - current year	**$ (741)**	$ 1,027		**$ (1,049)**	$ (207)	
Prior service cost/(credit) - current year	**34**	3		**—**	(136)	
Amortization of net actuarial loss	**(423)**	(340)		**(47)**	(68)	
Amortization of prior service (cost)/credit	**(25)**	(25)		**60**	48	
Amortization of net actuarial loss/prior service costs due to settlements	**(5)**	(7)		**—**	—	
Currency translation and other	**367**	(74)		**—**	(26)	
TOTAL CHANGE IN AOCI	**(793)**	584		**(1,036)**	(389)	
NET AMOUNTS RECOGNIZED IN PERIODIC BENEFIT COST AND AOCI	**$ (591)**	$ 750		**$ (1,355)**	$ (599)	

The service cost component of the net periodic benefit cost is included in the Consolidated Statements of Earnings in Cost of products sold and SG&A. All other components are included in the Consolidated Statements of Earnings in Other non-operating income/(expense), net, unless otherwise noted.

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	2021	2020	2021	2020
Discount rate	**1.7 %**	1.5 %	**3.2 %**	3.1 %
Rate of compensation increase	**2.7 %**	2.5 %	**N/A**	N/A
Interest crediting rate for cash balance plans	**4.4 %**	4.4 %	**N/A**	N/A
Health care cost trend rates assumed for next year	**N/A**	N/A	**6.4 %**	6.6 %
Rate to which the health care cost trend rate is assumed to decline (ultimate trend rate)	**N/A**	N/A	**4.5 %**	4.9 %
Year that the rate reaches the ultimate trend rate	**N/A**	N/A	**2028**	2026

(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	2021	2020	2019	2021	2020	2019
Discount rate	**1.5 %**	1.9 %	2.5 %	**3.1 %**	3.7 %	4.2 %
Expected return on plan assets	**6.5 %**	6.6 %	6.6 %	**8.4 %**	8.4 %	8.3 %
Rate of compensation increase	**2.5 %**	2.6 %	2.6 %	**N/A**	N/A	N/A
Interest crediting rate for cash balance plans	**4.4 %**	4.4 %	4.8 %	**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.

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.

Our target asset allocation for the year ended June 30, 2021, and actual asset allocation by asset category as of June 30, 2021 and 2020, were as follows:

	Target Asset Allocation		Actual Asset Allocation at June 30			
			Pension Benefits		Other Retiree Benefits	
Asset Category	Pension Benefits	Other Retiree Benefits	2021	2020	2021	2020
Cash	**— %**	**2 %**	**1 %**	1 %	**2 %**	3 %
Debt securities	**61 %**	**3 %**	**59 %**	66 %	**2 %**	2 %
Equity securities	**39 %**	**95 %**	**40 %**	33 %	**96 %**	95 %
TOTAL	**100 %**	**100 %**	**100 %**	100 %	**100 %**	100 %

Amounts in millions of dollars except per share amounts or as otherwise specified.

The following table sets forth the fair value of the Company's plan assets as of June 30, 2021 and 2020 segregated by level within the fair value hierarchy (refer to Note 9 for further discussion on the fair value hierarchy and fair value principles). Investments valued using net asset value as a practical expedient 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	2021	2020	Fair Value Hierarchy Level	2021	2020
ASSETS AT FAIR VALUE						
Cash and cash equivalents	1	**$ 82**	$ 61	1	**$ 131**	$ 121
Company common stock		**—**	—	1	**275**	217
Company preferred stock [(1)]		**—**	—	2	**5,911**	5,139
Fixed income securities [(2)]	2	**1,931**	1,991	2	**3**	12
Insurance contracts [(3)]	3	**111**	115		**—**	—
TOTAL ASSETS IN THE FAIR VALUE HIERARCHY		**2,124**	2,167		**6,320**	5,489
Investments valued at net asset value [(4)]		**10,917**	9,317		**124**	129
TOTAL ASSETS AT FAIR VALUE		**$ 13,041**	11,484		**$ 6,444**	5,618

(1) Company preferred stock is valued based on the value of Company common stock and is presented net of ESOP debt discussed below.

(2) Fixed income securities, classified as Level 2, are estimated by using pricing models or quoted prices of securities with similar characteristics.

(3) Fair values of insurance contracts are valued based on either their cash equivalent value 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. The activity for Level 3 assets is not significant for all years presented.

(4) Investments valued using net asset value as a practical expedient are primarily equity and fixed income collective funds.

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, 2022, is $181 and $46, respectively. 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		
2022	$ 605	$ 190
2023	586	199
2024	615	205
2025	644	209
2026	639	214
2027 - 2031	3,639	1,130

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 $24 remain outstanding at June 30, 2021. 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 $3.24 per share. The liquidation value is $6.82 per share.

Amounts in millions of dollars except per share amounts or as otherwise specified.

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. The original borrowings of $1.0 billion were repaid in full as of June 30, 2021. Debt service requirements were funded by preferred stock dividends, cash contributions and advances provided by the Company, of which $982 are outstanding at June 30, 2021. 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 $3.24 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 was guaranteed by the Company, was recorded as debt 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 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	2021	2020	2019
Allocated	**27,759**	29,591	31,600
Unallocated	**1,769**	2,479	3,259
TOTAL SERIES A	**29,528**	32,070	34,859
Allocated	**29,203**	27,894	26,790
Unallocated	**22,349**	24,418	26,471
TOTAL SERIES B	**51,552**	52,312	53,261

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, 2021, 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 on fixed rate debt 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.

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.

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 the Foreign Currency Translation component of OCI and offset the change in the value of the net investment being hedged. The time value component of the net investment hedge currency swaps is excluded from the assessment of hedge effectiveness. 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. The time value component is subsequently reported in income on a systematic basis.

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. As of and during the years ended June 30, 2021 and 2020, we did not have any financial commodity hedging activity to manage such exposures.

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.

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 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.

Assets and Liabilities Measured at Fair Value

Cash equivalents were $9.1 billion and $14.6 billion as of June 30, 2021 and 2020, respectively and are classified as Level 1 within the fair value hierarchy. Other investments had a fair value of $192 and $67 as of June 30, 2021 and 2020, respectively, including equity securities of $163 and $39 as of June 30, 2021 and 2020, respectively, and are presented in Other noncurrent assets. Investments are measured at fair value and primarily classified as Level 1 and Level 2 within the fair value hierarchy. Level 1 are based on quoted market prices in active markets for identical assets, and Level 2 are based on quoted market prices for similar investments. There are no material investment balances classified as Level 3 within the fair value hierarchy or using net asset value as a practical expedient. Unrealized gains on equity securities were $69 and $13 for the fiscal year ended June 30, 2021 and 2020, respectively, and are recognized in the Consolidated Statements of Earnings in Other non-operating income, net.

The fair value of long-term debt was $28.8 billion and $29.0 billion as of June 30, 2021 and 2020, respectively. This includes the current portion of long-term debt instruments ($3.6 billion and $2.5 billion as of June 30, 2021 and 2020, 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, 2021 and 2020 are as follows:

	Notional Amount		Fair Value Asset		Fair Value (Liability)	
As of June 30	2021	2020	2021	2020	2021	2020
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS						
Interest rate contracts	**$ 7,415**	$ 7,114	**$ 146**	$ 269	**$ —**	$ —
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS						
Foreign currency interest rate contracts	**$ 8,484**	$ 3,856	**$ 89**	$ 26	**$ (94)**	$ (41)
TOTAL DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS	**$ 15,899**	$ 10,970	**$ 235**	$ 295	**$ (94)**	$ (41)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS						
Foreign currency contracts	**$ 5,060**	$ 5,986	**$ 20**	$ 23	**$ (22)**	$ (25)
TOTAL DERIVATIVES AT FAIR VALUE	**$ 20,959**	$ 16,956	**$ 255**	$ 318	**$ (116)**	$ (66)

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 $7.5 billion and $7.4 billion as of June 30, 2021 and 2020, 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 $12.0 billion and $16.0 billion as of June 30, 2021 and 2020, respectively. The increase in the notional balance of derivative instruments designated as net investment hedges is largely offset by the decrease in the principal balance of debt instruments designated as net investment hedges, reflecting the Company's decision to leverage favorable interest rates in the foreign currency swap market versus the short-term debt market.

All of the Company's derivative assets and liabilities are measured at fair value that is derived from observable market data, including interest rate yield curves and foreign exchange rates, and are classified as Level 2 within the fair value hierarchy. 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, 2021 and 2020.

Before tax gains/(losses) on our financial instruments in hedging relationships are categorized as follows:

Years ended June 30	Amount of Gain/(Loss) Recognized in OCI on Derivatives 2021	2020
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS [(1)] [(2)]		
Foreign currency interest rate contracts	**$ (232)**	$ 66

[(1)] For the derivatives in net investment hedging relationships, the amount of gain excluded from effectiveness testing, which was recognized in earnings, was $60 and $69 for the fiscal year ended June 30, 2021 and 2020, 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 $(918) and $189, for the fiscal year ended June 30, 2021 and 2020, respectively.

Years ended June 30	Amount of Gain/(Loss) Recognized in Earnings 2021	2020
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS		
Interest rate contracts	**$ (123)**	$ 93
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS		
Foreign currency contracts	**$ 296**	$ (83)

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.

NOTE 10

SHORT-TERM AND LONG-TERM DEBT

As of June 30	2021	2020
DEBT DUE WITHIN ONE YEAR		
Current portion of long-term debt	**$ 3,620**	$ 2,508
Commercial paper	**5,171**	8,545
Other	**98**	130
TOTAL	**$ 8,889**	$ 11,183
Short-term weighted average interest rates [(1)]	**0.2 %**	0.7 %

[(1)] Short-term weighted average interest rates include the effects of interest rate swaps discussed in Note 9.

As of June 30	2021	2020
LONG-TERM DEBT		
1.70% USD note due November 2021	**875**	875
2.00% EUR note due November 2021	**893**	843
2.30% USD note due February 2022	**1,000**	1,000
2.15% USD note due August 2022	**1,250**	1,250
2.00% EUR note due August 2022	**1,190**	1,124
3.10% USD note due August 2023	**1,000**	1,000
1.13% EUR note due November 2023	**1,488**	1,405
0.50% EUR note due October 2024	**595**	562
0.63% EUR note due October 2024	**952**	899
1.38% GBP note due May 2025	**519**	461
0.55% USD note due October 2025	**1,000**	—
2.70% USD note due February 2026	**600**	600
1.00% USD note due April 2026	**1,000**	—
2.45% USD note due November 2026	**875**	875
2.80% USD note due March 2027	**500**	500
4.88% EUR note due May 2027	**1,190**	1,124
2.85% USD note due August 2027	**750**	750
1.20% EUR note due October 2028	**952**	899

NOTE 11

ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

The table below presents the changes in Accumulated other comprehensive income/(loss) attributable to Procter & Gamble (AOCI), including the reclassifications out of AOCI by component:

Changes in Accumulated Other Comprehensive Income/(Loss) by Component

	Investment Securities	Post-retirement Benefits	Foreign Currency Translation	Total AOCI
BALANCE at JUNE 30, 2019	$ 11	$ (4,198)	$ (10,749)	$ (14,936)
OCI before reclassifications [1]	(10)	(453)	(1,083)	(1,546)
Amounts reclassified from AOCI into the Consolidated Statement of Earnings [2]	(2)	303	—	301
Net current period OCI	(12)	(150)	(1,083)	(1,245)
Less: Other comprehensive income/(loss) attributable to non-controlling interests	—	2	(18)	(16)
BALANCE at JUNE 30, 2020	(1)	(4,350)	(11,814)	(16,165)
OCI before reclassifications [3]	**20**	**1,046**	**1,023**	**2,089**
Amounts reclassified from AOCI into the Consolidated Statement of Earnings [4]	**(4)**	**340**	**—**	**336**
Net current period OCI	**16**	**1,386**	**1,023**	**2,425**
Less: Other comprehensive income/(loss) attributable to non-controlling interests	**—**	**(1)**	**5**	**4**
BALANCE at JUNE 30, 2021	**$ 15**	**$ (2,963)**	**$ (10,796)**	**$ (13,744)**

(1) Net of tax (benefit)/expense of $(1), $(131) and $59 for gains/losses on investment securities, postretirement benefit items and foreign currency translation, respectively, for the period ended June 30, 2020. Income taxes are not provided for foreign translation relating to permanent investments in international subsidiaries, but tax effects within cumulative translation does include impacts from items such as net investment hedge transactions.

(2) Net of tax (benefit)/expense of $0, $89 and $0 for gains/losses on investment securities, postretirement benefit items and foreign currency translation, respectively, for the period ended June 30, 2020.

(3) Net of tax (benefit)/expense of $5, $345 and $(266) for gains/losses on investment securities, postretirement benefit items and foreign currency translation, respectively, for the period ended June 30, 2021. Income taxes are not provided for foreign translation relating to permanent investments in international subsidiaries, but tax effects within cumulative translation does include impacts from items such as net investment hedge transactions.

(4) Net of tax (benefit)/expense of $0, $100 and $0 for gains/losses on investment securities, postretirement benefit items and foreign currency translation, respectively, for the period ended June 30, 2021.

The below provides additional details on amounts reclassified from AOCI into the Consolidated Statement of Earnings:

- Investment securities: amounts reclassified from AOCI into Other non-operating income, net.
- Postretirement benefits: amounts reclassified from AOCI into Other non-operating income, net and included in the computation of net periodic postretirement costs (see Note 8 for additional details).

NOTE 12

LEASES

The Company determines whether a contract contains a lease at the inception of a contract by determining if the contract conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. We lease certain real estate, machinery, equipment, vehicles and office equipment for varying periods. Many of these leases include an option to either renew or terminate the lease. For purposes of calculating lease liabilities, these options are included within the lease term when it has become reasonably certain that the Company will exercise such options. The incremental borrowing rate utilized to calculate our lease liabilities is based on the information available at commencement date, as most of the leases do not provide an implicit borrowing rate. Our operating lease agreements do not contain any material guarantees or restrictive covenants. The Company does not have any material finance leases or sublease activities. Short-term leases, defined as leases with initial terms of 12 months or less, are not reflected on the Consolidated Balance Sheets. Lease expense for such short-term leases is not material. The most significant assets in our leasing portfolio relate to real estate and vehicles. For purposes of calculating lease liabilities for such leases, we have combined lease and non-lease components.

The components of the Company's total operating lease cost for the years ended June 30, 2021 and June 30, 2020 were as follows:

Years ended June 30	2021	2020
Operating lease cost	**245**	271
Variable lease cost [(1)]	**75**	76
Total lease cost	**$ 320**	$ 347

[(1)] Includes primarily costs for utilities, common area maintenance, property taxes and other operating costs associated with operating leases that are not included in the lease liability and are recognized in the period in which they are incurred.

Total lease cost for the year ended June 30, 2019 was $341.

Supplemental balance sheet and other information related to leases is as follows:

As of June 30	2021	2020
Operating leases:		
Other noncurrent assets	**$ 808**	$ 850
Accrued and other liabilities	**219**	239
Other noncurrent liabilities	**631**	652
Total operating lease liabilities	**$ 850**	$ 891
Weighted average remaining lease term:		
Operating leases	**6.4 years**	6.5 years
Weighted average discount rate:		
Operating leases	**3.8 %**	4.3 %

At June 30, 2021, future payments of operating lease liabilities were as follows:

	Operating Leases June 30, 2021
1 year	$ 219
2 years	192
3 years	157
4 years	106
5 years	69
Over 5 years	210
Total lease payments	**953**
Less: Interest	(103)
Present value of lease liabilities	**$ 850**

Total cash paid for amounts included in the measurement of lease liabilities was $253 and $271 for the years ended June 30, 2021 and June 30, 2020, respectively.

The right-of-use assets obtained in exchange for lease liabilities were $163 and $126 for the years ended June 30, 2021 and June 30, 2020, respectively.

NOTE 13

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

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	2022	2023	2024	2025	2026	There-after
Purchase obligations	$ 809	$ 381	$ 218	$ 151	$ 108	$ 315

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. 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.

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 14

MERCK ACQUISITION

On November 30, 2018, we completed our acquisition of the OTC healthcare business of 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.

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 Chairman of the Board, President and Chief Executive Officer, David S. Taylor, and the Company's Chief Financial Officer, Andre Schulten, 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 Schulten 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 Schulten, 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.

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 Ms. Christine M. McCarthy.

The information required by this item is incorporated by reference to the following sections of the 2021 Proxy Statement filed pursuant to Regulation 14A, which will be filed no later than 120 days after June 30, 2021: 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; and the subsections of the Other Matters section entitled Director Nominations for Inclusion in the 2022 Proxy Statement and entitled Shareholder Recommendations of Board Nominees and Committee Process for Recommending Board Nominees. Pursuant to the Instruction to Item 401 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 2021 Proxy Statement filed pursuant to Regulation 14A, which will be filed no later than 120 days after June 30, 2021: 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, 2021. 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 Procter & Gamble 2009 Stock and Incentive Compensation Plan; The Procter & Gamble 2014 Stock and Incentive Compensation Plan; and The Procter & Gamble 2019 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			
Stock Options/Stock Appreciation Rights	138,297,815	$91.2043	[1]
Restricted Stock Units (RSUs)/ Performance Stock Units (PSUs)	7,202,433	N/A	[1]
TOTAL	**145,500,248**	**$91.2043** [2]	

(1) Of the plans listed above, only The Procter & Gamble 2019 Stock and Incentive Compensation Plan (the “2019 Plan”) allows for future grants of securities. The maximum number of shares that may be granted under this plan is 187 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) are counted as five shares for each share awarded. Total shares available for future issuance under this plan is 144 million.

(2) Weighted average exercise price of outstanding options only.

Additional information required by this item is incorporated by reference to the following section of the 2021 Proxy Statement filed pursuant to Regulation 14A, which will be filed no later than 120 days after June 30, 2021: the subsection of the Beneficial Ownership section entitled Security Ownership of Management and Certain Beneficial Owners.

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 2021 Proxy Statement filed pursuant to Regulation 14A, which will be filed no later than 120 days after June 30, 2021: 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 2021 Proxy Statement filed pursuant to Regulation 14A, which will be filed no later than 120 days after June 30, 2021: 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, 2021, 2020 and 2019
- Consolidated Statements of Other Comprehensive Income - for years ended June 30, 2021, 2020 and 2019
- Consolidated Balance Sheets - as of June 30, 2021 and 2020
- Consolidated Statements of Shareholders' Equity - for years ended June 30, 2021, 2020 and 2019
- Consolidated Statements of Cash Flows - for years ended June 30, 2021, 2020 and 2019
- 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).
	(4-2) -	The Company agrees to furnish to the Securities and Exchange Commission, upon request, a copy of any other instrument defining the rights of holders of the Company’s long-term debt.
	(4-3) -	Description of the Company’s Common Stock (Incorporated by reference to Exhibit (4-3) of the Company’s Annual report on Form 10-K for the year ended June 30, 2019).
	(4-4) -	Description of the Company’s 0.625% Notes due 2024, 1.200% Notes due 2028, and 1.875% Notes due 2038 (Incorporated by reference to Exhibit (4-4) of the Company’s Annual report on Form 10-K for the year ended June 30, 2019).
	(4-5) -	Description of the Company’s 4.875% EUR notes due May 2027, 6.250% GBP notes due January 2030, and 5.250% GBP notes due January 2033.+
	(4-6) -	Description of the Company’s 0.500% Notes due 2024 and 1.250% Notes due 2029 (Incorporated by reference to Exhibit (4-6) of the Company’s Annual report on Form 10-K for the year ended June 30, 2019).

(4-7) - Description of the Company’s 1.375% Notes due 2025 and 1.800% Notes due 2029 (Incorporated by reference to Exhibit (4-7) of the Company’s Annual report on Form 10-K for the year ended June 30, 2019).

(4-8) - Description of the Company’s 1.125% Notes due 2023 (Incorporated by reference to Exhibit (4-8) of the Company’s Annual report on Form 10-K for the year ended June 30, 2019).

(4-9) - Description of the Company’s 2.000% Notes due 2021 (Incorporated by reference to Exhibit (4-10) of the Company’s Annual report on Form 10-K for the year ended June 30, 2019).

(4-10) - Description of the Company’s 2.000% Notes due 2022 (Incorporated by reference to Exhibit (4-11) of the Company’s Annual report on Form 10-K for the year ended June 30, 2019).

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 (Incorporated by reference to Exhibit (10-1) of the Company’s Annual Report on Form 10-K for the year ended June 30, 2018).*

(10-2) - The Procter & Gamble 2001 Stock and Incentive Compensation Plan 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).*

(10-3) - 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 (Incorporated by reference to Exhibit (10-2) of the Company’s Annual Report on Form 10-K for the year ended June 30, 2018).*

(10-4) - The Procter & Gamble Executive Group Life Insurance Policy (Incorporated by reference to Exhibit (10-3) of the Company’s Annual Report on Form 10-K for the year ended June 30, 2018).*

(10-5) - Summary of the Company’s Retirement Plan Restoration Program (Incorporated by reference to Exhibit (10-5) of the Company's Form 10-Q for the quarter ended December 31, 2019).*

(10-6) - Retirement Plan Restoration Program 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).*

(10-7) - Summary of the Company’s Long-Term Incentive Program (Incorporated by reference to Exhibit (10-3) of the Company's Form 10-Q for the quarter ended September 30, 2020).*

(10-8) - Long-Term Incentive Program related correspondence and terms and conditions.*+

(10-9) - The Procter & Gamble Company Executive Deferred Compensation Plan (Incorporated by reference to Exhibit (10-2) of the Company's Form 10-Q for the quarter ended March 31, 2020).*

(10-10) - Summary of the Company's Short Term Achievement Reward Program (Incorporated by reference to Exhibit (10-1) of the Company’s Form 10-Q for the quarter ended September 30, 2020).*

(10-11) - Short Term Achievement Reward Program – related correspondence and terms and conditions.*+

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(10-13) - Company's Form of Separation Letter and Release (Incorporated by reference to Exhibit (10-1) of the Company's Form 10-Q for the quarter ended March 31, 2021).*

(10-14) - Summary of personal benefits available to certain officers and non-employee directors (Incorporated by reference to Exhibit (10-3) of the Company's Form 10-Q for the quarter ended September 30, 2018).*

(10-15) - 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).*

(10-16) - Senior Executive Recoupment Policy (Incorporated by reference to Exhibit (10-19) of the Company’s Annual Report on Form 10-K for the year ended June 30, 2018).*

(10-17) - 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).*

(10-18) - 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).*

(10-19) - 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 (Incorporated by reference to Exhibit (10-21) of the Company’s Annual Report on Form 10-K for the year ended June 30, 2018).*

(10-20) - 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).*

(10-21) - The Procter & Gamble Performance Stock Program Summary (In
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Exhibit (32) - Section 1350 Certifications. +

Exhibit (99-1) - Summary of Directors and Officers Insurance Program. +

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(1) Pursuant to Rule 406T of Regulation S-T, these interactive data fi
registration statement or prospectus for purposes of Sections 11 o
Section 18 of the Securities Exchange Act of 1934 and otherwise

* 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 06, 2021

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 06, 2021
/s/ ANDRE SCHULTEN (Andre Schulten)	Chief Financial Officer (Principal Financial Officer)	August 06, 2021
/s/ MICHAEL G. HOMAN (Michael G. Homan)	Senior Vice President - Chief Accounting Officer (Principal Accounting Officer)	August 06, 2021
/s/ B. MARC ALLEN (B. Marc Allen)	Director	August 06, 2021
/s/ FRANCIS S. BLAKE (Francis S. Blake)	Director	August 06, 2021
/s/ ANGELA F. BRALY (Angela F. Braly)	Director	August 06, 2021
/s/ AMY L. CHANG (Amy L. Chang)	Director	August 06, 2021
/s/ JOSEPH JIMENEZ (Joseph Jimenez)	Director	August 06, 2021
/s/ DEBRA L. LEE (Debra L. Lee)	Director	August 06, 2021
/s/ TERRY J. LUNDGREN (Terry J. Lundgren)	Director	August 06, 2021
/s/ CHRISTINE M. MCCARTHY (Christine M. McCarthy)	Director	August 06, 2021
/s/ W. JAMES MCNERNEY, JR. (W. James McNerney, Jr.)	Director	August 06, 2021
/s/ JON R. MOELLER (Jon R. Moeller)	Director	August 06, 2021
/s/ NELSON PELTZ (Nelson Peltz)	Director	August 06, 2021
/s/ MARGARET C. WHITMAN (Margaret C. Whitman)	Director	August 06, 2021
/s/ PATRICIA A. WOERTZ (Patricia A. Woertz)	Director	August 06, 2021

EXHIBIT INDEX

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).

(4-2) - The Company agrees to furnish to the Securities and Exchange Commission, upon request, a copy of any other instrument defining the rights of holders of the Company's long-term debt.

(4-3) - Description of the Company's Common Stock (Incorporated by reference to Exhibit (4-3) of the Company's Annual report on Form 10-K for the year ended June 30, 2019)

(4-4) - Description of the Company's 0.625% Notes due 2024, 1.200% Notes due 2028, and 1.875% Notes due 2038 (Incorporated by reference to Exhibit (4-4) of the Company's Annual report on Form 10-K for the year ended June 30, 2019).

(4-5) - Description of the Company's 4.875% EUR notes due May 2027, 6.250% GBP notes due January 2030, and 5.250% GBP notes due January 2033. +

(4-6) - Description of the Company's 0.500% Notes due 2024 and 1.250% Notes due 2029 (Incorporated by reference to Exhibit (4-6) of the Company's Annual report on Form 10-K for the year ended June 30, 2019).

(4-7) - Description of the Company's 1.375% Notes due 2025 and 1.800% Notes due 2029 (Incorporated by reference to Exhibit (4-7) of the Company's Annual report on Form 10-K for the year ended June 30, 2019).

(4-8) - Description of the Company's 1.125% Notes due 2023 (Incorporated by reference to Exhibit (4-8) of the Company's Annual report on Form 10-K for the year ended June 30, 2019).

(4-9) - Description of the Company's 2.000% Notes due 2021 (Incorporated by reference to Exhibit (4-10) of the Company's Annual report on Form 10-K for the year ended June 30, 2019).

(4-10) - Description of the Company's 2.000% Notes due 2022 (Incorporated by reference to Exhibit (4-11) of the Company's Annual report on Form 10-K for the year ended June 30, 2019).

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 (Incorporated by reference to Exhibit (10-1) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).

(10-2) - The Procter & Gamble 2001 Stock and Incentive Compensation Plan 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).

(10-3) - 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 (Incorporated by reference to Exhibit (10-2) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).

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\+ Filed herewith.

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, 2020
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	Trading Symbol	Name (
Common Stock, without Par Value	PG	
4.125% EUR notes due December 2020	PG20A	
2.000% notes due 2021	PG21	
2.000% notes due 2022	PG22B	
1.125% notes due 2023	PG23A	
0.500% notes due 2024	PG24A	
0.625% notes due 2024	PG24B	
1.375% notes due 2025	PG25	
4.875% EUR notes due May 2027	PG27A	
1.200% notes due 2028	PG28	
1.250% notes due 2029	PG29B	
1.800% notes due 2029	PG29A	
6.250% GBP notes due January 2030	PG30	
5.250% GBP notes due January 2033	PG33	
1.875% notes due 2038	PG38	

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 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 and post 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 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	☐	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 ☑
Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☑ No ☐

The aggregate market value of the voting stock held by non-affiliates amounted to $304 billion on December 31, 2019.

There were 2,486,086,692 shares of Common Stock outstanding as of July 31, 2020.

Documents Incorporated by Reference

Portions of the Proxy Statement for the 2020 Annual Meeting of Shareholders, which will be filed within one hundred and twenty days of the fiscal year ended June 30, 2020 (2020 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 products of superior quality and value to improve the lives of the world's consumers, now and for generations to come. The Company was incorporated in Ohio in 1905, having first been established as a New Jersey corporation in 1890, and was built from a business founded in Cincinnati 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. P&G includes the website link solely as a textual reference. The information contained on our website is not incorporated by reference into this report.

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

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 and brands. 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 through numerous channels as well as direct-to-consumer. Our growth strategy is to deliver meaningful and noticeable superiority in all elements of our consumer proposition - product, packaging, brand communication, retail execution and consumer and customer 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 in which we compete. Productivity improvement is also critical to delivering our objectives of balanced top and bottom-line growth and value creation.

Key Product Categories. Information on key product categories can be found in the MD&A and 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 (including airport duty-free stores), high-frequency stores, pharmacies, electronics stores and professional channels. These customers sell our products to individual consumers. We also sell direct to consumers. Sales to Walmart Inc. and its affiliates represent approximately 15% of our total sales in 2020, 2019 and 2018. No other customer represents more than 10% of our total sales. Our top ten customers accounted for approximately 38% of our total sales in 2020 and 36% in 2019 and 2018. The nature of our business does not result in 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 third parties, 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 processes 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 are 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.

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 2021.

Employees. As of June 30, 2020, the Company had approximately 99,000 employees, an increase of two percent versus the prior year due to business growth and in-sourcing of certain media planning and other services. The total number of employees is an estimate of total Company employees excluding interns, co-ops, contractors and employees of joint ventures. The number of employees includes manufacturing and non-manufacturing employees.

