

Section 1: 10-K (10-K)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark one)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended June 30, 2016

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File No. 1-434

THE PROCTER & GAMBLE COMPANY

One Procter & Gamble Plaza, Cincinnati, Ohio 45202

Telephone (513) 983-1100

IRS Employer Identification No. 31-0411980

State of Incorporation: Ohio

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

Title of each class	Name of each exchange on which registered
Common Stock, without Par Value	New York Stock Exchange, NYSE Euronext-Paris

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

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

The aggregate market value of the voting stock held by non-affiliates amounted to \$215 billion on December 31, 2015.

There were 2,668,751,125 shares of Common Stock outstanding as of July 31, 2016.

Documents Incorporated by Reference

Portions of the Proxy Statement for the 2016 Annual Meeting of Shareholders which will be filed within one hundred and twenty days of the fiscal year ended June 30, 2016 (2016 Proxy Statement) are incorporated by reference into Part III of this report to the extent described herein.

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PART I

Item 1. Business.

Additional information required by this item is incorporated herein by reference to Management's Discussion and Analysis (MD&A); and Notes 1 and 2 to our Consolidated Financial Statements. Unless the context indicates otherwise, the terms the "Company," "P&G," "we," "our" or "us" as used herein refer to The Procter & Gamble Company (the registrant) and its subsidiaries.

The Procter & Gamble Company is focused on providing branded consumer packaged goods of superior quality and value to improve the lives of the world's consumers. The Company was incorporated in Ohio in 1905, having been built from a business founded in 1837 by William Procter and James Gamble. Today, our products are sold in more than 180 countries and territories.

Throughout this Form 10-K, we incorporate by reference information from other documents filed with the Securities and Exchange Commission (SEC).

The Company's Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments thereto, are filed electronically with the SEC. The SEC maintains an internet site that contains these reports at: www.sec.gov. You can also access these reports through links from our website at: www.pginvestor.com.

Copies of these reports are also available, without charge, by contacting Wells Fargo, 1100 Centre Pointe Curve, Suite 101, Mendota, MN 55120-4100.

Financial Information about Segments

As of June 30, 2016 the Company has five reportable segments under U.S. GAAP: Beauty; Grooming; Health Care; Fabric & Home Care; and Baby, Feminine & Family Care. Many of the factors necessary for understanding these businesses are similar. Operating margins of the individual businesses vary due to the nature of materials and processes used to manufacture the products, the capital intensity of the businesses and differences in selling, general and administrative expenses as a percentage of net sales. Net sales growth by business is also expected to vary slightly due to the underlying growth of the markets and product categories in which they operate. While none of our reportable segments are highly seasonal, components within certain reportable segments, such as Appliances (Grooming), are seasonal.

Additional information about our reportable segments can be found in the MD&A and Note 2 to our Consolidated Financial Statements.

Narrative Description of Business

Business Model. Our business model relies on the continued growth and success of existing brands and products, as well as the creation of new products. The markets and industry segments in which we offer our products are highly competitive. Our products are sold in more than 180 countries

and territories primarily through mass merchandisers, grocery stores, membership club stores, drug stores, department stores, distributors, baby stores, specialty beauty stores, e-commerce, high-frequency stores and pharmacies. We utilize our superior marketing and online presence to win with consumers at the "zero moment of truth" - when they are searching for information about a brand or product. We work collaboratively with our customers to improve the in-store presence of our products and win the "first moment of truth" - when a consumer is shopping in the store. We must also win the "second moment of truth" - when a consumer uses the product, evaluates how well it met his or her expectations and decides whether it was a good value. We believe we must continue to provide new, innovative products and branding to the consumer in order to grow our business. Research and product development activities, designed to enable sustained organic growth, continued to carry a high priority during the past fiscal year.

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, grocery stores, membership club stores, drug stores, department stores, distributors, baby stores, specialty beauty stores, e-commerce, high-frequency stores and pharmacies. Sales to Wal-Mart Stores, Inc. and its affiliates represent approximately 15% of our total revenue in 2016, 2015 and 2014. No other customer represents more than 10% of our net sales. Our top ten customers account for approximately 35% of our total sales in 2016, 2015 and 2014. The nature of our business results in no material backlog orders or contracts with the government. We believe our practices related to working capital items for customers and suppliers are consistent with the industry segments in which we compete.

Sources and Availability of Materials. Almost all of the raw and packaging materials used by the Company are purchased from others, some of which 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 of finished product 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 an extensive sales force. We believe this combination provides the most efficient method of marketing for these types of products. Product quality, performance, value and packaging are also important differentiating factors.

Research and Development Expenditures. Research and development expenditures enable us to develop technologies and obtain patents across all categories in order to meet the needs and improve the lives of our consumers. Research and development expenses were \$1.9 billion in 2016, \$2.0 billion in 2015 and \$1.9 billion in 2014 (reported in Net earnings from continuing operations).

Expenditures for Environmental Compliance. Expenditures for compliance with federal, state and local environmental laws and regulations are fairly consistent from year to year and are not material to the Company. No material change is expected in fiscal year 2017.

Employees. Total number of employees is an estimate of total Company employees excluding interns, co-ops and employees of joint ventures as of the years ended June 30. The number of employees includes manufacturing and non-manufacturing employees. A discussion of progress on non-manufacturing enrollment objectives is included in Note 3 to our Consolidated Financial Statements. The number of employees includes employees of discontinued operations.

	Total Number of Employees
2016	105,000
2015	110,000
2014	118,000
2013	121,000
2012	126,000
2011	129,000

Financial Information about Foreign and Domestic Operations. Net sales in the U.S. account for 41% of total net sales. No other individual country exceeds 10% of total net sales. Operations outside the U.S. are generally characterized by the same conditions discussed in the description of the business above and may be affected by additional factors including changing currency values, different rates of inflation, economic growth and political and economic uncertainties and disruptions.

Our sales by geography for the fiscal years ended June 30 were as follows:

	2016	2015	2014
North America ⁽¹⁾	44%	41%	39%
Europe	23%	24%	26%
Asia Pacific	9%	8%	8%
Greater China	8%	9%	9%
IMEA ⁽²⁾	8%	8%	8%
Latin America	8%	10%	10%

⁽¹⁾ North America includes results for the United States, Canada and Puerto Rico only.

⁽²⁾ IMEA includes India, Middle East and Africa.

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

Net Sales (years ended June 30)	United States	International
2016	\$27.0	\$38.3
2015	\$26.8	\$43.9
2014	\$26.7	\$47.7
Total Assets (years ended June 30)		
2016	\$64.4	\$62.7
2015	\$65.0	\$64.5
2014	\$68.8	\$75.5

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 reports, press releases and other written and oral communications. All statements, except for historical and present factual information, are “forward-looking statements” and are based on financial data and business plans available only as of the time the statements are made, which may become outdated or incomplete. We assume no obligation to update any forward-looking statements as a result of new information, future events or other factors. Forward-looking statements are inherently uncertain, and investors must recognize that events could significantly differ from our expectations.

The following discussion of “risk factors” identifies significant factors that may adversely affect our business, operations, financial position or future financial performance. This information should be read in conjunction with the MD&A and the Consolidated Financial Statements and related Notes incorporated in this report. The following discussion of risks is not all inclusive, but is designed to highlight what we believe are important factors to consider when evaluating our expectations. These and other factors could cause our future results to differ from those in the forward-looking statements and from historical trends.

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

We are a global company, with operations in approximately 70 countries and products sold in more than 180 countries and territories around the world. We hold assets, incur liabilities, earn revenues and pay expenses in a variety of currencies other than the U.S. dollar, and our operations outside the U.S. generate a significant portion of our net revenue. Fluctuations in exchange rates for foreign currencies, such as the recent volatility in the Russian ruble, 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 policies in different countries 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 sizable businesses and maintain local currency cash balances in a number of foreign countries with exchange, import authorization, pricing or other controls, including Argentina, Egypt, Nigeria and Ukraine. Our results of operations and financial condition could be adversely impacted if we are unable to successfully manage such controls, 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 outside the U.S.

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; 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. 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 our previously-announced supply chain simplifications 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, inability to procure sufficient raw or input materials, natural disasters, 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.

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 be able to successfully respond to technological advances made by, and intellectual property rights granted to, competitors. Failure to continually innovate, improve and

respond to competitive moves 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, as well as challenges in maintaining profit margins. To address these challenges, we must be able to successfully respond to competitive factors, including pricing, promotional incentives 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. Failure to successfully respond to competitive factors and effectively compete in growing sales channels and business models, particularly e-commerce, 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, grocery stores, membership club stores, drug stores, department stores, distributors, baby stores, specialty beauty stores, e-commerce, 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 consolidation 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 based on our trade terms and principles. Our business could also be negatively impacted if a key customer were to significantly reduce the inventory level of our products 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, changing consumer perceptions of certain ingredients, 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 or similar matters, sentiments toward the Company or our products could be negatively impacted and our financial results could suffer. Our Company also devotes significant time and resources to programs that are consistent with our corporate values and are designed to protect and preserve our reputation, such as social responsibility and environmental sustainability. If these programs are not executed as planned or suffer negative publicity, the Company's reputation and financial results could be adversely impacted.

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

Due to the scale and scope of our business, we must rely on relationships with third parties, including our suppliers, distributors, contractors, joint venture partners or 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 incident, including a cybersecurity breach, or the failure of one or more key information technology systems, networks, hardware, processes, associated sites or service providers could have a material adverse impact on our business or reputation.

We rely extensively on information technology (IT) systems, networks and services, including internet sites, data hosting and processing facilities and tools, physical security systems and other hardware, software and technical applications and platforms, some 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 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, regulatory, and other stakeholder information and personal data;
- summarizing and reporting results of operations;
- 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 IT systems, networks and services, as well as to the confidentiality, availability and integrity of our data and the availability and integrity 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 sensitivity and attention to these threats. We continue to assess potential threats and make investments seeking to address these threats, including monitoring of networks and systems and upgrading skills, employee training and security policies for the Company and its third-party providers. However, because the techniques used in these attacks change frequently and may be difficult to detect for periods of time, we may face difficulties in anticipating and implementing adequate preventative measures. Our IT databases and systems and our third party providers' databases and systems have been, and will likely continue to be, subject to computer viruses or other malicious codes, unauthorized access attempts, denial of service attacks, phishing and other cyber-attacks. 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 breaches or breakdowns to our or our third-party providers' databases or systems. If the IT 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 a loss, significant unavailability of or disclosure of our business or stakeholder information, due to any number of causes, ranging from catastrophic events or power outages to improper data handling or security breaches, and our business continuity plans do not effectively address these failures on a timely basis, we may be exposed to reputational, competitive and business harm as well as litigation and regulatory action. The costs and operational consequences of responding to breaches and implementing remediation measures could be significant.

We must successfully manage compliance with legislation, regulation and enforcement, as well as pending legal matters in the U.S. and abroad.

Our business is subject to a wide variety of laws and regulations across all of the countries in which we do business, including those laws and regulations involving intellectual property, product liability, marketing, antitrust, privacy, environmental, employment, anti-bribery or anti-corruption (such as the U.S. Foreign Corrupt Practices Act), tax or other matters. Rapidly changing laws, regulations and related interpretations, including changes in accounting standards, as well as increased enforcement actions, create challenges for the Company, including our compliance and ethics programs and

may alter the environment in which we do business, which could adversely impact our financial results. If we are unable to continue to meet these challenges and comply with all laws, regulations and related interpretations, it could negatively impact our reputation and our business results. Failure to successfully manage regulatory and legal matters and resolve such matters without significant liability or damage to our reputation may materially adversely impact our results of operations and financial position. Furthermore, if pending legal 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 could negatively affect our financial results.

The Company is subject to taxation in the U.S. and numerous foreign jurisdictions. Because the U.S. maintains a worldwide corporate tax system, the foreign and U.S. tax systems are somewhat interdependent. For example, certain income that is earned and taxed in countries outside the U.S. is not taxed in the U.S., provided those earnings are indefinitely reinvested outside the U.S. If those same foreign earnings are instead repatriated to the U.S., additional residual U.S. taxation will likely occur, due to the U.S.'s worldwide tax system and higher U.S. corporate tax rate. The U.S. is considering corporate tax reform that may significantly change the corporate tax rate and the U.S. international tax rules. Additionally, longstanding international tax norms that determine each country's jurisdiction to tax cross-border international trade are evolving as a result of the Base Erosion and Profit Shifting project ("BEPS") undertaken by the G8, G20 and Organization for Economic Cooperation and Development ("OECD"). As these and other tax laws and related regulations change, our financial results could be materially impacted. Given the unpredictability of these possible changes and their potential interdependency, it is very difficult to assess whether the overall effect of such potential tax changes would be cumulatively positive or negative for our earnings and cash flow, but such changes could adversely impact our financial results.

If we are unable to successfully execute our portfolio optimization strategy, as well as successfully manage ongoing acquisition, joint venture and divestiture activities, it could adversely impact our business.

In August 2014, the Company announced a plan to significantly streamline our product portfolio by divesting, discontinuing or consolidating about 100 non-strategic brands, resulting in a portfolio of about 65 brands. The Company has announced the Beauty Brands transaction with Coty and completed a series of other transactions that will substantially complete this plan. Our ability to successfully execute our portfolio optimization strategy could impact our results.

In addition, 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. Our financial results could also be impacted in the event of 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, 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 management transitions at leadership levels of the Company and retention of key employees is critical to our business success. We are generally a build-from-within company and 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.

The United Kingdom's departure from the European Union could adversely impact our business and financial results.

On June 23, 2016, the United Kingdom held a referendum in which a majority of voters voted for the United Kingdom to exit the European Union ("Brexit"), the announcement of which resulted in significant currency exchange rate fluctuations and volatility in global stock markets. It is expected that the British government will commence negotiations to determine the terms of Brexit. Given the lack of comparable precedent, the implications of Brexit or how such implications might affect the Company are unclear. Brexit could, among other things, disrupt trade and the free movement of goods, services and people between the United Kingdom and the European Union or other countries as well as create legal and global economic uncertainty. These and other potential implications of Brexit could adversely affect the Company's business and financial results.

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 or territories. In addition, we own and operate 97 manufacturing sites in 38 other countries. Many of the domestic and international sites manufacture products for multiple businesses. Beauty products are manufactured at 34 of these locations; Grooming products at 21; Health Care products at 17; Fabric & Home Care products at 46; and Baby, Feminine & Family Care at 42. Management believes that the Company's manufacturing sites are adequate to support the business and that the properties and equipment have been well maintained.

Item 3. Legal Proceedings.

The Company is subject, from time to time, to certain legal proceedings and claims arising out of our business, which cover a wide range of matters, including antitrust and trade regulation, product liability, advertising, contracts, environmental issues, patent and trademark matters, labor and employment matters and tax. See Note 12 to our Consolidated Financial Statements for information on certain legal proceedings for which there are contingencies.

This item should be read in conjunction with the Company's Risk Factors in Part I, Item 1A for additional information.

Item 4. Mine Safety Disclosure.

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages and positions held by the Executive Officers of the Company on August 9, 2016, are:

Name	Position	Age	First Elected to Officer Position
David S. Taylor	Chairman of the Board, President and Chief Executive Officer	58	2013
Jon R. Moeller	Chief Financial Officer	52	2009
Steven D. Bishop	Group President - Global Health Care	52	2016
Giovanni Ciserani	Group President - Global Fabric and Home Care and Global Baby and Feminine Care	54	2013
Mary Lynn Ferguson-McHugh	Group President - Global Family Care and Global Brand Creation and Innovation, P&G Ventures	56	2016
Patrice Louvet	Group President - Global Beauty	51	2016
Charles E. Pierce	Group President - Global Grooming	59	2016
Carolyn M. Tastad	Group President - North America Selling and Market Operations	55	2014
Mark F. Biegger	Chief Human Resources Officer	54	2012
Gary A. Coombe	President - Europe Selling and Market Operations	52	2014
Kathleen B. Fish	Chief Technology Officer	59	2014
Deborah P. Majoras	Chief Legal Officer and Secretary	52	2010
Juan Fernando Posada	President - Latin America Selling and Market Operations	54	2015
Matthew Price	President - Greater China Selling and Market Operations	50	2015
Marc S. Pritchard	Chief Brand Officer	56	2008
Mohamed Samir	President - India, Middle East and Africa (IMEA) Selling and Market Operations	49	2014
Jeffrey K. Schomburger	Global Sales Officer	54	2015
Valarie L. Sheppard	Senior Vice President, Comptroller and Treasurer	52	2005
Yannis Skoufalos	Global Product Supply Officer	59	2011
Magesvaran Suranjan	President - Asia Pacific Selling and Market Operations	46	2015

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

PART II**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.****ISSUER PURCHASES OF EQUITY SECURITIES**

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share ⁽²⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽³⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under Our Share Repurchase Program
4/1/2016 - 4/30/2016	—	—	—	(3)
5/1/2016 - 5/31/2016	6,152,153	\$81.27	6,152,153	(3)
6/1/2016 - 6/30/2016	—	—	—	(3)
Total	6,152,153	\$81.27	6,152,153	(3)

⁽¹⁾ The total number of shares purchased for the three months ended June 30, 2016 was 6,152,153. 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.

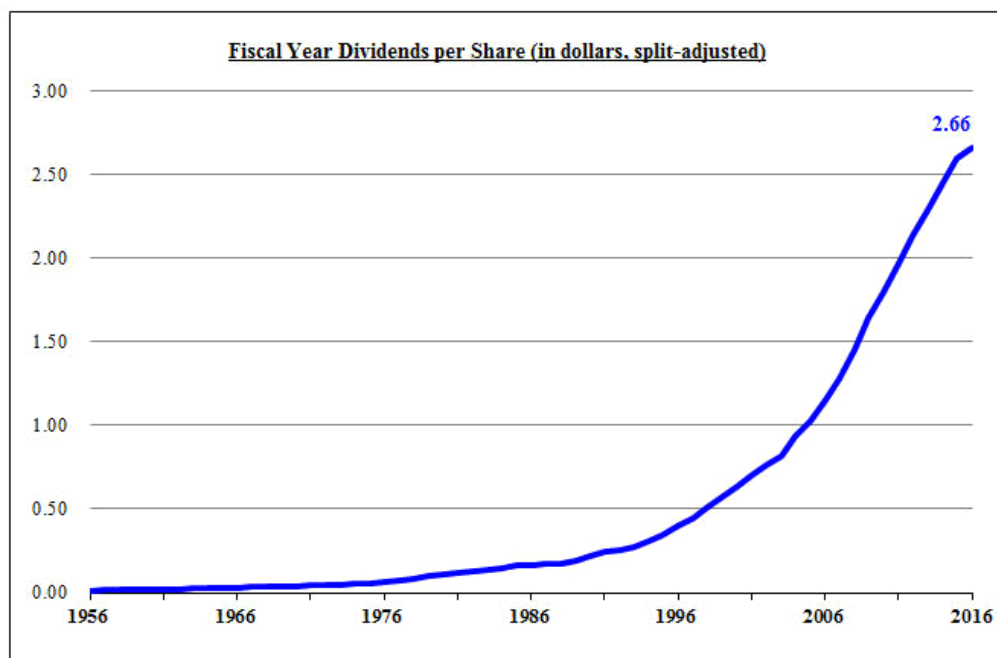
⁽²⁾ Average price paid per share is calculated on a settlement basis and excludes commission.

⁽³⁾ On April 26, 2016, the Company stated that in fiscal year 2016 the Company planned to reduce Company shares outstanding by approximately \$8 to \$9 billion, through a combination of direct share repurchases and shares that were exchanged in the Duracell transaction (see Note 13 to our Consolidated Financial Statements), 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 and exchanged in the Duracell transaction was \$8.2 billion. The share repurchase plan ended on June 30, 2016.

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 126 consecutive years since its original incorporation in 1890 and has increased its dividend for 60 consecutive years. Over the past five 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 expectations and financing needs and will be declared at the discretion of the Company's Board of Directors.



<u>(in dollars; split-adjusted)</u>	1956	1966	1976	1986	1996	2006	2016
Dividends per share	\$ 0.01	\$ 0.03	\$ 0.06	\$ 0.16	\$ 0.40	\$ 1.15	\$ 2.66

Quarterly Dividends

<u>Quarter Ended</u>	<u>2015 - 2016</u>	<u>2014 - 2015</u>
September 30	\$0.6629	\$0.6436
December 31	0.6629	0.6436
March 31	0.6629	0.6436
June 30	0.6695	0.6629

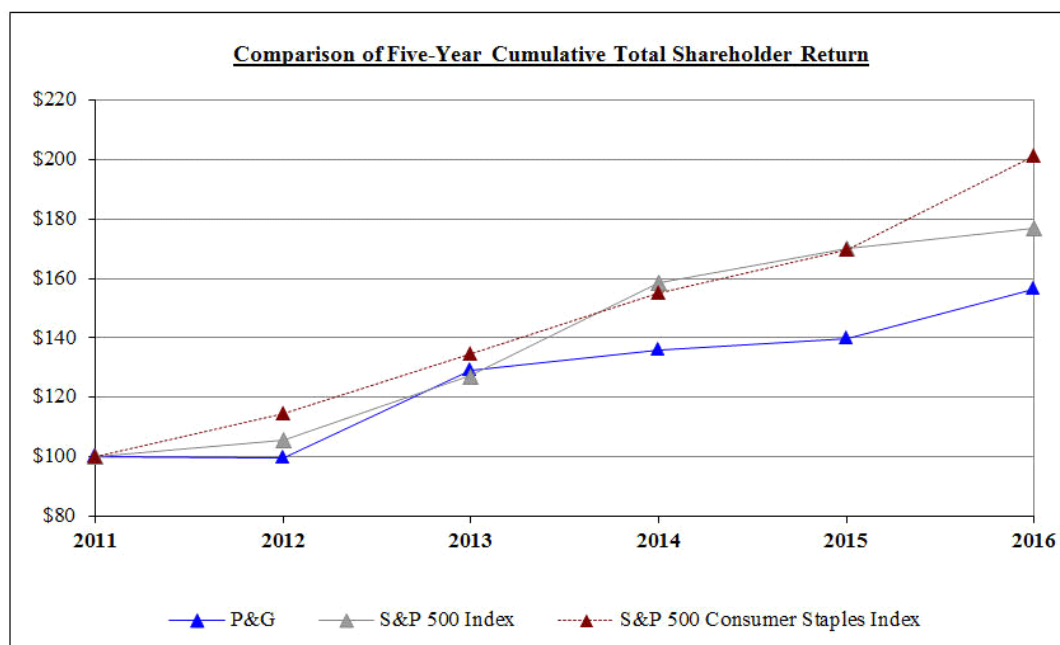
Common Stock Price Range

<u>Quarter Ended</u>	<u>2015 - 2016</u>		<u>2014 - 2015</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
September 30	\$ 82.55	\$ 65.02	\$ 85.40	\$ 77.29
December 31	81.23	71.30	93.89	81.57
March 31	83.87	74.46	91.78	80.82
June 30	84.80	79.10	84.20	77.10

P&G trades on the New York Stock Exchange and NYSE Euronext-Paris under the stock symbol PG. There were approximately 2.9 million common stock shareowners, including shareowners of record, participants in the P&G Shareholder Investment Program, participants in P&G stock ownership plans and beneficial owners with accounts at banks and brokerage firms, as of June 30, 2016.

Shareholder Return

The following graph compares the cumulative total return of P&G's common stock for the five-year period ended June 30, 2016, 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, 2011, and that all dividends were reinvested.



<u>Company Name/Index</u>	<u>Cumulative Value of \$100 Investment, through June 30</u>					
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
P&G	\$ 100	\$ 100	\$ 129	\$ 136	\$ 140	\$ 156
S&P 500 Index	100	105	127	158	170	177
S&P 500 Consumer Staples Index	100	115	135	155	170	202

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.

Financial Summary (Unaudited)

Amounts in millions, except per share amounts	2016	2015	2014	2013	2012	2011
Net sales	\$ 65,299	\$ 70,749	\$ 74,401	\$ 73,910	\$ 73,138	\$ 70,464
Gross profit	32,390	33,693	35,371	35,858	35,254	35,110
Operating income	13,441	11,049	13,910	13,051	12,495	13,849
Net earnings from continuing operations	10,027	8,287	10,658	10,346	8,864	10,509
Net earnings/(loss) from discontinued operations	577	(1,143)	1,127	1,056	2,040	1,418
Net earnings attributable to Procter & Gamble	10,508	7,036	11,643	11,312	10,756	11,797
Net earnings margin from continuing operations	15.4%	11.7%	14.3%	14.0%	12.1%	14.9%
Basic net earnings per common share: ⁽¹⁾						
Earnings from continuing operations	\$ 3.59	\$ 2.92	\$ 3.78	\$ 3.65	\$ 3.08	\$ 3.62
Earnings/(loss) from discontinued operations	0.21	(0.42)	0.41	0.39	0.74	0.50
Basic net earnings per common share	\$ 3.80	\$ 2.50	\$ 4.19	\$ 4.04	\$ 3.82	\$ 4.12
Diluted net earnings per common share: ⁽¹⁾						
Earnings from continuing operations	\$ 3.49	\$ 2.84	\$ 3.63	\$ 3.50	\$ 2.97	\$ 3.46
Earnings/(loss) from discontinued operations	0.20	(0.40)	0.38	0.36	0.69	0.47
Diluted net earnings per common share	\$ 3.69	\$ 2.44	\$ 4.01	\$ 3.86	\$ 3.66	\$ 3.93
Dividends per common share	\$ 2.66	\$ 2.59	\$ 2.45	\$ 2.29	\$ 2.14	\$ 1.97
Research and development expense	\$ 1,879	\$ 1,991	\$ 1,910	\$ 1,867	\$ 1,874	\$ 1,812
Advertising expense	7,243	7,180	7,867	8,188	7,839	7,713
Total assets	127,136	129,495	144,266	139,263	132,244	138,354
Capital expenditures	3,314	3,736	3,848	4,008	3,964	3,306
Long-term debt	18,945	18,327	19,807	19,111	21,080	22,033
Shareholders' equity	\$ 57,983	\$ 63,050	\$ 69,976	\$ 68,709	\$ 64,035	\$ 68,001

⁽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, in 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 results and events to differ materially from such forward-looking statements is included in the section titled “Economic Conditions and Uncertainties” and the section titled “Risk Factors” (Item 1A of this Form 10-K). Forward-looking statements are made as of the date of this report, and 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 2016 Results
- Economic Conditions and Uncertainties
- Results of Operations
- Segment Results
- Cash Flow, Financial Condition and Liquidity
- Significant Accounting Policies and Estimates
- Other Information

Throughout the MD&A, we refer to measures used by management to evaluate performance, including unit volume growth, net sales and net earnings. We also refer to a number of financial measures that are not defined under accounting principles generally accepted in the United States of America (U.S. GAAP), including organic sales growth, core earnings per share (Core EPS), adjusted free cash flow and adjusted free

cash flow productivity. Organic sales growth is net sales growth excluding the impacts of the Venezuela deconsolidation, 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 certain divestiture impacts. Adjusted free cash flow productivity is the ratio of adjusted free cash flow to net earnings excluding certain one-time items. We believe these measures provide our investors with additional information about our underlying results and trends, as well as insight to some of the metrics used to evaluate management. The explanation at the end of the MD&A provides more details on the use and the derivation of these measures.

Management also uses certain market share and market consumption estimates to evaluate performance relative to competition despite some limitations on the availability and comparability of share and consumption information. References to market share and market consumption in the MD&A are based on a combination of vendor-reported consumption and market size data, as well as internal estimates. All market share references represent the percentage of sales in dollar terms on a constant currency basis of our products, relative to all product sales in the category.

OVERVIEW

P&G is a global leader in fast-moving consumer goods, focused on providing branded consumer packaged goods of superior quality and value to our consumers around the world. Our products are sold in more than 180 countries and territories primarily through mass merchandisers, grocery stores, membership club stores, drug stores, department stores, distributors, baby stores, specialty beauty stores, e-commerce, high-frequency stores and pharmacies. We have on-the-ground operations in approximately 70 countries.

Our market environment is highly competitive with global, regional and local competitors. In many of the markets and industry segments in which we sell our products, we compete against other branded products as well as retailers' private-label brands. Additionally, many of the product segments in which we compete are differentiated by price tiers (referred to as super-premium, premium, mid-tier and value-tier products). We are well positioned in the industry segments and markets in which we operate, often holding a leadership or significant market share position.

ORGANIZATIONAL STRUCTURE

Our organizational structure is comprised of Global Business Units (GBUs), Selling and Market Operations (SMOs), Global Business Services (GBS) and Corporate Functions (CF).

Global Business Units

Our GBUs are organized into ten product categories. Under U.S. GAAP, the GBUs underlying the ten product categories are aggregated into five reportable segments: Beauty; Grooming; Health Care; Fabric & Home Care; and Baby, Feminine & Family Care. The GBUs are responsible for developing overall brand strategy, new product upgrades and innovations and marketing plans. The following provides additional detail on our reportable segments and the ten product categories and brand composition within each segment.

Reportable Segments	% of Net Sales ¹	% of Net Earnings ¹	Product Categories (Sub-Categories)	Major Brands
Beauty	18%	20%	Hair Care (<i>Conditioner, Shampoo, Styling Aids, Treatments</i>)	Head & Shoulders, Pantene, Rejoice
			Skin and Personal Care (<i>Antiperspirant and Deodorant, Personal Cleansing, Skin Care</i>)	Olay, Old Spice, Safeguard, SK-II
Grooming	11%	15%	Grooming ² (<i>Shave Care - Female Blades & Razors, Male Blades & Razors, Pre- and Post-Shave Products, Other Shave Care; Appliances</i>)	Braun, Fusion, Gillette, Mach3, Prestobarba, Venus
Health Care	11%	12%	Oral Care (<i>Toothbrushes, Toothpaste, Other Oral Care</i>)	Crest, Oral-B
			Personal Health Care (<i>Gastrointestinal, Rapid Diagnostics, Respiratory, Vitamins/Minerals/Supplements, Other Personal Health Care</i>)	Prilosec, Vicks
Fabric & Home Care	32%	27%	Fabric Care (<i>Fabric Enhancers, Laundry Additives, Laundry Detergents</i>)	Ariel, Downy, Gain, Tide
			Home Care (<i>Air Care, Dish Care, P&G Professional, Surface Care</i>)	Cascade, Dawn, Febreze, Mr. Clean, Swiffer
Baby, Feminine & Family Care	28%	26%	Baby Care (<i>Baby Wipes, Diapers and Pants</i>)	Luvs, Pampers
			Feminine Care (<i>Adult Incontinence, Feminine Care</i>)	Always, Tampax
			Family Care (<i>Paper Towels, Tissues, Toilet Paper</i>)	Bounty, Charmin

⁽¹⁾ Percent of Net sales and Net earnings from continuing operations for the year ended June 30, 2016 (excluding results held in Corporate).

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

Recent Developments: As of June 30, 2015, the Company deconsolidated our Venezuelan subsidiaries and began accounting for our investment in those subsidiaries using the cost method of accounting. This change resulted in a fiscal 2015 one-time after-tax charge of \$2.1 billion (\$0.71 per share). Beginning in fiscal 2016, our financial results only include sales of finished goods to our Venezuelan subsidiaries to the extent we receive cash payments from Venezuela (expected to be largely through the DIPRO and DICOM exchange market). Accordingly, we no longer include the results of our Venezuelan subsidiaries' operations in reporting periods following fiscal 2015 (see Note 1 to the Consolidated Financial Statements and additional discussion in the MD&A under "Venezuela Impacts" in Results of Operations).

In August 2014, the Company announced a plan to significantly streamline our product portfolio by divesting, discontinuing or consolidating about 100 non-strategic brands. The resulting portfolio of about 65 key brands are in 10 category-based businesses where P&G has leading market positions, strong brands and consumer-meaningful product technologies.

During fiscal 2016, the company completed the divestiture of its Batteries business. The Batteries business had historically been part of the Company's Fabric & Home Care reportable segment. The results of the Batteries business are presented as discontinued operations and, as such, are excluded from both continuing operations and segment results for all periods presented. Additionally, the Batteries balance sheet positions as of June 30, 2015 are presented as held for sale in the Consolidated Balance Sheets.

On July 9, 2015, the Company announced the signing of a definitive agreement to divest four product categories, to Coty Inc. ("Coty"). Coty's offer was \$12.5 billion. The divestiture was initially comprised of 43 of the Company's beauty brands ("Beauty Brands"), including the global salon professional hair care and color, retail hair color, cosmetics and fine fragrance businesses, along with select hair styling brands. Subsequent to signing, two of the fine fragrance brands, Dolce Gabbana and Christina Aguilera, were excluded from the divestiture. While the ultimate form of the transaction has not yet been decided, the Company's current preference is for a Reverse

Morris Trust split-off transaction in which P&G shareholders could elect to participate in an exchange offer to exchange their P&G shares for Coty shares. The Company expects to complete this transaction in October 2016. The results of the Beauty Brands are now presented as discontinued operations and, as such, are excluded from both continuing operations and segment results for all periods presented. Additionally, the Beauty Brands' balance sheet positions as of June 30, 2016 and June 30, 2015 are presented as held for sale in the Consolidated Balance Sheets.

During fiscal 2015, the Company completed the divestiture of its Pet Care business. The gain on the transaction was not material. The results of the Pet Care business are presented as discontinued operations and, as such, are excluded from both continuing operations and segment results for all periods presented.

With these transactions and other recent minor brand divestitures, the Company will have substantially completed the strategic portfolio reshaping program.

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 over 7% global market share. In hair care, we compete in the retail channel. We are the global market leader in the retail hair care market with over 20% global market share primarily behind our Pantene and Head & Shoulders brands.

Grooming: We compete in Shave Care and Appliances. In Shave Care, we are the global market leader in the blades and razors market. Our global blades and razors market share is nearly 65%, primarily behind the Gillette franchise including Fusion, Mach3, Prestobarba and Venus. Our appliances, such as electric razors 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 over 20% of the male shavers market and nearly 45% 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), nonprescription heartburn medications (Prilosec OTC brand) and digestive wellness products (Metamucil, Pepto Bismol, and Align brands). Nearly all of our sales outside the U.S. in personal health care are generated through the PGT Healthcare partnership with Teva Pharmaceuticals Ltd.

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 nearly 30% 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.

Baby, Feminine & Family Care: In baby care, we compete mainly in diapers, pants and baby wipes with nearly 30% global market share. We are the number one or number two baby care competitor in most of the key markets in which we compete, primarily behind Pampers, the Company's largest brand, with annual net sales of nearly \$9 billion. We are the global market leader in the feminine care category with over 25% global market share, primarily behind Always. We also compete in the adult incontinence category in certain markets, achieving over 10% market share in 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.

Global Business Services

GBS provides technology, processes and standard data tools to enable the GBUs and the SMOs 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.

Corporate Functions

CF provides company-level strategy and portfolio analysis, corporate accounting, treasury, tax, external relations, governance, human resources and legal, as well as other centralized functional support.

STRATEGIC FOCUS

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

Our strategic choices are focused on winning with consumers. The consumers who purchase and use our products are at the center of everything we do. We increase the number of users - and the usage - of our brands when we win at the zero, first and second moments of truth: when consumers research our

categories and brands, purchase them in a store or online and use them in their homes.

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 2016 RESULTS

<u>Amounts in millions, except per share amounts</u>	2016	Change vs. Prior Year	2015	Change vs. Prior Year	2014
Net sales	\$ 65,299	(8)%	\$ 70,749	(5)%	\$ 74,401
Operating income	13,441	22 %	11,049	(21)%	13,910
Net earnings from continuing operations	10,027	21 %	8,287	(22)%	10,658
Net earnings/(loss) from discontinued operations	577	N/A	(1,143)	N/A	1,127
Net earnings attributable to Procter & Gamble	10,508	49 %	7,036	(40)%	11,643
Diluted net earnings per common share	3.69	51 %	2.44	(39)%	4.01
Diluted net earnings per share from continuing operations	3.49	23 %	2.84	(22)%	3.63
Core EPS	3.67	(2)%	3.76	(2)%	3.85
Cash flow from operating activities	15,435	6 %	14,608	5 %	13,958

- Net sales decreased 8% to \$65.3 billion including a negative 6% impact from foreign exchange.
 - Organic sales increased 1%, as increased pricing was partially offset by a reduction in organic volume.
 - Unit volume decreased 3%. Volume decreased low single digits in Grooming, Health Care, Fabric & Home Care and Baby, Feminine & Family Care. Volume decreased mid-single digits in Beauty. Organic volume declined 1%.
- Net earnings from continuing operations increased \$1.7 billion or 21% in fiscal 2016 due to a \$2.1 billion after-tax charge in the prior year related to the deconsolidation of our Venezuelan subsidiaries and improved gross margin, partially offset by the earnings impact of the decline in net sales. Foreign exchange impacts negatively affected net earnings from continuing operations by \$880 million or approximately 11%.
 - Net earnings from discontinued operations increased \$1.7 billion due primarily to the net impact of a gain on the sale of our Batteries business in fiscal 2016 and higher impairment charges on that business in the prior period.
 - Net earnings attributable to Procter & Gamble were \$10.5 billion, an increase of \$3.5 billion or 49% versus the prior year due to the aforementioned increases in net earnings from both continuing and discontinued operations.
 - Diluted net earnings per share increased 51% to \$3.69.
 - Diluted net earnings per share from continuing operations increased 23% to \$3.49.
 - Core EPS decreased 2% to \$3.67.
 - Cash flow from operating activities was \$15.4 billion.
 - Adjusted free cash flow was \$12.1 billion.
 - Adjusted free cash flow productivity was 115%.

ECONOMIC CONDITIONS AND UNCERTAINTIES

We discuss expectations regarding future performance, events and outcomes, such as our business outlook and objectives, in annual and quarterly reports, press releases and other written and oral communications. All such statements, except for historical and present factual information, are "forward-looking statements" and are based on financial data and our business plans available only as of the time the statements are made, which may become out-of-date or incomplete. We assume no obligation to update any forward-looking statements as a result of new information, future events or other factors. Forward-looking statements are inherently uncertain and investors must recognize that events could be significantly different from our expectations. For more information on risks that could impact our results, refer to Item 1A Risk Factors in this Form 10-K.

Global Economic Conditions. Current macroeconomic factors remain dynamic, and any causes of market size contraction, such as reduced GDP in commodity-producing economies as commodity prices decline, greater political unrest in the Middle East and Eastern Europe, further economic instability in the European Union, political instability in certain Latin American markets and economic slowdowns in Japan and China, 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 and our own productivity efforts. We have significant exposures to certain commodities, in particular certain oil-derived materials like resins, and volatility in the market price of these commodity input materials has a direct impact on our costs. If we are unable to manage commodity fluctuations through pricing actions, cost savings projects and sourcing decisions as well as through consistent productivity improvements, it may adversely impact our gross margin, operating margin and net earnings. Sales could also be adversely impacted following pricing actions if there is a negative impact on consumption of our products. We strive to implement, achieve and sustain cost improvement plans, including outsourcing projects, supply chain optimization and general overhead and workforce optimization. As discussed later in the MD&A, we initiated certain non-manufacturing overhead reduction projects along with manufacturing and other supply chain cost improvements projects in 2012. If we are not successful in executing these changes, there could be a negative impact on our operating margin and net earnings.

Foreign Exchange. We have both translation and transaction exposure to the fluctuation of exchange rates. Translation exposures relate to exchange rate impacts of measuring income statements of foreign subsidiaries that do not use the U.S. dollar as their functional currency. Transaction exposures relate to 1) the impact from input costs that are denominated in a currency other than the local reporting currency and 2) the revaluation of transaction-related working capital balances denominated in currencies other than the functional currency. In 2016, 2015 and 2014, 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, Canada, Egypt, Mexico, Nigeria, Russia and Turkey have had, and could have, a significant impact on our sales, costs and earnings. Increased pricing in response to these 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.

Government Policies. Our net earnings could be affected by changes in U.S. or foreign government tax policies. For example, the U.S. may consider corporate tax reform that could significantly impact the corporate tax rate and change the U.S. tax treatment of international earnings. Additionally, we attempt to carefully manage our debt and currency exposure in certain countries with currency exchange, import authorization and pricing controls, such as Argentina, Egypt, Nigeria and Ukraine. 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 our discussion of our consolidated results of operations include net sales, gross margin, selling, general and administrative costs (SG&A), other non-operating items and income taxes. The primary factors driving year-over-year changes in net sales include overall market growth in the categories in which we compete, product initiatives, the level of initiatives and other activities by competitors, geographic expansion and acquisition and divestiture activity, all of which drive changes in our underlying unit volume, as well as pricing actions (which can also indirectly impact volume), changes in product and geographic mix and foreign currency impacts on sales outside the U.S.

Most of our cost of products sold and SG&A are to some extent variable in nature. Accordingly, our discussion of these operating costs focuses primarily on relative margins rather than the absolute year-over-year changes in total costs. The primary drivers of changes in gross margin are input costs (energy and other commodities), pricing impacts, geographic mix (for example, gross margins in developed markets are generally higher than in developing markets for similar products), product mix (for example, the Beauty segment has higher gross margins than the Company average), foreign exchange rate fluctuations (in situations where certain input costs may be tied to a different functional currency than the underlying sales), the impacts of manufacturing savings projects and to a lesser extent scale impacts (for costs that are fixed or less variable in nature). The primary drivers of SG&A are marketing-related costs and non-manufacturing overhead costs. Marketing-related costs are primarily variable in nature, although we may achieve some level of scale benefit over time due to overall growth and other marketing efficiencies. Overhead costs are also variable in nature, but on a relative basis, less so than marketing costs due to our ability to leverage our organization and systems infrastructures to support business growth. Accordingly, we generally experience more scale-related impacts for these costs.

The Company is in the midst of a productivity and cost savings plan to reduce costs in the areas of supply chain, marketing and overhead expenses. The plan is designed to accelerate cost reductions by streamlining management decision making, manufacturing and other work processes to fund the Company's growth strategy.

Net Sales

Fiscal year 2016 compared with fiscal year 2015

Net sales decreased 8% to \$65.3 billion in 2016 on a 3% decrease in unit volume versus the prior year period. Volume decreased low single digits in Grooming, Health Care, Fabric & Home Care and Baby, Feminine & Family Care and decreased mid-single digits in Beauty. Volume increased low single digits in developed regions and declined high single digits in developing regions, in part due to increased pricing to address foreign exchange devaluations and due to the Venezuela deconsolidation and minor brand divestitures. Organic volume declined mid-single digits in developing markets. Unfavorable foreign exchange reduced net sales by

6%, while higher pricing drove a 1% favorable impact on net sales. Organic volume decreased 1% and organic sales grew 1% driven by higher pricing.

Fiscal year 2015 compared with fiscal year 2014

Net sales decreased 5% to \$70.7 billion in 2015 on a 1% decrease in unit volume versus the prior year period. Volume grew low single digits in Fabric & Home Care. Volume decreased low single digits in Baby, Feminine & Family Care, Grooming, Health Care and Beauty. Volume increased low single digits in developed regions and declined low single digits in developing regions due, in part, to increased pricing to address foreign exchange devaluations. Unfavorable foreign exchange reduced net sales by 6%, while higher pricing drove a 2% favorable impact on net sales. Favorable product mix impact of 1% was offset by acquisition and divestiture activity. Organic volume decreased 1% and organic sales grew 2% driven by higher pricing.

Operating Costs

Comparisons as a percentage of net sales; Years ended June 30	2016	Basis Point Change	2015	Basis Point Change	2014
Gross margin	49.6%	200	47.6%	10	47.5%
Selling, general and administrative expense	29.0%	(10)	29.1%	30	28.8%
Operating margin	20.6%	500	15.6%	(310)	18.7%
Earnings from continuing operations before income taxes	20.5%	490	15.6%	(260)	18.2%
Net earnings from continuing operations	15.4%	370	11.7%	(260)	14.3%
Net earnings attributable to Procter & Gamble	16.1%	620	9.9%	(570)	15.6%

Fiscal year 2016 compared with fiscal year 2015

Gross margin increased 200 basis points to 49.6% of net sales in 2016. Gross margin increased primarily due to:

- a 210 basis point positive impact from manufacturing cost savings,
- a 110 basis point benefit from lower commodity costs and
- a 70 basis point benefit of higher pricing.

These impacts were partially offset by:

- a 70 basis point negative impact from unfavorable foreign exchange,
- a 70 basis point decrease due to unfavorable product mix caused by the disproportionate decline of higher margin segments like Beauty and by product form mix within the segments,
- a 20 basis point decrease from negative scale impacts due to lower volume and
- a 20 basis point decline due to incremental restructuring activity.

Total SG&A decreased 8% to \$18.9 billion primarily due to reduced overhead spending and a decrease in foreign exchange transaction charges. SG&A as a percentage of net sales declined 10 basis points to 29.0%, as the negative scale

impacts of lower net sales and inflationary impacts were more than offset by cost savings efforts, mainly in overhead spending, and lower foreign exchange transactional charges.

- Marketing spending as a percentage of net sales increased 90 basis points due to the negative scale impacts from reduced sales.
- Overhead costs as a percentage of net sales decreased 20 basis points, as 90 basis points of productivity savings were partially offset by wage inflation, increased sales personnel in certain businesses, investments in research and development and the negative scale impacts from reduced sales.
- Lower foreign exchange transactional charges reduced SG&A as a percentage of net sales by approximately 70 basis points. A pre-deconsolidation balance sheet remeasurement charge in Venezuela in the base period drove 20 basis points of this decline. The balance of the reduction relates to lower transactional charges from revaluing receivables and payables from transactions denominated in a currency other than a local entity's functional currency.

Fiscal year 2015 compared with fiscal year 2014

Gross margin increased 10 basis points to 47.6% of net sales in 2015. Gross margin benefited from:

- a 200 basis point impact from manufacturing cost savings and
- a 90 basis point benefit from higher pricing.

These impacts were partially offset by:

- a 110 basis point impact from unfavorable geographic and product mix, primarily from declines in the higher than average margin Beauty and Grooming segments as well as within the Fabric & Home Care and Grooming segments,
- a 50 basis point impact from unfavorable foreign exchange,
- a 40 basis point impact from costs related to initiatives and capacity investments,
- a 30 basis point impact from higher restructuring costs and
- smaller impacts from lower volume scale and higher commodity costs.

Total SG&A decreased 4% to \$20.6 billion, as reduced overhead and marketing spending was partially offset by increased foreign exchange transaction charges. SG&A as a percentage of net sales increased 30 basis points to 29.1%, as the negative scale impacts of lower net sales and inflationary impacts were partially offset by cost savings efforts.

- Marketing spending as a percentage of net sales decreased 60 basis points behind lower spending due to efficiency efforts.
- Overhead spending as a percentage of net sales increased 50 basis points as productivity savings of 60 basis points from reduced overhead spending were more than offset by wage inflation, investments in research and development, the negative scale impacts of lower net sales and higher restructuring costs.
- Increased foreign exchange transaction charges added approximately 40 basis points to SG&A as a percentage of net sales, as current year foreign currency transaction charges (from revaluing receivables and payables denominated in a currency other than a local entity's functional currency) were partially offset by lower year-on-year charges for Venezuela remeasurement and devaluation.

During fiscal 2015, the Company incurred a \$2.0 billion (\$2.1 billion after tax) charge related to the deconsolidation of its Venezuelan subsidiaries. See the "Venezuela Impacts" later in the Results of Operations section.

Non-Operating Items*Fiscal year 2016 compared with fiscal year 2015*

- Interest expense was \$579 million in 2016, a decrease of \$47 million versus the prior year due to lower average debt balances.
- Interest income was \$182 million in 2016, an increase of \$33 million versus the prior year primarily due to increasing cash, cash equivalents and investment securities balances.

- Other non-operating income, which primarily includes divestiture gains and investment income, decreased \$115 million to \$325 million, due primarily to lower gains on minor brand divestitures. In 2016, we had approximately \$300 million in minor brand divestiture gains, including Escudo and certain hair care brands in Europe and IMEA. The prior year acquisition and divestiture activities included approximately \$450 million in divestiture gains, including Zest, Camay, Fekkai and Wash & Go hair care brands and Vapoteam.

Fiscal year 2015 compared with fiscal year 2014

- Interest expense was \$626 million in 2015 a decrease of \$83 million versus the prior year due to lower average debt balances and a decrease in weighted average interest rates.
- Interest income was \$149 million in 2015, an increase of \$50 million versus the prior year due to an increase in cash, cash equivalents and investment securities.
- Other non-operating income increased \$231 million to \$440 million, primarily due to minor brand divestiture gains. In 2015, we had approximately \$450 million in minor brand divestiture gains, including Zest, Camay, Fekkai and Wash & Go hair care brands and Vapoteam. The prior year acquisition and divestiture activities included approximately \$150 million in divestiture gains, primarily related to the sale of our bleach businesses in Europe, IMEA and Latin America, our Pert hair care business in Latin America and MDVIP.

Income Taxes*Fiscal year 2016 compared with fiscal year 2015*

The effective tax rate on continuing operations increased 30 basis points to 25.0% in 2016 mainly due to a 260 basis point negative impact from the unfavorable geographic mix of earnings, a 130 basis point impact in the current year from the establishment of valuation allowances on deferred tax assets related to net operating loss carryforwards and the impact of favorable discrete adjustments related to uncertain income tax positions (which netted to 55 basis points in the current year versus 85 basis points in the prior year), partially offset by a 400 basis point decrease related to the prior year non-deductibility of the Venezuelan deconsolidation charge.

Fiscal year 2015 compared with fiscal year 2014

The effective tax rate on continuing operations increased 360 basis points to 24.7% in 2015 mainly due to the non-deductibility of the \$2.0 billion Venezuelan deconsolidation charge. The rate increase caused by lower favorable discrete adjustments related to uncertain income tax positions (the net benefit was 80 basis points in fiscal 2015 versus 170 basis points in fiscal 2014) was largely offset by a decrease related to favorable geographic earnings mix.

Net Earnings*Fiscal year 2016 compared with fiscal year 2015*

Net earnings from continuing operations increased \$1.7 billion or 21% to \$10.0 billion primarily due to the base period charge of \$2.1 billion after-tax related to the deconsolidation of

Venezuelan subsidiaries. Earnings also declined due to the impact of the decline in net sales in fiscal 2016, partially offset by improved gross margin and the reduction in SG&A. Foreign exchange impacts reduced net earnings by about \$880 million in 2016 due to weakening of certain key currencies against the U.S. dollar, primarily in Argentina, Brazil, Canada, Mexico and Russia. This impact includes both transactional charges as discussed above in Operating Costs and translational impacts from converting earnings from foreign subsidiaries to U.S. dollars.

Net earnings from discontinued operations improved \$1.7 billion in 2016 to \$577 million. Batteries drove a \$2.1 billion improvement due primarily to a \$1.8 billion reduction in after-tax impairment charges in the Batteries business (\$350 million in the current year compared to \$2.1 billion in the base period) and a \$422 million after-tax gain in the current period from the sale of the Batteries business. This was partially offset by a decrease in the earnings of the Beauty Brands (see Note 4 to the Consolidated Financial Statements).

Net earnings attributable to Procter & Gamble increased \$3.5 billion, or 49% to \$10.5 billion.

Diluted net earnings per share from continuing operations increased \$0.65, or 23%, to \$3.49 due to the increase in net earnings and a decline in the average number of shares outstanding. Diluted net earnings per share from discontinued operations were \$0.20 primarily resulting from the gain on the sale of the Batteries business. This was an improvement of \$0.60 per share versus the prior year. Diluted net earnings per share increased \$1.25, or 51%, to \$3.69.

Core EPS decreased 2% to \$3.67. Core EPS in fiscal year 2016 represents diluted net earnings per share from continuing operations excluding charges for certain European legal matters and incremental restructuring related to our productivity and cost savings plan. The decline was driven by reduced net sales and foreign exchange impacts, partially offset by gross margin expansion.

Fiscal year 2015 compared with fiscal year 2014

Net earnings from continuing operations decreased \$2.4 billion or 22% to \$8.3 billion due to the \$2.1 billion after-tax charge related to the deconsolidation of Venezuelan subsidiaries and the decline in net sales, partially offset by reduced SG&A. Foreign exchange impacts negatively affected net earnings by approximately \$1.3 billion in 2015 due to the weakening of certain key currencies against the U.S. dollar, primarily in Russia, Ukraine, Venezuela and Argentina, partially offset by lower after-tax charges related to balance sheet remeasurement charges in Venezuela.

Net earnings from discontinued operations decreased \$2.3 billion in 2015 due primarily to \$2.1 billion of after-tax impairment charges in our Batteries business (see Note 4 to the Consolidated Financial Statements) and the absence of fiscal 2015 earnings from our divested Pet Care business. Net earnings attributable to Procter & Gamble decreased \$4.6 billion, or 40% to \$7.0 billion.

Diluted net earnings per share from continuing operations decreased \$0.79, or 22%, to \$2.84 due to the decrease in net earnings. We had a diluted net loss per share from discontinued operations of \$0.40 due primarily to the impairment charges on the Batteries business. This was a reduction of \$0.78 per share versus the prior year. Diluted net earnings per share decreased \$1.57, or 39%, to \$2.44.

Core EPS decreased 2% to \$3.76. Core EPS represents diluted net earnings per share from continuing operations excluding charges for Venezuelan deconsolidation, balance sheet remeasurement charges from foreign exchange policy changes and devaluation in Venezuela, charges for certain European legal matters and incremental restructuring related to our productivity and cost savings plan. The decline was driven by reduced net sales, partially offset by minor brand divestiture gains.

Venezuela Impacts

There are a number of currency and other operating controls and restrictions in Venezuela, which have evolved over time and may continue to evolve in the future. These evolving conditions resulted in an other-than-temporary lack of exchangeability between the Venezuelan bolivar and U.S. dollar and restricted our Venezuelan operations' ability to pay dividends or pay for certain raw and package materials, finished goods and services denominated in U.S. dollars. For accounting purposes, this resulted in a lack of control over our Venezuelan subsidiaries. Therefore, in accordance with the applicable accounting standards for consolidation, effective June 30, 2015, we deconsolidated our Venezuelan subsidiaries and began accounting for our investment in those subsidiaries using the cost method of accounting. This resulted in a write-off of all of the net assets of our Venezuelan subsidiaries, along with Venezuela related assets held by other subsidiaries. Beginning with the first quarter of fiscal 2016, our financial results only include sales of finished goods to our Venezuelan subsidiaries to the extent we receive payments from Venezuela. Accordingly, we no longer include the results of our Venezuelan subsidiaries' operations in our financial results.

SEGMENT RESULTS

Segment results reflect information on the same basis we use for internal management reporting and performance evaluation. The results of these reportable segments do not include certain non-business unit specific costs such as interest expense, investing activities and certain restructuring and asset impairment costs. These costs are reported in our Corporate segment and are included as part of our Corporate segment discussion. Additionally, as described in Note 2 to the Consolidated Financial Statements, we apply blended statutory tax rates in the segments. Eliminations to adjust segment results to arrive at our effective tax rate are included in Corporate. All references to net earnings throughout the discussion of segment results refer to net earnings from continuing operations.

Net Sales Change Drivers 2016 vs. 2015*

	Volume with Acquisitions & Divestitures	Volume Excluding Acquisitions & Divestitures	Foreign Exchange	Price	Mix	Other**	Net Sales Growth
Beauty	(5)%	(2)%	(6)%	2%	— %	—%	(9)%
Grooming	(2)%	(2)%	(9)%	5%	(2)%	—%	(8)%
Health Care	(2)%	(2)%	(6)%	2%	1 %	—%	(5)%
Fabric & Home Care	(1)%	1 %	(6)%	—%	— %	—%	(7)%
Baby, Feminine & Family Care	(3)%	(2)%	(6)%	—%	— %	—%	(9)%
TOTAL COMPANY	(3)%	(1)%	(6)%	1%	— %	—%	(8)%

Net Sales Change Drivers 2015 vs. 2014*

	Volume with Acquisitions & Divestitures	Volume Excluding Acquisitions & Divestitures	Foreign Exchange	Price	Mix	Other**	Net Sales Growth
Beauty	(3)%	(2)%	(5)%	2%	—%	— %	(6)%
Grooming	(3)%	(3)%	(8)%	4%	—%	— %	(7)%
Health Care	(1)%	(1)%	(5)%	2%	3%	— %	(1)%
Fabric & Home Care	1 %	1 %	(6)%	1%	—%	(1)%	(5)%
Baby, Feminine & Family Care	(1)%	(1)%	(6)%	2%	2%	— %	(3)%
TOTAL COMPANY	(1)%	(1)%	(6)%	2%	1%	(1)%	(5)%

* Net sales percentage changes are approximations based on quantitative formulas that are consistently applied.

** Other includes the sales mix impact from acquisitions and divestitures and rounding impacts necessary to reconcile volume to net sales.

BEAUTY

(\$ millions)	2016	Change vs. 2015	2015	Change vs. 2014
Volume	N/A	(5)%	N/A	(3)%
Net sales	\$11,477	(9)%	\$12,608	(6)%
Net earnings	\$1,975	(9)%	\$2,181	(5)%
% of net sales	17.2%	(10) bps	17.3%	10 bps

Fiscal year 2016 compared with fiscal year 2015

Beauty net sales decreased 9% to \$11.5 billion during the fiscal year on a 5% decrease in unit volume. Unfavorable foreign exchange reduced net sales by 6%. Price increases had a 2% positive impact on net sales. Organic sales were unchanged on organic volume that decreased 2%. Global market share of the Beauty segment decreased 1.0 points. Volume decreased low single digits in developed markets and decreased high single digits in developing markets.

- Volume in Hair Care was down mid-single digits. Developed markets declined mid-single digits due to competitive activity while developing markets declined mid-single digits driven by increased pricing, the Venezuela deconsolidation and minor brand divestitures. Global market share of the hair care category decreased more than a point.
- Volume in Skin and Personal Care decreased high single digits, while organic volume decreased low single digits, with the difference attributable to the Camay and Zest brand divestitures and the Venezuela deconsolidation. Organic volume was unchanged in developed regions as commercial innovation was offset by ongoing competitive activity. Organic volume declined mid-single digits in developing regions primarily due to increased pricing and competitive activity. Global market share of the skin and personal care category decreased nearly a point.

Net earnings decreased 9% to \$2.0 billion primarily due to the reduction in net sales, along with a 10 basis-point decrease in net earnings margin. Net earnings margin decreased due to an increase in SG&A as a percentage of net sales, largely offset by gross margin expansion. Gross margin improved due to productivity savings, increased pricing and lower commodity costs, partially offset by negative mix. SG&A as a percentage of net sales increased as lower marketing and overhead spending from the Company's focus on efficiencies was more than offset by the negative scale impacts from the reduction in sales.

Fiscal year 2015 compared with fiscal year 2014

Beauty net sales decreased 6% to \$12.6 billion in 2015 on a 3% decrease in unit volume. Organic sales were unchanged on a 2% decline in organic volume. Unfavorable foreign exchange reduced net sales by 5%. Increased pricing was a benefit of 2%. Global market share of the Beauty segment decreased 0.6 points. Volume decreased low single digits in developed markets and was down mid-single digits in developing markets.

- Volume in Hair Care decreased low single digits in both developed and developing markets following minor divestitures and competitive activity. Global market share of the hair care category was down more than half a point.
- Volume in Skin and Personal Care was down mid-single digits, driven by a high single-digits decline in developing markets, primarily due to decreases in skin care and personal cleansing due to ongoing competitive activity. Volume was unchanged in developed markets. Global market share of the skin and personal care category was down half a point.

Net earnings decreased 5% to \$2.2 billion primarily due to lower volume and the currency-driven reduction in net sales. Net earnings margin increased 10 basis points primarily due to a reduction in SG&A as a percent of sales, behind lower spending from the Company's focus on marketing efficiencies.