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, as well as in our quarterly and annual reports, current reports on Form 8-K, 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, except to the extent required by law. 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 Management's Discussion and Analysis 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, perhaps materially.

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, generate sales and pay expenses in a variety of currencies other than the U.S. dollar, and our operations outside the U.S. generate more than fifty percent of our annual net sales. Fluctuations in exchange rates for foreign currencies have and could continue to reduce the U.S. dollar value of sales, earnings 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 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 the Consolidated Financial Statements and related Notes.

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, Argentina, Egypt and Turkey. Our results of operations, financial condition and cash flows 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 have been and could continue to 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 creditworthiness of local governments, particularly in emerging markets.

Uncertain 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. These disruptions have included and may in the future include: a slow-down or recession in the general economy; reduced market growth rates; tighter credit markets for our suppliers, vendors or customers; a significant shift in government policies; the deterioration of economic relations between countries or regions, including potential negative consumer sentiment toward non-local products or sources; 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, these and other economic conditions may cause our suppliers, distributors, contractors or other third-party partners to suffer financial or operational 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 sales, 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.

Our business results depend on our ability to manage disruptions in our global supply chain.

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, disease outbreaks or other external factors over which we have no control, have interrupted product supply and, if not effectively managed and remedied, could have an adverse impact on our business, financial condition, results of operations or cash flows.

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 depend, 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 results of operations or cash flows.

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 financial condition, results of operations or cash flows.

The ability to achieve our business objectives depends 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, ease of competitive entry into certain categories, 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 of operations or cash flows.

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 (including airport duty-free stores), high-frequency stores, pharmacies, electronics stores and professional channels. Our success depends 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 of or shelf space allocated to our products as a result of increased offerings of other branded manufacturers, 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 directly depends 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 of operations or cash flows 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 results of operations or cash flows 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 results of operations or cash flows 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, contract manufacturers, 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 results of operations and cash flows could be adversely impacted. Further, failure of these third parties to meet their obligations to the Company or substantial disruptions in the relationships between the Company and these third parties could adversely impact our operations and financial results. 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.

A significant 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.

We rely extensively on information and operational technology ("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 persons covered by an expanding landscape of privacy and data regulations, such as citizens of the European Union who are covered by the General Data Protection Regulation ("GDPR") or residents of California covered by the California Consumer Privacy Act ("CCPA");
- 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. In addition, 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 outside parties, hackers, criminal organizations or other threat actors, including nation states. In addition, insider actors-malicious or otherwise-could cause technical disruptions and/or confidential data leakage. 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.

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. Periodically, we also 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. The costs and operational consequences of responding to the above items and implementing remediation measures could be significant and could adversely impact our results of operations and cash flows.

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 withdrawal from the European Union ("Brexit") 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, tariffs, import and export controls and the general 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, new or increased tariffs, trade barriers and market contraction, could adversely affect the Company's results of operations and cash flows.

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 the countries in which we do business, including those laws and regulations involving intellectual property, product liability, product composition or formulation, packaging content or end-of-life responsibility, marketing, antitrust, data protection, environmental (including increasing focus on the climate, water, and waste impacts of consumer packaged goods companies' operations and products), employment, anti-bribery, anti-corruption, tax, accounting and financial reporting or other matters. Rapidly changing laws, regulations, policies and related interpretations, as well as increased enforcement actions, create challenges for the Company, including our compliance and ethics programs, may alter the environment in which we do business and may increase the ongoing costs of compliance, which could adversely impact our results of operations and cash flows. If we are unable to continue to meet these challenges and comply with all laws, regulations, policies 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 financial condition, results of operations and cash flows. 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, 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 ongoing impacts of the U.S. Tax Act may differ from the estimates provided elsewhere in the reports we file with the Securities and Exchange Commission, possibly materially, due to, among other things, changes in interpretations, any regulatory guidance or legislative action to address questions that arise or any updates or changes to estimates the Company has used to calculate the impacts.

Additionally, longstanding international tax norms that determine each country's jurisdiction to tax cross-border international trade are subject to potential evolution. An outgrowth of the original Base Erosion and Profit Shifting ("BEPS") project is a project undertaken by the more than 130 member countries of the expanded OECD Inclusive Framework focused on "Addressing the Challenges of the Digitalization of the Economy." The breadth of this project extends beyond pure digital businesses and is likely to

impact all multinational businesses by potentially redefining jurisdictional taxation rights. As this and other tax laws and related regulations change or evolve, our financial condition, results of operations and cash flows could be materially impacted. Given the unpredictability of these possible changes, it is very difficult to assess whether the overall effect of such potential tax changes would be cumulatively positive or negative, but such changes could adversely impact our results of operations and cash flows.

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 results of operations and cash flows.

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 have been, and in the future could be, adversely impacted by the dilutive impacts from the loss of earnings associated with divested brands or dissolution of joint ventures. Our results of operations and cash flows have been and, in the future could also be, impacted by acquisitions or joint venture activities, 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 result in an impairment of goodwill and intangible assets.

Our business results depend on our ability to successfully manage productivity improvements and ongoing organizational change, including attracting and retaining key talent as part of our overall succession planning.

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 results of operations and cash flows. Additionally, successfully executing organizational change, 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 individuals. Our success depends on identifying, developing and retaining key employees to provide uninterrupted 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.

We must successfully manage the demand, supply, and operational challenges associated with the actual or perceived effects of a disease outbreak, including epidemics, pandemics, or similar widespread public health concerns.

Our business may be negatively impacted by the fear of exposure to or actual effects of a disease outbreak, epidemic, pandemic, or similar widespread public health concern, such as travel restrictions or recommendations or mandates from governmental authorities to avoid large gatherings or to self-quarantine as a result of the novel coronavirus (COVID-19) pandemic. These impacts include, but are not limited to:

- Significant reductions in demand or significant volatility in demand for one or more of our products, which may be caused by, among other things: the temporary inability of consumers to purchase our products due to illness, quarantine or other travel restrictions, or financial hardship, shifts in demand away from one or more of our more discretionary or higher priced products to lower priced products, or stockpiling or similar pantry-loading activity. If prolonged, such impacts can further increase the difficulty of business or operations planning and may adversely impact our results of operations and cash flows;
- Inability to meet our customers' needs and achieve cost targets due to disruptions in our manufacturing and supply arrangements caused by constrained workforce capacity or the loss or disruption of other essential manufacturing and supply elements such as raw materials or other finished product components, transportation, or other manufacturing and distribution capability;
- Failure of third parties on which we rely, including our suppliers, contract manufacturers, distributors, contractors, commercial banks, joint venture partners and external business partners, to meet their obligations to the Company, or significant disruptions in their ability to do so, which may be caused by their own financial or operational difficulties and may adversely impact our operations; or
- Significant changes in the political conditions in markets in which we manufacture, sell or distribute our products, including quarantines, import/export restrictions, price controls, or governmental or regulatory actions, closures or other restrictions that limit or close our operating and manufacturing facilities, restrict our employees' ability to travel or perform necessary business functions, or otherwise prevent our third-party partners, suppliers, or customers from sufficiently staffing operations, including operations necessary for the production, distribution, sale, and support of our products, which

could adversely impact our results of operations and cash flows.

Despite our efforts to manage and remedy these impacts to the Company, their ultimate impact also depends on factors beyond our knowledge or control, including the duration and severity of any such outbreak as well as third-party actions taken to contain its spread and mitigate its public health effects.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

In the U.S., we own and operate 23 manufacturing sites located in 17 different states. In addition, we own and operate 84 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 19; Health Care products at 21; Fabric & Home Care products at 38; and Baby, Feminine & Family Care at 36. We own our Corporate headquarters in Cincinnati, Ohio. We own or lease our principal regional general offices in Switzerland, Panama, Singapore, China and Dubai. 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 13 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.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The names, ages and positions held by the Executive Officers of the Company on August 6, 2020, are:

Name	Position	Age	First Elected to Officer Position
David S. Taylor	Chairman of the Board, President and Chief Executive Officer	62	2013[a]
Jon R. Moeller	Vice Chairman, Chief Operating Officer and Chief Financial Officer	56	2009[b]
Steven D. Bishop	Chief Executive Officer - Health Care	56	2016[c]
Gary A. Coombe	Chief Executive Officer - Grooming	56	2014[d]
Mary Lynn Ferguson-McHugh	Chief Executive Officer - Family Care and P&G Ventures	60	2016[e]
Ma. Fatima D. Francisco	Chief Executive Officer - Baby and Feminine Care	52	2018[f]
Shailesh Jejurikar	Chief Executive Officer - Fabric and Home Care	53	2018[g]
R. Alexandra Keith	Chief Executive Officer - Beauty	52	2017[h]
Carolyn M. Tastad	Group President - North America and Chief Sales Officer	59	2014[i]
M. Tracey Grabowski	Chief Human Resources Officer	52	2018[j]
Kathleen B. Fish	Chief Research, Development and Innovation Officer	63	2014
Deborah P. Majoras	Chief Legal Officer and Secretary	56	2010
Marc S. Pritchard	Chief Brand Officer	60	2008
Valarie L. Sheppard	Controller and Treasurer and Group Vice President - Company Transition Leader	56	2005

All the Executive Officers named above have been employed by the Company for more than the past five years.

[a]Mr. Taylor previously served as Group President - Global Beauty, Grooming & Health Care (February - October 2015).

[b]Mr. Moeller previously served as Vice Chairman and Chief Financial Officer (2017 - 2019) and as Chief Financial Officer (2009 - 2017).

[c]Mr. Bishop previously served as Group President - Global Oral Care (January - October 2015).

[d]Mr. Coombe previously served as President - Europe Selling & Market Operations (November 2014 - February 2018).

[e]Ms. Ferguson-McHugh previously served as Group President - Global Family Care (2014-2015).

[f]Ms. Francisco previously served as President - Global Feminine Care (November 2015 - August 2018) and as Vice President - Brand Franchise Leader, Feminine Care (January - October 2015).

[g]Mr. Jejurikar previously served as President - Global Fabric Care and Brand-Building Officer Global Fabric & Home Care (November 2015 - July 2018) and as President - Fabric Care, North America; Brand-Building Officer Fabric & Home Care New Business Creation (November 2014 - October 2015).

[h]Ms. Keith previously served as President - Global Skin & Personal Care (November 2014 - June 2017).

[i]Ms. Tastad previously served as Group President - North America Selling & Market Operations (January 2015 - May 2019).

[j]Ms. Grabowski previously served as Vice President - Human Resources, North America Selling and Market Operations (April 2015 - July 2018).

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	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [1]	Approximate Dollar Value of Shares that May Yet Be Purchased Under Our Share Repurchase Program
4/1/2020 - 4/30/2020	0	n/a	0	[1]
5/1/2020 - 5/31/2020	0	n/a	0	[1]
6/1/2020 - 6/30/2020	0	n/a	0	[1]
Total	0	n/a	0	[1]

[1] On April 17, 2020, the Company stated that in fiscal year 2020 the Company expected to reduce outstanding shares through direct share repurchases at a value of $7 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 $7.4 billion. The share repurchase plan ended on June 30, 2020.

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 130 consecutive years since its original incorporation in 1890 and has increased its dividend for 64 consecutive years. Nevertheless, as in the past, further dividends will be considered after reviewing dividend yields, profitability and cash flow expectations and financing needs and will be declared at the discretion of the Company's Board of Directors.

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(in dollars; split-adjusted)	1956	1970	1980	1990	
Dividends per share	$ 0.01	$ 0.04	$ 0.11	$ 0.22	$

Common Stock Information

P&G trades on the New York Stock Exchange under the stock symbol PG. As of June 30, 2020, there were approximately 4 million common stock shareowners, including shareowners of record, participants in P&G stock ownership plans and beneficial owners with accounts at banks and brokerage firms.

Shareholder Return

The following graph compares the cumulative total return of P&G's common stock for the five-year period ended June 30, 2020, 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, 2015, and that all dividends were reinvested.

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	Cumulative Value of $100 Investment, through June 30					
Company Name/Index	**2015**	**2016**	**2017**	**2018**	**2019**	**202**
P&G	$ 100	$ 112	$ 119	$ 110	$ 160	**$ 1**
S&P 500 Stock Index	100	104	123	140	155	**1**
S&P 500 Consumer Staples Index	100	119	122	117	137	**1**

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	2020	2019	2018	2017	2016
Net sales	**$ 70,950**	$ 67,684	$ 66,832	$ 65,058	$ 65,299
Gross profit	**35,700**	32,916	32,400	32,420	32,275
Operating income	**15,706**	5,487	13,363	13,766	13,258
Net earnings from continuing operations	**13,103**	3,966	9,861	10,194	10,027
Net earnings from discontinued operations	**—**	—	—	5,217	577
Net earnings attributable to Procter & Gamble	**13,027**	3,897	9,750	15,326	10,508
Net earnings margin from continuing operations	**18.5 %**	5.9 %	14.8 %	15.7 %	15.4 %
Basic net earnings per common share: [1]					
Earnings from continuing operations	**$ 5.13**	$ 1.45	$ 3.75	$ 3.79	$ 3.59
Earnings from discontinued operations	**—**	—	—	2.01	0.21
Basic net earnings per common share	**$ 5.13**	$ 1.45	$ 3.75	$ 5.80	$ 3.80
Diluted net earnings per common share: [1]					
Earnings from continuing operations	**$ 4.96**	$ 1.43	$ 3.67	$ 3.69	$ 3.49
Earnings from discontinued operations	**—**	—	—	1.90	0.20
Diluted net earnings per common share	**$ 4.96**	$ 1.43	$ 3.67	$ 5.59	$ 3.69
Dividends per common share	**$ 3.03**	$ 2.90	$ 2.79	$ 2.70	$ 2.66
Research and development expense	**$ 1,834**	$ 1,861	$ 1,908	$ 1,874	$ 1,879
Advertising expense	**7,326**	6,751	7,103	7,118	7,243
Total assets	**120,700**	115,095	118,310	120,406	127,136
Capital expenditures	**3,073**	3,347	3,717	3,384	3,314
Long-term debt	**23,537**	20,395	20,863	18,038	18,945
Shareholders' equity	**$ 46,878**	$ 47,579	$ 52,883	$ 55,778	$ 57,983

(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,” “Risk Factors” and "Notes 4 and 13 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, except to the extent required by law.

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 effect 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, acts of war or terrorism, or disease outbreaks; (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, contract manufacturers, distributors, contractors and external business partners; (11) the ability to rely on and maintain key company and third party information and operational 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 exit from 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, product and packaging composition, intellectual property, labor and employment, 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; (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; and (17) the ability to successfully manage the demand, supply, and operational challenges associated with a disease outbreak, including epidemics, pandemics, or similar widespread public health concerns (including the novel coronavirus, COVID-19, outbreak). 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 I, Item 1A) of this Form 10-K.

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 2020 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), consisting of 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 and foreign exchange 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, transitional tax payments related to the U.S. Tax Act and tax payments related to the Merck OTC consumer healthcare acquisition. Adjusted free cash flow productivity is the ratio of adjusted free cash flow to net earnings. 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, as well as reconciliations to the most directly comparable U.S. GAAP 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 of our products in dollar terms on a constant currency basis, 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 as compared to the end of the reporting period. Management also uses unit volume growth to evaluate and explain drivers of changes in net sales. Organic volume growth reflects year-over-year changes in unit volume excluding the impacts of acquisitions and divestitures and certain one-time items, if applicable, and is used to explain changes in organic sales.

OVERVIEW

Procter & Gamble 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 (including airport duty-free stores), high-frequency stores, pharmacies, electronics stores and professional channels. We also sell direct to consumers. 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 believe 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

In fiscal 2020, our organizational structure was comprised of Sector Business Units (SBUs), Enterprise Markets (EMs), Corporate Functions (CF) and Global Business Services (GBS).

Sector Business Units

Our SBUs are organized into ten product categories. Under U.S. GAAP, the SBUs underlying the ten product categories are aggregated into five reportable segments: Beauty; Grooming; Health Care; Fabric & Home Care; and Baby, Feminine & Family Care. The SBUs 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]	Produc
Beauty	19%	21%	Hair C (*Cond* *Shamp* *Aids, T* Skin a Care (*and D* *Persor* *Skin C*
Grooming	9%	10%	Groom Care - *& Raz* *Blades* *and Pe* *Produ* *Care;*
Health Care	13%	12%	Oral C (*Tooth* *Toothp* *Oral C* Person (*Gastr* *Rapid* *Respir* *Vitami* *Supple* *Relief,* *Health*
Fabric & Home Care	33%	31%	Fabric *Enhan* *Additi* *Deterg* Home *Dish C* *Profes* *Care*)
Baby, Feminine & Family Care	26%	26%	Baby C *Wipes,* *and Pa* Femin *Incont* *Femin* Family *Towels* *Paper*

[1] Percent of Net sales and Net earnings from continuing operations for the year ended June 30, 2020 (excluding results held in Corporate).

[2] The Grooming product category is comprised of the Shave Care and Appliances operating segments.

Recent Developments:

During fiscal 2019, the Company completed the 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). This business primarily sells OTC consumer healthcare products, mainly in markets in Europe, Latin America and Asia. Total sales for the business during Merck OTC's fiscal year ended December 31, 2017 were approximately $1 billion. Refer to Note 14 to our Consolidated Financial Statements for more details on this transaction.

During fiscal 2019, the Company also dissolved 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 were returned to the original respective parent companies to reestablish independent OTC businesses. This transaction was accounted for as a sale of the Teva portion of the PGT business. The Company recorded an after-tax gain on the sale of $353 million.

Organization Design Changes:

The Company implemented changes to our organization design effective July 1, 2019. In the new design, the ten product categories were organized into six SBUs. The SBUs are responsible for global brand strategy, innovation and supply chain. They have direct profit responsibility for markets representing the large majority of the Company's sales and earnings (referred to as Focus Markets) and are responsible for innovation plans, supply plans and operating frameworks to drive growth and value creation in the remaining markets (referred to as Enterprise Markets). For segment reporting purposes, the product categories continue to be aggregated into the same five external reporting segments. Throughout the MD&A, we reference business results by region, which are comprised of North America, Europe, Greater China, Latin America, Asia Pacific and India, Middle East and Africa (IMEA).

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 approximately 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 over 60%, primarily behind our Gillette 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 electric 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 Crest and Oral-B brands. In personal health care, we are a top ten competitor in a large, highly fragmented industry, primarily behind respiratory treatments (Vicks brand) and digestive wellness products (Metamucil, Pepto Bismol and Align brands). As discussed earlier, in fiscal 2019, we dissolved the PGT Healthcare partnership with Teva, which previously managed nearly all of our personal health care sales outside the U.S., and reestablished an independent OTC business. We also acquired Merck OTC 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 approximately 25% across the categories in which we compete primarily behind our Cascade, Dawn, Febreze and Swiffer brands.

Baby, Feminine & Family Care: In baby care, we are the global market leader and compete mainly in taped diapers, pants and baby wipes with nearly 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 over $7 billion. We are the global market leader in the feminine care category with 25% global market share, primarily behind our Always and Tampax brands. We also compete in the adult incontinence category in certain markets behind Always Discreet, achieving nearly 10% market share in most of the key markets in which we compete. Our family care business is predominantly a North American business comprised primarily of the Bounty paper towel and Charmin toilet paper brands. U.S. market shares are over 40% for Bounty and over 25% for Charmin.

Enterprise Markets

As a result of the changes in our organization design effective July 1, 2019, EMs are responsible for sales and profit delivery in specific countries, supported by SBU agreed innovation and supply chain plans, along with scaled services like planning, distribution and customer management.

Corporate Functions

CF provides company-level strategy and portfolio analysis, corporate accounting, treasury, tax, external relations, governance, human resources and legal services.

Global Business Services

GBS provides technology, processes and standard data tools to enable the SBUs, the EMs and CF 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

Procter & Gamble 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- and bottom-line growth and strong cash generation.

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 ten product categories where P&G has leading market positions, strong brands and consumer-meaningful product technologies.

Within these categories, 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- and bottom-line growth and value creation objectives. Productivity improvement and sales growth reinforce and fuel each other. Our objective is to drive productivity improvement across all elements of cost, including cost of goods sold, marketing and promotional spending and non-manufacturing overhead. We plan to reinvest productivity improvements and cost savings in product and packaging improvements, brand awareness-building advertising and trial-building sampling programs, increased sales coverage and R&D programs as well as to offset cost increases (including commodity and foreign exchange impacts) and improve operating margins.

We are constructively disrupting our industry and the way we do business, including how we innovate, communicate and leverage new technologies, to create more value.

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

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 fast-moving consumer goods peer group:

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

In periods with significant macroeconomic pressures, such as the current COVID-19 pandemic, 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 2020 RESULTS

Amounts in millions, except per share amounts	2020	2019	Change vs. Prior Year
Net sales	**$ 70,950**	$ 67,684	5 %
Operating income	**15,706**	5,487	186 %
Net earnings	**13,103**	3,966	230 %
Net earnings attributable to Procter & Gamble	**13,027**	3,897	234 %
Diluted net earnings per common share	**4.96**	1.43	247 %
Core earnings per share	**5.12**	4.52	13 %
Cash flow from operating activities	**17,403**	15,242	14 %

- Net sales increased 5% to $71.0 billion on a 4% increase in unit volume. Foreign exchange had a negative 2% impact on net sales. Net sales growth was driven by a double digit increase in Health Care, a high single digit increase in Fabric & Home Care, a mid-single digit increase in Beauty and a low single digit increase in Baby, Feminine & Family Care. Grooming net sales decreased low single digits. Organic sales increased 6% on a 4% increase in organic volume. Organic sales increased high single digits in Health Care and in Fabric & Home Care, increased mid-single digits in Beauty and in Baby, Feminine & Family Care and increased low single digits in Grooming.

- Operating income increased $10.2 billion, or 186% versus year ago, due primarily to the $8.3 billion base period non-cash impairment charges related to Shave Care goodwill and Gillette indefinite-lived intangible assets (Shave Care impairment). The remaining $1.9 billion increase was driven by the net sales increase and an increase in operating margin.
- Net earnings increased $9.1 billion or 230% versus year ago, due to the aforementioned items and a reduction in current year effective tax rates, partially offset by the base period gain on the dissolution of the PGT Healthcare partnership and other minor divestitures. Foreign exchange impacts negatively affected net earnings by approximately $390 million.
- Net earnings attributable to Procter & Gamble were $13.0 billion, an increase of $9.1 billion or 234% versus the prior year primarily due to the aforementioned items.
- Diluted net earnings per share (EPS) increased 247% to $4.96.
  - Core EPS increased 13% to $5.12.
- Cash flow from operating activities was $17.4 billion.
  - Adjusted free cash flow was $14.9 billion.
  - Adjusted free cash flow productivity was 114%.

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, except as required by law. Forward-looking statements are inherently uncertain and investors must recognize that events could be significantly different from our expectations. For more information on risk factors that could impact our results, please refer to “Risk Factors” in Part I, Item 1A of this Form 10-K.

Global Economic Conditions. Our products are sold in numerous countries across 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 global economic conditions are highly volatile due to the COVID-19 pandemic, resulting in both market size contractions in certain countries due to economic slowdowns and government restrictions on movement, as well as market size increases in certain countries due to pantry loading and increased consumption of household cleaning and personal health and hygiene products by consumers. Other macro-economic factors also remain dynamic, and any causes of market size contraction, reduced GDP in commodity-dependent economies, greater political unrest or instability in the Middle East, Central & Eastern Europe, certain Latin American markets, the Hong Kong market in Greater China and the Korean peninsula and economic uncertainty related to the United Kingdom's exit from the European Union, could reduce our sales or erode our operating margin, in either case reducing our net earnings and cash flows.

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. Disruptions in our manufacturing, supply and distribution operations due to the COVID-19 pandemic may also impact our costs. If we are unable to manage these impacts 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, net earnings and cash flows. 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 the 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 targeted enrollment reductions and other savings. If we are not successful in executing and sustaining these changes, there could be a negative impact on our gross margin, operating margin, net earnings and cash flows.

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 years, including fiscal 2020, 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, Brazil, Greater China, Turkey and the United Kingdom have had, and could continue to have, a significant impact on our sales, costs and net 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, gross margin, operating margin, net earnings and cash flows.

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, and the current work being led by the OECD for the G20 focused on "Addressing the Challenges of the Digitalization of the Economy." The breadth of this project extends beyond pure digital businesses and is likely to impact all multinational businesses by redefining jurisdictional taxation rights. Further, our sales, net earnings and cash flows may be impacted by U.S. and foreign government policies to manage the COVID-19 pandemic, such as movement restrictions or site closures. 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, Egypt, Argentina and Turkey. Further, our sales, net earnings and cash flows 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, gross margin, operating margin, net earnings and cash flows.

COVID-19 Pandemic disclosures

The Company's priorities during the COVID-19 pandemic are protecting the health and safety of our employees; maximizing the availability of products that help consumers with their health, hygiene and cleaning needs; and using our employees' talents and our resources to help society meet and overcome the current challenges. Because the Company sells products that are essential to the daily lives of consumers, the COVID-19 pandemic has not had a material net impact to our consolidated sales, net earnings and cash flows in the current year. However, the pandemic has had offsetting impacts during the period. For example, during the second half of fiscal 2020 we experienced a significant increase in demand and consumption of certain of our product categories (health, hygiene and home cleaning products) primarily in North America, caused in part by changing consumer habits and pantry stocking, due to the COVID-19 pandemic, contributing to increases in sales, net earnings and cash flows. At the same time, we experienced a decrease in sales due to the economic slowdown and restricted consumer movements in certain regions, including Europe, IMEA, Asia Pacific and Latin America, in certain channels, including travel retail, professional and electronics stores, and in certain of our beauty and grooming products. While we experienced a decrease in sales in Greater China during the third quarter of fiscal 2020, demand recovered in the fourth quarter as restrictions on consumer movement were relaxed. In the future, the pandemic may cause reduced demand for our products if it results in a recessionary global economic environment. Demand in certain of our Enterprise Markets, including certain countries in Latin America, Asia Pacific, and IMEA may be particularly susceptible to recession. It could also lead to volatility in consumer access to our products due to government actions impacting our ability to produce and ship products or impacting consumers' movements and access to our products. We believe that over the long term, there will continue to be strong demand for categories in which we operate, particularly our products that deliver essential health, hygiene and cleaning benefits. However, the timing and extent of demand recovery in markets such as Greater China and Japan, the resumption of international travel, the timing and impact of potential consumer pantry destocking in markets including North America and Europe, and product demand volatility caused by future economic trends are unclear. Accordingly, there may be heightened volatility in sales, net earnings and cash flows during and subsequent to the duration of the pandemic. Our retail customers are also being impacted by the pandemic. Their success in addressing the issues and maintaining their operations could impact consumer access to, and as a result, sales of our products.

Our ability to continue to operate without any significant negative impacts will in part depend on our ability to protect our employees and our supply chain. The Company has endeavored to follow actions recommended by governments and health authorities to protect our employees world-wide, with particular measures in place for those working in our plants and distribution facilities. We have also worked closely with local and national officials to keep our manufacturing facilities open due to the essential nature of the majority our products. We were able to broadly maintain our operations in the current fiscal year, but we have experienced some disruption in our supply chain in certain Enterprise Markets due primarily to the restriction of employee movements as well as increased transportation and manufacturing costs. We intend to continue to work with government authorities and implement our employee safety measures to ensure that we are able to continue manufacturing and distributing our products during the pandemic. However, uncertainty resulting from the pandemic could result in an unforeseen disruption to our supply chain (for example a closure of a key manufacturing or distribution facility or the inability of a key material or transportation supplier to source and transport materials) that could impact our operations.

Because the pandemic has not had a material negative impact on our operations or demand for our products and resulting sales and net earnings, it has also not negatively impacted the Company's liquidity position. We continue to generate operating cash flows to meet our short-term liquidity needs, and we expect to maintain access to the capital markets enabled by our strong short- and long-term credit ratings. We have also not observed any material impairments of our assets or a significant change in the fair value of assets due to the COVID-19 pandemic.

For additional 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 the 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, pricing and other activities by competitors), marketing spending, retail executions (both in-store and online), and acquisition and divestiture activity, all of which drive changes in our underlying unit volume, as well as our pricing actions (which can also 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 North America are generally higher than the Company average 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. While overhead costs are variable to some extent, we generally experience more scale-related impacts

for these costs due to our ability to leverage our organization and systems' infrastructures to support business growth.

For a detailed discussion of the fiscal 2019 year over year changes, please refer to the MD&A in Part II, Item 7 of the Company's Form 10-K for the fiscal year ended June 30, 2019.

Net Sales

Net sales increased 5% to $71.0 billion in fiscal 2020 on a 4% increase in unit volume versus the prior year. Volume increased double digits in Health Care, increased mid-single digits in Fabric & Home Care and increased low single digits in Beauty and Baby, Feminine & Family Care. Volume decreased low single digits in Grooming. Excluding the impacts of acquisitions and divestitures, including the Merck OTC acquisition, organic volume increased mid-single digits in Health Care and increased high single digits in Fabric & Home Care.

On a regional basis, volume increased high single digits in North America and increased low single digits in Greater China, Europe, Asia Pacific and Latin America driven by innovation, market growth and increased demand, particularly in household cleaning and personal health and hygiene products in the second half of the fiscal year, driven in part by increased consumption and pantry loading due to the COVID-19 pandemic. Volume decreased low single digits in IMEA as growth in the first half of the year was more than offset by market contraction in the second half of the fiscal year driven by economic slowdown resulting from the COVID-19 pandemic. Unfavorable foreign exchange reduced net sales by 2%. Increased pricing had a positive 1% impact on net sales. Mix had a positive 1% impact on net sales driven by the disproportionate organic growth of the Personal Health Care and Home Care categories and the North America region, all of which have higher than company average selling prices. Organic sales grew 6% on a 4% increase in organic volume.

Operating Costs

Comparisons as a percentage of net sales; Years ended June 30	2020	2019	Basis Point Change
Gross margin	**50.3 %**	48.6 %	170
Selling, general and administrative expense	**28.2 %**	28.2 %	—
Operating margin	**22.1 %**	8.1 %	1,400
Earnings before income taxes	**22.3 %**	9.0 %	1,330
Net earnings	**18.5 %**	5.9 %	1,260
Net earnings attributable to Procter & Gamble	**18.4 %**	5.8 %	1,260

Gross margin increased 170 basis points to 50.3% of net sales in fiscal 2020. Gross margin benefited from:

- 150 basis points from total manufacturing cost savings (130 basis points net of product and packaging reinvestments),
- 90 basis points from lower commodity costs and
- 60 basis points of positive pricing impacts.

These were offset by a 70 basis-point decline from unfavorable product mix (due to the disproportionate organic

growth of the Fabric & Home Care segment which has lower than company average gross margin and mix within segments due to the growth of lower margin product forms and larger sizes in certain categories), a 20 basis-point negative impact from unfavorable foreign exchange and 20 basis points of other impacts.

Total SG&A increased 5% to $20.0 billion, primarily due to increases in marketing spending and, to a lesser extent, increases in other net operating expenses and overhead costs. SG&A as a percentage of net sales was unchanged at 28.2%. An increase in marketing spending and other net operating expenses as a percentage of net sales was offset by a decrease in overhead costs as a percentage of net sales.

- Marketing spending as a percentage of net sales increased 10 basis points due to investments in media and other marketing spending, partially offset by the positive scale impacts of the net sales increase and savings in agency compensation, production costs and advertising spending.
- Overhead costs as a percentage of net sales decreased 40 basis points due to the positive scale impacts of the net sales increase and productivity savings, partially offset by inflation and other cost increases.
- Other net operating expenses as a percentage of net sales increased approximately 30 basis points primarily due to the base period gain on sale of real estate.

Operating margin increased 1,400 basis points to 22.1% for fiscal 2020. 1,230 basis points of this increase is due to the Shave Care impairment charge in the base period. The remaining increase is due to the increase in gross margin as discussed above.

Non-Operating Items

- Interest expense was $465 million in fiscal 2020, a decrease of $44 million versus the prior year due primarily to a reduction in U.S. interest rates, partially offset by an increase in debt.
- Interest income was $155 million in fiscal 2020, a reduction of $65 million versus the prior year due to a reduction in average cash and investment securities balances and a reduction in U.S. interest rates.
- Other non-operating income, which consists primarily of divestiture gains and other non-operating items decreased $433 million to $438 million, primarily due to the base period gains from brand divestitures including a $355 million before-tax gain from the dissolution of the PGT Healthcare partnership.

Income Taxes

Income taxes increased $628 million to $2.7 billion due to increased earnings, partially offset by a decline in the effective tax rate. The effective tax rate decreased 1,750 basis points to 17.2% in 2020 due to:

- a 1,750 basis-point reduction due to the prior year impact of the Shave Care impairment charge as there was no tax benefit related to the goodwill portion of the charge and
- a 135 basis-point current year reduction from a tax benefit arising from transactions to simplify our legal entity structure.

These reductions were partially offset by:

- a 60 basis-point increase from unfavorable impacts from geographic mix of current year earnings, caused primarily by disproportionately higher sales and earnings in the U.S.,
- a 40 basis-point increase related to the prior year tax impact of the gain on the dissolution of the PGT Healthcare partnership,
- a 30 basis-point increase from current year unfavorable discrete impacts related to uncertain tax positions (15 basis-point increase in the current year rate versus a 15 basis-point decrease in the prior year rate) and
- a 5 basis-point increase from lower excess tax benefits of share-based compensation (155 basis-point reduction in the current year versus 160 basis-point reduction in the prior year).

Net Earnings

Operating income increased 186% or $10.2 billion to $15.7 billion. $8.3 billion of the increase was due to the base period charge for the Shave Care impairment. The remaining $1.9 billion increase was due to the net sales increase and the increase in gross margin partially offset by the increase in SG&A, all of which are discussed above.

Earnings before income taxes increased 161% or $9.8 billion to $15.8 billion, as the increase in operating income discussed above was partially offset by the base period gains from the dissolution of the PGT Healthcare partnership and other minor brand divestitures. Net earnings increased 230% or $9.1 billion to $13.1 billion due to the increase in operating income and the reduction in effective income taxes rates discussed above. Foreign exchange impacts reduced net earnings by approximately $390 million in fiscal 2020 due to weakening of certain currencies against the U.S. dollar, including those in Argentina, Brazil, China, Turkey and the United Kingdom. This impact includes both transactional charges and translational impacts from converting earnings from foreign subsidiaries to U.S. dollars.

Net earnings attributable to Procter & Gamble increased $9.1 billion, or 234%, to $13.0 billion.

Diluted net EPS increased $3.53, or 247%, to $4.96 due primarily to the increase in net earnings.

Core EPS increased 13% to $5.12. Core EPS represents diluted net EPS from continuing operations, excluding the base year charge for the Shave Care impairment, the base year gain on the dissolution of the PGT Healthcare partnership and incremental restructuring charges in both years related to our productivity and cost savings plans. The increase was primarily driven by the increase in net sales and the increase in operating margin discussed previously.

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. These costs, including the Shave Care impairment in fiscal 2019, are reported in our Corporate segment and are included as part of our Corporate segment discussion. Additionally, we apply blended statutory tax rates in the segments. Eliminations to adjust segment results to arrive at our consolidated effective tax rate are included in Corporate. See Note 2 to the Consolidated Financial Statements for additional information on items included in the Corporate segment.

	Net Sales Change Drivers 2020 vs. 2019 [(1)]				
	Volume with Acquisitions & Divestitures	**Volume Excluding Acquisitions & Divestitures**	**Foreign Exchange**	**Price**	**Mix**
Beauty	3 %	2 %	(2)%	2 %	1 %
Grooming	(1)%	(1)%	(3)%	2 %	— %
Health Care	10 %	5 %	(2)%	1 %	1 %
Fabric & Home Care	6 %	7 %	(1)%	1 %	1 %
Baby, Feminine & Family Care	3 %	3 %	(2)%	1 %	1 %
TOTAL COMPANY	**4 %**	**4 %**	**(2)%**	**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 and rounding impacts necessary to reconcile volume to net sales.

BEAUTY

($ millions)	2020	2019	Change vs. 2019
Volume	**N/A**	N/A	3%
Net sales	**$13,359**	$12,897	4%
Net earnings	**$2,737**	$2,637	4%
% of net sales	**20.5%**	20.4%	10 bps

Beauty net sales increased 4% to $13.4 billion in fiscal 2020 on a 3% increase in unit volume. Unfavorable foreign exchange impacts reduced net sales by 2%. Higher pricing increased net sales by 2%. Favorable product mix added 1% to net sales due to the disproportionate growth of the Skin and Personal Care category, including the Olay skin care brand, which has higher than segment average selling prices. Organic sales increased 5% on a 2% increase in organic volume. Global market share of the Beauty segment increased 0.2 points. Volume increased mid-single digits in North America, Europe and Asia Pacific and increased low single digits in Greater China and Latin America. Volume decreased high single digits in IMEA.

- Volume in Hair Care increased low single digits. Volume increased mid-single digits in Europe and Asia Pacific and increased low single digits in North America and Latin America due to product innovation and market growth. Volume decreased double digits in IMEA and decreased low single digits in Greater China due to the economic slowdown caused by the COVID-19 pandemic in the second half of the fiscal year and market declines in certain countries. Global market share of the hair care category was unchanged.
- Volume in Skin and Personal Care increased mid-single digits. Volume increased double digits in Greater China, increased mid-single digits in North America, and increased low single digits in Europe and Asia Pacific due to premium innovation, increased marketing spending and market growth, partially offset by a volume decrease in the SK-II brand and a mid-single digits decline in IMEA due to the COVID-19 pandemic related travel restrictions. Global market share of the skin and personal care category increased nearly half a point.

Net earnings increased 4% to $2.7 billion in fiscal 2020 due to the increase in net sales and a 10 basis-point increase in net earnings margin. Net earnings margin increased due to a decrease in SG&A as a percentage of net sales, partially offset by a decrease in gross margin and an increase in the effective tax rate. The gross margin decrease was mainly driven by the negative impacts of unfavorable mix (due to the decline of the super-premium SK-II brand, driven by the impacts of the COVID-19 pandemic, and the disproportionate growth of large sizes) and other hurts related to new manufacturing startup costs partially offset by increased selling prices. SG&A as a percentage of net sales decreased due to the positive scale impacts of the net sales increase and a reduction in marketing spending due to productivity savings. The increase in the effective tax rate was driven by the unfavorable geographic mix of earnings.

GROOMING

($ millions)	2020	2019	Change vs. 2019
Volume	**N/A**	N/A	(1)%
Net sales	**$6,069**	$6,199	(2)%
Net earnings	**$1,329**	$1,529	(13)%
% of net sales	**21.9%**	24.7%	(280) bps

Grooming net sales decreased 2% to $6.1 billion in fiscal 2020 on a 1% decrease in unit volume. Unfavorable foreign exchange impacts reduced net sales by 3%. Increased pricing had a 2% positive impact to net sales. Organic sales increased 1%. Global market share of the Grooming segment decreased 0.2 points. Volume increased mid-single digits in Asia Pacific and was unchanged in Europe and Latin America. Volume decreased low single digits in North America and Greater China and decreased mid-single digits in IMEA.

- Shave Care volume decreased low single digits. Volume decreased mid-single digits in IMEA and decreased low single digits in North America and Europe due to market decline and reduced shaving incidents resulting from the COVID-19 pandemic and competitive activity. This was partially offset by a mid-single digit volume increase in Asia Pacific due to innovation. Global market share of the shave care category was unchanged.
- Appliances volume increased low single digits. Volume increased mid-teens in North America and mid-single digits in Europe due to innovation and increased consumption of at-home styling products due to pandemic related movement restrictions. Volume decreased double digits in Asia Pacific, decreased high single digits in Greater China and decreased low single digits in IMEA due to market contraction, competitive activity and the economic slowdown caused by the COVID-19 pandemic. Global market share of the appliances category increased more than a point.

Net earnings decreased 13% to $1.3 billion in fiscal 2020 due to the decrease in net sales and a 280 basis-point decrease in net earnings margin. The net earnings margin decreased due to an increase in SG&A as a percentage of net sales, an increase in the effective tax rate and a decrease in gross margin. Gross margin decreased due to the negative impact of unfavorable mix (due to the disproportionate growth of disposable razors, styling appliances and the Asia Pacific region all of which have lower than segment average margins) partially offset by the positive impacts of manufacturing cost savings and increased selling prices. SG&A as a percentage of net sales increased primarily due to a base period gain on the sale of operating real estate partially offset by current period reductions in overhead costs and marketing spending due to productivity savings. The increase in the effective tax rate was primarily due to a base period benefit from the favorable adjustments to reserves for uncertain tax positions.

HEALTH CARE

($ millions)	2020	2019	Change vs. 2019
Volume	**N/A**	N/A	10%
Net sales	**$9,028**	$8,218	10%
Net earnings	**$1,652**	$1,519	9%
% of net sales	**18.3%**	18.5%	(20) bps

Health Care net sales increased 10% to $9.0 billion in fiscal 2020 on a 10% increase in unit volume. Unfavorable foreign exchange impacts reduced net sales by 2%. Increased pricing had a 1% positive impact to net sales. Favorable mix increased net sales by 1% due to the disproportionate organic growth of the Personal Health Care category which has higher than segment average selling prices. Excluding the net impacts of the Merck OTC consumer healthcare acquisition and minor brand divestitures, organic sales increased 7% on a 5% increase in organic volume. Global market share of the Health Care segment increased 0.4 points. Volume increased more than 20% in IMEA, increased double digits in Latin America and Europe, increased high single digits in Asia Pacific and increased mid-single digits in North America. Excluding the net impacts of the Merck OTC consumer healthcare acquisition and minor brand divestitures, organic volume increased high single digits in IMEA, increased mid-single digits in Latin America and increased low single digits in Europe and Asia Pacific.

- Oral Care volume increased low single digits. Volume increased double digits in IMEA, increased mid-single digits in Latin America and increased low single digits in North America and Asia Pacific due to product innovation and market growth. This growth was partially offset by low single digits volume decreases in Europe and Greater China due to competitive activities and the COVID-19 pandemic related economic slowdown and electronics stores closures. Excluding the impact of minor brand divestitures, organic volume increased low single digits in Europe. Global market share of the oral care category increased less than half a point.
- Volume in Personal Health Care increased over 20%. Excluding the impacts of the Merck OTC consumer healthcare acquisition, organic volume increased double digits. Organic volume increased mid-teens in North America and Europe and increased mid-single digits in IMEA due to product innovation, increased marketing spending and increased consumption and retailer inventory increases in certain markets driven by the COVID-19 pandemic. This was partially offset by a low single digit volume decrease in Asia Pacific and Latin America due to devaluation related price increases and the COVID-19 related economic slowdown. Global market share of the personal health care category increased nearly a point.

Net earnings increased 9% to $1.7 billion in fiscal 2020 due to the increase in net sales partially offset by a 20 basis-point decrease in net earnings margin. The net earnings margin decreased due to an increase in SG&A as a percentage of net sales and a reduction in non-operating income, partially offset by an increase in gross margin. Gross margin increased due to manufacturing cost savings and increased selling prices partially offset by unfavorable mix impact (from the disproportionate growth of certain products and certain markets in IMEA both of which have lower than segment-average margins). SG&A as a percentage of net

sales increased due to an increase in overhead costs and other operating expenses primarily caused by the Merck OTC consumer healthcare acquisition, partially offset by the positive scale impacts of the net sales increase. Non-operating income declined due to a base period gain from minor brand divestitures.

FABRIC & HOME CARE

($ millions)	2020	2019	Change vs. 2019
Volume	**N/A**	N/A	6%
Net sales	**$23,735**	$22,080	7%
Net earnings	**$4,154**	$3,518	18%
% of net sales	**17.5%**	15.9%	160 bps

Fabric & Home Care net sales increased 7% to $23.7 billion in fiscal 2020 on a 6% increase in unit volume. Unfavorable foreign exchange impacts reduced net sales by 1%. Higher pricing increased net sales by 1%. Positive mix impacts increased net sales by 1% due to the disproportionate growth of the Home Care category and the North America region, both of which have higher than segment average selling prices. Organic sales increased 9% on a 7% increase in organic volume. Global market share of the Fabric & Home Care segment increased 0.7 points. Volume increased double digits in North America, increased high single digits in Latin America, increased mid-single digits in Greater China and Europe and increased low single digits in Asia Pacific. Volume decreased low single digits in IMEA.

- Fabric Care volume increased mid-single digits. Volume grew double digits in North America and Latin America, grew mid-single digits in Greater China and grew low single digits in Europe. Volume growth was driven by product innovation and to a lesser extent the consumption increase and pantry loading driven by the COVID-19 pandemic. This growth was partially offset by a low single digit volume decrease in IMEA due to the COVID-19 pandemic related economic slowdown. Volume in Asia Pacific was unchanged. Global market share of the Fabric Care category increased a point.
- Home Care volume increased double digits. Volume increased in all regions led by double digit growth in North America and Europe, high single digits growth in Asia Pacific, mid-single digits growth in Latin America and low single digits growth in IMEA. The volume growth was driven by product innovation as well as the consumption increase and pantry loading driven by the COVID-19 pandemic. Global market share of the Home Care category increased more than half a point.

Net earnings increased 18% to $4.2 billion in fiscal 2020 due to the increase in net sales and a 160 basis-point increase in net earnings margin. The net earnings margin increased due to an increase in gross margin partially offset by an increase in the effective tax rate. The gross margin increase was driven by manufacturing cost savings and a reduction in commodity costs, partially offset by unfavorable product mix (due to the disproportionate growth of premium innovation that has not yet been cost optimized). SG&A as a percentage of net sales was unchanged as an increase in marketing spending was offset by the positive scale benefits of increased net sales on overhead costs. The increase in the effective tax rate was driven by the unfavorable geographical mix of earnings.

BABY, FEMININE & FAMILY CARE

($ millions)	2020	2019	Change vs. 2019
Volume	**N/A**	N/A	3%
Net sales	**$18,364**	$17,806	3%
Net earnings	**$3,465**	$2,734	27%
% of net sales	**18.9%**	15.4%	350 bps

Baby, Feminine & Family Care net sales increased 3% to $18.4 billion in fiscal 2020 on a 3% increase in unit volume. Unfavorable foreign exchange impacts reduced net sales by 2%. Increased pricing was a positive 1% impact to net sales. Positive mix impact increased net sales by 1% due to the disproportionate growth of the North America region which has higher than segment average selling prices. Organic sales increased 4%. Global market share of the Baby, Feminine & Family Care segment decreased 0.3 points. Volume increased high single digits in North America and was unchanged in Asia Pacific. Volume decreased high single digits in Latin America, decreased mid-single digits in IMEA and decreased low single digits in Greater China and Europe.

- Baby Care volume decreased mid-single digits. Volume decreased double digits in Latin America, decreased high single digits in IMEA, decreased mid-single digits in Europe and decreased low single digits in Greater China and Asia Pacific due to competitive activity, devaluation related price increases, category contraction in certain markets (partly due to declining birth rates in China) and to a lesser extent the economic slowdown caused by the COVID-19 pandemic. This was partially offset by a low single digit volume increase in North America driven by market growth and product innovation. Global market share of the baby care category decreased more than a point.
- Feminine Care volume increased low single digits. Volume growth was led by a double digit increase in Asia Pacific due to a new launch in the adult incontinence category in Japan, as well as high single digits growth in North America, mid-single digits growth in Europe and low single digits growth in Greater China and Latin America, all due to product innovation, increased marketing spending, adult incontinence category growth and to a lesser extent the increased consumption and pantry loading related to the COVID-19 pandemic in certain markets. Excluding the impact of a minor brand acquisition, volume in North America increased mid-single digits. This was partially offset by a low single digit volume decrease in IMEA due to the economic slowdown caused by the COVID-19 pandemic. Global market share of the feminine care category increased nearly a point.

- Volume in Family Care, which is predominantly a North American business, increased high single digits driven by the COVID-19 pandemic related market growth, consumption increase and pantry loading, product innovation, increased marketing spending and market growth. In the U.S., all-outlet share of the family care category decreased more than half a point.

Net earnings in fiscal 2020 increased 27% to $3.5 billion due to the increase in net sales and a 350 basis-point increase in net earnings margin. Net earnings margin increased primarily due to an increase in gross margin, partially offset by an increase in the effective tax rate and a marginal increase in SG&A as a percentage of net sales. The gross margin increase was driven by manufacturing cost savings, a reduction in commodity costs and higher selling prices partially offset by unfavorable product mix (due to the disproportionate growth of large sizes and product forms with lower than segment average margins). SG&A as a percentage of net sales increased marginally due primarily to an increase in marketing spending, partially offset by a reduction in overhead costs driven by productivity savings and the positive scale benefits of the net sales increase. The increase in the effective tax rate was driven by an unfavorable geographic mix of earnings.

CORPORATE

($ millions)	2020	2019	Change vs. 2019
Net sales	**$395**	$484	(18)%
Net earnings/(loss)	**$(234)**	$(7,971)	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; certain asset impairment charges; 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 ongoing reconciling item is income taxes, to adjust from blended statutory rates that are reflected in the segments to the overall Company effective tax rate.

Corporate net sales decreased 18% to $395 million in fiscal 2020 due to a decrease in the net sales of the incidental businesses managed at the corporate level. Corporate net loss decreased by $7.7 billion in fiscal 2020 primarily due to the $8.0 billion after tax ($8.3 billion before tax) base period charge for the Shave Care impairment, partially offset by higher base period divestiture gains (primarily driven by gain on the dissolution of the PGT healthcare partnership).

Restructuring Program to Deliver Productivity and Cost Savings

In fiscal 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 both fund the Company's growth strategy and increase the Company's operating margin. In fiscal 2017, the Company communicated specific elements of an additional multi-year productivity and cost savings program.

The current productivity and cost savings plan is further reducing costs in the areas of supply chain, certain marketing activities and overhead expenses. As part of this plan, the Company incurred approximately $1.5 billion in total before- tax restructuring costs across 2019 and 2020. In fiscal 2021 and onwards, the Company expects to incur restructuring costs within the range of our historical ongoing level of $250 to $500 million annually. Savings generated from the Company's restructuring program 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 2020, the underlying restructuring costs incurred since 2012 (approximately $8.2 billion), along with other non-manufacturing enrollment reductions since 2012 have delivered approximately $3.7 billion in annual before-tax gross savings.

Restructuring accruals of $472 million as of June 30, 2020 are classified as current liabilities. Approximately 52% of the restructuring charges incurred in fiscal 2020 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

Operating cash flow was $17.4 billion in 2020, a 14% increase from the prior year. Net earnings, adjusted for non-cash items (depreciation and amortization, share-based compensation and deferred income taxes) generated approximately $16.1 billion of operating cash flow. Working capital and other impacts generated $1.3 billion of operating cash flow as summarized below.

- A decrease in accounts receivable generated $634 million of cash primarily due to the timing of the end of the fiscal year (which fell on a Tuesday versus Sunday in the prior year end, resulting in additional collection days in the current year) and lower relative sales at the end of the period in certain markets driven by COVID-19. The number of days sales outstanding decreased approximately 5 days versus prior year.
- Higher inventory used $637 million of cash mainly due to inventory increases to support initiatives, business growth across all segments and to replenish stocks in certain categories depleted by the COVID-19 pandemic related demand increases. Inventory days on hand increased approximately 4 days primarily due to initiative support and inventory replenishment.
- Accounts payable, accrued and other liabilities increased, generating $1.9 billion of cash. Approximately $700 million of this was driven by extended payment terms with our suppliers (see *Extended Payment Terms and Supply Chain Financing* below). The remaining amount was driven by higher payables from increased manufacturing activity due to the pandemic related demand increases, an increase in marketing spending in the fourth quarter versus the prior year and increases in taxes payable related to the Merck integration. Days payable outstanding increased approximately 4 days to 81 days as of June 30, 2020 due to the above.
- Other net operating assets and liabilities declined, using $710 million of cash, primarily driven by the payment of the current year portion of taxes due related to the U.S. Tax Act repatriation charge ($215 million) and pension related accruals and contributions.

Adjusted Free Cash Flow. We view adjusted free cash flow as an important non-GAAP measure because it is a factor impacting the amount of cash available for dividends, share repurchases, acquisitions and other discretionary investments. It is defined as operating cash flow less capital expenditures and excluding payments for the transitional tax resulting from the U.S. Tax Act and tax payments related to the Merck acquisition. Adjusted free cash flow is one of the measures used to evaluate senior management and determine their at-risk compensation.

Adjusted free cash flow was $14.9 billion in 2020, an increase of 23% 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, was 114% in 2020.

Extended Payment Terms and Supply Chain Financing. Beginning in fiscal 2014, in response to evolving market practices, the Company began a program to negotiate extended payment terms with its suppliers. At about the same time, the Company initiated a Supply Chain Finance program (SCF) with several global financial institutions (SCF Banks). Under the SCF, qualifying suppliers may elect to sell their receivables from the Company to an SCF Bank. These participating suppliers negotiate their receivables sales arrangements directly with the respective SCF Bank. While the Company is not party to those agreements, the SCF Banks allow the participating suppliers to utilize the Company's creditworthiness in establishing credit spreads and associated costs. This generally provides the suppliers with more favorable terms than they would be able to secure on their own. The Company has no economic interest in a supplier's decision to sell a receivable. Once a qualifying supplier elects to participate in the SCF and reaches an agreement with an SCF Bank, the supplier elects which individual Company invoices they sell to the SCF bank. However, all the Company's payments to participating suppliers are paid to the SCF Bank on the invoice due date, regardless of whether the individual invoice is sold by the supplier to the SCF Bank. The SCF Bank pays the supplier on the invoice due date for any invoices that were not previously sold by the supplier to the SCF Bank.

The terms of the Company's payment obligation are not impacted by a supplier's participation in the SCF. Our payment terms with our suppliers for similar materials within individual markets are consistent between suppliers that elect to participate in the SCF and those that do not participate. Accordingly, our average days outstanding are not significantly impacted by the portion of suppliers or related input costs that are included in the SCF. In addition, the SCF is available to both material suppliers, where the underlying costs are largely included in Cost of goods sold, and to service suppliers, where the underlying costs are largely included in SG&A. As of June 30, 2020, approximately 3% of our global suppliers have elected to participate in the SCF. Payments to those suppliers during 2020 total approximately $13 billion, which equals approximately 24% of our total Cost of goods sold and SG&A for the period. For participating suppliers, we believe substantially all of their receivables with the Company are sold to the SCF Banks. Accordingly, we would expect that at each balance sheet date, a similar proportion of amounts originally due to suppliers would instead be payable to SCF Banks. All outstanding amounts related to suppliers participating in the SCF are recorded within Accounts payable in our Consolidated Balance Sheets, and the associated payments are included in operating activities within our Consolidated Statements of Cash Flows. As of both June 30, 2020 and 2019, the amount due to suppliers participating in the SCF and included in Accounts payable were approximately $4 billion.

Although difficult to project due to market and other dynamics, we anticipate incremental cash flow benefits from the extended payment terms with suppliers could increase at

a slower rate in fiscal 2021. Future changes in our suppliers' financing policies or economic developments, such as changes in interest rates, general market liquidity or the Company's creditworthiness relative to participating suppliers could impact suppliers' participation in the SCF and/or our ability to negotiate extended payment terms with our suppliers. However, any such impacts are difficult to predict.

Investing Cash Flow

Net investing activities generated $3.0 billion in cash in 2020, mainly due to proceeds from sales and maturities of investment securities, partially offset by capital spending. Net investing activities consumed $3.5 billion in cash in 2019, mainly due to capital spending and business acquisitions, partially offset by proceeds from sales and maturities of short-term investments.

Capital Spending. Capital expenditures, primarily to support capacity expansion, innovation and cost efficiencies, were $3.1 billion in 2020 and $3.3 billion in 2019. Capital spending as a percentage of net sales decreased 60 basis points to 4.3% in 2020.

Acquisitions. Acquisition activity used cash of $58 million in 2020, primarily related to final contractual payments from the prior year acquisition of Merck OTC along with a minor Baby Care acquisition. Acquisition activity used $3.9 billion in 2019, primarily related to the Merck OTC acquisition.

Proceeds from Divestitures and Other Asset Sales. Proceeds from asset sales were $30 million and $394 million in 2020 and 2019, respectively, primarily from minor brand divestitures in both years and the sale of real estate in 2019.

Investment Securities. Investments generated net cash of $6.2 billion in 2020 and $3.5 billion in 2019 primarily from sales and maturities of investment securities.

Financing Cash Flow

Net financing activities consumed $8.4 billion of cash in 2020, mainly due to dividends to shareholders and treasury stock purchases, partially offset by a net increase in debt and the impact of stock options. Net financing activities consumed $10.0 billion in cash in 2019, mainly due to dividends to shareholders and treasury stock purchases, partially offset by the impact of stock options.

Dividend Payments. Our first discretionary use of cash is dividend payments. Dividends per common share increased 5% to $3.0284 per share in 2020. Total dividend payments to common and preferred shareholders were $7.8 billion in 2020 and $7.5 billion in 2019. In April 2020, the Board of Directors declared an increase in our quarterly dividend from $0.7459 to $0.7907 per share on Common Stock and Series A and B ESOP Convertible Class A Preferred Stock. This represents a 6% increase compared to the prior quarterly dividend and is the 64th consecutive year that our dividend has increased. We have paid a dividend for 130 consecutive 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 $34.7 billion as of June 30, 2020 and $30.1 billion as of June 30, 2019. The increase is primarily due to the issuance of bonds generating $5.0 billion of cash.

Treasury Purchases. Total share repurchases were $7.4 billion in 2020 and $5.0 billion in 2019.

Liquidity

At June 30, 2020, our current liabilities exceeded current assets by $5.0 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, 2020, the Company did not have material net cash and cash equivalents related to foreign subsidiaries nor related to any country subject to exchange controls that significantly restrict our ability to access or repatriate the funds. 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.

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 funding to meet short-term financing requirements.

On June 30, 2020, 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 2024 and November 2020, 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, 2020.