GROOMING

(\$ millions)	2016	Change vs. 2015	2015	Change vs. 2014
Volume	N/A	(2)%	N/A	(3)%
Net sales	\$6,815	(8)%	\$7,441	(7)%
Net earnings	\$1,548	(13)%	\$1,787	(9)%
% of net sales	22.7%	(130) bps	24.0%	(40) bps

Fiscal year 2016 compared with fiscal year 2015

Grooming net sales decreased 8% to \$6.8 billion during the fiscal year on a 2% decrease in unit volume. Unfavorable foreign exchange reduced net sales by 9%. Price increases in Shave Care contributed 5% to net sales. Unfavorable product mix decreased net sales by 2% due to a higher relative mix of disposable razors, which have lower than segment average selling prices compared to system razor cartridges. Organic sales increased 2%. Global market share of the Grooming segment decreased 1.1 points. Volume decreased low single digits in developed and developing regions.

- Shave Care volume decreased low single digits in both developed and developing regions due to competitive activity and increased pricing. Global market share of the shave care category decreased more than half a point.
- Volume in Appliances was up mid-single digits due to a mid-single-digit increase in developed regions from product innovation. Volume in developing regions increased low single digits due to growth from product innovation, partially offset by reductions due to increased pricing. Global market share of the Appliances category decreased more than half a point.

Net earnings decreased 13% to \$1.5 billion due to the reduction in net sales and a 130 basis-point decrease in net earnings margin. Net earnings margin decreased due to increased SG&A as a percentage of net sales partially offset by a lower tax rate. Gross margin was unchanged as the benefits of increased pricing and productivity efforts were largely offset by unfavorable foreign exchange impacts and negative product mix caused by an increase in the proportion of disposable razor sales compared to system razor cartridges. SG&A as a percentage of net sales increased due to increased marketing spending and the negative scale impact of lower net sales. The tax rate declined due to the geographic mix of earnings.

Fiscal year 2015 compared with fiscal year 2014

Grooming net sales decreased 7% to \$7.4 billion in 2015 on a 3% decrease in unit volume. Organic sales increased 1%. Price increases in blades and razors and appliances contributed 4% to net sales while unfavorable foreign exchange reduced net sales by 8%. Global market share of the Grooming segment decreased 0.1 points versus year ago. Volume decreased low single digits in both developed and developing regions.

- Shave Care volume decreased low single digits due to a mid-single-digit decline in developed regions from lower trade inventory levels and a low-single digit decrease in developing regions following increased pricing. Global market share of the shave care category was up slightly.
- Volume in Appliances increased mid-single digits due to mid-single-digit growth in developed markets and low single-digit growth in developing markets behind product innovation and market growth. Global market share of the Appliances category was flat.

Net earnings decreased 9% to \$1.8 billion due to the decline in net sales and a 40 basis-point decrease in net earnings margin. Net earnings margin decreased due to higher SG&A spending as a percent of sales. Decreased spending due to marketing efficiencies and overhead reductions did not keep pace with the currency-driven reduction in net sales. Gross margin was unchanged as negative geographic mix from a disproportionate decline in developed regions was offset by manufacturing cost savings.

HEALTH CARE

(\$ millions)	2016	Change vs. 2015	2015	Change vs. 2014
Volume	N/A	(2)%	N/A	(1)%
Net sales	\$7,350	(5)%	\$7,713	(1)%
Net earnings	\$1,250	7%	\$1,167	8%
% of net sales	17.0%	190 bps	15.1%	120 bps

Fiscal year 2016 compared with fiscal year 2015

Health Care net sales were down 5% to \$7.4 billion during the fiscal year on a 2% decrease in unit volume. Unfavorable foreign exchange reduced net sales by 6%. Price increases contributed 2% to net sales, mainly in developing markets. Favorable geographic mix increased net sales 1%, primarily driven by a decline in Oral Care volume in developing regions, which have lower than segment average selling prices. Organic sales increased 2%. Global market share of the Health Care segment decreased 0.7 points. Volume was up low single digits in developed regions and declined high single digits in developing regions.

- Oral Care volume declined low single digits due to a high single-digit decrease in developing regions caused by increased pricing, competitive activity and reduced customer inventory. Volume in developed regions increased low single digits driven by product innovation. Global market share of the oral care category was down less than a point.
- Volume in Personal Health Care decreased mid-single digits primarily due to a mid-single-digit decrease in developed regions driven by competitive activity and a weak cough/cold season. Volume in developing markets decreased low single digits due to increased pricing. Global market share of the personal health care category decreased half a point.

Net earnings increased 7% to \$1.3 billion as the reduction in net sales was more than offset by a 190 basis-point increase in net earnings margin. Gross margin increased primarily due to manufacturing cost savings and increased pricing. SG&A as a percentage of net sales decreased primarily due to reduced marketing spending from the focus on productivity and cost savings efforts.

Fiscal year 2015 compared with fiscal year 2014

Health Care net sales declined 1% to \$7.7 billion in 2015 on a 1% decline in unit volume. Organic sales increased 4%. Favorable geographic and product mix increased net sales 3%, primarily driven by Oral Care growth in developed markets, which has higher average sales prices. Increased pricing added 2% to net sales. Unfavorable foreign exchange reduced net sales by 5%. Global market share of the Health Care segment decreased 0.3 points. Volume increased low single digits in developed regions but decreased mid-single digits in developing regions.

- Oral Care volume decreased low single digits as a mid-single-digit decline in developing regions due to competitive activity and following increased pricing was

partially offset by a low single-digit increase in developed regions from product innovation. Global market share of the oral care category was flat.

- Volume in Personal Health Care decreased low single digits due to a low single-digit decrease in developed regions from competitive activity. Volume in developing markets was unchanged. Global market share of the personal health care category was down about a point.

Net earnings increased 8% to \$1.2 billion as the reduction in net sales was more than offset by a 120 basis-point increase in net earnings margin. Net earnings margin increased due to gross margin expansion and reduced SG&A spending as a percentage of net sales. Gross margin increased primarily due to the impact of higher pricing and manufacturing cost savings. SG&A declined as a percentage of net sales due to a focus on marketing spending efficiencies.

FABRIC & HOME CARE

(\$ millions)	2016	Change vs. 2015	2015	Change vs. 2014
Volume	N/A	(1)%	N/A	1%
Net sales	\$20,730	(7)%	\$22,274	(5)%
Net earnings	\$2,778	5%	\$2,634	(5)%
% of net sales	13.4%	160 bps	11.8%	—

Fiscal year 2016 compared with fiscal year 2015

Fabric & Home Care net sales for the fiscal year were down 7% to \$20.7 billion on unit volume that declined 1%. Unfavorable foreign exchange reduced net sales by 6%. Organic sales increased 1% on a 1% increase in organic volume, which excludes minor brand divestitures and the Venezuela deconsolidation. Global market share of the Fabric & Home Care segment decreased 0.2 points. Volume increased mid-single digits in developed regions and was down high single digits in developing regions.

- Fabric Care volume declined low single digits due to a double-digit decrease in developing regions driven by increased pricing, reduced distribution of less profitable brands, minor brand divestitures and the Venezuela deconsolidation. Organic volume in developing regions decreased high single digits. Volume in developed markets increased mid-single digits due to innovation and increased marketing. Global market share of the fabric care category was flat.
- Home Care volume increased low single digits. Developed market volume increased low single digits as benefits from product innovation more than offset impacts from competitive activity. This was partially offset by a low single-digit decrease in developing regions following increased pricing. Global market share of the home care category was down slightly.

Net earnings increased 5% to \$2.8 billion behind a 160 basis-point increase in net earnings margin, which more than offset the reduction in net sales. Net earnings margin increased due to gross margin expansion, partially offset by increased SG&A as a percentage of net sales. Increased gross margin was driven by manufacturing cost savings and lower commodity costs.

SG&A as a percentage of net sales increased due to an increase in marketing spending and the negative scale impacts from the reduction in net sales.

Fiscal year 2015 compared with fiscal year 2014

Fabric & Home Care net sales decreased 5% to \$22.3 billion in 2015 on a 1% increase in unit volume. Organic sales increased 2%. Unfavorable foreign exchange reduced net sales by 6%, while pricing added 1% to net sales, mix was neutral, and minor brand divestitures had a negative impact of about 1%. Global market share of the Fabric & Home Care segment decreased 0.1 points. Volume increased low single digits in developed regions and was unchanged in developing regions.

- Fabric Care volume increased low single digits due to low single-digit growth in developed regions behind market growth and product innovation. Volume was unchanged in developing regions. Global market share of the fabric care category was flat.
- Home Care volume was unchanged as decreases due to competitive activity, mainly in developed markets, were offset by increases from product innovation and expanded distribution. Global market share of the home care category was down nearly half a point.

Net earnings decreased 5% to \$2.6 billion due to the net sales reduction. Gross margin was unchanged as negative product mix impacts from investments to expand new innovations globally were offset by manufacturing cost savings. SG&A as a percent of net sales was unchanged as lower spending due to marketing and overhead efficiencies kept pace with reduced sales.

BABY, FEMININE & FAMILY CARE

(\$ millions)	2016	Change vs. 2015	2015	Change vs. 2014
Volume	N/A	(3)%	N/A	(1)%
Net sales	\$18,505	(9)%	\$20,247	(3)%
Net earnings	\$2,650	(10)%	\$2,938	—%
% of net sales	14.3%	(20) bps	14.5%	50 bps

Fiscal year 2016 compared with fiscal year 2015

Baby, Feminine & Family Care net sales decreased 9% to \$18.5 billion during the fiscal year on a 3% decline in unit volume. Unfavorable foreign exchange reduced net sales by 6%. Organic sales declined 1% on a 2% decline in organic volume. Global market share of the Baby, Feminine & Family Care segment decreased 1.1 points. Volume increased low single digits in developed regions and decreased double digits in developing regions.

- Volume in Baby Care was down mid-single digits due to a high single-digit decrease in developing regions caused by price increases in the previous fiscal year, the Venezuela deconsolidation and competitive activity. Organic volume in developing markets was down mid-single digits. Volume was up low single digits in developed regions as product innovation and market growth more than offset competitive activity. Global market share of the baby care

category decreased less than two points, primarily attributable to developing markets.

- Volume in Feminine Care declined low single digits due to a mid-single-digit decrease in developing regions caused by competitive activity and price increases in the previous fiscal year, partially offset by market growth. In developed regions, volume was unchanged. Global market share of the feminine care category decreased more than half a point.
- Volume in Family Care decreased low single digits due to a double-digit decline in developing regions driven by the discontinuation of non-strategic products. Volume in developed regions increased low single digits due to product innovation and increased merchandising. In the U.S., all-outlet share of the family care category decreased nearly half a point.

Net earnings decreased 10% to \$2.7 billion primarily due to the reduction in net sales. Net earnings margin decreased 20 basis points as higher gross margin was more than offset by an increase in SG&A as a percentage of net sales and a higher tax rate. Gross margin increased driven by manufacturing cost savings and lower commodity costs, partially offset by negative product mix. SG&A as a percentage of net sales increased due to the negative scale impact from the reduction in net sales. The higher tax rate versus the prior year was due to the geographic mix of earnings.

Fiscal year 2015 compared with fiscal year 2014

Baby, Feminine & Family Care net sales were down 3% to \$20.2 billion in 2015 on a 1% decline in unit volume. Organic sales were up 3%. Price increases, primarily in Baby Care, increased net sales by 2%. Favorable geographic mix from higher developed market volume in both Feminine Care and Baby Care and from product mix in Feminine Care increased net sales by 2%. Unfavorable foreign exchange reduced net sales by 6%. Global market share of the Baby, Feminine & Family Care segment decreased 0.6 points. Volume increased low single digits in developed regions and decreased high single digits in developing regions.

- Volume in Baby Care decreased low single digits due to a mid-single-digit decrease in developing regions following increased pricing, partially offset by a low single-digit increase in developed regions from product innovation. Global market share of the baby care category decreased less than a point.
- Volume in Feminine Care decreased low single digits as high single-digit decline in developing regions due to competition and increased pricing was partially offset by a mid-single-digit increase in developed regions from product innovation, including the entry into the female adult incontinence category. Global market share of the feminine care category was flat.
- Volume in Family Care was unchanged as low single-digit growth in developed regions was offset by a double-digit decline in developing regions due to discontinuation of lower priced product offerings. In the U.S., all-outlet share of the family care category decreased less than a point.

Net earnings were unchanged at \$2.9 billion as the reduction in net sales was offset by a 50 basis-point increase in net earnings margin. Net earnings margin increased due to higher gross margin, partially offset by an increase in SG&A as a percent of net sales. The increase in gross margin was driven by higher pricing and manufacturing cost savings, partially offset by foreign exchange. SG&A as a percent of net sales increased as spending reductions did not keep pace with the currency-driven decline in sales.

CORPORATE

(\$ millions)	2016	Change vs. 2015	2015	Change vs. 2014
Net sales	\$422	(9)%	\$466	(37)%
Net loss	\$(174)	N/A	\$(2,420)	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; other general corporate items; the gains and losses related to certain divested brands and categories; certain restructuring-type activities to maintain a competitive cost structure, including manufacturing and workforce optimization; certain significant asset impairment and deconsolidation charges; and certain balance sheet impacts from significant foreign exchange devaluations. Corporate also includes reconciling items to adjust the accounting policies used in the segments to U.S. GAAP. The most significant reconciling item includes income taxes to adjust from blended statutory rates that are reflected in the segments to the overall Company effective tax rate.

Fiscal year 2016 compared with fiscal year 2015

Corporate net sales decreased \$44 million during the fiscal year. Corporate net earnings from continuing operations improved by approximately \$2.2 billion during the fiscal year, primarily due to the \$2.1 billion Venezuela deconsolidation charge in the prior fiscal year and lower foreign currency transactional charges. Additional discussion of these items impacting net earnings in Corporate are included in the Results of Operations section.

Fiscal year 2015 compared with fiscal year 2014

Net sales in Corporate decreased by \$271 million in 2015 primarily due to the prior year divestiture of the MDVIP business. Corporate net expenses from continuing operations increased \$2.0 billion in 2015, primarily due to the charge related to the deconsolidation of the Venezuelan subsidiaries, increased foreign exchange transactional charges and incremental restructuring charges, which were partially offset by gains on minor brand divestitures.

Productivity and Cost Savings Plan

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.

As part of this plan, the Company expects to incur approximately \$5.5 billion in before-tax restructuring costs over a six-year period (from fiscal 2012 through fiscal 2017). Through the end of fiscal 2016, 89% of the expected costs have been incurred. Savings generated from the restructuring costs are difficult to estimate, given the nature of the activities, the timing of the execution and the degree of reinvestment. Overall, these costs and other non-manufacturing enrollment reductions are expected to deliver approximately \$3.0 billion in annual before-tax gross savings. The cumulative before-tax savings realized through 2016 were approximately \$2.4 billion.

Restructuring accruals of \$315 million as of June 30, 2016 are classified as current liabilities. During fiscal 2016, 51% of the restructuring charges incurred 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 our Consolidated Financial Statements for more details on the restructuring program and to the Operating Costs section of the MD&A for more information about the total benefit to operating margins from our total savings efforts.

CASH FLOW, FINANCIAL CONDITION AND LIQUIDITY

We believe our financial condition continues to be of high quality, as evidenced by our ability to generate substantial cash from operations and to readily access capital markets at competitive rates.

Operating cash flow provides the primary source of cash to fund operating needs and capital expenditures. Excess operating cash is used first to fund shareholder dividends. Other discretionary uses include share repurchases and acquisitions to complement our portfolio of businesses, brands and geographies. As necessary, we may supplement operating cash flow with debt to fund these activities. The overall cash position of the Company reflects our strong business results and a global cash management strategy that takes into account liquidity management, economic factors and tax considerations.

Operating Cash Flow

Fiscal year 2016 compared with fiscal year 2015

Operating cash flow was \$15.4 billion in 2016, a 6% increase from the prior year. Net earnings, adjusted for non-cash items (depreciation and amortization, share-based compensation, deferred income taxes, loss/(gain) on sale of businesses and impairment charges) generated \$13.6 billion of operating cash

flow. Working capital and other impacts generated \$1.8 billion of operating cash flow.

- Reduced accounts receivable generated \$35 million of cash due to improved collection results partially offset by sales mix. The number of days sales outstanding increased 1 day due to foreign exchange impacts.
- Lower inventory generated \$116 million of cash mainly due to supply chain optimizations and lower commodity costs. Inventory days on hand increased 4 days primarily due to foreign exchange impacts.
- Accounts payable, accrued and other liabilities increased, generating \$1.3 billion in operating cash flow, of which approximately \$0.8 billion was driven by extended payment terms with our suppliers. The balance was primarily driven by an increase in fourth quarter marketing activity versus the prior year. These items, along with the impact of foreign exchange, drove a 24 day increase in days payable outstanding. Although difficult to project due to market and other dynamics, we anticipate similar cash flow benefits from the extended payment terms with suppliers over the next fiscal year.
- Other operating assets and liabilities generated \$204 million of cash.

Fiscal year 2015 compared with fiscal year 2014

Operating cash flow was \$14.6 billion in 2015, a 5% increase from the prior year. Operating cash flows resulted primarily from net earnings, adjusted for non-cash items (depreciation and amortization, share-based compensation, deferred income taxes, impairment charges, gains on sale of businesses and the Venezuela deconsolidation charge) and a decrease in working capital, partially offset by the impact of other operating assets and liabilities.

- Reduced accounts receivable generated \$349 million of cash due to changes in customer terms and improved collection results. The number of days sales outstanding decreased 5 days due to foreign exchange impacts and improvements in collection results and customer terms.
- Lower inventory generated \$313 million of cash mainly due to supply chain optimizations and lower commodity costs. Inventory days on hand decreased 7 days due to foreign exchange impacts, supply chain optimizations and lower commodity costs.
- Accounts payable, accrued and other liabilities increased, generating \$928 million in operating cash flow primarily driven by extended payment terms.
- Other operating assets and liabilities utilized \$976 million of cash primarily due to the elimination of the deferred tax impacts associated with the Pet Care divestiture.

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 certain divestiture impacts (tax payments in the prior year for the Pet Care divestiture) and is one of the measures used to evaluate senior management and determine their at-risk compensation.

Fiscal year 2016 compared with fiscal year 2015

Adjusted free cash flow was \$12.1 billion in 2016, an increase of 4% versus the prior year. The increase was driven by the increase in operating cash flows and decrease in capital spending. Adjusted free cash flow productivity, defined as the ratio of adjusted free cash flow to net earnings excluding the impairment charges and gain on the sale of the Batteries business, was 115% in 2016.

Fiscal year 2015 compared with fiscal year 2014

Adjusted free cash flow was \$11.6 billion in 2015, an increase of 15% versus the prior year. The increase was driven by the increase in operating cash flows. Adjusted free cash flow productivity, defined as the ratio of adjusted free cash flow to net earnings excluding impairment charges on the Batteries business and the Venezuelan deconsolidation charge, was 102% in 2015.

Investing Cash Flow

Fiscal year 2016 compared with fiscal year 2015

Net investing activities consumed \$5.6 billion in cash in 2016 mainly due to capital spending, divestiture transactions and net purchases of short-term investments, partially offset by sales or maturities of short-term investments.

Fiscal year 2015 compared with fiscal year 2014

Net investing activities consumed \$2.9 billion in cash in 2015 mainly due to capital spending, net purchases of available-for-sale securities and a reduction in cash due to Venezuela deconsolidation, partially offset by asset sales.

Capital Spending. Capital expenditures, primarily to support capacity expansion, innovation and cost efficiencies, were \$3.3 billion in 2016 and \$3.7 billion in 2015. Capital spending as a percentage of net sales decreased 20 basis points to 5.1% in 2016. Capital spending as a percentage of net sales was 5.3% in 2015.

Acquisitions. Acquisition activity was not material in 2016 or 2015.

Proceeds from Divestitures and Other Asset Sales. Proceeds from asset sales in 2016 contributed \$432 million in cash, primarily from plant asset sales and other minor brand divestitures. Proceeds from asset sales contributed \$4.5 billion in cash in 2015 primarily from the sale of our Pet Care business, the sale of our Chinese battery venture, and other minor brand divestitures.

Financing Cash Flow

Dividend Payments. Our first discretionary use of cash is dividend payments. Dividends per common share increased 3% to \$2.66 per share in 2016. Total dividend payments to common and preferred shareholders were \$7.4 billion in 2016 and \$7.3 billion in 2015. In April 2016, the Board of Directors declared an increase in our quarterly dividend from \$0.6629 to \$0.6695 per share on Common Stock and Series A and B ESOP Convertible Class A Preferred Stock. This represents a 1% increase compared to the prior quarterly dividend and is the 60th consecutive year that our dividend has increased. We

have paid a dividend for 126 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 \$30.6 billion as of June 30, 2016 and \$30.3 billion as of June 30, 2015.

Treasury Purchases. Total share repurchases were \$4.0 billion in 2016 and \$4.6 billion in 2015. In addition, the cash infusion of \$1.7 billion in the Batteries divestiture was reflected as a purchase of treasury stock.

Liquidity

At June 30, 2016, our current assets exceeded current liabilities by \$3.0 billion largely due to current assets and current liabilities of the Beauty Brands business held for sale. Excluding current assets and current liabilities of the Beauty Brands business held for sale, our current liabilities exceeded current assets by \$1.8 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, 2016, \$11.0 billion of the Company's cash, cash equivalents and marketable securities is held off-shore by foreign subsidiaries. Amounts held by foreign subsidiaries are generally subject to U.S. income taxation on repatriation to the U.S. We do not expect restrictions or taxes on repatriation of cash held outside of the U.S. to have a material effect on our overall liquidity, financial condition or the results of operations for the foreseeable future. Of the June 30, 2016 balance of off-shore cash, cash equivalents and marketable securities, the majority relates to various Western European countries. As of June 30, 2016, 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, 2016, 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 2020 and November 2016, respectively. The 364-day facility 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 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, 2016.

<u>Amounts in millions</u>	<u>Total</u>	<u>Less Than 1 Year</u>	<u>1-3 Years</u>	<u>3-5 Years</u>	<u>After 5 Years</u>
RECORDED LIABILITIES					
Total debt	\$ 30,221	\$ 11,635	\$ 3,660	\$ 3,467	\$ 11,459
Capital leases	45	16	21	5	3
Uncertain tax positions ⁽¹⁾	247	247	—	—	—
OTHER					
Interest payments relating to long-term debt	6,439	684	1,249	979	3,527
Operating leases ⁽²⁾	1,563	237	464	360	502
Minimum pension funding ⁽³⁾	640	215	425	—	—
Purchase obligations ⁽⁴⁾	1,794	881	391	234	288
TOTAL CONTRACTUAL COMMITMENTS	\$ 40,949	\$ 13,915	\$ 6,210	\$ 5,045	\$ 15,779

⁽¹⁾ As of June 30, 2016, the Company's Consolidated Balance Sheet reflects a liability for uncertain tax positions of \$1.2 billion, including \$343 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, 2016, cannot be made.

⁽²⁾ Operating lease obligations are shown net of guaranteed sublease income.

⁽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 2019 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 future purchases in line with expected usage to obtain favorable pricing. 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 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.

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.

Our operating principles are 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, we may have income tax exposure related to the determination of the appropriate transfer prices

for our various cross-border transactions. We obtain advance rulings with tax authorities to support our positions, where possible, to help manage these exposures. Nonetheless, many of the underlying transactions are subject to audit, resulting in uncertainty until the ultimate audit resolution. We evaluate our tax positions and establish liabilities in accordance with the applicable accounting guidance on uncertainty in income taxes. We review these tax uncertainties in light of changing facts and circumstances, such as the progress of tax audits, and adjust them accordingly. We have a number of audits in process in various jurisdictions. Although the resolution of these tax positions is uncertain, based on currently available information, we believe that the ultimate outcomes will not have a material adverse effect on our financial position, results of operations or cash flows.

Because there are a number of estimates and assumptions inherent in calculating the various components of our tax provision, certain changes or future events such as changes in tax legislation, geographic mix of earnings, completion of tax audits or earnings repatriation plans could have an impact on those estimates and our effective tax rate. For additional details on the Company's income taxes, see Note 5 to the Consolidated Financial Statements.

Employee Benefits

We sponsor various post-employment benefits throughout the world. These include pension plans, both defined contribution plans and defined benefit plans, and other post-employment benefit (OPEB) plans, consisting primarily of health care and life insurance for retirees. For accounting purposes, the defined benefit pension and OPEB plans require assumptions to estimate the projected and accumulated benefit obligations, including the following variables: discount rate; expected salary increases; certain employee-related factors, such as turnover, retirement age and mortality; expected return on assets; and health care cost trend rates. These and other assumptions affect the annual expense and obligations recognized for the underlying plans. Our assumptions reflect our historical experiences and management's best judgment regarding future expectations. As permitted by U.S. GAAP, the net amount by which actual results differ from our assumptions is deferred. If this net deferred amount exceeds 10% of the greater of plan assets or liabilities, a portion of the deferred amount is included in expense for the following year. The cost or benefit of plan changes, such as increasing or decreasing benefits for prior employee service (prior service cost), is deferred and included in expense on a straight-line basis over the average remaining service period of the employees expected to receive benefits.

The expected return on plan assets assumption impacts our defined benefit expense, since many of our defined benefit pension plans and our primary OPEB plan are partially funded. The process for setting the expected rates of return is described in Note 8 to the Consolidated Financial Statements. For 2016, the average return on assets assumptions for pension plan assets and OPEB assets was 7.2% 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 \$100 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 and OPEB plans of 2.1% and 3.6%, respectively, represents a weighted average of local rates in countries where such plans exist. A 100 basis point change in the pension discount rate would impact annual after-tax defined benefit pension expense by approximately \$200 million. A change in the OPEB discount rate of 100 basis points would impact annual after-tax OPEB expense by approximately \$86 million. For additional details on our defined benefit pension and OPEB plans, see Note 8 to the Consolidated Financial Statements.

Goodwill and Intangible Assets

Significant judgment is required to estimate the fair value of intangible assets and in assigning their respective useful lives. Accordingly, we typically obtain the assistance of third-party valuation specialists for significant tangible and intangible assets. The fair value estimates are based on available historical information and on future expectations and assumptions deemed reasonable by management, but are inherently uncertain.

We typically use an income method to estimate the fair value of intangible 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), 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.

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 trademarks or brands, 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. Our estimates of the useful lives of determinable-lived intangible assets are primarily based on these same factors. All of our acquired technology and customer-related intangible assets are expected to have determinable useful lives.

The costs of determinable-lived intangible assets are amortized to expense over their estimated lives. The value of indefinite-lived intangible assets and residual goodwill is not amortized, but is tested at least annually for impairment. Our impairment testing for goodwill is performed separately from our impairment testing of indefinite-lived intangible assets. We test goodwill for impairment by reviewing the book value compared to the fair value at the reporting unit level. We test individual indefinite-lived intangible assets by comparing the book values of each asset to the estimated fair value. We determine the fair value of our reporting units and indefinite-lived intangible assets based on the income approach. Under the income approach, we calculate the fair value of our reporting units and indefinite-lived intangible assets based on the present value of estimated future cash flows. Considerable management judgment is necessary to evaluate the impact of operating and macroeconomic changes and to estimate future cash flows to measure fair value. 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 such assumptions and estimates are also comparable to those that would be used by other marketplace participants.

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 continuing 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. While both of these wholly-acquired reporting units have fair value cushions that currently exceed the underlying carrying values, the Shave Care cushion, as well as certain of the related indefinite-lived intangible assets, have been reduced to below 20% due in large part to significant currency devaluations in a number of countries relative to the U.S. dollar that began in recent years and continued during fiscal 2016. As a result, this unit is more susceptible to impairment risk from adverse changes in business operating plans and macroeconomic environment conditions, including any further significant devaluation of major currencies relative to the U.S. dollar. Any such adverse changes in the future could reduce the underlying cash flows used to estimate fair values and could result in a decline in fair value that could trigger future impairment charges of the business unit's goodwill and indefinite-lived intangibles.

The business unit valuations used to test goodwill and intangible assets for impairment are dependent on a number of significant estimates and assumptions, including macroeconomic conditions, overall category growth rates, competitive activities, cost containment and margin expansion and Company business plans. We believe these estimates and assumptions are reasonable. Changes to, or a failure to, achieve these business plans or a further deterioration of the macroeconomic conditions could result in a valuation that would trigger an impairment of the goodwill and intangible assets of these businesses.

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, 2016.

OTHER INFORMATION

Hedging and Derivative Financial Instruments

As a multinational company with diverse product offerings, we are exposed to market risks, such as changes in interest rates, currency exchange rates and commodity prices. We evaluate exposures on a centralized basis to take advantage of natural exposure correlation and netting. Except within financing operations, we leverage the Company's diversified portfolio of exposures as a natural hedge and prioritize operational hedging activities over financial market instruments. To the extent we choose to further manage volatility associated with the net exposures, we enter into various financial transactions which we account for using the applicable accounting guidance for derivative instruments and hedging activities. These financial transactions are governed by our policies covering acceptable counterparty exposure, instrument types and other hedging practices. See Note 9 to the Consolidated Financial Statements for a discussion of our accounting policies for derivative instruments.

Derivative positions are monitored using techniques including market valuation, sensitivity analysis and value-at-risk modeling. The tests for interest rate, currency rate and commodity derivative positions discussed below are based on the CorporateManager™ 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, 2016. 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, 2016, 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 with maturities of less than 18 months. In addition, we enter into certain currency swaps with maturities of up to five years to hedge our exposure to exchange rate movements on intercompany financing transactions.

Based on our currency rate exposure on derivative and other instruments as of and during the year ended June 30, 2016, 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, 2016 and June 30, 2015, we did not have any commodity hedging activity.

Measures Not Defined By U.S. GAAP

Our discussion of financial results includes several "non-GAAP" financial 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 Venezuela deconsolidation, acquisitions, divestitures and

foreign exchange from year-over-year comparisons. We believe this measure provides investors with a supplemental understanding of underlying sales trends by providing sales growth on a consistent basis, and this measure is used in assessing achievement of management goals for at-risk compensation.

The following tables provide a numerical reconciliation of organic sales growth to reported net sales growth:

Year ended June 30, 2016	Net Sales Growth	Foreign Exchange Impact	Acquisition/Divestiture Impact*	Organic Sales Growth
Beauty	(9)%	6%	3%	— %
Grooming	(8)%	9%	1%	2 %
Health Care	(5)%	6%	1%	2 %
Fabric & Home Care	(7)%	6%	2%	1 %
Baby, Feminine & Family Care	(9)%	6%	2%	(1)%
TOTAL COMPANY	(8)%	6%	3%	1 %

Year ended June 30, 2015	Net Sales Growth	Foreign Exchange Impact	Acquisition/Divestiture Impact*	Organic Sales Growth
Beauty	(6)%	5%	1%	— %
Grooming	(7)%	8%	—%	1 %
Health Care	(1)%	5%	—%	4 %
Fabric & Home Care	(5)%	6%	1%	2 %
Baby, Feminine & Family Care	(3)%	6%	—%	3 %
TOTAL COMPANY	(5)%	6%	1%	2 %

* Acquisition/Divestiture Impact also includes the impact of the Venezuela deconsolidation and the rounding impacts necessary to reconcile net sales to organic sales.

Core EPS. Core EPS is a measure of the Company's diluted net earnings per share from continuing operations adjusted as indicated. Management views these non-GAAP measures as a useful supplemental measure of Company performance over time. The table below provides a reconciliation of revised diluted net earnings per share to Core EPS, including the following reconciling items:

- Incremental restructuring:** While the Company has and continues to have an ongoing level of restructuring activities, beginning in 2012 we began a \$10 billion strategic productivity and cost savings initiative that includes incremental restructuring activities. This results in incremental restructuring charges to accelerate productivity efforts and cost savings. The charges include only the incremental portion of the restructuring costs.
- Venezuela deconsolidation charge:** For accounting purposes, evolving conditions resulted in a lack of control over our Venezuelan subsidiaries. Therefore, in

accordance with the applicable accounting standards for consolidation, effective June 30, 2015, we deconsolidated our Venezuelan subsidiaries and began accounting for our investment in those subsidiaries using the cost method of accounting. The charge was incurred to write off our net assets related to Venezuela.

- Charges for certain European legal matters: Several countries in Europe issued separate complaints alleging that the Company, along with several other companies, engaged in violations of competition laws in prior periods. The Company established Legal Reserves related to these charges. Management does not view these charges as indicative of underlying business results.
- Venezuela Balance Sheet Remeasurement & Devaluation Impacts: Venezuela is a highly inflationary economy under U.S. GAAP. Prior to deconsolidation, the government enacted episodic changes to currency exchange mechanisms and rates, which resulted in currency remeasurement charges for non-dollar denominated monetary assets and liabilities held by our Venezuelan subsidiaries.

We do not view the above items to be part of our sustainable results, and their exclusion from core earnings measures provides a more comparable measure of year-on-year results.

Years ended June 30	2016	2015	2014
Diluted net earnings per share - continuing operations	\$3.49	\$2.84	\$3.63
Incremental restructuring charges	0.18	0.17	0.11
Venezuela balance sheet devaluation impacts	—	0.04	0.09
Charges for European legal matters	—	0.01	0.02
Venezuelan deconsolidation	—	0.71	—
Rounding	—	(0.01)	—
CORE EPS	\$3.67	\$3.76	\$3.85
Core EPS Growth	(2)%	(2)%	5%

* All reconciling items are presented net of tax. Tax effects are calculated consistent with the nature of the underlying transaction.

Adjusted Free Cash Flow. Adjusted free cash flow is defined as operating cash flow less capital spending excluding tax payments related to the divestiture of the discontinued Pet business. Adjusted free cash flow represents the cash that the Company is able to generate after taking into account planned maintenance and asset expansion. We view adjusted free cash flow as an important measure because it is one factor used in determining the amount of cash available for dividends, share repurchases, acquisitions and other discretionary investment.

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

	Operating Cash Flow	Capital Spending	Free Cash Flow	Divestiture impacts*	Adjusted Free Cash Flow
2016	\$ 15,435	\$ (3,314)	\$ 12,121	\$ —	\$ 12,121
2015	14,608	(3,736)	10,872	729	11,601
2014	13,958	(3,848)	10,110	—	10,110

* Divestiture impacts relate to tax payments for the Pet Care divestiture in fiscal 2015.

Adjusted Free Cash Flow Productivity. Adjusted free cash flow productivity is defined as the ratio of adjusted free cash flow to net earnings excluding Batteries impairments, the gain on the sale of the Batteries business and Venezuela charges. 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. 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	Gain on Batteries Sale / Impairment & Deconsolidation Charges	Net Earnings Excluding Batteries Gain/Impairment & Deconsolidation Charges	Adjusted Free Cash Flow	Adjusted Free Cash Flow Productivity
2016	\$ 10,604	\$ (72)	\$ 10,532	\$ 12,121	115%
2015	7,144	4,187	11,331	11,601	102%
2014	11,785	—	11,785	10,100	86%

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, 2016, 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, 2016, 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, 2016, 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

Chief Financial Officer

August 9, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of The Procter & Gamble Company

Cincinnati, Ohio

We have audited the accompanying Consolidated Balance Sheets of The Procter & Gamble Company and subsidiaries (the "Company") as of June 30, 2016 and 2015, and 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, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such Consolidated Financial Statements present fairly, in all material respects, the financial position of The Procter & Gamble Company and subsidiaries at June 30, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2016, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 and Note 13 to the Consolidated Financial Statements, on July 1, 2015, the Company adopted the new accounting guidance in ASU 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of June 30, 2016, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 9, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio

August 9, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of The Procter & Gamble Company
Cincinnati, Ohio

We have audited the internal control over financial reporting of The Procter & Gamble Company and subsidiaries (the "Company") as of June 30, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2016, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Financial Statements as of and for the year ended June 30, 2016 of the Company and our report dated August 9, 2016 expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company's adoption on July 1, 2015 of the new accounting guidance in ASU 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio

August 9, 2016

Consolidated Statements of Earnings

Amounts in millions except per share amounts; Years ended June 30	2016	2015	2014
NET SALES	\$ 65,299	\$ 70,749	\$ 74,401
Cost of products sold	32,909	37,056	39,030
Selling, general and administrative expense	18,949	20,616	21,461
Venezuela deconsolidation charge	—	2,028	—
OPERATING INCOME	13,441	11,049	13,910
Interest expense	579	626	709
Interest income	182	149	99
Other non-operating income, net	325	440	209
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	13,369	11,012	13,509
Income taxes on continuing operations	3,342	2,725	2,851
NET EARNINGS FROM CONTINUING OPERATIONS	10,027	8,287	10,658
NET EARNINGS/(LOSS) FROM DISCONTINUED OPERATIONS	577	(1,143)	1,127
NET EARNINGS	10,604	7,144	11,785
Less: Net earnings attributable to noncontrolling interests	96	108	142
NET EARNINGS ATTRIBUTABLE TO PROCTER & GAMBLE	\$ 10,508	\$ 7,036	\$ 11,643
BASIC NET EARNINGS PER COMMON SHARE: ⁽¹⁾			
Earnings from continuing operations	\$ 3.59	\$ 2.92	\$ 3.78
Earnings/(loss) from discontinued operations	0.21	(0.42)	0.41
BASIC NET EARNINGS PER COMMON SHARE	\$ 3.80	\$ 2.50	\$ 4.19
DILUTED NET EARNINGS PER COMMON SHARE: ⁽¹⁾			
Earnings from continuing operations	\$ 3.49	\$ 2.84	\$ 3.63
Earnings/(loss) from discontinued operations	0.20	(0.40)	0.38
DILUTED NET EARNINGS PER COMMON SHARE	\$ 3.69	\$ 2.44	\$ 4.01
DIVIDENDS PER COMMON SHARE	\$ 2.66	\$ 2.59	\$ 2.45

⁽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

<u>Amounts in millions; Years ended June 30</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
NET EARNINGS	\$ 10,604	\$ 7,144	\$ 11,785
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX			
Financial statement translation	(1,679)	(7,220)	1,044
Unrealized gains/(losses) on hedges (net of \$5, \$739 and \$(209) tax, respectively)	1	1,234	(347)
Unrealized gains/(losses) on investment securities (net of \$7, \$0 and \$(4) tax, respectively)	28	24	9
Unrealized gains/(losses) on defined benefit retirement plans (net of \$(621), \$328 and \$(356) tax, respectively)	(1,477)	844	(869)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX	(3,127)	(5,118)	(163)
TOTAL COMPREHENSIVE INCOME	7,477	2,026	11,622
Less: Total comprehensive income attributable to noncontrolling interests	96	108	150
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PROCTER & GAMBLE	\$ 7,381	\$ 1,918	\$ 11,472

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

Amounts in millions; Years ended June 30	2016	2015
Assets		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,102	\$ 6,836
Available-for-sale investment securities	6,246	4,767
Accounts receivable	4,373	4,568
INVENTORIES		
Materials and supplies	1,188	1,266
Work in process	563	525
Finished goods	2,965	3,188
Total inventories	4,716	4,979
Deferred income taxes	1,507	1,356
Prepaid expenses and other current assets	2,653	2,708
Current assets held for sale	7,185	4,432
TOTAL CURRENT ASSETS	33,782	29,646
PROPERTY, PLANT AND EQUIPMENT, NET	19,385	19,655
GOODWILL	44,350	44,622
TRADEMARKS AND OTHER INTANGIBLE ASSETS, NET	24,527	25,010
NONCURRENT ASSETS HELD FOR SALE	—	5,204
OTHER NONCURRENT ASSETS	5,092	5,358
TOTAL ASSETS	\$ 127,136	\$ 129,495
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES		
Accounts payable	\$ 9,325	\$ 8,138
Accrued and other liabilities	7,449	8,091
Current liabilities held for sale	2,343	1,543
Debt due within one year	11,653	12,018
TOTAL CURRENT LIABILITIES	30,770	29,790
LONG-TERM DEBT	18,945	18,327
DEFERRED INCOME TAXES	9,113	9,179
NONCURRENT LIABILITIES HELD FOR SALE	—	717
OTHER NONCURRENT LIABILITIES	10,325	8,432
TOTAL LIABILITIES	69,153	66,445
SHAREHOLDERS' EQUITY		
Convertible Class A preferred stock, stated value \$1 per share (600 shares authorized)	1,038	1,077
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: 2016 - 4,009.2, 2015 - 4,009.2)	4,009	4,009
Additional paid-in capital	63,714	63,852
Reserve for ESOP debt retirement	(1,290)	(1,320)
Accumulated other comprehensive income/(loss)	(15,907)	(12,780)
Treasury stock, at cost (shares held: 2016 - 1,341.2, 2015 - 1,294.7)	(82,176)	(77,226)
Retained earnings	87,953	84,807
Noncontrolling interest	642	631
TOTAL SHAREHOLDERS' EQUITY	57,983	63,050
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 127,136	\$ 129,495

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

Dollars in millions; Shares in thousands	Common Shares Outstanding	Common Stock	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
BALANCE JUNE 30, 2013	2,742,327	\$4,009	\$1,137	\$63,538	(\$1,352)	(\$7,499)	(\$71,966)	\$80,197	\$645	\$68,709
Net earnings								11,643	142	11,785
Other comprehensive income						(163)				(163)
Dividends to shareholders:										
Common								(6,658)		(6,658)
Preferred, net of tax benefits								(253)		(253)
Treasury purchases	(74,987)						(6,005)			(6,005)
Employee plan issuances	40,288			364			2,144			2,508
Preferred stock conversions	3,178		(26)	4			22			—
ESOP debt impacts					12			61		73
Noncontrolling interest, net				5					(25)	(20)
BALANCE JUNE 30, 2014	2,710,806	\$4,009	\$1,111	\$63,911	(\$1,340)	(\$7,662)	(\$75,805)	\$84,990	\$762	\$69,976
Net earnings								7,036	108	7,144
Other comprehensive loss						(5,118)				(5,118)
Dividends to shareholders:										
Common								(7,028)		(7,028)
Preferred, net of tax benefits								(259)		(259)
Treasury purchases	(54,670)						(4,604)			(4,604)
Employee plan issuances	54,100			156			3,153			3,309
Preferred stock conversions	4,335		(34)	4			30			—
ESOP debt impacts					20			68		88
Noncontrolling interest, net				(219)					(239)	(458)
BALANCE JUNE 30, 2015	2,714,571	\$4,009	\$1,077	\$63,852	(\$1,320)	(\$12,780)	(\$77,226)	\$84,807	\$631	\$63,050
Net earnings								10,508	96	10,604
Other comprehensive loss						(3,127)				(3,127)
Dividends to shareholders:										
Common								(7,181)		(7,181)
Preferred, net of tax benefits								(255)		(255)
Treasury purchases ⁽¹⁾	(103,449)						(8,217)			(8,217)
Employee plan issuances	52,089			(144)			3,234			3,090
Preferred stock conversions	4,863		(39)	6			33			—
ESOP debt impacts					30			74		104
Noncontrolling interest, net									(85)	(85)
BALANCE JUNE 30, 2016	2,668,074	\$4,009	\$1,038	\$63,714	(\$1,290)	(\$15,907)	(\$82,176)	\$87,953	\$642	\$57,983

⁽¹⁾ Includes \$4,213 of treasury shares acquired in the divestiture of the Batteries business (see Note 13).

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Amounts in millions; Years ended June 30	2016	2015	2014
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$ 6,836	\$ 8,548	\$ 5,930
OPERATING ACTIVITIES			
Net earnings	10,604	7,144	11,785
Depreciation and amortization	3,078	3,134	3,141
Share-based compensation expense	335	337	360
Deferred income taxes	(815)	(803)	(44)
Gain on sale of businesses	(41)	(766)	(154)
Venezuela deconsolidation charge	—	2,028	—
Goodwill and intangible asset impairment charges	450	2,174	—
Change in accounts receivable	35	349	87
Change in inventories	116	313	8
Change in accounts payable, accrued and other liabilities	1,285	928	1
Change in other operating assets and liabilities	204	(976)	(1,557)
Other	184	746	331
TOTAL OPERATING ACTIVITIES	15,435	14,608	13,958
INVESTING ACTIVITIES			
Capital expenditures	(3,314)	(3,736)	(3,848)
Proceeds from asset sales	432	4,498	577
Cash related to deconsolidated Venezuela operations	—	(908)	—
Acquisitions, net of cash acquired	(186)	(137)	(24)
Purchases of short-term investments	(2,815)	(3,647)	(568)
Proceeds from sales of short-term investments	1,354	1,203	24
Cash transferred in Batteries divestiture	(143)	—	—
Restricted cash related to Beauty Brands divestiture	(996)	—	—
Change in other investments	93	(163)	(261)
TOTAL INVESTING ACTIVITIES	(5,575)	(2,890)	(4,100)
FINANCING ACTIVITIES			
Dividends to shareholders	(7,436)	(7,287)	(6,911)
Change in short-term debt	(418)	(2,580)	3,304
Additions to long-term debt	3,916	2,138	4,334
Reductions of long-term debt	(2,213)	(3,512)	(4,095)
Treasury stock purchases	(4,004)	(4,604)	(6,005)
Treasury stock from cash infused in Batteries divestiture	(1,730)	—	—
Impact of stock options and other	2,672	2,826	2,094
TOTAL FINANCING ACTIVITIES	(9,213)	(13,019)	(7,279)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(381)	(411)	39
CHANGE IN CASH AND CASH EQUIVALENTS	266	(1,712)	2,618
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 7,102	\$ 6,836	\$ 8,548
SUPPLEMENTAL DISCLOSURE			
Cash payments for:			
Interest	\$ 569	\$ 678	\$ 686
Income taxes	3,730	4,558	3,320
Divestiture of Batteries business in exchange for shares of P&G stock ⁽¹⁾	4,213	—	—

Assets acquired through non-cash capital leases are immaterial for all periods.

⁽¹⁾ Includes \$1,730 from cash infused into the Batteries business pursuant to the divestiture agreement (see Note 13).

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, grocery stores, membership club stores, drug stores, department stores, distributors, baby stores, specialty beauty stores, e-commerce, 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. Prior year amounts have been reclassified to conform with current year presentation for amounts related to segment reporting (see Note 2) and discontinued operations (see Note 13).

There are a number of currency and other operating controls and restrictions in Venezuela, which have evolved over time and may continue to evolve in the future. These evolving conditions resulted in an other-than-temporary lack of exchangeability between the Venezuelan bolivar and U.S. dollar and restricted our Venezuelan operations' ability to pay dividends and satisfy certain other obligations denominated in U.S. dollars. For accounting purposes, this resulted in a lack of control over our Venezuelan subsidiaries. Therefore, in accordance with the applicable accounting standards for consolidation, effective June 30, 2015, we deconsolidated our Venezuelan subsidiaries and began accounting for our investment in those subsidiaries using the cost method of accounting. This resulted in a write-off of all of the net assets of our Venezuelan subsidiaries, along with Venezuela related assets held by other subsidiaries. Beginning with the first quarter of fiscal 2016, our financial results only include sales of finished goods to our Venezuelan subsidiaries to the extent we receive payments from Venezuela. Accordingly, we no longer include the results of our Venezuelan subsidiaries' operations in our financial results.

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, uncertain income tax positions and contingencies. Actual results may ultimately differ from estimates, although management does not generally believe such differences would materially affect the financial statements in any individual year. However, in regard to ongoing impairment testing of goodwill and indefinite-lived intangible assets, significant deterioration in future cash flow projections or other assumptions used in estimating fair values versus those anticipated at the time of the initial valuations, could result in impairment charges that materially affect the financial statements in a given year.

Revenue Recognition

Sales are recognized when revenue is realized or realizable and has been earned. Revenue transactions represent sales of inventory. The revenue recorded is presented net of sales and other taxes we collect on behalf of governmental authorities. The revenue includes shipping and handling costs, which generally are included in the list price to the customer. Our policy is to recognize revenue when title to the product, ownership and risk of loss transfer to the customer, which can be on the date of shipment or the date of receipt by the customer. A provision for payment discounts and product return allowances is recorded as a reduction of sales in the same period the revenue is recognized.

Trade promotions, consisting primarily of customer pricing allowances, merchandising funds and consumer coupons, are offered through various programs to customers and consumers. Sales are recorded net of trade promotion spending, which is recognized as incurred, generally at the time of the sale. Most of these arrangements have terms of approximately one year. Accruals for expected payouts under these programs are included as accrued marketing and promotion in the Accrued and other liabilities line item in the Consolidated Balance Sheets.

Cost of Products Sold

Cost of products sold is primarily comprised of direct materials and supplies consumed in the manufacturing of product, as well as manufacturing labor, depreciation expense and direct overhead expense necessary to acquire and convert the purchased materials and supplies into finished product. Cost of products sold also includes the cost to distribute products to customers, inbound freight costs, internal transfer costs, warehousing costs and other shipping and handling activity.

Selling, General and Administrative Expense

Selling, general and administrative expense (SG&A) is primarily comprised of marketing expenses, selling expenses, research and development costs, administrative and other indirect overhead costs, depreciation and amortization expense on non-manufacturing assets and other miscellaneous operating items. Research and development costs are charged to expense as incurred and were \$1.9 billion in 2016, \$2.0 billion in 2015 and \$1.9 billion in 2014 (reported in Net earnings from continuing operations). Advertising costs, charged to expense as incurred, include worldwide television,

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

print, radio, internet and in-store advertising expenses and were \$7.2 billion in 2016, \$7.2 billion in 2015 and \$7.9 billion in 2014 (reported in Net earnings from continuing operations). Non-advertising related components of the Company's total marketing spending include costs associated with consumer promotions, product sampling and sales aids, which are included in SG&A, as well as coupons and customer trade funds, which are recorded as reductions to Net sales.

Other Non-Operating Income, Net

Other non-operating income, net, primarily includes net acquisition and divestiture gains and investment income.

Currency Translation

Financial statements of operating subsidiaries outside the U.S. generally are measured using the local currency as the functional currency. Adjustments to translate those statements into U.S. dollars are recorded in Other comprehensive income (OCI). For subsidiaries operating in highly inflationary economies, the U.S. dollar is the functional currency. Re-measurement adjustments for financial statements in highly inflationary economies and other transactional exchange gains and losses are reflected in earnings.

Cash Flow Presentation

The Consolidated Statements of Cash Flows are prepared using the indirect method, which reconciles net earnings to cash flow from operating activities. Cash flows from foreign currency transactions and operations are translated at an average exchange rate for the period. Cash flows from hedging activities are included in the same category as the items being hedged. Cash flows from derivative instruments designated as net investment hedges are classified as financing activities. Realized gains and losses from non-qualifying derivative instruments used to hedge currency exposures resulting from intercompany financing transactions are also classified as financing activities. Cash flows from other derivative instruments used to manage interest, commodity or other currency exposures are classified as operating activities. Cash payments related to income taxes are classified as operating activities. Cash flows from the Company's discontinued operations are included in the Consolidated Statements of Cash Flows.

Investments

Investment securities consist of readily marketable debt and equity securities. Unrealized gains or losses from investments classified as trading, if any, are charged to earnings. Unrealized gains or losses on securities classified as available-for-sale are generally recorded in OCI. If an available-for-sale security is other than temporarily impaired, the loss is charged to either earnings or OCI depending on our intent and ability to retain the security until we recover the full cost basis and the extent of the loss attributable to the creditworthiness of the issuer. Investment securities are included as Available-for-sale investment securities and Other noncurrent assets in the Consolidated Balance Sheets.

Investments in certain companies over which we exert significant influence, but do not control the financial and operating decisions, are accounted for as equity method

investments. Other investments that are not controlled, and over which we do not have the ability to exercise significant influence, are accounted for under the cost method. Both equity and cost method investments are included as Other noncurrent assets in the Consolidated Balance Sheets.

Inventory Valuation

Inventories are valued at the lower of cost or market value. Product-related inventories are maintained on the first-in, first-out method. The cost of spare part inventories is maintained using the average-cost method.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost reduced by accumulated depreciation. Depreciation expense is recognized over the assets' estimated useful lives using the straight-line method. Machinery and equipment includes office furniture and fixtures (15-year life), computer equipment and capitalized software (3- to 5-year lives) and manufacturing equipment (3- to 20-year lives). Buildings are depreciated over an estimated useful life of 40 years. Estimated useful lives are periodically reviewed and, when appropriate, changes are made prospectively. When certain events or changes in operating conditions occur, asset lives may be adjusted and an impairment assessment may be performed on the recoverability of the carrying amounts.

Goodwill and Other Intangible Assets

Goodwill and indefinite-lived intangible assets are not amortized, but are evaluated for impairment annually or more often if indicators of a potential impairment are present. Our annual impairment testing of goodwill is performed separately from our impairment testing of indefinite-lived intangible assets.

We have acquired brands that have been determined to have indefinite lives. Those assets are evaluated annually for impairment. We evaluate a number of factors to determine whether an indefinite life is appropriate, including the competitive environment, market share, brand history, product life cycles, operating plans and the macroeconomic environment of the countries in which the brands are sold. In addition, when certain events or changes in operating conditions occur, an additional impairment assessment is performed and indefinite-lived assets may be adjusted to a determinable life.

The cost of intangible assets with determinable useful lives is amortized to reflect the pattern of economic benefits consumed, either on a straight-line or accelerated basis over the estimated periods benefited. Patents, technology and other intangible assets with contractual terms are generally amortized over their respective legal or contractual lives. Customer relationships, brands and other non-contractual intangible assets with determinable lives are amortized over periods generally ranging from 5 to 30 years. When certain events or changes in operating conditions occur, an impairment assessment is performed and remaining lives of intangible assets with determinable lives may be adjusted.

For additional details on goodwill and intangible assets see Note 4.

Fair Values of Financial Instruments

Certain financial instruments are required to be recorded at fair value. Changes in assumptions or estimation methods could affect the fair value estimates; however, we do not believe any such changes would have a material impact on our financial condition, results of operations or cash flows. Other financial instruments, including cash equivalents, certain investments and short-term debt, are recorded at cost, which approximates fair value. The fair values of long-term debt and financial instruments are disclosed in Note 9.

New Accounting Pronouncements and Policies

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)". This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. We will adopt the standard no later than July 1, 2018. While we are currently assessing the impact of the new standard, we do not expect this new guidance to have a material impact on our Consolidated Financial Statements.

On July 1, 2015, the Company adopted ASU 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity". The guidance included new reporting and disclosure requirements for discontinued operations. For additional details on discontinued operations, see Note 13.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)". The standard requires lessees to recognize lease assets and lease liabilities on the balance sheet and requires expanded disclosures about leasing arrangements. We will adopt the standard no later than July 1, 2019. We are currently assessing the impact that the new standard will have on our Consolidated Financial Statements. For additional details on our operating leases, see Note 12.

In March 2016, the FASB issued ASU 2016-09, "Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting". The standard amends several aspects of the accounting for employee share-based payment transactions including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. We will adopt the standard no later than July 1, 2017. While we are currently assessing the impact of the new standard, we do not expect the new guidance to have a material impact on our Consolidated Financial Statements.

No other new accounting pronouncement issued or effective during the fiscal year had or is expected to have a material impact on our Consolidated Financial Statements.

NOTE 2

SEGMENT INFORMATION

On July 9, 2015, the Company announced the signing of a definitive agreement to divest four product categories, initially comprised of 43 of its beauty brands ("Beauty Brands"), which will be merged with Coty Inc. ("Coty"). The transaction

includes the global salon professional hair care and color, retail hair color, cosmetics and fine fragrance businesses, along with select hair styling brands and is expected to close in October 2016. In February 2016, the Company completed the divestiture of its Batteries business to Berkshire Hathaway. The Company completed the divestiture of its Pet Care business in the previous fiscal year. Each of these businesses are reported as discontinued operations for all periods presented (see Note 13).

Under U.S. GAAP, our remaining Global Business Units (GBUs) are aggregated into five reportable segments: 1) Beauty, 2) Grooming, 3) Health Care, 4) Fabric & Home Care and 5) Baby, Feminine & Family Care. Our five reportable segments are comprised of:

- *Beauty*: Hair Care (Conditioner, Shampoo, Styling Aids, Treatments); Skin and Personal Care (Antiperspirant and Deodorant, Personal Cleansing, Skin Care);
- *Grooming*: Shave Care (Female Blades & Razors, Male Blades & Razors, Pre- and Post-Shave Products, Other Shave Care); Appliances;
- *Health Care*: Oral Care (Toothbrushes, Toothpaste, Other Oral Care); Personal Health Care (Gastrointestinal, Rapid Diagnostics, Respiratory, Vitamins/Minerals/Supplements, Other Personal Health Care);
- *Fabric & Home Care*: Fabric Care (Fabric Enhancers, Laundry Additives, Laundry Detergents); Home Care (Air Care, Dish Care, P&G Professional, Surface Care); and
- *Baby, Feminine & Family Care*: Baby Care (Baby Wipes, Diapers and Pants); Feminine Care (Adult Incontinence, Feminine Care); Family Care (Paper Towels, Tissues, Toilet Paper).

The accounting policies of the segments are generally the same as those described in Note 1. Differences between these policies and U.S. GAAP primarily reflect income taxes, which are reflected in the segments using applicable blended statutory rates. Adjustments to arrive at our effective tax rate are included in Corporate.

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 and other general Corporate items. The non-operating elements in Corporate primarily include interest expense, certain acquisition and divestiture gains and interest and investing income.

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.

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

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*			
Years ended June 30	2016	2015	2014
Fabric Care	22%	22%	22%
Baby Care	14%	15%	15%
Hair Care	10%	11%	11%
Home Care	10%	9%	9%
Shave Care	9%	9%	10%
Family Care	8%	8%	7%
Oral Care	8%	8%	7%
Skin and Personal Care	8%	7%	7%
Feminine Care	6%	6%	6%
All Other	5%	5%	6%
TOTAL	100%	100%	100%

* % of sales by business unit excludes sales held in Corporate.

The Company had net sales in the U.S. of \$27.0 billion, \$26.8 billion and \$26.7 billion for the years ended June 30, 2016, 2015 and 2014, respectively. Long-lived assets in the U.S. totaled \$8.5 billion and \$8.3 billion as of June 30, 2016 and 2015, respectively. Long-lived assets consists of property, plant and equipment. No other country's net sales or long-lived assets exceed 10% of the Company totals.

Our largest customer, Wal-Mart Stores, Inc. and its affiliates, accounted for approximately 15% of consolidated net sales in 2016, 2015 and 2014. 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 ⁽¹⁾	2016	\$ 11,477	\$ 2,636	\$ 1,975	\$ 218	\$ 3,888	\$ 435
	2015	12,608	2,895	2,181	247	4,004	411
	2014	13,401	3,020	2,300	256	4,564	376
GROOMING	2016	6,815	2,009	1,548	451	22,819	383
	2015	7,441	2,374	1,787	540	23,090	372
	2014	8,009	2,589	1,954	576	23,767	369
HEALTH CARE	2016	7,350	1,812	1,250	204	5,139	240
	2015	7,713	1,700	1,167	202	5,212	218
	2014	7,798	1,597	1,083	199	5,879	253
FABRIC & HOME CARE	2016	20,730	4,249	2,778	531	6,919	672
	2015	22,274	4,059	2,634	547	7,155	986
	2014	23,506	4,264	2,770	539	7,938	1,057
BABY, FEMININE & FAMILY CARE	2016	18,505	4,042	2,650	886	9,863	1,261
	2015	20,247	4,317	2,938	924	10,109	1,337
	2014	20,950	4,310	2,940	908	10,946	1,317
CORPORATE ^{(1) (2)}	2016	422	(1,379)	(174)	788	78,508	323
	2015	466	(4,333)	(2,420)	674	79,925	412
	2014	737	(2,271)	(389)	663	91,172	476
TOTAL COMPANY	2016	\$ 65,299	\$ 13,369	\$ 10,027	\$ 3,078	\$ 127,136	\$ 3,314
	2015	70,749	11,012	8,287	3,134	129,495	3,736
	2014	74,401	13,509	10,658	3,141	144,266	3,848

⁽¹⁾ Prior year adjustments were made to total assets for the Beauty and Corporate reportable segments related to certain Beauty Brands trademarks included in the scope of the Beauty Brands transaction.

⁽²⁾ The Corporate reportable segment includes depreciation and amortization, total assets and capital expenditures of the Pet Care and Batteries businesses prior to their divestiture and of the Beauty Brands businesses.