($ millions)	Total	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
RECORDED LIABILITIES					
Total debt	**$ 34,589**	$ 11,189	$ 5,154	$ 5,148	$ 13,098
Leases	**1,023**	239	352	220	212
U.S. Tax Act transitional charge (1)	**2,346**	224	450	984	688
Uncertain tax positions (2)	**59**	59	—	—	—
OTHER					
Interest payments relating to long-term debt	**6,676**	673	1,173	955	3,875
Minimum pension funding (3)	**603**	196	407	—	—
Purchase obligations (4)	**1,577**	782	412	145	238
TOTAL CONTRACTUAL COMMITMENTS	**$ 46,873**	$ 13,362	$ 7,948	$ 7,452	$ 18,111

(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, 2020, the Company's Consolidated Balance Sheet reflects a liability for uncertain tax positions of $643 million, including $158 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, 2020 cannot be made.

(3) 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 2023 are not currently determinable.

(4) 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. 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

Our revenue is primarily generated from the sale of finished product to customers. Those sales predominantly contain a single performance obligation and revenue is recognized at a single point in time when ownership, risks and rewards transfer, 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 at the time of the sale. Amounts accrued for trade promotions at the end of a period require estimation, based on contractual terms, 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 adopted ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)” on July 1, 2018. Adoption of this standard resulted in a change

in the timing of recognition of certain trade promotional spending.

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. See Note 5 to the Consolidated Financial Statements for additional details on the Company's income taxes.

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 net 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 net 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 2020, the average return on assets assumptions for pension plan assets and OPEB assets was 6.6% and 8.4%, 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 $130 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 1.5% 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 $220 million. The average discount rate on the OPEB plan of 3.1% 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 $50 million. See Note 8 to the Consolidated Financial Statements for

additional details on our defined benefit pension and OPEB plans.

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 establish and 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 at least annually for impairment. Our ongoing annual impairment testing for goodwill and indefinite-lived intangible assets occurs during the 3 months ended December 31. 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 (step one), 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 (step two) 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. The difference between the step one fair value and the amounts allocated to the assets and liabilities in step two is the implied fair value of the reporting unit's goodwill. If this 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. The Appliances wholly-acquired reporting unit has a fair value that significantly exceeds the underlying carrying value.

During fiscal 2019, a non-cash before- and after-tax impairment charge of $6.8 billion was recognized to reduce the carrying amount of goodwill for the Shave Care reporting unit, and a non-cash, before-tax impairment charge of $1.6 billion ($1.2 billion after-tax) was recognized to reduce the carrying amount of the Gillette indefinite-lived intangible asset to its fair value. The underlying reductions in fair values were due in large part to significant currency devaluations in a number of countries relative to the U.S. dollar, a deceleration of category growth caused by changing grooming habits, primarily in the developed markets, and an increased competitive market environment in the U.S. and certain other markets. As a result of the fiscal 2019 impairment determined by the step two testing, the Shave Care fair value exceeded the carrying value by approximately 20% as of June 30, 2019. Because the impairment testing for intangible assets is a one-step process, the Gillette indefinite-lived intangible asset fair value approximated its carrying value at that date. During our annual impairment testing during the quarter ended December 31, 2019, we reduced the discount rate used in the valuation based on developments in the macroeconomic environment. As a result of this change and updates to other underlying cash flow projections, the Shave Care fair value exceeded the carrying value by more than 20% and the

Gillette indefinite-lived intangible asset fair value exceeded the carrying value by approximately 5%.

The most significant assumptions utilized in the determination of the estimated fair values of the 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.

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 Shave Care reporting unit's goodwill and indefinite-lived intangibles. As of June 30, 2020, the carrying values of the Shave Care goodwill and the Gillette indefinite-lived intangible asset were $12.5 billion and $14.1 billion, respectively.

The COVID-19 pandemic that occurred during the second half of fiscal 2020 resulted in a reduction in shave incidents by consumers and a weakening of certain currencies relative to the U.S. dollar, which led to a reduction in net sales for Gillette-branded products. This resulted in a triggering event for the Gillette indefinite-lived intangible asset, which caused us to perform an additional impairment assessment for that asset as of June 30, 2020. That assessment indicated that the fair value of the Gillette trade name approximated its carrying value. Accordingly, no impairment charge was recorded during the year ended June 30, 2020.

The duration and severity of the pandemic could result in additional future impairment charges for the Shave Care reporting unit goodwill and the Gillette indefinite-lived intangible asset. Our June 30, 2020 impairment assessment of the Gillette intangible asset assumes the pandemic's impact on net sales will begin to abate during the first half of fiscal 2021 and be largely eliminated by the second half of the fiscal year. There is an extreme level of uncertainty relating to how the pandemic will evolve and how governments and consumers will react. Accordingly, there is a significant amount of uncertainty related to this key assumption. A more prolonged pandemic could impact the results of operations due to changes to assumptions utilized in the determination of the estimated fair values of Shave Care reporting unit and the Gillette indefinite-lived intangible asset that are significant enough to trigger an impairment. Net sales and earnings growth rates could be negatively impacted by more prolonged reductions or changes in demand for our shave care products, which may be caused by, among other things: the temporary inability of consumers to purchase our products due to illness, quarantine or other travel restrictions, financial hardship, changes in the use and frequency of grooming products or by shifts in demand away from one or more of our higher priced products to lower priced products. In addition, relative global and country/regional macroeconomic factors could result in additional and prolonged devaluation of other countries' currencies relative to the U.S. dollar. Finally, the discount rate utilized in our valuation model could be impacted by changes in the underlying interest rates and risk premiums included in the determination of the cost of capital.

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, either of which, in isolation, would result in an additional impairment of the Gillette indefinite-lived intangible asset.

	Approximate Percent Change in Esti Value	
	+25 bps Discount Rate	**- Gro**
Shave Care goodwill reporting unit	**(6)%**	**(**
Gillette indefinite-lived intangible asset	**(6)%**	**(**

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

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. 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 within our financing operations, as discussed below, 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, 2020. 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, 2020, 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 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.

Based on our currency rate exposure on derivative and other instruments as of and during the year ended June 30, 2020, 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, 2020 and June 30, 2019, we did not have any commodity hedging activity.

Measures Not Defined By U.S. GAAP

In accordance with the SEC's Regulation S-K Item 10(e), 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 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. 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, 2020	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/ Other (1)	Organic Sales Growth
Beauty	4 %	2 %	(1)%	5 %
Grooming	(2)%	3 %	— %	1 %
Health Care	10 %	2 %	(5)%	7 %
Fabric & Home Care	7 %	1 %	1 %	9 %
Baby, Feminine & Family Care	3 %	2 %	(1)%	4 %
TOTAL COMPANY	**5 %**	**2 %**	**(1)%**	**6 %**

(1) Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures 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, tax payments related to the Merck OTC Consumer Healthcare acquisition in 2020 and the transitional tax resulting from the U.S. Tax Act in 2020 and 2019 (the Company incurred a transitional tax liability of approximately $3.8 billion from the U.S. Tax Act, which is payable over a period of 8 years). 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.

The following table provides a numerical reconciliation of adjusted free cash flow ($ millions):

	Operating Cash Flow	Capital Spending	Adjustments to Operating Cash Flow (1)	Adjusted Free Cash Flow
2020	**$ 17,403**	**$ (3,073)**	**$ 543**	**$ 14,873**
2019	$ 15,242	$ (3,347)	$ 235	$ 12,130

(1) Adjustments to Operating Cash Flow include tax payments for the transitional tax resulting from the U.S. Tax Act of $215 and $235 in 2020 and 2019, respectively, and tax payments related to the Merck acquisition of $328 in 2020.

Adjusted Free Cash Flow Productivity. Adjusted free cash flow productivity is defined as the ratio of adjusted free cash flow to net earnings. 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):

	Adjusted Free Cash Flow	Net Earnings	Adjusted Free Cash Flow Productivity
2020	**$ 14,873**	**$ 13,103**	**114 %**

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. Core EPS is also used in assessing the achievement of management goals for at-risk compensation. 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 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 the PGT Healthcare Partnership: The Company dissolved our PGT Healthcare partnership, a venture between the Company and Teva Pharmaceuticals Industries, Ltd (Teva) in the OTC consumer healthcare business, during the year ended June 30, 2019. The transaction was accounted for as a sale of the Teva portion of the PGT business and the Company recognized an after-tax gain on the dissolution of $353 million.

- Shave Care Impairment: As discussed in Note 4 to the Consolidated Financial Statements and in the Significant Accounting Policies and Estimates section of the MD&A, in the fourth quarter of fiscal 2019, the Company recognized a non-cash after-tax charge of $8.0 billion ($8.3 billion before tax) to adjust the carrying values of the Shave Care reporting unit and the Gillette indefinite-lived intangible asset. This was comprised of a before and after-tax impairment charge of $6.8 billion related to goodwill and an after-tax impairment charge of $1.2 billion ($1.6 billion before tax) to reduce the carrying value of the Gillette indefinite-lived intangible asset.
- Anti-Dilutive Impacts: As discussed in Note 6 to the Consolidated Financial Statements, the Shave Care impairment charges caused preferred shares that are normally dilutive (and hence, normally assumed converted for purposes of determining diluted earnings per share) to be anti-dilutive. Accordingly, for U.S. GAAP the preferred shares were not assumed to be converted into common shares for diluted earnings per share and the related dividends paid to the preferred

shareholders were deducted from net income to calculate net earnings available to common shareholders. As a result of the non-GAAP Shave Care impairment adjustment, these instruments are dilutive for non-GAAP core EPS.

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, 2020	AS REPORTED (GAAP)	INCREMENTAL RESTRUCTURING	NON-GAAP (CORE)
NET EARNINGS ATTRIBUTABLE TO P&G	13,027	415	13,442
			Core EPS
DILUTED NET EARNINGS PER COMMON SHARE [1]	$ 4.96	$ 0.16	$ 5.12

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

CHANGE VERSUS YEAR AGO	
CORE EPS	13 %

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
(Amounts in Millions Except Per Share Amounts)
Reconciliation of Non-GAAP Measures

Twelve Months Ended June 30, 2019	AS REPORTED (GAAP)	ANTI-DILUTIVE IMPACTS	INCREMENTAL RESTRUCTURING	SHAVE CARE IMPAIRMENT	GAIN ON DISSOLUTION OF PGT PARTNERSHIP	ROUNDING	NON-GAAP (CORE)
NET EARNINGS ATTRIBUTABLE TO P&G	3,897	—	354	7,978	(353)	1	11,877
							Core EPS
Diluted Net Earnings attributable to common shareholders [1]	3,634	263	354	7,978	(353)	1	11,877
Diluted Weighted Average Common Shares Outstanding [1]	2,539.5	90.2					2,629.7
DILUTED NET EARNINGS PER COMMON SHARE	$ 1.43	$ 0.06	$ 0.13	$ 3.03	$ (0.13)	$ —	**$ 4.52**

[1] The reduction in net earnings from the 2019 charge for the Shave Care impairment caused the preferred shares outstanding to be anti-dilutive. Accordingly, for U.S. GAAP, the preferred shares were not assumed to be converted into common shares for diluted earnings per share and the related dividends paid to the preferred shareholders were deducted from net income to calculate earnings available to common shareholders. Excluding the impairment charge results in higher non-GAAP earnings which causes the preferred shares to be dilutive. The adjustments in this row are made to reflect the dilutive preferred share impact resulting from the Shave Care impairment adjustment.

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, 2020, 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, 2020, 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, 2020, 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, Chief Operating Officer and Chief Financial Officer

August 6, 2020

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, 2020 and 2019, 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, 2020 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 as of June 30, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2020, 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, 2020, 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 6, 2020 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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill and Intangible Assets - Shave Care Goodwill and Gillette Indefinite Lived Intangible Asset - Refer to Notes 1 and 4 to the financial statements

Critical Audit Matter Description

The Company's evaluation of goodwill and indefinite lived intangible assets for impairment involves the comparison of the fair value of each reporting unit or indefinite lived intangible asset to its carrying value. The Company estimates fair value using the income method, which is based on the present value of estimated future cash flows attributable to the respective assets. This requires management to make significant estimates and assumptions related to forecasts of future net sales and earnings, including growth rates beyond a 10-year time period, royalty rates and discount rates. Changes in the assumptions could have a significant impact on either the fair value, the amount of any impairment charge, or both. The Company performed their annual impairment assessments of the Shave Care reporting unit as of October 1, 2019 and the Gillette brand indefinite lived intangible asset (the "Gillette brand") as of December 31, 2019. Because the estimated fair values exceeded their carrying values, no impairments were recorded. Given reductions in cash flows caused by currency devaluations, changing consumer grooming habits, the COVID-19 pandemic affecting demand and an increase in the competitive market environment, the Company revised their cash flow estimates and updated their fair value estimates for the Gillette brand as of June 30, 2020 and determined that the fair value of the Gillette brand approximated its carrying value. As of June 30, 2020, the Shave Care reporting unit goodwill was $12.5 billion, and the Gillette brand was $14.1 billion.

We identified the Company’s impairment evaluations of goodwill for the Shave Care reporting unit and the Gillette brand as a critical audit matter because of the reductions in cash flows and the significant judgments made by management to estimate the fair values of the reporting unit and the brand. A high degree of auditor judgment and an increased extent of effort was required when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the forecasts of future net sales and earnings as well as the selection of royalty rates and discount rates, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to forecasts of future net sales and earnings and the selection of the royalty rates and discount rates for the Shave Care reporting unit and the Gillette brand included the following, among others:

- We tested the effectiveness of controls over goodwill and indefinite lived intangible assets, including those over the determination of fair value, such as controls related to management's development of forecasts of future net sales, earnings, the selection of royalty rates, and discount rates.
- We evaluated management's ability to accurately forecast net sales and earnings by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's forecast of net sales and earnings by comparing the forecasts to:
    - Historical net sales and earnings.
    - Underlying analysis detailing business strategies and growth plans including consideration of the effects related to the COVID-19 pandemic.
    - Internal communications to management and the Board of Directors.
    - Forecasted information included in Company press releases as well as in analyst and industry reports for the Company and certain of its peer companies.
- With the assistance of our fair value specialists, we evaluated the net sales and earnings growth rates, royalty rates, and discount rates by:
    - Testing the source information underlying the determination of net sales and earnings growth rates, royalty rates, and discount rates and the mathematical accuracy of the calculations.
    - Developing a range of independent estimates for the discount rates and comparing those to the discount rates selected by management.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio

August 6, 2020

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, 2020, 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, 2020, 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, 2020, of the Company and our report dated August 6, 2020, 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 6, 2020

Consolidated Statements of Earnings

Amounts in millions except per share amounts; Years ended June 30	2020	2019	2018
NET SALES	**$ 70,950**	$ 67,684	$ 66,832
Cost of products sold	**35,250**	34,768	34,432
Selling, general and administrative expense	**19,994**	19,084	19,037
Goodwill and indefinite-lived intangibles impairment charges	**—**	8,345	—
OPERATING INCOME	**15,706**	5,487	13,363
Interest expense	**(465)**	(509)	(506)
Interest income	**155**	220	247
Other non-operating income, net	**438**	871	222
EARNINGS BEFORE INCOME TAXES	**15,834**	6,069	13,326
Income taxes	**2,731**	2,103	3,465
NET EARNINGS	**13,103**	3,966	9,861
Less: Net earnings attributable to noncontrolling interests	**76**	69	111
NET EARNINGS ATTRIBUTABLE TO PROCTER & GAMBLE (1)	**$ 13,027**	$ 3,897	$ 9,750
NET EARNINGS PER COMMON SHARE: (2)			
Basic	**$ 5.13**	$ 1.45	$ 3.75
Diluted	**$ 4.96**	$ 1.43	$ 3.67

(1) Net earnings attributable to Procter & Gamble in fiscal 2019 was negatively impacted by the impairment charges of $8.3 billion related to Shave Care goodwill and Gillette indefinite-lived intangible assets.

(2) 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	2020	2019	2018
NET EARNINGS	**$ 13,103**	$ 3,966	$ 9,861
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX			
Foreign currency translation (net of $59, $78 and $(279) tax, respectively)	**(1,083)**	(213)	(305)
Unrealized gains/(losses) on investment securities (net of $(1), $0 and $0 tax, respectively)	**(12)**	184	(148)
Unrealized gains/(losses) on defined benefit retirement plans (net of $(42), $22 and $68 tax, respectively)	**(150)**	169	334
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX	**(1,245)**	140	(119)
TOTAL COMPREHENSIVE INCOME	**11,858**	4,106	9,742
Less: Total comprehensive income attributable to noncontrolling interests	**60**	70	109
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 11,798**	$ 4,036	$ 9,633

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

Amounts in millions except stated values; As of June 30	2020	2019
Assets		
CURRENT ASSETS		
Cash and cash equivalents	**$ 16,181**	$ 4,239
Available-for-sale investment securities	—	6,048
Accounts receivable	**4,178**	4,951
INVENTORIES		
Materials and supplies	**1,414**	1,289
Work in process	**674**	612
Finished goods	**3,410**	3,116
Total inventories	**5,498**	5,017
Prepaid expenses and other current assets	**2,130**	2,218
TOTAL CURRENT ASSETS	**27,987**	22,473
PROPERTY, PLANT AND EQUIPMENT, NET	**20,692**	21,271
GOODWILL	**39,901**	40,273
TRADEMARKS AND OTHER INTANGIBLE ASSETS, NET	**23,792**	24,215
OTHER NONCURRENT ASSETS	**8,328**	6,863
TOTAL ASSETS	**$ 120,700**	$ 115,095

Liabilities and Shareholders' Equity		
CURRENT LIABILITIES		
Accounts payable	**$ 12,071**	$ 11,260
Accrued and other liabilities	**9,722**	9,054
Debt due within one year	**11,183**	9,697
TOTAL CURRENT LIABILITIES	**32,976**	30,011
LONG-TERM DEBT	**23,537**	20,395
DEFERRED INCOME TAXES	**6,199**	6,899
OTHER NONCURRENT LIABILITIES	**11,110**	10,211
TOTAL LIABILITIES	**73,822**	67,516
SHAREHOLDERS' EQUITY		
Convertible Class A preferred stock, stated value $1 per share (600 shares authorized)	**897**	928
Non-Voting Class B preferred stock, stated value $1 per share (200 shares authorized)	—	—
Common stock, stated value $1 per share (10,000 shares authorized; shares issued: 2020 - 4,009.2, 2019 - 4,009.2)	**4,009**	4,009
Additional paid-in capital	**64,194**	63,827
Reserve for ESOP debt retirement	**(1,080)**	(1,146)
Accumulated other comprehensive income/(loss)	**(16,165)**	(14,936)
Treasury stock, at cost (shares held: 2020 - 1,529.5, 2019 - 1,504.5)	**(105,573)**	(100,406)
Retained earnings	**100,239**	94,918
Noncontrolling interest	**357**	385
TOTAL SHAREHOLDERS' EQUITY	**46,878**	47,579
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 120,700**	$ 115,095

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

Dollars in millions except per share amounts; 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, 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 income/ (loss)						(117)			(2)	(119)
Dividends and dividend equivalents ($2.7860 per share):										
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
Impact of adoption of new accounting standards						(326)		(200)	(27)	(553)
Net earnings								3,897	69	3,966
Other comprehensive income/ (loss)						139			1	140
Dividends and dividend equivalents ($2.8975 per share):										
Common								(7,256)		(7,256)
Preferred, net of tax benefits								(263)		(263)
Treasury stock purchases	(53,714)						(5,003)			(5,003)

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Amounts in millions; Years ended June 30	2020	2019	2018
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	**$ 4,239**	$ 2,569	$ 5,569
OPERATING ACTIVITIES			
Net earnings	**13,103**	3,966	9,861
Depreciation and amortization	**3,013**	2,824	2,834
Loss on early extinguishment of debt	**—**	—	346
Share-based compensation expense	**558**	515	395
Deferred income taxes	**(596)**	(411)	(1,844)
Loss/(gain) on sale of assets	**7**	(678)	(176)
Goodwill and indefinite-lived intangible impairment charges	**—**	8,345	—
Change in accounts receivable	**634**	(276)	(177)
Change in inventories	**(637)**	(239)	(188)
Change in accounts payable, accrued and other liabilities	**1,923**	1,856	1,385
Change in other operating assets and liabilities	**(710)**	(973)	2,000
Other	**108**	313	431
TOTAL OPERATING ACTIVITIES	**17,403**	15,242	14,867
INVESTING ACTIVITIES			
Capital expenditures	**(3,073)**	(3,347)	(3,717)
Proceeds from asset sales	**30**	394	269
Acquisitions, net of cash acquired	**(58)**	(3,945)	(109)
Purchases of short-term investments	**—**	(158)	(3,909)
Proceeds from sales and maturities of investment securities	**6,151**	3,628	3,928
Change in other investments	**(5)**	(62)	27
TOTAL INVESTING ACTIVITIES	**3,045**	(3,490)	(3,511)
FINANCING ACTIVITIES			
Dividends to shareholders	**(7,789)**	(7,498)	(7,310)
Increases/(reductions) in short-term debt	**2,345**	(2,215)	(3,437)
Additions to long-term debt	**4,951**	2,367	5,072
Reductions of long-term debt [(1)]	**(2,447)**	(969)	(2,873)
Treasury stock purchases	**(7,405)**	(5,003)	(7,004)
Impact of stock options and other	**1,978**	3,324	1,177
TOTAL FINANCING ACTIVITIES	**(8,367)**	(9,994)	(14,375)
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**(139)**	(88)	19
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**11,942**	1,670	(3,000)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	**$ 16,181**	$ 4,239	$ 2,569
SUPPLEMENTAL DISCLOSURE			
Cash payments for interest	**$ 434**	$ 497	$ 529
Cash payment for income taxes	**3,550**	3,064	2,830
Assets acquired through non-cash finance leases are immaterial for all periods.			

[(1)] Includes early extinguishment of debt costs of $346 in 2018.

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 (including airport duty-free stores), high-frequency stores, pharmacies, electronics stores and professional channels. 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 Venezuelan 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 at cost, less impairments, plus or minus observable price changes.

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

Our revenue is primarily generated from the sale of finished product to customers. Those sales predominantly contain a single performance obligation and revenue is recognized at a single point in time when ownership, risks and rewards transfer, 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. 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.

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 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 expenses necessary to acquire and convert the purchased materials and supplies into finished products. 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 $1.8 billion in 2020, $1.9 billion in 2019 and $1.9 billion in 2018. Advertising costs, charged to expense as incurred, include worldwide television, print, radio, internet and in-store advertising expenses and were $7.3 billion in 2020, $6.8 billion in 2019 and $7.1 billion in 2018. 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, Net

Other non-operating income, net primarily includes net acquisition and divestiture gains, net non-service costs related to defined benefit plans, 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 flows from operating activities. Cash flows from foreign currency transactions and operations are translated at monthly exchange rates for each 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 rates, commodity or other currency exposures are classified as operating activities. Cash payments related to income taxes are classified as operating activities.

Investments

Investment securities have primarily consisted of readily marketable debt securities. Unrealized gains or losses from debt securities classified as trading, if any, are charged to earnings. Unrealized gains or losses on debt securities classified as available-for-sale are 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. Debt securities are included as Available-for-sale investment securities and Other noncurrent assets in the Consolidated Balance Sheets.

In addition to debt securities, we hold minor equity investments in certain companies over which we exert significant influence, but do not control the financial and operating decisions. These are accounted for as equity method investments. Other equity investments that are not controlled, and over which we do not have the ability to exercise significant influence, and for which there is a readily determinable market value, are recorded at fair value, with gains and losses recorded through net earnings. Equity investments without readily determinable fair values are measured at cost, less impairments, plus or minus observable price changes. Equity investments are included as Other noncurrent assets in the Consolidated Balance Sheets.

Inventory Valuation

Inventories are valued at the lower of cost or net realizable 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. 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

New Accounting Pronouncements and Policies

On July 1, 2019, we adopted ASU 2016-02, "Leases (Topic 842)." The new accounting standard requires the recognition of right-of-use assets and lease liabilities for all long-term leases, including operating leases, on the balance sheet. We elected the optional transition method and adopted the new guidance on a modified retrospective basis with no restatement of prior period amounts. As allowed under the new accounting standard, we elected to apply practical expedients to carry forward the original lease determinations, lease classifications and accounting of initial direct costs for all asset classes at the time of adoption. The adoption did not have a material impact on our financial statements, resulting in an increase of approximately 1% to each of our total assets and total liabilities on our balance sheet as of July 1, 2019. See Note 12 for further information.

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 estimated 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 estimated fair values and a residual measurement approach. The new standard also specifies that any loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. We will adopt the standard effective 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 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The amendments provide optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. These amendments are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. We are currently evaluating our contracts and the optional expedients provided by the new standard.

No other new accounting pronouncements issued or effective during the fiscal year or in future years had, or are expected to have, a material impact on our Consolidated Financial Statements.

NOTE 2

SEGMENT INFORMATION

Under U.S. GAAP, our operating segments 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, Pain Relief, 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, Taped Diapers and Pants); Feminine Care (Adult Incontinence, Feminine Care); Family Care (Paper Towels, Tissues, Toilet Paper).

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.

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, leased assets and goodwill, are included in Corporate.

Our operating segments are comprised of similar product categories. Operating segments that individually accounted for 5% or more of consolidated net sales are as follows:

% of Net sales by operating segment [(1)]

Years ended June 30	2020	2019	2018
Fabric Care	**22%**	22%	22%
Baby Care	**11%**	12%	13%
Home Care	**11%**	10%	10%
Skin and Personal Care	**10%**	10%	9%
Hair Care	**9%**	10%	10%
Family Care	**9%**	9%	8%
Oral Care	**8%**	8%	8%
Shave Care	**7%**	8%	8%
Feminine Care	**6%**	6%	6%
Personal Health Care	**5%**	4%	4%
All Other	***2%***	*1%*	*2%*
TOTAL	**100%**	100%	100%

(1) % of Net sales by operating segment excludes sales held in Corporate.

Net sales and long-lived assets in the United States and internationally were as follows (in billions):

Years ended June 30	2020	2019	2018
NET SALES			
United States	**$ 31.3**	$ 28.6	$ 27.3
International	**$ 39.7**	$ 39.1	$ 39.5
LONG-LIVED ASSETS [(1)]			
United States	**$ 9.9**	$ 10.0	$ 9.7
International	**$ 10.8**	$ 11.3	$ 10.9

(1) Long-lived assets consists of property, plant and equipment.

No country, other than the United States, exceeds 10% of the consolidated net sales or long-lived assets.

Our largest customer, Walmart Inc. and its affiliates, accounted for consolidated net sales of approximately 15% in 2020, 2019 and 2018. No other customer represents more than 10% of our consolidated net sales.

Global Segment Results		Net Sales	Earnings/ (Loss) Before Income Taxes	Net Earnings/ (Loss)	Depreciation and Amortization	T A
BEAUTY	**2020**	**$ 13,359**	**$ 3,437**	**$ 2,737**	**$ 320**	**$**
	2019	12,897	3,282	2,637	272	
	2018	12,406	3,042	2,320	236	
GROOMING	**2020**	**6,069**	**1,613**	**1,329**	**406**	**2**
	2019	6,199	1,777	1,529	429	2
	2018	6,551	1,801	1,432	447	2
HEALTH CARE	**2020**	**9,028**	**2,156**	**1,652**	**350**	
	2019	8,218	1,984	1,519	294	
	2018	7,857	1,922	1,283	230	
FABRIC & HOME CARE	**2020**	**23,735**	**5,426**	**4,154**	**605**	
	2019	22,080	4,601	3,518	557	
	2018	21,441	4,191	2,708	534	
BABY, FEMININE & FAMILY CARE	**2020**	**18,364**	**4,534**	**3,465**	**839**	
	2019	17,806	3,593	2,734	861	
	2018	18,080	3,527	2,251	899	
CORPORATE [(1)]	**2020**	**395**	**(1,332)**	**(234)**	**493**	**7**
	2019	484	(9,168)	(7,971)	411	6
	2018	497	(1,157)	(133)	488	6
TOTAL COMPANY	**2020**	**$ 70,950**	**$ 15,834**	**$13,103**	**$ 3,013**	**$ 12**
	2019	67,684	6,069	3,966	2,824	11
	2018	66,832	13,326	9,861	2,834	11

(1) The Corporate reportable segment includes the $8.3 billion non-cash before-tax ($8.0 billion after-tax) goodwill and intangible asset impairment charge in fiscal 2019. For additional details on goodwill and intangible assets see Note 4.

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, 2019

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	Trading Symbol	Name of each exchange on which registered
Common Stock, without Par Value	PG	New York Stock Exchange
4.125% EUR notes due December 2020	PG20A	New York Stock Exchange
0.275% Notes due 2020	PG20	New York Stock Exchange
2.000% Notes due 2021	PG21	New York Stock Exchange
2.000% Notes due 2022	PG22B	New York Stock Exchange
1.125% Notes due 2023	PG23A	New York Stock Exchange
0.500% Notes due 2024	PG24A	New York Stock Exchange
0.625% Notes due 2024	PG24B	New York Stock Exchange
1.375% Notes due 2025	PG25	New York Stock Exchange
4.875% EUR notes due May 2027	PG27A	New York Stock Exchange
1.200% Notes due 2028	PG28	New York Stock Exchange
1.250% Notes due 2029	PG29B	New York Stock Exchange
1.800% Notes due 2029	PG29A	New York Stock Exchange
6.250% GBP notes due January 2030	PG30	New York Stock Exchange
5.250% GBP notes due January 2033	PG33	New York Stock Exchange
1.875% Notes due 2038	PG38	New York Stock Exchange

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 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 and post 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 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 $226 billion on December 31, 2018.