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

NOTE 3**SUPPLEMENTAL FINANCIAL INFORMATION**

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

<u>Years ended June 30</u>	<u>2016</u>	<u>2015</u>
PROPERTY, PLANT AND EQUIPMENT		
Buildings	\$ 6,885	\$ 6,949
Machinery and equipment	29,506	29,420
Land	769	763
Construction in progress	2,706	2,931
TOTAL PROPERTY, PLANT AND EQUIPMENT	39,866	40,063
Accumulated depreciation	(20,481)	(20,408)
PROPERTY, PLANT AND EQUIPMENT, NET	\$ 19,385	\$ 19,655

Selected components of current and noncurrent liabilities were as follows:

<u>Years ended June 30</u>	<u>2016</u>	<u>2015</u>
ACCRUED AND OTHER LIABILITIES - CURRENT		
Marketing and promotion	\$ 2,820	\$ 2,798
Compensation expenses	1,457	1,390
Restructuring reserves	315	389
Taxes payable	397	845
Legal and environmental	158	205
Other	2,302	2,464
TOTAL	\$ 7,449	\$ 8,091
OTHER NONCURRENT LIABILITIES		
Pension benefits	\$ 6,761	\$ 5,247
Other postretirement benefits	1,808	1,414
Uncertain tax positions	952	1,016
Other	804	755
TOTAL	\$ 10,325	\$ 8,432

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 as part of a productivity and cost savings plan to reduce costs in the areas of supply chain, research and development, marketing and overheads. 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.

The Company expects to incur approximately \$5.5 billion in before-tax restructuring costs over a six year period (from fiscal

2012 through fiscal 2017), including costs incurred as part of the ongoing and incremental restructuring program. The program includes a non-manufacturing overhead enrollment reduction target of approximately 25% - 30% by the end of fiscal 2017.

Through fiscal 2016, the Company reduced non-manufacturing enrollment by approximately 14,200, or approximately 24%. The reductions are enabled by the elimination of duplicate work, simplification through the use of technology and optimization of various functional and business organizations. In addition, the plan includes integration of newly acquired companies and the 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 approximately \$977 and \$1,068 for the years ended June 30, 2016 and 2015, respectively. Approximately \$202 and \$338 of these charges were recorded in SG&A for the years ended June 30, 2016 and 2015, respectively and approximately \$718 and \$614 of these charges were recorded in Cost of products sold for the years ended June 30, 2016 and 2015, respectively. The remainder of the charges were included in Net earnings from discontinued operations. Since the inception of this restructuring program, the Company has incurred approximately \$4.9 billion of the total expected restructuring costs. Approximately \$2.3 billion of these charges were related to separations, \$1.4 billion were asset-related and \$1.2 billion were related to other restructuring-type costs. The following table presents restructuring activity for the years ended June 30, 2016 and 2015:

<u>Amounts in millions</u>	<u>Separations</u>	<u>Asset-Related Costs</u>	<u>Other</u>	<u>Total</u>
RESERVE JUNE 30, 2014	\$ 353	\$ —	\$ 28	\$ 381
Charges	516	289	263	1,068
Cash spent	(507)	—	(264)	(771)
Charges against assets	—	(289)	—	(289)
RESERVE JUNE 30, 2015	362	—	27	389
Charges	262	432	283	977
Cash spent	(381)	—	(238)	(619)
Charges against assets	—	(432)	—	(432)
RESERVE JUNE 30, 2016	\$ 243	\$ —	\$ 72	\$ 315

Separation Costs

Employee separation charges for the years ended June 30, 2016 and 2015, related to severance packages for approximately 2,770 and 4,820 employees, respectively. For the years ended June 30, 2016 and 2015, these severance packages included approximately 920 and 2,340 non-manufacturing employees, respectively. The packages were predominantly voluntary and the amounts were calculated based on salary levels and past

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

service periods. Severance costs related to voluntary separations are generally charged to earnings when the employee accepts the offer. Since its inception, the restructuring program has incurred separation charges related to approximately 17,070 employees, of which approximately 9,540 are non-manufacturing overhead personnel.

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 employee relocation related to separations and office consolidations, termination of contracts related to supply chain redesign and the cost to change internal systems and processes to support the underlying organizational changes.

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	2016	2015
Beauty	\$ 72	\$ 63
Grooming	42	57
Health Care	26	32
Fabric & Home Care	250	197
Baby, Feminine & Family Care	225	192
Corporate ⁽¹⁾	362	527
Total Company	\$ 977	\$ 1,068

⁽¹⁾ Corporate includes costs related to allocated overheads, including charges related to our Sales and Market Operations, Global Business Services and Corporate Functions activities and costs related to discontinued operations from our Batteries and Beauty Brands businesses.

NOTE 4

GOODWILL AND INTANGIBLE ASSETS

The change in the net carrying amount of goodwill by reportable segment was as follows:

	Beauty	Grooming	Health Care	Fabric & Home Care	Baby, Feminine & Family Care	Corporate	Total Company
GOODWILL at JUNE 30, 2014 - Gross	\$ 14,065	\$ 22,097	\$ 6,280	\$ 1,981	\$ 4,910	\$ 2,554	\$ 51,887
Accumulated impairment losses at June 30, 2014	—	(1,158)	—	—	—	—	(1,158)
GOODWILL at JUNE 30, 2014 - Net	14,065	20,939	6,280	1,981	4,910	2,554	50,729
Acquisitions and divestitures	(136)	—	(6)	(3)	—	(449)	(594)
Goodwill impairment charges	—	—	—	—	—	(2,064)	(2,064)
Translation and other	(1,225)	(1,320)	(398)	(104)	(361)	(41)	(3,449)
GOODWILL at JUNE 30, 2015 - Gross ⁽¹⁾	12,704	20,777	5,876	1,874	4,549	2,064	47,844
Accumulated impairment losses at June 30, 2015 ⁽¹⁾	—	(1,158)	—	—	—	(2,064)	(3,222)
GOODWILL at JUNE 30, 2015 - Net	12,704	19,619	5,876	1,874	4,549	—	44,622
Acquisitions and divestitures	(2)	—	(2)	—	—	—	(4)
Translation and other	(57)	(142)	(34)	(18)	(17)	—	(268)
GOODWILL at JUNE 30, 2016 - Gross	12,645	20,635	5,840	1,856	4,532	—	45,508
Accumulated impairment losses at June 30, 2016	—	(1,158)	—	—	—	—	(1,158)
GOODWILL at JUNE 30, 2016 - Net	\$ 12,645	\$ 19,477	\$ 5,840	\$ 1,856	\$ 4,532	\$ —	\$ 44,350

⁽¹⁾ Balances in Corporate segment reflect the gross value of the Batteries goodwill and the corresponding impairment charges recorded against the business to reflect the value of BH's shares in P&G stock as of June 30, 2015. The Batteries business was divested in February 2016.

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

On July 9, 2015, the Company announced the signing of a definitive agreement to divest four product categories, initially comprised of 43 of its beauty brands ("Beauty Brands"), which will be merged with Coty. The transaction includes the global salon professional hair care and color, retail hair color and cosmetics businesses and a majority of the fine fragrances business, along with select hair styling brands (see Note 13). The Beauty Brands have historically been part of the Company's Beauty reportable segment. In accordance with applicable accounting guidance for the disposal of long-lived assets, the results of the Beauty Brands are presented as discontinued operations. As a result, the goodwill attributable to the Beauty Brands as of June 30, 2016, 2015 and 2014 is excluded from the preceding table and is reported as Current assets held for sale in the Consolidated Balance Sheets.

During early fiscal 2015, we determined that the estimated fair value of our Batteries reporting unit was less than its carrying amount, resulting in a series of impairment charges. The underlying fair value assessment was initially triggered by an agreement in September 2014 to sell the China-based battery joint venture and a related decision to pursue options to exit the remainder of the Batteries business. The agreement to sell the China-based battery joint venture was at a transaction value that was below the earnings multiple implied from the prior valuation of our Batteries business, which effectively eliminated our fair value cushion. As a result, the remaining business unit cash flows no longer supported the remaining carrying amount of the Batteries business. Due largely to these factors, we recorded an initial non-cash, before and after-tax impairment charge of \$863 to reduce the carrying amount of goodwill for the Batteries business unit to its estimated fair value. These same factors resulted in a decline in the fair value of our Duracell trade name intangible asset below its carrying value. This resulted in a non-cash, before-tax impairment charge of \$110 (\$69 after tax) to reduce the carrying amount of this asset to its estimated fair value.

Later in fiscal 2015, the Company reached an agreement to divest the Batteries business via a split transaction in which the Company agreed to exchange a recapitalized Duracell Company for Berkshire Hathaway's (BH) shares of P&G stock. Based on the terms of the agreement and the value of BH's shares of P&G stock as of the transaction date and changes thereto through June 30, 2015, the Company recorded additional non-cash, before and after-tax impairment charges totaling \$1.2 billion.

In February 2016, the Company completed the divestiture of its Batteries business to BH. Pursuant to the recapitalization provisions of the agreement, the Company infused additional cash into the Duracell Company to enable it to repurchase all 52.5 million shares of P&G stock owned by BH. Prior to the transaction, the Company recorded a non-cash, before-tax impairment charge of \$402 (\$350 after tax) during fiscal 2016, which reflected the value of BH's shares in P&G stock as of the date of the impairment charges (see Note 13).

All of the fiscal 2016 and 2015 impairment charges in the Batteries business are included as part of discontinued operations. The Batteries goodwill is included in Corporate in the preceding table as of June 30, 2014. The remaining

Batteries goodwill at June 30, 2015 is reported in Current assets held for sale in the Consolidated Balance Sheet.

The remaining change in goodwill during fiscal 2016 and 2015 was primarily due to currency translation across all reportable segments.

All of the goodwill and indefinite-lived intangible asset impairment charges that are not reflected in discontinued operations are included in Corporate for segment reporting.

The goodwill and intangible asset valuations are dependent on a number of significant estimates and assumptions, including macroeconomic conditions, overall category growth rates, competitive activities, cost containment and margin expansion and Company business plans. We believe these estimates and assumptions are reasonable and are comparable to those that would be used by other marketplace participants. However, actual events and results could differ substantially from those used in our valuations. To the extent such factors result in a failure to achieve the level of projected cash flows used to estimate fair value, we may need to record additional non-cash impairment charges in the future.

Identifiable intangible assets were comprised of:

<u>Years ended</u> <u>June 30</u>	<u>2016</u>		<u>2015</u>	
	<u>Gross</u> <u>Carrying</u> <u>Amount</u>	<u>Accumulated</u> <u>Amortization</u>	<u>Gross</u> <u>Carrying</u> <u>Amount</u>	<u>Accumulated</u> <u>Amortization</u>
INTANGIBLE ASSETS WITH DETERMINABLE LIVES				
Brands	\$ 3,409	\$ (2,032)	\$ 3,039	\$ (1,721)
Patents and technology	2,624	(2,164)	2,619	(2,028)
Customer relationships	1,382	(514)	1,395	(464)
Other	246	(130)	252	(123)
TOTAL	\$ 7,661	\$ (4,840)	\$ 7,305	\$ (4,336)

INTANGIBLE ASSETS WITH INDEFINITE LIVES				
Brands	21,706	—	22,041	—
TOTAL	\$ 29,367	\$ (4,840)	\$ 29,346	\$ (4,336)

Due to the divestiture of the Beauty Brands and Batteries businesses, intangible assets specific to these businesses are reported in Current assets held for sale in accordance with the accounting principles for assets held for sale as of June 30, 2016 and 2015.

Amortization expense of intangible assets was as follows:

<u>Years ended June 30</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>		
Intangible asset amortization	\$ 388	\$ 457	\$ 514		
Estimated amortization expense over the next five fiscal years is as follows:					
<u>Years ending June 30</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Estimated amortization expense	\$ 326	\$ 298	\$ 281	\$ 255	\$ 206

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

NOTE 5**INCOME TAXES**

Income taxes are recognized for the amount of taxes payable for the current year and for the impact of deferred tax assets and liabilities, which represent future tax consequences of events that have been recognized differently in the financial statements than for tax purposes. Deferred tax assets and liabilities are established using the enacted statutory tax rates and are adjusted for any changes in such rates in the period of change.

Earnings from continuing operations before income taxes consisted of the following:

Years ended June 30	2016	2015	2014
United States	\$ 8,788	\$ 8,496	\$ 8,513
International	4,581	2,516	4,996
TOTAL	\$ 13,369	\$ 11,012	\$ 13,509

Income taxes on continuing operations consisted of the following:

Years ended June 30	2016	2015	2014
CURRENT TAX EXPENSE			
U.S. federal	\$ 1,673	\$ 2,127	\$ 1,399
International	1,483	1,142	1,252
U.S. state and local	224	252	237
	3,380	3,521	2,888
DEFERRED TAX EXPENSE			
U.S. federal	33	(607)	145
International and other	(71)	(189)	(182)
	(38)	(796)	(37)
TOTAL TAX EXPENSE	\$ 3,342	\$ 2,725	\$ 2,851

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	2016	2015	2014
U.S. federal statutory income tax rate	35.0 %	35.0 %	35.0 %
Country mix impacts of foreign operations	(9.1) %	(14.0) %	(10.8) %
Changes in uncertain tax positions	(0.5) %	(0.9) %	(1.7) %
Venezuela deconsolidation charge	— %	6.6 %	— %
Other	(0.4) %	(2.0) %	(1.4) %
EFFECTIVE INCOME TAX RATE	25.0 %	24.7 %	21.1 %

Changes in uncertain tax positions represent changes in our net liability related to prior year tax positions. 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.

Tax benefits credited to shareholders' equity totaled \$899 for the year ended June 30, 2016. This primarily relates to the impact of certain adjustments to pension obligations recorded in stockholders' equity and the impact of excess tax benefits from the exercise of stock options. Tax costs charged to shareholders' equity totaled \$634 for the year ended June 30, 2015. This primarily relates to the tax effects of net investment hedges and the impact of certain adjustments to pension obligations recorded in stockholders' equity, partially offset by excess tax benefits from the exercise of stock options.

We have undistributed earnings of foreign subsidiaries of approximately \$49.0 billion at June 30, 2016, for which deferred taxes have not been provided. Such earnings are considered indefinitely invested in the foreign subsidiaries. If such earnings were repatriated, additional tax expense may result. However, the calculation of the amount of deferred U.S. income tax on these earnings is not practicable because of the large number of assumptions necessary to compute the tax.

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

Years ended June 30	2016	2015	2014
BEGINNING OF YEAR	\$ 1,096	\$ 1,437	\$ 1,600
Increases in tax positions for prior years	124	87	146
Decreases in tax positions for prior years	(97)	(146)	(296)
Increases in tax positions for current year	97	118	142
Settlements with taxing authorities	(301)	(250)	(135)
Lapse in statute of limitations	(39)	(27)	(33)
Currency translation	(23)	(123)	13
END OF YEAR	\$ 857	\$ 1,096	\$ 1,437

Included in the total liability for uncertain tax positions at June 30, 2016, is \$589 that, depending on the ultimate resolution, could impact the effective tax rate in future periods.

The Company is present in approximately 140 taxable jurisdictions and, at any point in time, has 50-60 jurisdictional audits underway at various stages of completion. We evaluate our tax positions and establish liabilities for uncertain tax positions that may be challenged by local authorities and may not be fully sustained, despite our belief that the underlying tax positions are fully supportable. Uncertain tax positions are reviewed on an ongoing basis and are adjusted in light of changing facts and circumstances, including progress of tax audits, developments in case law and closing of statute of limitations. Such adjustments are reflected in the tax provision

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

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 \$250, including interest and penalties.

Accounting pronouncements require that, without discretion, we recognize the additional accrual of any possible related interest and penalties relating to the underlying uncertain tax position in income tax expense, unless the Company qualifies for a specific exception. As of June 30, 2016, 2015 and 2014, we had accrued interest of \$323, \$347 and \$411 and accrued penalties of \$20, \$19 and \$32, respectively, which are not included in the above table. During the fiscal years ended June 30, 2016, 2015 and 2014, we recognized \$2, \$15 and \$(6) in interest benefit/(expense) and \$(2), \$13 and \$2 in penalties benefit/(expense), respectively. The net benefits recognized resulted primarily from the favorable resolution of tax positions for prior years.

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

Years ended June 30	2016	2015
DEFERRED TAX ASSETS		
Pension and postretirement benefits	\$ 2,226	\$ 1,739
Loss and other carryforwards	1,077	1,014
Stock-based compensation	845	949
Advance payments	515	281
Accrued marketing and promotion	240	266
Unrealized loss on financial and foreign exchange transactions	122	183
Fixed assets	216	139
Inventory	61	49
Accrued interest and taxes	55	48
Other	764	839
Valuation allowances	(467)	(324)
TOTAL	\$ 5,654	\$ 5,183
DEFERRED TAX LIABILITIES		
Goodwill and other intangible assets	\$ 9,461	\$ 9,530
Fixed assets	1,533	1,590
Unrealized gain on financial and foreign exchange transactions	387	353
Other	105	149
TOTAL	\$ 11,486	\$ 11,622

Net operating loss carryforwards were \$3.2 billion and \$3.1 billion at June 30, 2016 and 2015, respectively. If unused, \$1.0 billion will expire between 2016 and 2035. The remainder, totaling \$2.2 billion at June 30, 2016, may be carried forward indefinitely.

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

NOTE 6**EARNINGS PER SHARE**

Net earnings attributable to Procter & Gamble less preferred dividends (net of related tax benefits) are divided by the weighted average number of common shares outstanding during the year to calculate Basic net earnings per common share. Diluted net earnings per common share are calculated to give effect to stock options and other stock-based awards (see Note 7) and assume conversion of preferred stock (see Note 8).

Net earnings/(loss) attributable to Procter & Gamble and common shares used to calculate Basic and Diluted net earnings per share were as follows:

Years ended June 30	2016			2015			2014		
CONSOLIDATED AMOUNTS	Continuing Operations	Dis-continued Operations	Total	Continuing Operations	Dis-continued Operations	Total	Continuing Operations	Dis-continued Operations	Total
Net earnings/(loss)	\$ 10,027	\$ 577	\$ 10,604	\$ 8,287	\$ (1,143)	\$ 7,144	\$ 10,658	\$ 1,127	\$ 11,785
Net earnings attributable to noncontrolling interests	(96)	—	(96)	(98)	(10)	(108)	(120)	(22)	(142)
Net earnings/(loss) attributable to P&G (Diluted)	9,931	577	10,508	8,189	(1,153)	7,036	10,538	1,105	11,643
Preferred dividends, net of tax	(255)	—	(255)	(259)	—	(259)	(253)	—	(253)
Net earnings/(loss) attributable to P&G available to common shareholders (Basic)	\$ 9,676	\$ 577	\$ 10,253	\$ 7,930	\$ (1,153)	\$ 6,777	\$ 10,285	\$ 1,105	\$ 11,390
SHARES IN MILLIONS									
Basic weighted average common shares outstanding	2,698.9	2,698.9	2,698.9	2,711.7	2,711.7	2,711.7	2,719.8	2,719.8	2,719.8
Add: Effect of dilutive securities									
Conversion of preferred shares ⁽¹⁾	103.9	103.9	103.9	108.6	108.6	108.6	112.3	112.3	112.3
Impact of stock options and other unvested equity awards ⁽²⁾	41.6	41.6	41.6	63.3	63.3	63.3	72.6	72.6	72.6
Diluted weighted average common shares outstanding	2,844.4	2,844.4	2,844.4	2,883.6	2,883.6	2,883.6	2,904.7	2,904.7	2,904.7
PER SHARE AMOUNTS									
Basic net earnings/(loss) per common share⁽³⁾	\$ 3.59	\$ 0.21	\$ 3.80	\$ 2.92	\$ (0.42)	\$ 2.50	\$ 3.78	\$ 0.41	\$ 4.19
Diluted net earnings/(loss) per common share⁽³⁾	\$ 3.49	\$ 0.20	\$ 3.69	\$ 2.84	\$ (0.40)	\$ 2.44	\$ 3.63	\$ 0.38	\$ 4.01

⁽¹⁾ Despite being included currently in Diluted net earnings per common share, the actual conversion to common stock occurs when the preferred shares are sold. Shares may only be sold after being allocated to the ESOP participants pursuant to the repayment of the ESOP's obligations through 2035.

⁽²⁾ Outstanding stock options of approximately 55 million in 2016, 8 million in 2015 and 9 million in 2014 were not included in the Diluted net earnings per share calculation because the options were out of the money or to do so would have been antidilutive (i.e., the total proceeds upon exercise would have exceeded the market value of the underlying common shares).

⁽³⁾ Basic net earnings per common share and Diluted net earnings per common share are calculated on Net earnings/(loss) attributable to Procter & Gamble.

NOTE 7**STOCK-BASED COMPENSATION**

We have stock-based compensation plans under which we annually grant stock option, restricted stock unit (RSU) and performance stock unit (PSU) awards to key managers and directors. Exercise prices on options granted have been, and continue to be, set equal to the market price of the underlying shares on the date of the grant. Since September 2002, the grants of key manager stock option awards vest after three years

and have a 10-year life. The key manager stock option awards granted from July 1998 through August 2002 vested after three years and have a 15-year life. Key managers can elect to receive up to the entire value of their option award in RSUs. Key manager RSUs vest and are settled in shares of common stock five years from the grant date. The awards provided to the Company's directors are in the form of RSUs. In addition to our key manager and director grants, we make other minor stock option and RSU grants to employees for which the terms are not substantially different than key manager awards.

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

Senior-level executives receive PSU awards. Under this program, the number of PSUs that will vest three years after the respective grant date is based on the Company's performance relative to pre-established performance goals during that three year period.

A total of 185 million shares of common stock were authorized for issuance under the stock-based compensation plan approved by shareholders in 2014. A total of 125 million shares remain available for grant under the 2014 plan. The disclosures below include stock-based compensation related to discontinued operations, which is not material in any period presented.

<u>Years ended June 30</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
STOCK-BASED COMPENSATION EXPENSE			
Stock options	\$ 199	\$ 223	\$ 246
RSUs and PSUs	143	114	114
Income tax benefit	\$ 85	\$ 109	\$ 127

In calculating the compensation expense for stock options granted, we utilize a binomial lattice-based valuation model. Assumptions utilized in the model, which are evaluated and revised to reflect market conditions and experience, were as follows:

<u>Years ended June 30</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Interest rate	0.7 - 1.9%	0.1 - 2.1%	0.1 - 2.8%
Weighted average interest rate	1.8%	2.0%	2.5%
Dividend yield	3.2%	3.1%	3.1%
Expected volatility	15 - 17%	11 - 15%	15 - 17%
Weighted average volatility	16%	15%	16%
Expected life in years	8.3	8.3	8.2

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, RSUs and PSUs outstanding under the plans as of June 30, 2016 and activity during the year then ended is presented below:

Options	Options (in thousands)	Weighted Average Exercise Price	Weighted Average Contractual Life in Years	Aggregate Intrinsic Value
Outstanding, beginning of year	260,292	\$ 63.74		
Granted	21,848	79.01		
Exercised	(50,175)	49.40		
Canceled	(1,568)	73.70		
OUTSTANDING, END OF YEAR	230,397	\$ 68.02	5.1	\$ 3,440
EXERCISABLE	164,578	\$ 62.63	3.6	\$ 3,263

The weighted average grant-date fair value of options granted was \$8.48, \$9.38 and \$10.01 per share in 2016, 2015 and 2014, respectively. The total intrinsic value of options exercised was \$1,388, \$1,814 and \$1,152 in 2016, 2015 and 2014, respectively. The total grant-date fair value of options that vested during 2016, 2015 and 2014 was \$200, \$241 and \$319, respectively. At June 30, 2016, there was \$186 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. Cash received from options exercised was \$2,332, \$2,631 and \$1,938 in 2016, 2015 and 2014, respectively. The actual tax benefit realized for the tax deductions from option exercises totaled \$433, \$519 and \$338 in 2016, 2015 and 2014, respectively.

	RSUs		PSUs	
Other stock-based awards	Units (in thousands)	Weighted Average Grant Date Fair Value	Units (in thousands)	Weighted Average Grant Date Fair Value
Non-vested at July 1, 2015	5,008	\$ 64.78	1,188	\$ 74.48
Granted	1,855	66.32	571	73.02
Vested	(1,453)	61.64	(613)	71.68
Forfeited	(136)	67.17	—	—
Non-vested at June 30, 2016	5,274	\$ 65.53	1,146	\$ 75.25

At June 30, 2016, there was \$202 of compensation cost that has not yet been recognized related to restricted stock, RSUs and PSUs. That cost is expected to be recognized over a remaining weighted average period of 3.0 years. The total fair value of shares vested was \$97, \$79 and \$95 in 2016, 2015 and 2014, respectively.

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.

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

NOTE 8**POSTRETIREMENT BENEFITS AND EMPLOYEE STOCK OWNERSHIP PLAN**

We offer various postretirement benefits to our employees.

Defined Contribution Retirement Plans

We have defined contribution plans which cover the majority of our U.S. employees, as well as employees in certain other countries. These plans are fully funded. We generally make contributions to participants' accounts based on individual base salaries and years of service. Total global defined contribution expense was \$292, \$305 and \$311 in 2016, 2015 and 2014, 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 2016 and 2015 and 15% in 2014.

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⁾	
	2016	2015	2016	2015
Years ended June 30				
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year ⁽³⁾	\$ 15,951	\$ 17,053	\$ 4,904	\$ 5,505
Service cost	314	317	124	156
Interest cost	466	545	219	240
Participants' contributions	17	19	74	71
Amendments	8	17	(40)	(325)
Actuarial loss/(gain)	1,927	524	589	(399)
Acquisitions/(divestitures)	(21)	7	(7)	—
Special termination benefits	6	11	12	23
Currency translation and other	(826)	(1,908)	(14)	(134)
Benefit payments	(557)	(634)	(229)	(233)
BENEFIT OBLIGATION AT END OF YEAR ⁽³⁾	\$ 17,285	\$ 15,951	\$ 5,632	\$ 4,904
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	\$ 10,605	\$ 11,098	\$ 3,470	\$ 3,574
Actual return on plan assets	630	1,016	408	10
Acquisitions/(divestitures)	(13)	—	—	—
Employer contributions	306	262	32	18
Participants' contributions	17	19	74	71
Currency translation and other	(719)	(1,156)	(8)	(6)
ESOP debt impacts ⁽⁴⁾	—	—	40	36
Benefit payments	(557)	(634)	(229)	(233)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	\$ 10,269	\$ 10,605	\$ 3,787	\$ 3,470
Reclassification of net obligation to held for sale liabilities	402	336	16	—
FUNDED STATUS	\$ (6,614)	\$ (5,010)	\$ (1,829)	\$ (1,434)

⁽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.

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

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.

<u>Years ended June 30</u>	<u>Pension Benefits</u>		<u>Other Retiree Benefits</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
CLASSIFICATION OF NET AMOUNT RECOGNIZED				
Noncurrent assets	\$ 180	\$ 276	\$ —	\$ —
Current liabilities	(33)	(39)	(21)	(20)
Noncurrent liabilities	(6,761)	(5,247)	(1,808)	(1,414)
NET AMOUNT RECOGNIZED	\$ (6,614)	\$ (5,010)	\$ (1,829)	\$ (1,434)
AMOUNTS RECOGNIZED IN ACCUMULATED OTHER COMPREHENSIVE INCOME (AOCI)				
Net actuarial loss	\$ 6,088	\$ 4,488	\$ 2,247	\$ 1,731
Prior service cost/(credit)	270	300	(334)	(346)
NET AMOUNTS RECOGNIZED IN AOCI	\$ 6,358	\$ 4,788	\$ 1,913	\$ 1,385

The accumulated benefit obligation for all defined benefit pension plans was \$15,546 and \$14,239 as of June 30, 2016 and 2015, 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:

<u>Years ended June 30</u>	<u>Accumulated Benefit Obligation Exceeds the Fair Value of Plan Assets</u>		<u>Projected Benefit Obligation Exceeds the Fair Value of Plan Assets</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Projected benefit obligation	\$ 15,233	\$ 13,411	\$ 15,853	\$ 14,057
Accumulated benefit obligation	13,587	11,918	14,149	12,419
Fair value of plan assets	8,082	7,931	8,657	8,435

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

<u>Years ended June 30</u>	<u>Pension Benefits</u>			<u>Other Retiree Benefits</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
AMOUNTS RECOGNIZED IN NET PERIODIC BENEFIT COST						
Service cost	\$ 314	\$ 317	\$ 298	\$ 124	\$ 156	\$ 149
Interest cost	466	545	590	219	240	256
Expected return on plan assets	(731)	(732)	(701)	(416)	(406)	(385)
Prior service cost/(credit) amortization	29	30	26	(52)	(20)	(20)
Net actuarial loss amortization	265	275	214	78	105	118
Special termination benefits	6	11	5	12	23	9
GROSS BENEFIT COST/(CREDIT)	349	446	432	(35)	98	127
Dividends on ESOP preferred stock	—	—	—	(52)	(58)	(64)
NET PERIODIC BENEFIT COST/(CREDIT)	\$ 349	\$ 446	\$ 432	\$ (87)	\$ 40	\$ 63
CHANGE IN PLAN ASSETS AND BENEFIT OBLIGATIONS RECOGNIZED IN AOCI						
Net actuarial loss/(gain) - current year	\$ 2,028	\$ 240		\$ 597	\$ (3)	
Prior service cost/(credit) - current year	8	17		(40)	(325)	
Amortization of net actuarial loss	(265)	(275)		(78)	(105)	
Amortization of prior service (cost)/credit	(29)	(30)		52	20	
Currency translation and other	(172)	(677)		(3)	(34)	
TOTAL CHANGE IN AOCI	1,570	(725)		528	(447)	
NET AMOUNTS RECOGNIZED IN PERIODIC BENEFIT COST AND AOCI	\$ 1,919	\$ (279)		\$ 441	\$ (407)	

Net periodic benefit costs include amounts related to discontinued operations, which are not material for any period.

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

Amounts expected to be amortized from AOCI into net periodic benefit cost during the year ending June 30, 2017, are as follows:

	Pension Benefits	Other Retiree Benefits
Net actuarial loss	\$ 400	\$ 126
Prior service cost/(credit)	28	(45)

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	
	2016	2015	2016	2015
Discount rate	2.1%	3.1%	3.6%	4.5%
Rate of compensation increase	2.9%	3.1%	N/A	N/A
Health care cost trend rates assumed for next year	N/A	N/A	7.2%	6.8%
Rate to which the health care cost trend rate is assumed to decline (ultimate trend rate)	N/A	N/A	4.9%	5.0%
Year that the rate reaches the ultimate trend rate	N/A	N/A	2021	2021

⁽¹⁾ Determined as of end of 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		
<u>Years ended June 30</u>	2016	2015	2014	2016	2015	2014
Discount rate	3.1%	3.5%	4.0%	4.5%	4.4%	4.8%
Expected return on plan assets	7.2%	7.2%	7.2%	8.3%	8.3%	8.3%
Rate of compensation increase	3.1%	3.2%	3.2%	N/A	N/A	N/A

⁽¹⁾ Determined as of beginning of year and adjusted for acquisitions.

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	\$ 80	\$ (59)
Effect on the accumulated postretirement benefit obligation	1,057	(809)

Plan Assets. Our investment objective for defined benefit retirement plan assets is to meet the plans' benefit obligations, while minimizing the potential for future required Company plan contributions. 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 matching the actuarial projections of the plans' future liabilities and benefit payments with expected long-term rates of return on the assets, taking into account investment return volatility and correlations across asset classes. Plan assets are diversified across several investment managers and are generally invested in liquid funds that are selected to track broad market equity and bond indices. Investment risk is carefully controlled with plan assets rebalanced to target allocations on a periodic basis and with continual monitoring of investment managers' performance relative to the investment guidelines established with each investment manager.

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

Our target asset allocation for the year ended June 30, 2016, and actual asset allocation by asset category as of June 30, 2016 and 2015, were as follows:

Asset Category	Target Asset Allocation		Actual Asset Allocation at June 30			
	Pension Benefits	Other Retiree Benefits	Pension Benefits		Other Retiree Benefits	
			2016	2015	2016	2015
Cash	2%	2%	2%	2%	2%	1%
Debt securities	55%	3%	55%	50%	4%	5%
Equity securities	43%	95%	43%	48%	94%	94%
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, 2016 and 2015 segregated by level within the fair value hierarchy (refer to Note 9 for further discussion on the fair value hierarchy and fair value principles). Collective funds are 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. Company stock listed as Level 2 in the hierarchy represents preferred shares which are valued based on the value of Company common stock. The majority of our Level 3 pension assets are insurance contracts. Their fair values are based on their cash equivalent or models that project future cash flows and discount the future amounts to a present value using market-based observable inputs, including credit risk and interest rate curves. There was no significant activity within the Level 3 pension and other retiree benefits plan assets during the years presented.

Years ended June 30	Pension Benefits			Other Retiree Benefits		
	Fair Value Hierarchy Level	2016	2015	Fair Value Hierarchy Level	2016	2015
ASSETS AT FAIR VALUE						
Cash and cash equivalents	1 & 2	\$ 262	\$ 266	1	\$ 70	\$ 36
Company stock ⁽¹⁾		—	—	2	3,545	3,239
Collective fund - equity	2	4,381	5,054	2	14	17
Collective fund - fixed income	2	5,498	5,162	2	158	178
Other ⁽²⁾	1 & 3	128	123		—	—
TOTAL ASSETS AT FAIR VALUE		\$ 10,269	\$ 10,605		\$ 3,787	\$ 3,470

⁽¹⁾ Company stock is net of ESOP debt discussed below.

⁽²⁾ The Company's other pension and other retiree benefit plan assets measured at fair value are generally classified as Level 3 within the fair value hierarchy. There are no material other pension and other retiree benefit plan asset balances classified as Level 1 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, 2017, is \$217 and \$37, respectively. For the defined benefit retirement plans, this is comprised of \$93 in expected benefit payments from the Company directly to participants of unfunded plans and \$124 of expected contributions to funded plans. For other retiree benefit plans, this is comprised of \$22 in expected benefit payments from the Company directly to participants of unfunded plans and \$15 of expected contributions to funded plans. Expected contributions are dependent on many variables, including the variability of the market value of the plan assets as compared to the benefit obligation and other market or regulatory conditions. In addition, we take into consideration our business investment opportunities and resulting cash requirements. Accordingly, actual funding may differ significantly from current estimates.

Total benefit payments expected to be paid to participants, which include payments funded from the Company's assets and payments from the plans are as follows:

Years ending June 30	Pension Benefits	Other Retiree Benefits
EXPECTED BENEFIT PAYMENTS		
2017	\$ 516	\$ 190
2018	527	207
2019	537	221
2020	550	233
2021	588	244
2022 - 2026	3,232	1,365

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 \$74 remain outstanding at June 30, 2016. 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 \$2.66 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 \$718 is outstanding at June 30, 2016. 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 \$2.66 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:

<u>Shares in thousands</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Allocated	39,241	42,044	44,465
Unallocated	6,095	7,228	8,474
TOTAL SERIES A	45,336	49,272	52,939
Allocated	23,925	23,074	22,085
Unallocated	32,319	34,096	35,753
TOTAL SERIES B	56,244	57,170	57,838

For purposes of calculating diluted net earnings per common share, the preferred shares held by the ESOP are considered converted from inception.

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

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.

At inception, we formally designate and document qualifying instruments as hedges of underlying exposures. We formally assess, at inception and at least quarterly thereafter, whether the financial instruments used in hedging transactions are effective at offsetting changes in either the fair value or cash flows of the related underlying exposures. Fluctuations in the value of these instruments generally are offset by changes in the fair value or cash flows of the underlying exposures being hedged. This is driven by the high degree of effectiveness between the exposure being hedged and the hedging instrument. The ineffective portion of a change in the fair value of a qualifying instrument is immediately recognized in earnings. The amount of ineffectiveness recognized was immaterial for all years presented.

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, 2016, 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.

Interest rate swaps that meet specific accounting criteria are accounted for as fair value or cash flow 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 Interest expense. For cash flow hedges, the effective portion of the changes in fair value of the hedging instrument is reported in OCI and reclassified into Interest expense over the life of the underlying debt obligation. The ineffective portion for both cash flow and fair value hedges, which was not material for any year presented, was immediately recognized in Interest expense.

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.

To manage the exchange rate risk primarily associated with the financing of our operations, we have historically used a combination of forward contracts, options and currency swaps. As of June 30, 2016, we had currency swaps with original maturities up to five years, which are intended to offset the effect of exchange rate fluctuations on intercompany loans denominated in foreign currencies. These swaps are accounted for as cash flow hedges. The effective portion of the changes in fair value of these instruments is reported in OCI and reclassified into SG&A and Interest expense in the same period or periods during which the related hedged transactions affect earnings. The ineffective portion, which was not material for any year presented, was immediately recognized in SG&A.

The change in fair values of certain non-qualifying instruments used to manage foreign exchange exposure of intercompany financing transactions and certain balance sheet items subject to revaluation are immediately recognized in earnings, substantially offsetting the foreign currency mark-to-market impact of the related exposures.

Net Investment Hedging

We hedge certain net investment positions in foreign subsidiaries. To accomplish this, we either borrow directly in foreign currencies and designate all or a portion of the foreign currency debt as a hedge of the applicable net investment position or we enter into foreign currency swaps that are designated as hedges of net investments. Changes in the fair value of these instruments are recognized in OCI to offset the change in the value of the net investment being hedged. The ineffective portion of these hedges, which was not material in any year presented, was immediately recognized in Interest expense.

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, 2016 and 2015, we did not have any commodity hedging activity.

Insurance

We self-insure for most insurable risks. However, we purchase insurance for Directors and Officers Liability and certain other coverage where it is required by law or by contract.

Fair Value Hierarchy

Accounting guidance on fair value measurements for certain financial assets and liabilities requires that financial assets and liabilities carried at fair value be classified and disclosed in one of the following categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs reflecting the reporting entity's own assumptions or external inputs from inactive markets.

When applying fair value principles in the valuation of assets and liabilities, we are required to maximize the use of quoted market prices and minimize the use of unobservable inputs. The Company has not changed its valuation techniques used in measuring the fair value of any financial assets or liabilities during the year. Our fair value estimates take into consideration the credit risk of both the Company and our counterparties.

When active market quotes are not available for financial assets and liabilities, we use industry standard valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including credit risk, interest rate curves, foreign currency rates and forward and spot prices for currencies. In circumstances where market-based observable inputs are not available, management judgment is used to develop assumptions to estimate fair value. Generally, the fair value of our Level 3 instruments is estimated as the net present value of expected future cash flows based on external inputs.

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

The following table sets forth the Company's financial assets as of June 30, 2016 and 2015 that were measured at fair value on a recurring basis during the period:

<u>Years ended June 30</u>	<u>Fair Value Asset</u>	
	<u>2016</u>	<u>2015</u>
Investments:		
U.S. government securities	\$ 4,839	\$ 3,495
Corporate bond securities	1,407	1,272
Other investments	28	30
TOTAL	\$ 6,274	\$ 4,797

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 \$292 and \$700 as of June 30, 2016 and 2015, respectively. The amortized cost of the U.S. government securities with maturities between one and five years was \$4,513 and \$2,789 as of June 30, 2016 and 2015, respectively. The amortized cost of corporate bond securities with maturities of less than a year was \$382 and \$221 as of June 30, 2016 and 2015, respectively. The amortized cost of corporate bond securities with maturities between one and five years was \$1,018 and \$1,052 as of June 30, 2016 and 2015, respectively. The Company's investments measured at fair value are generally classified as Level 2 within the fair value hierarchy. There are no material investment balances classified as either Level 1 or Level 3 within the fair value hierarchy. Fair values are generally estimated based upon quoted market prices for similar instruments.

The fair value of long-term debt was \$24,362 and \$23,127 as of June 30, 2016 and 2015, respectively. This includes the current portion (\$2,761 and \$2,776 as of June 30, 2016 and 2015, respectively) of debt instruments. Certain long-term debt is recorded at fair value. Certain long-term debt is not recorded at fair value on a recurring basis, but is measured at fair value for disclosure purposes. Long-term debt with fair value of \$2,331 and \$2,180 as of June 30, 2016 and 2015, respectively, is classified as Level 2 within the fair value hierarchy. All remaining long-term debt is classified as Level 1 within the fair value hierarchy. Fair values are generally estimated based on quoted market prices for identical or similar instruments.

Disclosures about Derivative Instruments

The notional amounts and fair values of qualifying and non-qualifying financial instruments used in hedging transactions as of June 30, 2016 and 2015 are as follows:

<u>Years ended June 30</u>	<u>Notional Amount</u>		<u>Fair Value Asset</u>		<u>Fair Value (Liability)</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS						
Foreign currency contracts	\$ 798	\$ 951	\$ 94	\$ 312	\$ (63)	\$ —
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS						
Interest rate contracts	\$ 4,993	\$ 7,208	\$ 371	\$ 172	\$ —	\$ (13)
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS						
Net investment hedges	\$ 3,013	\$ 537	\$ 28	\$ 96	\$ (115)	\$ (1)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS						
Foreign currency contracts	\$ 6,482	\$ 6,610	\$ 28	\$ 13	\$ (38)	\$ (68)

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 total notional amount of contracts outstanding at the end of the period is indicative of the level of the Company's derivative activity during the period. The decrease in the notional balance of interest rate fair value hedges is due to the maturity of fixed rate debt and underlying swaps in the current period. The increase in the notional balance of net investment hedges primarily reflects a movement into Euro cross currency swaps due to lower interest rates in the current period. All of the Company's derivative assets and liabilities measured at fair value are classified as Level 2 within the fair value hierarchy.

The Company recognizes transfers between levels within the fair value hierarchy, if any, at the end of each quarter. There were no transfers between levels during the periods presented. In addition, there was no significant activity within the Level 3 assets and liabilities during the periods presented. Except for the impairment charges related to our Batteries business (see 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, 2016 and 2015.

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

Years ended June 30	Amount of Gain/(Loss) Recognized in AOCI on Derivatives (Effective Portion)	
	2016	2015
DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS		
Interest rate contracts	\$ (2)	\$ (1)
Foreign currency contracts	—	5
TOTAL	\$ (2)	\$ 4
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS		
Net investment hedges	\$ (53)	\$ 60

During the next 12 months, the amount of the June 30, 2016 AOCI balance that will be reclassified to earnings is expected to be immaterial. The amounts of gains and losses included in earnings from qualifying and non-qualifying financial instruments used in hedging transactions for the years ended June 30, 2016 and 2015 were as follows:

Years ended June 30	Amount of Gain/(Loss) Reclassified from AOCI into Earnings	
	2016	2015
DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS		
Interest rate contracts	\$ 3	\$ 6
Foreign currency contracts	(106)	152
TOTAL	\$ (103)	\$ 158

Years ended June 30	Amount of Gain/(Loss) Recognized in Earnings	
	2016	2015
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS		
Interest rate contracts	\$ 212	\$ (9)
Debt	(212)	9
TOTAL	\$ —	\$ —
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS		
Net investment hedges	\$ (2)	\$ (1)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS		
Foreign currency contracts ⁽¹⁾	\$ (120)	\$ (987)

⁽¹⁾ The gain or loss on non-qualifying foreign currency contracts substantially offsets the foreign currency mark-to-market impact of the related exposure.

NOTE 10**SHORT-TERM AND LONG-TERM DEBT**

Years ended June 30	2016	2015
DEBT DUE WITHIN ONE YEAR		
Current portion of long-term debt	\$ 2,760	\$ 2,772
Commercial paper	8,690	8,807
Other	203	439
TOTAL	\$ 11,653	\$ 12,018

Short-term weighted average interest rates ⁽¹⁾ 0.2% 0.3%

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

Years ended June 30	2016	2015
LONG-TERM DEBT		
1.45% USD note due August 2016	\$ 1,000	\$ 1,000
0.75% USD note due November 2016	500	500
Floating rate USD note due November 2016	500	500
5.13% EUR note due October 2017	1,221	1,231
1.60% USD note due November 2018	1,000	1,000
4.70% USD note due February 2019	1,250	1,250
1.90% USD note due November 2019	550	550
0.28% JPY note due May 2020	973	818
4.13% EUR note due December 2020	666	671
9.36% ESOP debentures due 2016-2021 ⁽¹⁾	498	572
1.85% USD note due February 2021	600	—
2.00% EUR note due November 2021	833	839
2.30% USD note due February 2022	1,000	1,000
2.00% EUR note due August 2022	1,110	1,119
3.10% USD note due August 2023	1,000	1,000
1.13% EUR note due November 2023	1,388	—
2.70% USD note due February 2026	600	—
4.88% EUR note due May 2027	1,110	1,119
6.25% GBP note due January 2030	670	786
5.50% USD note due February 2034	500	500
5.80% USD note due August 2034	600	600
5.55% USD note due March 2037	1,400	1,400
Capital lease obligations	45	52
All other long-term debt	2,691	4,592
Current portion of long-term debt	(2,760)	(2,772)
TOTAL	\$18,945	\$18,327

Long-term weighted average interest rates ⁽²⁾ 3.1% 3.2%

⁽¹⁾ Debt issued by the ESOP is guaranteed by the Company and is recorded as debt of the Company, as discussed in Note 8.

⁽²⁾ Long-term weighted average interest rates include the effects of interest rate swaps discussed in Note 9.

Long-term debt maturities during the next five fiscal years are as follows:

Years ending June 30	2017	2018	2019	2020	2021
Debt maturities	\$2,760	\$1,323	\$2,357	\$2,099	\$1,387

The Procter & Gamble Company fully and unconditionally guarantees the registered debt and securities issued by its 100% owned finance subsidiaries.

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

NOTE 11**ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)**

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

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

	Hedges	Investment Securities	Pension and Other Retiree Benefits	Financial Statement Translation	Total
BALANCE at JUNE 30, 2014	\$ (3,876)	\$ (18)	\$ (5,165)	\$ 1,397	\$ (7,662)
OCI before reclassifications ⁽¹⁾	1,390	26	563	(7,475)	(5,496)
Amounts reclassified from AOCI ^{(2) (5) (6)}	(156)	(2)	281	255	378
Net current period OCI	1,234	24	844	(7,220)	(5,118)
BALANCE at JUNE 30, 2015	(2,642)	6	(4,321)	(5,823)	(12,780)
OCI before reclassifications ⁽³⁾	(103)	29	(1,710)	(1,679)	(3,463)
Amounts reclassified from AOCI ^{(4) (5)}	104	(1)	233	—	336
Net current period OCI	1	28	(1,477)	(1,679)	(3,127)
BALANCE at JUNE 30, 2016	\$ (2,641)	\$ 34	\$ (5,798)	\$ (7,502)	\$ (15,907)

⁽¹⁾ Net of tax (benefit) / expense of \$741, \$1 and \$219 for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively, for the period ended June 30, 2015.

⁽²⁾ Net of tax (benefit) / expense of \$(2), \$(1), and \$109 for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively, for the period ended June 30, 2015.

⁽³⁾ Net of tax (benefit) / expense of \$6, \$7, and \$(708) for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively, for the period ended June 30, 2016.

⁽⁴⁾ Net of tax (benefit) / expense of \$(1), \$0, and \$87 for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively, for the period ended June 30, 2016.

⁽⁵⁾ See Note 9 for classification of gains and losses from hedges in the Consolidated Statements of Earnings. Gains and losses on investment securities are reclassified from AOCI into Other non-operating income, net. Gains and losses on pension and other retiree benefits are reclassified from AOCI into Cost of products sold and SG&A, and are included in the computation of net periodic pension cost (see Note 8 for additional details).

⁽⁶⁾ Amounts reclassified from AOCI for financial statement translation relate to the foreign currency losses written off as part of the deconsolidation of our Venezuelan subsidiaries in fiscal 2015. These losses were reclassified into the Venezuela deconsolidation charge in the Consolidated Statements of Earnings.

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

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	2017	2018	2019	2020	2021	Thereafter
Purchase obligations	\$ 881	\$ 221	\$ 170	\$ 129	\$ 105	288

Such amounts represent future purchases in line with expected usage to obtain favorable pricing. This includes 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, net of guaranteed sublease income, are as follows:

Years ending June 30	2017	2018	2019	2020	2021	Thereafter
Operating leases	\$ 237	\$ 240	\$ 224	\$ 206	\$ 154	502

Litigation

We are subject to various legal proceedings and claims arising out of our business which cover a wide range of matters such as antitrust, trade and other governmental regulations, product liability, patent and trademark, advertising, contracts, environmental, labor and employment and tax.

While considerable uncertainty exists, in the opinion of management and our counsel, the ultimate resolution of the various lawsuits and claims will not materially affect our financial position, results of operations or cash flows.

We are also subject to contingencies pursuant to environmental laws and regulations that in the future may require us to take action to correct the effects on the environment of prior manufacturing and waste disposal practices. Based on currently available information, we do not believe the ultimate resolution of environmental remediation will materially affect our financial position, results of operations or cash flows.

NOTE 13**DISCONTINUED OPERATIONS**

On July 9, 2015, the Company announced the signing of a definitive agreement to divest four product categories which will be merged with Coty. The divestiture was initially comprised of 43 of the Company's beauty brands ("Beauty Brands"), including the global salon professional hair care and color, retail hair color, cosmetics and fine fragrance businesses, along with select hair styling brands. Subsequent to signing, the fine fragrance brands of Dolce & Gabbana and Christina Aguilera were excluded from the divestiture. In connection with the decision to exclude these brands, the Company recorded a non-cash, before-tax impairment charge in discontinued operations of approximately \$48 (\$42 after tax) in fiscal 2016 in order to record the Dolce & Gabbana license intangible asset at its revised estimated net realizable value. On May 11, 2016, the Company entered into a separate transaction to sell the Christina Aguilera brand prior to or concurrent with the expected close date of the Coty transaction. On June 30, 2016, Dolce & Gabbana and the Shiseido Group announced the signing of the worldwide license agreement for the Dolce & Gabbana beauty business. The Company will transition out of the Dolce & Gabbana license upon the effectiveness of the new license, which is expected to occur prior to or concurrent with the expected close of the Coty transaction. In connection with this transition, the Company agreed to pay a termination payment of \$83 (\$76 after tax). This termination payment charge is included in discontinued operations for the year ended June 30, 2016.

While the ultimate form of the Beauty Brands transaction has not yet been decided, the Company's current preference is for a Reverse Morris Trust split-off transaction in which P&G shareholders could elect to participate in an exchange offer to exchange their P&G shares for shares of a new corporation that would hold the Beauty Brands (excluding Dolce & Gabbana and Christina Aguilera) and then immediately exchange those shares for Coty shares. The Company expects to close the transaction in October 2016.

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

Coty's offer for the Beauty Brands, which was accepted by the Company, was \$12.5 billion. The final value of the transaction will be determined at closing. Based on Coty's stock price and outstanding shares and equity grants as of June 30, 2016, the value of the transaction was approximately \$13.1 billion. The value is comprised of approximately 411 million shares, or 54% of the diluted equity of the newly combined company, valued at approximately \$10.7 billion and the assumption of debt of \$2.4 billion by the entity holding the Beauty Brands (excluding Dolce & Gabbana and Christina Aguilera) immediately prior to close of the transaction. The assumed debt is expected to vary between \$3.9 billion and \$1.9 billion, depending on a \$22.06 to \$27.06 per share collar of Coty's stock based on the trading price prior to the close of the transaction, but will be subject to other contractual valuation adjustments.

In February 2016, the Company completed the divestiture of its Batteries business to Berkshire Hathaway (BH) via a split transaction, in which the Company exchanged the Duracell Company, which the Company had infused with additional cash, to repurchase all 52.5 million shares of P&G stock owned by BH. During the fiscal year ended June 30, 2016, the Company recorded non-cash, before-tax goodwill and indefinite-lived asset impairment charges of \$402 (\$350 after tax), to reduce the Batteries carrying value to the total estimated proceeds based on the value of BH's shares in P&G stock at the time of the impairment charges (see Note 4). The Company recorded an after-tax gain on the final transaction of \$422 to reflect a subsequent increase in the final value of the BH's shares in P&G stock. The total value of the transaction was \$4.2 billion representing the value of the Duracell business and the cash infusion. The cash infusion of \$1.7 billion was reflected as a purchase of treasury stock.

On July 31, 2014, the Company completed the divestiture of its Pet Care operations in North America, Latin America, and other selected countries to Mars, Incorporated (Mars) for \$2.9 billion in an all-cash transaction. Under the terms of the agreement, Mars acquired our branded pet care products, our manufacturing sites in the United States and the majority of the employees working in the Pet Care business. The agreement included an option for Mars to acquire the Pet Care business in several additional countries, which was also completed in fiscal 2015. The European Union countries were not included in the agreement with Mars.

In December 2014, the Company completed the divestiture of its Pet Care operations in Western Europe to Spectrum Brands in an all-cash transaction. Under the terms of the agreement, Spectrum Brands acquired our branded pet care products, our manufacturing site in the Netherlands and the majority of the employees working in the Western Europe Pet Care business. The one-time after-tax impact of these transactions is not material.

In accordance with applicable accounting guidance for the disposal of long-lived assets, the results of the Beauty Brands, Batteries and Pet Care businesses are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented. Additionally, the Beauty Brands, Batteries and Pet Care businesses' balance sheet positions are presented as assets and liabilities held for sale in the Consolidated Balance Sheets. The Beauty Brands were historically part of the Company's Beauty reportable segment. The Batteries business was historically part of the Company's Fabric & Home Care reportable segment. The Pet Care business was historically part of the Company's Health Care reportable segment.

On July 1, 2015, the Company adopted ASU 2014-08, which included new reporting and disclosure requirements for discontinued operations. The new requirements are effective for discontinued operations occurring on or after the adoption date, which includes the Beauty Brands divestiture. All other discontinued operations prior to July 1, 2015 are reported based on the previous disclosure requirements for discontinued operations, including the Batteries and Pet Care divestitures.

The following table summarizes Net earnings/(loss) from discontinued operations and reconciles to the Consolidated Statements of Earnings:

Years ended June 30	2016	2015	2014
Beauty Brands	\$ 336	\$ 643	\$ 660
Batteries	241	(1,835)	389
Pet Care	—	49	78
Net earnings/(loss) from discontinued operations	\$ 577	\$ (1,143)	\$ 1,127

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

The following table summarizes total assets and liabilities held for sale and reconciles to the Consolidated Balance Sheets:

Years ended June 30	2016	2015		
	Beauty Brands	Beauty Brands	Batteries	Total
Current assets held for sale	\$ 7,185	\$ 922	\$ 3,510	\$ 4,432
Noncurrent assets held for sale	—	5,204	—	5,204
Total assets held for sale	\$ 7,185	\$ 6,126	\$ 3,510	\$ 9,636
Current liabilities held for sale	\$ 2,343	\$ 356	\$ 1,187	\$ 1,543
Noncurrent liabilities held for sale	—	717	—	717
Total liabilities held for sale	\$ 2,343	\$ 1,073	\$ 1,187	\$ 2,260

The following is selected financial information included in Net earnings/(loss) from discontinued operations for the Beauty Brands:

Years ended June 30	Beauty Brands		
	2016	2015	2014
Net sales	\$ 4,910	\$ 5,530	\$ 6,109
Cost of products sold	1,621	1,820	1,980
Selling, general and administrative expense	2,763	2,969	3,299
Intangible asset impairment charges	48	—	—
Interest expense	32	—	1
Interest income	2	2	2
Other non-operating income/(loss), net	9	91	(3)
Earnings from discontinued operations before income taxes	\$ 457	\$ 834	\$ 828
Income taxes on discontinued operations	121	191	168
Net earnings/(loss) from discontinued operations	\$ 336	\$ 643	\$ 660

Included in Net earnings/(loss) from discontinued operations is \$112 of transition costs that were incurred for the fiscal year ended June 30, 2016.

The following is selected financial information included in cash flows from discontinued operations for the Beauty Brands:

Years ended June 30	Beauty Brands		
	2016	2015	2014
NON-CASH OPERATING ITEMS			
Depreciation and amortization	\$ 106	\$ 125	\$ 127
Gain on sale of businesses	8	86	—
Goodwill and intangible asset impairment charges	48	—	—
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	\$ 114	\$ 106	\$ 108

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

The major components of assets and liabilities of the Beauty Brands held for sale are provided below. The assets and liabilities held for sale will evolve up to the closing date for normal operational changes as well as contractual adjustments including the assumption of debt, pension plan funding and other provisions.

Years ended June 30	Beauty Brands	
	2016 ⁽¹⁾	2015
Cash	\$ 40	\$ 9
Restricted cash	996 ⁽²⁾	—
Accounts receivable	384	293
Inventories	494	476
Prepaid expenses and other current assets	126	144
Property, plant and equipment, net	629	613 ⁽³⁾
Goodwill and intangible assets, net	4,411	4,513 ⁽³⁾
Other noncurrent assets	105	78 ⁽³⁾
Total current assets held for sale	\$ 7,185	\$ 922
Total noncurrent assets held for sale	—	5,204
Total assets held for sale	\$ 7,185	\$ 6,126
Accounts payable	\$ 148	\$ 118
Accrued and other liabilities	384	238
Noncurrent deferred tax liabilities	370	352 ⁽³⁾
Long-term debt	996 ⁽²⁾	—
Other noncurrent liabilities	445	365 ⁽³⁾
Total current liabilities held for sale	\$ 2,343	\$ 356
Total noncurrent liabilities held for sale	—	717
Total liabilities held for sale	\$ 2,343	\$ 1,073

⁽¹⁾ The Company expects the Beauty Brands transaction to close in October 2016. Therefore, for the period ended June 30, 2016, all assets and liabilities held for sale are reported as current assets and liabilities held for sale on the Consolidated Balance Sheets.

⁽²⁾ On January 26, 2016, Beauty Brands drew on its Term B loan of \$1.0 billion. The proceeds will be held in restricted cash in escrow until the anticipated legal integration activities prior to close. Beauty Brands has received additional debt funding commitments with a consortium of lenders of \$3.5 billion.

⁽³⁾ Amounts as of June 30, 2015, are reflected as part of the noncurrent assets and liabilities held for sale.

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

Following is selected financial information included in Net earnings/(loss) from discontinued operations for the Batteries and Pet Care businesses:

		Net Sales	Earnings Before Impairment Charges and Income Taxes	Impairment Charges	Income Tax (Expense)/Benefit	Gain/(Loss) on Sale Before Income Taxes	Income Tax (Expense)/Benefit on Sale	Net Earnings/ (Loss) from Discontinued Operations
Batteries	2016	\$ 1,517	\$ 266	\$ (402)	\$ (45)	\$ (288)	\$ 710 ⁽¹⁾	\$ 241
	2015	2,226	479	(2,174)	(140)	—	—	(1,835)
	2014	2,552	548	—	(159)	—	—	389
Pet Care	2016	—	—	—	—	—	—	—
	2015	251	—	—	(4)	195	(142)	49
	2014	1,475	130	—	(52)	—	—	78
Total	2016	\$ 1,517	\$ 266	\$ (402)	\$ (45)	\$ (288)	\$ 710 ⁽¹⁾	\$ 241
	2015	2,477	479	(2,174)	(144)	195	(142)	(1,786)
	2014	4,027	678	—	(211)	—	—	467

⁽¹⁾ The income tax benefit of the Batteries divestiture primarily represents the reversal of underlying deferred tax balances.