There were 2,502,259,668 shares of Common Stock outstanding as of July 31, 2019.

Documents Incorporated by Reference

Portions of the Proxy Statement for the 2019 Annual Meeting of Shareholders, which will be filed within one hundred and twenty days of the fiscal year ended June 30, 2019 (2019 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 products of superior quality and value to improve the lives of the world's consumers, now and for generations to come. 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

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 through numerous channels as well as direct-to-consumer. 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. We also sell direct to consumers. Sales to Walmart Inc. and its affiliates represent approximately 15% of our total sales in 2019 and 2018 and 16% in 2017. No other customer represents more than 10% of our total sales. Our top ten customers accounted for approximately 36% of our total sales in 2019 and 2018, and 35% in 2017. The nature of our business does not result in 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.

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 2020.

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
2019	**97,000**
2018	92,000
2017	95,000
2016	105,000
2015	110,000
2014	118,000

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 more than fifty percent 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 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, Egypt and Turkey. 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; the deterioration of economic relations between countries or regions, including potential negative consumer sentiment toward non-local products or sources; 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, ease of competitive entry into certain categories, 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, contract manufacturers, 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

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 persons covered by an expanding landscape of privacy and data regulations, such as 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

outside parties, hackers, criminal organizations or other threat actors, including nation states. In addition, insider actors-malicious or otherwise-could cause technical disruptions and/or confidential data leakage. 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 pending withdrawal from the European Union ("Brexit") 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, tariffs, 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 liability, product composition or formulation, packaging content or disposability, 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, policies and related interpretations, as well as increased enforcement actions, create challenges for the Company, including our compliance and ethics programs, may alter the environment in which we do business and may increase the ongoing costs of compliance, which could adversely impact our financial results. If we are unable to continue to meet these challenges and comply with all laws, regulations, policies 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, 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 ongoing 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, any regulatory guidance or legislative action to address questions that arise or any updates or changes to estimates the Company has used to calculate the impacts.

Additionally, longstanding international tax norms that determine each country's jurisdiction to tax cross-border international trade are subject to potential evolution. An outgrowth of the original Base Erosion and Profit Shifting ("BEPS") project is a new project undertaken by the 129 member countries of the expanded OECD Inclusive Framework focused on "Addressing the Challenges of the Digitalization of the Economy." The breadth of this project extends beyond pure digital businesses and is likely to impact all multinational businesses by potentially redefining jurisdictional taxation rights. As this and other tax laws and related regulations change or evolve, our financial results could be materially impacted. Given the unpredictability of these possible changes, 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

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. Our financial results could also be impacted by acquisitions or joint venture activities, such as the integration of Merck KGaA's Consumer Health business acquired in fiscal 2019, 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 the move to a new organizational structure in fiscal 2020, 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 24 manufacturing sites located in 18 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 19; Health Care products at 21; Fabric & Home Care products at 39; and Baby, Feminine & Family Care at 37. 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.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The names, ages and positions held by the Executive Officers of the Company on August 6, 2019, are:

Name	Position	Age	First Elected to Officer Position
David S. Taylor	Chairman of the Board, President and Chief Executive Officer	61	2013
Jon R. Moeller	Vice Chairman, Chief Operating Officer and Chief Financial Officer	55	2009
Steven D. Bishop	Chief Executive Officer - Health Care	55	2016
Mary Lynn Ferguson-McHugh	Chief Executive Officer - Family Care and P&G Ventures	59	2016
Carolyn M. Tastad	Group President - North America and Chief Sales Officer	58	2014
Gary A. Coombe	Chief Executive Officer - Grooming	55	2014
Kathleen B. Fish	Chief Research, Development and Innovation Officer	62	2014
Fama Francisco	Chief Executive Officer - Baby and Feminine Care	51	2018
M. Tracey Grabowski	Chief Human Resources Officer	51	2018
Shailesh Jejurikar	Chief Executive Officer - Fabric and Home Care	52	2018
R. Alexandra Keith	Chief Executive Officer - Beauty	51	2017
Deborah P. Majoras	Chief Legal Officer and Secretary	55	2010
Marc S. Pritchard	Chief Brand Officer	59	2008
Valarie L. Sheppard	Controller and Treasurer and Executive Vice President - Company Transition Leader	55	2005

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
4/1/2019 - 4/30/2019	5,739,213	$104.54	5,739,213	(3)
5/1/2019 - 5/31/2019	6,125,301	106.12	6,125,301	(3)
6/1/2019 - 6/30/2019	4,567,568	109.47	4,567,568	(3)
Total	16,432,082	$106.50	16,432,082	(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 23, 2019, the Company stated that in fiscal year 2019 the Company expected to reduce outstanding shares through direct share repurchases at a value of approximately $5 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 $5.0 billion. The share repurchase plan ended on June 30, 2019.

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 129 consecutive years since its original incorporation in 1890 and has increased its dividend for 63 consecutive years. Over the past five years, the dividend has increased at an annual compound average rate of 3%. 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.

dividend.jpg

(in dollars; split-adjusted)	1959	1969	1979	1989	1999	2009	2019
Dividends per share	$ 0.02	$ 0.04	$ 0.10	$ 0.19	$ 0.57	$ 1.64	$ **2.90**

Common Stock Information

P&G trades on the New York Stock Exchange under the stock symbol PG. There were approximately 3.3 million common stock shareowners, including shareowners of record, participants in P&G stock ownership plans, participants in the P&G Direct Stock Purchase Plan, and beneficial owners with accounts at banks and brokerage firms, as of June 30, 2019.

Shareholder Return

The following graph compares the cumulative total return of P&G's common stock for the five-year period ended June 30, 2019, 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, 2014, and that all dividends were reinvested.

tsra03.jpg

	Cumulative Value of $100 Investment, through June 30					
Company Name/Index	2014	2015	2016	2017	2018	2019
P&G	$ 100	$ 103	$ 115	$ 122	$ 113	**$ 164**
S&P 500 Stock Index	100	107	112	132	151	**166**
S&P 500 Consumer Staples Index	100	109	130	134	129	**150**

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	2019	2018	2017	2016	2015	2014
Net sales	**$ 67,684**	$ 66,832	$ 65,058	$ 65,299	$ 70,749	$ 74,401
Gross profit	**32,916**	32,400	32,420	32,275	33,649	35,356
Operating income	**5,487**	13,363	13,766	13,258	11,056	13,958
Net earnings from continuing operations	**3,966**	9,861	10,194	10,027	8,287	10,658
Net earnings/(loss) from discontinued operations	**—**	—	5,217	577	(1,143)	1,127
Net earnings attributable to Procter & Gamble	**$ 3,897**	$ 9,750	$ 15,326	$ 10,508	$ 7,036	$ 11,643
Net earnings margin from continuing operations	**5.9 %**	14.8 %	15.7 %	15.4 %	11.7 %	14.3 %
Basic net earnings per common share: (1)						
Earnings from continuing operations	**$ 1.45**	$ 3.75	$ 3.79	$ 3.59	$ 2.92	$ 3.78
Earnings/(loss) from discontinued operations	**—**	—	2.01	0.21	(0.42)	0.41
Basic net earnings per common share	**$ 1.45**	$ 3.75	$ 5.80	$ 3.80	$ 2.50	$ 4.19
Diluted net earnings per common share: (1)						
Earnings from continuing operations	**$ 1.43**	$ 3.67	$ 3.69	$ 3.49	$ 2.84	$ 3.63
Earnings/(loss) from discontinued operations	**—**	—	1.90	0.20	(0.40)	0.38
Diluted net earnings per common share	**$ 1.43**	$ 3.67	$ 5.59	$ 3.69	$ 2.44	$ 4.01
Dividends per common share	**$ 2.90**	$ 2.79	$ 2.70	$ 2.66	$ 2.59	$ 2.45
Research and development expense	**$ 1,861**	$ 1,908	$ 1,874	$ 1,879	$ 1,991	$ 1,910
Advertising expense	**6,751**	7,103	7,118	7,243	7,180	7,867
Total assets	**115,095**	118,310	120,406	127,136	129,495	144,266
Capital expenditures	**3,347**	3,717	3,384	3,314	3,736	3,848
Long-term debt	**20,395**	20,863	18,038	18,945	18,327	19,807
Shareholders' equity	**$ 47,579**	$ 52,883	$ 55,778	$ 57,983	$ 63,050	$ 69,976

(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 2019 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 growth excluding the impacts of acquisitions, divestitures, foreign exchange and the fiscal 2019 adoption of new accounting standards for "Revenue from Contracts with Customers" (see Note 1 to the Consolidated Financial Statements) 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 transitional tax payments related to the U.S. Tax Act. 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

Procter & Gamble 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 also sell direct to consumers. 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

In fiscal 2019, our organizational structure was 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%	22%	Hair Care (*Conditioner, Shampoo, Styling Aids, Treatments*)	Head & Shoulders, Herbal Essences, Pantene, Rejoice
			Skin and Personal Care (*Antiperspirant and Deodorant, Personal Cleansing, Skin Care*)	Olay, Old Spice, Safeguard, SK-II, Secret
Grooming	9%	13%	Grooming [2] (Shave Care - *Female Blades & Razors, Male Blades & Razors, Pre- and Post-Shave Products, Other Shave Care;* Appliances)	Braun, Gillette, 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, Pain Relief, Other Personal Health Care*)	Metamucil, Neurobion, Pepto Bismol, Vicks
Fabric & Home Care	33%	29%	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, Fairy, Febreze, Mr. Clean, Swiffer
Baby, Feminine & Family Care	27%	23%	Baby Care (*Baby Wipes, Taped Diapers and Pants*)	Luvs, Pampers
			Feminine Care (*Adult Incontinence, Feminine Care*)	Always, Always Discreet, 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, 2019 (excluding results held in Corporate).

(2) The Grooming product category is comprised of the Shave Care and Appliances GBUs.

Recent Developments:

During fiscal 2019, the Company completed the 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). This business primarily sells OTC consumer healthcare products, mainly in Europe, Latin America and Asia markets. Total sales for the business during Merck OTC's most recent fiscal year ended December 31, 2017 were approximately $1 billion.

During fiscal 2019, the Company also dissolved 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 were returned to the original respective parent companies to reestablish independent OTC businesses. This transaction was accounted for as a sale of the Teva portion of the PGT business. The Company recorded an after-tax gain on the sale of $353 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.

Refer to Notes 13 and 14 to our Consolidated Financial Statements for more details on each of these transactions.

Organization Design Changes:

The Company recently announced changes to our organization design effective July 1, 2019. In the new design, the ten product categories are being organized into six Sector Business Units (SBUs). The SBUs will be responsible for global brand strategy, innovation and supply chain. They will have direct profit responsibility for markets representing the large majority

of the Company's sales and earnings (referred to as Focus Markets) and will be responsible for innovation plans, supply plans and operating frameworks to drive growth and value creation in the remaining markets (referred to as Enterprise Markets). For segment reporting purposes, the categories will continue to be aggregated into the same five external reporting segments.

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 over 60%, 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 electric 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) and digestive wellness products (Metamucil, Pepto Bismol and Align brands). As discussed above, in fiscal 2019, we dissolved the PGT Healthcare partnership with Teva, which previously managed nearly all of our personal health care sales outside the U.S., and reestablished independent OTC businesses. We also acquired Merck OTC 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 taped 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 of nearly $8 billion. We are the global market leader in the feminine care category with 25% global market share, primarily behind Always. We also compete in the adult incontinence category in certain markets behind Always Discreet, achieving nearly 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. As a result of the above-mentioned changes in our organization design effective July 1, 2019, we will be organized under five regions, with Asia Pacific and IMEA being combined into a single region.

Corporate Functions

Corporate Functions 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

Procter & Gamble 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 2019 RESULTS

Amounts in millions, except per share amounts	2019	2018	Change vs. Prior Year
Net sales	**$ 67,684**	$ 66,832	1 %
Operating income	**5,487**	13,363	(59)%
Net earnings	**3,966**	9,861	(60)%
Net earnings attributable to Procter & Gamble	**3,897**	9,750	(60)%
Diluted net earnings per common share	**1.43**	3.67	(61)%
Core earnings per share	**4.52**	4.22	7 %
Cash flow from operating activities	**15,242**	14,867	3 %

- Net sales increased 1% to $67.7 billion on a 3% increase in unit volume. Foreign exchange had a negative 4% impact on net sales. Net sales growth was driven by mid-single digit increases in Beauty and Health Care and a low single digit increase in Fabric & Home Care, partially offset by a low single digit decline in Baby, Feminine & Family Care and a mid-single digit decline in Grooming.
    - Organic sales increased 5% on a 2% increase in organic volume. Organic sales increased high single digits in Beauty and Fabric & Home Care, increased mid-single digits in Health Care and increased low single digits in Grooming and Baby, Feminine & Family Care.
    - Unit volumes increased 3%. Volume increased mid-single digits in Health Care and Fabric & Home Care and increased low single digits in Beauty and Baby, Feminine & Family Care. Volume decreased low single digits in Grooming.
- Operating income decreased $7.9 billion, or 59%, due primarily to non-cash impairment charges of $8.3 billion related to Shave Care goodwill and Gillette indefinite-lived intangible assets (Shave Care impairment), partially offset by the benefit from the net sales increase. For a more detailed discussion on the Shave Care impairment refer to the Significant Accounting Policies and Estimates section in the MD&A and Note 4 to the Consolidated Financial Statements.
- Net earnings decreased $5.9 billion or 60% due to the after-tax impact of the Shave Care impairment, partially offset by a reduction in current year income tax expense, a current year gain on the dissolution of the PGT Healthcare partnership and the base period charges for the early extinguishment of debt. The reduction in current year income tax expense was driven by the impacts of the U.S. Tax Cuts and Jobs Act enacted in December 2017 (U.S. Tax Act), comprised of the reduction in tax rate on the current year earnings and the base period charges related to the transitional impacts of the U.S. Tax Act. Foreign exchange impacts negatively affected net earnings by approximately $900 million.
- Net earnings attributable to Procter & Gamble were $3.9 billion, a decrease of $5.9 billion or 60% versus the prior year primarily due to the aforementioned items.
- Diluted net earnings per share decreased 61% to $1.43.
    - Core EPS increased 7% to $4.52.
- Cash flow from operating activities was $15.2 billion.
    - Adjusted free cash flow was $12.1 billion.
    - Adjusted free cash flow productivity was 105%.

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 risk factors that could impact our results, please refer to “Risk Factors” in Part I, Item 1A of this Form 10-K.

Global Economic Conditions. Our products are sold in numerous countries across 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 and Asian 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, 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 exposures 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 years, including fiscal 2019, 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 had, and could continue to 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, 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, Egypt and Turkey. 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.

RESULTS OF OPERATIONS

The key metrics included in the 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, pricing and other activities by competitors), marketing spending, retail executions, both in-store and online and acquisition and divestiture activity, all of which drive changes in our underlying unit volume, as well as our 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

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. While overhead costs are variable to some extent, we generally experience more scale-related impacts for these costs due to our ability to leverage our organization and systems infrastructures to support business growth.

A detailed discussion of the fiscal 2018 year-over-year changes can be found in the MD&A section in the Form 8-K filed October 22, 2018, which updated our Form 10-K for the year ended June 30, 2018, to revise disclosures to reflect the adoption of the Financial Accounting Standards Board (FASB) ASU 2017-07 and 2016-18. For more information on the adoption of this standard, refer to Note 1 to the Consolidated Financial Statements.

Net Sales

Net sales increased 1% to $67.7 billion in 2019 on a 3% increase in unit volume versus the prior year. Volume increased mid-single digits in Health Care and Fabric & Home Care and increased low single digits in Beauty and Baby, Feminine & Family Care. Volume decreased low single digits in Grooming.

Volume increased mid-single digits in developed regions and low single digits in developing regions. Excluding the impact of acquisitions and divestitures, organic volume increased low single digits in developed regions. Unfavorable foreign exchange reduced net sales by 4%. Pricing had a positive 2% impact on net sales. Product mix had a positive 1% impact on net sales driven by the slightly higher 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. Organic sales grew 5% driven by a 2% increase in organic volume.

Operating Costs

Comparisons as a percentage of net sales; Years ended June 30	2019	2018	Basis Point Change
Gross margin	48.6%	48.5%	10
Selling, general and administrative expense	28.2%	28.5%	(30)
Operating margin	8.1%	20.0%	(1,190)
Earnings from continuing operations before income taxes	9.0%	19.9%	(1,090)
Net earnings	5.9%	14.8%	(890)
Net earnings attributable to Procter & Gamble	5.8%	14.6%	(880)

Gross margin increased 10 basis points to 48.6% of net sales in 2019. Gross margin benefited 160 basis points from total manufacturing cost savings (130 basis points net of product and packaging reinvestments), 60 basis points of positive pricing impacts and 50 basis points from lower restructuring costs. These were offset by:

- a 100 basis-point decline from unfavorable product mix and other impacts (primarily mix within segments due to the growth of lower margin product forms and the club channel in certain categories and due to the disproportionate growth of the Fabric Care category, which is one of our largest categories and has lower than company-average gross margins),
- an 80 basis-point negative impact due to higher commodity costs and
- a 50 basis-point negative impact from unfavorable foreign exchange.

Total SG&A was relatively unchanged at $19.1 billion, as a decrease in marketing spending was offset by an increase in overhead costs and in other net operating expenses. SG&A as a percentage of net sales decreased 30 basis points to 28.2%. Reductions in marketing spending as a percentage of net sales were partially offset by an increase in overhead costs and other net operating expenses as a percentage of sales.

- Marketing spending as a percentage of net sales decreased 80 basis points due to the positive scale impacts of the organic net sales increase, reductions in agency compensation 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 productivity savings and fixed cost leverage from the increased organic net sales, were more than offset by the impact of inflation, higher incentive compensation costs and other cost increases, including the ongoing and integration-related overhead costs of the Merck OTC acquisition.
- Other net operating expenses as a percentage of net sales increased 20 basis points primarily due to an increase in foreign exchange transactional charges and the net impact of changes in indirect tax reserves, partially offset by the gain on sale of real estate in the current year.

Operating margin decreased 1,190 basis points to 8.1% for fiscal 2019 primarily due to the one-time, non-cash before-tax impairment charge of $8.3 billion for Shave Care.

Non-Operating Items

- Interest expense was $509 million in 2019, a marginal increase of $3 million versus the prior year due to an increase in average debt balances and an increase in U.S. interest rates.
- Interest income was $220 million in 2019, a reduction of $27 million versus the prior year due to a reduction in average investment securities balances.
- Other non-operating income, which consists primarily of divestiture gains, investment income and other non-operating items increased $649 million to $871 million, primarily due to a $355 million before-tax gain from the dissolution of the PGT Healthcare partnership in the current year (discussed earlier in the *Recent Developments* section) and $346 million of base year charges for the early extinguishment of debt, partially offset by higher minor brand divestiture gains in the base year.

Income Taxes

Income taxes decreased $1.4 billion to $2.1 billion. The effective tax rate increased 870 basis points to 34.7% in 2019. The current year Shave Care impairment charges caused a 1,750 basis-point increase in the effective tax rate, as there is no tax benefit related to the goodwill portion of the impairment. Excluding this impact, the effective tax rate declined 880 basis points, primarily due to the impacts of the Tax Cuts and Jobs Act (the "U.S. Tax Act") in December 2017. The U.S. Tax Act, among other things, lowered the U.S. corporate income tax rates, but also imposed a one-time repatriation tax on deemed repatriation of historical earnings of foreign subsidiaries and 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. In addition, because 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 our fiscal year ended June 30, 2019 and subsequent fiscal years. Combined, these impacts reduced the current year effective tax rate by 950 basis points, consisting of:

- a 500 basis-point reduction from the impact of the lower blended U.S. federal tax rate on current year earnings versus the prior year rate, and
- a 450 basis-point reduction due to prior year transitional impacts from the U.S. Tax Act.

The remaining 70 basis point net increase in the current year income tax rate was driven by:

- a 160 basis-point increase from unfavorable impacts of geographic mix of earnings,
- a 10 basis-point increase from reduced favorable discrete impacts related to uncertain tax positions (which netted to approximately 15 basis points in the current year versus 25 basis points in the prior year), and
- a 100 basis-point reduction from increased excess tax benefits of share-based compensation (160 basis points in the current year versus 60 basis points in the prior year).

Net Earnings

Operating income decreased $7.9 billion, or 59%, primarily due to the $8.3 billion before tax impairment charge for Shave Care. This was partially offset by the net sales increase, along with the marginal increase in gross margin and decrease in SG&A spending as a percentage of sales, all of which are discussed above.

Earnings before income taxes decreased $7.3 billion or 54% to $6.1 billion, as the reduction in operating income discussed in the preceding paragraph was partially offset by the current year gain from the dissolution of the PGT Healthcare partnership and the base year charges for the early extinguishment of debt, each of which was discussed earlier. Net earnings decreased $5.9 billion, or 60% to $4.0 billion. Net earnings declined less than earnings before income taxes due to the above discussed reduction in income taxes. Foreign exchange impacts reduced net earnings by approximately $900 million in 2019 due to weakening of certain currencies against the U.S. dollar, including those in Argentina, Russia, Turkey, Brazil, China and the United Kingdom. This impact includes both transactional charges and translational impacts from converting earnings from foreign subsidiaries to U.S. dollars.

Net earnings attributable to Procter & Gamble decreased $5.9 billion, or 60%, to $3.9 billion.

Diluted net earnings per share decreased $2.24, or 61%, to $1.43 due primarily to the reduction in net earnings.

Core EPS increased 7% to $4.52. Core EPS represents diluted net earnings per share from continuing operations, excluding the current year charge for the Shave Care impairment, the current year gain on the dissolution of the PGT Healthcare partnership, the base year charges for both the net transitional impact of the U.S. Tax Act and for early extinguishment of debt and incremental restructuring charges in both years related to our productivity and cost savings plans. The increase was primarily driven by the lower effective tax rate on core earnings, resulting from the U.S. Tax Act and the net sales increase.

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. These costs, including the Shave Care impairment in fiscal 2019, are reported in our Corporate segment and are included as part of our Corporate segment discussion. Additionally, we apply blended statutory tax rates in the segments. See Note 2 to the Consolidated Financial Statements for additional information on items included in the Corporate segment. 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.

	Net Sales Change Drivers 2019 vs. 2018 [(1)]						
	Volume with Acquisitions & Divestitures	**Volume Excluding Acquisitions & Divestitures**	**Foreign Exchange**	**Price**	**Mix**	**Other [(2)]**	**Net Sales Growth**
Beauty	3 %	2 %	(4)%	2%	4%	(1)%	4 %
Grooming	(1)%	(1)%	(5)%	2%	—%	(1)%	(5)%
Health Care	5 %	4 %	(3)%	1%	2%	— %	5 %
Fabric & Home Care	4 %	5 %	(3)%	1%	1%	— %	3 %
Baby, Feminine & Family Care	1 %	1 %	(4)%	1%	—%	— %	(2)%
TOTAL COMPANY	**3 %**	**2 %**	**(4)%**	**2%**	**1%**	**(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 adoption of the new accounting standard for "Revenue from Contracts with Customers" in fiscal 2019 and rounding impacts necessary to reconcile volume to net sales.

BEAUTY

($ millions)	2019	2018	Change vs. 2018
Volume	**N/A**	N/A	3%
Net sales	**$12,897**	$12,406	4%
Net earnings	**$2,637**	$2,320	14%
% of net sales	**20.4%**	18.7%	170 bps

Beauty net sales increased 4% to $12.9 billion in 2019 on a 3% increase in unit volume. Unfavorable foreign exchange impacts reduced net sales by 4%. Higher pricing increased net sales by 2%. Favorable product mix added 4% to net sales, primarily due to the disproportionate growth of the Skin and Personal Care category, including the super-premium SK-II and premium Olay Skin brands which have higher than segment average selling prices. Organic sales increased 8%. Global market share of the Beauty segment decreased 0.1 points. Volume increased low single digits in both developed and developing regions.

- Volume in Hair Care increased low single digits. Volume in developed regions increased low single digits due to product innovation and increased distribution. Developing regions volume increased low single digits due to product innovation and market growth. Global market share of the hair care category was unchanged.

- Volume in Skin and Personal Care increased high single digits. Excluding the impact of minor brand acquisitions, organic volume increased mid-single digits. Developed regions volume increased mid-single digits. Excluding the impact of minor brand acquisitions, developed regions volume was unchanged. Volume increased double digits in developing regions due to premium innovation, continued growth of SK-II, increased marketing spending and market growth. Global market share of the skin and personal care category was unchanged.

Net earnings increased 14% to $2.6 billion in 2019 due to the increase in net sales and a 170 basis-point increase in net earnings margin. Net earnings margin increased due to a reduction in U.S. income tax rates and a decrease in SG&A as a percentage of net sales, partially offset by a decrease in gross margin. Gross margin decreased slightly mainly due to unfavorable foreign exchange impacts. SG&A as a percentage of sales decreased primarily due to a reduction in marketing spending 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". The reduction in the tax rate was due to the impacts of the U.S. Tax Act, both from overall rate reduction and the manner in which the impacts were allocated between the business and corporate segments in the prior year, as discussed in the Corporate segment below.

GROOMING

($ millions)	2019	2018	Change vs. 2018
Volume	**N/A**	N/A	(1)%
Net sales	**$6,199**	$6,551	(5)%
Net earnings	**$1,529**	$1,432	7%
% of net sales	**24.7%**	21.9%	280 bps

Grooming net sales decreased 5% to $6.2 billion in 2019 on a 1% decrease in unit volume. Unfavorable foreign exchange impacts reduced net sales by 5%. Increased pricing had a 2% positive impact to net sales. Organic sales increased 1%. Global market share of the Grooming segment decreased 0.9 points. Volume increased low single digits in developed regions and decreased low single digits in developing regions.

- Shave Care volume decreased low single digits. Volume increased low single digits in developed regions due to increased competitiveness following price reductions in the prior year and product innovation. Volume in developing regions decreased low single digits due to reduced demand following devaluation related price increases and competitive activity. Global market share of the shave care category decreased half a point.
- Appliances volume increased low single digits. Volume increased mid-single digits in developed regions due to innovation and market growth. Volume in developing regions was unchanged. Global market share of the appliances category decreased more than half a point.

Net earnings increased 7% to $1.5 billion in 2019 due to a 280 basis-point increase in net earnings margin, which more than offset the net sales decrease. The net earnings margin increased primarily due to a reduction in U.S. income tax rates and a reduction in SG&A as a percentage of net sales, 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, lower tier products in the Appliances category and large count packs all of which have lower than segment average margins), unfavorable foreign exchange impacts and increased commodity costs, partially offset by the positive impacts of manufacturing cost savings and increased pricing. SG&A as a percentage of net sales decreased due to a current year gain on the sale of operating real estate, reductions in overhead costs and marketing spending and the impacts from adoption of the new accounting standard on "Revenue from Contracts with Customers". The reduction in the tax rate was primarily due to the impacts of the U.S. Tax Act, both from the overall rate reduction and the manner in which the impacts were allocated between the business and corporate segments in the prior year, as discussed in the Corporate segment below.

HEALTH CARE

($ millions)	2019	2018	Change vs. 2018
Volume	**N/A**	N/A	5%
Net sales	**$8,218**	$7,857	5%
Net earnings	**$1,519**	$1,283	18%
% of net sales	**18.5%**	16.3%	220 bps

Health Care net sales increased 5% to $8.2 billion in 2019 on a 5% increase in unit volume. Unfavorable foreign exchange impacts reduced net sales by 3%. Higher pricing increased net sales by 1%. Favorable mix increased net sales by 2% due to the than segment average selling prices. Organic sales increased 6% on a 4% increase in organic volume, which excludes the impact of the PGT Healthcare partnership dissolution and the Merck OTC consumer healthcare acquisition. Global market share of the Health Care segment increased 0.5 points. Volume increased mid-single digits in developed and developing regions. Excluding the impact of the PGT Healthcare partnership dissolution and the Merck OTC consumer healthcare acquisition, organic volume increased low single digits in developing regions.

- Oral Care volume increased low single digits. Volume increased mid-single digits in developed regions due to product innovation. Volume increased low single digits in developing regions due to product innovation, partially offset by competitive activity. Global market share of the oral care category increased nearly half a point.
- Volume in Personal Health Care increased double digits. Excluding the impacts of the acquisition and dissolution described above, organic volume increased mid-single digits. Developed regions volume was unchanged, while organic volume grew mid-single digits due to product innovation. Volume in developing regions increased double digits, while organic volume was up high single digits due to innovation and market growth. Global market share of the personal health care category increased more than half a point.

Net earnings increased 18% to $1.5 billion in 2019 due to the increase in net sales and a 220 basis-point increase in net earnings margin. Net earnings margin increased due to a decrease in U.S. income tax rates, partially offset by a reduction in gross margin. Gross margin decreased due to unfavorable mix impact (from the disproportionate growth of club channel and products with lower than segment-average margins, partially offset by the net impacts of the acquisition and dissolution in personal health care) and increases in commodity costs, partially offset by manufacturing cost savings and positive pricing impacts. SG&A as a percentage of net sales was unchanged as an increase in overhead costs was offset by a reduction in marketing spending. Overhead costs as a percentage of net sales increased due to the net impacts of the personal health care acquisition and dissolution, including both integration-related spending and higher relative levels of selling costs in the acquired business, partially offset by the positive scale impacts of the net sales increase. Marketing spending as a percentage of net sales declined primarily due to the positive scale impacts of the net sales increase and the impacts from adoption of the new accounting standard on "Revenue from Contracts with Customers". The reduction in the tax rate was due to the impacts of the U.S. Tax Act, both from the overall rate reduction and the manner in which the impacts were allocated between the business and corporate segments in the prior year, as discussed in the Corporate segment below.