The major components of assets and liabilities of the Batteries business held for sale were as follows:

	Batteries
Year ended June 30	2015
Cash	\$ 25
Accounts receivable	245
Inventories	304
Prepaid expenses and other current assets	28
Property, plant and equipment, net	496
Goodwill and intangible assets, net	2,389
Other noncurrent assets	23
Total assets held for sale	\$ 3,510
Accounts payable	\$ 195
Accrued and other liabilities	194
Long-term debt	18
Noncurrent deferred tax liabilities	780
Total liabilities held for sale	\$ 1,187

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

NOTE 14**QUARTERLY RESULTS (UNAUDITED)**

Quarters Ended		Sep 30	Dec 31	Mar 31	Jun 30	Total Year
NET SALES	2015-2016	\$ 16,527	\$ 16,915	\$ 15,755	\$ 16,102	\$ 65,299
	2014-2015	18,771	18,495	16,930	16,553	70,749
OPERATING INCOME	2015-2016	3,768	3,853	3,318	2,502	13,441
	2014-2015	3,633	3,579	3,025	812 ⁽¹⁾	11,049
GROSS MARGIN	2015-2016	50.7%	50.0%	49.8%	47.9%	49.6%
	2014-2015	48.1%	48.3%	47.3%	46.6%	47.6%
NET EARNINGS:						
Net earnings from continuing operations	2015-2016	\$ 2,777	\$ 2,905	\$ 2,337	\$ 2,008	\$ 10,027
	2014-2015	2,716	2,674	2,401	496 ⁽¹⁾	8,287
Net earnings/(loss) from discontinued operations	2015-2016	(142)	323	446	(50)	577
	2014-2015	(696)	(276)	(213)	42	(1,143)
Net earnings attributable to Procter & Gamble	2015-2016	2,601	3,206	2,750	1,951	10,508
	2014-2015	1,990	2,372	2,153	521	7,036
DILUTED NET EARNINGS PER COMMON SHARE:						
⁽²⁾						
Earnings from continuing operations	2015-2016	\$ 0.96	\$ 1.01	\$ 0.81	\$ 0.71	\$ 3.49
	2014-2015	0.93	0.92	0.82	0.17	2.84
Earnings/(loss) from discontinued operations	2015-2016	(0.05)	0.11	0.16	(0.02)	0.20
	2014-2015	(0.24)	(0.10)	(0.07)	0.01	(0.40)
Net earnings	2015-2016	0.91	1.12	0.97	0.69	3.69
	2014-2015	0.69	0.82	0.75	0.18	2.44

⁽¹⁾ The Company recorded a one-time Venezuela deconsolidation charge of \$2.0 billion before tax (\$2.1 billion after tax) in the quarter-ended June 30, 2015. This impact is discussed more fully in Note 1.

⁽²⁾ Diluted net earnings per share is calculated on Net earnings attributable to Procter & Gamble.

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

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.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The Board of Directors has determined that the following members of the Audit Committee are independent and are Audit Committee financial experts as defined by SEC rules: Ms. Patricia A. Woertz (Chair) and Mr. Kenneth I. Chenault.

The information required by this item is incorporated by reference to the following sections of the 2016 Proxy Statement filed pursuant to Regulation 14A: the section entitled Election of Directors; the section entitled Corporate Governance, up to but not including the subsection entitled Board Engagement and Attendance; the subsections of the Corporate Governance section entitled Code of Ethics, entitled Director Nominations for Inclusion in the 2017 Proxy Statement and entitled Shareholder Recommendations of Board Nominees and Committee Process for Recommending Board Nominees; and the section entitled Section 16(a) Beneficial Ownership Reporting Compliance. Pursuant to Instruction 3 of Item 401(b) of Regulation S-K, Executive Officers of the Registrant are reported in Part I of this report.

Item 11. Executive Compensation.

The information required by this item is incorporated by reference to the following sections of the 2016 Proxy Statement filed pursuant to Regulation 14A: the subsections of the Corporate Governance section entitled 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, 2016. The table includes the following plans: The Procter & Gamble 1992 Stock Plan; The Procter & Gamble 1993 Non-Employee Directors' Stock Plan; The Procter & Gamble Future Shares Plan; The Procter & Gamble 2001 Stock and Incentive Compensation Plan; The Procter & Gamble 2003 Non-Employee Directors' Stock Plan; The Gillette Company 2004 Long-Term Incentive Plan; The Procter & Gamble 2009 Stock and Incentive Compensation Plan; The Procter & Gamble 2013 Non-Employee Directors' Stock Plan; and The Procter & Gamble 2014 Stock and Incentive Compensation Plan.

<u>Plan Category</u>	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted- average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders ⁽¹⁾			
Options	226,562,300	\$68.1722	⁽²⁾
Restricted Stock Units (RSUs)/Performance Stock Units (PSUs)	11,125,863	N/A	⁽²⁾
Equity compensation plans not approved by security holders ⁽³⁾			
Options	4,030,317	59.2781	⁽⁴⁾
GRAND TOTAL	241,718,480	\$68.0167 ⁽⁵⁾	125,037,146

⁽¹⁾ Includes The Procter & Gamble 1992 Stock Plan; The Procter & Gamble 1993 Non-Employee Directors' 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 2013 Non-Employee Directors' Stock Plan; and The Procter & Gamble 2014 Stock and Incentive Compensation Plan.

⁽²⁾ Of the plans listed in (1), only The Procter & Gamble 2014 Stock and Incentive Compensation Plan allow for future grants of securities. The maximum number of shares that may be granted under this plan is 185 million shares. Stock options and stock appreciation rights are counted on a one for one basis while full value awards (such as RSUs and PSUs) will be counted as 5 shares for each share awarded. Total shares available for future issuance under this plan is 125 million.

⁽³⁾ Includes The Procter & Gamble Future Shares Plan and The Gillette Company 2004 Long-Term Incentive Plan.

⁽⁴⁾ None of the plans listed in (3) allow for future grants of securities.

⁽⁵⁾ Weighted average exercise price of outstanding options only.

The Procter & Gamble Future Shares Plan

On October 14, 1997, the Company's Board of Directors approved The Procter & Gamble Future Shares Plan pursuant to which options to purchase shares of the Company's common stock may be granted to employees worldwide. The purpose of this plan is to advance the interests of the Company by giving substantially all employees a stake in the Company's future growth and success and to strengthen the alignment of interests between employees and the Company's shareholders through increased ownership of shares of the Company's stock. The plan has not been submitted to shareholders for approval.

Subject to adjustment for changes in the Company's capitalization, the number of shares to be granted under the plan is not to exceed 17 million shares. Under the plan's regulations, recipients are granted options to acquire 100 shares of the Company's common stock at an exercise price equal to the average price of the Company's common stock on the date of the grant. These options vest five years after the date of grant and expire ten years following the date of grant. If a

recipient leaves the employ of the Company prior to the vesting date for a reason other than disability, retirement or special separation (as defined in the plan), then the award is forfeited.

At the time of the first grant following Board approval of the plan, each employee of the Company not eligible for an award under the 1992 Stock Plan was granted options for 100 shares. From the date of this first grant through June 30, 2003, each new employee of the Company has also received options for 100 shares. Following the grant of options on June 30, 2003, the Company suspended this part of the plan. The plan terminated on October 13, 2007.

The Gillette Company 2004 Long-Term Incentive Plan

Shareholders of The Gillette Company approved The Gillette Company 2004 Long-Term Incentive Plan on May 20, 2004, and the plan was assumed by the Company upon the merger between The Procter & Gamble Company and The Gillette Company. All options became immediately vested and exercisable on October 1, 2005 as a result of the merger. After the merger, all outstanding options became options to purchase

shares of The Procter & Gamble Company subject to an exchange ratio of .975 shares of P&G stock per share of Gillette stock. Only employees previously employed by The Gillette Company prior to October 1, 2005 are eligible to receive grants under this plan.

The plan was designed to attract, retain and motivate employees of The Gillette Company and, until the effective date of the merger between The Gillette Company and The Procter & Gamble Company, non-employee members of the Gillette Board of Directors. Under the plan, eligible participants are: (i) granted or offered the right to purchase stock options, (ii) granted stock appreciation rights and/or (iii) granted shares of the Company's common stock or restricted stock units (and dividend equivalents). Subject to adjustment for changes in the Company's capitalization and the addition of any shares authorized but not issued or redeemed under The Gillette Company 1971 Stock Option Plan, the number of shares to be granted under the plan is not to exceed 19,000,000 shares.

Except in the case of death of the recipient, all stock options and stock appreciation rights must expire no later than ten years from the date of grant. The exercise price for all stock options granted under the plan must be equal to or greater than the fair market value of the Company's stock on the date of grant. Any common stock awarded under the plan may be subject to restrictions on sale or transfer while the recipient is employed, as the committee administering the plan may determine.

If a recipient of a grant leaves the Company while holding an unexercised option or right: (1) any unexercisable portions immediately become void, except in the case of death, retirement, special separation (as those terms are defined in the

plan) or any grants as to which the Compensation Committee of the Board of Directors has waived the termination provisions; and (2) any exercisable portions immediately become void, except in the case of death, retirement, special separation, voluntary resignation that is not for Good Reason (as those terms are defined in the plan) or any grants as to which the Compensation Committee of the Board of Directors has waived the termination provisions.

Additional information required by this item is incorporated by reference to the 2016 Proxy Statement filed pursuant to Regulation 14A, beginning with the section entitled Security Ownership of Management and Certain Beneficial Owners and up to but not including the section entitled Section 16(a) Beneficial Ownership Reporting Compliance.

Item 13. Certain Relationships and Related Transactions and Director Independence.

The information required by this item is incorporated by reference to the following sections of the 2016 Proxy Statement filed pursuant to Regulation 14A: the subsections of the Corporate Governance section entitled Director Independence and Review and Approval of Transactions with Related Persons.

Item 14. Principal Accountant Fees and Services.

The information required by this item is incorporated by reference to the following section of the 2016 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, 2016, 2015 and 2014

- Consolidated Statements of Other Comprehensive Income - for years ended June 30, 2016, 2015 and 2014
- Consolidated Balance Sheets - as of June 30, 2016 and 2015
- Consolidated Statements of Shareholders' Equity - for years ended June 30, 2016, 2015 and 2014
- Consolidated Statements of Cash Flows - for years ended June 30, 2016, 2015 and 2014
- 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 (2-1) - First, Second and Third Amendments to the Transaction Agreement dated as of July 8, 2015 among The Procter & Gamble Company, Coty Inc., Galleria Co. and Green Acquisition Sub Inc. + **
- 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). +
- (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). +
- Exhibit (4-1) - Indenture, dated as of September 3, 2009, between the Company and Deutsche Bank Trust Company Americas, as Trustee (Incorporated by reference to Exhibit (4-1) of the Company's Annual Report on Form 10-K for the year ended June 30, 2015).
- Exhibit (10-1) - The Procter & Gamble 2001 Stock and Incentive Compensation Plan (as amended on August 17, 2007), 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 Form 10-Q for the quarter ended March 31, 2013), 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, 2013).*
- (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, 2013).*
- (10-4) - The Procter & Gamble Deferred Compensation Plan for Directors (as amended December 12, 2006), which was originally adopted by the Board of Directors on September 9, 1980 (Incorporated by reference to Exhibit (10-4) of the Company's Annual Report on Form 10-K for the year ended June 30, 2012).*
- (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, 2013).*
- (10-6) - Summary of the Company's Key Manager Long-Term Incentive Program +; related correspondence and terms and conditions (Incorporated by reference to Exhibit (10-6) of the Company's Form 10-Q for the quarter ended September 30, 2015).*
- (10-7) - The Procter & Gamble Future Shares Plan (as adjusted for the stock split effective May 21, 2004), which was originally adopted by the Board of Directors on October 14, 1997 (Incorporated by reference to Exhibit (10-7) of the Company's Annual Report on Form 10-K for the year ended June 30, 2015).*
- (10-8) - The Procter & Gamble 2003 Non-Employee Directors' Stock Plan (as amended in August 2007), 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 (10-1) of the Company's Form 10-Q for the quarter ended September 30, 2012).*
- (10-9) - The Procter & Gamble Company Executive Deferred Compensation Plan (Incorporated by reference to Exhibit (10-4) of the Company's Form 10-Q for the quarter ended December 31, 2013).*
- (10-10) - Summary of the Company's Short Term Achievement Reward Program +; related correspondence and terms and conditions (Incorporated by reference to Exhibit (10-2) of the Company's Form 10-Q for the quarter ended September 30, 2015).*
- (10-11) - Company's Forms of Separation Agreement & Release (Incorporated by reference to Exhibit (10-1) of the Company's Form 10-Q for the quarter ended March 31, 2015).*
- (10-12) - Summary of personal benefits available to certain officers and non-employee directors (Incorporated by reference to Exhibit (10-1) of the Company's Form 10-Q for the quarter ended September 30, 2013).*
- (10-13) - The Gillette Company 2004 Long-Term Incentive Plan (as amended on August 14, 2007) (Incorporated by reference to Exhibit (10-4) of the Company's Form 10-Q for the quarter ended September 30, 2012).*
- (10-14) - The Gillette Company Executive Life Insurance Program (Incorporated by reference to Exhibit (10-15) of the Company's Annual Report on Form 10-K for the year ended June 30, 2012).*
- (10-15) - The Gillette Company Personal Financial Planning Reimbursement Program (Incorporated by reference to Exhibit (10-16) of the Company's Annual Report on Form 10-K for the year ended June 30, 2012).*
- (10-16) - The Gillette Company Senior Executive Financial Planning Program (Incorporated by reference to Exhibit (10-17) of the Company's Annual Report on Form 10-K for the year ended June 30, 2012).*
- (10-17) - The Gillette Company Estate Preservation (Incorporated by reference to Exhibit (10-18) of the Company's Annual Report on Form 10-K

for the year ended June 30, 2012).*

- (10-18) - The Gillette Company Deferred Compensation Plan (Incorporated by reference to Exhibit (10-19) of the Company's Annual Report on Form 10-K for the year ended June 30, 2012).*

- (10-19) - Senior Executive Recoupment Policy (Incorporated by reference to Exhibit (10-20) of the Company's Annual Report on Form 10-K for the year ended June 30, 2012).*
- (10-20) - The Gillette Company Deferred Compensation Plan (for salary deferrals prior to January 1, 2005) as amended through August 21, 2006 (Incorporated by reference to Exhibit (10-21) of the Company's Annual Report on Form 10-K for the year ended June 30, 2012).*
- (10-21) - The Procter & Gamble 2009 Stock and Incentive Compensation Plan, which was originally adopted by shareholders at the annual meeting on October 13, 2009 (Incorporated by reference to Exhibit (10-3) of the Company's Form 10-Q for the quarter ended December 31, 2011), 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 (10-1) of the Company's Form 10-Q for the quarter ended December 31, 2012).*
- (10-22) - The Procter & Gamble 2009 Stock and Incentive Compensation Plan - Additional terms and conditions and related correspondence (Incorporated by reference to Exhibit (10-2) of the Company Form 10-Q for the quarter ended December 31, 2013).*
- (10-23) - The Procter & Gamble Performance Stock Program Summary +; related correspondence and terms and conditions (Incorporated by reference to Exhibit (10-4) of the Company's Form 10-Q for the quarter ended September 30, 2015).*
- (10-24) - The Procter & Gamble 2013 Non-Employee Directors' Stock Plan (Incorporated by reference to Exhibit 10-3 of the Company's Form 10-Q for the quarter ended December 31, 2013).*
- (10-25) - The Procter & Gamble 2014 Stock and Incentive Compensation Plan, which was originally adopted by shareholders at the annual meeting on October 14, 2014 +; 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 (10-2) of the Company's Form 10-Q for the quarter ended March 31, 2015).*
- (10-26) - The Procter & Gamble 2014 Stock and Incentive Compensation Plan - Additional terms and conditions (Incorporated by reference to Exhibit (10-9) of the Company's Form 10-Q for the quarter ended September 30, 2015), 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, 2015).*
- (10-27) - Summary of the Company's Retirement Plan Restoration Program +; 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).*
- Exhibit (12) - Computation of Ratio of Earnings to Fixed Charges. +
- Exhibit (21) - Subsidiaries of the Registrant. +
- Exhibit (23) - Consent of Independent Registered Public Accounting Firm. +
- Exhibit (31) - Rule 13a-14(a)/15d-14(a) Certifications. +
- Exhibit (32) - Section 1350 Certifications. +
- Exhibit (99-1) - Summary of Directors and Officers Insurance Program. +
- 101.INS (1) XBRL Instance Document
- 101.SCH (1) XBRL Taxonomy Extension Schema Document
- 101.CAL (1) XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF (1) XBRL Taxonomy Definition Linkbase Document
- 101.LAB (1) XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE (1) XBRL Taxonomy Extension Presentation Linkbase Document

- (1) Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

* Compensatory plan or arrangement.

+ Filed herewith.

** Schedules and similar attachments of the Third Amendment have been omitted pursuant to Item 601(b)(2) of Regulation S-K. These exhibits and attachments consist of (I) Attachment to Schedule 1.05(b)(ii) Excluded Trademarks, (II) Attachment 3-C to Schedule 1.05(a) (vii) Additional Caldera Domain Names, (III) Parent Shared Technology License Agreement, (IV) Section 1.05(a)(xx) Acquired Codes, (V) Section 5.21(k) Shared Codes and (VI) Exhibit R Galleria Business Acquired Plans. The Company agrees to furnish supplementally to the SEC, upon request, a copy of all omitted schedules and attachments.

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 9, 2016

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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ DAVID S. TAYLOR</u> (David S. Taylor)	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	August 9, 2016
<u>/s/ JON R. MOELLER</u> (Jon R. Moeller)	Chief Financial Officer (Principal Financial Officer)	August 9, 2016
<u>/s/ VALARIE L. SHEPPARD</u> (Valarie L. Sheppard)	Senior Vice President, Comptroller & Treasurer (Principal Accounting Officer)	August 9, 2016
<u>/s/ FRANCIS S. BLAKE</u> (Francis S. Blake)	Director	August 9, 2016
<u>/s/ ANGELA F. BRALY</u> (Angela F. Braly)	Director	August 9, 2016
<u>/s/ KENNETH I. CHENAULT</u> (Kenneth I. Chenault)	Director	August 9, 2016
<u>/s/ SCOTT D. COOK</u> (Scott D. Cook)	Director	August 9, 2016
<u>/s/ SUSAN DESMOND-HELLMANN</u> (Susan Desmond-Hellmann)	Director	August 9, 2016
<u>/s/ TERRY J. LUNDGREN</u> (Terry J. Lundgren)	Director	August 9, 2016
<u>/s/ W. JAMES MCNERNEY, JR.</u> (W. James McNerney, Jr.)	Director	August 9, 2016
<u>/s/ MARGARET C. WHITMAN</u> (Margaret C. Whitman)	Director	August 9, 2016
<u>/s/ PATRICIA A. WOERTZ</u> (Patricia A. Woertz)	Director	August 9, 2016
<u>/s/ ERNESTO ZEDILLO</u> (Ernesto Zedillo)	Director	August 9, 2016

EXHIBIT INDEX

Exhibit	(2-1) -	First, Second and Third Amendments to the Transaction Agreement dated as of July 8, 2015 among The Procter & Gamble Company, Coty Inc., Galleria Co. and Green Acquisition Sub Inc. + **
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). +
	(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). +
Exhibit	(4-1) -	Indenture, dated as of September 3, 2009, between the Company and Deutsche Bank Trust Company Americas, as Trustee (Incorporated by reference to Exhibit (4-1) of the Company's Annual Report on Form 10-K for the year ended June 30, 2015).
Exhibit	(10-1) -	The Procter & Gamble 2001 Stock and Incentive Compensation Plan (as amended on August 17, 2007), 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 Form 10-Q for the quarter ended March 31, 2013), 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, 2013).
	(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, 2013).
	(10-4) -	The Procter & Gamble Deferred Compensation Plan for Directors (as amended December 12, 2006), which was originally adopted by the Board of Directors on September 9, 1980 (Incorporated by reference to Exhibit (10-4) of the Company's Annual Report on Form 10-K for the year ended June 30, 2012).
	(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, 2013).
	(10-6) -	Summary of the Company's Key Manager Long-Term Incentive Program +; related correspondence and terms and conditions (Incorporated by reference to Exhibit (10-6) of the Company's Form 10-Q for the quarter ended September 30, 2015).
	(10-7) -	The Procter & Gamble Future Shares Plan (as adjusted for the stock split effective May 21, 2004), which was originally adopted by the Board of Directors on October 14, 1997 (Incorporated by reference to Exhibit (10-7) of the Company's Annual Report on Form 10-K for the year ended June 30, 2015).
	(10-8) -	The Procter & Gamble 2003 Non-Employee Directors' Stock Plan (as amended in August 2007), 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 (10-1) of the Company's Form 10-Q for the quarter ended September 30, 2012).
	(10-9) -	The Procter & Gamble Company Executive Deferred Compensation Plan (Incorporated by reference to Exhibit (10-4) of the Company's Form 10-Q for the quarter ended December 31, 2013).
	(10-10) -	Summary of the Company's Short Term Achievement Reward Program +; related correspondence and terms and conditions (Incorporated by reference to Exhibit (10-2) of the Company's Form 10-Q for the quarter ended September 30, 2015).
	(10-11) -	Company's Forms of Separation Agreement & Release (Incorporated by reference to Exhibit (10-1) of the Company's Form 10-Q for the quarter ended March 31, 2015).
	(10-12) -	Summary of personal benefits available to certain officers and non-employee directors (Incorporated by reference to Exhibit (10-1) of the Company's Form 10-Q for the quarter ended September 30, 2013).
	(10-13) -	The Gillette Company 2004 Long-Term Incentive Plan (as amended on August 14, 2007) (Incorporated by reference to Exhibit (10-4) of the Company's Form 10-Q for the quarter ended September 30, 2012).
	(10-14) -	The Gillette Company Executive Life Insurance Program (Incorporated by reference to Exhibit (10-15) of the Company's Annual Report on Form 10-K for the year ended June 30, 2012).
	(10-15) -	The Gillette Company Personal Financial Planning Reimbursement Program (Incorporated by reference to Exhibit (10-16) of the Company's Annual Report on Form 10-K for the year ended June 30, 2012).
	(10-16) -	The Gillette Company Senior Executive Financial Planning Program (Incorporated by reference to Exhibit (10-17) of the Company's Annual Report on Form 10-K for the year ended June 30, 2012).
	(10-17) -	The Gillette Company Estate Preservation (Incorporated by reference to Exhibit (10-18) of the Company's Annual Report on Form 10-K

for the year ended June 30, 2012).

- (10-18) - The Gillette Company Deferred Compensation Plan (Incorporated by reference to Exhibit (10-19) of the Company's Annual Report on Form 10-K for the year ended June 30, 2012).

- (10-19) - Senior Executive Recoupment Policy (Incorporated by reference to Exhibit (10-20) of the Company's Annual Report on Form 10-K for the year ended June 30, 2012).
- (10-20) - The Gillette Company Deferred Compensation Plan (for salary deferrals prior to January 1, 2005) as amended through August 21, 2006 (Incorporated by reference to Exhibit (10-21) of the Company's Annual Report on Form 10-K for the year ended June 30, 2012).
- (10-21) - The Procter & Gamble 2009 Stock and Incentive Compensation Plan, which was originally adopted by shareholders at the annual meeting on October 13, 2009 (Incorporated by reference to Exhibit (10-3) of the Company's Form 10-Q for the quarter ended December 31, 2011), 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 (10-1) of the Company's Form 10-Q for the quarter ended December 31, 2012).
- (10-22) - The Procter & Gamble 2009 Stock and Incentive Compensation Plan - Additional terms and conditions and related correspondence (Incorporated by reference to Exhibit (10-2) of the Company Form 10-Q for the quarter ended December 31, 2013).
- (10-23) - The Procter & Gamble Performance Stock Program Summary +; related correspondence and terms and conditions (Incorporated by reference to Exhibit (10-4) of the Company's Form 10-Q for the quarter ended September 30, 2015).
- (10-24) - The Procter & Gamble 2013 Non-Employee Directors' Stock Plan (Incorporated by reference to Exhibit 10-3 of the Company's Form 10-Q for the quarter ended December 31, 2013).
- (10-25) - The Procter & Gamble 2014 Stock and Incentive Compensation Plan, which was originally adopted by shareholders at the annual meeting on October 14, 2014 +; 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 (10-2) of the Company's Form 10-Q for the quarter ended March 31, 2015).
- (10-26) - The Procter & Gamble 2014 Stock and Incentive Compensation Plan - Additional terms and conditions (Incorporated by reference to Exhibit (10-9) of the Company's Form 10-Q for the quarter ended September 30, 2015), 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, 2015).
- (10-27) - Summary of the Company's 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).

- Exhibit (12) - Computation of Ratio of Earnings to Fixed Charges. +
- Exhibit (21) - Subsidiaries of the Registrant. +
- Exhibit (23) - Consent of Independent Registered Public Accounting Firm. +
- Exhibit (31) - Rule 13a-14(a)/15d-14(a) Certifications. +
- Exhibit (32) - Section 1350 Certifications. +
- Exhibit (99-1) - Summary of Directors and Officers Insurance Program. +

- 101.INS (1) XBRL Instance Document
- 101.SCH (1) XBRL Taxonomy Extension Schema Document
- 101.CAL (1) XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF (1) XBRL Taxonomy Definition Linkbase Document
- 101.LAB (1) XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE (1) XBRL Taxonomy Extension Presentation Linkbase Document

- (1) Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

+ Filed herewith.

** Schedules and similar attachments of the Third Amendment have been omitted pursuant to Item 601(b)(2) of Regulation S-K. These exhibits and attachments consist of (I) Attachment to Schedule 1.05(b)(ii) Excluded Trademarks, (II) Attachment 3-C to Schedule 1.05(a) (vii) Additional Caldera Domain Names, (III) Parent Shared Technology License Agreement, (IV) Section 1.05(a)(xx) Acquired Codes, (V) Section 5.21(k) Shared Codes and (VI) Exhibit R Galleria Business Acquired Plans. The Company agrees to furnish supplementally to the SEC, upon request, a copy of all omitted schedules and attachments.

Section 2: EX-2.1 (EXHIBIT 2.1 AMENDMENTS TO AGREEMENT AMONG P&G, COTY, GALLERIA, GREEN ACQ SUB)

EXHIBIT (2-1)

**First, Second and Third Amendments to the Transaction Agreement, Dated as of July 8, 2015,
among The Procter & Gamble Company, Coty Inc., Galleria Co. and Green Acquisition Sub Inc.**

Coty Inc.
350 Fifth Avenue
New York, NY 10018

August 13, 2015

The Procter & Gamble Company
One Procter & Gamble Plaza
Cincinnati, Ohio 45202
Attention: Corporate Secretary and Jason Muncy, Associate General Counsel - Global Transactions

Ladies and Gentlemen:

Reference is made to the Transaction Agreement, dated as of July 8, 2015 (the "Transaction Agreement"), by and among The Procter & Gamble Company, Galleria Co., Coty Inc. and Green Acquisition Sub Inc. Capitalized terms used but not defined in this letter agreement have the meanings ascribed to them in the Transaction Agreement.

Each of the Parties agrees as follows:

1. Share Repurchase Program.

(a) Section 5.06 of the Acquiror Disclosure Letter is hereby amended such that the following disclosure will be added as a new Paragraph 7:

7. Subject to compliance with all applicable Laws, Acquiror may repurchase shares of Class A Common Stock (any such shares repurchased, the "Repurchased Shares") in open-market purchases pursuant to a valid trading plan adopted under Rule 10b5-1 promulgated under the Exchange Act, which plan will be adopted by August 21, 2015 (and such plan will not be subsequently amended without the consent of Parent, such consent not to be unreasonably withheld, conditioned or delayed) and which purchases may take place at any time or from time to time after such date of adoption and through the 30th calendar day prior to the Commencement Date (and any Repurchased Shares may be retired or extinguished), provided that (a) the aggregate repurchase price therefor will not exceed \$750.0 million and (b) all such purchases will be effected in a manner that satisfies all of the conditions set forth in clauses (1)-(4) of sub-paragraph (b) of Rule 10b-18 promulgated under the Exchange Act.

(b) Article XI is hereby amended such that the following definition is added to such Article:

"Repurchased Shares" has the meaning set forth in Section 5.06 of the Acquiror Disclosure Letter.

2. Other Transaction Agreement and Exhibit Amendments. The Transaction Agreement and exhibits thereto are hereby amended as follows:

(a) The definition of "Fully Diluted Basis" is hereby amended so as to add in the text indicated below in bold underline:

"Fully Diluted Basis" means, in each case as of the date on which the Galleria Stock Amount is determined:

(a) the aggregate number of shares of Class A Common Stock and Series A Preferred Stock that are outstanding on such date **(provided that, for purposes of this determination, any Repurchased Shares will be deemed to constitute outstanding shares of Class A Common Stock), plus**

(b) the aggregate number of Acquiror Equity Interests, other than Series A Preferred Stock, that are outstanding on such date (including restricted stock units, Phantom Units, Acquiror Options and any shares of Class B Common Stock that will

be converted into Class A Common Stock as contemplated by the JAB Letter Agreement) of any nature whatsoever, whether contingent, vested or unvested, or otherwise (and without giving effect to any “cashless exercise” or similar features);

in each case other than, for the avoidance of doubt, the shares of the Acquiror New Common Stock issued or to be issued in the Merger. A sample calculation of Fully Diluted Basis is attached hereto as Exhibit Q.

(b) Section 4.05(f)(i) of the Transaction Agreement is hereby amended so as to add in the text indicated below in bold underline:

(f) As of the date on which the Galleria Stock Amount is calculated through the Closing Date, the Fully Diluted Basis will be equal to:

(i) 374,890,092, representing the aggregate number of shares of Acquiror Common Stock and Acquiror Options outstanding as of the date hereof **(it being understood that any Repurchased Shares will be deemed to constitute outstanding shares of Class A Common Stock for purposes of the calculation of the Fully Diluted Basis)**, plus

(c) Exhibit E (Minimum Tender Condition Formula) and Exhibit Q (Sample Calculation of Fully Diluted Basis) are each hereby amended such that the following sentence will be added to the bottom of each Exhibit:

In the event that there are any Repurchased Shares, all such Repurchased Shares will be deemed to constitute outstanding shares of Class A Common Stock, and therefore will be included in the calculation of “Fully Diluted Basis,” consistent with the definition thereof. For example, if there were originally 98,799,798 outstanding shares of Class A Common Stock, and 20,000,000 of those shares are repurchased by Acquiror in connection with the activities contemplated by Paragraph 7 of Section 5.06 of the Acquiror Disclosure Letter, those 20,000,000 shares of Class A Common Stock will continue to be deemed to be outstanding for the purpose of the calculations reflected on this Exhibit (and therefore there will continue to be 98,799,798 shares of Class A Common Stock that are deemed to be outstanding).

(d) Prior to execution of the Tax Matters Agreement, Section 4.01(d)(ii)(t) of the form of the Tax Matters Agreement attached as Exhibit H to the Transaction Agreement will be amended as follows: “(t) all repurchases by Acquiror or any Affiliate of Acquiror stock (other than any such repurchases permitted by the letter agreement, dated as of August 13, 2015, among the Parties) have been unrelated to the Transactions”.

3. Effect of Letter Agreement. This letter agreement constitutes a valid amendment of the Transaction Agreement (including Exhibit E, Exhibit Q and Section 5.06 of the Acquiror Disclosure Letter) as contemplated by Section 10.06 of the Transaction Agreement. Except as and to the extent expressly modified by this letter agreement, the Transaction Agreement, as so amended by this letter agreement, will remain in full force and effect in all respects. Each reference to “hereof,” “herein,” “hereby” and “this Agreement” in the Transaction Agreement will from and after the effective date hereof refer to the Transaction Agreement as amended by this letter agreement. Notwithstanding anything to the contrary in this letter agreement, the date of the Transaction Agreement, as amended hereby, will in all instances remain as July 8, 2015, and any references in the Transaction Agreement to “the date first above written,” “the date of this Agreement,” “the date hereof” and similar references will continue to refer to July 8, 2015, including, without limitation, for purposes of Article III and Article IV of the Transaction Agreement.

4. Entire Agreement. This letter agreement, together with the Transaction Agreement and the Ancillary Agreements, including any related annexes, schedules and exhibits, as well as any other agreements and documents referred to herein and therein, will together constitute the entire agreement between the Parties with respect to the subject matter hereof and thereof and will supersede all prior

negotiations, agreements and understandings of the Parties of any nature, whether oral or written, with respect to such subject matter.

5. Governing Law; Jurisdiction; Waiver of Jury Trial. Sections 10.04(a), (b) and (c) (Governing Law; Jurisdiction; Waiver of Jury Trial), in each case, of the Transaction Agreement are incorporated into this letter agreement by reference as if fully set forth herein, *mutatis mutandis*.

6. Notices. All notices, requests, permissions, waivers and other communications hereunder will be in writing and sent pursuant to the requirements of Section 10.05 of the Transaction Agreement.

7. No Third-Party Beneficiaries. This letter agreement is solely for the benefit of the Parties and does not confer on third parties (including any employees of any member of the Parent Group or the Acquiror Group) any remedy, claim, reimbursement, claim of action or other right in addition to those existing without reference to this letter agreement.

8. Construction. The descriptive headings herein are inserted for convenience of reference only and are not intended to be a substantive part of or to affect the meaning or interpretation of this letter agreement.

9. Counterparts. This letter agreement may be executed in multiple counterparts (any one of which need not contain the signatures of more than one Party), each of which will be deemed to be an original but all of which taken together will constitute one and the same agreement. This letter agreement, to the extent signed and delivered by means of a facsimile machine or other electronic transmission, will be treated in all manner and respects as an original agreement and will be considered to have the same binding legal effects as if it were the original signed version thereof delivered in person. At the request of any Party, the other Party will re-execute original forms thereof and deliver them to the requesting Party.

[Signature Page Follows]

Please confirm that the foregoing is in accordance with your understanding by signing and returning to us a countersigned copy of this letter, which shall thereupon constitute a binding agreement as of the date first written above.

COTY INC.

By: /s/Patrice de Talhouët
Name: Patrice de Talhouët
Title: Chief Financial Officer

GREEN ACQUISITION SUB INC.

By: /s/Jules P. Kaufman
Name: Jules P. Kaufman
Title: President

ACKNOWLEDGED AND AGREED:

THE PROCTER & GAMBLE COMPANY

By: /s/ Laura Becker
Name: Laura Becker
Title: Authorized Signatory

GALLERIA CO.

By: /s/ Laura Becker
Name: Laura Becker
Title: Authorized Signatory

Coty Inc.
350 Fifth Avenue
New York, NY 10018

February 19, 2016

The Procter & Gamble Company
One Procter & Gamble Plaza
Cincinnati, Ohio 45202
Attention: Corporate Secretary and Jason Muncy, Associate General Counsel - Global Transactions

Ladies and Gentlemen:

Reference is made to the Transaction Agreement, dated as of July 8, 2015 (as amended, the "Transaction Agreement"), by and among The Procter & Gamble Company, Galleria Co., Coty Inc. and Green Acquisition Sub Inc. Capitalized terms used but not defined in this letter agreement have the meanings ascribed to them in the Transaction Agreement.

Each of the Parties agrees as follows:

1. Share Repurchase Program.

8: (a) Section 5.06 of the Acquiror Disclosure Letter is hereby amended such that the following disclosure will be added as a new Paragraph

8. Subject to compliance with all applicable Laws, Acquiror may repurchase shares of Class A Common Stock (any such shares repurchased, the "Subsequent Repurchased Shares") in open-market purchases pursuant to a valid trading plan adopted under Rule 10b5-1 promulgated under the Exchange Act, which plan will not be subsequently amended without the consent of Parent, such consent not to be unreasonably withheld, conditioned or delayed) and which purchases may take place at any time or from time to time after such date of adoption and through the 30th calendar day prior to the Commencement Date (and any Subsequent Repurchased Shares may be retired or extinguished), provided that (a) the aggregate repurchase price therefor will not exceed \$500.0 million and (b) all such purchases will be effected in a manner that satisfies all of the conditions set forth in clauses (1)-(4) of sub-paragraph (b) of Rule 10b-18 promulgated under the Exchange Act.

(b) Article XI is hereby amended such that the following definition is added to such Article:

"Subsequent Repurchased Shares" has the meaning set forth in Section 5.06 of the Acquiror Disclosure Letter.

2. Other Transaction Agreement and Exhibit Amendments. The Transaction Agreement and exhibits thereto are hereby amended as follows:

(a) The definition of "Fully Diluted Basis" is hereby amended so as to add in the text indicated below in bold underline:

"Fully Diluted Basis" means, in each case as of the date on which the Galleria Stock Amount is determined:

(a) the aggregate number of shares of Class A Common Stock and Series A Preferred Stock that are outstanding on such date (provided that, for purposes of this determination, any Repurchased Shares and Subsequent Repurchased Shares will be deemed to constitute outstanding shares of Class A Common Stock), plus

(b) the aggregate number of Acquiror Equity Interests, other than Series A Preferred Stock, that are outstanding on such date (including restricted stock units, Phantom Units, Acquiror Options and any shares of Class B Common Stock that will be converted into Class A Common Stock as contemplated by the JAB Letter Agreement) of any nature whatsoever, whether contingent, vested or unvested, or otherwise (and without giving effect to any “cashless exercise” or similar features);

in each case other than, for the avoidance of doubt, the shares of the Acquiror New Common Stock issued or to be issued in the Merger. A sample calculation of Fully Diluted Basis is attached hereto as Exhibit Q.

(b) Section 4.05(f)(i) of the Transaction Agreement is hereby amended so as to add in the text indicated below in bold underline:

(f) As of the date on which the Galleria Stock Amount is calculated through the Closing Date, the Fully Diluted Basis will be equal to:

(i) 374,890,092, representing the aggregate number of shares of Acquiror Common Stock and Acquiror Options outstanding as of the date hereof (it being understood that any Repurchased Shares and any Subsequent Repurchased Shares will be deemed to constitute outstanding shares of Class A Common Stock for purposes of the calculation of the Fully Diluted Basis), plus

(c) Exhibit E (Minimum Tender Condition Formula) and Exhibit Q (Sample Calculation of Fully Diluted Basis) are each hereby amended so as to add in the text indicated below in bold underline to the following sentence at the bottom of each Exhibit:

In the event that there are any Repurchased Shares or Subsequent Repurchased Shares, all such Repurchased Shares and Subsequent Repurchased Shares will be deemed to constitute outstanding shares of Class A Common Stock, and therefore will be included in the calculation of “Fully Diluted Basis,” consistent with the definition thereof. For example, if there were originally 98,799,798 outstanding shares of Class A Common Stock, and 20,000,000 of those shares are repurchased by Acquiror in connection with the activities contemplated by Paragraph 7 or Paragraph 8 of Section 5.06 of the Acquiror Disclosure Letter, those 20,000,000 shares of Class A Common Stock will continue to be deemed to be outstanding for the purpose of the calculations reflected on this Exhibit (and therefore there will continue to be 98,799,798 shares of Class A Common Stock that are deemed to be outstanding).

(d) Prior to execution of the Tax Matters Agreement, Section 4.01(d)(ii)(t) of the form of the Tax Matters Agreement attached as Exhibit H to the Transaction Agreement will be amended as follows: “(t) all repurchases by Acquiror or any Affiliate of Acquiror stock (other than any such repurchases permitted by the letter agreements, dated as of August 13, 2015 and as of February 19, 2016, among the Parties) have been unrelated to the Transactions”.

3. Effect of Letter Agreement. This letter agreement constitutes a valid amendment of the Transaction Agreement (including Exhibit E, Exhibit Q and Section 5.06 of the Acquiror Disclosure Letter) as contemplated by Section 10.06 of the Transaction Agreement. Except as and to the extent expressly modified by this letter agreement, the Transaction Agreement, as so amended by this letter agreement, will remain in full force and effect in all respects. Each reference to “hereof,” “herein,” “hereby” and “this Agreement” in the Transaction Agreement will from and after the effective date hereof refer to the Transaction Agreement as amended by this letter agreement. Notwithstanding anything to the contrary in this letter agreement, the date of the Transaction Agreement, as amended hereby, will in all instances remain as July 8, 2015, and any references in the Transaction Agreement to “the date first above written,” “the date of this Agreement,” “the date hereof” and similar references will continue to refer to July 8, 2015, including, without limitation, for purposes of Article III and Article IV of the Transaction Agreement.

4. Entire Agreement. This letter agreement, together with the Transaction Agreement and the Ancillary Agreements, including any related annexes, schedules and exhibits, as well as any other agreements and documents referred to herein and therein, will together constitute the entire agreement between the Parties with respect to the subject matter hereof and thereof and will supersede all prior negotiations, agreements and understandings of the Parties of any nature, whether oral or written, with respect to such subject matter.

5. Governing Law; Jurisdiction; Waiver of Jury Trial. Sections 10.04(a), (b) and (c) (Governing Law; Jurisdiction; Waiver of Jury Trial), in each case, of the Transaction Agreement are incorporated into this letter agreement by reference as if fully set forth herein, *mutatis mutandis*.

6. Notices. All notices, requests, permissions, waivers and other communications hereunder will be in writing and sent pursuant to the requirements of Section 10.05 of the Transaction Agreement.

7. No Third-Party Beneficiaries. This letter agreement is solely for the benefit of the Parties and does not confer on third parties (including any employees of any member of the Parent Group or the Acquiror Group) any remedy, claim, reimbursement, claim of action or other right in addition to those existing without reference to this letter agreement.

8. Construction. The descriptive headings herein are inserted for convenience of reference only and are not intended to be a substantive part of or to affect the meaning or interpretation of this letter agreement.

9. Counterparts. This letter agreement may be executed in multiple counterparts (any one of which need not contain the signatures of more than one Party), each of which will be deemed to be an original but all of which taken together will constitute one and the same agreement. This letter agreement, to the extent signed and delivered by means of a facsimile machine or other electronic transmission, will be treated in all manner and respects as an original agreement and will be considered to have the same binding legal effects as if it were the original signed version thereof delivered in person. At the request of any Party, the other Party will re-execute original forms thereof and deliver them to the requesting Party.

[Signature Page Follows]

Please confirm that the foregoing is in accordance with your understanding by signing and returning to us a countersigned copy of this letter, which shall thereupon constitute a binding agreement as of the date first written above.

COTY INC.

By: /s/Jules P. Kaufman
Name: Jules P. Kaufman
Title: Senior Vice President, General Counsel and Secretary

GREEN ACQUISITION SUB INC.

By: /s/Jules P. Kaufman
Name: Jules P. Kaufman
Title: Director

ACKNOWLEDGED AND AGREED:

THE PROCTER & GAMBLE COMPANY

By: /s/Laura Becker
Name: Laura Becker
Title: Authorized Signatory

GALLERIA CO.

By: /s/Laura Becker
Name: Laura Becker
Title: Authorized Signatory

THIRD AMENDMENT TO TRANSACTION AGREEMENT

This Third Amendment to the Transaction Agreement (this “Amendment”), dated May 25, 2016, is by and among The Procter & Gamble Company, an Ohio corporation (“Parent”), Galleria Co., a Delaware corporation (“SplitCo”), Coty Inc., a Delaware corporation (“Acquiror”), and Green Acquisition Sub Inc., a Delaware corporation (“Merger Sub”), and amends that certain Transaction Agreement, dated July 8, 2015 and amended August 13, 2015 and February 19, 2016, by and among Parent, SplitCo, Acquiror and Merger Sub (the “Agreement”) and certain deliveries to be made thereunder, all as contemplated by Section 10.06 of the Agreement. The capitalized terms used but not defined herein shall have the meanings given to them in the Agreement.

NOW, THEREFORE, the Parties hereby agree as follows:

ARTICLE I AMENDMENTS

Section 1.1 Closing.

- a. Section 2.06 of the Agreement is hereby deleted in its entirety and replaced with:

Closing of the Merger. On the terms and subject to the conditions set forth in this Agreement, the consummation of the Merger (the “Closing”) will take place at Jones Day, 222 East 41st Street, New York, New York, at 10:00 a.m., local time, on the third Business Day after the satisfaction or waiver of the conditions set forth in Article VII (other than those conditions that by their nature or pursuant to the terms of this Agreement are to be satisfied at or immediately prior to the Closing, but subject to the satisfaction or, where permitted, the waiver of those conditions), unless another date or place is agreed to in writing by Parent and Acquiror. The date on which the Closing occurs is referred to as the “**Closing Date**.” For accounting purposes, the Closing will be deemed to have occurred (a) as of 11:59:59 pm local time on the Closing Date if the Closing Date is the last Business Day of a month, (b) as of 12:00:01 am local time on the Closing Date if the Closing Date is the first Business Day of a month, or (c) as of such time as the Parties may mutually agree in good faith if the Closing Date is not the first or last Business Day of a month.

- b. The definition of “Cut-Off Date” in the Agreement is hereby deleted in its entirety and replaced with:

“**Cut-Off Date**” means the date that is the last Business Day of the month that is the month prior to the month in which the anticipated Closing Date occurs (for example, if the Closing Date is expected to be June 30, 2016, then the Cut-Off Date would be May 31, 2016); provided, however, that if the Cut-Off Date would be less than 25 days prior to the Closing Date, then the Cut-Off Date will be the date that is the last Business Day of the month that is two months prior to the month in which the anticipated Closing Date occurs (for example, if the Closing Date is expected to be August 15, 2016, then the Cut-Off Date would be June 30, 2016).

- c. Section 5.21(e) of the Agreement is hereby deleted in its entirety and replaced with:

Transfer of Accounts Receivable. Prior to the Closing, Parent will cause (i) all accounts receivable that are either (A) primarily related to the Galleria Business and held by SplitCo or any Galleria Entity or (B) primarily related to the Salon Professional Business and (ii) all other rights to payment and security for payments to the extent they relate to the Galleria Business to be held by a member of the Galleria Group.

Section 1.2 Use of Parent Names and Marks.

- a. Section 5.17 to the Agreement is hereby amended so as to replace “for the six-month period following the Closing Date (the “Transition Period”)” with “for the Transition Period.”
- b. Article XI to the Agreement is hereby amended so as to add the following defined term:

“Transition Period” means (a) with respect to 50% of the product volume of the Galleria Business, the six-month period following the Closing Date, and (b) with respect to the remaining 50% of the product volume of the Galleria Business, the 12-month period following the Closing Date.

Section 1.3 Diamond Technology.

- a. Section 5.29 of the Agreement is hereby deleted in its entirety and replaced with:

[RESERVED]

- b. The definitions “Diamond Technology” and “Substitute Diamond Technology” in the Agreement are hereby deleted in their entirety.
- c. Item 4 under the “Caldera” heading on Schedule 1.05(b)(i) to the Agreement is hereby amended so as to reflect the below deletion:

Substitute Diamond Technology

Section 1.4 Amendment to Parent Shared Technology License Agreement (Exhibit N-1). Exhibit N-1 to the Agreement is hereby amended by deleting Exhibit N-1 in its entirety and replacing it with Exhibit N-1 to this Amendment.

Section 1.5 Non-Compete. Section 5.30(b) of the Agreement is hereby amended to add the following as a new clause (v):

- (v) the sourcing and application of any cosmetic products marketed under the SK-II brand to be applied to consumers only at SK-II counters during a consultation process.

Section 1.6 Liquid Whistle.

- a. The Disclosure Schedules to the Agreement are hereby amended by deleting the following in its entirety from Schedule 1.05(b)(ii) to the Agreement:

“Liquid Whistle Technology: the Liquid Whistle Patents listed on Attachment 4-C to this Schedule 1.05(b)(ii), together with all Trade Secrets and Copyrights owned by a member of the Parent Group and necessary to manufacture a product covered by a claim of the Liquid Whistle Patents, including the Technology and tangible assets associated with the tangible assets removed from at Caldera Facilities or modifications made to tangible assets at Caldera Facilities.”

- b. The Disclosure Schedules to the Agreement are hereby amended by adding the following to Schedule 1.05(b)(i) to the Agreement under the “Caldera,” “IP Related Assets” headings.

8. Liquid Whistle Technology: the Liquid Whistle Patents listed on Attachment 4-C to this Schedule 1.05(b)(i), together with all Trade Secrets and Copyrights owned by a member of the Parent Group and necessary to manufacture a product covered by a claim of the Liquid Whistle Patents.

- c. Attachment 4-C to Schedule 1.05(b)(ii) to the Agreement is hereby renamed Attachment 4-C to Schedule 1.05(b)(i).

- d. The Parent Disclosure Letter to the Agreement is hereby amended by removing the following in its entirety from Section 5.01(a) of the Parent Disclosure Letter:

“Equipment relating to Liquid Whistle color manufacturing technology will be excluded and removed from the Rothenkirchen, Germany, Mariscala, Mexico facilities and any other Caldera Facility.”

Section 1.7 Certain Excluded Assets.

- a. The Agreement is hereby amended to add the following as a new Section 5.31:

5.31 Certain Excluded Assets. Parent will use Commercially Reasonable Efforts to sell its facility in Sarreguemines, France and Ondal S.a.r.l., a French company wholly-owned by Parent, to a third party prior to the Business Transfer Time (the “French Plant Sale”). In connection with the French Plant Sale, Parent will enter into (1) a contract manufacturing agreement for the manufacture of the products of the Galleria Business made at the Sarreguemines, France facility, which agreement will be assignable to SplitCo, and (2) a contract manufacturing agreement for the manufacture of the Parent Group’s non-Galleria Business products. After the consummation of the French Plant Sale, if applicable, Parent will assign the contract manufacturing agreement for the products of the Galleria Business to SplitCo at the Business Transfer Time.

- b. Upon and subject to the consummation of the French Plant Sale, the Disclosure Schedules to the Agreement will automatically be amended to remove the following in its entirety from Attachment 1-C to Schedule 1.05(a)(iii) to the Agreement:

Ondal Sarreguemines Plant / Warehouse	Plant	2, rue Denis Papin Terrain Industriel / B.P. 305 Sarreguemines 57201 France	Own
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- c. Upon and subject to the consummation of the French Plant Sale, the Disclosure Schedules to the Agreement will automatically be amended to remove the following in its entirety from Schedule 1.05(a)(iv) to the Agreement:

Ondal France S.a.r.l.	France
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- d. Upon and subject to the consummation of the French Plant Sale, the Disclosure Schedules to the Agreement will automatically be amended to remove the following in its entirety from Schedule 1.05(a)(xix) to the Agreement:

Ondal France S.a.r.l.	EUR	France	Disbursement	xxxxxxx7009	Citibank
	EUR	France	Payroll	xxxxx7017	Citibank
	EUR	France	Payroll	xxxxxxx2702	HSBC

Section 1.8 Certain Galleria Entities.

- a. The Disclosure Schedules to the Agreement are hereby amended to add the following to Schedule 1.05(a)(iv) to the Agreement:

P&G Prestige Products NV	Belgium
P&G Prestige Products Limited	United Kingdom
LLC Capella	Russia
Cosmetic Suppliers Pty Ltd, trading as Wella Australia	Australia
Greshem Cosmetics Pty Ltd	Australia

Section 1.9 Certain Trademarks. The Disclosure Schedules to the Agreement are hereby amended to add the Trademarks set forth on Attachment A to this Amendment to Schedule 1.05(b)(ii) to the Agreement and, to the extent set forth on Schedule 1.05(a)(vii) or any Attachment thereto, to remove the Trademarks set forth on Attachment A from Schedule 1.05(a)(vii) or any Attachment thereto.

Section 1.10 Certain Domain Names. The Disclosure Schedules to the Agreement are hereby amended to add the Domain Names set forth on Attachment B to this Amendment to Attachment 3-C to Schedule 1.05(a)(vii) to the Agreement.

Section 1.11 Galleria Facilities.

- a. The Disclosure Schedules to the Agreement are hereby amended to delete the following from Attachment 1-C to Schedule 1.05(a)(iii) to the Agreement:

Wella/Londa Moscow Office	Office	B. Trekhgornyi pereulok 1 Buildings 1 and 6 Moscow 123022 Russian Federation	Lease
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- b. The Disclosure Schedules to the Agreement are hereby amended to add the following to Schedule 1.05(b)(i) to the Agreement:

The 13th, 14th and 15th floor in the Centro Lido building, Caracas, Venezuela, which are owned by the Parent Group.

Section 1.12 Inventory Build-Ups.

- a. Section 5.21(f)(iv) is hereby deleted in its entirety and replaced with:

“(iv) establish for the Galleria Entities an accumulation of inventory of all Products incorporating or manufactured using any of the Excluded Technologies set forth on Section 5.21(f) of the Parent Disclosure Letter that will not be licensed (other than pursuant to a sell-off license) to SplitCo following the Closing, which accumulation (A) with respect to item 1 on Section 5.21(f) of the Parent Disclosure Letter, is sufficient to meet sales of such Products for 12 months after the Closing Date, and (B) with respect to items 2 through 4 on Section 5.21(f) of the Parent Disclosure Letter, is sufficient to meet sales of such Products from the Closing through the 2016 holiday season, in each case, as measured by the average sales of such Products during the corresponding period in the three (3) years prior to Closing.”

- b. Section 5.21 is hereby amended so as to add a new Section 5.21(j) as follows:

(j) During the period between the Cut-Off Date and the Closing, in consultation with Acquiror, Parent will use its Commercially Reasonable Efforts to establish for the Galleria Entities a non-ordinary course accumulation of inventory of all Products of the Galleria Business. The Cut-Off Date Working Capital will include Parent’s good faith projection of the amount of such inventory that would be present as of the Closing Date.

Section 1.13 Adjustments to Recapitalization Amount.

- a. Section (g) of Schedule 1.09 is hereby amended so as to add the following text as a new clause (iii):

(iii) The adjustments to the Recapitalization Amount described in clauses (i) and (ii) above shall occur on the date that is 12 Business Days prior to the Business Transfer Time.

- b. Working Capital Adjustment:

- i. Section 2.15(c) is hereby deleted in its entirety and replaced with the following:

In the event that Acquiror delivers an Acquiror Objection to Parent, Acquiror and Parent will refer the disputed items in the Acquiror Objection to the Chief Financial Officer of Parent and the Chairman of the Board of Acquiror (or their designees) to make a final written determination as to each then-remaining disputed item, which written determination will be final and binding on the Parties as to each such disputed item. Following receipt of an Acquiror Objection, each of the Parties will cause

its respective officer or designee to negotiate in good faith to agree to the final written determination as to the then-remaining disputed items within two Business Days of Parent's receipt of the Acquiror Objection (and, in any event, no later than the 4th Business Day prior to the Closing Date).

- ii. Clause (iii) of Section 2.15(d) is hereby deleted in its entirety and replaced with the following:

“the date on which the Chief Executive Officer of Parent and Chairman of the Board of Acquiror make a final written determination with respect to any dispute relating to such Cut-Off Date Adjustment Statement pursuant to Section 2.15(c).”

- c. Section 5.27 is hereby amended so as to replace both instances of “prior to the Closing” with “no later than 12 Business Days prior to the Business Transfer Time.”
- d. Section 10.02(f) is hereby amended so as to replace “10th Business Day prior to the Closing Date” with “12th Business Day prior to the Business Transfer Time.”
- e. The last sentence in Item 3 of Section 1.05(a)(xiii) of the Parent Disclosure Letter is hereby deleted in its entirety and replaced with:

Any amount of the Galleria Business DC Plan Assets which is not transferred to the Galleria Group's applicable plan pursuant to the preceding sentence and is not reflected in the Cut-Off Date Adjustment Statement will either be deducted from the Recapitalization Amount or transferred by Parent to the Acquiror Group in cash as of 12 Business Days prior to the Closing Date, as determined by Parent in its sole discretion.

- f. Clause (ii)(B) in Item 4 of Section 1.05(a)(xiii) of the Parent Disclosure Letter is hereby deleted in its entirety and replaced with:

(B) an amount equal to the Final DB Actuarial Liabilities in respect of each Galleria Business DB Plan not described in clause (A), without interest or other earnings and losses, will be deducted from the Recapitalization Amount or transferred by Parent to the Acquiror Group in cash as of 12 Business Days prior to the Closing Date, as determined by Parent in its sole discretion.

Section 1.14 Credit Facility and Cash Distribution.

- a. Section 1.13(b) is hereby amended so as to replace “within seven days” with “within eight Business Days”.
- b. Section 1.13(c) is hereby amended so as to replace “within seven days” with “within eight Business Days”.

Section 1.15 UPC / EAN Codes.

- a. Section 1.05(a) of the Agreement is hereby amended to add the following as a new sub-clause (xx):
- (xx) the UPC, EAN and similar codes set forth on Section 1.05(a)(xx) of the Parent Disclosure Letter (the “Acquired Codes”).
- b. The Parent Disclosure Letter is hereby amended to add a new Section 1.05(a)(xx), as set forth on Attachment C hereto.
- c. The Agreement is hereby amended to add a new Section 5.21(k) as follows:
- Parent will be permitted to use (and for any Retained Business, transfer such permission to use) the Acquired Codes set forth on Section 5.21(k) of the Parent Disclosure Letter (the “Shared Codes”) until the second anniversary of the Closing.
- d. The definition of “Excluded IP Assets” in Article XI of the Agreement is hereby amended to add “, other than the Acquired Codes,” at the end of clause (a).

- e. The Parent Disclosure Letter is hereby amended to add a new Section 5.21(k), as set forth on Attachment D hereto.

Section 1.16 Packaging. The Agreement is hereby amended to add a new Section 5.21(l) as follows:

Subject to the terms and conditions of this Section 5.21(l), Acquiror, on behalf of itself and its Affiliates as necessary, hereby grants to the Parent Group a limited, non-transferable, non-sublicensable, non-exclusive, royalty-free license, until the earlier of the Closing Date or the termination of this Agreement pursuant to Article VIII, to use the Acquiror Names and Marks in connection with preparation by the Parent Group of artwork files for use by the Acquiror Group in connection with the Galleria Business following the Closing. Notwithstanding the foregoing, Parent may sublicense the Acquiror Names and Marks to Third Parties providing services to the Parent Group in connection with this Section 5.21(l) (provided that Parent will remain responsible for the actions of such Third Parties). Parent, in consultation with Acquiror, will prepare or cause to be prepared artwork files for use by the Acquiror Group in connection with the Galleria Business following the Closing. If the Agreement is terminated pursuant to Article VIII, then Acquiror will promptly reimburse Parent for any costs, expenses or other liabilities incurred by the Parent Group in connection with preparation of such artwork files. For purposes of this Section 5.21(l), “Acquiror Names and Marks” means the name and mark “Coty” (in any style or design and any Trademark derived from, confusingly similar to or including any of the foregoing).

Section 1.17 Non-Compete.

- a. Section 5.30(b)(i) of the Agreement is hereby deleted in its entirety and replaced with: “the operation of (x) any Restricted Business with respect to Covered Cosmetics Color Products in Brazil or (y) the Existing Parent Business;”

Section 1.18 Expatriate Employees.

- a. Section 6.04(g) of the Agreement is hereby deleted in its entirety and replaced with:

(g) Expatriate Employees. Without limiting the generality of Section 6.04(b), with respect to Continuing Employees who, as of immediately prior to the Closing, receive specific expatriate payments or benefits from Parent or its Subsidiaries (an “Expatriate Package,” and each such employee, an “Expatriate Employee”), the terms and conditions of employment to be presented to each such Expatriate Employee pursuant to Section 6.02(b) will be consistent with one of subsections (i), (ii) and (iii) of this Section 6.04(g). The obligations of Acquiror and SplitCo pursuant to Section 6.04(a) will continue to apply in the case of any Expatriate Employee, provided that, where applicable, an Expatriate Employee’s primary place of employment after the transfer contemplated by subsection (i) or (iii) of this Section 6.04(g) will be deemed to be the Expatriate Employee’s “primary place of employment immediately prior to the Closing” for purposes of Section 6.04(a).

(i) An offer made in accordance with this subsection will provide for the transfer, as soon as practicable following the Closing Date, of the Expatriate Employee’s primary place of employment to a location in his or her home country, provided that, during the Continuation Period, Acquiror and SplitCo will cause the Galleria Group to maintain a comparable Expatriate Package for the Expatriate Employee until the Expatriate Employee is returned to his or her home country and to pay the costs of repatriation for such Expatriate Employee to the same extent and on the same terms as provided for in Acquiror’s relocation policies applicable to similarly-situated employees of Acquiror and its Affiliates (a “Repatriation Offer”).

(ii) An offer made in accordance with this subsection will provide for the Expatriate Employee to be localized, as soon as practicable following the Closing Date, in the Expatriate Employee’s current host country pursuant to Acquiror’s localization policies applicable to similarly-situated employees of Acquiror and its Affiliates, provided that, during the Continuation Period, Acquiror and SplitCo will cause the Galleria Group to maintain a comparable Expatriate Package for the Expatriate Employee until the Expatriate Employee

is localized (a “Localization Offer”).

(iii) An offer made in accordance with this subsection will provide for the transfer, as soon as practicable following the Closing Date, of the Expatriate Employee’s primary place of employment to a location in a new host country in which the Expatriate Employee will be localized pursuant to Acquiror’s localization policies applicable to similarly-situated employees of Acquiror and its Affiliates, provided that, during the Continuation Period, Acquiror and SplitCo will cause the Galleria Group to maintain a comparable Expatriate Package for the Expatriate Employee until such transfer and to pay the costs of such transfer to the same extent and on the same terms as provided for in Acquiror’s relocation policies applicable to similarly-situated employees of Acquiror and its Affiliates (a “Transfer Offer”).

In the case of an Expatriate Employee who accepts a Repatriation Offer, the requirements of Section 6.04(b)(i) and Section 6.04(d) (including the amount of any Compensation Gap) will be determined without regard to the Expatriate Employee’s Expatriate Package and as if the Expatriate Employee had been returned to his or her home country immediately prior to the Closing. In the case of an Expatriate Employee who accepts a Localization Offer, the requirements of Section 6.04(b)(i) and Section 6.04(d) (including the amount of any Compensation Gap) will be determined after taking into account the Expatriate Employee’s Expatriate Package as part of the total direct compensation and employee benefits provided by Parent and its Subsidiaries immediately prior to the Closing. In the case of an Expatriate Employee who accepts a Transfer Offer, the requirements of Section 6.04(b)(i) and Section 6.04(d) (including the amount of any Compensation Gap) will be determined without regard to the Expatriate Employee’s Expatriate Package and as if the Expatriate Employee had been returned to his or her home country immediately prior to the Closing and will be determined in a manner that makes the Expatriate Employee whole (on a net after-Tax basis) for any variations in income tax treatment, cost of living and cost of housing between the employee’s former home country and new home/host country. In addition, with respect to any Expatriate Employee who rejects an offer of employment made pursuant to Section 6.02(b), any Liabilities arising from the resulting termination of such employee from employment with any member of the Parent Group or the Galleria Group will be Galleria Liabilities and will be the sole responsibility of Acquiror. Acquiror and SplitCo will be responsible for all costs and expenses arising from the rejection of such an offer of employment by an Expatriate Employee, including any costs arising from the recruitment and hiring of a new employee to fill that Expatriate Employee’s role. For clarity, in no event will SplitCo or Acquiror’s obligations under this Section 6.04(g) extend beyond the Continuation Period.

b. Article XI of the Agreement is hereby amended so as to add the following defined terms:

“Localization Offer” has the meaning set forth in Section 6.04(g).

“Repatriation Offer” has the meaning set forth in Section 6.04(g).

“Transfer Offer” has the meaning set forth in Section 6.04(g).

c. Section 6.04(g) of the Parent Disclosure Letter is hereby deleted in its entirety.

Section 1.19 Galleria Business Acquired Plans. The Agreement is hereby amended to add Exhibit R, as set forth on Attachment D hereto, and Schedule 1.05(a)(xiii) of the Parent Disclosure Letter is hereby amended to delete paragraph 1 and replace it with the following:

a. Acquiror or its Affiliates shall assume the Galleria Business Acquired Plans. The “Galleria Business Acquire Plans” shall be the plans set forth on Exhibit R to the Agreement.

ARTICLE II MISCELLANEOUS

Section 2.1 Effect of Amendment. Except as and to the extent expressly modified by this Amendment, the Agreement, as so amended by this Amendment, will remain in full force and effect in all respects. Each reference to “hereof,” “herein,” “hereby,” and “this Agreement” in the Agreement will from and after the effective date hereof refer to the Agreement as amended by this Amendment. Notwithstanding anything to the contrary in this Amendment, the date of the Agreement, as amended hereby, will in all instances remain as July 8, 2015, and any references in the Agreement to “the date first above written,” “the date of this Agreement,” “the date hereof” and similar references will continue to refer to July 8, 2015, including, without limitation, for purposes of Article II of the Agreement.

Section 2.2 Entire Agreement. This Amendment, together with the Agreement and the Ancillary Agreements, including any related annexes, schedules and exhibits, as well as any other agreements and documents referred to herein and therein, will together constitute the entire agreement between the Parties with respect to the subject matter hereof and thereof and will supersede all prior negotiations, agreements and understandings of the Parties of any nature, whether oral or written, with respect to such subject matter.

Section 2.3 Governing Law; Jurisdiction; Waiver of Jury Trial. Sections 10.04 (a), (b) and (c) (Governing Law; Jurisdiction; Waiver of Jury Trial), in each case, of the Agreement are incorporated into this Amendment by reference as if fully set forth herein, *mutatis mutandis*.

Section 2.4 Notices. All notices, requests, permissions, waivers and other communications hereunder will be in writing and sent pursuant to the requirements of Section 10.05 of the Agreement.

Section 2.5 No Third-Party Beneficiaries. This Amendment is solely for the benefit of the Parties and does not confer on third parties (including any employees of any member of the Parent Group or the Acquiror Group) any remedy, claim, reimbursement, claim of action or other right in addition to those existing without reference to this Amendment.

Section 2.6 Construction. The descriptive headings herein are inserted for convenience of reference only and are not intended to be a substantive part of or to affect the meaning or interpretation of this Amendment.

Section 2.7 Counterparts. This Amendment may be executed in multiple counterparts (any one of which need not contain the signatures of more than one Party), each of which will be deemed to be an original but all of which taken together will constitute one and the same agreement. This Amendment, to the extent signed and delivered by means of a facsimile machine or other electronic transmission, will be treated in all manner and respects as an original agreement and will be considered to have the same binding legal effects as if it were the original signed version thereof delivered in person. At the request of any Party, the other Party will re-execute original forms thereof and deliver them to the requesting Party.

[Signature page follows.]

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed as of the day and year first written above.

THE PROCTER & GAMBLE COMPANY

By: /s/ Christopher D. Rose

Name: Christopher D. Rose

Title: Director Global Business Development

[Signature Page to Third Amendment to Transaction Agreement]

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed as of the day and year first above written.

GALLERIA CO.

By: /s/ Matthew C. Loftus

Name: Matthew C. Loftus

Title: Vice President and Assistant Secretary

[Signature Page to Third Amendment to Transaction Agreement]

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed as of the day and year first above written.

COTY INC.

By: /s/ Jules P. Kaufman

Name: Jules P. Kaufman

Title: Senior Vice President, General Counsel and Secretary

[Signature Page to Third Amendment to Transaction Agreement]

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed as of the day and year first above written.

GREEN ACQUISITION SUB INC.

By: /s/ Jules P. Kaufman
Name: Jules P. Kaufman
Title: Director

[Signature Page to Third Amendment to Transaction Agreement]

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Section 3: EX-3.1 (EXHIBIT 3.1 AMENDED ARTICLES OF INC BY THE BOARD OF DIRECTORS ON APRIL 8, 2016)

EXHIBIT (3-1)

Amended Articles of Incorporation

(as amended by shareholders at the annual meeting on October 11, 2011)

AMENDED ARTICLES OF INCORPORATION

OF

THE PROCTER & GAMBLE COMPANY

The Procter & Gamble Company, a corporation under the laws of the State of Ohio, adopts these Amended Articles of Incorporation to supersede and take the place of its existing Amended Articles of Incorporation, and all amendments thereof, that are in force at this time, and for such purpose certifies as follows:

First: The name of the corporation is The Procter & Gamble Company.

Second: The place in the State of Ohio where its principal office is located is in the City of Cincinnati, in Hamilton County.

Third: The purposes for which it is formed are to produce, manufacture, buy, sell merchandise and generally deal in the following:

1. Soap, soap products, cleansers, detergents and cleaning products of any and all kinds, for any and all uses and purposes.
2. Cosmetics, perfumes, toilet powders, toilet waters, and all other toilet preparations and articles.
3. Fats and oils, hydrogenated fats and oils, and derivatives of fats and oils for any and all uses and purposes.
4. Cottonseed, soybeans, other oilseeds, oilseed meals, linters, cotton, hulls and any products and any by-products resulting from the processing of any of these or any products made therefrom.
5. Cellulose, cellulose products, purified cellulose, forest products, fibrous products, paper and paper products of any and all kinds, and any products and any by-products resulting from the processing of any of these or any products made therefrom.
6. Food products of any and all kinds.
7. Candles, stearine, stearic acid, glycerine, silicate of soda, caustic soda and any similar or related products.
8. Organic and inorganic chemicals, chemical compounds, drugs and pharmaceuticals.
9. All substances and products, kindred to or competitive with any or all of the foregoing and all that may result from or be convenient to the production, manufacture, sale and dealing in any or all of the foregoing substances and products.
10. All substances, materials, and articles made from or containing any or all of the foregoing products or entering into or convenient for the manufacture and sale of any or all of the foregoing products.

The purposes for which it is formed also include the power to do all other things necessary or incident to any or all of the foregoing purposes, including provision for insurance, financial and other services and of means for the development, promotion, advertising, marketing and transportation of raw materials, intermediate or finished products and the power to purchase, acquire, hold, convey, lease, mortgage or dispose of stock, securities and property, real or personal, tangible or intangible, in connection therewith or in furtherance thereof.

In addition to the foregoing specified purposes and not limited in any manner thereby, the purpose for which it is formed is to engage in any lawful act or activity for which corporations may be formed under Sections 1701.01 to 1701.98, inclusive, of the Ohio Revised Code.

Fourth: The authorized number of shares without par value is ten billion eight hundred million (10,800,000,000) of which six hundred million (600,000,000) are classified and designated as Class A Preferred Stock, two hundred million (200,000,000) are classified and designated as Class B Preferred Stock and ten billion (10,000,000,000) are classified and designated as Common Stock.

1. The express terms and provisions of the shares classified and designated as Class A Preferred Stock and Class B Preferred Stock are as follows:

(a) The holders of the shares classified and designated as Class A Preferred Stock shall be entitled to one (1) vote per share at all meetings of the shareholders of the Company. The holders of the shares classified and designated as Class B Preferred Stock shall not be entitled to vote at meetings of shareholders of the Company, other than as provided by law.

(b) The Board of Directors is authorized, subject to any limitations prescribed by law and to the provisions of this Article *Fourth*, to adopt amendments to these Amended Articles of Incorporation in respect of any unissued or treasury shares of the Class A Preferred Stock and Class B Preferred Stock and thereby to fix or change: the division of such shares into series and the designation and authorized number of shares of each series; the dividend rate; the dates of payment of dividends and the dates from which they are cumulative; liquidation price; redemption rights and price; sinking fund requirements; conversion rights; and restrictions on the issuance of such shares or any series thereof. In addition the Board of Directors is hereby authorized to similarly fix or change any or all other express terms in respect of the Class A Preferred Stock and Class B Preferred Stock as may be permitted or required by law.

(c) Upon the conversion of any share of Class A Preferred Stock and Class B Preferred Stock, the stated capital of the Company shall be reduced or increased in such a manner and at such a rate so that the stated capital attributable to any share issued upon the exercise of such conversion rights shall be the same as any other share of its class and not the stated capital of the share so converted.

(d) The holders of the shares of Class A Preferred Stock and Class B Preferred Stock shall receive dividends, when and as declared by the Board of Directors, out of funds available for the payment of dividends, before any dividend shall be paid on the shares of Common Stock. Such dividends shall be payable at the rate per share per annum, and no more, and pursuant to the other terms as shall have been fixed by the Board of Directors, and no dividends shall be paid on the shares of Common Stock unless the current dividend, and all the arrears of dividends, if any, on the outstanding shares of the Class A Preferred Stock and Class B Preferred Stock shall have been paid or provision shall have been made for the payment thereof.

(e) In case of the dissolution or liquidation of the Company, before any payment shall be made to the holders of the Common Stock, the holders of the Class A Preferred Stock and Class B Preferred Stock shall be entitled to be paid from the assets available therefor the liquidation price fixed by the Board of Directors, and all accrued and unpaid dividends thereon, but shall not be entitled to participate any further in the distribution of the assets of the Company.

(f) Pursuant to subsection (b) of this Section 1, there is hereby established a series of the Class A Preferred Stock with nine million ninety thousand nine hundred nine (9,090,909) shares authorized which is designated as "Series A ESOP Convertible Class A Preferred Stock" with express terms as set forth in Appendix A attached hereto and incorporated herein as if fully set forth herein.¹

(g) Pursuant to subsection (b) of this Section 1, there is hereby established a series of the Class A Preferred Stock with nineteen million, one hundred forty-two thousand, four hundred eighteen (19,142,418) shares authorized which is designated as "Series B ESOP Convertible Class A Preferred Stock" with express terms as set forth in Appendix B attached hereto and incorporated herein as if fully set forth herein.²

¹ As a result of four two-for-one stock splits on the Common Stock effective October 20, 1989, May 15, 1992, August 22, 1997 and May 21, 2004, the number of shares of Series A ESOP Convertible Class A Preferred Stock authorized as incorporated automatically increased to 145,454,544 in accordance with the terms of paragraph 9(A)(1) of Appendix A. (This footnote is not a part of the Company's Amended Articles of Incorporation, but is included to provide up-to-date information on the status of Series A ESOP Convertible Class A Preferred Stock.)

² As a result of two two-for-one stock splits effective August 22, 1997 and May 21, 2004, the number of shares of Series B ESOP Convertible Class A Preferred Stock authorized was automatically increased to 76,569,672 in accordance with the terms of paragraph 9(A)(1) of Appendix B. (This footnote is not a part of the Company's Amended Articles of Incorporation, but is included to provide up-to-date information on the status of Series B ESOP Convertible Class A Preferred Stock.)

2. The express terms and provisions of the shares classified and designated as Common Stock are as follows:
- (a) The holders of said shares shall be entitled to one (1) vote per share at all meetings of the shareholders of the Company.
 - (b) After the payment to the holders of all Class A Preferred Stock and Class B Preferred Stock of the preferential amounts to which they shall be entitled in the event of the dissolution or liquidation of the Company, the holders of the shares of Common Stock shall be entitled to all of the residue of the assets and shall receive payment thereof in proportion to the shares held by them respectively.
 - (c) Subject to the express terms and provisions of the shares designated as Class A Preferred Stock and Class B Preferred Stock, the holders of the shares of Common Stock shall have all, and all other rights, interests, powers and privileges of shareholders of corporations for profit as provided by law, without any restrictions, qualifications or limitations thereof.

Fifth: The stated capital of the Company shall be the aggregate stated capital of all classes of outstanding shares:

- (a) The stated capital of shares with par value shall be the par value of such shares.
- (b) The stated capital of shares without par value shall be One Dollar (\$1.00) per share or such other amount required by law.

Sixth: The following provisions are hereby agreed to for the purpose of defining, limiting and regulating the exercise of the authority of the Company, or of its shareholders, or of any class of shareholders, or of its directors, or for the purpose of creating and defining rights and privileges of the shareholders among themselves:

- 1. The Company may purchase, hold, sell and reissue any of its shares and to the extent that the authority to do the same may be granted under these Articles, the Board of Directors shall have power to do all said acts, without any action by shareholders, except as otherwise provided below in this Article *Sixth*.
- 2. No holder of shares of any class shall have any right, pre-emptive or other, to subscribe for or to purchase from the Company any of the shares of any class of the Company hereafter issued or sold.
- 3.
 - (a) Except as otherwise provided in Subsection (b) of this Section 3 the following transactions shall require the affirmative vote of the holders of at least eighty percent (80%) of the outstanding shares of capital stock of the Company entitled to vote thereon, considered for the purposes of this Section 3 as one class:
 - (i) the purchase by the Company of any of its shares of any class from any Related Person, if any such shares have been beneficially owned by the Related Person less than two years prior to the date of such purchase or any agreement in respect thereof;
 - (ii) any merger or consolidation of the Company or a subsidiary of the Company with or into any Related Person, in each case without regard to which entity is the surviving entity;
 - (iii) any sale, lease, exchange, transfer or other disposition of all or any substantial part of the assets of the Company or a subsidiary of the Company to or with any Related Person;
 - (iv) the purchase by the Company from any Related Person of any assets or securities, or a combination thereof, except assets or securities or a combination thereof so acquired in a single transaction or a series of related transactions having an aggregate fair market value of less than Fifty Million Dollars (\$50,000,000);
 - (v) the issuance or transfer of any securities of the Company to any Related Person for cash;
 - (vi) the adoption of any plan or proposal for the voluntary dissolution, liquidation, spin-off, or split-up of any kind of the Company or a subsidiary of the Company, or a recapitalization or reclassification of any securities of the Company, proposed by or on behalf of any Related Person; or
 - (vii) any other material transaction involving the Company or a subsidiary of the Company with, or proposed by or on behalf of, any Related Person.

Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that some lesser percentage may be specified, by law or in any agreement with any national securities exchange.

(b) The provisions of this Section 3 shall not apply to any purchase described in Subsection (a)(i) of this Section 3 if the purchase would be made as part of any purchase by the Company of its shares made on the same terms to all holders of the shares to be purchased and complying with the applicable requirements of the Securities Exchange Act of 1934. The provisions of this Section 3 shall also not apply to any transaction described in Subsection (a)(ii) through (vii) of this Section 3 if the Board of Directors of the Company shall by resolution have approved a memorandum of understanding with such Related Person with respect to and substantially consistent with such transaction prior to the time the Related Person became such, or if the transaction is approved by a resolution adopted by the affirmative vote of at least two-thirds (2/3) of the members of the whole Board of Directors of the Company at any time prior to the consummation thereof.

(c) For the purposes of this Section 3, and as guidance to the Board of Directors for the purpose of Subsection (d) hereof, the term "Related Person" shall mean (1) any individual, firm, corporation or other entity, or group thereof acting or agreeing to act in the manner set forth in Rule 13d-5 under the Securities Exchange Act of 1934 (the "Act") as in effect on October 8, 1985, who is the beneficial owner, directly or indirectly, of five percent (5%) or more of the outstanding shares of capital stock of the Company entitled to vote generally in the election of directors and (2) any "Affiliate" or "Associate" of any of the above or of any entity or group (or any member thereof) described in Clause (1) above, whether or not acting as a Director of the Company. The terms "Affiliate" and "Associate" as used herein shall have the respective meanings ascribed to such terms in The General Rules and Regulations under the Act as in effect on October 8, 1985, and shall include any person otherwise acting in the capacity of an "Associate" or "Affiliate". The Term "Related Person" shall not include the Company, any subsidiary of the Company, any employee benefit plan of the Company or of a subsidiary of the Company, or any trustee or fiduciary with respect to any such plan acting in such capacity. In addition to all shares beneficially owned, directly or indirectly, a Related Person shall also be deemed to be the beneficial owner of any shares of capital stock of the Company (1) which it has the right to acquire pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise; or (2) which are beneficially owned, directly or indirectly (including shares deemed owned through application of Clause (1) above), (A) by its "Affiliate" or "Associate" or (B) by any other individual, firm, corporation, or other entity (or any "Affiliate" or "Associate" thereof) with which it or its "Affiliate" or "Associate" has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of capital stock of the Company. For the purposes of this Section 3, (A) the outstanding shares of any class of capital stock of the Company shall include shares deemed owned through the application of Clauses (1) and (2) of the preceding sentence but shall not include any other shares which may be issuable pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise, and (B) subsidiary shall mean any corporation of which the Company owns, directly or indirectly, fifty percent (50%) or more of the voting stock.

(d) The Board of Directors of the Company shall have the power and duty to determine for the purposes of this Section 3, on the basis of information then known to it, whether (1) any individual, firm, corporation, or other entity is a Related Person or is an "Affiliate" or an "Associate", or a group thereof; (2) any proposed sale, lease, exchange or other disposition of part of the assets of the Company or a subsidiary of the Company involves all or any substantial part of the assets of the Company or a subsidiary of the Company; (3) any assets or securities, or a combination thereof, to be acquired by the Company, have an aggregate fair market value of less than Fifty Million Dollars (\$50,000,000) and whether the same are proposed to be acquired in a single transaction or a series of related transactions; (4) any plan or proposal is for the voluntary dissolution, liquidation, spin-off or split-up of any kind of the Company or a subsidiary of the Company, or is a recapitalization or reclassification of any securities of the Company, and whether any plan or proposal is proposed by or on behalf of any Related Person; (5) any transaction involving the Company or a subsidiary of the Company with, or proposed by or on behalf of any Related Person is material, and whether any such transaction is proposed by or on behalf of any Related Person; and (6) the memorandum of understanding referred to above is substantially consistent with the transaction to which it relates.

(e) The Board of Directors of the Company, when evaluating any material, unsolicited offer of another party to (1) merge or consolidate the Company or a subsidiary of the Company with or into another corporation; (2) purchase or otherwise acquire all or any substantial part of the assets of the Company or a subsidiary of the Company; (3) sell any assets or securities to the Company; (4) purchase any securities from the Company or from the holders thereof in a tender offer; (5) dissolve, liquidate, spin off or split up the Company or a subsidiary of the Company, or to recapitalize or reclassify any securities of the Company; or (6) involve the Company or a subsidiary of the Company in any other material transaction, shall, in connection with the exercise of its judgment in determining what is in the best interests of the Company and its shareholders, give due consideration to (A) all relevant factors, including

without limitation the financial and managerial resources and future prospects of the other party and the social, legal, environmental and economic effects on the employees, customers, suppliers and other affected persons, firms and corporations and on the communities and geographical areas in which the Company and its subsidiaries operate or are located and on any of the business and properties of the Company or any of its subsidiaries, as well as such other factors as the Directors deem relevant; and (B) the amount and form of the consideration being offered in relation to the then current market price for the Company's outstanding shares of capital stock, in relation to the then current value of the Company in a freely negotiated transaction or transactions and in relation to the Board of Directors' estimate of the future value of the Company (including the unrealized value of its properties and assets) as an independent concern. In evaluating any such offer, the Board of Directors shall be deemed to be performing their duly authorized duties and acting in good faith and in the best interests of the Company within the meaning of Section 1701.13 of the Ohio Revised Code, as it may be amended from time to time, and the Company's Regulations.

4. The statutes of Ohio require that action on certain specified matters at a shareholders' meeting shall be taken by the affirmative vote of the holders of more than a majority of shares entitled to vote thereon, unless other provision is made in the Articles of Incorporation. On all these specified matters action may be taken by the affirmative vote of a majority of shares entitled to vote thereon or, if the vote is required to be by classes, by the affirmative vote of a majority of each class of shares entitled to vote thereon as a class, except that any amendment, alteration, addition to or repeal of this Article *Sixth* and of any of the matters specified above in Section 3 of this Article *Sixth* as requiring a vote other than the affirmative vote of the holders of a majority of the shares entitled to vote thereon, may only be taken, (1) prior to the date of the annual meeting in 1990, by the affirmative vote of the holders of at least eighty percent (80%) of the outstanding shares of capital stock of the Company entitled to vote thereon, considered for the purposes of this Section 4 as one class; (2) from the date of the annual meeting in 1990 to, and including the date of the annual meeting in 2000, by the affirmative vote of the holders of at least a majority of the outstanding shares of capital stock of the Company entitled to vote thereon, considered for the purposes of this Section 4 as one class, provided that during such period said vote may be increased at any time to the affirmative vote of the holders of at least eighty percent (80%) of the outstanding shares of capital stock of the Company by a resolution adopted by at least two-thirds (2/3) of the members of the whole Board of Directors ³ ; (3) after the date of the annual meeting in 2000, by the affirmative vote of the holders of at least a majority of the outstanding shares of capital stock of the Company entitled to vote thereon, considered for the purposes of this Section 4 as one class.

Seventh: No holder of shares of any class shall have the right to vote cumulatively in the election of Directors.

Eighth: Each nominee for director shall be elected to the Board of Directors by a vote of the majority of the votes cast with respect to such nominee at any meeting of shareholders for the election of directors at which a quorum is present; provided, however, that if the number of nominees for directors exceeds the number of directors to be elected, the nominees receiving the greatest number of votes (up to the number of directors to be elected) shall be elected. For purposes of this provision, a majority of the votes cast means that the number of shares voted "for" a nominee must exceed the number of votes cast "against" that nominee.

³ On October 9, 1990, in accordance with this provision, the vote required was increased to 80% of the outstanding shares of capital stock of the Company. (This footnote is not a part of the Company's Amended Articles of Incorporation, but is included to provide up-to-date information.)

APPENDIX A ⁴

SERIES A ESOP CONVERTIBLE CLASS A PREFERRED STOCK **(hereinafter referred to as Series A Preferred Stock)**

1. Issuance and Cancellation.

(A) All shares of Series A Preferred Stock redeemed or purchased by the Company shall be retired and shall be restored to the status of authorized but unissued shares of Class A Preferred Stock.

(B) Shares of Series A Preferred Stock shall be issued only to a trustee or trustees acting on behalf of an employee stock ownership trust or plan or other employee benefit plan of the Company. In the event of any transfer of shares of Series A Preferred Stock to any person other than any such plan trustee or trustees, the shares of Series A Preferred Stock so transferred, upon such transfer and without any further action by the Company or the holder, shall be automatically converted into shares of Common Stock on the terms otherwise provided for the conversion of shares of Series A Preferred Stock into shares of Common Stock pursuant to Section 5 hereof and no such transferee shall have any of the voting powers, preferences and relative, participating, optional or special rights ascribed to shares of Series A Preferred Stock hereunder but, rather, only the powers and rights pertaining to the Common Stock into which such shares of Series A Preferred Stock shall be so converted. Certificates representing shares of Series A Preferred Stock shall be legended to reflect such restrictions on transfer. Notwithstanding the foregoing provisions of this Section 1, shares of Series A Preferred Stock (i) may be converted into shares of Common Stock as provided by Section 5 hereof and the shares of Common Stock issued upon such conversion may be transferred by the holder thereof as permitted by law and (ii) shall be redeemable by the Company upon the terms and conditions provided by Sections 6, 7 and 8 hereof.

2. Dividends and Distributions.

(A) Subject to the provisions for adjustment hereinafter set forth, the holders of shares of Series A Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors out of funds legally available therefor, cash dividends ("Preferred Dividends") in an amount per share initially equal to \$8.12 ⁴ per share per annum, subject to adjustment from time to time as hereinafter provided, (such amount, as adjusted from time to time, being hereinafter referred to as the "Preferred Dividend Rate"), payable quarterly, one-fourth on the third day of March, one-fourth on the third day of June, one-fourth on the third day of September, and one-fourth on the third day of December of each year (each a "Dividend Payment Date") commencing on June 3, 1989, to holders of record at the start of business on such Dividend Payment Date, provided that if the Board of Directors has declared since the prior Dividend Payment Date a quarterly dividend on the Common Stock at a rate that exceeds one-fourth of the Preferred Dividend Rate in effect on such day, the holders of record on the start of business on the record date for such dividend on the Common Stock shall be entitled to receive a cash dividend in an amount per share equal to the quarterly dividend declared on a share of Common Stock, payable on the same date as such dividend on the Common Stock, and provided further that the Dividend Payment Date for the Series A Preferred Stock shall thereafter be the same date as the record date for the dividend on the Common Stock or if no dividend is declared on the Common Stock in any quarter, the Dividend Payment Date shall be, as appropriate, the fifteenth day of February, May, August or November or if such days are not a day on which the New York Stock Exchange is open for business, then the next preceding day when the New York Stock Exchange is open for business. Preferred Dividends shall begin to accrue on outstanding shares of Series A Preferred Stock from the date of issuance of such shares of Series A Preferred Stock. Preferred Dividends shall accrue on a daily basis, based on the Preferred Dividend Rate in effect on such day, whether or not the Company shall have earnings or surplus at the time, but Preferred Dividends accrued after March 3, 1989 on the shares of Series A Preferred Stock for any period less than a full quarterly period between Dividend Payment Dates shall be computed on the basis of a 360-day year of 30-day months. A full quarterly dividend payment of \$2.034 per share shall accrue for the period from the date of issuance until June 3, 1989. Accumulated but unpaid Preferred Dividends shall cumulate as of the Dividend Payment Date on which they first become payable, but no interest shall accrue on accumulated but unpaid Preferred Dividends.

⁴ As a result of four two-for-one stock splits on the Common Stock effective October 20, 1989, May 15, 1992, August 22, 1997 and May 21, 2004, and the Smucker transaction effective June 1, 2002, the Conversion Price, Liquidation Price and Preferred Dividend Rate were all adjusted in accordance with the terms of paragraph 9(A)(1) of this Appendix A to be as follows: Conversion Price -- \$6.82; Liquidation Price -- \$6.82; Preferred Dividend Rate -- \$.5036075 per share per annum, with a corresponding change in the quarterly dividend payment. (This footnote is not a part of the Company's Amended Articles of Incorporation but is included to provide up-to-date information on the status of Series A ESOP Convertible Class A Preferred Stock.)

(B)(1) No full dividends shall be declared or paid or set apart for payment on any shares ranking, as to dividends, on a parity with or junior to the Series A Preferred Stock, for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on the Series A Preferred Stock for all Dividend Payment Dates occurring on or prior to the date of payment of such full dividends. When dividends are not paid in full, as aforesaid, upon the shares of Series A Preferred Stock and any other shares ranking, as to dividends, on a parity with Series A Preferred Stock, all dividends declared upon shares of Series A Preferred Stock shall be declared pro rata so that the amount of dividends declared per share on Series A Preferred Stock and such other parity shares shall in all cases bear to each other the same ratio that accumulated dividends per share on the shares of Series A Preferred Stock and such other parity shares bear to each other. Except as otherwise provided in these Articles, holders of shares of Series A Preferred Stock shall not be entitled to any dividends, whether payable in cash, property or shares, in excess of full cumulative dividends, as herein provided, on Series A Preferred Stock.

(2) So long as any shares of Series A Preferred Stock are outstanding, no dividend (other than dividends or distributions paid in shares of, or options, warrants or rights to subscribe for or purchase shares of, Common Stock or other shares ranking junior to Series A Preferred Stock as to dividends and other than as provided in paragraph (B)(1) of this Section 2) shall be declared or paid or set aside for payment or other distribution declared or made upon the Common Stock or upon any other shares ranking junior to or on a parity with Series A Preferred Stock as to dividends, nor shall any Common Stock or any other shares of the Company ranking junior to or on a parity with Series A Preferred Stock as to dividends be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by the Company (except by conversion into or exchange for shares of the Company ranking junior to Series A Preferred Stock as to dividends) unless, in each case, the full cumulative dividends on all outstanding shares of Series A Preferred Stock shall have been paid.

(3) Any dividend payment made on shares of Series A Preferred Stock shall first be credited against the earliest accumulated but unpaid dividend due with respect to shares of Series A Preferred Stock.

3. Liquidation Preference.

(A) In the event of any dissolution or liquidation of the Company, whether voluntary or involuntary, before any payment or distribution of the assets of the Company (whether capital or surplus) shall be made to or set apart for the holders of any series or class or classes of stock of the Company ranking junior to Series A Preferred Stock upon dissolution or liquidation, the holders of Series A Preferred Stock shall be entitled to receive the Liquidation Price (as hereinafter defined) per share in effect at the time of dissolution or liquidation plus an amount equal to all dividends accrued (whether or not accumulated) and unpaid thereon to the date of final distribution to such holders; but such holders shall not be entitled to any further payments. The Liquidation Price per share which holders of Series A Preferred Stock shall receive upon dissolution or liquidation shall be \$110.004, subject to adjustment as hereinafter provided. If, upon any dissolution or liquidation of the Company, the assets of the Company, or proceeds thereof, distributable among the holders of Series A Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid and liquidating payments on any other shares ranking as to dissolution or liquidation, on a parity with Series A Preferred Stock, then such assets, or the proceeds thereof, shall be distributed among the holders of Series A Preferred Stock and any such other shares ratably in accordance with the respective amounts which would be payable on such shares of Series A Preferred Stock and any such other shares if all amounts payable thereon were paid in full. For the purposes of this Section 3, a consolidation or merger of the Company with one or more corporations shall not be deemed to be a dissolution or liquidation, voluntary or involuntary.

(B) Subject to the rights of the holders of shares of any series or class or classes of stock ranking on a parity with or prior to Series A Preferred Stock upon dissolution or liquidation, upon any dissolution or liquidation of the Company, after payment shall have been made in full to the holders of Series A Preferred Stock as provided in this Section 3, but not prior thereto, any other series or class or classes of stock ranking junior to Series A Preferred Stock upon dissolution or liquidation shall, subject to the respective terms and provisions (if any) applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of Series A Preferred Stock shall not be entitled to share therein.

4. Ranking of Shares.

Any shares of the Company shall be deemed to rank:

(A) prior to Series A Preferred Stock as to dividends or as to distribution of assets upon dissolution or liquidation, if the holders of such class shall be entitled to the receipt of dividends or of amounts distributable upon dissolution or liquidation, as the case may be, in preference or priority to the holders of Series A Preferred Stock;

(B) on a parity with Series A Preferred Stock as to dividends or as to distribution of assets upon dissolution or liquidation, whether or not the dividend rates, dividend payment dates, or redemption or liquidation prices per share thereof be different from those of Series A Preferred Stock, if the holders of such class of stock and Series A Preferred Stock shall be entitled to the receipt of dividends or of amounts distributable upon dissolution or liquidation, as the case may be, in proportion to their respective dividend or liquidation amounts, as the case may be, without preference or priority one over the other; and

(C) junior to Series A Preferred Stock as to dividends or as to the distribution of assets upon dissolution or liquidation, if such shares shall be Common Stock or if the holders of Series A Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon dissolution or liquidation, as the case may be, in preference or priority to the holders of such shares.

5. Conversion into Common Stock.

(A) A holder of shares of Series A Preferred Stock shall be entitled to cause any or all of such shares to be converted into shares of Common Stock. The number of shares of Common Stock into which each share of the Series A Preferred Stock may be converted shall be determined by dividing the Liquidation Price in effect at the time of conversion by the Conversion Price (as hereinafter defined) in effect at the time of conversion. The Conversion Price per share at which shares of Common Stock shall be initially issuable upon conversion of any shares of Series A Preferred Stock shall be \$110.004, subject to adjustment as hereinafter provided.

(B) Any holder of shares of Series A Preferred Stock desiring to convert such shares into shares of Common Stock shall surrender, if certificated, the certificate or certificates representing the shares of Series A Preferred Stock being converted, duly assigned or endorsed for transfer to the Company (or accompanied by duly executed stock powers relating thereto), or if uncertificated, a duly executed stock power relating thereto, at the principal executive office of the Company or the offices of the transfer agent for the Series A Preferred Stock or such office or offices in the continental United States or an agent for conversion as may from time to time be designated by notice to the holders of the Series A Preferred Stock by the Company or the transfer agent for the Series A Preferred Stock, accompanied by written notice of conversion. Such notice of conversion shall specify (i) the number of shares of Series A Preferred Stock to be converted and the name or names in which such holder wishes the Common Stock and any shares of Series A Preferred Stock not to be so converted to be issued, and (ii) the address to which such holder wishes delivery to be made of a confirmation of such conversion, if uncertificated, or any new certificates which may be issued upon such conversion if certificated.

(C) Upon surrender, if certificated, of a certificate representing a share or shares of Series A Preferred Stock for conversion, or if uncertificated, of a duly executed stock power relating thereto, the Company shall issue and send by hand delivery (with receipt to be acknowledged) or by first class mail, postage prepaid, to the holder thereof or to such holder's designee, at the address designated by such holder, if certificated, a certificate or certificates for, or if uncertificated, confirmation of, the number of shares of Common Stock to which such holder shall be entitled upon conversion. In the event that there shall have been surrendered shares of Series A Preferred Stock, only part of which are to be converted, the Company shall issue and deliver to such holder or such holder's designee, if certificated, a new certificate or certificates representing the number of shares of Series A Preferred Stock which shall not have been converted, or if uncertificated, confirmation of the number of shares of Series A Preferred Stock which shall not have been converted.

(D) The issuance by the Company of shares of Common Stock upon a conversion of shares of Series A Preferred Stock into shares of Common Stock made at the option of the holder thereof shall be effective as of the earlier of (i) the delivery to such holder or such holder's designee of the certificates representing the shares of Common Stock issued upon conversion thereof if certificated or confirmation if uncertificated or (ii) the commencement of business on the second business day after the surrender of the certificate or certificates, if certificated, or a duly executed stock power, if uncertificated, for the shares of Series A Preferred Stock to be converted. On and after the effective date of conversion, the person or persons entitled to receive Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock, but no allowance or adjustment shall be made in respect of dividends payable to holders of Common Stock of record on any date prior to such effective date. The Company shall not be obligated to pay any dividends which shall have been declared and shall be payable to holders of shares of Series A Preferred Stock on a Dividend Payment Date if such Dividend Payment Date for such dividend shall be on or subsequent to the effective date of conversion of such shares.

(E) The Company shall not be obligated to deliver to holders of Series A Preferred Stock any fractional share or shares of Common Stock issuable upon any conversion of such shares of Series A Preferred Stock, but in lieu thereof may make a cash payment in respect thereof in any manner permitted by law.

(F) The Company shall at all times reserve and keep available out of its authorized and unissued Common Stock or treasury Common Stock, solely for issuance upon the conversion of shares of Series A Preferred Stock as herein provided, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of Series A Preferred Stock then outstanding.

6. Redemption at the Option of the Company.

(A) The Series A Preferred Stock shall be redeemable, in whole or in part, at the option of the Company at any time after March 3, 1994 (or on or before March 3, 1994 if permitted by, and at the redemption price provided in, paragraph (C) of this Section 6) at the following redemption prices per share:

During the Twelve Month Period Beginning March 4,	Price Per Share	
1989	107.3750%	of Liquidation Price in effect on date fixed for redemption
1990	106.6375%	“
1991	105.9000%	“
1992	105.1625%	“
1993	104.4250%	“
1994	103.6875%	“
1995	102.9000%	“
1996	102.2125%	“
1997	101.4750%	“
1998	100.7375%	“

and thereafter at 100% of the Liquidation Price per share in effect on the date fixed for redemption, plus, in each case (including in the case of redemptions pursuant to paragraph (C) of this Section 6), an amount equal to all accrued (whether or not accumulated) and unpaid dividends thereon to the date fixed for redemption. Payment of the redemption price shall be made by the Company in cash or shares of Common Stock, or a combination thereof, as permitted by paragraph (D) of this Section 6. From and after the date fixed for redemption, dividends on shares of Series A Preferred Stock called for redemption will cease to accrue, such shares will no longer be deemed to be outstanding and all rights in respect of such shares of the Company shall cease, except the right to receive the redemption price. If less than all of the outstanding shares of Series A Preferred Stock are to be redeemed, the Company shall either redeem a portion of the shares of each holder determined pro rata based on the number of shares held by each holder or shall select the shares to be redeemed by lot, as may be determined by the Board of Directors of the Company.

(B) Unless otherwise required by law, notice of redemption will be sent to the holders of Series A Preferred Stock at the address shown on the books of the Company or any transfer agent for Series A Preferred Stock by first class mail, postage prepaid, mailed not less than twenty (20) days nor more than sixty (60) days prior to the redemption date. Each notice shall state: (i) the redemption date; (ii) the total number of shares of the Series A Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates, if certificated, for such shares are to be surrendered for payment of the redemption price; (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date; (vi) the conversion rights of the shares to be redeemed, the period within which conversion rights may be exercised, and the Conversion Price and number of shares of Common Stock issuable upon conversion of a share of Series A Preferred Stock at the time. Upon surrender of the certificates, if certificated, for any shares so called for redemption and not previously converted, or upon the date fixed for redemption if uncertificated, such shares shall be redeemed by the Company at the date fixed for redemption and at the redemption price set forth in this Section 6.

(C) In the event of (i) a change in the federal tax law of the United States of America which has the effect of precluding the Company from claiming any of the tax deductions for dividends paid on the Series A Preferred Stock when such dividends are used as provided under Section 404 (k)(2) of the Internal Revenue Code of 1986, as amended and in effect on the date shares of Series A Preferred Stock are initially issued, or (ii) The Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan, as authorized by the Board of Directors of the Company on January 10, 1989, and as amended from time to time thereafter failing to receive a determination from the Internal Revenue Service that it is a qualified plan within the meaning of Section 401(a) or is an employee stock ownership plan as described in Section 4975(e)(7) of the Internal Revenue Code of 1986, as amended,

and in effect on the date shares of Series A Preferred Stock are initially issued, then, in either such event, the Company may, in its sole discretion and notwithstanding anything to the contrary in paragraph (A) of this Section 6, elect to redeem such shares for the Liquidation Price in effect on the date fixed for redemption, plus, in each case, an amount equal to all accrued (whether or not accumulated) and unpaid dividends thereon to the date fixed for redemption. In the event the Company terminates the employee stock ownership plan of The Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan, the Company may, in its sole discretion and notwithstanding anything to the contrary in paragraph (A) of this Section 6, elect to redeem such shares at the redemption prices per share provided in paragraph (A) of this Section 6.

(D) The Company, at its option, may make payment of the redemption price required upon redemption of shares of Series A Preferred Stock in cash or in shares of Common Stock, or in a combination of such shares and cash, any such shares of Common Stock to be valued for such purpose at the average of the high and low reported sales price, or, in case no sale takes place on such day, the average reported closing bid and asked price, in either case as reported on the New York Stock Exchange Tape on the date of redemption, or if not listed or admitted to trading on the New York Stock Exchange, in accordance with the valuation methods provided in paragraph 9(F)(2).

7. Redemption at the Option of the Holder.

Unless otherwise provided by law, shares of Series A Preferred Stock shall be redeemed by the Company for cash or, if the Company so elects, in shares of Common Stock, or a combination of such shares and cash, any such shares of Common Stock to be valued for such purpose as provided by paragraph (D) of Section 6, at the Liquidation Price per share in effect on the date fixed for redemption plus all accrued (whether or not accumulated) and unpaid dividends thereon to the date fixed for redemption, at the option of the holder, at any time and from time to time upon notice to the Company given not less than five (5) business days prior to the date fixed by the holder in such notice for redemption, when and to the extent necessary for such holder to provide for distributions required to be made under, or to satisfy an investment election provided to participants in accordance with, The Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan, as the same may be amended, or any successor plan (the "Plan").

8. Consolidation, Merger, etc.

(A) In the event that the Company shall consummate any consolidation or merger or similar transaction, however named, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged solely for or changed, reclassified or converted solely into shares of any successor or resulting company (including the Company) that constitutes "qualifying employer securities" with respect to a holder of Series A Preferred Stock within the meanings of Section 4975(e)(8) of the Internal Revenue Code of 1986, as amended, and Section 407(d)(5) of the Employee Retirement Income Security Act of 1974, as amended, or any successor provision of law, and, if applicable, for a cash payment in lieu of fractional shares, if any, then, in such event, the terms of such consolidation or merger or similar transaction shall provide that the shares of Series A Preferred Stock of such holder shall be substituted for and shall become preferred shares of such successor or resulting company, having in respect of such company insofar as possible the same powers, preferences and relative, participating, optional or other special rights (including the redemption rights provided by Sections 6, 7, and 8 hereof), and the qualifications, limitations or restrictions thereon, that the Series A Preferred Stock had immediately prior to such transaction; provided, however, that after such transaction each share of the Series A Preferred Stock shall be convertible, pursuant to the terms and conditions provided by Section 5 hereof, into the qualifying employer securities so receivable by a holder of the number of shares of Common Stock into which such shares of Series A Preferred Stock could have been converted immediately prior to such transaction (provided that, if the kind or amount of qualifying employer securities receivable upon such transaction is not the same for each non-electing share, then the kind and amount of qualifying employer securities receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by a plurality of the non-electing shares). The rights of the Series A Preferred Stock as preferred shares of such successor or resulting company shall successively be subject to adjustments pursuant to Section 9 hereof after any such transaction as nearly equivalent to the adjustments provided for by such section prior to such transaction. The Company shall not consummate any such merger, consolidation or similar transaction unless all the terms of this paragraph 8(A) are complied with.

(B) In the event that the Company shall consummate any consolidation or merger or similar transaction, however named, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged for or changed, reclassified or converted into other shares or securities or cash or any other property, or any combination thereof, other than any such consideration which is constituted solely of qualifying employer securities (as referred to in paragraph (A) of this Section 8) and cash payments, if applicable, in lieu of fractional shares, outstanding shares of Series A Preferred Stock shall, without any action on the part of the Company or any holder thereof (but subject to paragraph (C) of this Section 8), be deemed converted by virtue of such merger, consolidation or similar transaction immediately prior to such consummation into the number of shares of Common Stock into which such shares of Series A Preferred Stock could have been converted at such time and each share of Series A

Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of shares, securities, cash or other property (payable in like kind) receivable by a holder of the number of shares of Common Stock into which such shares of Series A Preferred Stock could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of election as to the kind or amount of shares, securities, cash or other property receivable upon such transaction (provided that, if the kind or amount of shares, securities, cash or other property receivable upon such transaction is not the same for each non-electing share, then the kind and amount of shares, securities, cash or other property receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by a plurality of non-electing shares).

(C) In the event the Company shall enter into any agreement providing for any consolidation or merger or similar transaction described in paragraph (B) of this Section 8, then the Company shall as soon as practicable thereafter (and in any event at least ten (10) business days before consummation of such transaction) give notice of such agreement and the material terms thereof to each holder of Series A Preferred Stock and each such holder shall have the right to elect, by written notice to the Company, to receive, upon consummation of such transaction (if and when such transaction is consummated), from the Company or the successor of the Company, in redemption and retirement of such Series A Preferred Stock, a cash payment equal to the Liquidation Price in effect on the date set for redemption plus all accrued (whether or not accumulated) and unpaid dividends. No such notice of redemption shall be effective unless given to the Company prior to the close of business on the fifth business day prior to consummation of such transaction, unless the Company or the successor of the Company shall waive such prior notice, but any notice of redemption so given prior to such time may be withdrawn by notice of withdrawal given to the Company prior to the close of business on the fifth business day prior to consummation of such transaction.

9. Anti-dilution Adjustments.

(A)(1) Subject to the provisions of paragraph 9(D), in the event the Company shall, at any time or from time to time while any of the shares of the Series A Preferred Stock are outstanding, (i) pay a dividend or make a distribution in respect of the Common Stock in shares of Common Stock or (ii) subdivide or combine the outstanding shares of Common Stock into a greater or lesser number of shares, in each case whether by reclassification of shares, recapitalization of the Company (excluding a recapitalization or reclassification effected by a merger or consolidation to which Section 8 hereof applies) or otherwise, then, in such event, each share of Series A Preferred Stock will automatically, without any action on the part of the holder thereof or the Company, become that number of shares of Series A Preferred Stock (the "Non-dilutive Share Amount") equal to an amount which is a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock outstanding immediately before such event. An adjustment pursuant to this paragraph 9(A)(1) shall be effective upon payment of such dividend or distribution in respect of the Common Stock and in the case of a subdivision or combination shall become effective immediately as of the effective date thereof. Concurrently with the automatic adjustment pursuant to this paragraph 9(A)(1), the Conversion Price, the Liquidation Price and the Preferred Dividend Rate of all shares of Series A Preferred Stock shall be adjusted by dividing the Conversion Price, the Liquidation Price and the Preferred Dividend Rate, respectively, in effect immediately before the event by the Non-dilutive Share Amount determined pursuant to this paragraph 9(A)(1).

(2) The Company and the Board of Directors shall each use its best efforts to take all necessary steps or to take all actions as are necessary or appropriate for implementation of the automatic adjustment provided in paragraph 9(A)(1). In the event for any reason the Company is precluded from giving full effect to the automatic adjustment provided in paragraph 9(A)(1), then no such automatic adjustment shall occur, but instead the Conversion Price shall automatically be adjusted by dividing the Conversion Price in effect immediately before the event by the Non-dilutive Share Amount determined pursuant to paragraph 9(A)(1), and the Liquidation Price and the Preferred Dividend Rate will not be adjusted. An adjustment to the Conversion Price made pursuant to this paragraph 9(A)(2) shall be given effect, upon payment of such a dividend or distribution, as of the record date for the determination of shareholders entitled to receive such dividend or distribution (on a retroactive basis) and in the case of a subdivision or combination shall become effective immediately as of the effective date thereof. If subsequently the Company is able to give full effect to the automatic adjustment as provided in paragraph 9(A)(1), then such automatic adjustment will proceed in accordance with the provisions of paragraph 9(A)(1) and the adjustment in the Conversion Price as provided in this paragraph 9(A)(2) will automatically be reversed and nullified prospectively.

(B)(1) Subject to the provisions of paragraph 9(D), in the event the Company shall, at any time or from time to time while any of the shares of Series A Preferred Stock are outstanding, issue to holders of shares of Common Stock as a dividend or distribution, including by way of a reclassification of shares or a recapitalization of the Company, any right or warrant to purchase shares of Common Stock (but not including as such a right or warrant any security convertible into or exchangeable for shares of Common Stock) at a purchase price per share less than the Fair Market Value (as hereinafter defined) of a share of Common Stock on the date of issuance of such right or warrant, then, in such event, each share of Series A Preferred Stock will automatically, without any action on the part of the holder thereof or the Company, become that number of shares of Series A Preferred Stock

(the "Non-dilutive Share Amount") equal to an amount which is a fraction the numerator of which is the number of shares of Common Stock outstanding immediately before such issuance of rights or warrants plus the maximum number of shares of Common Stock that could be acquired upon exercise in full of all such rights and warrants and the denominator of which is the number of shares of Common Stock outstanding immediately before such issuance of rights or warrants plus the number of shares of Common Stock which could be purchased at the Fair Market Value of a share of Common Stock at the time of such issuance for the maximum aggregate consideration payable upon exercise in full of all such rights or warrants. Concurrently with the automatic adjustment pursuant to this paragraph 9(B)(1), the Conversion Price, the Liquidation Price and the Preferred Dividend Rate of all shares of Series A Preferred Stock shall be adjusted by dividing the Conversion Price, the Liquidation Price and the Preferred Dividend Rate, respectively, in effect immediately before such issuance of rights or warrants by the Non-dilutive Share Amount determined pursuant to this paragraph 9(B)(1).

(2) The Company and the Board of Directors shall each use its best efforts to take all necessary steps or to take all actions as are necessary or appropriate for implementation of the automatic adjustment provided in paragraph 9(B)(1). In the event for any reason the Company is precluded from giving full effect to the automatic adjustment provided in paragraph 9(B)(1), then no such automatic adjustment shall occur, but instead the Conversion Price shall automatically be adjusted by dividing the Conversion Price in effect immediately before such issuance of rights or warrants by the Non-Dilutive Share Amount determined pursuant to paragraph 9(B)(1), and the Liquidation Price and Preferred Dividend Rate will not be adjusted. If subsequently the Company is able to give full effect to the automatic adjustment as provided in paragraph 9(B)(1), then such automatic adjustment will proceed in accordance with the provisions of paragraph 9(B)(1) and the adjustment in the Conversion Price as provided in this paragraph 9(B)(2) will automatically be reversed and nullified prospectively.

(C)(1) Subject to the provisions of paragraph 9(D), in the event the Company shall, at any time or from time to time while any of the shares of Series A Preferred Stock are outstanding, make an Extraordinary Distribution (as hereinafter defined) in respect of the Common Stock, whether by dividend, distribution, reclassification of shares or recapitalization of the Company (including recapitalization or reclassification effected by a merger or consolidation to which Section 8 hereof does not apply) or effect a Pro Rata Repurchase (as hereinafter defined) of Common Stock, then, in such event, each share of Series A Preferred Stock will automatically, without any action on the part of the holder thereof or the Company, become that number of shares of Series A Preferred Stock (the "Non-dilutive Share Amount") equal to an amount which is a fraction the numerator of which is the product of (a) the number of shares of Common Stock outstanding immediately before such Extraordinary Distribution or Pro Rata Repurchase minus, in the case of a Pro Rata Repurchase, the number of shares of Common Stock repurchased by the Company multiplied by (b) the Fair Market Value of a share of Common Stock on the record date with respect to an Extraordinary Distribution or on the applicable expiration date (including all extensions thereof) of any tender offer which is a Pro Rata Repurchase or on the date of purchase with respect to any Pro Rata Repurchase which is not a tender offer, as the case may be, and the denominator of which is (i) the product of (x) the number of shares of Common Stock outstanding immediately before such Extraordinary Distribution or Pro Rata Repurchase multiplied by (y) the Fair Market Value of a share of Common Stock on the record date with respect to an Extraordinary Distribution, or on the applicable expiration date (including all extensions thereof) of any tender offer which is a Pro Rata Repurchase, or on the date of purchase with respect to any Pro Rata Repurchase which is not a tender offer, as the case may be, minus (ii) the Fair Market Value of the Extraordinary Distribution or the aggregate purchase price of the Pro Rata Repurchase, as the case may be. The Company shall send each holder of Series A Preferred Stock (i) notice of its intent to make any dividend or distribution and (ii) notice of any offer by the Company to make a Pro Rata Repurchase, in each case at the same time as, or as soon as practicable after, such offer is first communicated (including by announcement of a record date in accordance with the rules of any stock exchange on which the Common Stock is listed or admitted to trading) to holders of Common Stock. Such notice shall indicate the intended record date and the amount and nature of such dividend or distribution, or the number of shares subject to such offer for a Pro Rata Repurchase and the purchase price payable by the Company pursuant to such offer, as well as the Conversion Price and the number of shares of Common Stock into which a share of Series A Preferred Stock may be converted at such time. Concurrently with the automatic adjustment pursuant to this paragraph 9(C)(1), the Conversion Price, the Liquidation Price and the Preferred Dividend Rate of all shares of Series A Preferred Stock shall be adjusted by dividing the Conversion Price, the Liquidation Price and the Preferred Dividend Rate, respectively, in effect immediately before such Extraordinary Distribution or Pro Rata Repurchase by the Non-dilutive Share Amount determined pursuant to this paragraph 9(C)(1).

(2) The Company and the Board of Directors shall each use its best efforts to take all necessary steps or to take all actions as are necessary or appropriate for implementation of the automatic adjustment provided in paragraph 9(C)(1). In the event for any reason the Company is precluded from giving full effect to the automatic adjustment provided in paragraph 9(C)(1), then no such automatic adjustment shall occur, but instead the Conversion Price shall automatically be adjusted by dividing the Conversion Price in effect immediately before such Extraordinary Distribution or Pro Rata Repurchase by the Non-dilutive Share Amount, and the Liquidation Price and the Preferred Dividend Rate will not be adjusted. If subsequently the Company is able to give full effect to the automatic adjustment as provided in paragraph 9(C)(1), then such automatic adjustment will proceed

in accordance with the provisions of paragraph 9(C)(1) and the adjustment in the Conversion Price as provided in this paragraph 9(C)(2) will automatically be reversed and nullified prospectively.

(D) Notwithstanding any other provisions of this Section 9, the Company shall not be required to make (i) any adjustment of the number of issued shares of Series A Preferred Stock, the Conversion Price, the Liquidation Price or the Preferred Dividend Rate unless such adjustment would require an increase or decrease of at least one percent (1%) in the number of shares of Series A Preferred Stock outstanding, or, (ii) if no additional shares of Series A Preferred Stock are issued, any adjustment of the Conversion Price unless such adjustment would require an increase or decrease of at least one percent (1%) in the Conversion Price. Any lesser adjustment shall be carried forward and shall be made no later than the time of, and together with, the next subsequent adjustment which, together with any adjustment or adjustments so carried forward, shall amount to an increase or decrease of at least one percent (1%) of the number of Series A Preferred Shares outstanding or, if no additional shares of Series A Preferred Stock are being issued, an increase or decrease of at least one percent (1%) of the Conversion Price, whichever the case may be.

(E) If the Company shall make any dividend or distribution on the Common Stock or issue any Common Stock, other capital stock or other security of the Company or any rights or warrants to purchase or acquire any such security, which transaction does not result in an appropriate adjustment to the number of shares of Series A Preferred Stock outstanding or the Conversion Price pursuant to the foregoing provisions of this Section 9, the Board of Directors of the Company may, in its sole discretion, consider whether such action is of such a nature that some type of equitable adjustment should be made in respect of such transaction. If in such case the Board of Directors of the Company determines that some type of adjustment should be made, an equitable adjustment not repugnant to law and for the protection of the conversion rights of the Series A Preferred Stock shall be made effective as of such date, as determined by the Board of Directors of the Company. The determination of the Board of Directors of the Company as to whether some type of adjustment should be made pursuant to the foregoing provisions of this paragraph 9 (E), and, if so, as to what adjustment should be made and when, shall be final and binding on the Company and all shareholders of the Company. The Company shall be entitled to make such additional adjustments, in addition to those required by the foregoing provisions of this Section 9, as shall be necessary in order that any dividend or distribution in shares of capital stock of the Company, subdivision, reclassification or combination of shares of the Company or any recapitalization of the Company shall not be taxable to holders of the Common Stock.

(F) For purposes of this Appendix A, the following definitions shall apply:

(1) "Extraordinary Distribution" shall mean any dividend or other distribution (effected while any of the shares of Series A Preferred Stock are outstanding) of (i) cash, where the aggregate amount of such cash dividend or distribution together with the amount of all cash dividends and distributions made during the preceding period of twelve (12) months, when combined with the aggregate amount of all Pro Rata Repurchases [for this purpose, including only that portion of the aggregate purchase price of such Pro Rata Repurchase which is in excess of the Fair Market Value of the Common Stock repurchased as determined on the applicable expiration date (including all extensions thereof) of any tender offer or exchange offer which is a Pro Rata Repurchase, or the date of purchase with respect to any other Pro Rata Repurchase which is not a tender offer or exchange offer] made during such period, exceeds twelve and one-half percent (12½%) of the aggregate Fair Market Value of all shares of Common Stock outstanding on the record date for determining the shareholders entitled to receive such Extraordinary Distribution and (ii) any shares of capital stock of the Company (other than shares of Common Stock), other securities of the Company (other than securities of the type referred to in paragraph (B) of this Section 9), evidences of indebtedness of the Company or any other person or any other property (including shares of any subsidiary of the Company), or any combination thereof. The Fair Market Value of an Extraordinary Distribution for purposes of paragraph (C) of this Section 9 shall be the sum of the Fair Market Value of such Extraordinary Distribution plus the aggregate amount of any cash dividends or distributions which are not Extraordinary Distributions made during such twelve month period and not included in the calculation of any previous adjustment pursuant to paragraph (C) of this Section 9.

(2) "Fair Market Value" shall mean, as to shares of Common Stock or any other class of capital stock or securities of the Company or any other issuer which are publicly traded, the average of the Current Market Prices (as hereinafter defined) of such shares or securities for each day of the Adjustment Period (as hereinafter defined). "Current Market Price" of publicly traded shares of Common Stock or any other class of capital stock or other security of the Company or any other issuer for a day shall mean the last reported sales price, regular way, or, in case no sale takes place on such day, the average reported closing bid and asked prices, regular way, in either case as reported on the New York Stock Exchange Composite Tape or, if such security is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which such security is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the NASDAQ National Market System or, if such security is not quoted on such National Market System, the average of the closing bid and asked prices on each such day in the over-the-counter market as reported by NASDAQ or, if bid and asked prices for such security on each such day shall not have been reported through NASDAQ, the average of the bid and asked prices for such day as furnished

by any New York Stock Exchange member firm regularly making a market in such security selected for such purpose by the Board of Directors of the Company on each trading day during the Adjustment Period. "Adjustment Period" shall mean the period of five (5) consecutive trading days, selected by the Board of Directors of the Company, during the twenty (20) trading days preceding, and including, the date as of which the Fair Market Value of a security is to be determined. The "Fair Market Value" of any security which is not publicly traded or of any other property shall mean the fair value thereof as determined by an independent investment banking or appraisal firm experienced in the valuation of such securities or property selected in good faith by the Board of Directors of the Company, or, if no such investment banking or appraisal firm is in the good faith judgment of the Board of Directors of the Company available to make such determination, as determined in good faith by the Board of Directors of the Company.