FABRIC & HOME CARE

($ millions)	2019	2018	Change vs. 2018
Volume	**N/A**	N/A	4%
Net sales	**$22,080**	$21,441	3%
Net earnings	**$3,518**	$2,708	30%
% of net sales	**15.9%**	12.6%	330 bps

Fabric & Home Care net sales increased 3% to $22.1 billion in 2019 on a 4% increase in unit volume. Unfavorable foreign exchange impacts reduced net sales by 3%. Higher pricing increased net sales by 1%. Positive mix impacts increased net sales by 1% due to the disproportionate growth of premium products. Organic sales increased 7% 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 low single digits in developing regions. Excluding the impact of minor brand divestitures, organic volume increased mid-single digits in developing regions.

- Fabric Care volume increased mid-single digits. Volume increased mid-single digits in both developed and developing regions, due to product innovation and market growth. Global market share of the Fabric Care category increased less than half a point.
- Home Care volume increased mid-single digits. Volume in developed regions increased mid-single digits driven by product innovation and market growth. Volume in developing regions increased low single digits driven by product innovation, partially offset by volume declines following devaluation related price increases. Global market share of the Home Care category increased nearly a point.

Net earnings increased 30% to $3.5 billion in 2019 due to the increase in net sales and a 330 basis-point increase in net earnings margin. Net earnings margin increased due to a decrease in U.S. income tax rates and a reduction in SG&A as a percentage of sales partially offset by a marginal reduction in gross margin. Gross margin decreased due to unfavorable product mix (driven by the disproportionate growth of large sizes and club channel, both of which have lower than average margins, and new innovation with higher than segment-average product costs), unfavorable foreign exchange impacts and increased commodity costs, partially offset by manufacturing cost savings and increased pricing. SG&A as a percentage of net sales decreased due to reductions in both overhead costs and marketing spending, driven by productivity savings, fixed cost leverage from increased net sales and the impacts from adoption of the new accounting standard on "Revenue from Contracts with Customers". The reduction in the tax rate was due to the impacts of the U.S. Tax Act, both from the overall rate reduction and the manner in which the impacts were allocated between the business and corporate segments in the prior year, as discussed in the Corporate segment below.

BABY, FEMININE & FAMILY CARE

($ millions)	2019	2018	Change vs. 2018
Volume	**N/A**	N/A	1%
Net sales	**$17,806**	$18,080	(2)%
Net earnings	**$2,734**	$2,251	21%
% of net sales	**15.4%**	12.5%	290 bps

Baby, Feminine & Family Care net sales decreased 2% to $17.8 billion in 2019 on a 1% increase in unit volume. Unfavorable foreign exchange impacts reduced net sales by 4%. Increased pricing had a positive 1% impact on net sales. Organic sales increased 2%. 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 low single digits

- Baby Care volume decreased mid-single digits. Volume in developed regions decreased low single digits due to competitive activity, including competitive pricing activity in certain markets, and category contraction. Volume in developing regions decreased 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.
- Feminine Care volume increased mid-single digits. Volume in developed regions increased mid-single digits. Excluding a minor brand acquisition, organic volume increased low single digits due to product innovation and adult incontinence category growth. Volume in developing regions increased mid-single digits due to product innovation. Global market share of the feminine care category increased nearly half a point.
- Volume in Family Care, which is predominantly a North American business, increased mid-single digits driven by product innovation and market growth. In the U.S., all-outlet share of the family care category increased more than half a point.

Net earnings in 2019 increased 21% to $2.7 billion due to a 290 basis-point increase in net earnings margin, partially offset by the reduction in net sales. Net earnings margin increased primarily due to a reduction in U.S. income tax rates and a decrease in SG&A as a percentage of net sales, partially offset by a marginal decrease in gross margin. The gross margin decrease was driven by an increase in commodity costs and unfavorable foreign exchange impacts partially offset by manufacturing cost savings and increased pricing. 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". The reduction in the tax rate was due to the impacts of the U.S. Tax Act, both from the overall rate reduction and the manner in which the impacts were allocated between business and corporate segments in the prior year, as discussed in the Corporate

CORPORATE

($ millions)	2019	2018	Change vs. 2018
Net sales	**$484**	$497	(3)%
Net earnings/(loss)	**$(7,971)**	$(133)	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; certain asset impairment charges; 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 ongoing 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.

Corporate net sales decreased 3% to $484 million in 2019 due to a decrease in the incidental businesses managed at the corporate level. Corporate net loss increased by $7.8 billion in 2019 primarily due to the $8.0 billion after tax ($8.3 billion before tax) charge for the Shave Care impairment as well as the impact of the allocation methodology of the lower U.S. Tax rates. The U.S. Tax Act was enacted in the middle of fiscal 2018; therefore, the net benefit was held in Corporate. Beginning in fiscal 2019, the lower rates are included in the reporting segments. These impacts were partially offset by the following benefits, each of which was discussed earlier:

- the base period net charge for the transitional impacts of the U.S. Tax Act,
- the base period loss on early debt extinguishment,
- lower restructuring charges in fiscal 2019 compared to the prior year and
- higher current year divestiture gains (primarily driven by gain on the dissolution of the PGT healthcare partnership)

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 $1.8 billion in total before- tax restructuring costs across amount of approximately $0.6 billion expected in 2020. 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 2019, the underlying restructuring costs incurred since 2012 (approximately $7.4 billion), along with other non-manufacturing enrollment reductions since 2012 have delivered approximately $3.6 billion in annual before-tax gross savings.

Restructuring accruals of $468 million as of June 30, 2019 are classified as current liabilities. Approximately 67% of the restructuring charges incurred in fiscal 2019 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

Operating cash flow was $15.2 billion in 2019, a 3% increase from the prior year. Net earnings, adjusted for non-cash items (depreciation and amortization, share-based compensation, deferred income taxes, gain on sale of assets and goodwill and indefinite-lived intangible impairment charges) generated approximately $14.6 billion of operating cash flow. Working capital and other impacts generated $0.7 billion of operating cash flow as summarized below.

- An increase in accounts receivable used $276 million of cash due to increased sales and the timing of the end of the fiscal year (which fell on a weekend, resulting in fewer

days collection). The number of days sales outstanding increased approximately one day versus prior year.

- Higher inventory used $239 million of cash mainly due to inventory increases to support initiatives and business growth across all segments. Inventory days on hand increased approximately 2 days primarily due to initiative support and foreign exchange impacts.
- Accounts payable, accrued and other liabilities increased, generating $1.9 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 foreign exchange, drove an approximate 8 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 in fiscal 2020.
- Other operating assets and liabilities used $1.0 billion of cash, primarily driven by the payment of the current year portion of taxes due related to the U.S. Tax Act repatriation charge and statutory pension contributions.

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 payments for the transitional tax resulting from the U.S. Tax Act, and it is one of the measures used to evaluate senior management and determine their at-risk compensation.

Adjusted free cash flow was $12.1 billion in 2019, an increase of 9% 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 Shave Care impairment charges and the gain on dissolution of the PGT Healthcare partnership, was 105% in 2019.

Investing Cash Flow

Net investing activities consumed $3.5 billion in cash in 2019, mainly due to capital spending and business acquisitions, partially offset by proceeds from sales and maturities of short-term investments.

Capital Spending. Capital expenditures, primarily to support capacity expansion, innovation and cost efficiencies, were $3.3 billion in 2019, a decrease of 10% versus prior year. Capital spending as a percentage of net sales decreased 70 basis points to 4.9% in 2019.

Acquisitions. Acquisition activity used cash of $3.9 billion in 2019, primarily related to the Merck OTC acquisition. Acquisition activity used $109 million in 2018, primarily related to acquisitions in the Beauty segment.

Proceeds from Divestitures and Other Asset Sales. Proceeds from asset sales were $394 million in 2019 primarily from minor brand divestitures and the sale of real estate. Proceeds from asset sales contributed $269

maturities of available-for-sale investments. Net cash flow from short-term investments was not material in 2018.

Financing Cash Flow

Net financing activities consumed $10.0 billion in cash in 2019, mainly due to dividends to shareholders and treasury stock purchases, partially offset by the impact of stock options.

Dividend Payments. Our first discretionary use of cash is dividend payments. Dividends per common share increased 4% to $2.90 per share in 2019. Total dividend payments to common and preferred shareholders were $7.5 billion in 2019 and $7.3 billion in 2018. In April 2019, the Board of Directors declared an increase in our quarterly dividend from $0.7172 to $0.7459 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 63rd consecutive year that our dividend has increased. We have paid a dividend for 129 consecutive 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 $30.1 billion as of June 30, 2019 and $31.3 billion as of June 30, 2018.

Treasury Purchases. Total share repurchases were $5.0 billion in 2019 and $7.0 billion in 2018.

Liquidity

At June 30, 2019, our current liabilities exceeded current assets by $7.5 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, 2019, $5.7 billion of the Company's cash, cash equivalents and marketable securities was related to foreign subsidiaries, primarily various Western European and Asian countries. 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. As of June 30, 2019, 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, 2019, our short-term credit ratings were

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 four-year facility and a $4.8 billion 364-day facility, which expire in November 2022 and November 2019, 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, 2019.

Amounts in millions	Total	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
RECORDED LIABILITIES					
Total debt	**$ 29,988**	$ 9,695	$ 4,791	$ 4,807	$ 10,695
Capital leases	**33**	9	15	7	2
U.S. Tax Act transitional charge (1)	**2,557**	214	449	646	1,248
Uncertain tax positions (2)	**143**	143	—	—	—
OTHER					
Interest payments relating to long-term debt	**4,682**	572	979	737	2,394
Operating leases	**1,218**	255	375	300	288
Minimum pension funding (3)	**471**	153	318	—	—
Purchase obligations (4)	**1,491**	633	397	193	268
TOTAL CONTRACTUAL COMMITMENTS	**$ 40,583**	$ 11,674	$ 7,324	$ 6,690	$ 14,895

(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, 2019, the Company's Consolidated Balance Sheet reflects a liability for uncertain tax positions of $617 million, including $150 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, 2019, cannot be made.

(3) 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 2022 are not currently determinable.

(4) 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. 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

Our revenue is primarily generated from the sale of finished product to customers. Those sales predominantly contain a single performance obligation and revenue is recognized at a single point in time when ownership, risks and rewards transfer, 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 at the time of the sale. Amounts accrued for trade promotions at the end of a period require estimation, based on contractual terms, 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 adopted ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)" on July 1, 2018. Adoption of this standard resulted 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 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. See Note 5 to the Consolidated Financial Statements for additional details on the Company's income taxes.

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 2019, the average return on assets assumptions for pension plan assets and OPEB assets was 6.6% 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

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 1.9% 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 $200 million. The average discount rate on the OPEB plan of 3.7% 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 $60 million. See Note 8 to the Consolidated Financial Statement for additional details on our defined benefit pension and OPEB plans.

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 establish and 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 at least annually for impairment. Our ongoing annual impairment testing for goodwill and indefinite-lived intangible assets occurs during the 3 months ended December 31. 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 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 (step two) 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. The difference between the step one fair value and the amounts allocated to the assets and liabilities in step two is the implied fair value of the reporting unit's goodwill.

If this 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. The Appliances wholly-acquired reporting unit has a fair value that significantly exceeds the underlying carrying value. As previously disclosed, the fair value of the Shave Care reporting unit and the related Gillette indefinite-lived intangible asset have been reduced during the recent year to amounts that approximated carrying value. The fair value reductions were due in large part to significant currency devaluations in a number of countries relative to the U.S. dollar, a deceleration of category growth caused by changing grooming habits, primarily in the developed markets, and an increased competitive market environment in the U.S. and certain other markets, which collectively have resulted in reduced cash flow projections. The business continued to be impacted by these factors during the quarter ended June 30, 2019, which reduced previous estimates of earnings for both fiscal 2019 and fiscal 2020. Because of this, we re-performed our step one impairment tests for these assets as of June 30, 2019 and determined that the fair values have been reduced below their respective carrying values.

Therefore, we conducted a step two test of goodwill for the Shave Care reporting unit. Step two requires that we

liabilities of the reporting unit, including previously amortized or unrecognized intangible assets. Any residual fair value after this allocation is compared to the goodwill balance and any excess goodwill is charged to expense. The step two test resulted in an implied fair value of the Shave Care goodwill that was below the carrying value. Therefore, we recognized a non-cash before and after-tax impairment charge of $6.8 billion. The resulting carrying value of the Shave Care goodwill is $12.6 billion as of June 30, 2019. As a result of the methodology used in the step two testing, the Shave Care fair value now exceeds the carrying value by approximately 20%. This is primarily due to higher estimated fair values for certain fixed assets and defined lived intangibles assets, both of which have been partially amortized subsequent to their initial acquisition, along with fair values assigned to intangible assets not eligible for recognition in the financial statements.

The Gillette indefinite-lived intangible asset impairment charge was $1.6 billion ($1.2 billion after tax). This charge was equal to the difference between its estimated fair value (as calculated in step one) and its carrying value. The resulting carrying value of the Gillette indefinite-lived intangible asset is $14.1 billion as of June 30, 2019, which is equal to its estimated fair value. As a result, the Gillette indefinite-lived intangible asset is more susceptible to future impairment risk.

The Shave Care goodwill and Gillette indefinite-lived asset impairment charges are presented as a separate line item in the Consolidated Statements of Earnings. Irrespective of these impairment charges, the Shave Care business has consistently generated significant earnings and cash flow and will continue to be a strategic business for the Company, with attractive earnings, cash flow and growth opportunities.

The most significant assumptions utilized in the determination of the estimated fair values of the 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 and approximates expected long term category market growth rates. The net sales and earnings growth rates are dependent on overall market growth rates, the competitive environment, inflation, relative currency exchange rates, business activities that impact market share and input cost fluctuations. As a result, these growth rates could be adversely impacted by a sustained deceleration in category growth, grooming habit changes, an increased competitive environment, increases in input costs or 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. 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. 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.

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 incremental impairment charges to the Gillette indefinite-lived intangible asset.

	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)%**	**(5)%**

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, 2019.

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. 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 within our financing operations, as discussed below, 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, 2019. 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, 2019, 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.

Based on our currency rate exposure on derivative and other instruments as of and during the year ended June 30, 2019, 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, 2019 and June 30, 2018, we did not have any commodity hedging activity.

Measures Not Defined By U.S. GAAP

In accordance with the SEC's Regulation S-K Item 10(e), 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 July 1, 2018 adoption of new accounting standards for "Revenue from Contracts with Customers", acquisitions, divestitures 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, 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, 2019	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/ Other (1)	Organic Sales Growth
Beauty	4 %	4%	— %	8%
Grooming	(5%)	5%	1 %	1%
Health Care	5 %	3%	(2%)	6%
Fabric & Home Care	3 %	3%	1 %	7%
Baby, Feminine & Family Care	(2%)	4%	— %	2%
TOTAL COMPANY	**1 %**	**4%**	**— %**	**5%**

(1) Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures, the impact from the July 1, 2018 adoption of a new accounting standard for "Revenue from Contracts with Customers" 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 tax payments related to the transitional tax resulting from the U.S. Tax Act (the Company incurred a transitional tax liability of

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.

The following table provides a numerical reconciliation of adjusted free cash flow ($ millions):

	Operating Cash Flow	Capital Spending	Adjustments to Operating Cash Flow (1)	Adjusted Free Cash Flow
2019	**$ 15,242**	**$ (3,347)**	**$ 235**	**$ 12,130**
2018	$ 14,867	$ (3,717)	$ —	$ 11,150

(1) Adjustments to Operating Cash Flow relate to tax payments for the transitional tax resulting from the U.S. Tax Act.

Adjusted Free Cash Flow Productivity. Adjusted free cash flow productivity is defined as the ratio of adjusted free cash flow to net earnings excluding 1) the fiscal 2019 Shave Care impairment and 2) the fiscal 2019 gain on dissolution of the PGT Healthcare partnership. 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
2019	**$ 3,966**	**$ 7,625**	**$ 11,591**	**$ 12,130**	**105 %**

(1) Adjustments to Net Earnings relate to the Shave Care impairment charges and the gain on the dissolution of the PGT Healthcare partnership in fiscal 2019.

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. Core EPS is also used in assessing the achievement of management goals for at-risk compensation. 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.

- Gain on Dissolution of the PGT Healthcare Partnership: The Company dissolved our PGT Healthcare partnership, a venture between the Company and Teva Pharmaceuticals Industries, Ltd (Teva) in the OTC consumer healthcare business, during the year ended June 30, 2019. 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.

- 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 pre-tax earnings.

- Early debt extinguishment charges: In fiscal 2018, the Company recorded after-tax charges of $243 million, 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.

- Shave Care Impairment: As discussed in Note 4 to the Consolidated Financial Statements and in the Significant Accounting Policies and Estimates section of the MD&A, in the fourth quarter of fiscal 2019, the Company recognized a one-time, non-cash after-tax charge of $8.0 billion ($8.3 billion before tax) to adjust the carrying values of the Shave Care reporting unit. This was comprised of a before and after-tax impairment charge of $6.8 billion related to goodwill and an after-tax impairment charge of $1.2 billion ($1.6 billion before tax) to reduce the carrying value of the Gillette indefinite-lived intangible assets.

- Anti-Dilutive Impacts: As discussed in Note 6 to the Consolidated Financial Statements, the Shave Care impairment charges caused preferred shares that are normally dilutive (and hence, normally assumed converted for purposes of determining diluted earnings per share) to be anti-dilutive. Accordingly for U.S. GAAP, the preferred shares were not assumed to be converted into common shares for diluted earnings per share and the related dividends paid to the preferred shareholders were deducted from net income to calculate earnings available to common shareholders. As a result of the non-GAAP Shave Care impairment adjustment, these instruments are dilutive for non-GAAP core earnings per share.

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, 2019	AS REPORTED (GAAP)	ANTI-DILUTIVE IMPACTS	INCREMENTAL RESTRUCTURING	SHAVE CARE IMPAIRMENT	GAIN ON DISSOLUTION OF PGT PARTNERSHIP	ROUNDING	NON-GAAP (CORE)
COST OF PRODUCTS SOLD	$ 34,768	$ —	$ (426)	$ —	$ —	$ —	$ 34,342
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE	19,084	—	23	—	—	(1)	19,106
OPERATING INCOME	5,487	—	403	8,345	—	1	14,236
INCOME TAX ON CONTINUING OPERATIONS	2,103	—	69	367	(2)	—	2,537
NET EARNINGS ATTRIBUTABLE TO P&G	3,897	—	354	7,978	(353)	1	11,877
							Core EPS
Diluted Net Earnings attributable to common shareholders (1)	3,634	263	354	7,978	(353)	1	11,877
Diluted Weighted Average Common Shares Outstanding (1)	2,539.5	90.2					2,629.7
DILUTED NET EARNINGS PER COMMON SHARE	$ 1.43	$ 0.06	$ 0.13	$ 3.03	$ (0.13)	$ —	**$ 4.52**

(1) The reduction in net earnings from current period charge for the Shave Care impairment caused the preferred shares outstanding to be anti-dilutive. Accordingly, for U.S. GAAP, the preferred shares were not assumed to be converted into common shares for diluted earnings per share and the related dividends paid to the preferred shareholders were deducted from net income to calculate earnings available to common shareholders. Excluding the impairment charge results in higher non-GAAP earnings which causes the preferred shares to be dilutive. The adjustments in this row are made to reflect the dilutive preferred share impact resulting from the Shave Care impairment adjustment.

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, 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.

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, 2019, 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, 2019, 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, 2019, 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, Chief Operating Officer and Chief Financial Officer

August 6, 2019

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, 2019 and 2018, 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, 2019 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 as of June 30, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2019, 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, 2019, 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 6, 2019 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 Company has changed its method of accounting for revenue from contracts with customers in the year ended June 30, 2019 due to the adoption of Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606).*

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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Goodwill and Intangible Assets - Shave Care Goodwill and Gillette Indefinite Lived Intangible Asset - Refer to Notes 1 and 4 to the financial statements

Critical Audit Matter Description

The Company's evaluation of goodwill and indefinite lived intangible assets for impairment involves the comparison of the fair value of each reporting unit or indefinite lived intangible asset to its carrying value. The Company estimates fair value using the income method, which is based on the present value of estimated future cash flows attributable to the respective assets. This requires management to make significant estimates and assumptions related to forecasts of future net sales and earnings, including growth rates beyond a 10-year time period, royalty rates and discount rates. Changes in the assumptions could have a significant impact on either the fair value, the amount of any impairment charge, or both. The Company performed their annual impairment assessments of the Shave Care reporting unit as of October 1, 2018 and the Gillette brand indefinite-lived intangible asset (the "Gillette brand") as of December 31, 2018. Because the estimated fair values exceeded their carrying values, no impairments were recorded. Given recent reductions in cash flows caused by currency devaluations, changing consumer grooming habits affecting demand and an increase in the competitive market environment, the Company revised their cash flow estimates and updated their fair value estimates for both the Shave Care reporting unit and the Gillette brand as of June 30, 2019 and determined the carrying values exceeded the fair values resulting in an impairment of the Shave Care Goodwill and the Gillette brand. The Company measured the impairment of goodwill using the two-step method which requires management to make significant estimates and judgments to allocate the fair value of the Shave Care reporting unit to its identifiable assets and liabilities including estimating the fair value of property, plant and equipment and intangibles. The residual fair value of the Shave Care reporting unit was compared to the carrying value of its goodwill with the excess in carrying value of $6.8 billion before and after tax recorded as an impairment. The impairment of the Gillette brand of $1.6 billion before tax and $1.2 billion after tax was measured as the difference between its fair value and carrying value. As of June 30, 2019, after recording of the impairments, the Shave Care reporting unit goodwill was $12.6 billion, and the Gillette brand was $14.1 billion.

We identified the Company's impairment evaluations of goodwill for the Shave Care reporting unit and the Gillette brand as a critical audit matter because of the recent reductions in cash flows and the significant judgments made by management to estimate the fair values of the reporting unit and the brand and to estimate the fair value of the reporting unit's assets and liabilities for purposes of measuring the impairment of goodwill. A high degree of auditor judgment and an increased extent of effort was required when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the forecasts of future net sales and earnings as well as the selection of royalty rates and discount rates and the estimation and allocation of fair value to the reporting unit's assets and liabilities including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to forecasts of future net sales and earnings and the selection of the royalty rates and discount rates for the Shave Care reporting unit and the Gillette brand included the following, among others:

- We tested the effectiveness of controls over goodwill and indefinite lived intangible assets, including those over the determination of fair value, such as controls related to management's development of forecasts of future net sales, earnings, the selection of royalty rates, discount rates and allocation of the reporting unit fair value to its identifiable assets and liabilities.
- We evaluated management's ability to accurately forecast net sales and earnings by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's forecast of net sales and earnings by comparing the forecasts to:
    - Historical net sales and earnings.
    - Underlying analysis detailing business strategies and growth plans.
    - Internal communications to management and the Board of Directors.
    - Forecasted information included in Company press releases as well as in analyst and industry reports for the Company and certain of its peer companies.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the valuation methodology, net sales and earnings growth rates, royalty rates, discount rates and estimation and allocation of the reporting unit fair value to its identifiable assets and liabilities by:
    - Testing the source information underlying the determination of net sales and earnings growth rates, royalty rates, discount rates, estimation and allocation of the reporting unit fair value to its identifiable assets and liabilities and the mathematical accuracy of the calculations.
    - Developing a range of independent estimates for the discount rates and comparing those to the discount rates selected by management.

Acquisition of the over the counter healthcare business of Merck KGaA - Refer to Note 14 to the financial statements

Critical Audit Matter Description

The Company completed the acquisition of the over the counter healthcare business of Merck KGaA (Merck OTC) for $3.7 billion on November 30, 2018. The Company accounted for this transaction under the acquisition method of accounting for business combinations. Accordingly, the purchase price was allocated, on a preliminary basis, to the assets acquired and liabilities assumed based on their respective fair values, including identified intangible assets of $2.1 billion and resulting goodwill of $2.1 billion. Of the identified intangible assets acquired, the most significant included brand indefinite lived intangible assets of $946 million and brand defined life intangible assets of $701 million (the "brand intangible assets"). The Company estimated the fair value of the brand intangible assets using the royalty savings method, which is a specific discounted cash flow method that required management to make significant estimates and assumptions related to future cash flows and the selection of royalty rates and discount rates.

We identified the brand intangible assets for Merck OTC as a critical audit matter because of the significant estimates and assumptions management makes to fair value these assets for purposes of recording the acquisition. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the reasonableness of management's forecasts of future cash flows as well as the selection of the royalty rates and discount rates, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the forecasts of future cash flows and the selection of the royalty rates and discount rates for the brand intangible assets included the following, among others:

- We tested the effectiveness of controls over the valuation of the brand intangible assets, including management's controls over forecasts of future cash flows and selection of the royalty rates and discount rates.
- We evaluated the reasonableness of management's forecasts of future cash flows by comparing the projections to historical results and certain peer companies.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the valuation methodology, royalty rates and discount rates by:
  - Testing the source information underlying the determination of the royalty rates and discount rates and testing the mathematical accuracy of the calculations.
  - Developing a range of independent estimates for the discount rates and comparing those to the discount rates selected by management.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio

August 6, 2019

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, 2019, 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, 2019, 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, 2019, of the Company and our report dated August 6, 2019, expressed an unqualified opinion on those financial statements and included an explanatory paragraph related to the Company's change in method of accounting for revenue from contracts with customers in the year ended June 30, 2019 due to the adoption of Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606).*

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 6, 2019

Consolidated Statements of Earnings

Amounts in millions except per share amounts; Years ended June 30	2019	2018	2017
NET SALES	**$ 67,684**	$ 66,832	$ 65,058
Cost of products sold	**34,768**	34,432	32,638
Selling, general and administrative expense	**19,084**	19,037	18,654
Goodwill and indefinite lived intangibles impairment charges	**8,345**	—	—
OPERATING INCOME	**5,487**	13,363	13,766
Interest expense	**509**	506	465
Interest income	**220**	247	171
Other non-operating income/(expense), net	**871**	222	(215)
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	**6,069**	13,326	13,257
Income taxes on continuing operations	**2,103**	3,465	3,063
NET EARNINGS FROM CONTINUING OPERATIONS	**3,966**	9,861	10,194
NET EARNINGS FROM DISCONTINUED OPERATIONS	**—**	—	5,217
NET EARNINGS	**3,966**	9,861	15,411
Less: Net earnings attributable to noncontrolling interests	**69**	111	85
NET EARNINGS ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 3,897**	$ 9,750	$ 15,326
BASIC NET EARNINGS PER COMMON SHARE: (1)			
Earnings from continuing operations	**$ 1.45**	$ 3.75	$ 3.79
Earnings from discontinued operations	**—**	—	2.01
BASIC NET EARNINGS PER COMMON SHARE	**$ 1.45**	$ 3.75	$ 5.80
DILUTED NET EARNINGS PER COMMON SHARE: (1)			
Earnings from continuing operations	**$ 1.43**	$ 3.67	$ 3.69
Earnings from discontinued operations	**—**	—	1.90
DILUTED NET EARNINGS PER COMMON SHARE	**$ 1.43**	$ 3.67	$ 5.59

(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	2019	2018	2017
NET EARNINGS	**$ 3,966**	$ 9,861	$ 15,411
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX			
Foreign currency translation (net of $78, $(279) and $(186) tax, respectively)	**(213)**	(305)	(67)
Unrealized gains/(losses) on investment securities (net of $0, $0 and $(6) tax, respectively)	**184**	(148)	(59)
Unrealized gains on defined benefit retirement plans (net of $22, $68 and $551 tax, respectively)	**169**	334	1,401
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX	**140**	(119)	1,275
TOTAL COMPREHENSIVE INCOME	**4,106**	9,742	16,686
Less: Total comprehensive income attributable to noncontrolling interests	**70**	109	85
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 4,036**	$ 9,633	$ 16,601