(3) "Pro Rata Repurchase" shall mean any purchase of shares of Common Stock by the Company or any subsidiary thereof, whether for cash, shares of capital stock of the Company, other securities of the Company, evidences of indebtedness of the Company or any other person or any other property (including shares of a subsidiary of the Company), or any combination thereof, effected while any of the shares of Series A Preferred Stock are outstanding, pursuant to any tender offer or exchange offer subject to Section 13(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any successor provision of law, or pursuant to any other offer available to substantially all holders of Common Stock; provided, however, that no purchase of shares by the Company or any subsidiary thereof made in open market transactions shall be deemed a Pro Rata Repurchase. For purposes of this paragraph 9(F), shares shall be deemed to have been purchased by the Company or any subsidiary thereof "in open market transactions" if they have been purchased substantially in accordance with the requirements of Rule 10b-18 as in effect under the Exchange Act on the date shares of Series A Preferred Stock are initially issued by the Company or on such other terms and conditions as the Board of Directors of the Company shall have determined are reasonably designed to prevent such purchases from having a material effect on the trading market for the Common Stock.

(G) Whenever an adjustment increasing the number of shares of Series A Preferred Stock outstanding is required pursuant to this Appendix A, the Board of Directors shall take such action as is necessary so that a sufficient number of shares of Series A Preferred Stock are designated with respect to such increase resulting from such adjustment. Whenever an adjustment to the Conversion Price, the Liquidation Price or the Preferred Dividend Rate of the Series A Preferred Stock is required pursuant to this Appendix A, the Company shall forthwith place on file with the transfer agent for the Common Stock and the Series A Preferred Stock if there be one, and with the Treasurer of the Company, a statement signed by the Treasurer or Assistant Treasurer of the Company stating the adjusted Conversion Price, Liquidation Price and Preferred Dividend Rate determined as provided herein. Such statement shall set forth in reasonable detail such facts as shall be necessary to show the reason and the manner of computing such adjustment, including any determination of Fair Market Value involved in such computation. Promptly after each adjustment to the number of shares of Series A Preferred Stock outstanding, the Conversion Price, the Liquidation Price or the Preferred Dividend Rate, the Company shall mail a notice thereof and of the then prevailing number of shares of Series A Preferred Stock outstanding, the Conversion Price, the Liquidation Price and the Preferred Dividend Rate to each holder of shares of Series A Preferred Stock.

10. Miscellaneous.

(A) All notices referred to herein shall be in writing, and all notices hereunder shall be deemed to have been given upon the earlier of receipt thereof or three (3) business days after the mailing thereof if sent by registered mail (unless first-class mail shall be specifically permitted for such notice under the terms of this Appendix A) with postage prepaid, addressed: (i) if to the Company, to its office at One Procter & Gamble Plaza, Cincinnati, Ohio 45202 (Attention: Treasurer) or to the transfer agent for the Series A Preferred Stock, or other agent of the Company designated as permitted by this Appendix A or (ii) if to any holder of the Series A Preferred Stock or Common Stock, as the case may be, to such holder at the address of such holder as listed in the stock record books of the Company (which may include the records of any transfer agent for the Series A Preferred Stock or Common Stock, as the case may be) or (iii) to such other address as the Company or any such holder, as the case may be, shall have designated by notice similarly given.

(B) The term "Common Stock" as used in this Appendix A means the Company's Common Stock without par value, as the same exists at the date of filing of the Amendment to the Company's Amended Articles of Incorporation first designating Series A Preferred Stock, or any other class of stock resulting from successive changes or reclassifications of such Common Stock consisting solely of changes in par value, or from par value to without par value, or from without par value to par value. In the event that, at any time as a result of an adjustment made pursuant to Section 9 of this Appendix A, the holder of any share of the Series A Preferred Stock upon thereafter surrendering such shares for conversion shall become entitled to receive any shares or other securities of the Company other than shares of Common Stock, the anti-dilution provisions contained in Section 9 hereof shall apply in a manner and on terms as nearly equivalent as practicable to the provisions with respect to Common Stock, and the provisions of Sections 1 through 8 and 10 of this Appendix A with respect to the Common Stock shall apply on like or similar terms to any such other shares or securities.

(C) The Company shall pay any and all stock transfer and documentary stamp taxes that may be payable in respect of any issuance or delivery of shares of Series A Preferred Stock or shares of Common Stock or other securities issued on account of Series A Preferred Stock pursuant hereto or certificates representing such shares or securities. The Company shall not, however, be required to pay any such tax which may be payable in respect of any transfer involved in the issuance or delivery of shares of Series A Preferred Stock or Common Stock or other securities in a name other than that in which the shares of Series A Preferred Stock with respect to which such shares or other securities are issued or delivered were registered, or in respect of any payment to any person with respect to any such shares or securities other than a payment to the registered holder thereof, and shall not be required to make any such issuance, delivery or payment unless and until the person otherwise entitled to such issuance, delivery or payment has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that such tax has been paid or is not payable.

(D) In the event that a holder of shares of Series A Preferred Stock shall not by written notice designate the name in which shares of Common Stock to be issued upon conversion of such shares should be registered or to whom payment upon redemption of shares of Series A Preferred Stock should be made or the address to which the certificate or certificates representing such shares, or such payment, should be sent, the Company shall be entitled to register such shares, and make such payment, in the name of the holder of such Series a Preferred Stock as shown on the records of the Company and to send the certificate or certificates or other documentation representing such shares, or such payment, to the address of such holder shown on the records of the Company.

(E) The Company may appoint, and from time to time discharge and change, a transfer agent for the Series A Preferred Stock. Upon any such appointment or discharge of a transfer agent, the Company shall send notice thereof by first-class mail, postage prepaid, to each holder of record of Series A Preferred Stock.

SERIES B ESOP CONVERTIBLE CLASS A PREFERRED STOCK
(hereinafter referred to as Series B Preferred Stock)

1. Cancellation.

All shares of Series B Preferred Stock redeemed or purchased by the Company shall be retired and shall be restored to the status of authorized but unissued shares of Class A Preferred Stock.

2. Dividends and Distributions.

(A) Subject to the provisions for adjustment hereinafter set forth, the holders of shares of Series B Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors out of funds legally available therefor, cash dividends ("Series B Preferred Dividends") in an amount per share initially equal to \$4.12 ⁵ per share per annum, subject to adjustment from time to time as hereinafter provided, (such amount, as adjusted from time to time, being hereinafter referred to as the "Series B Preferred Dividend Rate"), payable quarterly, one-fourth on the twenty-seventh day of November, one-fourth on the twenty-seventh day of February, one-fourth on the twenty-seventh day of May, and one-fourth on the twenty-seventh day of August of each year (each a "Series B Dividend Payment Date") commencing on August 27, 1993, to holders of record at the close of business on the second Friday of the relevant Series B Dividend Payment Date month, provided that if the Board of Directors has declared since the prior Dividend Payment Date a quarterly dividend on the Common Stock at a rate that exceeds one-fourth of the Preferred Dividend Rate in effect on such day, the holders of record on the start of business on the record date for such dividend on the Common Stock shall be entitled to receive a cash dividend in an amount per share equal to the quarterly dividend declared on a share of Common Stock, payable on the same date as such dividend on the Common Stock, and provided further that the Dividend Payment Date for the Series B Preferred Stock shall thereafter be the same date as the record date for the dividend on the Common Stock or if no dividend is declared on the Common Stock in any quarter, the Dividend Payment Date shall be, as appropriate, the fifteenth day of February, May, August or November or if such days are not a day on which the New York Stock Exchange is open for business, then the next preceding day when the New York Stock Exchange is open for business. Series B Preferred Dividends shall begin to accrue on outstanding shares of Series B Preferred Stock from the date of issuance of such shares of Series B Preferred Stock. Series B Preferred Dividends shall accrue on a daily basis, based on the Series B Preferred Dividend Rate in effect on such day, whether or not the Company shall have earnings or surplus at the time, but Series B Preferred Dividends accrued after June 30, 1993 on the shares of Series B Preferred Stock for any period less than a full quarterly period between Series B Dividend Payment Dates shall be computed on the basis of a 360-day year of 30-day months. A partial dividend payment of \$.64935 ⁵ per share shall accrue for the period from the date of issuance until August 27, 1993. Accumulated but unpaid

Series B Preferred Dividends shall cumulate as of the Series B Dividend Payment Date on which they first become payable, but no interest shall accrue on accumulated but unpaid Series B Preferred Dividends.

(B)(1) No full dividends shall be declared or paid or set apart for payment on any shares ranking, as to dividends, on a parity with or junior to the Series B Preferred Stock, for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on the Series B Preferred Stock for all Series B Dividend Payment Dates occurring on or prior to the date of payment of such full dividends. When dividends are not paid in full, as aforesaid, upon the shares of Series B Preferred Stock and any other shares ranking, as to dividends, on a parity with Series B Preferred Stock, all dividends declared upon shares of Series B Preferred Stock shall be declared pro rata so that the amount of dividends declared per share on Series B Preferred Stock and such other parity shares shall in all cases bear to each other the same ratio that accumulated dividends per share on the shares of Series B Preferred Stock and such other parity shares bear to each other. Except as otherwise provided in these Articles, holders of shares of Series B Preferred Stock shall not be entitled to any dividends, whether payable in cash, property or shares, in excess of full cumulative dividends, as herein provided, on Series B Preferred Stock.

⁵ As a result of two two-for-one stock splits on the Common Stock effective August 22, 1997 and May 21, 2004 and the Smucker transaction effective June 1, 2002, the Conversion Price, Liquidation Price and Preferred Dividend Rate were all adjusted in accordance with the terms of paragraph 9(A)(1) of this Appendix B to be as follows: Conversion Price -- \$12.96; Liquidation Price -- \$12.96; Preferred Dividend Rate -- \$1.022 per share per annum, with a corresponding change in the quarterly dividend payment. (This footnote is not a part of the Company's Amended Articles of Incorporation but is included to provide up-to-date information on the status of Series B ESOP Convertible Class A Preferred Stock.)

(2) So long as any shares of Series B Preferred Stock are outstanding, no dividend (other than dividends or distributions paid in shares of, or options, warrants or rights to subscribe for or purchase shares of, Common Stock or other shares ranking junior to Series B Preferred Stock as to dividends and other than as provided in paragraph (B)(1) of this Section 2) shall be declared or paid or set aside for payment or other distribution declared or made upon the Common Stock or upon any other shares ranking junior to or on a parity with Series B Preferred Stock as to dividends, nor shall any Common Stock or any other shares of the Company ranking junior to or on a parity with Series B Preferred Stock as to dividends be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by the Company (except by conversion into or exchange for shares of the Company ranking junior to Series B Preferred Stock as to dividends) unless, in each case, the full cumulative dividends on all outstanding shares of Series B Preferred Stock shall have been paid.

(3) Any dividend payment made on shares of Series B Preferred Stock shall first be credited against the earliest accumulated but unpaid dividend due with respect to shares of Series B Preferred Stock.

3. Liquidation Preference.

(A) In the event of any dissolution or liquidation of the Company, whether voluntary or involuntary, before any payment or distribution of the assets of the Company (whether capital or surplus) shall be made to or set apart for the holders of any series or class or classes of stock of the Company ranking junior to Series B Preferred Stock upon dissolution or liquidation, the holders of Series B Preferred Stock shall be entitled to receive the Series B Liquidation Price (as hereinafter defined) per share in effect at the time of dissolution or liquidation plus an amount equal to all dividends accrued (whether or not accumulated) and unpaid thereon to the date of final distribution to such holders; but such holders shall not be entitled to any further payments. The Series B Liquidation Price per share which holders of Series B Preferred Stock shall receive upon dissolution or liquidation shall be \$52.24⁵, subject to adjustment as hereinafter provided. If, upon any dissolution or liquidation of the Company, the assets of the Company, or proceeds thereof, distributable among the holders of Series B Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid and liquidating payments on any other shares ranking as to dissolution or liquidation, on a parity with Series B Preferred Stock, then such assets, or the proceeds thereof, shall be distributed among the holders of Series B Preferred Stock and any such other shares ratably in accordance with the respective amounts which would be payable on such shares of Series B Preferred Stock and any such other shares if all amounts payable thereon were paid in full. For the purposes of this Section 3, a consolidation or merger of the Company with one or more corporations shall not be deemed to be a dissolution or liquidation, voluntary or involuntary.

(B) Subject to the rights of the holders of shares of any series or class or classes of stock ranking on a parity with or prior to Series B Preferred Stock upon dissolution or liquidation, upon any dissolution or liquidation of the Company, after payment shall have been made in full to the holders of Series B Preferred Stock as provided in this Section 3, but not prior thereto, any other series or class or classes of stock ranking junior to Series B Preferred Stock upon dissolution or liquidation shall, subject to the respective terms and provisions (if any) applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of Series B Preferred Stock shall not be entitled to share therein.

4. Ranking of Shares.

Any shares of the Company shall be deemed to rank:

(A) prior to Series B Preferred Stock as to dividends or as to distribution of assets upon dissolution or liquidation, if the holders of such class shall be entitled to the receipt of dividends or of amounts distributable upon dissolution or liquidation, as the case may be, in preference or priority to the holders of Series B Preferred Stock;

(B) on a parity with Series B Preferred Stock as to dividends or as to distribution of assets upon dissolution or liquidation, whether or not the dividend rates, dividend payment dates, or redemption or liquidation prices per share thereof be different from those of Series B Preferred Stock, if the holders of such class of stock and Series B Preferred Stock shall be entitled to the receipt of dividends or of amounts distributable upon dissolution or liquidation, as the case may be, in proportion to their respective dividend or liquidation amounts, as the case may be, without preference or priority one over the other; and

(C) junior to Series B Preferred Stock as to dividends or as to the distribution of assets upon dissolution or liquidation, if such shares shall be Common Stock or if the holders of Series B Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon dissolution or liquidation, as the case may be, in preference or priority to the holders of such shares.

5. Conversion into Common Stock.

(A) A holder of shares of Series B Preferred Stock shall be entitled to cause any or all of such shares to be converted into shares of Common Stock. The number of shares of Common Stock into which each share of the Series B Preferred Stock may be converted shall be determined by dividing the Series B Liquidation Price in effect at the time of conversion by the Series B Conversion Price (as hereinafter defined) in effect at the time of conversion. The Series B Conversion Price per share at which shares of Common Stock shall be initially issuable upon conversion of any shares of Series B Preferred Stock shall be \$52.24⁵, subject to adjustment as hereinafter provided.

(B) Any holder of shares of Series B Preferred Stock desiring to convert such shares into shares of Common Stock shall surrender, if certificated, the certificate or certificates representing the shares of Series B Preferred Stock being converted, duly assigned or endorsed for transfer to the Company (or accompanied by duly executed stock powers relating thereto), or if uncertificated, a duly executed stock power relating thereto, at the principal executive office of the Company or the offices of the transfer agent for the Series B Preferred Stock or such office or offices in the continental United States or an agent for conversion as may from time to time be designated by notice to the holders of the Series B Preferred Stock by the Company or the transfer agent for the Series B Preferred Stock, accompanied by written notice of conversion. Such notice of conversion shall specify (i) the number of shares of Series B Preferred Stock to be converted and the name or names in which such holder wishes the Common Stock and any shares of Series B Preferred Stock not to be so converted to be issued, and (ii) the address to which such holder wishes delivery to be made of a confirmation of such conversion, if uncertificated, or any new certificates which may be issued upon such conversion if certificated.

(C) Upon surrender, if certificated, of a certificate representing a share or shares of Series B Preferred Stock for conversion, or if uncertificated, of a duly executed stock power relating thereto, the Company shall issue and send by hand delivery (with receipt to be acknowledged) or by first class mail, postage prepaid, to the holder thereof or to such holder's designee, at the address designated by such holder, if certificated, a certificate or certificates for, or if uncertificated, confirmation of, the number of shares of Common Stock to which such holder shall be entitled upon conversion. In the event that there shall have been surrendered shares of Series B Preferred Stock, only part of which are to be converted, the Company shall issue and deliver to such holder or such holder's designee, if certificated, a new certificate or certificates representing the number of shares of Series B Preferred Stock which shall not have been converted, or if uncertificated, confirmation of the number of shares of Series B Preferred Stock which shall not have been converted.

(D) The issuance by the Company of shares of Common Stock upon a conversion of shares of Series B Preferred Stock into shares of Common Stock made at the option of the holder thereof shall be effective as of the earlier of (i) the delivery to such holder or such holder's designee of the certificates representing the shares of Common Stock issued upon conversion thereof if certificated or confirmation if uncertificated or (ii) the commencement of business on the second business day after the surrender of the certificate or certificates, if certificated, or a duly executed stock power, if uncertificated, for the shares of Series B Preferred Stock to be converted. On and after the effective date of conversion, the person or persons entitled to receive Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock, but no allowance or adjustment shall be made in respect of dividends payable to holders of Common Stock of record on any date prior to such effective date. The Company shall not be obligated to pay any dividends which shall have been declared and shall be payable to holders of shares of Series B Preferred Stock on a Series B Dividend Payment Date if such Series B Dividend Payment Date for such dividend shall be on or subsequent to the effective date of conversion of such shares.

(E) The Company shall not be obligated to deliver to holders of Series B Preferred Stock any fractional share or shares of Common Stock issuable upon any conversion of such shares of Series B Preferred Stock, but in lieu thereof may make a cash payment in respect thereof in any manner permitted by law.

(F) The Company shall at all times reserve and keep available out of its authorized and unissued Common Stock or treasury Common Stock, solely for issuance upon the conversion of shares of Series B Preferred Stock as herein provided, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of Series B Preferred Stock then outstanding.

6. Redemption at the Option of the Company.

(A) The Series B Preferred Stock shall be redeemable, in whole or in part, at the option of the Company at any time after November 27, 1995 (or on or before November 27, 1995 if permitted by, and at the redemption price provided in, paragraph (C) of this Section 6) at the following redemption prices per share:

During the Twelve Month Period Beginning November 28,	Price Per Share	
1993	105.5125%	of Series B Liquidation Price in effect on date fixed for redemption
1994	104.7250%	“
1995	103.9375%	“
1996	103.1500%	“
1997	102.3625%	“
1998	101.5750%	“
1999	100.7875%	“

and thereafter at 100% of the Series B Liquidation Price per share in effect on the date fixed for redemption, plus, in each case (including in the case of redemptions pursuant to paragraph (C) of this Section 6), an amount equal to all accrued (whether or not accumulated) and unpaid dividends thereon to the date fixed for redemption. Payment of the redemption price shall be made by the Company in cash or shares of Common Stock, or a combination thereof, as permitted by paragraph (D) of this Section 6. From and after the date fixed for redemption, dividends on shares of Series B Preferred Stock called for redemption will cease to accrue, such shares will no longer be deemed to be outstanding and all rights in respect of such shares of the Company shall cease, except the right to receive the redemption price. If less than all of the outstanding shares of Series B Preferred Stock are to be redeemed, the Company shall either redeem a portion of the shares of each holder determined pro rata based on the number of shares held by each holder or shall select the shares to be redeemed by lot, as may be determined by the Board of Directors of the Company.

(B) Unless otherwise required by law, notice of redemption will be sent to the holders of Series B Preferred Stock at the address shown on the books of the Company or any transfer agent for Series B Preferred Stock by first class mail, postage prepaid, mailed not less than twenty (20) days nor more than sixty (60) days prior to the redemption date. Each notice shall state: (i) the redemption date; (ii) the total number of shares of the Series B Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates, if certificated, for such shares are to be surrendered for payment of the redemption price; (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date; (vi) the conversion rights of the shares to be redeemed, the period within which conversion rights may be exercised, and the Series B Conversion Price and number of shares of Common Stock issuable upon conversion of a share of Series B Preferred Stock at the time. Upon surrender of the certificates, if certificated, for any shares so called for redemption and not previously converted, or upon the date fixed for redemption if uncertificated, such shares shall be redeemed by the Company at the date fixed for redemption and at the redemption price set forth in this Section 6.

(C) In the event of (i) a change in the federal tax law of the United States of America which has the effect of precluding the Company from claiming any of the tax deductions for dividends paid on the Series B Preferred Stock when such dividends are used as provided under Section 404 (k)(2) of the Internal Revenue Code of 1986, as amended and in effect on the date shares of Series B Preferred Stock are initially issued, or (ii) The Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan, as authorized by the Board of Directors of the Company on May 7, 1990, and as amended from time to time thereafter failing to receive a determination from the Internal Revenue Service that it is a qualified plan within the meaning of Section 401(a) or is an employee stock ownership plan as described in Section 4975(e)(7) of the Internal Revenue Code of 1986, as amended, and in effect on the date shares of Series B Preferred Stock are initially issued, then, in either such event, the Company may, in its sole discretion and notwithstanding anything to the contrary in paragraph (A) of this Section 6, elect to redeem such shares for the Series B Liquidation Price in effect on the date fixed for redemption, plus, in each case, an amount equal to all accrued (whether or not accumulated) and unpaid dividends thereon to the date fixed for redemption. In the event the Company terminates the employee stock ownership plan of The Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan or the portion thereof associated with retiree medical benefits, the Company may, in its sole discretion and notwithstanding anything to the contrary in paragraph (A) of this Section 6, elect to redeem such shares at the redemption prices per share provided in paragraph (A) of this Section 6.

(D) The Company, at its option, may make payment of the redemption price required upon redemption of shares of Series B Preferred Stock in cash or in shares of Common Stock, or in a combination of such shares and cash, any such shares of Common Stock to be valued for such purpose at the average of the high and low reported sales price, or, in case no sale takes place on such day, the average reported closing bid and asked price, in either case as reported on the New York Stock Exchange Tape on the date of redemption, or if not listed or admitted to trading on the New York Stock Exchange, in accordance with the valuation methods provided in paragraph 9(F)(2).

7. Redemption to Satisfy Obligations of The Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan.

Unless otherwise provided by law, shares of Series B Preferred Stock shall be redeemed by the Company for cash or, if the Company so elects, in shares of Common Stock, or a combination of such shares and cash, any such shares of Common Stock to be valued for such purpose as provided by paragraph (D) of Section 6, at the Series B Liquidation Price per share in effect on the date fixed for redemption plus all accrued (whether or not accumulated) and unpaid dividends thereon to the date fixed for redemption, at the option of the holder, at any time and from time to time upon notice to the Company given not less than five (5) business days prior to the date fixed by the holder in such notice for redemption, when and to the extent necessary for such holder to provide for distributions required to be made under, or to satisfy an investment election provided to participants in accordance with, The Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan, as the same may be amended, or any successor plan (the "Plan").

8. Consolidation, Merger, etc.

(A) In the event that the Company shall consummate any consolidation or merger or similar transaction, however named, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged solely for or changed, reclassified or converted solely into shares of any successor or resulting company (including the Company) that constitutes "qualifying employer securities" with respect to a holder of Series B Preferred Stock within the meanings of Section 4975(e)(8) of the Internal Revenue Code of 1986, as amended, and Section 407(d)(5) of the Employee Retirement Income Security Act of 1974, as amended, or any successor provision of law, and, if applicable, for a cash payment in lieu of fractional shares, if any, then, in such event, the terms of such consolidation or merger or similar transaction shall provide that the shares of Series B Preferred Stock of such holder shall be substituted for and shall become preferred shares of such successor or resulting company, having in respect of such company insofar as possible the same powers, preferences and relative, participating, optional or other special rights (including the redemption rights provided by Sections 6, 7, and 8 hereof), and the qualifications, limitations or restrictions thereon, that the Series B Preferred Stock had immediately prior to such transaction; provided, however, that after such transaction each share of the Series B Preferred Stock shall be convertible, pursuant to the terms and conditions provided by Section 5 hereof, into the qualifying employer securities so receivable by a holder of the number of shares of Common Stock into which such shares of Series B Preferred Stock could have been converted immediately prior to such transaction (provided that, if the kind or amount of qualifying employer securities receivable upon such transaction is not the same for each non-electing share, then the kind and amount of qualifying employer securities receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by a plurality of the non-electing shares). The rights of the Series B Preferred Stock as preferred shares of such successor or resulting company shall successively be subject to adjustments pursuant to Section 9 hereof after any such transaction as nearly equivalent to the adjustments provided for by such section prior to such transaction. The Company shall not consummate any such merger, consolidation or similar transaction unless all the terms of this paragraph 8(A) are complied with.

(B) In the event that the Company shall consummate any consolidation or merger or similar transaction, however named, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged for or changed, reclassified or converted into other shares or securities or cash or any other property, or any combination thereof, other than any such consideration which is constituted solely of qualifying employer securities (as referred to in paragraph (A) of this Section 8) and cash payments, if applicable, in lieu of fractional shares, outstanding shares of Series B Preferred Stock shall, without any action on the part of the Company or any holder thereof (but subject to paragraph (C) of this Section 8, be deemed converted by virtue of such merger, consolidation or similar transaction immediately prior to such consummation into the number of shares of Common Stock into which such shares of Series B Preferred Stock could have been converted at such time and each share of Series B Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of shares, securities, cash or other property (payable in like kind) receivable by a holder of the number of shares of Common Stock into which such shares of Series B Preferred Stock could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of election as to the kind or amount of shares, securities, cash or other property receivable upon such transaction (provided that, if the kind or amount of shares, securities, cash or other property receivable upon such transaction is not the same for each non-electing share, then the kind and

amount of shares, securities, cash or other property receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by a plurality of non-electing shares).

(C) In the event the Company shall enter into any agreement providing for any consolidation or merger or similar transaction described in paragraph (B) of this Section 8, then the Company shall as soon as practicable thereafter (and in any event at least ten (10) business days before consummation of such transaction) give notice of such agreement and the material terms thereof to each holder of Series B Preferred Stock and each such holder shall have the right to elect, by written notice to the Company, to receive, upon consummation of such transaction (if and when such transaction is consummated), from the Company or the successor of the Company, in redemption and retirement of such Series B Preferred Stock, a cash payment equal to the Series B Liquidation Price in effect on the date set for redemption plus all accrued (whether or not accumulated) and unpaid dividends. No such notice of redemption shall be effective unless given to the Company prior to the close of business on the fifth business day prior to consummation of such transaction, unless the Company or the successor of the Company shall waive such prior notice, but any notice of redemption so given prior to such time may be withdrawn by notice of withdrawal given to the Company prior to the close of business on the fifth business day prior to consummation of such transaction.

9. Anti-dilution Adjustments.

(A)(1) Subject to the provisions of paragraph 9(D), in the event the Company shall, at any time or from time to time while any of the shares of the Series B Preferred Stock are outstanding, (i) pay a dividend or make a distribution in respect of the Common Stock in shares of Common Stock or (ii) subdivide or combine the outstanding shares of Common Stock into a greater or lesser number of shares, in each case whether by reclassification of shares, recapitalization of the Company (excluding a recapitalization or reclassification effected by a merger or consolidation to which Section 8 hereof applies) or otherwise, then, in such event, each share of Series B Preferred Stock will automatically, without any action on the part of the holder thereof or the Company, become that number of shares of Series B Preferred Stock (the "Non-dilutive Share Amount") equal to an amount which is a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock outstanding immediately before such event. An adjustment pursuant to this paragraph 9(A)(1) shall be effective upon payment of such dividend or distribution in respect of the Common Stock and in the case of a subdivision or combination shall become effective immediately as of the effective date thereof. Concurrently with the automatic adjustment pursuant to this paragraph 9(A)(1), the Series B Conversion Price, the Series B Liquidation Price and the Series B Preferred Dividend Rate of all shares of Series B Preferred Stock shall be adjusted by dividing the Series B Conversion Price, the Series B Liquidation Price and the Series B Preferred Dividend Rate, respectively, in effect immediately before the event by the Non-dilutive Share Amount determined pursuant to this paragraph 9(A)(1).

(2) The Company and the Board of Directors shall each use its best efforts to take all necessary steps or to take all actions as are necessary or appropriate for implementation of the automatic adjustment provided in paragraph 9(A)(1). In the event for any reason the Company is precluded from giving full effect to the automatic adjustment provided in paragraph 9(A)(1), then no such automatic adjustment shall occur, but instead the Series B Conversion Price shall automatically be adjusted by dividing the Series B Conversion Price in effect immediately before the event by the Non-dilutive Share Amount determined pursuant to paragraph 9(A)(1), and the Series B Liquidation Price and the Series B Preferred Dividend Rate will not be adjusted. An adjustment to the Series B Conversion Price made pursuant to this paragraph 9(A)(2) shall be given effect, upon payment of such a dividend or distribution, as of the record date for the determination of shareholders entitled to receive such dividend or distribution (on a retroactive basis) and in the case of a subdivision or combination shall become effective immediately as of the effective date thereof. If subsequently the Company is able to give full effect to the automatic adjustment as provided in paragraph 9(A)(1), then such automatic adjustment will proceed in accordance with the provisions of paragraph 9(A)(1) and the adjustment in the Series B Conversion Price as provided in this paragraph 9(A)(2) will automatically be reversed and nullified prospectively.

(B)(1) Subject to the provisions of paragraph 9(D), in the event the Company shall, at any time or from time to time while any of the shares of Series B Preferred Stock are outstanding, issue to holders of shares of Common Stock as a dividend or distribution, including by way of a reclassification of shares or a recapitalization of the Company, any right or warrant to purchase shares of Common Stock (but not including as such a right or warrant any security convertible into or exchangeable for shares of Common Stock) at a purchase price per share less than the Fair Market Value (as hereinafter defined) of a share of Common Stock on the date of issuance of such right or warrant, then, in such event, each share of Series B Preferred Stock will automatically, without any action on the part of the holder thereof or the Company, become that number of shares of Series B Preferred Stock (the "Non-dilutive Share Amount") equal to an amount which is a fraction the numerator of which is the number of shares of Common Stock outstanding immediately before such issuance of rights or warrants plus the maximum number of shares of Common Stock that could be acquired upon exercise in full of all such rights and warrants and the denominator of which is the number of shares of Common Stock outstanding immediately before such issuance of rights or warrants plus the number of shares of Common Stock which could be purchased at the Fair Market Value of a share of Common Stock at the time of such issuance for the maximum aggregate consideration payable upon exercise in full of all such rights or warrants. Concurrently with the automatic adjustment

pursuant to this paragraph 9(B)(1), the Series B Conversion Price, the Series B Liquidation Price and the Series B Preferred Dividend Rate of all shares of Series B Preferred Stock shall be adjusted by dividing the Series B Conversion Price, the Series B Liquidation Price and the Series B Preferred Dividend Rate, respectively, in effect immediately before such issuance of rights or warrants by the Non-dilutive Share Amount determined pursuant to this paragraph 9(B)(1).

(2) The Company and the Board of Directors shall each use its best efforts to take all necessary steps or to take all actions as are necessary or appropriate for implementation of the automatic adjustment provided in paragraph 9(B)(1). In the event for any reason the Company is precluded from giving full effect to the automatic adjustment provided in paragraph 9(B)(1), then no such automatic adjustment shall occur, but instead the Series B Conversion Price shall automatically be adjusted by dividing the Series B Conversion Price in effect immediately before such issuance of rights or warrants by the Non-Dilutive Share Amount determined pursuant to paragraph 9(B)(1), and the Series B Liquidation Price and Series B Preferred Dividend Rate will not be adjusted. If subsequently the Company is able to give full effect to the automatic adjustment as provided in paragraph 9(B)(1), then such automatic adjustment will proceed in accordance with the provisions of paragraph 9(B)(1) and the adjustment in the Series B Conversion Price as provided in this paragraph 9(B)(2) will automatically be reversed and nullified prospectively.

(C)(1) Subject to the provisions of paragraph 9(D), in the event the Company shall, at any time or from time to time while any of the shares of Series B Preferred Stock are outstanding, make an Extraordinary Distribution (as hereinafter defined) in respect of the Common Stock, whether by dividend, distribution, reclassification of shares or recapitalization of the Company (including recapitalization or reclassification effected by a merger or consolidation to which Section 8 hereof does not apply) or effect a Pro Rata Repurchase (as hereinafter defined) of Common Stock, then, in such event, each share of Series B Preferred Stock will automatically, without any action on the part of the holder thereof or the Company, become that number of shares of Series B Preferred Stock (the "Non-dilutive Share Amount") equal to an amount which is a fraction the numerator of which is the product of (a) the number of shares of Common Stock outstanding immediately before such Extraordinary Distribution or Pro Rata Repurchase minus, in the case of a Pro Rata Repurchase, the number of shares of Common Stock repurchased by the Company multiplied by (b) the Fair Market Value of a share of Common Stock on the record date with respect to an Extraordinary Distribution or on the applicable expiration date (including all extensions thereof) of any tender offer which is a Pro Rata Repurchase or on the date of purchase with respect to any Pro Rata Repurchase which is not a tender offer, as the case may be, and the denominator of which is (i) the product of (x) the number of shares of Common Stock outstanding immediately before such Extraordinary Distribution or Pro Rata Repurchase multiplied by (y) the Fair Market Value of a share of Common Stock on the record date with respect to an Extraordinary Distribution, or on the applicable expiration date (including all extensions thereof) of any tender offer which is a Pro Rata Repurchase, or on the date of purchase with respect to any Pro Rata Repurchase which is not a tender offer, as the case may be, minus (ii) the Fair Market Value of the Extraordinary Distribution or the aggregate purchase price of the Pro Rata Repurchase, as the case may be. The Company shall send each holder of Series B Preferred Stock (i) notice of its intent to make any dividend or distribution and (ii) notice of any offer by the Company to make a Pro Rata Repurchase, in each case at the same time as, or as soon as practicable after, such offer is first communicated (including by announcement of a record date in accordance with the rules of any stock exchange on which the Common Stock is listed or admitted to trading) to holders of Common Stock. Such notice shall indicate the intended record date and the amount and nature of such dividend or distribution, or the number of shares subject to such offer for a Pro Rata Repurchase and the purchase price payable by the Company pursuant to such offer, as well as the Series B Conversion Price and the number of shares of Common Stock into which a share of Series B Preferred Stock may be converted at such time. Concurrently with the automatic adjustment pursuant to this paragraph 9(C)(1), the Series B Conversion Price, the Series B Liquidation Price and the Series B Preferred Dividend Rate of all shares of Series B Preferred Stock shall be adjusted by dividing the Series B Conversion Price, the Series B Liquidation Price and the Series B Preferred Dividend Rate, respectively, in effect immediately before such Extraordinary Distribution or Pro Rata Repurchase by the Non-dilutive Share Amount determined pursuant to this paragraph 9(C)(1).

(2) The Company and the Board of Directors shall each use its best efforts to take all necessary steps or to take all actions as are necessary or appropriate for implementation of the automatic adjustment provided in paragraph 9(C)(1). In the event for any reason the Company is precluded from giving full effect to the automatic adjustment provided in paragraph 9(C)(1), then no such automatic adjustment shall occur, but instead the Series B Conversion Price shall automatically be adjusted by dividing the Series B Conversion Price in effect immediately before such Extraordinary Distribution or Pro Rata Repurchase by the Non-dilutive Share Amount, and the Series B Liquidation Price and the Series B Preferred Dividend Rate will not be adjusted. If subsequently the Company is able to give full effect to the automatic adjustment as provided in paragraph 9(C)(1), then such automatic adjustment will proceed in accordance with the provisions of paragraph 9(C)(1) and the adjustment in the Series B Conversion Price as provided in this paragraph 9(C)(2) will automatically be reversed and nullified prospectively.

(D) Notwithstanding any other provisions of this Section 9, the Company shall not be required to make (i) any adjustment of the number of issued shares of Series B Preferred Stock, the Series B Conversion Price, the Series B Liquidation Price or the Series B Preferred Dividend Rate unless such adjustment would require an increase or decrease of at least one percent (1%) in the number of shares of Series B Preferred Stock outstanding, or, (ii) if no additional shares of Series B Preferred Stock

are issued, any adjustment of the Series B Conversion Price unless such adjustment would require an increase or decrease of at least one percent (1%) in the Series B Conversion Price. Any lesser adjustment shall be carried forward and shall be made no later than the time of, and together with, the next subsequent adjustment which, together with any adjustment or adjustments so carried forward, shall amount to an increase or decrease of at least one percent (1%) of the number of Series B Preferred Shares outstanding or, if no additional shares of Series B Preferred Stock are being issued, an increase or decrease of at least one percent (1%) of the Series B Conversion Price, whichever the case may be.

(E) If the Company shall make any dividend or distribution on the Common Stock or issue any Common Stock, other capital stock or other security of the Company or any rights or warrants to purchase or acquire any such security, which transaction does not result in an appropriate adjustment to the number of shares of Series B Preferred Stock outstanding or the Series B Conversion Price pursuant to the foregoing provisions of this Section 9, the Board of Directors of the Company may, in its sole discretion, consider whether such action is of such a nature that some type of equitable adjustment should be made in respect of such transaction. If in such case the Board of Directors of the Company determines that some type of adjustment should be made, an equitable adjustment not repugnant to law and for the protection of the conversion rights of the Series B Preferred Stock shall be made effective as of such date, as determined by the Board of Directors of the Company. The determination of the Board of Directors of the Company as to whether some type of adjustment should be made pursuant to the foregoing provisions of this paragraph 9 (E), and, if so, as to what adjustment should be made and when, shall be final and binding on the Company and all shareholders of the Company. The Company shall be entitled to make such additional adjustments, in addition to those required by the foregoing provisions of this Section 9, as shall be necessary in order that any dividend or distribution in shares of capital stock of the Company, subdivision, reclassification or combination of shares of the Company or any recapitalization of the Company shall not be taxable to holders of the Common Stock.

(F) For purposes of this Appendix B, the following definitions shall apply:

(1) "Extraordinary Distribution" shall mean any dividend or other distribution (effected while any of the shares of Series B Preferred Stock are outstanding) of (i) cash, where the aggregate amount of such cash dividend or distribution together with the amount of all cash dividends and distributions made during the preceding period of twelve (12) months, when combined with the aggregate amount of all Pro Rata Repurchases [for this purpose, including only that portion of the aggregate purchase price of such Pro Rata Repurchase which is in excess of the Fair Market Value of the Common Stock repurchased as determined on the applicable expiration date (including all extensions thereof) of any tender offer or exchange offer which is a Pro Rata Repurchase, or the date of purchase with respect to any other Pro Rata Repurchase which is not a tender offer or exchange offer] made during such period, exceeds twelve and one-half percent (12½%) of the aggregate Fair Market Value of all shares of Common Stock outstanding on the record date for determining the shareholders entitled to receive such Extraordinary Distribution and (ii) any shares of capital stock of the Company (other than shares of Common Stock), other securities of the Company (other than securities of the type referred to in paragraph (B) of this Section 9), evidences of indebtedness of the Company or any other person or any other property (including shares of any subsidiary of the Company), or any combination thereof. The Fair Market Value of an Extraordinary Distribution for purposes of paragraph (C) of this Section 9 shall be the sum of the Fair Market Value of such Extraordinary Distribution plus the aggregate amount of any cash dividends or distributions which are not Extraordinary Distributions made during such twelve month period and not included in the calculation of any previous adjustment pursuant to paragraph (C) of this Section 9.

(2) "Fair Market Value" shall mean, as to shares of Common Stock or any other class of capital stock or securities of the Company or any other issuer which are publicly traded, the average of the Current Market Prices (as hereinafter defined) of such shares or securities for each day of the Adjustment Period (as hereinafter defined). "Current Market Price" of publicly traded shares of Common Stock or any other class of capital stock or other security of the Company or any other issuer for a day shall mean the last reported sales price, regular way, or, in case no sale takes place on such day, the average reported closing bid and asked prices, regular way, in either case as reported on the New York Stock Exchange Composite Tape or, if such security is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which such security is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the NASDAQ National Market System or, if such security is not quoted on such National Market System, the average of the closing bid and asked prices on each such day in the over-the-counter market as reported by NASDAQ or, if bid and asked prices for such security on each such day shall not have been reported through NASDAQ, the average of the bid and asked prices for such day as furnished by any New York Stock Exchange member firm regularly making a market in such security selected for such purpose by the Board of Directors of the Company on each trading day during the Adjustment Period. "Adjustment Period" shall mean the period of five (5) consecutive trading days, selected by the Board of Directors of the Company, during the twenty (20) trading days preceding, and including, the date as of which the Fair Market Value of a security is to be determined. The "Fair Market Value" of any security which is not publicly traded or of any other property shall mean the fair value thereof as determined by an independent investment banking or appraisal firm experienced in the valuation of such securities or property selected in good faith by the Board of Directors

of the Company, or, if no such investment banking or appraisal firm is in the good faith judgment of the Board of Directors of the Company available to make such determination, as determined in good faith by the Board of Directors of the Company.

(3) "Pro Rata Repurchase" shall mean any purchase of shares of Common Stock by the Company or any subsidiary thereof, whether for cash, shares of capital stock of the Company, other securities of the Company, evidences of indebtedness of the Company or any other person or any other property (including shares of a subsidiary of the Company), or any combination thereof, effected while any of the shares of Series B Preferred Stock are outstanding, pursuant to any tender offer or exchange offer subject to Section 13(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any successor provision of law, or pursuant to any other offer available to substantially all holders of Common Stock; provided, however, that no purchase of shares by the Company or any subsidiary thereof made in open market transactions shall be deemed a Pro Rata Repurchase. For purposes of this paragraph 9(F), shares shall be deemed to have been purchased by the Company or any subsidiary thereof "in open market transactions" if they have been purchased substantially in accordance with the requirements of Rule 10b-18 as in effect under the Exchange Act on the date shares of Series B Preferred Stock are initially issued by the Company or on such other terms and conditions as the Board of Directors of the Company shall have determined are reasonably designed to prevent such purchases from having a material effect on the trading market for the Common Stock.

(G) Whenever an adjustment increasing the number of shares of Series B Preferred Stock outstanding is required pursuant to this Appendix B, the Board of Directors shall take such action as is necessary so that a sufficient number of shares of Series B Preferred Stock are designated with respect to such increase resulting from such adjustment. Whenever an adjustment to the Series B Conversion Price, the Series B Liquidation Price or the Series B Preferred Dividend Rate of the Series B Preferred Stock is required pursuant to this Appendix B, the Company shall forthwith place on file with the transfer agent for the Common Stock and the Series B Preferred Stock if there be one, and with the Treasurer of the Company, a statement signed by the Treasurer or Assistant Treasurer of the Company stating the adjusted Series B Conversion Price, Series B Liquidation Price and Series B Preferred Dividend Rate determined as provided herein. Such statement shall set forth in reasonable detail such facts as shall be necessary to show the reason and the manner of computing such adjustment, including any determination of Fair Market Value involved in such computation. Promptly after each adjustment to the number of shares of Series B Preferred Stock outstanding, the Series B Conversion Price, the Series B Liquidation Price or the Series B Preferred Dividend Rate, the Company shall mail a notice thereof and of the then prevailing number of shares of Series B Preferred Stock outstanding, the Series B Conversion Price, the Series B Liquidation Price and the Series B Preferred Dividend Rate to each holder of shares of Series B Preferred Stock.

10. Miscellaneous.

(A) All notices referred to herein shall be in writing, and all notices hereunder shall be deemed to have been given upon the earlier of receipt thereof or three (3) business days after the mailing thereof if sent by registered mail (unless first-class mail shall be specifically permitted for such notice under the terms of this Appendix B) with postage prepaid, addressed: (i) if to the Company, to its office at One Procter & Gamble Plaza, Cincinnati, Ohio 45202 (Attention: Treasurer) or to the transfer agent for the Series B Preferred Stock, or other agent of the Company designated as permitted by this Appendix B or (ii) if to any holder of the Series B Preferred Stock or Common Stock, as the case may be, to such holder at the address of such holder as listed in the stock record books of the Company (which may include the records of any transfer agent for the Series B Preferred Stock or Common Stock, as the case may be) or (iii) to such other address as the Company or any such holder, as the case may be, shall have designated by notice similarly given.

(B) The term "Common Stock" as used in this Appendix B means the Company's Common Stock without par value, as the same exists at the date of filing of the Amendment to the Company's Amended Articles of Incorporation first designating Series B Preferred Stock, or any other class of stock resulting from successive changes or reclassifications of such Common Stock consisting solely of changes in par value, or from par value to without par value, or from without par value to par value. In the event that, at any time as a result of an adjustment made pursuant to Section 9 of this Appendix B, the holder of any share of the Series B Preferred Stock upon thereafter surrendering such shares for conversion shall become entitled to receive any shares or other securities of the Company other than shares of Common Stock, the anti-dilution provisions contained in Section 9 hereof shall apply in a manner and on terms as nearly equivalent as practicable to the provisions with respect to Common Stock, and the provisions of Sections 1 through 8 and 10 of this Appendix B with respect to the Common Stock shall apply on like or similar terms to any such other shares or securities.

(C) The Company shall pay any and all stock transfer and documentary stamp taxes that may be payable in respect of any issuance or delivery of shares of Series B Preferred Stock or shares of Common Stock or other securities issued on account of Series B Preferred Stock pursuant hereto or certificates representing such shares or securities. The Company shall not, however, be required to pay any such tax which may be payable in respect of any transfer of the Series B Preferred or Common Stock or other Securities by the holder thereof to a subsequent holder resulting in the issuance or delivery of shares of Series B Preferred Stock or Common Stock or other securities in a name other than that in which the shares of Series B Preferred Stock with respect

to which such shares or other securities are issued or delivered were registered, or in respect of any payment to any person with respect to any such shares or securities other than a payment to the registered holder thereof, and shall not be required to make any such issuance, delivery or payment unless and until the person otherwise entitled to such issuance, delivery or payment has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that such tax has been paid or is not payable.

(D) In the event that a holder of shares of Series B Preferred Stock shall not by written notice designate the name in which shares of Common Stock to be issued upon conversion of such shares should be registered or to whom payment upon redemption of shares of Series B Preferred Stock should be made or the address to which the certificate or certificates representing such shares, or such payment, should be sent, the Company shall be entitled to register such shares, and make such payment, in the name of the holder of such Series B Preferred Stock as shown on the records of the Company and to send the certificate or certificates or other documentation representing such shares, or such payment, to the address of such holder shown on the records of the Company.

(E) The Company may appoint, and from time to time discharge and change, a transfer agent for the Series B Preferred Stock. Upon any such appointment or discharge of a transfer agent, the Company shall send notice thereof by first-class mail, postage prepaid, to each holder of record of Series B Preferred Stock.

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Section 4: EX-3.2 (EXHIBIT 3.2 REGULATIONS AS APPROVED BY THE BOARD OF DIRECTORS ON APRIL 8, 2016)

EXHIBIT (3-2)

The Procter & Gamble Company Regulations

The Procter & Gamble Company
Regulations

ARTICLE I
SHAREHOLDERS

SECTION 1. *Place of Meeting.* Meetings of shareholders shall be held in Cincinnati, Hamilton County, Ohio, but the shareholders or the Board of Directors shall have authority to provide for the holding of meetings of shareholders elsewhere within or without the State of Ohio, except the annual meeting, or a meeting to elect Directors. The Board of Directors is authorized to determine that a meeting shall not be held at a physical place, but instead may be held solely by means of communications equipment as authorized by Ohio law.

SECTION 2. *Annual Meeting.* The annual meeting of the shareholders shall be held on the second Tuesday of October in each year, or on such other date within thirty (30) days of such date as may be designated by the Board of Directors. At the annual meeting of shareholders, there shall be elected in accordance with the laws of the State of Ohio and Article II of these Regulations, a Board of Directors. Such other business shall occur at the annual meeting of shareholders as determined by the chair of the meeting, unless otherwise determined by the Board of Directors prior to the meeting.

SECTION 3. *Special Meetings.* Special meetings of the shareholders may be called and held as provided by law.

SECTION 4. *Notice of Meetings.* A notice, as required by law, of each regular or special meeting of shareholders shall be given by the Chairman of the Board, the Chief Executive Officer, the President, the Secretary, or an Assistant Secretary, not less than ten (10) days before the meeting.

SECTION 5. *Quorum.* The shareholders present in person or by proxy at any meeting shall constitute a quorum unless a larger proportion is required to take the action stated in the notice of the meeting, in which case, to constitute a quorum, there shall be present in person or by proxy the holders of record of shares entitling them to exercise the voting power required by the Articles of the Company to take the action stated.

SECTION 6. *Organization.* The Chairman of the Board shall preside at all meetings of the shareholders, but in his or her absence the Board of Directors may appoint any officer to act as presiding officer at the meeting. The Secretary of the Company shall act as Secretary of all meetings of the shareholders, but in his or her absence the presiding officer may appoint any person to act as Secretary of the meeting.

SECTION 7. *Order of Business and Rules.* Unless otherwise determined by the Board of Directors prior to the meeting, the chair of the meeting shall determine the order of business of each annual meeting of shareholders. The chair shall also determine the rules of procedure for the meeting and shall have the authority to regulate the conduct of any such meeting as he or she deems appropriate.

SECTION 8. *Notice of Shareholder Business and Nominations to be Brought Before a Meeting of Shareholders.*

(a) *Business Properly Brought Before an Annual Meeting of Shareholders.* Nominations of persons for election to the Board of Directors, or the proposal of other business to be considered by the shareholders, may be made at an annual meeting of shareholders only if properly brought before the meeting. To be properly brought before an annual meeting of shareholders, any director nominations or other business must be (i) brought before the meeting by the Company and specified in the notice of meeting given by or at the direction of the Board of Directors, (ii) brought before the meeting by or at the direction of the Board of Directors, (iii) properly brought before the meeting by a shareholder who (A) was a shareholder of record (and, with respect to any beneficial owner, if different, on whose behalf such business is proposed, only if such beneficial owner was the beneficial owner of shares of the Company) both at the time of giving the notice provided for in this Section 8 and at the time of the annual meeting, (B) is entitled to vote at the meeting, and (C) has complied with this Section 8 as to such business, or (iv) properly brought before the meeting by one or more Eligible Shareholders (as such term is defined below) pursuant to and in accordance with Section 9 of this Article I. Except for proposals properly made in accordance with Rule 14a-8 under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (as so amended and inclusive of such rules and regulations, the "Exchange Act"), and included in the notice of meeting given by or at the direction of the Board of Directors, the foregoing clauses (iii) and (iv) shall be the exclusive means for a shareholder to make nominations or propose other business to be brought before an annual meeting of shareholders.

(b) *Requirement of Timely Notice of Shareholder Business and Nominations for Director for the Annual Meeting of Shareholders.*

(i) To properly bring business before an annual meeting of shareholders, a shareholder must provide (A) Timely Notice (as defined below) thereof in writing and in proper form to the Secretary of the Company and (B) any updates or supplements to such notice at the times and in the forms required by this Section 8.

(ii) With respect to nominations of persons for election to the Board of Directors (other than a nomination pursuant to Section 9 of this Article 1), a shareholder's notice must be delivered to the Secretary of the Company not less than one hundred and forty (140) days nor more than two hundred and forty (240) days prior to the one year anniversary of the preceding year's annual meeting; provided, however, that if the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the shareholder to be timely must be so delivered not earlier than the two hundred and fortieth (240th) day prior to such annual meeting and not later than the one hundred and fortieth (140th) day prior to such annual meeting or, if later, the tenth (10th) day following the day on which public announcement of the date of such annual meeting was first made.

(iii) With respect to any other business (other than shareholder nomination of directors), a shareholder's notice must be delivered to the Secretary of the Company not less than ninety (90) days nor more than two hundred forty (240) days prior to the one year anniversary of the preceding year's annual meeting; provided, however, that if the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the shareholder to be timely must be so delivered not earlier than the two hundred fortieth (240th) day prior to such annual meeting and not later than the ninetieth (90th) day prior to such annual meeting or, if later, the tenth (10th) day following the day on which public announcement of the date of such annual meeting was first made.

(iv) Any notice of nominations or other business within the time periods referred to in clauses (b)(ii) and (c)(iii), respectively, is a "Timely Notice" for purposes of such nomination or other business. In no event shall any adjournment or postponement of an annual meeting of shareholders, or the announcement thereof, commence a new time period for the giving of Timely Notice as described above.

(c) *Business Properly Brought Before a Special Meeting of Shareholders.* At a special meeting of shareholders, only such business will be conducted or considered as is properly brought before the meeting. To be properly brought before a special meeting, business must be (i) specified in the notice of the meeting (or any supplement thereto) given in accordance with Section 4 of this Article I, (ii) otherwise brought before the meeting by the chair of the meeting or (iii) brought before the meeting by or at the direction of the Board of Directors. Nominations of persons for election to the Board of Directors may not be made at a special meeting of shareholders unless directors are to be elected pursuant to the Company's notice of meeting. In such case, any shareholder of the Company who (A) was a shareholder of record (and, with respect to any beneficial owner, if different, on whose behalf such business is proposed, only if such beneficial owner was the beneficial owner of shares of the Company) both at the time of giving the notice provided for in this Section 8 and at the time of the meeting, (B) is entitled to vote at the meeting, and (C) has complied with this Section 8 as to such nomination, may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Company's notice of meeting.

(d) *Requirement of Timely Notice of Shareholder Nominations for Special Meeting of the Shareholders Held for the Purpose of Electing One or More Directors.* In the event the Company calls a special meeting of shareholders for the purpose of electing one or more directors to the Board of Directors, any shareholder meeting the criteria in Section 8(c) above may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Company's notice of meeting, if the shareholder's notice with respect to any nomination shall be delivered to the Secretary of the Company not earlier than the close of business on the two hundred and fortieth (240th) day prior to such special meeting and not later than the close of business on the later of the one hundred and fortieth (140th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall any adjournment of a special meeting or the announcement thereof commence a new time period for the giving of a shareholder's notice as described above.

(e) *Requirements for Proper Form of Shareholder Notice.* To be in proper form for purposes of this Section 8, a shareholder's notice to the Secretary of the Company must:

(i) set forth, as to the shareholder giving the notice and each Shareholder Associated Person (A) the name and address of such shareholder, as they appear on the Company's books, and the name and address of each Shareholder Associated Person, (B) the class and number of shares of the Company which are, directly or indirectly, held of record or beneficially owned (within the meaning of Section 13(d) of the Exchange Act) by such shareholder and any Shareholder Associated Person as of the date of the notice, and a representation that the shareholder and any Shareholder Associated Person will notify the Company in writing within five business days after the record date for such meeting of the class and number of shares of the Company held of record on such record date, (C) any other information relating to such shareholder and any Shareholder Associated Person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder, and (D) such shareholder's and any Shareholder Associated Person's written consent to the public disclosure of information provided to the Company pursuant to this Section 8;

(ii) set forth, as to the shareholder giving the notice and any Shareholder Associated Person (A) any agreements, arrangements or understandings entered into by the shareholder or Shareholder Associated Person, as appropriate, with respect to equity securities of the Company, including any put or call arrangements, derivative securities, short positions, borrowed shares or swap or similar arrangements, specifying in each case the effect of such agreements, arrangements or understandings on any voting or economic rights of equity securities of the Company, in each case as of the date of the notice and in each case describing any changes in voting or economic rights which may arise pursuant to the terms of such agreements, arrangements or understandings, (B) to the extent not covered in clause (A) above, any disclosures that would be required pursuant to Item 5 or Item 6 of Schedule 13D (regardless of whether the requirement to file a Schedule 13D is applicable to the shareholder or beneficial owner), and (C) a representation that the shareholder will notify the Company in writing within five business days after the record date for such meeting of the information set forth in clause (A) and (B) above as of such record date;

(iii) if the notice relates to any business other than a nomination of a director or directors that the shareholder proposes to bring before the meeting, set forth (A) a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and any Shareholder Associated Person and (B) a description of all agreements, arrangements and understandings between such shareholder and any Shareholder Associated Person, and any other person or persons (including their names) in connection with the proposal of such business by such shareholder;

(iv) set forth, as to each person, if any, whom the shareholder proposes to nominate for election or reelection to the Board of Directors (A) all information relating to such person that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected) and (B) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such shareholder and any Shareholder Associated Person, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including without limitation all information that would be required to be disclosed pursuant to Item 404 promulgated under Regulation S-K if the shareholder making the nomination and any Shareholder Associated Person were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant;

(v) set forth a representation that such shareholder intends to appear at the annual meeting to bring such nomination or other business before the annual meeting;

(vi) set forth such other information as may reasonably be required by the Board of Directors as described in the Company's proxy statement for the preceding year's annual meeting; and

(vii) be followed, within five business days after the record date for such meeting, by the written notice providing the information described in clauses (i) and (ii) above.

"Shareholder Associated Person" of any shareholder means (i) any affiliate or associate (as such terms are defined for purposes of the Securities Exchange Act of 1934, as amended) of the shareholder and any other person acting in concert with them, (ii) any beneficial owner of shares of stock of the Company owned of record or beneficially by such shareholders, and (iii) any person controlling, controlled by, or under common control with such person. The Company may require any proposed

nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as an independent director of the Company or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such nominee.

(f) *Determination of Business Not Properly Brought Before a Meeting.* Only such persons who are nominated in accordance with the procedures set forth in this Section 8 or Section 9 of this Article I shall be eligible to serve as directors and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 8 or Section 9 of this Article I. Except as otherwise provided by law, the Articles of Incorporation of the Company or these Regulations, the determination of whether any business sought to be brought before any annual or special meeting of the shareholders is properly brought before such meeting in accordance with this Section 8 or Section 9 of this Article I will be made by the presiding officer of such meeting. If the presiding officer determines that any business is not properly brought before such meeting, he or she will so declare to the meeting and any such business will not be conducted or considered.

(g) *Rule 14a-8; Exchange Act Compliance.* This Section 8 is expressly intended to apply to any business proposed to be brought before an annual meeting of shareholders other than any shareholder proposal made pursuant to Rule 14a-8 under the Exchange Act. Notwithstanding the foregoing provisions of this Section 8, a shareholder must also comply with all applicable requirements of the Exchange Act with respect to the matters set forth in this Section 8. Nothing in this Section 8 will be deemed to affect any rights of shareholders to request inclusion of proposals in the Company's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

(h) *Definition of Public Announcement.* For purposes of this Section 8 and Section 9 of this Article 1, "public announcement" means disclosure in a press release reported by a national news service or in a document publicly filed by the Company with the Securities and Exchange Commission pursuant to Sections 13, 14, or 15(d) of the Exchange Act.

SECTION 9. Proxy Access for Director Nominations. The Company shall include in its proxy statement for an annual shareholder meeting the name, together with the Required Information (as defined below), of any person nominated for election (a "Shareholder Nominee") to the Board of Directors by a shareholder that satisfies, or by a group of no more than twenty (20) shareholders that satisfy, the requirements of this Section 9 (an "Eligible Shareholder"), and that expressly elects at the time of providing the notice required by this Section 9 (the "Nomination Notice") to have its nominee included in the Company's proxy materials pursuant to this Section 9.

(a) *Delivery of Nomination Notice.* A shareholder's Nomination Notice, together with the Required Information, must be delivered to the Secretary of the Company not less than one hundred and twenty (120) days and not more than one hundred and fifty (150) days prior to the one year anniversary of the preceding year's annual shareholder meeting; provided, however, that if the date of the annual shareholder meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, the Nomination Notice must be so delivered not later than the one hundred and twentieth (120th) day prior to such annual shareholder meeting, or, if later, the tenth (10th) day following the day on which public announcement of the date of such annual shareholder meeting was first made. In no event shall the public announcement of an adjournment or postponement of an annual shareholder meeting commence a new time period (or extend any time period) for the giving of a Nomination Notice as described above.

(b) *Required Information.* For purposes of this Section 9, the "Required Information" that the Company will include in its proxy statement is (i) the information concerning the Shareholder Nominee and the Eligible Shareholder that, as determined by the Board of Directors, is required to be disclosed in the Company's proxy statement filed pursuant to the proxy rules of the SEC; and (ii) if the Eligible Shareholder so elects, a written statement not to exceed five hundred (500) words, in support of the Shareholder Nominee's candidacy (the "Statement"), which must be provided at the same time as the Nomination Notice. Notwithstanding anything to the contrary contained in this Section 9, the Company may omit from its proxy materials any information or Statement (or portion thereof) that (A) directly or indirectly impugns the character, integrity or personal reputation of, or directly or indirectly makes charges concerning improper, illegal or immoral conduct or associations, without factual foundation, with respect to any person; or (B) would violate any applicable law or regulation. Nothing in this Section 9 shall limit the ability of the Company to solicit proxies against the Shareholder Nominee or to include in its own proxy materials the Company's own statements or any other additional information relating to any Eligible Shareholder or Shareholder Nominee.

(c) *Shareholder Nominees.*

- (i) The number of Shareholder Nominees appearing in the Company's proxy materials with respect to an annual shareholder meeting shall not exceed the greater of (A) two (2) or (B) twenty percent (20%) of the number of directors in office as of the last day on which a Nomination Notice may be delivered pursuant to this Section 9, or if such amount is not a whole number, the closest whole number below twenty percent (20%); provided, however, that this maximum number shall be reduced, but not below zero (0), by the number of (I) Shareholder Nominees that were submitted by an Eligible Shareholder for inclusion in the Company's proxy materials pursuant to this Section 9 but either are subsequently withdrawn or that the Board of Directors decides to nominate as Board nominees, and (II) director candidates for which the Company shall have received one or more valid shareholder notices (whether or not subsequently withdrawn) nominating director candidates pursuant to Section 8. In the event that one or more vacancies for any reason occurs on the Board of Directors after the last day on which a Nomination Notice can be delivered pursuant to this Section 9 but before the date of the annual shareholder meeting and the Board of Directors resolves to reduce the size of the Board of Directors in connection therewith, the maximum number of Shareholder Nominees included in the Company's proxy materials shall be calculated based on the number of directors as so reduced.
- (ii) In the event that the number of Shareholder Nominees submitted by Eligible Shareholders pursuant to this Section 9 exceeds this maximum number, each Eligible Shareholder will select one Shareholder Nominee for inclusion in the Company's proxy materials until the maximum number is reached, going in order of the amount (largest to smallest) of shares of the capital stock of the Company each Eligible Shareholder disclosed as owned in its respective Nomination Notice submitted to the Company. If the maximum number is not reached after each Eligible Shareholder has selected one Shareholder Nominee, this selection process will continue as many times as necessary, following the same order each time, until the maximum number is reached.
- (iii) Following the determination of which Shareholder Nominees shall be included in the Company's proxy materials, if any Shareholder Nominee who satisfies the eligibility requirements herein is thereafter: nominated by the Board of Directors; is otherwise not included in the Company's proxy materials; or is not submitted for director election for any reason (including the Eligible Shareholder's or Shareholder Nominee's failure to comply with the requirements herein), no other nominee or nominees shall be included in the Company's proxy materials or otherwise submitted for director election in substitution thereof.
- (iv) The Company shall not be required to include, pursuant to this Section 9, any Shareholder Nominee in its proxy materials for any meeting of shareholders (A) if the Eligible Shareholder who has nominated such Shareholder Nominee has engaged in or is currently engaged in, or has been or is a "participant" in another person's, "solicitation" within the meaning of Rule 14a-1 (l) under the 1934 Act in support of the election of any individual as a director at the meeting other than its Shareholder Nominee(s) or a nominee of the Board of Directors, (B) who is not independent under the Applicable Independence Standards (as defined below), as determined by the Board of Directors, (C) who serves as an executive officer of a company where a P&G employee director serves on the Board of Directors, (D) whose election as a member of the Board of Directors would cause the Company to be in violation of these Regulations, the Articles of Incorporation, the listing standards of the principal exchange upon which the Company's capital stock is traded, or any applicable law, rule or regulation, (E) who is or has been, within the past three years, an officer or director of a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914, (F) who is a named subject of a pending criminal proceeding (excluding minor traffic violations and other minor offenses) or has been convicted in such a criminal proceeding within the past ten (10) years, (G) who is subject to any order of the type specified in Rule 506(d) of Regulation D promulgated under the Securities Act of 1933, as amended, (H) if such Shareholder Nominee or the applicable Eligible Shareholder shall have provided information to the Company in respect to such nomination that was untrue in any material respect or omitted to state a material fact necessary in order to make the statement made, in light of the circumstances under which it was made, not misleading, as determined by the Board of Directors, or (I) if the Eligible Shareholder or applicable Shareholder Nominee otherwise contravenes any of the agreements or representations made by such Eligible Shareholder or Shareholder Nominee or fails to comply with its obligations pursuant to this Section 9.
- (v) Notwithstanding anything to the contrary set forth herein, the Board of Directors or the person presiding at the meeting shall declare a nomination by an Eligible Shareholder to be invalid, and such nomination shall be disregarded notwithstanding that proxies in respect of such vote may have been received by the Company,

if (A) the Shareholder Nominee(s) and/or the applicable Eligible Shareholder shall have breached its or their obligations, agreements or representations under this Section 9, as determined by the Board of Directors or the person presiding at the annual shareholder meeting, or (B) the Eligible Shareholder (or a qualified representative thereof) does not appear at the annual shareholder meeting to present any nomination pursuant to this Section 9. For purposes of this Section 9, to be considered a qualified representative of the Eligible Shareholder, a person must be authorized by a writing executed by such Eligible Shareholder, or an electronic transmission delivered by such Eligible Shareholder, to act for such Eligible Shareholder as proxy at the annual shareholder meeting and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the annual shareholder meeting.

(d) *Ownership Requirements.*

- (i) An Eligible Shareholder must have owned (as defined above) 3% or more of the Company's outstanding capital stock continuously for at least three (3) years (the "Required Shares") as of both (A) a date within seven (7) days prior to the date of the Nomination Notice and (B) the record date for determining shareholders entitled to vote at the annual shareholder meeting. The Eligible Shareholder must continue to own the Required Shares through the annual shareholder meeting date. For purposes of satisfying the foregoing ownership requirement under this Section 9, (I) the shares of the capital stock of the Company owned by one or more shareholders, or by the person or persons who own shares of the capital stock of the Company and on whose behalf any shareholder is acting, may be aggregated, provided that the number of shareholders and other persons whose ownership of shares is aggregated for such purpose shall not exceed twenty (20), and (II) a group of funds under common management and investment control shall be treated as one shareholder or person for this purpose. No person may be a member of more than one group of persons constituting an Eligible Shareholder under this Section 9.
- (ii) For purposes of this Section 9, an Eligible Shareholder shall be deemed to "own" only those outstanding shares as to which the shareholder possesses both (A) the full voting and investment rights pertaining to the shares and (B) the full economic interest in (including the opportunity for profit and risk of loss on) such shares; provided that the number of shares calculated in accordance with clauses (A) and (B) shall not include any shares (I) sold by such shareholder or any of its affiliates in any transaction that has not been settled or closed, including any short sale, (II) borrowed by such shareholder or any of its affiliates for any purposes or purchased by such shareholder or any of its affiliates pursuant to an agreement to resell, or (III) subject to any option, warrant, forward contract, swap, contract of sale, or other derivative or similar agreement entered into by such shareholder or any of its affiliates, whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of shares, in any such case which instrument or agreement has, or is intended to have, the purpose or effect of (a) reducing in any manner, to any extent or at any time in the future, such shareholder's or its affiliates' full right to vote or direct the voting of any such shares, and/or (b) hedging, offsetting or altering to any degree gain or loss arising from the full economic ownership of such shares by such shareholder or affiliate.

A shareholder shall "own" shares held in the name of a nominee or other intermediary so long as the shareholder retains the right to instruct how the shares are voted with respect to the election of directors and possesses the full economic interest in the shares. A person's ownership of shares shall be deemed to continue during any period in which (A) the person has loaned such shares, provided that the person has the power to recall such loaned shares on three (3) business days' notice; or (B) the person has delegated any voting power by means of a proxy, power of attorney or other instrument or arrangement that is revocable at any time by the person. The terms "owned," "owning" and other variations of the word "own" shall have correlative meanings. Whether outstanding shares of the capital stock of the Company are "owned" for these purposes shall be determined by the Board of Directors, which determination shall be conclusive and binding on the Company and its shareholders.

(e) *Agreements of the Eligible Shareholder.* An Eligible Shareholder shall:

- (i) Within the time period specified in this Section 9 for providing the Nomination Notice, provide the following information in writing to the Secretary of the Company:
 - (A) one or more written statements from the record holder of the shares (and from each intermediary through which the shares are or have been held during the requisite three-year holding period) verifying that, as of a date within seven (7) days prior to the date of the Nomination Notice, the Eligible Shareholder owns, and has owned continuously for the preceding three (3) years, the Required Shares, and the Eligible Shareholder's agreement to provide, within five (5) business

days after the record date for the annual shareholder meeting, written statements from the record holder and intermediaries verifying the Eligible Shareholder's continuous ownership of the Required Shares through the record date;

- (B) a written statement as to whether or not the Eligible Shareholder intends to maintain ownership of the Required Shares for at least one year following the annual shareholder meeting;
 - (C) the written consent of each Shareholder Nominee to being named in the proxy statement as a nominee and to serving as a director if elected, together with the information and representations that would be required to be set forth in a shareholder's notice of a nomination pursuant to Section 8 of this Article I;
 - (D) a copy of the Schedule 14N that has been filed with the Securities and Exchange Commission as required by Rule 14a-18 under the 1934 Act, as such rule may be amended;
 - (E) a representation and warranty that the Eligible Shareholder (including each member of any group of shareholders that together is an Eligible Shareholder under this Section 9) (I) acquired the Required Shares in the ordinary course of business and not with the intent to change or influence control at the Company, and does not presently have such intent, (II) has not nominated and will not nominate for election to the Board of Directors at the annual shareholder meeting any person other than the Shareholder Nominee(s) being nominated pursuant to this Section 9, (III) has not engaged and will not engage in, and has not and will not be a "participant" in another person's, "solicitation" within the meaning of Rule 14a-1(l) under the 1934 Act in support of the election of any individual as a director at the annual shareholder meeting other than its Shareholder Nominee or a nominee of the Board of Directors, and (IV) will not distribute to any shareholder any form of proxy for the annual shareholder meeting other than the form distributed by the Company.
 - (F) in the case of a nomination by a group of shareholders that together is an Eligible Shareholder, the designation by all group members of one group member that is authorized to act on behalf of all such members with respect to the nomination and matters related thereto, including any withdrawal of the nomination; and
 - (G) an undertaking that the Eligible Shareholder agrees to (I) own the Required Shares through the date of the annual shareholder meeting, (II) assume all liability stemming from any legal or regulatory violation arising out of the Eligible Shareholder's communications with the shareholders of the Company or out of the information that the Eligible Shareholder provided to the Company, (III) indemnify and hold harmless the Company and each of its directors, officers and employees individually against any liability, loss or damages in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the Company or any of its directors, officers or employees arising out of any nomination, solicitation or other activity by the Eligible Shareholder in connection with its efforts to elect the Shareholder Nominee pursuant to this Section 9, (IV) comply with all other laws and regulations applicable to any solicitation in connection with the annual shareholder meeting, and (V) provide to the Company prior to the annual shareholder meeting such additional information as necessary with respect thereto.
- (ii) file with the Securities and Exchange Commission any solicitation or other communication with the Company's shareholders relating to the meeting at which the Shareholder Nominee will be nominated, regardless of whether any such filing is required under Regulation 14A of the 1934 Act or whether any exemption from filing is available for such solicitation or other communication under Regulation 14A of the 1934 Act.
- (f) *Agreements of the Shareholder Nominee.*
- (i) Within the time period specified in this Section 9 for providing the Nomination Notice, a Shareholder Nominee must deliver to the Secretary of the Company a written representation and agreement that the Shareholder Nominee (A) is not and will not become a party to (I) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the Company, will act or vote on any issue or question that has not been disclosed to the Company (a "Voting Commitment"), or (II) any Voting Commitment that could limit or

interfere with the Shareholder Nominee's ability to comply, if elected as a director of the Company, with the Shareholder Nominee's fiduciary duties under applicable law, (B) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Company with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a Shareholder Nominee that has not been disclosed to the Company, and is not and will not become a party to any agreement, arrangement, or understanding with any person or entity other than the Company with respect to any direct or indirect compensation, reimbursement, or indemnification in connection with service or action as a director, if elected, and (C) will comply with all the Company's corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines, and any other Company policies and guidelines applicable to directors, as well as any applicable law, rule or regulation or listing requirement.

- (ii) At the request of the Company, the Shareholder Nominee must submit all completed and signed questionnaires required of the Company's directors and officers. The Company may request such additional information as necessary to permit the Board of Directors to determine if each Shareholder Nominee is independent under the listing standards of the principal U.S. exchange upon which the Company's capital stock is listed, any applicable rules of the Securities and Exchange Commission and any publicly disclosed standards used by the Board of Directors in determining and disclosing the independence of the Company's directors (the "Applicable Independence Standards"). If the Board of Directors determines that the Shareholder Nominee is not independent under the Applicable Independence Standards, the Shareholder Nominee will not be eligible for inclusion in the Company's proxy materials.
- (g) *Authority of the Board of Directors.* The Board of Directors (and any other person or body authorized by the Board of Directors) shall have the power and authority to interpret this Section 9 and to make any and all determinations necessary or advisable to apply this Section 9 to any persons, facts or circumstances, including the power to determine (i) whether a person or group of persons qualifies as an Eligible Shareholder; (ii) whether outstanding shares of the Company's capital stock are "owned" for purposes of meeting the ownership requirements of this Section 9; (iii) whether any and all requirements of this Section 9 have been satisfied, including a Nomination Notice; (iv) whether a person satisfies the qualifications and requirements to be a Shareholder Nominee, including any publicly disclosed standards used by the Board of Directors in determining the qualifications of nominees; and (v) whether inclusion of the Required Information in the Company's proxy statement is consistent with all applicable laws, rules, regulations and listing standards. Any such interpretation or determination adopted in good faith by the Board of Directors (or any other person or body authorized by the Board of Directors) shall be conclusive and binding on all persons, including the Company and all record or beneficial owners of stock of the Company. This Section 9 shall be the exclusive means for shareholders to include nominees for election as a director of the Company in the Company's proxy statement and on its form of proxy for an annual shareholder meeting. For avoidance of doubt, the provisions of this Section 9 shall not apply to a special meeting of shareholders.

ARTICLE II

BOARD OF DIRECTORS

SECTION 1. *Number.* The Board of Directors shall be composed of thirteen (13) persons unless this number is changed by: (a) the shareholders by the affirmative vote of the holders of shares of the Company entitling them to exercise at least a majority of the voting power of the Company voting as a single class at a meeting of shareholders called for the purpose of electing Directors or (b) the affirmative vote of at least two-thirds (2/3rds) of the whole authorized number of Directors. The Directors may increase the number to not more than fifteen (15) persons and may decrease the number to not less than ten (10) persons. Any Director's office created by the Directors by reason of an increase in their number may be filled by action of a majority of the Directors in office.

SECTION 2. *Election and Term.* Except as otherwise provided by law, the Articles of the Company or these Regulations, Directors shall be elected at the annual meeting of shareholders to serve one-year terms and until their successors are elected and qualified. The number of Directors of the Company shall be fixed from time to time in accordance with these Regulations and may be increased or decreased as herein provided.

SECTION 3. *Removal, Vacancies.* Directors may be removed from office, as provided by law, by the vote of the holders of at least a majority of the voting power of the Company, voting as a single class, entitling them to elect Directors in place of those to be removed. Vacancies in the Board of Directors for any unexpired term shall be filled by the remaining Directors, though less than a majority of the whole authorized number of Directors, by the vote of a majority of their number.

SECTION 4. *Meetings*. Regular meetings of the Board of Directors shall be held as determined by the Board of Directors. Special meetings of the Board of Directors may be called at any time by the Chairman of the Board, the Lead Director (as elected by the Board), the Chief Executive Officer (if a member of the Board) or by a majority of the Board.

SECTION 5. *Notice of Meetings*. The Board shall decide what notice, if any, shall be given and the length of time prior to the meeting that such notice shall be given of all meetings. Any meeting at which all of the Directors are present shall be a valid meeting whether notice thereof was given or not, and any business may be transacted at such a meeting.

SECTION 6. *Quorum*. A majority of the Board of Directors shall constitute a quorum for the transaction of business, and if at any meeting of the Board there be less than a quorum present, a majority of those present may adjourn the meeting from time to time.

SECTION 7. *Compensation of Directors*. The Board of Directors is authorized to fix, from time to time, their own compensation for attendance at the meetings of the Board, which may include expenses of attendance when meetings are not held at the place of residence of any attending Director.

ARTICLE III

OFFICERS

SECTION 1. *Number*. The officers of the Company shall be a Chairman of the Board, a Chief Executive Officer, a President, a Secretary, one or more Assistant Secretaries, if needed, a Treasurer, and one or more Assistant Treasurers, if needed. Any two or more of the offices may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity if such instrument is required to be executed, acknowledged or verified by two or more officers.

SECTION 2. *Other Officers*. The Board of Directors is authorized in its discretion to provide for such other officers and agents as it shall deem necessary from time to time and may dispense with any offices and agencies at any time except those required by law.

SECTION 3. *Election, Term and Removal*. The officers shall be elected by the Board of Directors. Each officer shall be elected for an indeterminate term and shall hold office during the pleasure of the Board. The Board may hold annual elections of officers; in that event, each such officer shall hold office until his or her successor is elected and qualified, unless he or she is removed earlier by the Board, which may remove or suspend any officer at any time, without notice, by the affirmative vote of a majority of the entire Board. The Board, or a designated committee of the Board, shall fix the compensation, if any, of each officer.

SECTION 4. *Vacancies and Absence*. If any office shall become vacant by reason of the death, resignation, disqualification or removal of the incumbent thereof, or other cause the Board of Directors may elect a successor to hold office for the unexpired term in respect to which such vacancy occurred or was created. In case of the absence of any officer of the Company or for any reason that the Board of Directors may determine as sufficient, the said Board may delegate the powers and duties of such officer to any other officer, or to any Director, except where otherwise provided by these Regulations or by statute, for the time being.

ARTICLE IV

INDEMNIFICATION

SECTION 1. *Indemnity*. The Company shall indemnify, to the fullest extent permitted by law, any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed claim, action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of the fact that he or she (a) is or was a Director, officer or employee of the Company, or its subsidiaries, or, (b) is or was serving at the request of the Company or its subsidiaries as a director, trustee, officer, partner, managing member or position of similar capacity of a Company subsidiary or another corporation, limited liability company, partnership, joint venture, trust, employee benefit plan, or other enterprise (whether domestic or foreign, nonprofit or for profit) or (c) is or was providing to third party organizations volunteer services that were duly authorized in accordance with the Company's process for approval of such activities, against all liabilities and expenses actually and reasonably incurred by or imposed on him or her in connection with, or arising out of, any such claim, action, suit or proceeding.

SECTION 2. *Liabilities and Expenses*. As used in this Article IV, the terms "liabilit(y)(ies)" and "expense(s)" include but are not limited to liabilities, expenses, attorneys' fees and disbursements, costs, judgments, fines, penalties and amounts paid in settlement.

SECTION 3. *Indemnification Requirements.* Notwithstanding anything to the contrary in this Article IV, no person seeking indemnification shall receive indemnification pursuant to this Article IV if he or she (a) failed to act in good faith, in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Company and its subsidiaries, (b) acted or failed to act, in either case, with deliberate intent to cause injury to the Company or its subsidiaries or with reckless disregard for the best interests of the Company or its subsidiaries, or (c) knowingly engaged in criminal activity.

SECTION 4. *Indemnification Right Limitations.* A determination that a person acted or failed to act in the ways described in clauses (a), (b) or (c) of Section 3 shall be made only if: (i) in cases of an adjudication on the merits, it is determined by any court of competent jurisdiction; or (ii) in cases of settlement or compromise involving a Director or officer of the Company, the Board of Directors of the Company (excluding any Directors affected by self-interest), makes a determination to that effect ; or (iii) in cases of settlement or compromise involving an employee of the Company or its subsidiaries (who is not a Director or officer of the Company)), the Chief Legal Officer and Chief Human Resource Officer, or other Board designee, make a determination to that effect.

SECTION 5. *Excluded Costs and Other Sources.* Indemnification under this Article IV shall not include reimbursement of any amounts paid or payable to the Company or its subsidiaries by the person entitled to indemnification under this Article IV. Any indemnification or advancement provided pursuant to the rights granted under Section 1(b) and Section 1(c) of this Article IV, shall be (a) secondary to any indemnification, insurance coverage or advancement from any such third party, and (b) reduced by any amount such individual may collect as indemnification, insurance coverage or advancement from any third party including, but not limited to, pursuant to an insurance policy, indemnification agreement or statutory right.

SECTION 6. *Advances.* To the extent permitted by applicable law, liabilities and expenses incurred by a person subject to this Article IV in defending or investigating a claim, action, suit, or proceeding referenced in Section 1 of this Article IV shall be paid by the Company in advance of the final disposition of such matter upon receipt of a written undertaking by or on behalf of such person to (a) repay any such amounts unless it is ultimately determined that such person is entitled to indemnification under this Article IV and (b) reasonably cooperate with the Company, its subsidiaries, or third party organizations for which such person performed volunteer services, concerning the action, suit or proceeding.

SECTION 7. *Non-Exclusive Right.* The right of indemnification provided for in this Article IV shall not be exclusive of other rights to which any person entitled to indemnification under this Article IV may be entitled as a matter of law.

SECTION 8. *Survival and Successors.* The right of indemnification provided for in this Article IV shall continue as to a person who has ceased to be a Director, officer or employee of the Company or its subsidiaries. The right of indemnification provided for in this Article IV shall inure to the benefit of the heirs, executors and administrators of any person entitled to indemnification under this Article IV.

SECTION 9. *Impairment of Indemnification Right.* No amendment, modification, termination or repeal of this Article IV, nor, to the fullest extent permitted by law, any modification of law, shall adversely affect the rights to indemnification or advancement of expenses granted under this Article IV with respect to any actions, omission, transactions or facts occurring prior to the final adoption of such amendment, modification, termination or repeal.

ARTICLE V

DUTIES OF OFFICERS

SECTION 1. *Chairman of the Board.* The Chairman of the Board of Directors shall preside at all meetings of the Board, shall confer with and advise all other officers of the Company, and shall perform such other duties as may be delegated to him or her by the Board.

SECTION 2. *Chief Executive Officer.* The Board of Directors shall elect the Chief Executive Officer of the Company. The officer so elected shall be responsible for the supervision, general control and management of all the Company's business and affairs, subject only to the authority of the Board of Directors. He shall make periodic reports to the Board of Directors, making such recommendations as he thinks proper, and shall bring before the Board of Directors such information as may be required relating to the Company's business and affairs. The Board of Directors may designate one of the officers of the Company to perform the duties and have the powers of the officer who is the Chief Executive Officer in his or her absence, and during such absence the officer so designated shall be authorized to exercise all of his or her responsibilities.

SECTION 3. *President.* The President shall perform such duties and have such responsibilities as may be delegated or assigned to him or her by the Board or the Chief Executive Officer.

SECTION 4. *Other Officers.* All other officers shall perform such duties and have such responsibilities as may be delegated or assigned to them by the Board of Directors or the Chief Executive Officer.

SECTION 5. *Bonds of Officers.* The Board of Directors shall determine which officers of the Company shall give bond, and the amount thereof, the expense to be paid by the Company.

ARTICLE VI

SHARES OF STOCK

SECTION 1. *Mutilated and Lost Certificates.* If any certificate for shares of the Company becomes worn, defaced or mutilated, the Company, upon production or surrender thereof may order the same cancelled, and a new certificate issued in lieu thereof. If any certificate for shares be lost or destroyed, a new certificate may be issued upon such terms and under such regulations as may be adopted by the Board of Directors.

SECTION 2. *Form.* Some or all of any or all of, the classes and series of the Company's shares shall be uncertificated shares, provided however that shares represented by a certificate may not be uncertificated until the certificate is surrendered to the Company and any existing certificated security issued in exchange for an uncertificated security shall not be uncertificated.

ARTICLE VII

GENERAL WELFARE

SECTION 1. *Policy.* It is declared to be the policy of the Company to recognize that its interests and those of its employees are inseparable, and are best developed and maintained by the adoption of such measures as will assure the employees of the Company of this fact. To this end the Board of Directors is authorized, in its discretion, to inaugurate and maintain a profit-sharing or other similar plan, an adequate pension and benefit plan, and to grant to the employees such voice in the conduct of the business as may seem to the Board to be right and proper.

SECTION 2. *Stock Ownership by Employees.* The Board of Directors is authorized to devise and carry into effect such plans as it may deem advisable, to assist the employees to become shareholders of the Company by the purchase of its shares.

ARTICLE VIII

AMENDMENTS

SECTION 1. *Amendments.* These Regulations, or any of them, may be altered, amended, added to or repealed by the Board of Directors (to the extent permitted by the Ohio General Corporation law) or by the affirmative vote of the holders of at least a majority of the outstanding shares of capital stock of the Company entitled to vote thereon, considered for the purposes of this Section 1 as one class.

ARTICLE IX

ASSENT OF SHAREHOLDERS

SECTION 1. *Effect.* Any person becoming a shareholder in this Company shall be deemed to assent to these Regulations, and any alterations, amendments, or additions thereto, lawfully adopted, and shall designate to the Secretary or appointed Transfer Agents of the Company, the address to which he desires that the notices herein required to be given may be sent, and all notices mailed to such address with postage prepaid, shall be considered as duly given at the date of mailing, provided, however, that in the event that any shareholder shall have failed to so designate an address to which notices shall be sent, then said notices shall be sent to any address where the Secretary believes he may be reached, otherwise to "General Delivery, Cincinnati, Ohio." The mailing of any notice to "General Delivery, Cincinnati, Ohio," shall be conclusive that the Secretary knows of no address where he believes said shareholder may be reached.

ARTICLE X
CHOICE OF FORUM

SECTION 1. *Exclusive Forum.* Unless the Company consents in writing to the selection of an alternative forum, a state court located within Hamilton County, Ohio (or, if no state court located within Hamilton County, Ohio has jurisdiction, the federal district court for the Southern District of Ohio) shall be the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the Company, (b) any action asserting a claim of breach of a fiduciary duty owed by any director or officer or other employee of the Company to the Company or the Company's shareholders, (c) any action asserting a claim against the Company or any director or officer or other employee of the Company arising pursuant to any provision of the Ohio General Corporation Law or the Articles of Incorporation of the Company or these Regulations (in each case, as they may be amended from time to time), or (d) any action asserting a claim against the Company or any director or officer or other employee of the Company governed by the internal affairs doctrine.

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Section 5: EX-10.6 (EXHIBIT 10.6 SUMMARY OF THE COMPANY'S KEY MANAGER LONG-TERM INCENTIVE PROGRAM)

EXHIBIT (10-6)

Summary of The Procter & Gamble Key Manager

Long-Term Incentive Program

LONG-TERM INCENTIVE PROGRAM

(Effective July 1, 2016)

The Long-Term Incentive Program (“LTI Program”) is part of The Procter & Gamble Company’s (the “Company”) long-term incentive compensation and is designed to increase employee ownership and focus employees on the long-term success of the Company. Awards granted under the LTI Program (“LTI Awards”) are made pursuant to authority delegated to the Compensation & Leadership Development Committee (the “Committee”) by the Board of Directors for determining compensation for the Company’s principal officers and for making awards under The Procter & Gamble 2014 Stock and Incentive Compensation Plan (the “2014 Plan”) or any successor stock plan approved in accordance with applicable listing standards.

I. ELIGIBILITY

Active employees at Band 4 and above as of October 1 prior to grant date are included in the Plan, as well as a select percent of Band 3 employees. Employees recommended by management and approved by the Committee or Committee’s delegate are eligible to participate (“Participants”).

II. OVERVIEW

The LTI Program motivates leaders to achieve results in the long term by driving ownership behavior through the awarding of stock options, stock appreciation rights (SARs), and restricted stock units (RSUs). Participants at Band 4 and above may be provided a choice of a mix of stock options and RSUs, except for the CEO, whose grant form is solely determined by the Committee. The choice must be made before the end of the calendar year preceding the award date. Band 3 participants receive awards in the form of stock options, RSUs, or a mix as authorized by the CEO prior to grant date. Exceptions may exist in some countries where stock options and/or RSUs are not locally allowed or effective as a compensation vehicle.

III. AWARD DETERMINATION

Market target grant values by Job Band are based on competitive market data from peer companies and analysis of global long-term incentive practices.

- CEO - The market analysis is reviewed and a final award value for the CEO is determined solely by the Committee.
- Principal Officers - Market target grant values for Principal Officers are authorized by the Committee. Final awards for Principal Officers are recommended by the CEO and approved directly by the Committee.
- Band 4-6 - The CEO authorizes market target grant values by band below Band 7. Individual employee award targets are determined based on the employee’s home country and job band. The final award values for Band 4-6 may be further adjusted by Business Unit leaders for individual performance. Final award amounts for employees Band 4-6 are approved by the CEO as delegated by the Committee. Awards for low performers are reduced or eliminated.
- Band 3 - The CEO authorizes market grant values, award mix, and participation rates at Band 3. The Business Unit leaders select the Band 3 participants within their organizations. The final award values for Band 3 are set based on home country and approved by the CEO as authorized by the Committee.

The number of stock options or SARs awarded to each employee will be determined on grant date using the same methodology by which the Company expenses stock options. The number of RSUs awarded will be determined based on the price of P&G stock on grant date.

The option price or grant price used for any LTI Award will be the closing price for a share of Common Stock on the New York Stock Exchange on the day of the grant, or such higher price as may be specified in the French Addendum of the Regulations (the “Grant Price”). If the New York Stock Exchange is closed on the day of the grant, then the date of the Award will be the first day of trading of the Company’s stock subsequent to the date previously specified for such award.

LTI Awards will be granted on the last business day of February each year. Employees who did not receive the appropriate award on this date due to an administrative or data error will receive their appropriate LTI Award on the last business day prior to May 10 each year.

If applicable, Participants must accept their awards according to the terms of the Award Letter or the Award will not be granted.

IV. VESTING AND SETTLEMENT

Stock options and SARs vest three years following the grant date. They expire ten years after the grant date. RSUs have a vest date and settlement date three years following the grant date, are eligible for dividend equivalents, and cannot be deferred in accordance with Internal Revenue Code 409A unless otherwise determined by the Committee at grant.

V. SEPARATION FROM THE COMPANY (Defined terms shall have the meaning designated in the 2014 Plan or related award documents.)

If the Participant's Termination of Employment occurs for any reason before the Expiration Date and prior to exercising the Award for stock options and SARs, or before the Vest Date for RSUs, except for the reasons listed below, the Award will be forfeited. Participants must remain in compliance with the terms and conditions set forth in the 2014 Plan, including those in Article 6.

- Termination on Account of Death (except in France and the UK). The Vest Date for stock options and SARs becomes the date of death and the Award remains exercisable until the Expiration Date. For RSUs, the Award will be fully vested and payment will be made by the later of the end of the calendar year or two and a half months following the date of death.
- Termination on Account of Death for awards granted in France or the UK. The consequences of death are determined by the local plan supplement, if applicable.
- Termination on Account of Retirement or Disability after June 30th of the fiscal year in which this Award was granted. Stock options and SARs are retained and will be exercisable on the Vest Date and will expire on the Expiration Date. RSUs are retained and will be delivered on the Settlement Date.
- Termination pursuant to a Written Separation Agreement that provides for retention of the Award, after June 30th of the fiscal year in which this Award was granted. Stock options and SARs are retained and will become exercisable on the Vest Date and will expire on the Expiration Date. RSUs are retained and will be delivered on the Settlement Date.
- Termination in connection with a divestiture or separation of any of the Company's businesses, as determined by the Company's Chief Human Resource's Officer. All outstanding Stock options and SARs are retained and will become exercisable on the Vest Date and will expire on the Expiration Date. All outstanding RSUs are retained and will be delivered on the Settlement Date.

V. CHANGE IN CONTROL

If there is a Change in Control, the provisions of Article 17 of the 2014 Plan will apply.

VII. GENERAL TERMS AND CONDITIONS

It shall be understood that the LTI Program does not give to any employee any contract rights, express or implied, against the Company for any LTI Award, or for compensation in addition to the salary paid to him or her.

This program document may be amended at any time by the Committee.

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Section 6: EX-10.10 (EXHIBIT 10.10 SUMMARY OF THE COMPANY'S SHORT TERM ACHIEVEMENT REWARD PROGRAM)

EXHIBIT (10-10)

Summary of the Company's Short Term Achievement Reward Program

SHORT TERM ACHIEVEMENT REWARD PROGRAM

(Effective July 1, 2016)

The Short Term Achievement Reward (“STAR”) Program is The Procter & Gamble Company’s (the “Company”) annual bonus program designed to motivate and reward employees for achieving outstanding short term business results for the Company and its subsidiaries. STAR awards are made pursuant to authority delegated to the Compensation & Leadership Development Committee (the “C&LD Committee”) by the Board of Directors for awarding compensation to the Company’s principal officers and for making awards under the Procter & Gamble 2014 Stock and Incentive Compensation Plan (the “2014 Plan”) or any successor stock plan approved in accordance with applicable listing standards.

I. ELIGIBILITY

Employees at Band 3 or above and who worked at least 28 days (four calendar weeks) during the applicable fiscal year are eligible to participate. Eligible employees who do not work a full schedule (e.g., leaves of absence, disability, and less-than-full time schedules) in the fiscal year in which the award is payable may have awards pro-rated.

II. CALCULATION

The individual STAR Award is calculated as follows:

(STAR Target) x (Business Unit Performance Factor) x (Total Company Performance Factor) x (P&G Transformation Factor)

- The **STAR Target** for each participant is calculated as:

(Base Salary) x (STAR Target percent)

Base Salary at the end of the applicable fiscal year is used to calculate the STAR award.

Generally, the *STAR Target Percent* is dependent on the individual’s position and level (Band) in the organization. The STAR Target percent for participants at Band 7 or above is set by the C&LD Committee. The STAR Target percent for all other participants is set by the Chief Executive Officer, with the concurrence of the Chief Human Resources Officer, pursuant to authority delegated to them by the C&LD Committee. If an individual’s position and/or level changes during a fiscal year, and that change results in a new STAR Target Percent, the STAR Target Percent is pro-rated according to the amount of time in each position/level during the fiscal year.

- The **Business Unit Performance Factor** is based on the fiscal year success for the appropriate STAR business unit. The STAR business units are defined by the Chief Human Resources Officer and may consist of business categories, segments, geographies, functions, organizations or a combination of one or more of these items. The STAR business units will be defined within ninety (90) days of the beginning of the fiscal year, but may be adjusted as necessary to reflect business and/or organizational changes (e.g., reorganization, acquisition, merger, divestiture, etc.). The Business Unit Performance Factors can range from 50% to 150% with a target of 100%. In general, a committee consisting of at least two of the Chairman of the Board, Chief Executive Officer, Chief Financial Officer, Chief Human Resources Officer and/or the Chief Operating Officer (the “STAR Committee”), conducts a comprehensive retrospective assessment of the fiscal year performance of each STAR business unit against previously established goals for one or more of the following measures: Operating Total Shareholder Return, Key Competitor Comparison, After Tax Profit, Operating Cash Flow, Value Share, Volume, Net Outside Sales, Customer spending effectiveness, SRAP cost progress, Transportation and warehouse cost progress, Internal controls, Accounts receivable payscore (collection effectiveness), Organization Head Self-Assessment, and Cross Organization Assessment. The STAR Committee makes a recommendation of an appropriate Business Unit Performance Factor to the C&LD Committee. There may also be other factors significantly affecting STAR business unit results positively or negatively which can be considered by the STAR Committee when making its recommendation. No member of the STAR Committee makes any recommendation or determination as to their own STAR award. As a result, there are certain instances in which a Business Unit Performance Factor recommendation to the C&LD Committee must be made exclusively by the Chief Executive Officer.

Business Unit leaders may then allocate the approved STAR Business Unit Factors among the divisions of the Business Unit to more closely align the STAR award with performance, so long as the total expenditure does not exceed that approved by the Star Committee.

- The **Total Company Performance Factor** is based on the total Company's success during the fiscal year and ranges from 70% to 130%, with a target of 100%. The same Total Company Performance Factor is applied to all STAR award calculations, regardless of STAR business unit. It is determined using a matrix which compares results against pre-established goals for fiscal year organic sales growth and core earnings per share ("EPS") growth for the fiscal year.
- The **P&G Transformation Factor** rewards leaders of the Company for delivering the brand portfolio transformation and associated divestitures. The Transformation factor will be assessed by the STAR Committee based on key deliverables related to the organizational transformation including portfolio optimization and will payout as a multiplier in the range of 70% to 130%. The same P&G Transformation Factor is applied to all STAR award calculations, regardless of business unit. This temporary measure will be applied to STAR awards beginning FY 2015-16 and is anticipated to continue into FY 2016-17. The P&G Transformation Factor for the STAR Committee members will be recommended to the C&LD Committee by the Chief Executive Officer.

While the STAR Committee makes recommendations to the C&LD Committee regarding the Business Unit, Transformation and Total Company performance factors to be applied to all STAR awards (except those for the STAR Committee members), only the final award amounts for principal officers are approved specifically by the C&LD Committee. The C&LD Committee has delegated the approval of STAR awards for other participants to the Chief Executive Officer. The C&LD Committee has discretion to use, increase or decrease the performance factors recommended by the STAR Committee and/or to choose not to pay STAR awards during a given year.

Each year the C&LD Committee approves a cash pool for STAR awards equal to a percentage of profit, and the C&LD Committee sets a limit on the portion of that pool which can be awarded to each of the Named Executives subject to Section 162(m) of the Internal Revenue Service code. This ensures that any STAR awards paid to such executives are fully tax deductible by the Company.

III. TIMING AND FORM

STAR awards are determined after the close of the fiscal year and are paid on or about September 15. The award form choices and relevant considerations are explained to participants annually. Participants receive written notice of their award detailing the calculation and grant letters for those employees who elect to receive awards in stock options

Generally, STAR awards are paid in cash. However, before the end of the calendar year preceding the award date, eligible participants can elect to receive their STAR award in forms other than cash. Alternatives to cash include stock options, stock appreciation rights ("SARS"), local deferral programs (depending on local regulations in some countries) and/or deferred compensation for employees eligible to participate in the Executive Deferred Compensation Program). The number of stock options or SARS awarded to each employee will be determined on grant date by determining the USD value of the award chosen by the employee to be paid in stock options and dividing that value by the grant date GAAP expense of one stock option. The result will be rounded up to the nearest whole share. Any STAR award paid in stock options or other form of equity shall be awarded pursuant to this program and the terms and conditions of the 2014 Plan or any successor stock plan approved in accordance with applicable listing standards, as they may be revised from time to time. STAR awards paid in stock options or SARS will have the following terms unless otherwise approved by the C&LD Committee at grant:

Grant date will be the last business day on or before September 15. If the New York Stock Exchange is closed on the day of the grant, then the C&LD Committee will establish a grant date as soon as practical following the date previously specified. Provided participants remain in compliance with the terms and conditions set forth in the 2014 Plan and the Regulations, STAR stock options and SARS are not forfeitable, will become exercisable three years after the grant date, and will expire ten years after the grant date. In the event of death of the participant, the award becomes exercisable as of the date of death and the award remains exercisable until the Expiration Date. For awards granted in France or the United Kingdom, the consequences of death are determined by the local plan supplement, if applicable.

The option price used for any STAR Award will be the closing price for a share of Common Stock on the New York Stock Exchange on the grant date, or such higher price as may be specified in the French Addendum of the Regulations (the "Grant Price").

IV. SEPARATION FROM THE COMPANY

- **Retirement, Death or Special Separation with a Separation Package:** If a participant worked at least 28 days (4 calendar weeks) during the fiscal year, the STAR award is pro-rated by dividing the number of calendar days the participant was an "active employee" during the fiscal year by 365.

- **Voluntary Resignation or Termination for cause:** Separating employees must have been active employees as of June 30 (the close of the fiscal year for which the award is payable) to receive an award.
- **Separation due to a Company authorized divestiture:** In the case of divestitures the CHRO is authorized to determine the appropriate STAR payout based on Business Unit factors either at Target or at projected or actual business results. The CHRO is also authorized to pay awards for the current or following partial fiscal year at time of divestiture close for administrative convenience.

Eligible participants who have left the Company will receive a cash payment (equity such as stock options and RSUs can only be issued to active employees) on the same timing as STAR awards or as soon thereafter as possible.

V. CHANGE IN CONTROL

Notwithstanding the foregoing, if there is a Change in Control in any fiscal year, STAR awards will be calculated in accordance with Section II above, but each factor will be calculated for the period from the beginning of the fiscal year in which a Change in Control occurred up to and including the date of such Change in Control (“CIC Period”). “Change in Control” shall have the same meaning as defined in the 2014 Plan or any successor stock plan.

VI. GENERAL TERMS AND CONDITIONS

While any STAR award amount received by one individual for any year shall be considered as earned remuneration in addition to salary paid, it shall be understood that this plan does not give to any officer or employee any contract rights, express or implied, against any Company for any STAR award or for compensation in addition to the salary paid to him or her, or any right to question the action of the Board of Directors or the C&LD or STAR Committees.

Each award to an individual at Band 7 and above, made pursuant to this plan, is subject to the Senior Executive Recoupment Policy adopted by the C&LD Committee in December 2006.

To the extent applicable, it is intended that STAR comply with the provisions of Section 409A. STAR will be administered and interpreted in a manner consistent with this intent. Neither a Participant nor any of a Participant’s creditors or beneficiaries will have the right to subject any deferred compensation (within the meaning of Section 409A) payable under STAR to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to a Participant under STAR may not be reduced by, or offset against, any amount owing by a Participant to the Company.

This program document may be amended at any time by the C&LD Committee.

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Section 7: EX-10.23 (EXHIBIT 10.23 THE PROCTER & GAMBLE PERFORMANCE STOCK PROGRAM SUMMARY)

EXHIBIT (10-23)

The Procter & Gamble Performance Stock Program Summary

PERFORMANCE STOCK PROGRAM SUMMARY

(Effective July 1, 2016)

The Performance Stock Program (“PSP”) is a part of The Procter & Gamble Company’s (the “Company”) long-term incentive (“LTI”) compensation and is designed to provide additional focus on key Company measures for top executives with senior management responsibility for total Company results. Awards granted under the PSP (“PSP Awards”) are made pursuant to authority delegated to the Compensation & Leadership Development Committee (the “C&LD Committee”) by the Board of Directors for determining compensation for the Company’s principal officers and for making awards under the Procter & Gamble 2014 Stock and Incentive Compensation Plan (the “2014 Plan”) or any successor stock plan approved in accordance with applicable listing standards. PSP Awards are Performance-Based Compensation (as defined in Article 15 of the 2014 Plan).

I. ELIGIBILITY

The Chairman of the Board and/or Chief Executive Officer and those active executives at Band 6 or above as of October 1 prior to the grant date and recommended by management are eligible to participate (“Participants”).

II. OVERVIEW

A significant portion of the Band 6 and above compensation is delivered through two long-term incentive programs tied to Company performance: PSP and the Long-term Incentive Program.

Total long-term incentive compensation targets are based on relevant competitive market data considering the median total long-term compensation of comparable positions, regressed for revenue size. The C&LD Committee establishes the Peer Group and sets compensation targets for all Principal Officers including the CEO. The CEO approves compensation targets for non-Principal Officers (generally Band 6 managers).

The C&LD Committee determines the long-term incentive award for the CEO. The CEO recommends all other Principal Officer awards to the C&LD Committee based on benchmarked long-term compensation targets, adjusted for business results and individual contributions attributable to each executive and including that individual’s leadership skills. The C&LD Committee retains full authority to accept, modify, or reject these recommendations. The CEO approves awards for participants who are not Principal Officers based on long-term compensation targets, business results and individual contributions. Long-term incentive awards can be up to 50% above or 50% below the benchmarked target. In exceptional cases, no award will be made. After total LTI award size is determined then approximately half of each Band 7 manager’s long-term compensation is allocated to PSP via an Initial PSU Grant (as defined below). The remaining portion is a Long-term Incentive Program Grant. Approximately 25% of each Band 6 manager’s total LTI is allocated to PSP with the remainder awarded under the Long-term Incentive Program.

PSP rewards Participants for Company performance against certain three-year performance goals in categories established by the C&LD Committee. The C&LD Committee sets these performance goals for each three-year period that begins on July 1 and ends on June 30 three years later (“Performance Period”). In the first year of each Performance Period, the C&LD Committee grants Performance Stock Units (“PSUs”) to Participants that will vest at the end of the Performance Period based on the Company’s performance relative to the pre-established performance goals (“Initial PSU Grant”). The number of PSUs that vest at the end of the Performance Period depends on the Company’s performance against the pre-established performance goals. Vested PSUs, including dividend equivalents, are converted into shares of the Company’s common stock (“Common Stock”) delivered to the applicable Participant within 60 days following the end of the Performance Period, or such later date as may be elected by the Participant in accordance with Section 409A of the Internal Revenue Code (“Section 409A”).

III. PERFORMANCE CATEGORIES

The PSP Award is based on the Company’s performance in each of the following categories (each a “Performance Category”) and weighted as indicated:

- Organic sales growth - 30%
- Constant currency core before-tax operating profit growth - 20%
- Core earnings per share (EPS) growth - 30%
- Adjusted free cash flow productivity - 20%

Within the first 90 days of each Performance Period, the C&LD Committee sets three-year performance goals (“Performance Goals”) for each Performance Category for such Performance Period and establishes a sliding scale to measure the Company’s performance against each Performance Goal in each Performance Category. The C&LD Committee uses the sliding scale to

establish a payout factor between 0% and 200% for each Performance Category (a “Sales Factor”, “Profit Factor”, “EPS Factor” and “Cash Flow Factor”, collectively, “Performance Factors”).

In all cases, the C&LD Committee retains the discretion to include or exclude certain of the Performance Categories for purposes of determining the PSP Award. The C&LD Committee may reduce or eliminate any payment if it determines that such payout is inconsistent with long-term shareholders’ interests or incongruous with the overall performance of the company.

PSP awards will have the following terms unless otherwise approved by the C&LD Committee.

IV. THE INITIAL PSU GRANT

The C&LD Committee has the sole discretion to establish the target award (“PSP Target”) for each Participant serving as a Principal Officer. The CEO establishes the PSP Targets for participants who are not Principal Officers. The PSP Target will be a cash amount and will be the basis for the Initial PSU Grant. The C&LD Committee will make the Initial PSU Grant on the last business date in February (“Grant Date”) following the beginning of each Performance Period. If the New York Stock Exchange is closed on the day of the grant, then the C&LD will establish a grant date as soon as practical subsequent to the date previously specified for such award. The Initial PSU Grant will set forth a target and maximum number of PSUs. The Initial PSU Grant target will be determined by dividing the PSP Target by the closing price (“Grant Price”) of the Company’s Common Stock on the New York Stock Exchange as of the close of business on the Grant Date, rounding to the nearest whole unit.

The Initial PSU Grant maximum will be two times the Initial PSU Grant target.

V. PSU VESTING AND PAYMENT

After the Performance Period is complete, the C&LD Committee will establish the Payout Factors for each of the Performance Categories based on the Company’s results versus the pre-established Performance Goals. The number of PSUs that vest will be determined by multiplying the Performance Factors by the associated weighting by the number of PSUs in the Initial PSU Grant target, including dividends that would have accumulated since the initial PSU grant on the vested units, rounding up to the nearest whole number. The number of PSUs that vest may be equal to, above or below the Initial PSU Grant target depending on the Company’s performance in the Performance Categories, but in no event more than the Initial PSU Grant maximum. Vested PSUs are converted into shares of Common Stock delivered to the applicable Participant within 60 days following the end of the Performance Period, or such later date as may be elected by the Participant if applicable and in accordance with Section 409A.

Participants at Band 7 and above may elect to defer delivery of the Common Stock by electing to receive Restricted Stock Units. PSP RSUs will have the following terms unless otherwise approved by the Committee at grant:

VESTING AND SETTLEMENT: PSP RSUs will be vested on the grant date with a settlement date at least one year following the original PSU delivery date (as elected by the Participant), are eligible for dividend equivalents, and can be further deferred in accordance with Section 409A. These RSUs will be paid on their Original Settlement Date or the Agreed Settlement Date, except in the case of death. In the case of death (except in France and the UK), payment will be made by the later of the end of the calendar year or two and a half months following the date of death. For awards granted in France or the UK, the consequences of death are determined by the local plan supplement, if applicable.

VI. SEPARATION FROM THE COMPANY (Defined terms shall have the meaning designated in the 2014 Plan or related award documents.)

If the Participant’s Termination of Employment occurs for any reason before the Vest Date, except for the reasons listed below, the Award will be forfeited. Participants must remain in compliance with the terms and conditions set forth in the 2014 Plan, including those in Article 6.

- Termination on Account of Death (except in France and the UK). The Award will be fully vested and payment will be made by the later of the end of the calendar year or two and a half months following the date of death.
- Termination on Account of Death for awards granted in France or the UK. The consequences of death are determined by the local plan supplement, if applicable.
- Termination on Account of Retirement or Disability after June 30th of the fiscal year in which this Award was granted. PSUs are retained and will be delivered on the Settlement Date.

- Termination pursuant to a Written Separation Agreement that provides for retention of the Award, after June 30th of the fiscal year in which this Award was granted. PSUs are retained and will be delivered on the Settlement Date.
- Termination in connection with a divestiture or separation of any of the Company's businesses, as determined by the Company's Chief Human Resources Officer. PSUs are retained and will be delivered on the Settlement Date.

VII. CHANGE IN CONTROL

Notwithstanding the foregoing, if there is a Change in Control that meets the requirements of a change in control event under Section 409A, all outstanding PSP Awards will vest at 100% of the Initial PSU Grant target (or 100% of the PSP Target if the Change in Control occurs prior to the Initial PSU Grant) including dividends that would have accumulated since the initial PSU grant on the vested units, and shall be paid in shares of Common Stock at the time of such Change in Control. If there is a Change in Control event that does not meet the requirements of a change in control event under Section 409A, all outstanding PSP Awards will be settled according to the terms and conditions set forth herein, without the application Article 17 of the 2014 Plan. "Change in Control" shall have the same meaning as defined in the 2014 Plan or any successor stock plan approved in accordance with applicable listing standards.

VIII. GENERAL TERMS AND CONDITIONS

It shall be understood that the PSP does not give to any officer or employee any contract rights, express or implied, against any Company for any PSP Award, or for compensation in addition to the salary paid to him or her, or any right to question the action of the Board of Directors or the C&LD Committee.

Each PSP Award made to an individual at Band 7 and above is subject to the Senior Executive Recoupment Policy adopted by the C&LD Committee in December 2006.

To the extent applicable, it is intended that the PSP comply with the provisions of Section 409A. The PSP will be administered and interpreted in a manner consistent with this intent. Neither a Participant nor any of a Participant's creditors or beneficiaries will have the right to subject any deferred compensation (within the meaning of Section 409A) payable under the PSP to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to a Participant under the PSP may not be reduced by, or offset against, any amount owing by a Participant to the Company.

This program document may be amended at any time by the C&LD Committee.

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Section 8: EX-10.25 (EXHIBIT 10.25 THE PROCTER & GAMBLE 2014 STOCK AND INCENTIVE COMPENSATION PLAN)

EXHIBIT (10-25)

The Procter & Gamble 2014 Stock and Incentive Compensation Plan

The Procter & Gamble 2014 Stock and Incentive Compensation Plan

Article 1. Establishment, Purpose and Duration

1.1 Establishment. The Procter & Gamble Company, an Ohio corporation (the “Company”), hereby establishes an incentive compensation plan to be known as The Procter & Gamble 2014 Stock and Incentive Compensation Plan (the “Plan”), as set forth in this document. This Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Stock Units, Cash-Based Awards and Other Stock-Based Awards. This Plan shall become effective upon shareholder approval (the “Effective Date”) and shall remain in effect as provided in Section 1.3.

1.2 Purpose of this Plan. The purposes of the Plan are to strengthen the alignment of interests between those Employees of the Company and its Subsidiaries who are largely responsible for the success of the business as well as Non-employee Directors and the Company’s shareholders through ownership behavior and the increased ownership of shares of the Company’s common stock, and to encourage Plan Participants to remain in the employ of the Company and its Subsidiaries.

1.3 Duration of this Plan. Unless sooner terminated as provided herein, this Plan shall terminate ten (10) years from the Effective Date. After this Plan is terminated, no Awards may be granted but Awards previously granted shall remain outstanding in accordance with their applicable terms and conditions and this Plan’s terms and conditions.

Article 2. Definitions

Whenever used in this Plan, the following terms shall have the meanings set forth below, and when the meaning is intended, the initial letter of the word shall be capitalized.

2.1 “Annual Award Limits” have the meaning set forth in Section 4.4.

2.2 “Award” means, individually or collectively, a grant under this Plan of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Stock Units, Cash-Based Awards or Other Stock-Based Awards, in each case subject to the terms of this Plan.

2.3 “Award Agreement” means either (i) a written or electronic agreement entered into by the Company and a Participant setting forth the terms and provisions applicable to an Award granted under this Plan, including any amendment or modification thereof, or (ii) a written or electronic statement issued by the Company to a Participant describing the terms and provisions of such Award, including any amendment or modification thereof. The Committee shall have the exclusive authority to determine the terms of an Award Agreement evidencing an Award granted under this Plan, subject to the provisions herein. The terms of an Award Agreement need not be uniform among all Participants or among similar types of Awards.

2.4 “Beneficial Owner” or “Beneficial Ownership” shall have the meaning ascribed to such term in Rule 13d-3 under the Exchange Act.

2.5 “Board” or “Board of Directors” means the Board of Directors of the Company.

2.6 “Cash-Based Award” means an Award, denominated in cash, granted to a Participant as described in Article 12.

2.7 “Cause” for purposes of this Plan only means, unless otherwise specified in an Award Agreement or in an applicable employment agreement between the Company and a Participant, any one of the following:

- (a) Participant’s conviction of or plea of guilty or *nolo contendere*, or no contest, to a felony;
- (b) Participant’s willful misconduct;
- (c) Participant’s violation of a material written Company policy; or
- (d) Participant’s willful and continued failure or refusal to substantially perform essential job functions.

2.8 “Change in Control” means the occurrence of one or more of the following events:

(a) The acquisition by any Person of Beneficial Ownership of more than 20% of either (A) the then-outstanding Shares (“Outstanding Company Common Stock”) or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that, for purposes of this Section 2.8(a) the following acquisitions shall not constitute a Change in Control:

(i) any acquisition by the Company,

(ii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company,

(iii) any acquisition by any entity controlled by the Company, or

(iv) any acquisition by any entity pursuant to a transaction that complies with Sections 2.8(c) (i), (ii) and (iii).

(b) Individuals who, as of the Effective Date, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a Director subsequent to the Effective Date whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the Directors then comprising the Incumbent Board shall be considered as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

(c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company and/or any entity controlled by the Company, or a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any entity controlled by the Company (each, a “Business Combination”), in each case, provided, however, that, for purposes of this Section 2.8(c) a Business Combination shall not constitute a Change in Control if following such Business Combination:

(i) all or substantially all of the individuals and entities that were the Beneficial Owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be; and

(ii) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination; and

(iii) at least a majority of the members of the board of directors of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination.

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

2.9 “Code” means the U.S. Internal Revenue Code of 1986, as amended from time to time. For purposes of this Plan, references to sections of the Code shall be deemed to include references to any applicable regulations thereunder and any successor or similar provision.

2.10 “Commission” means the Securities and Exchange Commission.

2.11 “Committee” means the Compensation & Leadership Development Committee of the Board or a subcommittee thereof or any other committee designated by the Board to administer this Plan. The members of the Committee shall be appointed from time to time by and shall serve at the discretion of the Board. If the Committee does not exist or cannot function for any reason, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee. The Committee shall be constituted to comply with the requirements of Rule 16b-3 promulgated by the Commission under the Exchange Act, or such rule or any successor rule thereto which is in effect from time to time, Code Section 162(m), and any applicable listing or governance requirements of any securities exchange on which the Company’s common shares are listed.

2.12 “Company” means The Procter & Gamble Company and any successor thereto as provided in Section 21.19.

2.13 “Covered Employee” means any Employee who is or may become a “Covered Employee,” as defined in Code Section 162(m), and who is designated, either as an individual Employee or class of Employees, by the Committee within the shorter of (i) 90 days after the beginning of the Performance Period, or (ii) before 25% of the Performance Period has elapsed, as a “Covered Employee” under this Plan with respect to such applicable Performance Period.

2.14 “Director” means any individual who is a member of the Board of Directors of the Company.

2.15 “Disability” means a “disability” within the meaning of Code Section 409A and the regulations or other guidance issued thereunder.

2.16 “Dividend Equivalent” has the meaning set forth in Article 13.

2.17 “Effective Date” has the meaning set forth in Section 1.1.

2.18 “Employee” means any individual performing services for the Company or a Subsidiary and designated as an employee of the Company or the Subsidiary on its payroll records. An Employee shall not include any individual during any period he or she is classified or treated by the Company or Subsidiary as an independent contractor, a consultant or an employee of an employment, consulting or temporary agency or any other entity other than the Company or Subsidiary, without regard to whether such individual is subsequently determined to have been, or is subsequently retroactively reclassified, as a common-law employee of the Company or Subsidiary during such period. An individual shall not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company, between the Company and any Subsidiaries, or between Subsidiaries. For purposes of Incentive Stock Options, no such leave may exceed 90 days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then three months following the 91st day of such leave, any Incentive Stock Option held by a Participant shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonqualified Stock Option. Neither service as a Director nor payment of a Director’s fee by the Company shall be sufficient to constitute “employment” by the Company.

2.19 “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto and the rules and regulations promulgated thereto.

2.20 “Fair Market Value” or “FMV” means, as applied to a specific date, the price of a Share that is based on the opening, closing, actual, high, low or average selling prices of a Share reported on any established stock exchange or national market system including without limitation the New York Stock Exchange and the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation System on the applicable date, the preceding trading day, the next succeeding trading day, or an average of trading days, as determined by the Committee in its discretion. Unless the Committee determines otherwise or unless otherwise specified in an Award Agreement, Fair Market Value shall be deemed to be equal to the closing price of a Share on the most recent date on which Shares were publicly traded.

2.21 “Good Reason” means the occurrence, during the two year period commencing on the date of a Change in Control, of any of the following without a Participant’s written consent, in each case, when compared to the arrangements in effect immediately prior to the Change in Control:

- (a) a material reduction in the Participant’s total compensation;
- (b) a material diminution in the Participant’s duties, responsibilities or authority; or
- (c) a relocation of more than 50 miles from the Participant’s principal office location.

2.22 “Grant Date” means the date an Award is granted to a Participant pursuant to the Plan.

2.23 “Grant Price” means the price established at the time of grant of an SAR pursuant to Article 8.

2.24 “Incentive Stock Option” or “ISO” means an Option granted pursuant to Article 7 that is designated as an Incentive Stock Option and that is intended to meet the requirements of Code Section 422 or any successor provision.

2.25 “Non-employee Director” means a Director who is not an Employee.

2.26 “Nonqualified Stock Option” means an Award granted pursuant to Article 7 that is not intended to meet the requirements of Code Section 422, or that otherwise does not meet such requirements.

2.27 “Option” means an Award granted pursuant to Article 7, which Award may be an Incentive Stock Option or a Nonqualified Stock Option.

2.28 “Option Price” means the price at which a Share may be purchased by a Participant pursuant to an Option.

2.29 “Other Stock-Based Award” means an equity-based or equity-related Award not otherwise described by the terms of this Plan that is granted pursuant to Article 12.

2.30 “Participant” means any eligible individual as set forth in Article 5 to whom an Award is granted.

2.31 “Performance-Based Compensation” means compensation under an Award that is intended to satisfy the requirements of Code Section 162(m) for certain compensation paid to Covered Employees.

2.32 “Performance Measures” means measures, as described in Article 15, upon which performance goals are based and that are approved by the Company’s shareholders pursuant to this Plan in order to qualify Awards as Performance-Based Compensation.

2.33 “Performance Period” means the period of time during which pre-established performance goals must be met in order to determine the degree of payout and/or vesting with respect to an Award.

2.34 “Performance Stock Unit” means an Award granted pursuant to Article 11.