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

Amounts in millions; As of June 30	2019	2018
Assets		
CURRENT ASSETS		
Cash and cash equivalents	**$ 4,239**	$ 2,569
Available-for-sale investment securities	**6,048**	9,281
Accounts receivable	**4,951**	4,686
INVENTORIES		
Materials and supplies	**1,289**	1,335
Work in process	**612**	588
Finished goods	**3,116**	2,815
Total inventories	**5,017**	4,738
Prepaid expenses and other current assets	**2,218**	2,046
TOTAL CURRENT ASSETS	**22,473**	23,320
PROPERTY, PLANT AND EQUIPMENT, NET	**21,271**	20,600
GOODWILL	**40,273**	45,175
TRADEMARKS AND OTHER INTANGIBLE ASSETS, NET	**24,215**	23,902
OTHER NONCURRENT ASSETS	**6,863**	5,313
TOTAL ASSETS	**$ 115,095**	$ 118,310
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES		
Accounts payable	**$ 11,260**	$ 10,344
Accrued and other liabilities	**9,054**	7,470
Debt due within one year	**9,697**	10,423
TOTAL CURRENT LIABILITIES	**30,011**	28,237
LONG-TERM DEBT	**20,395**	20,863
DEFERRED INCOME TAXES	**6,899**	6,163
OTHER NONCURRENT LIABILITIES	**10,211**	10,164
TOTAL LIABILITIES	**67,516**	65,427
SHAREHOLDERS' EQUITY		
Convertible Class A preferred stock, stated value $1 per share (600 shares authorized)	**928**	967
Non-Voting Class B preferred stock, stated value $1 per share (200 shares authorized)	**—**	—
Common stock, stated value $1 per share (10,000 shares authorized; shares issued: 2019 - 4,009.2, 2018 - 4,009.2)	**4,009**	4,009
Additional paid-in capital	**63,827**	63,846
Reserve for ESOP debt retirement	**(1,146)**	(1,204)
Accumulated other comprehensive income/(loss)	**(14,936)**	(14,749)
Treasury stock, at cost (shares held: 2019 - 1,504.5, 2018 -1,511.2)	**(100,406)**	(99,217)
Retained earnings	**94,918**	98,641
Noncontrolling interest	**385**	590
TOTAL SHAREHOLDERS' EQUITY	**47,579**	52,883
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 115,095**	$ 118,310

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	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
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 income/(loss)						1,275				1,275
Dividends and dividend equivalents ($2.6981 per share):										
Common								(6,989)		(6,989)
Preferred, net of tax benefits								(247)		(247)
Treasury stock purchases [1]	(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 income/(loss)						(117)			(2)	(119)
Dividends and dividend equivalents ($2.7860 per share):										
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
Impact of adoption of new accounting standards						**(326)**		**(200)**	**(27)**	**(553)**
Net earnings								**3,897**	**69**	**3,966**
Other comprehensive income/(loss)						**139**			**1**	**140**
Dividends and dividend equivalents ($2.8975 per share):										
Common								**(7,256)**		**(7,256)**
Preferred, net of tax benefits								**(263)**		**(263)**

Treasury stock purchases	(53,714)						(5,003)			(5,003)
Employee stock plans	55,734			93			3,781			3,874
Preferred stock conversions	4,638		(39)	6			33			—
ESOP debt impacts					58			99		157
Noncontrolling interest, net				(118)					(248)	(366)
BALANCE JUNE 30, 2019	**2,504,751**	**$4,009**	**$928**	**$63,827**	**($1,146)**	**($14,936)**	**($100,406)**	**$94,918**	**$385**	**$47,579**

(1) 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	2019	2018	2017
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	**$ 2,569**	$ 5,569	$ 8,098
OPERATING ACTIVITIES			
Net earnings	**3,966**	9,861	15,411
Depreciation and amortization	**2,824**	2,834	2,820
Loss on early extinguishment of debt	**—**	346	543
Share-based compensation expense	**515**	395	351
Deferred income taxes	**(411)**	(1,844)	(601)
Gain on sale of assets	**(678)**	(176)	(5,490)
Goodwill and indefinite-lived intangible impairment charges	**8,345**	—	—
Change in accounts receivable	**(276)**	(177)	(322)
Change in inventories	**(239)**	(188)	71
Change in accounts payable, accrued and other liabilities	**1,856**	1,385	(149)
Change in other operating assets and liabilities	**(973)**	2,000	(43)
Other	**313**	431	162
TOTAL OPERATING ACTIVITIES	**15,242**	14,867	12,753
INVESTING ACTIVITIES			
Capital expenditures	**(3,347)**	(3,717)	(3,384)
Proceeds from asset sales	**394**	269	571
Acquisitions, net of cash acquired	**(3,945)**	(109)	(16)
Purchases of short-term investments	**(158)**	(3,909)	(4,843)
Proceeds from sales and maturities of short-term investments	**3,628**	3,928	1,488
Cash transferred at closing related to the Beauty Brands divestiture	**—**	—	(475)
Change in other investments	**(62)**	27	(26)
TOTAL INVESTING ACTIVITIES	**(3,490)**	(3,511)	(6,685)
FINANCING ACTIVITIES			
Dividends to shareholders	**(7,498)**	(7,310)	(7,236)
Change in short-term debt	**(2,215)**	(3,437)	2,727
Additions to long-term debt	**2,367**	5,072	3,603
Reductions of long-term debt (1)	**(969)**	(2,873)	(4,931)
Treasury stock purchases	**(5,003)**	(7,004)	(5,204)
Impact of stock options and other	**3,324**	1,177	2,473
TOTAL FINANCING ACTIVITIES	**(9,994)**	(14,375)	(8,568)
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**(88)**	19	(29)
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**1,670**	(3,000)	(2,529)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	**$ 4,239**	$ 2,569	$ 5,569

SUPPLEMENTAL DISCLOSURE			
Cash payments for interest	**$ 497**	$ 529	$ 518
Cash payment for income taxes	**3,064**	2,830	3,714
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.

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

Our revenue is primarily generated from the sale of finished product to customers. Those sales predominantly contain a single performance obligation and revenue is recognized at a single point in time when ownership, risks and rewards transfer, 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. 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.

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 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 2019, $1.9 billion in 2018 and $1.9 billion in 2017 (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 $6.8 billion in 2019, $7.1 billion in 2018 and $7.1 billion in 2017 (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 rates, 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 primarily consist of readily marketable debt securities. Unrealized gains or losses from investments classified as trading, if any, are charged to earnings. Unrealized gains or losses on debt securities classified as available-for-sale are 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

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 accelerated the accrual timing for certain portions of our customer and consumer promotional spending, which resulted in a cumulative reduction 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 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 $309 for the year ended June 30, 2018, with no impact to operating income. We elected certain practical expedients included in the guidance related to shipping and handling costs, which was not 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.

On July 1, 2018, we adopted 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 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.

On July 1, 2018, we early adopted ASU 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (Topic

tax effects from the recently enacted U.S. Tax Cuts and Jobs Act included in Accumulated other comprehensive income/(loss) (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 reclassification from the adoption of this standard resulted in an increase of $326 to Retained earnings and a decrease of $326 to AOCI.

On July 1, 2018, we adopted ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity transfers of Assets other than Inventory." We adopted this standard on a modified retrospective basis. 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. 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. The impact of the standard will consist primarily of a balance sheet gross up of our operating leases to show equal and offsetting lease assets and lease liabilities. Subject to the completion of our assessment, we expect the adoption of the standard to result in an increase to our total assets of approximately 1%.

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

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. This business is reported as discontinued operations for the year ended June 30, 2017 (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, Pain Relief, 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, Taped Diapers and Pants); Feminine Care (Adult Incontinence, Feminine Care); Family Care (Paper Towels, Tissues, Toilet Paper).

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.

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.

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	2019	2018	2017
Fabric Care	**22%**	22%	22%
Baby Care	**12%**	13%	14%
Hair Care	**10%**	10%	10%
Home Care	**10%**	10%	10%
Skin and Personal Care	**10%**	9%	8%
Family Care	**9%**	8%	8%
Oral Care	**8%**	8%	8%
Shave Care	**8%**	8%	9%
Feminine Care	**6%**	6%	6%
All Other	***5%***	*6%*	*5%*
TOTAL	**100%**	100%	100%

(1) % of sales by business unit excludes sales held in Corporate.

Net sales and long-lived assets in the United States and internationally were as follows (in billions):

Years ended June 30	2019	2018	2017
NET SALES			
United States	**$ 28.6**	$ 27.3	$ 27.3
International	**$ 39.1**	$ 39.5	$ 37.8
LONG-LIVED ASSETS (1)			
United States	**$ 10.0**	$ 9.7	$ 8.8
International	**$ 11.3**	$ 10.9	$ 11.1

(1) 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%, 15% and 16% in 2019, 2018 and 2017, respectively. No other customer represents more than 10% of our consolidated net sales.

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	**2019**	**$ 12,897**	**$ 3,282**	**$ 2,637**	**$ 272**	**$ 5,362**	**$ 634**
	2018	12,406	3,042	2,320	236	4,709	766
	2017	11,429	2,546	1,914	220	4,184	599
GROOMING	**2019**	**6,199**	**1,777**	**1,529**	**429**	**20,882**	**367**
	2018	6,551	1,801	1,432	447	22,609	364
	2017	6,642	1,985	1,537	433	22,759	341
HEALTH CARE	**2019**	**8,218**	**1,984**	**1,519**	**294**	**7,708**	**363**
	2018	7,857	1,922	1,283	230	5,254	330
	2017	7,513	1,898	1,280	209	5,194	283
FABRIC & HOME CARE	**2019**	**22,080**	**4,601**	**3,518**	**557**	**7,620**	**984**
	2018	21,441	4,191	2,708	534	7,295	1,020
	2017	20,717	4,249	2,713	513	6,886	797
BABY, FEMININE & FAMILY CARE	**2019**	**17,806**	**3,593**	**2,734**	**861**	**9,271**	**819**
	2018	18,080	3,527	2,251	899	9,682	1,016
	2017	18,252	3,868	2,503	874	9,920	1,197
CORPORATE (1)	**2019**	**484**	**(9,168)**	**(7,971)**	**411**	**64,252**	**180**
	2018	497	(1,157)	(133)	488	68,761	221
	2017	505	(1,289)	247	571	71,463	167
TOTAL COMPANY	**2019**	**$ 67,684**	**$ 6,069**	**$ 3,966**	**$ 2,824**	**$ 115,095**	**$ 3,347**
	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

(1) The Corporate reportable segment includes the $8.3 billion one-time, non-cash before-tax ($8.0 billion after-tax) goodwill and intangible asset impairment charge in fiscal 2019. For additional details on goodwill and intangible assets see Note 4. The Corporate reportable segment also includes depreciation and amortization, total assets and capital expenditures of the Beauty Brands business prior to their divestiture in fiscal 2017.

NOTE 3

SUPPLEMENTAL FINANCIAL INFORMATION

The components of property, plant and equipment were as follows:

As of June 30	2019	2018
PROPERTY, PLANT AND EQUIPMENT		
Buildings	**$ 7,746**	$ 7,188
Machinery and equipment	**32,263**	30,595
Land	**805**	841
Construction in progress	**2,579**	3,223
TOTAL PROPERTY, PLANT AND EQUIPMENT	**43,393**	41,847
Accumulated depreciation	**(22,122)**	(21,247)
PROPERTY, PLANT AND EQUIPMENT, NET	**$ 21,271**	$ 20,600

Selected components of current and noncurrent liabilities were as follows:

As of June 30	2019	2018
ACCRUED AND OTHER LIABILITIES - CURRENT		
Marketing and promotion	**$ 4,299**	$ 3,208
Compensation expenses	**1,623**	1,298
Restructuring reserves	**468**	513
Taxes payable	**341**	268
Other	**2,323**	2,183
TOTAL	**$ 9,054**	$ 7,470

As of June 30	2019	2018
OTHER NONCURRENT LIABILITIES		
Pension benefits	**$ 5,622**	$ 4,768
Other postretirement benefits	**1,098**	1,495
Uncertain tax positions	**472**	581
U.S. Tax Act transitional tax payable	**2,343**	2,654
Other	**676**	666
TOTAL	**$ 10,211**	$ 10,164

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.

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 $754 and $1,070 for the years ended June 30, 2019 and 2018, respectively. Of the charges incurred for fiscal year 2019, $213 were recorded in SG&A, $521 in Costs of products sold, and $20 in Other non-operating income/(expense), net. Of the charges incurred for fiscal year 2018, $237 were recorded in SG&A, $819 in Costs of products sold, and $14 in Other non-operating income/(expense), net. The following table presents restructuring activity for the years ended June 30, 2019 and 2018:

Amounts in millions	Separations	Asset-Related Costs	Other	Total
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
Charges	**260**	**252**	**242**	**754**
Cash spent	**(239)**	**—**	**(308)**	**(547)**
Charges against assets	**—**	**(252)**	**—**	**(252)**
RESERVE JUNE 30, 2019	**$ 280**	**$ —**	**$ 188**	**$ 468**

Separation Costs

Employee separation charges for the years ended June 30, 2019 and 2018 relate to severance packages for approximately 1,810 and 2,720 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	2019	2018	2017
Beauty	**$ 49**	$ 60	$ 90
Grooming	**65**	38	45
Health Care	**23**	21	15
Fabric & Home Care	**84**	115	144
Baby, Feminine & Family Care	**226**	547	231
Corporate [(1)]	**307**	289	229
Total Company	**$ 754**	$ 1,070	$ 754

[(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 Beauty Brands business in 2017.

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, 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
Acquisitions and divestitures	**132**	**—**	**2,084**	**6**	**57**	**—**	**2,279**
Goodwill impairment charges	**—**	**(6,783)**	**—**	**—**	**—**	**—**	**(6,783)**
Translation and other	**(139)**	**(156)**	**(41)**	**(16)**	**(46)**	**—**	**(398)**
Balance at June 30, 2019 - Net (1)	**$ 12,985**	**$ 12,881**	**$ 7,972**	**$ 1,855**	**$ 4,580**	**$ —**	**$ 40,273**

(1) Grooming goodwill balance is net of $1.2 billion accumulated impairment losses as of June 30, 2017 and 2018 and $7.9 billion as of June 30, 2019.

Goodwill and indefinite-lived intangibles are tested for impairment at least annually by comparing the estimated fair values of our reporting units and underlying indefinite-lived intangible assets to their respective carrying values. We typically use an income method to estimate the fair value of these assets, which is based on forecasts of the expected future cash flows attributable to the respective assets. Significant estimates and assumptions inherent in the valuations reflect a consideration of other marketplace participants, and include the amount and timing of future cash flows (including expected growth rates and profitability). Estimates utilized in the projected cash flows include consideration of macroeconomic conditions, overall category growth rates, competitive activities, cost containment and margin expansion, Company business plans, the underlying product or technology life cycles, economic barriers to entry, a brand's relative market position and the discount rate applied to the cash flows. Unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions.

During fiscal 2019, we determined that the estimated fair value of our Shave Care reporting unit was less than its carrying value. Therefore, we conducted step two of the goodwill impairment test. Step two requires that we allocate the fair value of the reporting unit to identifiable assets and liabilities of the reporting unit, including previously unrecognized intangible assets. Any residual fair value after this allocation is compared to the goodwill balance and any excess goodwill is charged to expense. We also determined that the Gillette indefinite-lived intangible asset was less than its carrying amount. As a result, we recorded non-cash impairment charges for both items. As previously disclosed, the fair values of the Shave Care reporting unit and the related Gillette indefinite-lived intangible asset have been reduced in recent years, including further reductions during the year and quarter ending June 30, 2019. These reductions were due in large part to significant currency devaluations in a number of countries relative to the U.S. dollar, a deceleration of category growth caused by changing grooming habits, primarily in the developed markets, and an increased competitive market environment in the U.S. and certain other markets, which collectively have resulted in reduced cash flow projections. A non-cash before and after-tax impairment charge of $6.8 billion was recognized to reduce the carrying amount of goodwill for the Shave Care reporting unit. Following the impairment charge, the carrying value of the Shave Care goodwill is $12.6 billion. Additionally, a non-cash, before-tax impairment charge of $1.6 billion ($1.2 billion after-tax) was recognized to reduce the carrying amount of the Gillette indefinite-lived intangible asset to its estimated fair value as of June 30, 2019. Following the impairment charge, the carrying value of the Gillette indefinite-lived intangible asset is $14.1 billion.

We believe the estimates and assumptions utilized in our impairment testing 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 or subsequently impairing the carrying amount of goodwill and related intangible assets, we may need to record additional non-cash impairment charges in the future.

During fiscal 2019, the Company completed the acquisition of the over the counter (OTC) healthcare business of Merck KGaA (Merck OTC), which is included in the Health Care reportable segment (see Note 14), along with other minor acquisitions in the Beauty, the Baby, Feminine & Family Care and the Fabric & Home Care reportable segments. Goodwill increases due to acquisitions were partially offset by the divestiture of the Teva portion of the PGT business in the Health Care reportable segment and currency translation.

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.

Identifiable intangible assets were comprised of:

As of June 30	2019 Gross Carrying Amount	2019 Accumulated Amortization	2018 Gross Carrying Amount	2018 Accumulated Amortization
INTANGIBLE ASSETS WITH DETERMINABLE LIVES				
Brands	**$ 3,836**	**$ (2,160)**	$ 3,146	$ (2,046)
Patents and technology	**2,776**	**(2,434)**	2,617	(2,350)
Customer relationships	**1,787**	**(691)**	1,372	(616)
Other	**145**	**(91)**	241	(144)
TOTAL	**$ 8,544**	**$ (5,376)**	$ 7,376	$ (5,156)
INTANGIBLE ASSETS WITH INDEFINITE LIVES				
Brands	**21,047**	**—**	21,682	—
TOTAL	**$ 29,591**	**$ (5,376)**	$ 29,058	$ (5,156)

Amortization expense of intangible assets was as follows:

Years ended June 30	2019	2018	2017
Intangible asset amortization	**$ 349**	$ 302	$ 325

Estimated amortization expense over the next five fiscal years is as follows:

Years ending June 30	2020	2021	2022	2023	2024
Estimated amortization expense	$ 359	$ 309	$ 290	$ 278	$ 267

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 revised 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 eliminated the domestic manufacturing deduction and moved to a hybrid territorial system, which also largely eliminated the ability to credit certain foreign taxes that 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 transitional impact was finalized during the fiscal year ended June 30, 2019, with no significant impact on income tax expense.

Any legislative changes, as well as any other new or proposed Treasury regulations to address questions that arise because of the U.S. Tax Act, may result in additional income tax impacts which could be material in the period any such changes are enacted.

The Global Intangible Low-Taxed Income ("GILTI") provision of the U.S. Tax Act requires the Company to include in its U.S. Income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary's tangible assets. An accounting policy election is available to account for the tax effects of GILTI either as a current period expense when incurred, or to recognize deferred taxes for book and tax basis differences expected to reverse as GILTI in future years. We have elected to account for the tax effects of GILTI as a current period expense when incurred.

Earnings from continuing operations before income taxes consisted of the following:

Years ended June 30	2019	2018	2017
United States	**$ 1,659**	$ 9,277	$ 9,031
International	**4,410**	4,049	4,226
TOTAL	**$ 6,069**	$ 13,326	$ 13,257

Income taxes on continuing operations consisted of the following:

Years ended June 30	2019	2018	2017
CURRENT TAX EXPENSE			
U.S. federal	**$ 1,064**	$ 3,965	$ 1,531
International	**1,259**	1,131	1,243
U.S. state and local	**191**	213	241
	2,514	5,309	3,015
DEFERRED TAX EXPENSE			
U.S. federal	**(296)**	(1,989)	28
International and other	**(115)**	145	20
	(411)	(1,844)	48
TOTAL TAX EXPENSE	**$ 2,103**	$ 3,465	$ 3,063

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	2019	2018	2017
U.S. federal statutory income tax rate	**21.0 %**	28.1 %	35.0 %
Country mix impacts of foreign operations	**(0.5)%**	(4.7)%	(6.8)%
Changes in uncertain tax positions	**(0.3)%**	(0.3)%	(2.0)%
Excess tax benefits from the exercise of stock options	**(3.8)%**	(0.4)%	(1.3)%
Goodwill impairment	**22.8 %**	— %	— %
Net transitional impact of U.S. Tax Act	**— %**	4.5 %	— %
Other	**(4.5)%**	(1.2)%	(1.8)%
EFFECTIVE INCOME TAX RATE	**34.7 %**	26.0 %	23.1 %

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 excess of actual tax benefits received on employee exercise of stock options and other share-based payments (which generally equals the income taxable to the employee) over the amount of tax benefits that were calculated at the grant dates of such instruments.

Tax costs charged to shareholders' equity totaled $80 for the year ended June 30, 2019. This primarily relates to the tax effects of Net Investment hedges and certain adjustments to pension obligations recorded in stockholders' equity. Tax benefits credited 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.

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 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 taxes on approximately $27 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	2019	2018	2017
BEGINNING OF YEAR	**$ 470**	$ 465	$ 857
Increases in tax positions for prior years	**85**	26	87
Decreases in tax positions for prior years	**(94)**	(38)	(147)
Increases in tax positions for current year	**71**	87	75
Settlements with taxing authorities	**(37)**	(45)	(381)
Lapse in statute of limitations	**(27)**	(20)	(22)
Currency translation	**(2)**	(5)	(4)
END OF YEAR	**$ 466**	$ 470	$ 465

Included in the total liability for uncertain tax positions at June 30, 2019 is $159 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. Based on information currently available, we anticipate that over the next 12 month period, audit activity could be completed related to uncertain tax positions in multiple jurisdictions for which we have accrued existing liabilities of approximately $140, including interest and penalties.

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, 2019, 2018 and 2017, we had accrued interest of $133, $99 and $100 and accrued penalties of $17, $15 and $20, respectively, which are not included in the above table. During the fiscal years ended June 30, 2019, 2018 and 2017, we recognized $40, $22 and $ (62) in interest expense/(benefit) and $2, $5 and $0 in penalties 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	2019	2018
DEFERRED TAX ASSETS		
Pension and postretirement benefits	**$ 1,591**	$ 1,478
Loss and other carryforwards	**1,007**	1,067
Stock-based compensation	**421**	476
Fixed assets	**232**	223
Accrued marketing and promotion	**334**	223
Unrealized loss on financial and foreign exchange transactions	**73**	61
Inventory	**41**	35
Accrued interest and taxes	**15**	17
Advance payments	**—**	4
Other	**931**	699
Valuation allowances	**(442)**	(457)
TOTAL	**$ 4,203**	$ 3,826

DEFERRED TAX LIABILITIES		
Goodwill and intangible assets	**$ 6,506**	$ 6,168
Fixed assets	**1,413**	1,276
Foreign withholding tax on earnings to be repatriated	**239**	244
Unrealized gain on financial and foreign exchange transactions	**147**	169
Other	**351**	161
TOTAL	**$ 8,656**	$ 8,018

Net operating loss carryforwards were $3.5 billion at June 30, 2019 and $3.5 billion at June 30, 2018. If unused, $1.0 billion will expire between 2019 and 2037. The remainder, totaling $2.5 billion at June 30, 2019, may be carried forward indefinitely.

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. For fiscal years 2018 and 2017, Diluted net earnings per common share are calculated by dividing Net earnings attributable to Procter & Gamble by the diluted weighted average number of common shares outstanding during the year. The diluted shares are determined 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).

For fiscal year 2019, Diluted net earnings per common share do not include the assumed conversion of preferred stock because to do so would have been antidilutive, due to the lower Net earnings driven by the Shave Care impairment charges (see Note 4). Therefore, Diluted net earnings per common share are calculated by dividing Net earnings attributable to Procter & Gamble less preferred dividends (net of related tax benefit) by the diluted weighted average number of common shares outstanding during the year. The diluted shares are determined 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.

Amounts in millions of dollars except per share amounts or as otherwise specified.

Net earnings per share were calculated as follows:

Years ended June 30	2019	2018	2017		
CONSOLIDATED AMOUNTS	Total	Total	Continuing Operations	Discontinued Operations	Total
Net earnings	**$ 3,966**	$ 9,861	$ 10,194	$ 5,217	$ 15,411
Less: Net earnings attributable to noncontrolling interests	**69**	111	85	—	85
Net earnings attributable to P&G	**3,897**	9,750	10,109	5,217	15,326
Less: Preferred dividends, net of tax	**263**	265	247	—	247
Net earnings attributable to P&G available to common shareholders (Basic)	**$ 3,634**	$ 9,485	$ 9,862	$ 5,217	$ 15,079
Net earnings attributable to P&G available to common shareholders (Diluted)	**$ 3,634**	$ 9,750	$ 10,109	$ 5,217	$ 15,326
SHARES IN MILLIONS					
Basic weighted average common shares outstanding	**2,503.6**	2,529.3	2,598.1	2,598.1	2,598.1
Add: Effect of dilutive securities					
Impact of stock options and other unvested equity awards [(1)]	**35.9**	32.5	43.0	43.0	43.0
Conversion of preferred shares [(2)]	**—**	94.9	99.3	99.3	99.3
Diluted weighted average common shares outstanding	**2,539.5**	2,656.7	2,740.4	2,740.4	2,740.4
NET EARNINGS PER SHARE [(3)]					
Basic	**$ 1.45**	$ 3.75	$ 3.79	$ 2.01	$ 5.80
Diluted	**$ 1.43**	$ 3.67	$ 3.69	$ 1.90	$ 5.59

(1) Weighted average outstanding stock options of approximately 13 million in 2019, 48 million in 2018 and 20 million in 2017 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 assumed proceeds upon exercise would have exceeded the market value of the underlying common shares).

(2) Despite being included 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. In fiscal year 2019, weighted average outstanding preferred shares of 90 million were not included in the Diluted net earnings per share calculation because to do so would have been antidilutive, due to lower Net earnings driven by the Shave Care impairment charges (see Note 4).

(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 year 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 subject to pre-established performance goals. Effective in fiscal year 2019, we added a Relative Total Shareholder Return (R-TSR) modifier to the PSU, under which the number of shares ultimately granted is also impacted by the Company's actual shareholder return relative to our consumer products competitive peer set.

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 41 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	2019	2018	2017 (1)
Stock options	**$ 246**	$ 220	$ 216
RSUs and PSUs	**269**	175	150
Total stock-based expense	**$ 515**	$ 395	$ 366
Income tax benefit	**$ 101**	$ 87	$ 111

(1) Includes amounts related to discontinued operations, which are not material.

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	2019	2018	2017
Interest rate	**2.5 - 2.7 %**	1.9 - 2.9 %	0.8 - 2.6 %
Weighted average interest rate	**2.6 %**	2.8 %	2.6 %
Dividend yield	**3.0 %**	3.1 %	3.2 %
Expected volatility	**17 %**	18 %	15 %
Expected life in years	**9.2**	9.2	9.6

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, 2019 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	205,654	$ 74.21		
Granted	**13,451**	**95.78**		
Exercised	**(53,670)**	**62.99**		
Forfeited/ expired	**(694)**	**81.58**		
OUTSTANDING, END OF YEAR	**164,741**	**$ 79.59**	**5.6**	**$ 4,951**
EXERCISABLE	**110,504**	**$ 75.07**	**4.2**	**$ 3,822**

The following table provides additional information on stock options:

Years ended June 30	2019	2018	2017
Weighted average grant-date fair value of options granted	**$ 13.60**	$ 11.89	$ 10.45
Intrinsic value of options exercised	**1,770**	500	1,334
Grant-date fair value of options that vested	**180**	209	246
Cash received from options exercised	**3,381**	1,245	2,630
Actual tax benefit from options exercised	**221**	127	421

At June 30, 2019, there was $174 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 1.9 years.

A summary of non-vested RSUs and PSUs outstanding under the plans as of June 30, 2019 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, 2018	5,376	$ 77.17	1,385	$ 84.08
Granted	**1,970**	**96.74**	**555**	**112.83**
Vested	**(1,685)**	**78.40**	**(642)**	**91.40**
Forfeited	**(168)**	**79.67**	**(3)**	**92.72**
Non-vested at June 30, 2019	**5,493**	**$ 84.00**	**1,295**	**$ 92.98**

At June 30, 2019, there was $261 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 2.0 years. The total grant date fair value of shares vested was $205, $175 and $163 in 2019, 2018 and 2017, 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 $272, $292 and $270 in 2019, 2018 and 2017, 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 2019, 2018 and 2017.

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:

	Pension Benefits [1]		Other Retiree Benefits [2]	
Years ended June 30	2019	2018	2019	2018
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year [3]	**$ 15,658**	$ 16,160	**$ 4,778**	$ 5,187
Service cost	**259**	280	**101**	112
Interest cost	**339**	348	**187**	177
Participants' contributions	**12**	13	**76**	73
Amendments	**9**	12	**—**	(231)
Net actuarial loss/(gain)	**1,587**	(722)	**37**	(308)
Acquisitions/(divestitures)	**49**	—	**—**	—
Special termination benefits	**13**	8	**8**	7
Currency translation and other	**(283)**	148	**20**	5
Benefit payments	**(606)**	(589)	**(243)**	(244)
BENEFIT OBLIGATION AT END OF YEAR [3]	**$ 17,037**	$ 15,658	**$ 4,964**	$ 4,778
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	**$ 11,267**	$ 10,829	**$ 3,259**	$ 3,831
Actual return on plan assets	**739**	553	**1,918**	(481)
Acquisitions/(divestitures)	**4**	—	**—**	—
Employer contributions	**178**	406	**31**	33
Participants' contributions	**12**	13	**76**	73
Currency translation and other	**(212)**	55	**(1)**	(3)
ESOP debt impacts [4]	**—**	—	**56**	50
Benefit payments	**(606)**	(589)	**(243)**	(244)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**$ 11,382**	$ 11,267	**$ 5,096**	$ 3,259
FUNDED STATUS	**$ (5,655)**	$ (4,391)	**$ 132**	$ (1,519)

(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) 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 2019	Pension Benefits 2018	Other Retiree Benefits 2019	Other Retiree Benefits 2018
CLASSIFICATION OF NET AMOUNT RECOGNIZED				
Noncurrent assets	**$ 19**	$ 420	**$ 1,257**	$ —
Current liabilities	**(52)**	(43)	**(27)**	(24)
Noncurrent liabilities	**(5,622)**	(4,768)	**(1,098)**	(1,495)
NET AMOUNT RECOGNIZED	**$ (5,655)**	$ (4,391)	**$ 132**	$ (1,519)
AMOUNTS RECOGNIZED IN ACCUMULATED OTHER COMPREHENSIVE INCOME (AOCI)				
Net actuarial loss	**$ 5,062**	$ 3,787	**$ 874**	$ 2,366
Prior service cost/(credit)	**214**	244	**(424)**	(478)
NET AMOUNTS RECOGNIZED IN AOCI	**$ 5,276**	$ 4,031	**$ 450**	$ 1,888

The accumulated benefit obligation for all defined benefit pension plans was $15,790 and $14,370 as of June 30, 2019 and 2018, 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:

As of June 30	Accumulated Benefit Obligation Exceeds the Fair Value of Plan Assets 2019	Accumulated Benefit Obligation Exceeds the Fair Value of Plan Assets 2018	Projected Benefit Obligation Exceeds the Fair Value of Plan Assets 2019	Projected Benefit Obligation Exceeds the Fair Value of Plan Assets 2018
Projected benefit obligation	**$ 11,604**	$ 8,467	**$ 16,304**	$ 8,962
Accumulated benefit obligation	**10,711**	7,573	**15,096**	7,974
Fair value of plan assets	**6,026**	3,740	**10,630**	4,150

Net Periodic Benefit Cost. Components of the net periodic benefit cost were as follows:

Years ended June 30	Pension Benefits 2019	Pension Benefits 2018	Pension Benefits 2017	Other Retiree Benefits 2019	Other Retiree Benefits 2018	Other Retiree Benefits 2017
AMOUNTS RECOGNIZED IN NET PERIODIC BENEFIT COST						
Service cost	**$ 259**	$ 280	$ 310 (1)	**$ 101**	$ 112	$ 133 (1)
Interest cost	**339**	348	300	**187**	177	175
Expected return on plan assets	**(732)**	(751)	(675)	**(447)**	(451)	(431)
Amortization of net actuarial loss	**225**	295	375	**66**	69	122
Amortization of prior service cost/(credit)	**26**	28	28	**(48)**	(41)	(45)
Amortization of net actuarial loss/prior service cost due to settlements and curtailments	**9**	—	186 (2)	**—**	—	16 (2)
Special termination benefits	**13**	8	4	**8**	7	21 (2)
GROSS BENEFIT COST/(CREDIT)	**139**	208	528	**(133)**	(127)	(9)
Dividends on ESOP preferred stock	**—**	—	—	**(28)**	(37)	(45)
NET PERIODIC BENEFIT COST/ (CREDIT)	**$ 139**	$ 208	$ 528	**$ (161)**	$ (164)	$ (54)
CHANGE IN PLAN ASSETS AND BENEFIT OBLIGATIONS RECOGNIZED IN AOCI						
Net actuarial loss/(gain) - current year	**$ 1,580**	$ (524)		**$ (1,434)**	$ 624	
Prior service cost/(credit) - current year	**9**	12		**—**	(231)	
Amortization of net actuarial loss	**(225)**	(295)		**(66)**	(69)	
Amortization of prior service (cost)/credit	**(26)**	(28)		**48**	41	
Amortization of net actuarial loss/prior service costs due to settlements and curtailments	**(9)**	—		**—**	—	
Currency translation and other	**(84)**	73		**14**	(3)	
TOTAL CHANGE IN AOCI	**1,245**	(762)		**(1,438)**	362	

NET AMOUNTS RECOGNIZED IN PERIODIC BENEFIT COST AND AOCI	**$ 1,384**	$ (554)	**$ (1,599)**	$ 198

(1) Service cost includes amounts related to discontinued operations in fiscal year ended June 30, 2017, which are not material.

(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.

The service cost component of the net periodic benefit cost is included in the Consolidated Statements of Earnings in Cost of products sold and SG&A, unless otherwise noted. All other components are included in the Consolidated 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, 2020, are as follows:

	Pension Benefits	Other Retiree Benefits
Net actuarial loss	$ 344	$ 68
Prior service cost/(credit)	25	(48)

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	2019	2018	2019	2018
Discount rate	**1.9 %**	2.5 %	**3.7 %**	4.2 %
Rate of compensation increase	**2.6 %**	2.6 %	**N/A**	N/A
Health care cost trend rates assumed for next year	**N/A**	N/A	**6.6 %**	6.6 %
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	**2026**	2025

(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	2019	2018	2017	2019	2018	2017
Discount rate	**2.5 %**	2.4 %	2.1 %	**4.2 %**	3.9 %	3.6 %
Expected return on plan assets	**6.6 %**	6.8 %	6.9 %	**8.3 %**	8.3 %	8.3 %
Rate of compensation increase	**2.6 %**	3.0 %	2.9 %	**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	$ 60	$ (45)

Effect on the accumulated postretirement benefit obligation	755	(619)

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.Our target asset allocation for the year ended June 30, 2019, and actual asset allocation by asset category as of June 30, 2019 and 2018, were as follows:

	Target Asset Allocation		Actual Asset Allocation at June 30			
			Pension Benefits		Other Retiree Benefits	
Asset Category	Pension Benefits	Other Retiree Benefits	2019	2018	2019	2018
Cash	**— %**	**2 %**	**1 %**	2 %	**3 %**	1 %
Debt securities	**67 %**	**3 %**	**63 %**	59 %	**2 %**	4 %
Equity securities	**33 %**	**95 %**	**36 %**	39 %	**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, 2019 and 2018 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 1 in the hierarchy represents Company common stock; Level 2 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	2019	2018	Fair Value Hierarchy Level	2019	2018
ASSETS AT FAIR VALUE						
Cash and cash equivalents	1	**$ 47**	$ 136	1	**$ 111**	$ 5
Company stock [(1)]		**—**	—	1 & 2	**4,836**	3,092
Other [(2)]	1, 2 & 3	**378**	400	1	**1**	4
TOTAL ASSETS IN THE FAIR VALUE HEIRARCHY		**425**	536		**4,948**	3,101
Investments valued at net asset value		**10,957**	10,731		**148**	158
TOTAL ASSETS AT FAIR VALUE		**$ 11,382**	11,267		**$ 5,096**	3,259

(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, 2020, is $156 and $39, respectively. For the defined benefit retirement plans, this is comprised of $94 in expected benefit payments from the Company directly to participants of unfunded plans and $62 of expected contributions to funded plans. For other retiree benefit plans, this is comprised of $27 in expected benefit payments from the Company directly to participants of unfunded plans and $12 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		
2020	$ 518	$ 191
2021	536	203
2022	549	214
2023	574	224
2024	583	233
2025 - 2029	3,220	1,283

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 $42 remain outstanding at June 30, 2019. 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 $2.90 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 $876 are outstanding at June 30, 2019. 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 $2.90 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	2019	2018	2017
Allocated	**31,600**	34,233	36,488
Unallocated	**3,259**	4,117	5,060
TOTAL SERIES A	**34,859**	38,350	41,548
Allocated	**26,790**	25,895	25,378
Unallocated	**26,471**	28,512	30,412
TOTAL SERIES B	**53,261**	54,407	55,790

For purposes of calculating diluted net earnings per

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, 2019, 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 certain interest

rate swaps designated as cash flow hedges. For the years ended June 30, 2019 and 2018, we did not have any such 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 utilized foreign currency swaps to offset the effect of exchange rate fluctuations on intercompany loans denominated in foreign currencies; these swaps were accounted for as cash flow hedges. For the years ended June 30, 2019 and 2018, we did not have any such contracts outstanding.

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 the Foreign Currency Translation component of OCI and offset the change in the value of the net investment being hedged. The time value component of the net investment hedge currency swaps is excluded from the assessment of hedge effectiveness. 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. The time value component is subsequently reported in income on a systematic basis.

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, 2019 and 2018, 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.

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 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, 2019 and 2018 that were measured at fair value on a recurring basis during the period:

	Fair Value Asset	
As of June 30	**2019**	**2018**
Investments:		
U.S. government securities	**$ 3,648**	$ 5,544
Corporate bond securities	**2,400**	3,737
Other investments	**169**	141
TOTAL	**$ 6,217**	$ 9,422

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 $100 and $2,003 as of June 30, 2019 and 2018, respectively. The amortized cost of the U.S. government securities with maturities between one and five years was $3,556 and $3,659 as of June 30, 2019 and 2018, respectively. The amortized cost of corporate bond securities with maturities of less than a year was $1,347 and $1,291 as

June 30, 2019 and 2018, respectively. The Company's investments measured at fair value are generally classified as Level 2 within the fair value hierarchy. Within cash and cash equivalents, we have money market funds of $2,956 and $1,516 as of June 30, 2019 and 2018, respectively. These funds are classified as Level 1 within the fair value hierarchy. There are no other 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 $25,378 and $23,402 as of June 30, 2019 and 2018, respectively. This includes the current portion of debt instruments ($3,390 and $1,769 as of June 30, 2019 and 2018, 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, 2019 and 2018 are as follows:

	Notional Amount		Fair Value Asset		Fair Value (Liability)	
As of June 30	2019	2018	2019	2018	2019	2018
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS						
Interest rate contracts	**$ 7,721**	$ 4,587	**$ 177**	$ 125	**$ (1)**	$ (53)
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS						
Foreign currency interest rate contracts	**$ 3,157**	$ 1,848	**$ 35**	$ 41	**$ (24)**	$ (75)
TOTAL DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS	**$ 10,878**	$ 6,435	**$ 212**	$ 166	**$ (25)**	$ (128)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS						
Foreign currency contracts	**$ 6,431**	$ 7,358	**$ 27**	$ 30	**$ (20)**	$ (56)
TOTAL DERIVATIVES AT FAIR VALUE	**$ 17,309**	$ 13,793	**$ 239**	$ 196	**$ (45)**	$ (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 $7,860 and $4,639 as of June 30, 2019 and 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 $17,154 and $15,012 as of June 30, 2019 and 2018, respectively. The increase in the notional balance of interest rate fair value hedges is due to additional swaps in the current period driven by the favorable Euro swap curve. The increase in the notional balance of the net investment hedges, including the debt instruments designated as net investment hedges, is primarily driven by the increase in foreign currency net assets as a result of the Merck acquisition.

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. Except for the impairment of the Gillette indefinite-lived intangible asset discussed in Note 4, 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, 2019 and 2018.

Before tax gains/(losses) on our financial instruments in hedging relationships are categorized as follows:

	Amount of Gain/(Loss) Recognized in OCI on Derivatives	
Years ended June 30	**2019**	**2018**
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS (1) (2)		
Foreign currency interest rate contracts	**$ 47**	$ (187)

(1) For the derivatives in net investment hedging relationships, the amount of gain/(loss) excluded from effectiveness testing, which was recognized in earnings, was $70 and $138 for the fiscal year ended June 30, 2019 and 2018, 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 $299 and $(391), as of June 30, 2019 and 2018, respectively.

	Amount of Gain/(Loss) Recognized in Earnings	
Years ended June 30	**2019**	**2018**
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS		
Interest rate contracts	**$ 104**	$ (106)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS		
Foreign currency contracts	**$ 54**	$ (1)

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. To the extent we have any derivatives used for cash flow hedging relationships, the gain/(loss) reclassified from AOCI into earnings on such derivatives would be recognized in the same period during which the related item affects earnings, typically in SG&A.

NOTE 10

SHORT-TERM AND LONG-TERM DEBT

As of June 30	**2019**	**2018**
DEBT DUE WITHIN ONE YEAR		
Current portion of long-term debt	**$ 3,388**	$ 1,772
Commercial paper	**6,183**	7,761
Other	**126**	890
TOTAL	**$ 9,697**	$ 10,423
Short-term weighted average interest rates (1)	**0.5 %**	0.7 %

(1) Short-term weighted average interest rates include the effects of interest rate swaps discussed in Note 9.

As of June 30	**2019**	**2018**
LONG-TERM DEBT		
1.75% USD note due October 2019	**$ 600**	$ 600
1.90% USD note due November 2019	**550**	550
0.28% JPY note due May 2020	**929**	903
1.90% USD note due October 2020	**600**	600
4.13% EUR note due December 2020	**682**	698
9.36% ESOP debentures due 2019-2021 (1)	**228**	327
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	**852**	873
2.30% USD note due February 2022	**1,000**	1,000
2.15% USD note due August 2022	**1,250**	1,250
2.00% EUR note due August 2022	**1,137**	1,164
3.10% USD note due August 2023	**1,000**	1,000
1.13% EUR note due November 2023	**1,421**	1,455
0.50% EUR note due October 2024	**568**	582
0.63% EUR note due October 2024	**909**	—
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	**1,137**	1,164
2.85% USD note due August 2027	**750**	750
1.20% EUR note due October 2028	**909**	—
1.25% EUR note due October 2029	**568**	582
5.55% USD note due March 2037	**763**	763
1.88% EUR note due October 2038	**568**	—
3.50% USD note due October 2047	**600**	600
Capital lease obligations	**33**	107
All other long-term debt	**3,779**	4,717
Current portion of long-term debt	**(3,388)**	(1,772)
TOTAL	**$ 20,395**	$ 20,863
Long-term weighted average interest rates (2)	**2.4 %**	2.5 %

(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

NOTE 11

ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

The table below presents the changes in Accumulated other comprehensive income/(loss) attributable to Procter & Gamble (AOCI), including the reclassifications out of AOCI by component:

Changes in Accumulated Other Comprehensive Income/(Loss) by Component

	Investment Securities	Pension and Other Retiree Benefits	Foreign Currency Translation	Total AOCI
BALANCE at JUNE 30, 2017	$ (25)	$ (4,397)	$ (10,210)	$ (14,632)
OCI before reclassifications [1]	(141)	74	(305)	(372)
Amounts reclassified from AOCI into the Consolidated Statement of Earnings [2]	(7)	260	—	253
Net current period OCI	(148)	334	(305)	(119)
Less: Other comprehensive income/(loss) attributable to non-controlling interests	—	(5)	3	(2)
BALANCE at JUNE 30, 2018	(173)	(4,058)	(10,518)	(14,749)
OCI before reclassifications [3]	**167**	**(43)**	**(213)**	**(89)**
Amounts reclassified from AOCI into the Consolidated Statement of Earnings [4]	**17**	**212**	**—**	**229**
Net current period OCI	**184**	**169**	**(213)**	**140**
Reclassification to retained earnings in accordance with ASU 2018-02 [5]	**—**	**(308)**	**(18)**	**(326)**
Less: Other comprehensive income/(loss) attributable to non-controlling interests		**1**	**—**	**1**
BALANCE at JUNE 30, 2019	**$ 11**	**$ (4,198)**	**$ (10,749)**	**$ (14,936)**

(1) Net of tax (benefit) / expense of $0, $(23) and $(279) for gains/losses on investment securities, pension and other retiree benefit items and foreign currency translation, respectively, for the period ended June 30, 2018.

(2) Net of tax (benefit) / expense of $0, $91 and $0 for gains/losses on investment securities, pension and other retiree benefit items and foreign currency translation, respectively, for the period ended June 30, 2018.

(3) Net of tax (benefit) / expense of $0, $(44) and $78 for gains/losses on investment securities, pension and other retiree benefit items and foreign currency translation, respectively, for the period ended June 30, 2019.

(4) Net of tax (benefit) / expense of $0, $66, $0 for gains/losses on investment securities, pension and other retiree benefit items and foreign currency translation, respectively, for the period ended June 30, 2019.

(5) Adjustment made to early adopt ASU 2018-02: "Reclassification of Certain Effects from Accumulated Other Comprehensive Income," as discussed in Note 1.

The below provides additional details on amounts reclassified from AOCI into the Consolidated Statement 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 (see Note 8 for additional details).
- Foreign currency translation: this number includes financial statement translation and net investment hedges. See Note 9 for classification of gains and losses from hedges in the Consolidated Statements of Earnings.

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	2020	2021	2022	2023	2024	There-after
Purchase obligations	$ 633	$ 221	$ 176	$ 87	$ 106	$268

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. 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 are as follows:

Years ending June 30	2020	2021	2022	2023	2024	There-after
Operating leases	$ 255	$ 213	$ 162	$ 166	$ 134	$288

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

During the year ended June 30, 2017, 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 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 accordance with applicable accounting guidance for the disposal of long-lived assets, the results of the Beauty Brands are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for the year ended June 30, 2017. The Beauty Brands were historically part of the Company's Beauty reportable segment.

The following is selected financial information included in Net earnings from discontinued operations for the Beauty Brands:

Years ended June 30	Beauty Brands 2017
Net sales	$ 1,159
Cost of products sold	450
Selling, general and administrative expense	783
Interest expense	14
Other non-operating income/(expense), net	16
Loss from discontinued operations before income taxes	(72)
Income taxes on discontinued operations	46
Gain on sale of business before income taxes	5,197
Income tax expense/(benefit) on sale of business [1]	(138)
Net earnings from discontinued operations	$ 5,217

(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:

Years ended June 30	Beauty Brands 2017
NON-CASH OPERATING ITEMS	
Depreciation and amortization	$ 24
Deferred income tax benefit	(649)
Gain on sale of businesses	5,210
Net increase in accrued taxes	93
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash taxes paid	$ 418
CASH FLOWS FROM INVESTING ACTIVITIES	
Capital expenditures	$ 38

NOTE 14

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.

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	$ 419
Property, plant and equipment	121
Intangible assets	2,143
Goodwill	2,138
Other non-current assets	143
Total Assets Acquired	$ 4,964
Current liabilities	$ 233
Deferred income taxes	767
Non-current liabilities	87
Total Liabilities Acquired	$ 1,087
Noncontrolling Interest (1)	$ 169
Net Assets Acquired	$ 3,708

(1) Represents a 48% minority ownership interest in the Merck India company.

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	162	10
Customer relationships	334	20
Total	$ 1,197	15
Intangible Assets with Indefinite Lives		
Brands	946	
Total Intangible Assets	$ 2,143	

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 10-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.

The acquisition resulted in $2.1 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.

Amounts in millions of dollars except per share amounts or as otherwise specified.

NOTE 15

QUARTERLY RESULTS (UNAUDITED)

Quarters Ended		Sep 30	Dec 31	Mar 31	Jun 30	Total Year
NET SALES	**2018-2019**	**$ 16,690**	**$ 17,438**	**$ 16,462**	**$ 17,094**	**$ 67,684**
	2017-2018	16,653	17,395	16,281	16,503	66,832
OPERATING INCOME	**2018-2019**	**3,554**	**3,896**	**3,229**	**(5,192)**	**5,487**
	2017-2018	3,648	3,919	3,209	2,587	13,363
GROSS MARGIN	**2018-2019**	**49.2 %**	**48.9 %**	**48.8 %**	**47.7 %**	**48.6 %**
	2017-2018	50.3 %	49.9 %	48.5 %	45.0 %	48.5 %
NET EARNINGS/(LOSS):						
Net earnings/(loss)	**2018-2019**	**3,211**	**3,216**	**2,776**	**(5,237)**	**3,966**
	2017-2018	2,870	2,561	2,540	1,890	9,861
Net earnings/(loss) attributable to Procter and Gamble	**2018-2019**	**3,199**	**3,194**	**2,745**	**(5,241)**	**3,897**
	2017-2018	2,853	2,495	2,511	1,891	9,750
DILUTED NET EARNINGS/ (LOSS) PER COMMON SHARE (1) (2)	**2018-2019**	**$ 1.22**	**$ 1.22**	**$ 1.04**	**$ (2.12)**	**$ 1.43**
	2017-2018	1.06	0.93	0.95	0.72	3.67

(1) Diluted net earnings per share is calculated on Net earnings attributable to Procter & Gamble.

(2) Diluted net earnings/(loss) per share in each quarter is computed using the weighted average number of shares outstanding during that quarter while Diluted net earnings/(loss) per share for the full year is computed using the weighted average number of shares outstanding during the year. In the quarter ended June 30, 2019, the Company reported a Net loss attributable to P&G, driven by the Shave Care impairment charges discussed in Note 4. This caused certain of our equity instruments to be antidilutive for the full year (preferred shares) and for the quarter ended June 30, 2019 (preferred shares and equity awards). Because these securities were dilutive during the first three quarters of this fiscal year, the sum of the four quarters' Diluted net earnings/(loss) per share will not equal the full-year Diluted net earnings per common share.

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 member of the Audit Committee is independent and is an Audit Committee financial expert as defined by SEC rules: Ms. Patricia A. Woertz (Chair).

The information required by this item is incorporated by reference to the following sections of the 2019 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 2020 Proxy Statement and entitled Shareholder Recommendations of Board Nominees and Committee Process for Recommending Board Nominees; and the section entitled Delinquent Section 16(a) Reports. Pursuant to the Instruction to Item 401 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 2019 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, 2019. 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 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			
Options	164,812,514	$79.5921	[1]
Restricted Stock Units (RSUs)/ Performance Stock Units (PSUs)	11,579,025	N/A	[1]
TOTAL	**176,391,539**	**$79.5921** [2]	

(1) Of the plans listed above, 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 41 million.

(2) Weighted average exercise price of outstanding options only.

Additional information required by this item is incorporated by reference to the 2019 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 Delinquent Section 16(a) Reports.

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 2019 Proxy Statement filed pursuant to Regulation 14A: the subsections of the Corporate Governance section entitled Director Independence, Review and Approval of Transactions with Related Persons, and Compensation Committee Interlocks and Insider Participation.

Item 14. Principal Accountant Fees and Services.

The information required by this item is incorporated by reference to the following section of the 2019 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, 2019, 2018 and 2017
- Consolidated Statements of Other Comprehensive Income - for years ended June 30, 2019, 2018 and 2017
- Consolidated Balance Sheets - as of June 30, 2019 and 2018
- Consolidated Statements of Shareholders' Equity - for years ended June 30, 2019, 2018 and 2017
- Consolidated Statements of Cash Flows - for years ended June 30, 2019, 2018 and 2017
- 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).
	(4-2) -	The Company agrees to furnish to the Securities and Exchange Commission, upon request, a copy of any other instrument defining the rights of holders of the Company’s long-term debt.
	(4-3) -	Description of the Company’s Common Stock+
	(4-4) -	Description of the Company’s 0.625% Notes due 2024, 1.200% Notes due 2028, and 1.875% Notes due 2038. +
	(4-5) -	Description of the Company’s 4.125% EUR notes due December 2020, 4.875% EUR notes due May 2027, 6.250% GBP notes due January 2030, and 5.250% GBP notes due January 2033. +
	(4-6) -	Description of the Company’s 0.500% Notes due 2024 and 1.250% Notes due 2029. +

	(4-7) -	Description of the Company’s 1.375% Notes due 2025 and 1.800% Notes due 2029. +
	(4-8) -	Description of the Company’s 1.125% Notes due 2023. +
	(4-9) -	Description of the Company’s 0.275% Notes due 2020. +
	(4-10) -	Description of the Company’s 2.000% Notes due 2021. +
	(4-11) -	Description of the Company’s 2.000% Notes due 2022. +
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 (Incorporated by reference to Exhibit (10-1) of the Company’s Annual Report on Form 10-K for the year ended June 30, 2018; 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 (Incorporated by reference to Exhibit (10-2) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).

(10-3) - The Procter & Gamble Executive Group Life Insurance Policy (Incorporated by reference to Exhibit (10-3) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).

(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 (Incorporated by reference to Exhibit (10-5) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).

(10-6) - Summary of the Company's Long-Term Incentive Program (Incorporated by reference to Exhibit (10-2) of the Company's Form 10-Q for the quarter ended December 31, 2018); related correspondence and terms and conditions. +

(10-7) - 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 (Incorporated by reference to Exhibit (10-8) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).

(10-8) - The Procter & Gamble Company Executive Deferred Compensation Plan (Incorporated by reference to Exhibit (10-2) of the Company's Form 10-Q for the quarter ended September 30, 2018) +.

(10-9) - Summary of the Company's Short Term Achievement Reward Program (Incorporated by reference to Exhibit (10-10) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018); 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).

(10-10) - Company's Forms of Separation Agreement & Release +; 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).

(10-11) - Summary of personal benefits available to certain officers and non-employee directors (Incorporated by reference to Exhibit (10-3) of the Company's Form 10-Q for the quarter ended September 30, 2018).

(10-12) - The Gillette Company 2004 Long-Term Incentive Plan (as amended on August 14, 2007) (Incorporated by reference to Exhibit (10-13) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).

(10-13) - 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). *

(10-14) - 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). *

(10-15) - 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). *

(10-16) - 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). *

(10-17) - 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). *

(10-18) - Senior Executive Recoupment Policy (Incorporated by reference to Exhibit (10-19) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).

(10-19) - 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). *

(10-20) - 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 (Incorporated by reference to Exhibit (10-21) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018). *

(10-21) - 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). *

(10-22) - 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 December 31, 2018); related correspondence and terms and conditions. +

	(10-23) -	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). *
	(10-24) -	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). *
	(10-25) -	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	(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. Form 10-K Summary.

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 6, 2019

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 6, 2019
/s/ JON R. MOELLER (Jon R. Moeller)	Vice Chairman, Chief Operating Officer and Chief Financial Officer (Principal Financial Officer)	August 6, 2019
/s/ VALARIE L. SHEPPARD (Valarie L. Sheppard)	Controller and Treasurer and Executive Vice President - Company Transition Leader (Principal Accounting Officer)	August 6, 2019
/s/ FRANCIS S. BLAKE (Francis S. Blake)	Director	August 6, 2019
/s/ ANGELA F. BRALY (Angela F. Braly)	Director	August 6, 2019
/s/ AMY L. CHANG (Amy L. Chang)	Director	August 6, 2019
/s/ SCOTT D. COOK (Scott D. Cook)	Director	August 6, 2019
/s/ JOSEPH JIMENEZ (Joseph Jimenez)	Director	August 6, 2019
/s/ TERRY J. LUNDGREN (Terry J. Lundgren)	Director	August 6, 2019
/s/ W. JAMES MCNERNEY, JR. (W. James McNerney, Jr.)	Director	August 6, 2019
/s/ NELSON PELTZ (Nelson Peltz)	Director	August 6, 2019
/s/ MARGARET C. WHITMAN (Margaret C. Whitman)	Director	August 6, 2019
/s/ PATRICIA A. WOERTZ	Director	August 6, 2019

(Patricia A. Woertz)

EXHIBIT INDEX

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).

(4-2) - The Company agrees to furnish to the Securities and Exchange Commission, upon request, a copy of any other instrument defining the rights of holders of the Company's long-term debt.

(4-3) - Description of the Company's Common Stock+

(4-4) - Description of the Company's 0.625% Notes due 2024, 1.200% Notes due 2028, and 1.875% Notes due 2038. +

(4-5) - Description of the Company's 4.125% EUR Notes due December 2020, 4.875% EUR Notes due May 2027, 6.250% GBP Notes due January 2030, and 5.250% GBP Notes due January 2033. +

(4-6) - Description of the Company's 0.500% Notes due 2024 and 1.250% Notes due 2029. +

(4-7) - Description of the Company's 1.375% Notes due 2025 and 1.800% Notes due 2029. +

(4-8) - Description of the Company's 1.125% Notes due 2023. +

(4-9) - Description of the Company's 0.275% Notes due 2020. +

(4-10) - Description of the Company's 2.000% Notes due 2021. +

(4-11) - Description of the Company's 2.000% Notes due 2022. +

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 (Incorporated by reference to Exhibit (10-1) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018; 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 (Incorporated by reference to Exhibit (10-2) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).

(10-3) - The Procter & Gamble Executive Group Life Insurance Policy (Incorporated by reference to Exhibit (10-3) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).

(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 (Incorporated by reference to Exhibit (10-5) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).

(10-6) - Summary of the Company's Long-Term Incentive Program (Incorporated by reference to Exhibit (10-2) of the Company's Form 10-Q for the quarter ended December 31, 2018); related correspondence and terms and conditions. +

(10-7) - 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 (Incorporated by reference to Exhibit (10-8) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).

(10-8) - The Procter & Gamble Company Executive Deferred Compensation Plan (Incorporated by reference to Exhibit (10-2) of the Company's Form 10-Q for the quarter ended September 30, 2018).

(10-9) - Summary of the Company's Short Term Achievement Reward Program (Incorporated by reference to Exhibit (10-10) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018); 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).

(10-10) - Company's Forms of Separation Agreement & Release +; 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).

(10-11) - Summary of personal benefits available to certain officers and non-employee directors (Incorporated by reference to Exhibit (10-3) of the Company's Form 10-Q for the quarter ended September 30, 2018).

(10-12) - The Gillette Company 2004 Long-Term Incentive Plan (as amended on August 14, 2007) (Incorporated by reference to Exhibit (10-13) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).

(10-13) - 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).

(10-14) - 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).

(10-15) - 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).

(10-16) - 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).

(10-17) - 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).

(10-18) - Senior Executive Recoupment Policy (Incorporated by reference to Exhibit (10-19) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).

(10-19) - 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).

(10-20) - 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 (Incorporated by reference to Exhibit (10-21) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).

(10-21) - 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).

(10-22) - 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 December 31, 2018); related correspondence and terms and conditions. +

(10-23) - 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).

(10-24) - 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).

(10-25) - 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 (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.

\+ Filed herewith.