2.35 “Period of Restriction” means the period when Restricted Stock or Restricted Stock Units are subject to a substantial risk of forfeiture (based on the passage of time, the achievement of performance goals or upon the occurrence of other events as determined by the Committee, in its discretion) as provided in Articles 9 and 10.

2.36 “Person” shall have the meaning ascribed to such term in Section 3(a) (9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a “group” as defined in Section 13(d) thereof.

2.37 “Plan” means The Procter & Gamble Company 2014 Stock and Incentive Plan, as the same may be amended from time to time.

2.38 “Prior Plans” means The Procter & Gamble 2009 Stock and Incentive Plan, The Procter & Gamble 2001 Stock and Incentive Plan, The Procter & Gamble 1992 Stock Plan, The Procter & Gamble 1992 Stock Plan (Belgian Version), The Procter & Gamble Future Shares Plan, The Gillette Company 2004 Long-Term Incentive Plan, The Gillette Company 1971 Stock Option Plan, The 2003 Non-Employee Director Plan, and The 2013 Non-Employee Director Plan.

2.39 “Restricted Stock” means an Award granted pursuant to Article 9.

2.40 “Restricted Stock Unit” or “RSU” means an Award granted pursuant to Article 10.

2.41 “Retirement” means retirement in accordance with the provisions of any applicable retirement plan of the Company or any of its Subsidiaries as determined in the sole discretion of the Committee or its delegate.

2.42 “Share” means a share of common stock of the Company.

2.43 “Stock Appreciation Right” or “SAR” means an Award granted pursuant to Article 8.

2.44 “Subsidiary” means any corporation or other entity, whether domestic or foreign, in which the Company has or obtains, directly or indirectly, an interest of more than 50% by reason of stock ownership or otherwise. In addition, the Board may designate for participation in the Plan as a “Subsidiary” those additional companies affiliated with the Company in which the Company’s direct or indirect interest is less than 50%, provided, however, that such designation shall not be permitted for the granting of Incentive Stock Options and such designation shall not include a company with respect to which the Company is not an “eligible issuer of service recipient stock” within the meaning of the regulations under Code Section 409A.

2.45 “Termination of Employment” means the termination of the Participant’s employment with the Company and the Subsidiaries, regardless of the reason for the termination of employment. With respect to any Award that is subject to Code Section 409A, Termination of Employment shall mean a Separation from Service as defined in Code Section 409A.

2.46 “Termination of Directorship” means the time when a Non-employee Director ceases to be a Non-employee Director for any reason, including, but not by way of limitation, a termination by resignation, failure to be elected, death or retirement. With respect to any Award that is subject to Code Section 409A, Termination of Directorship shall mean a Separation from Service as defined in Code Section 409A.

Article 3. Administration

3.1 General. The Committee shall be responsible for administering this Plan, subject to this Article 3 and the other provisions of this Plan. The Committee may employ attorneys, consultants, accountants, agents and other individuals, any of whom may be an Employee, and the Committee, the Company, and its officers and Directors shall be entitled to rely upon the advice, opinions or valuations of any such individuals. The Committee may also establish regulations, provisions, and procedures within the terms of the Plan, as in its opinion, may be advisable for the administration and operation of the Plan. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Participants, the Company or Subsidiary, and all other interested individuals.

3.2 Authority of the Committee. Subject to any express limitations set forth in the Plan, the Committee shall have full and exclusive discretionary power and authority to take such actions as it deems necessary and advisable with respect to the administration of the Plan including, but not limited to, the following:

- (a) To determine from time to time which of the persons eligible under the Plan shall be granted Awards, when and how each Award shall be granted, what type or combination of types of Awards shall be granted, the provisions of each Award granted (which need not be identical), including the time or times when a person shall be permitted to receive Shares pursuant to an Award and the number of Shares subject to an Award;
- (b) To construe and interpret the Plan and Awards granted under it, and to establish, amend, and revoke rules and regulations for its administration. The Committee, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in an Award Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective;
- (c) To approve forms of Award Agreements for use under the Plan;
- (d) To determine Fair Market Value of a Share in accordance with Section 2.20 of the Plan;
- (e) To amend the Plan or any Award Agreement as provided in the Plan;
- (f) To adopt sub-plans and/or special provisions applicable to Awards regulated by the laws of a jurisdiction other than the United States. Such sub-plans and/or special provisions may take precedence over other provisions

of the Plan, but unless otherwise superseded by the terms of such sub-plans and/or special provisions, the provisions of the Plan shall govern;

- (g) To authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Board;
- (h) To determine whether Awards will be settled in Shares, cash or in any combination thereof;
- (i) To determine whether Awards will provide for Dividend Equivalents;
- (j) To establish a program whereby Participants designated by the Committee may reduce compensation otherwise payable in cash in exchange for Awards under the Plan;
- (k) To impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any sales by a Participant or other subsequent transfers by a Participant of any Shares, including, without limitation, restrictions under an insider trading policy and restrictions as to the use of a specified brokerage firm for such resales or other transfers;
- (l) To authorize the Company to charge a reasonable administrative fee for the exercise of any Option; and,
- (m) To waive the requirements of Article 6 at the time an Award is granted.

3.3 Delegation. To the extent permitted by law, the Committee may delegate to the Secretary of the Company or other employees of the Company the duties or powers it may deem advisable to assist the Committee in the administration and operation of the Plan and may grant authority to such persons to execute documents on behalf of the Committee. To the extent permitted by applicable law, the Committee may, by resolution, authorize one or more officers of the Company to do one or both of the following on the same basis as can the Committee: (a) designate Employees to be recipients of Awards; and (b) determine the size of any such Awards; provided, however, (i) the Committee shall not delegate such responsibilities to any such officer for Awards granted to an Employee who is considered a Covered Employee or an officer (as defined in Rule 16a-1(f)); (ii) the resolution providing such authorization sets forth the total number of Awards such officer(s) may grant; and (iii) the officer(s) shall report periodically to the Committee regarding the nature and scope of the Awards granted pursuant to the authority delegated.

Article 4. Shares Subject to This Plan and Maximum Awards

4.1 Number of Shares Authorized and Available for Awards. Subject to adjustment as provided under the Plan, the total number of Shares that are available for Awards under this Plan shall be 160,000,000 Shares plus any Shares that are available for Awards under Prior Plans as of the Effective Date. No further Awards may be granted under the Prior Plans as of the Effective Date.

4.2 Share Usage. The Committee shall determine the appropriate method for determining the number of Shares available for grant under the Plan, subject to the following:

- (a) all Options and Stock Appreciation Rights shall be counted against Shares available on a one for one basis;
- (b) all full value Awards to be settled in Shares shall be counted as 5 Shares for each Share awarded;
- (c) except as provided in clause (d), any Shares that are related to an Award granted under this Plan or Prior Plans that terminates by expiration, forfeiture, cancellation or otherwise without the issuance of the Shares, are settled in cash in lieu of Shares, or is exchanged with the Committee's permission, prior to the issuance of Shares, for an Award not involving Shares shall be available again for grant under this Plan; and
- (d) any Award Shares tendered, exchanged or withheld to cover Option exercise costs, any Award Shares withheld to cover taxes, and all Shares underlying an Award of Stock Appreciation Rights once such Stock Appreciation Rights are exercised, shall be taken into account as Shares issued under this Plan.

4.3 Shares Subject to Use Under the Plan. The source of the Shares to be delivered by the Company upon exercise or payment of any Award shall be determined by the Committee and may consist, in whole or in part, of authorized but unissued Shares, treasury Shares, or Shares acquired in the open market. In the case of redemption of SARs by one of the Company's Subsidiaries, such Shares shall be Shares acquired by that Subsidiary.

4.4 Annual Award Limits. Awards under the Plan shall be subject to the following Annual Award Limits, subject to any adjustment under Section 4.5. The maximum number of Shares with respect to which Options or other Awards may be granted to any Non-employee Director in any calendar year shall not exceed 10,000. The maximum number of Shares with respect to which Options or SARs may be granted to any Employee who is a Participant in any calendar year shall be 2,000,000 Shares. For any Awards other than Options or SARs that are Performance-Based Compensation and that are denominated in Shares, the maximum aggregate number of Shares that may be delivered pursuant to such Awards granted in any calendar year shall be 400,000 Shares for any Employee who is a Participant. For any Awards that are Performance-Based Compensation and that are denominated in cash, the maximum aggregate amount of cash that may be paid with respect to all such Awards granted in any calendar year shall be \$20,000,000 for any Employee who is a Participant.

4.5 Adjustments in Authorized Shares. Adjustments in authorized Shares available for issuance under the Plan or under an outstanding Award and adjustments in Annual Award Limits shall be subject to the following provisions:

(a) In the event of any corporate event or transaction such as a merger, consolidation, reorganization, recapitalization, separation, partial or complete liquidation, stock dividend, stock split, reverse stock split, split up, spin-off, distribution of stock or property of the Company, combination of Shares, exchange of Shares, dividend in kind, extraordinary cash dividend or any other similar corporate event or transaction ("Corporate Transactions"), the Committee, in order to prevent dilution or enlargement of Participants' rights under this Plan, shall substitute or adjust, as applicable, (i) the number and kind of Shares that may be issued under this Plan or under particular forms of Awards, (ii) the number and kind of Shares subject to outstanding Awards, (iii) the Option Price or Grant Price applicable to outstanding Awards, and (iv) the Annual Award Limits and other value determinations applicable to outstanding Awards. The Committee, in its discretion, shall determine the methodology or manner of making such substitution or adjustment.

(b) In addition to the adjustments permitted under paragraph (a) above, the Committee, in its sole discretion, may make such other adjustments or modifications in the terms of any Awards that it deems appropriate to reflect any Corporate Transaction, including, but not limited to, modifications of performance goals and changes in the length of Performance Periods, subject to the limitations set forth in Section 15.4, provided that no such adjustment or modification shall have the effect of materially and adversely reducing Participant's rights and opportunities with respect to outstanding Awards.

(c) The determination of the Committee as to the foregoing adjustments, if any, shall be conclusive and binding on Participants under this Plan.

Article 5. Eligibility and Participation

5.1 Eligibility to Receive Awards. Individuals eligible to participate in this Plan include all Employees and Non-employee Directors.

5.2 Participation in the Plan. Subject to the provisions of this Plan, the Committee may, from time to time, select from all individuals eligible to participate in the Plan:

(a) Non-employee Directors, and

(b) those Employees who, in the opinion of the Committee have demonstrated a capacity for contributing in a substantial manner to the success of the Company and its Subsidiaries,

to whom Awards shall be granted and shall determine, in its sole discretion, the nature of any and all terms permissible by law and the amount of each Award.

Article 6. Restrictions and Covenants

6.1 Participant Obligations. In addition to such other conditions as may be established by the Committee, in consideration of the granting of an Award under the terms of the Plan, each Employee who is a Participant agrees as follows:

(a) The right to exercise any Option or Stock Appreciation Right shall be conditional upon certification by the Participant at time of exercise whether the Participant either intends to remain in the employ of the Company or one of its Subsidiaries for at least one (1) year following the date of exercise of the Option or SAR or intends to leave the Company or one of its Subsidiaries within one (1) year following the date of exercise of the Option or SAR, but has no intention to engage in any activity that would violate the non-compete provisions of Article 6.

(b) In order to better protect the goodwill of the Company and its affiliates and Subsidiaries and to prevent the disclosure of the Company's or its affiliates' or Subsidiaries' confidential and proprietary trade secret information and thereby help ensure the long-term success of the business, the Participant, without prior written consent of the Chief Human Resources Officer of and Chief Legal Officer of the Company, will not engage in any activity or provide any services, whether as a director, manager, supervisor, employee, adviser, consultant or otherwise, for a period of three (3) years following the date of the Participant's Termination of Employment, in connection with the manufacture, development, advertising, promotion, or sale of any product which is the same as or similar to or competitive with any products of the Company or its affiliates or Subsidiaries (including both existing products as well as products known to the Participant, as a consequence of the Participant's employment with the Company or one of its affiliates or Subsidiaries, to be in development):

(i) with respect to which the Participant's work has been directly concerned at any time during the two (2) years preceding Termination of Employment, or

(ii) with respect to which the Participant, as a consequence of the Participant's job performance and duties, acquired knowledge of confidential and proprietary trade secret information of the Company or its affiliates or Subsidiaries.

For purposes of this Section 6.1(b), it shall be conclusively presumed that Participants have knowledge of information they were directly exposed to through actual receipt or review of memos or documents containing such information, or through actual attendance at meetings at which such information was discussed or disclosed.

(c) To better protect the Company's investment in its employees and to ensure the long-term success of the business, the Participant, without prior written consent of the Company, will not attempt directly or indirectly to induce any employee of the Company or its affiliates or Subsidiaries to be employed or perform services elsewhere or attempt directly or indirectly to solicit the trade or business of any customer or partner of the Company or its affiliates or Subsidiaries.

(d) Because a main purpose of the Plan is to strengthen the alignment of interests between employees of the Company (including all affiliates and Subsidiaries) and its shareholders to ensure the continued success of the Company, the Participant will not take any action that is significantly contrary to the best interests of the Company or its affiliates or Subsidiaries. For purposes of this Section 6.1(d), an action taken "significantly contrary to the best interests of the Company or its affiliates or Subsidiaries" includes without limitation any action taken or threatened by the Participant that the Committee determines has, or is reasonably likely to have, a significant adverse impact on the reputation, goodwill, stability, operation, personnel retention and management, or business of the Company or any affiliate or Subsidiary.

(e) The provisions of this Article 6 are not in lieu of, but are in addition to, the continuing obligation of the Participant (which the Participant acknowledges by accepting any Award under the Plan) to not use or disclose the Company's or its affiliates' or Subsidiaries' confidential and proprietary trade secret information known to the Participant until any particular confidential and proprietary trade secret information becomes generally known (through no fault of the Participant), whereupon the restriction on use and disclosure shall cease as to that item. Information regarding products in development, in test marketing or being marketed or promoted in a discrete geographic region, which information the Company or one of its affiliates or Subsidiaries is considering for broader use, shall not be deemed generally known until such broader use is actually commercially implemented. As used in this Article 6, "generally known" means known throughout the domestic U. S. industry

or, in the case of Participants who have job responsibilities outside of the United States, the appropriate foreign country or countries' industry.

(f) By acceptance of any Award granted under the terms of the Plan, the Participant acknowledges that if the Participant were, without authority, to use or disclose the Company's or any of its affiliates' or Subsidiaries' confidential and proprietary trade secret information or threaten to do so or violate or threaten to violate any other covenant of this Article 6, the Company or one of its affiliates or Subsidiaries would be entitled to injunctive and other appropriate relief to prevent the Participant from doing so. The Participant acknowledges that the harm caused to the Company by the breach or anticipated breach of this Article 6 is by its nature irreparable because, among other things, it is not readily susceptible of proof as to the monetary harm that would ensue. The Participant consents that any interim or final equitable relief entered by a court of competent jurisdiction shall, at the request of the Company or one of its affiliates or Subsidiaries, be entered on consent and enforced by any court having jurisdiction over the Participant, without prejudice to any rights either party may have to appeal from the proceedings which resulted in any grant of such relief.

(g) Notwithstanding the requirements of confidentiality contained in this Article 6, the federal Defend Trade Secrets Act of 2016 immunizes Participant against criminal and civil liability under federal or state trade secret laws for Participant's disclosure of trade secrets that is made i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law; ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; or iii) to Participant's attorney for use in a lawsuit alleging retaliation for reporting a suspected violation of law, provided that any document containing the trade secret is filed under seal and Participant does not otherwise disclose the trade secret, except pursuant to court order.

(h) If any of the provisions contained in this Article 6 shall for any reason, whether by application of existing law or law which may develop after the Participant's acceptance of an Award under the Plan be determined by a court of competent jurisdiction to be overly broad as to scope of activity, duration, or territory, the Participant agrees to join the Company or any of its affiliates or Subsidiaries in requesting such court to construe such provision by limiting or reducing it so as to be enforceable to the extent compatible with then applicable law. If any one or more of the terms, provisions, covenants, or restrictions of this Article 6 shall be determined by a court of competent jurisdiction to be invalid, void or unenforceable, then the remainder of the terms, provisions, covenants, and restrictions of this Article 6 shall remain in full force and effect and shall in no way be affected, impaired, or invalidated.

6.2 Remedies. The Committee may cancel, rescind, suspend, withhold or otherwise limit or restrict any unexpired, unpaid or deferred Awards at any time if the Participant is not in compliance with all terms and conditions set forth in the Plan, including this Article 6. By acceptance of any Award granted under the terms of the Plan, the Participant acknowledges that the remedies outlined in this Section 6.2 and in Section 6.3 below are in addition to any remedy the Company or any affiliate or Subsidiary may have at law or in equity, including without limitation injunctive and other appropriate relief.

6.3 Repayment Obligations. Upon exercise, payment or delivery of an Award, the Participant shall certify in a manner acceptable to the Company that he or she has complied with the terms and conditions of the Plan. In the event a Participant fails to comply with any provision in this Article 6 at any time before or after exercise, payment or delivery of an Award, the Participant shall repay to the Company the net proceeds of any exercises, payments or deliveries of Awards which occur at any time after the earlier of the following two dates: (a) the date three years immediately preceding any such violation; or (b) the date 6 months prior to the Participant's Termination of Employment. The Participant shall repay to the Company the net proceeds in such manner and on such terms and conditions as may be required by the Company, and the Company shall be entitled to set-off against the amount of any such net proceeds any amount owed to the Participant by the Company, to the extent that such set-off is not inconsistent with Code Section 409A. For purposes of this paragraph, "net proceeds" shall mean (1) for each Option or SAR exercise, the difference between the Option Price and the greater of (i) the price of Shares on the date of exercise or (ii) the amount realized upon the disposition of the underlying Shares, less any applicable taxes withheld by the Company; (2) for RSUs or Performance Stock Units, the greater of (i) the number of net Shares delivered to the Participant multiplied by the closing price of Shares on the date of delivery or (ii) the amount realized upon the disposition of the number of net Shares delivered, in either case less any applicable taxes withheld by the Company; (3) for Restricted Stock, the greater of (i) the number of net Shares retained by, or delivered to, the Participant after any restrictions lapse multiplied by the closing price of Shares on the date the restrictions lapse or (ii) the amount realized upon the disposition of the number of net Shares delivered, in either case less any applicable taxes withheld by the Company; and (4) for all other Awards, the value of Shares or cash delivered to the Participant less any applicable taxes withheld by the Company.

6.4 Suspension of Exercise. The Company reserves the right from time to time to suspend the exercise of any Award, where such suspension is deemed by the Company as necessary or appropriate for corporate purposes. No such suspension shall extend the life of the Option or Stock Appreciation Right beyond its expiration date, and in no event will there be a suspension in the five (5) calendar days immediately preceding the expiration date.

Article 7. Stock Options

7.1 Grant of Options. Options may be granted to Participants in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee, in its sole discretion. Each grant of an Option shall be evidenced by an Award Agreement which shall specify whether the Option is in the form of a Nonqualified Stock Option or an Incentive Stock Option.

7.2 Option Price. The Option Price for each grant of an Option shall be determined by the Committee in its sole discretion and shall be specified in the Award Agreement evidencing such Option; provided, however, the Option Price must be at least equal to 100% of the FMV of a Share as of the Option's Grant Date, subject to adjustment as provided for under Section 4.5.

7.3 Term of Option. The term of an Option granted to a Participant shall be determined by the Committee, in its sole discretion; provided, however, no Option shall be exercisable later than the tenth anniversary of the Grant Date.

7.4 Exercise of Option. An Option shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which terms and restrictions need not be the same for each grant or for each Participant, except that no Option shall be exercisable within one (1) year from its Grant Date, except in the case of the death of the Participant.

7.5 Notice of Exercise. An Option shall be exercised by the delivery of a notice of exercise to the Company or an agent designated by the Company in a form specified or accepted by the Committee, or by complying with any alternative procedures that may be authorized by the Committee, setting forth the number of Shares with respect to which the Option is to be exercised.

7.6 Payment of Option Price. A condition of the issuance of the Shares as to which an Option shall be exercised shall be the payment of the Option Price. The Option Price of any exercised Option shall be payable to the Company in accordance with one of the following methods:

- (a) In cash or its equivalent;
- (b) By a cashless (broker-assisted) exercise;
- (c) By any combination of (a) and (b); or
- (d) Any other method approved or accepted by the Committee in its sole discretion.

Unless otherwise determined by the Committee, all payments under all of the methods indicated above shall be paid in United States dollars or Shares, as applicable.

7.7 Special Rules Regarding ISOs. Notwithstanding any provision of the Plan to the contrary, an Option granted in the form of an ISO to a Participant shall be subject to the following rules. An ISO may be granted solely to eligible Employees of the Company, a parent corporation, or a subsidiary, as defined in Code Section 422. An Award Agreement evidencing the grant of an ISO shall specify that such grant is intended to be an ISO. The Option Price for each grant of an ISO must be at least equal 100% of the Fair Market Value of a Share as of the ISO's Grant Date (in the case of 10% owners, within the meaning of Code Section 422, the Option Price may not be not less than 110% of such Fair Market Value), subject to adjustment provided for under Section 4.5. Any ISO granted to a Participant shall be exercisable during his or her lifetime solely by such Participant. The period during which a Participant may exercise an ISO shall not exceed ten years (five years in the case of a Participant who is a 10% owner within the meaning of Code Section 422) from its Grant Date. To the extent that the aggregate Fair Market Value of (a) the Shares with respect to which Options designated as ISOs plus (b) the shares of stock of the Company, parent corporation and subsidiary with respect to which other ISOs are exercisable for the first time by a holder of such ISOs during any calendar year under all plans of the Company, any parent corporation, and any subsidiary exceeds \$100,000, such Options shall be treated as Nonqualified Stock Options. For purposes of the preceding sentence, (a) Options shall be taken into account in the order in which they were granted, and (b) the Fair Market Value of the Shares shall be determined as of the time the Option or other ISO is granted. No more than 100,000,000 Shares shall be available under this Plan for delivery with respect to ISOs. No ISO may be granted

more than ten years after the earlier of (a) adoption of this Plan by the Board and (b) the Effective Date. No ISO may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution; provided, however, that at the discretion of the Committee, an ISO may be transferred to a grantor trust under which the Participant making the transfer is the sole beneficiary.

Article 8. Stock Appreciation Rights

8.1 Grant of SARs. SARs may be granted to Participants in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee, in its sole discretion. Each grant of SARs shall be evidenced by an Award Agreement.

8.2 Grant Price. The Grant Price for each grant of an SAR shall be determined by the Committee and shall be specified in the Award Agreement evidencing the SAR; provided, however, the Grant Price must be at least equal to 100% of the FMV of a Share as of the Grant Date, subject to adjustment as provided for under Section 4.5.

8.3 Term of SAR. The term of an SAR granted to a Participant shall be determined by the Committee, in its sole discretion; provided, however, no SAR shall be exercisable later than the tenth anniversary of the Grant Date.

8.4 Exercise of SAR. An SAR shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which terms and restrictions need not be the same for each grant or for each Participant, except that no SAR shall be exercisable within one (1) year from its Grant Date, except in the case of the death of the Participant.

8.5 Notice of Exercise. An SAR shall be exercised by the delivery of a notice of exercise to the Company or an agent designated by the Company in a form specified or accepted by the Committee, or by complying with any alternative procedures that may be authorized by the Committee, setting forth the number of Shares with respect to which the SAR is to be exercised.

8.6 Settlement of SARs. Upon the exercise of an SAR, pursuant to a notice of exercise properly completed and submitted to the Company in accordance with Section 8.5, a Participant shall be entitled to receive payment from the Company in an amount equal to the product of (a) and (b) below:

- (a) The excess of the Fair Market Value of a Share on the date of exercise over the Grant Price.
- (b) The number of Shares with respect to which the SAR is exercised.

Payment shall be made in cash, Shares or a combination thereof as provided for under the applicable Award Agreement. In the case of the redemption of SARs by a Subsidiary of the Company not located in the United States, the redemption differential shall be calculated in United States dollars and converted to the appropriate local currency on the exercise date.

Article 9. Restricted Stock

9.1 Grant of Restricted Stock. Restricted Stock may be granted to Participants in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee, in its sole discretion. Each grant of Restricted Stock shall be evidenced by an Award Agreement.

9.2 Nature of Restrictions. Each grant of Restricted Stock shall subject to a Period of Restriction that shall lapse upon the satisfaction of such conditions and restrictions as are determined by the Committee in its sole discretion and set forth in an applicable Award Agreement. Such conditions or restrictions may include, without limitation, one or more of the following:

- (a) Restrictions based upon the achievement of specific performance goals; and/or
- (b) Time-based restrictions.

9.3 Voting and Dividend Rights. Unless otherwise determined by the Committee and set forth in a Participant's applicable Award Agreement, to the extent permitted or required by law, as determined by the Committee, a Participant holding Shares of Restricted Stock granted hereunder shall be granted the right to exercise full voting rights with respect to those Shares and the right to receive dividends declared on those Shares during the Period of Restriction provided, however, that in the case of an Award as to which vesting depends upon the satisfaction of one or more performance conditions, such dividends shall be subject to the same performance conditions as the underlying Award.

Article 10. Restricted Stock Units

10.1 Grant of Restricted Stock Units. Restricted Stock Units may be granted to Participants in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee, in its sole discretion. A grant of a Restricted Stock Unit or Restricted Stock Units shall not represent the grant of Shares but shall represent a promise to deliver a corresponding number of Shares or the value of each Share based upon the completion of service, performance conditions, or such other terms and conditions as specified in the applicable Award Agreement over the Period of Restriction. Each grant of Restricted Stock Units shall be evidenced by an Award Agreement.

10.2 Nature of Restrictions. Each grant of Restricted Stock Units shall be subject to a Period of Restriction that shall lapse upon the satisfaction of such conditions and restrictions as are determined by the Committee in its sole discretion and set forth in an applicable Award Agreement. Such conditions or restrictions may include, without limitation, one or more of the following:

- (a) Restrictions based upon the achievement of specific performance goals; and/or
- (b) Time-based restrictions.

10.3 Voting and Dividend Rights. A Participant shall have no voting or dividend rights with respect to any Restricted Stock Units granted hereunder or the Shares corresponding to any Restricted Stock Units granted hereunder prior to such Shares being delivered to the Participant. A Participant may have a right to Dividend Equivalents based upon the terms of the Award pursuant to Article 13.

10.4 Settlement and Payment of Restricted Stock Units. Unless otherwise determined by the Committee, Restricted Stock Units shall be paid in the form of Shares upon the date specified in the Award Agreement.

Article 11. Performance Stock Units

11.1 Grant of Performance Stock Units. Performance Stock Units may be granted to Participants in such number, and upon such terms and at any time and from time to time as shall be determined by the Committee, in its sole discretion. A grant of Performance Stock Units shall not represent the grant of Shares but shall represent a promise to deliver Shares or cash based on the satisfaction of performance and, if applicable, service conditions. Each grant of Performance Stock Units shall be evidenced by an Award Agreement.

11.2 Earning of Performance Stock Units. After the applicable Performance Period has ended, the number of Performance Stock Units earned by the Participant over the Performance Period shall be determined as a function of the extent to which the applicable corresponding performance goals have been achieved. This determination shall be made solely by the Committee.

11.3 Voting and Dividend Rights. A Participant shall have no voting or dividend rights with respect to any Performance Stock Units granted hereunder or the Shares corresponding to any Performance Stock Units granted hereunder prior to such Shares being delivered to the Participant. A Participant may have a right to Dividend Equivalents based upon the terms of the Award pursuant to Article 13.

11.4 Settlement and Payment of Performance Stock Units. The Committee shall pay at or as soon as applicable following the close of the applicable Performance Period or at such other time as specified in the Award Agreement, any earned Performance Stock Units in the form of Shares, unless otherwise determined by the Committee. Any Shares paid to a Participant under this Section 11.4 may be subject to any restrictions deemed appropriate by the Committee.

Article 12. Other Stock-Based Awards and Cash-Based Awards

12.1 Grant of Other Stock-Based Awards and Cash-Based Awards.

- (a) The Committee may grant Other Stock-Based Awards not otherwise described by the terms of this Plan to a Participant in such amounts and subject to such terms and conditions, as the Committee shall determine, in its sole discretion. Such Awards may involve the transfer of actual Shares to Participants, or payment in cash or otherwise of amounts based on the value of Shares.

(b) The Committee may grant Cash-Based Awards not otherwise described by the terms of this Plan to a Participant in such amounts and subject to such terms and conditions, as the Committee shall determine, in its sole discretion.

(c) Each grant of Other Stock-Based Awards and Cash-Based Awards shall be evidenced by an Award Agreement, except to the extent determined by the Committee.

12.2 Value of Other Stock-Based Awards and Cash-Based Awards.

(a) Each Other Stock-Based Award shall be expressed in terms of Shares or units based on Shares, as determined by the Committee, in its sole discretion.

(b) Each Cash-Based Award shall specify a payment amount or payment range as determined by the Committee, in its sole discretion. If the Committee exercises its discretion to establish performance goals, the value of Cash-Based Awards that shall be paid to the Participant will depend on the extent to which such performance goals are met.

12.3 Payment of Other Stock-Based Awards and Cash-Based Awards. Payment, if any, with respect to Cash-Based Awards and Other Stock-Based Award shall be made in accordance with the terms of the applicable Award Agreement, in cash, Shares or a combination of both as determined by the Committee in its sole discretion.

Article 13. Dividend Equivalents

Except for Options and SARs, the Committee may grant Dividend Equivalents to a Participant based on the dividends declared on Shares that are subject to any Award granted to the Participant, with such Dividend Equivalents credited to the Participant as of the applicable dividend payment dates that occur during a period determined by the Committee; provided however, that in the case of an Award as to which vesting depends upon the satisfaction of one or more performance conditions, such Dividend Equivalents shall be subject to the same performance conditions as the underlying Award. Dividend Equivalents shall be converted to and paid in cash or additional Shares or Awards by such formula and at such time and subject to such limitations as may be determined by the Committee.

Article 14. Transferability of Awards and Shares

14.1 Transferability of Awards. Except as provided in Section 14.2, during a Participant's lifetime, Options and SARs shall be exercisable only by the Participant personally, or, in the event of legal incompetence of the Participant, by the Participant's duly appointed legal guardian. Awards shall not be transferable other than by will or the laws of descent and distribution; and any purported transfer in violation of this Section 14.1 shall be null and void.

14.2 Committee Action. Except as provided in Section 7.7, the Committee may, in its discretion, determine that notwithstanding Section 14.1, any Awards shall be transferable, without compensation to the transferor, to and exercisable by such transferees, and subject to such terms and conditions as the Committee may deem appropriate; provided, however, no Award may be transferred for value without shareholder approval.

14.3 Restrictions on Share Transferability. The Committee may impose such restrictions on any Shares acquired by a Participant under the Plan as it may deem advisable, including, without limitation, minimum holding period requirements, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed or traded or under any blue sky or state securities laws applicable to such Shares.

14.4 Transferability after Death of a Participant. For the purpose of exercising Options or Stock Appreciation Rights after the death of the Participant:

(a) the individuals to whom the Options or Stock Appreciation Rights have been transferred by will or the laws of descent and distribution shall have the privilege of exercising remaining Options, Stock Appreciation Rights or parts thereof, whether or not exercisable on the date of death of such Participant, at any time prior to the expiration date of the Options or Stock Appreciation Rights; and

(b) the duly appointed executors and administrators of the estate of the deceased Participant shall have the same rights and obligations with respect to the Options and Stock Appreciation Rights as legatees or distributees would have after distribution to them from the Participant's estate.

Article 15. Performance-Based Compensation and Compliance with Code Section 162(m)

15.1 Compliance with Section 162(m). All Options and SARs granted hereunder to any Participant who is or may be a Covered Employee at the time of exercise of such Option or SAR are intended to qualify for exemption from the limitation on deductibility imposed by Code Section 162(m) and this Plan shall be interpreted and operated consistent with that intention. The Committee may designate any Award (other than an Option or SAR) as Performance-Based Compensation upon grant, in each case based upon a determination that (i) the Participant is or may be a Covered Employee with respect to such Award, and (ii) the Committee wishes such Award to qualify for exemption from the limitation on deductibility imposed by Code Section 162(m). The Committee shall have the sole authority to specify which Awards are to be granted in compliance with Code Section 162(m) and treated as Performance-Based Compensation.

15.2 Performance Measures. Payment or vesting of an Award to a Covered Employee that is intended to qualify as Performance-Based Compensation shall be based upon one or more of the following Performance Measures, as measured during the Performance Period:

- (a) total shareholder return;
- (b) operating total shareholder return;
- (c) stock price;
- (d) market share;
- (e) sales revenue;
- (f) organic sales growth;
- (g) operating earnings (before tax or after tax);
- (h) earnings per share;
- (i) net earnings or net income;
- (j) gross margin;
- (k) operating margin;
- (l) costs;
- (m) return on assets or capital;
- (n) cash flow;
- (o) cash flow efficiency; or
- (p) acquisition integration metrics.

Any Performance Measure(s) may, as the Committee, in its sole discretion, deems appropriate, (i) relate to the performance of the Company, a Subsidiary, divisions, department, region, function or business unit of the Company in which the Participant is employed or any combination thereof, (ii) be measured relative to the performance of other companies, a published index, an absolute amount, a pre-established target, or any other point of comparison, or (iii) be based on any combination of the foregoing. Any Performance Measure(s) may be made subject to pre-specified adjustments to remove the effects of restructurings, dispositions, changes in tax or accounting rules, or similar non-recurring or extraordinary events to the extent consistent with the requirements of Code Section 162(m) for Performance-Based Compensation.

15.4 Adjustment of Performance-Based Compensation. Awards that are intended to qualify as Performance-Based Compensation may not be adjusted upward. The Committee shall retain the discretion to adjust such Awards downward, either on a formula or discretionary basis or any combination, as the Committee determines, in its sole discretion.

15.5 Interpretation of Performance-Based Compensation. In the event an Award is intended to be Performance-Based Compensation, all terms of the Award and any accompanying Committee action shall be interpreted in a manner that results in the Award complying with Code Section 162(m), and, to the extent a Plan term or Committee action is inconsistent with Code Section 162(m), the Plan term or Committee action shall be deemed modified (or, if necessary, treated as void) in a manner that results in compliance with Code Section 162(m).

15.6 Committee Discretion. In the event that applicable tax or securities laws change to permit Committee discretion to alter the governing Performance Measures or permit flexibility with respect to the terms of any Award or Awards to be treated as Performance-Based Compensation without obtaining shareholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining shareholder approval. In addition, in the event that the Committee determines that it is advisable to grant Awards that shall not qualify as Performance-Based Compensation, the Committee may make such grants without satisfying the requirements of Code Section 162(m) and base vesting on Performance Measures other than those set forth in Section 15.2.

Article 16. Termination of Employment or Termination of Directorship

16.1 Effect of Termination of Employment or Directorship Generally. Each Award Agreement evidencing the grant of an Award shall provide for the following:

- (a) The extent to which a Participant shall vest in or forfeit such Award following the Participant's Termination of Employment or Termination of Directorship, as applicable.
- (b) With respect to an Award in the form of an Option or SAR, the extent to which a Participant shall have the right to exercise the Option or SAR following the Participant's Termination of Employment or Termination of Directorship, as applicable.

The foregoing provisions shall be determined in the sole discretion of the Committee, shall be included in each Award Agreement entered into with each Participant, need not be uniform among all Award Agreements and may reflect distinctions based on the reasons for termination.

16.2 Effect of Termination of Employment for Cause. In addition to the forfeiture events specified in the Award Agreements as authorized by Section 16.1 above, a Participant's Termination of Employment or Directorship for Cause shall result in the forfeiture of the Participant's outstanding Awards in accordance with the following:

- (a) Any outstanding and non-vested Options, SARs, Restricted Stock, RSUs, Performance Stock Units, Cash-Based Awards and Other Stock-Based Awards granted to the Participant shall be forfeited as of the Participant's Termination of Employment or Directorship; and
- (b) Any vested and unexercised Options and SARs, vested but not settled RSUs, earned but not settled Performance Stock Units, and earned and/or vested Cash-Based Awards and Other Stock-Based Awards granted to the Participant shall be forfeited as of the Participant's Termination of Employment or Directorship.

Article 17. Effect of a Change in Control

Notwithstanding any other provision of this Plan to the contrary, the provisions of this Article 17 shall apply in the event of a Change in Control:

17.1 Awards Assumed by Successor. Upon the occurrence of a Change in Control, any Award granted under the Plan that is Assumed (as defined in Section 17.2 below) by the entity effecting the Change in Control shall vest and be exercisable, if applicable, in accordance with the terms of the original grant unless, during the two (2) year period commencing on the date of the Change in Control:

- (a) the Participant is involuntarily terminated for reasons other than for Cause; or,
- (b) the Participant terminates his or her employment for Good Reason.

If clause (a) or (b) applies, the Award shall become fully vested and exercisable, if applicable, and any restrictions that apply to the Award shall lapse, and any performance-based Award shall be deemed to be satisfied at the target level, except that, with respect to any Award subject to Code Section 409A, payment shall be made on the date payment would have been made had

the Termination of Employment not occurred. For purposes of this Section 17.1, a Termination of Employment for Good Reason shall not be considered to be for Good Reason unless:

- (a) the Participant has provided the Company with a written notice of his or her intent to terminate employment for Good Reason within sixty (60) days of the Participant becoming aware of the circumstances giving rise to Good Reason; and
- (b) the Participant allows the Company thirty (30) days to remedy such circumstances to the extent curable.

17.2 Assumed Awards Defined. For purposes of this Article 17, an Award shall be considered assumed (“Assumed”) if each of the following conditions are met:

- (a) Options and Stock Appreciation Rights are converted into a replacement Award in a manner that complies with Code Section 409A;
- (b) RSUs and Restricted Stock Awards are converted into a replacement Award covering a number of shares of the entity effecting the Change in Control (or a successor or parent corporation), as determined in a manner substantially similar to the treatment of an equal number of Shares covered by the Award; provided that to the extent that any portion of the consideration received by holders of Shares in the Change in Control transaction is not in the form of the common stock of such entity (or a successor or parent corporation), the number of shares covered by the replacement Award shall be based on the average of the high and low selling prices of the common stock of such entity (or a successor or parent corporation) on the established stock exchange on the trading day immediately preceding the date of the Change in Control;
- (c) the replacement Award contains provisions for scheduled vesting and treatment on Termination of Employment (including the definition of Cause and Good Reason) that are no less favorable to the Participant than the underlying Award being replaced, and all other terms of the replacement Award (other than the security and number of shares represented by the replacement Award) are substantially similar to the underlying Award; and
- (d) the security represented by the replacement Award is of a class that is publicly held and widely traded on an established stock exchange; and
- (e) vesting does not depend upon the satisfaction of one or more performance conditions.

17.3 Awards not Assumed by Successor

- (a) Upon the occurrence of a Change in Control, Awards under the Plan which are not Assumed by the person(s) or entity(s) effecting the Change in Control shall become fully vested and exercisable on the date of the Change in Control, any restrictions that apply to such Awards shall lapse, and any performance-based Award shall be deemed to be satisfied at the target level. Payment with respect to such Awards shall be made as follows:
 - (i) For each Option and Stock Appreciation Right, the Participant shall receive a payment equal to the difference between the consideration (consisting of cash or other property (including securities of a successor or parent corporation)) received by holders of Shares in the Change in Control transaction and the exercise price of the applicable Option or Stock Appreciation Right, if such difference is positive. Such payment shall be made in the same form as the consideration received by holders of Shares. Any Options or Stock Appreciation Rights with an exercise price that is higher than the per share consideration received by holders of Shares in connection with the Change in Control shall be cancelled for no additional consideration.
 - (ii) For each Share of Restricted Stock, RSU, or Performance Stock Unit, the Participant shall receive the consideration (consisting of cash or other property (including securities of a successor or parent corporation)) which such Participant would have received in the Change in Control transaction had he or she been, immediately prior to such transaction, a holder of the number of Shares equal to the number of Shares covered by the Restricted Stock, RSUs, or Performance Stock Units (based on target level performance)

(b) The payments contemplated by clauses (a) (i) and (ii) of this Section 17.3 shall be made upon or as soon as practicable following the Change in Control, provided, however, that with respect to any Award that is subject to Code Section 409A, if the Change in Control is not also a “change in control event” within the meaning of Section 409A, the payment shall be made on the date payment would have been made had the Change in Control not occurred.

Article 18. Rights of Participants

18.1 Employment. Nothing in this Plan or an Award Agreement shall (a) interfere with or limit in any way the right of the Company or any Subsidiary to terminate any Participant’s employment with the Company or any Subsidiary at any time or for any reason not prohibited by law or (b) confer upon any Participant any right to continue his employment or service as a Director for any specified period of time. Neither an Award nor any benefits arising under this Plan shall constitute an employment contract with the Company or any Subsidiary and, accordingly, subject to Articles 3 and 19, this Plan and the benefits hereunder may be amended or terminated at any time in the sole and exclusive discretion of the Board without giving rise to any liability on the part of the Company, any Subsidiary, the Committee or the Board.

18.2 Participation. No individual shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.

18.3 Rights as a Shareholder. Except as otherwise provided herein, a Participant shall have none of the rights of a shareholder with respect to Shares covered by any Award until the Participant becomes the record holder of such Shares.

Article 19. Amendment and Termination

19.1 Amendment and Termination of the Plan and Awards.

(a) Subject to subparagraphs (b) and (c) of this Section 19.1 and Section 19.3 of the Plan, the Board or the Committee may at any time amend or terminate the Plan or amend or terminate any outstanding Award.

(b) Except as provided for in Section 4.5, the terms of an outstanding Award may not be amended, without prior shareholder approval, to:

(i) reduce the Option Price of an outstanding Option or to reduce the Grant Price of an outstanding SAR,

(ii) cancel an outstanding Option or SAR in exchange for other Options or SARs with an Option Price or Grant Price, as applicable, that is less than the Option Price of the cancelled Option or the Grant Price of the cancelled SAR, as applicable, or

(iii) cancel an outstanding Option with an Option Price that is less than the Fair Market Value of a Share on the date of cancellation or cancel an outstanding SAR with a Grant Price that is less than the Fair Market Value of a Share on the date of cancellation in exchange for cash or another Award.

(c) Notwithstanding the foregoing, no amendment of this Plan shall be made without shareholder approval if shareholder approval is required pursuant to rules promulgated by any stock exchange or quotation system on which Shares are listed or quoted or by applicable U.S. state corporate laws or regulations, applicable U.S. federal laws or regulations and the applicable laws of any foreign country or jurisdiction where Awards are, or will be, granted under the Plan.

19.2 Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. Subject to Section 15.4, the Committee may make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4.5) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent unintended dilution or enlargement of the benefits or potential benefits intended to be made available under this Plan. The determination of the Committee as to the foregoing adjustments, if any, shall be conclusive and binding on Participants under this Plan. By accepting an Award under this Plan, a Participant agrees to any adjustment to the Award made pursuant to this Section 19.2 without further consideration or action.

19.3 Awards Previously Granted. Notwithstanding any other provision of this Plan to the contrary, other than Sections 19.2, 19.4 and 21.15, no termination or amendment of this Plan or an Award Agreement shall adversely affect in any material way any Award previously granted under this Plan, without the written consent of the Participant holding such Award.

19.4 Amendment to Conform to Law. Notwithstanding any other provision of this Plan to the contrary, the Board or Committee may amend the Plan or an Award Agreement, to take effect retroactively or otherwise, as deemed necessary or advisable for the purpose of conforming the Plan or an Award Agreement to any law relating to plans of this or similar nature, and to the administrative regulations and rulings promulgated thereunder. By accepting an Award under this Plan, a Participant agrees to any amendment made pursuant to this Section 19.4 to the Plan and any Award without further consideration or action.

Article 20. Tax Withholding

20.1 Minimum Tax Withholding. The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, the minimum statutory amount to satisfy applicable federal, state and local tax withholding requirements, domestic or foreign, with respect to any taxable event arising as a result of this Plan, but in no event shall such deduction or withholding or remittance exceed the minimum statutory withholding requirements.

20.2 Share Withholding. With respect to withholding required upon the exercise of Options or SARs, upon the lapse of restrictions on Restricted Stock, upon the settlement of Restricted Stock Units or Performance Stock Units, or any other taxable event arising as a result of an Award granted hereunder (collectively and individually referred to as a “Share Payment”) the Committee may choose to satisfy the withholding requirement, in whole or in part, by having the Company withhold from a Share Payment the number of Shares having a Fair Market Value on the date the withholding is to be determined equal to the minimum statutory withholding requirement, but in no event shall such withholding exceed the minimum statutory withholding requirement.

Article 21. General Provisions

21.1 Legend. The certificates for Shares may include any legend that the Committee deems appropriate to reflect any restrictions on transfer of such Shares.

21.2 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.

21.3 Severability. In the event any provision of this Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Plan, and this Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

21.4 Requirements of Law. The granting of Awards and the issuance of Shares under this Plan shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

21.5 Delivery of Title. The Company shall have no obligation to issue or deliver evidence of title for Shares issued under this Plan prior to:

- (a) Obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and
- (b) Completion of any registration or other qualification of the Shares under any applicable national or foreign law or ruling of any governmental body that the Company determines to be necessary or advisable.

21.6 Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company’s counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

21.7 Investment Representations. The Committee may require any individual receiving Shares pursuant to an Award under this Plan to represent and warrant in writing that the individual is acquiring the Shares for investment and without any present intention to sell or distribute such Shares.

21.8 Employees Based Outside of the United States. Notwithstanding any provision of this Plan to the contrary, in order to comply with the laws in other countries in which the Company or any Subsidiaries operate or have Employees or Directors, the Committee, in its sole discretion, shall have the power and authority to:

- (a) Determine which Subsidiaries shall be covered by this Plan;
- (b) Determine which Employees or Directors outside the United States are eligible to participate in this Plan;
- (c) Modify the terms and conditions of any Award granted to Employees or Directors outside the United States to comply with applicable foreign laws;
- (d) Establish sub-plans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable. Any sub-plans and modifications to Plan terms and procedures established under this Section 21.8 by the Committee shall be attached to this Plan document as appendices; and
- (e) Take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local government regulatory exemptions or approvals.

Notwithstanding the above, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate applicable law.

21.9 Uncertificated Shares. To the extent that this Plan provides for issuance of certificates to reflect the transfer of Shares, the transfer of such Shares may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange.

21.10 Unfunded Plan. Participants shall have no right, title or interest whatsoever in or to any investments that the Company or any Subsidiaries may make to aid it in meeting its obligations under this Plan. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant, beneficiary, legal representative or any other individual. To the extent that any individual acquires a right to receive payments from the Company or any Subsidiary under this Plan, such right shall be no greater than the right of an unsecured general creditor of the Company or the Subsidiary, as the case may be. All payments to be made hereunder shall be paid from the general funds of the Company, or the Subsidiary, as the case may be, and no special or separate fund shall be established, and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in this Plan.

21.11 No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to this Plan or any Award. The Committee shall determine whether cash, Awards or other property shall be issued or paid in lieu of fractional Shares or whether such fractional Shares or any rights thereto shall be forfeited or otherwise eliminated.

21.12 Retirement and Welfare Plans. Neither Awards made under this Plan nor Shares or cash paid pursuant to such Awards may be included as “compensation” for purposes of computing the benefits payable to any Participant under the Company’s or any Subsidiary’s retirement plans (both qualified and nonqualified) or welfare benefit plans unless such other plan expressly provides that such compensation shall be taken into account in computing a Participant’s benefit.

21.13 Deferred Compensation. It is intended that any Award under this Plan shall either be exempt from Code Section 409A or shall comply, in form and operation, with Code Section 409A. If a Participant is a “specified employee” as defined under Code Section 409A and the Participant’s Award is to be settled on account of the Participant’s separation from service (for reasons other than death) and such Award constitutes “deferred compensation” as defined under Code Section 409A, then any portion of the Participant’s Award that would otherwise be settled during the six-month period commencing on the Participant’s separation from service shall be settled as soon as practicable following the conclusion of the six-month period (or following the Participant’s death if it occurs during such six-month period). Any Awards that are subject to Code Section 409A shall be interpreted in a manner that complies with Code Section 409A.

21.14 Nonexclusivity of this Plan. The adoption of this Plan shall not be construed as creating any limitations on the power of the Board or Committee to adopt such other compensation arrangements as it may deem desirable for any Participant.

21.15 No Constraint on Corporate Action. Nothing in this Plan shall be construed to: (i) limit, impair, or otherwise affect the Company's or a Subsidiary's right or power to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell or transfer all or any part of its business or assets; or, (ii) limit the right or power of the Company or a Subsidiary to take any action that such entity deems to be necessary or appropriate.

21.16 Governing Law. The Plan and each Award Agreement shall be governed by the laws of the state of Ohio excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Plan to the substantive law of another jurisdiction.

21.17 Delivery and Execution of Electronic Documents. To the extent permitted by applicable law, the Company may (i) deliver by email or other electronic means (including posting on a website maintained by the Company or by a third party under contract with the Company) all documents relating to the Plan or any Award thereunder (including without limitation, prospectuses required by the Commission) and all other documents that the Company is required to deliver to its security holders (including without limitation, annual reports and proxy statements) and (ii) permit Participant's to electronically execute applicable Plan documents (including, but not limited to, Award Agreements) in a manner prescribed to the Committee.

21.18 No Representations or Warranties Regarding Tax Effect. Notwithstanding any provision of the Plan to the contrary or any action taken by the Company, Subsidiaries, or the Board with respect to any income tax, social insurance, payroll tax, or other tax, the acceptance of an Award under the Plan represents the Participant's acknowledgement that the ultimate liability for any such tax owed by the Participant is and remains the Participant's responsibility, and that the Company makes no representations or warranties about the tax treatment of any Award, and does not commit to structure any aspect of the Award to reduce or eliminate a Participant's tax liability, including without limitation, Code Sections 409A and 457A.

21.19 Successors. All obligations of the Company under this Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

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Section 9: EX-10.27 (EXHIBIT 10.27 SUMMARY OF THE COMPANY'S RETIREMENT PLAN RESTORATION PROGRAM)

EXHIBIT (10-27)

Summary of The Procter & Gamble

Retirement Plan Restoration Program

RETIREMENT PLAN RESTORATION PROGRAM SUMMARY

I. OVERVIEW

Each year, the Company grants retirement plan awards intended to supplement or replace awards made under The Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan (“PST”). Awards (the “Retirement Awards”) are in the form of RSUs under three programs, granted under and subject to The Procter & Gamble 2014 Stock and Incentive Compensation Plan (the “2014 Plan”).

The PST Restoration program provides an award to eligible U.S. participants already enrolled in the PST. The IRS caps the amount of salary that can be used to calculate individual credits to the PST. This program restores the difference between the allowable PST credit and the amount that would have been credited without the IRS cap by granting PST Restoration Awards to all qualifying participants, including the CEO.

In addition, the International Retirement Plan (IRP) provides awards to foreign-based employees who are placed on U.S. pay programs but work outside the U.S. and are therefore not eligible for the PST. These employees receive a yearly grant of IRP RSUs based on a formula that mirrors the PST contribution formula.

Finally, the Supplemental Retirement Income (SRI) program provides awards to a small number of experienced senior hires. It is intended to supplement the PST based on additional credit service years agreed to at the time of employment.

II. AWARD TERMS

The Retirement Awards earned from the prior fiscal year ended June 30 will be granted on the first Thursday in August (the “Grant Date”). The Retirement Awards vest immediately if the employee has more than 5 years of service. The Retirement Awards are eligible for dividend equivalents. Except as provided in Section III below, the Retirement Awards will have the payment terms and conditions reflected in the applicable attached RSU award agreement (Form RTD for participants other than Principal Officers; Form RTD-C for Principle Officers), as applicable to the participant.

As provided in more detail in the RSU award agreement, vested Retirement Awards will be delivered by default one year post separation and may be further deferred by at least five years in accordance with section 409A of the Internal Revenue Code. In addition, the Restoration Awards and dividend equivalents granted to Principal Officers may be diversified using investment choices available under The Procter & Gamble Company Executive Deferred Compensation Plan once the Principal Officer is age 50. The amount diversified will be determined by multiplying the number of RSUs to be converted by the closing price of the Company’s Common Stock on the New York Stock Exchange on the date of conversion.

Award amounts are calculated by the US PST Administration pursuant to the terms of the PST plan. The Awards will be made in the form of RSUs, with the number of units determined by dividing the amounts of each award by the average of the closing price of the Company’s Common Stock on the New York Stock Exchange for last five business days of the fiscal year and including the value of the missed dividend payment. Amounts are rounded up to the next full unit.

If applicable, Participants must accept their awards according to the terms of the Award Letter or the Award will not be granted.

III. AWARD FORM

Awards are made in the form of RSUs, except that If a participant with more than 5 years of service separates before the Grant Date, the award is paid as a lump sum cash payment as soon as practicable following the Grant Date, and in any event no later than [30] days following the Grant Date.

IV. AWARD SETTLEMENT (Defined terms shall have the meaning designated in the 2014 Plan or related award documents.)

Upon separation from the Company, the Retirement Awards will be settled as shares on the one-year anniversary of the participant’s separation, or on the dates designated pursuant to a deferral election or subsequent deferral election under section 409A.

V. CHANGE IN CONTROL

If there is a Change in Control, the provisions of Article 17 of the 2014 Plan will apply.

VI. GENERAL TERMS AND CONDITIONS

This program document may be amended at any time by the Committee. A participant shall not have a legally binding right to a Retirement Award or a lump sum cash payment unless and until the award is granted or the payment is made.

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Section 10: EX-12 (EXHIBIT 12 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES)

EXHIBIT (12)

The Procter & Gamble Company and Subsidiaries

Computation of Ratio of Earnings to Fixed Charges

<u>Amounts in millions</u>	<u>Years ended June 30</u>				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
EARNINGS, AS DEFINED					
Earnings from operations before income taxes after eliminating undistributed earnings of equity method investees	\$ 13,356	\$ 11,009	\$ 13,492	\$ 13,499	\$ 11,970
Fixed charges (excluding capitalized interest)	778	842	928	900	1,000
TOTAL EARNINGS, AS DEFINED	\$ 14,134	\$ 11,851	\$ 14,420	\$ 14,399	\$ 12,970
FIXED CHARGES, AS DEFINED					
Interest expense (including capitalized interest)	\$ 634	\$ 693	\$ 789	\$ 755	\$ 844
1/3 of rental expense	144	166	174	171	176
TOTAL FIXED CHARGES, AS DEFINED	\$ 778	\$ 859	\$ 963	\$ 926	\$ 1,020
RATIO OF EARNINGS TO FIXED CHARGES	18.2x	13.8x	15.0x	15.5x	12.7x

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Section 11: EX-21 (EXHIBIT 21 SUBSIDIARIES OF THE REGISTRANT)

EXHIBIT (21)

The Procter & Gamble Company and Subsidiaries

Subsidiaries of the Registrant

The Procter & Gamble Company and Subsidiaries

The registrant's subsidiaries are listed below, omitting certain entities that have de minimis activity or are in the process of being liquidated that, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of June 30, 2016.

Agile Pursuits Franchising, Inc.	Ohio
Agile Pursuits, Inc.	Ohio
Arbora & Ausonia, S.L.U.	Spain
Arbora, S.A.	Spain
Arborinvest, S.A.U.	Spain
Braun (Shanghai) Co., Ltd.	China
Braun GmbH	Germany
Braun-Gillette Immobilien GmbH & Co. KG	Germany
Capella LLC	Russia
Celtic Insurance Company, Inc.	Vermont
Compania Giva, S.A.	Delaware
Compania Procter & Gamble Mexico, S. de R.L. de C.V.	Mexico
Compañia Química S.A.	Argentina
Consumer Studies, Inc.	Massachusetts
Corporativo Procter & Gamble, S. de R.L. de C.V.	Mexico
Cosmetic Products Pty. Ltd.	Australia
Cosmetic Suppliers Pty. Ltd.	Australia
Detergent Products B.V.	Netherlands
Detergent Products SARL	Switzerland
Detergenti S.A.	Romania
Eurocos Cosmetic GmbH	Germany
Fameccanica Data S.p.A.	Italy
Fameccanica Indústria e Comércio Do Brasil LTDA.	Brazil
Fameccanica Machinery (Shanghai) Co., Ltd.	China
Fameccanica North America, Inc.	Delaware
Fater Central Europe SRL	Romania
Fater Morocco SARL	Morocco
Fater Portugal Unipessoal Lda	Portugal
Fater S.p.A.	Italy
Fater Temizlik Urunleri Ltd STI	Turkey
Foreign Company "Procter & Gamble"	Belarus
Fountain Square Music Publishing Co., Inc.	Ohio
FPG Oleochemicals Sdn. Bhd.	Malaysia
Galleria Co.	Delaware
Gillette (China) Ltd.	China
Gillette (Shanghai) Ltd.	China
Gillette Aesop Ltd.	U.K.
Gillette Australia Pty. Ltd.	Australia
Gillette Canada Holdings, Inc.	Delaware
Gillette China Investment, LLC	Delaware
Gillette Commercial Operations North America	Massachusetts

Gillette de Mexico, Inc.	Delaware
Gillette del Uruguay, S.A.	Uruguay
Gillette Distribution Ltd.	Egypt
Gillette Diversified Operations Pvt. Ltd.	India
Gillette Dominicana, S.A.	Dominican Republic
Gillette Egypt S.A.E.	Egypt
Gillette Group UK Ltd	U.K.
Gillette Gruppe Deutschland GmbH & Co. oHG	Germany
Gillette Holding Company LLC	Delaware
Gillette Holding GmbH	Germany
Gillette India Limited	India
Gillette Industries Ltd.	U.K.
Gillette International B.V.	Netherlands
Gillette Latin America Holding B.V.	Netherlands
Gillette Management LLC	Delaware
Gillette Nova Scotia Company	Canada
Gillette Pakistan Limited	Pakistan
Gillette Poland International Sp. z.o.o.	Poland
Gillette Poland S.A.	Poland
Gillette Products Private Limited	India
Gillette U.K. Limited	U.K.
Giorgio Beverly Hills, Inc.	Delaware
Graham Webb International, Inc.	Delaware
Gresham Cosmetics Pty. Ltd.	Australia
HFC Prestige Products GmbH	Germany
HFC Prestige Products Ltd.	U.K.
HFC Prestige Products N.V.	Belgium
HFC Prestige Products S.A.U.	Spain
Hyginett KFT	Hungary
iMFLUX Inc.	Delaware
Industries Marocaines Modernes SA	Morocco
Labocos S.r.l.	Italy
Laboratorios Vicks, S.L.U.	Spain
Liberty Street Music Publishing Company, Inc.	Ohio
Limited Liability Company 'Procter & Gamble Trading Ukraine'	Ukraine
Limited Liability Company with foreign investments "Procter & and Gamble Ukraine"	Ukraine
LLC "Procter & Gamble Novomoskovsk"	Russia
LLC "Russwell"	Russia
LLC Fater Eastern Europe	Russia
LLL "Procter & Gamble Distributorskaya Compania"	Russia
Marcvenca Inversiones, C.A.	Venezuela
Metropolitan Cosmetics GmbH	Germany
Mining Consultants (India) Private Ltd.	India
Modern Industries Company - Damman	Saudi Arabia
Modern Products Company - Jeddah	Saudi Arabia
New Chapter Canada Inc.	Canada

New Chapter, Inc.	Delaware
Nexus Mercantile Private Ltd.	India
Nioxin Management, Inc.	Georgia
Nioxin Research Laboratories, Inc.	Georgia
Noxell Corporation	Maryland
Olay LLC	Puerto Rico
Ondal France SARL	France
Oral-B Laboratories Dublin LLC	Delaware
Oral-B Laboratories Newbridge LLC	Delaware
Oral-B Laboratories, G.P.	Delaware
P&G Asia Investments, LLC	Ohio
P&G Distribution Morocco SAS	Morocco
P&G Industrial Peru S.R.L.	Peru
P&G Innovation Godo Kaisha	Japan
P&G Israel M.D.O. Ltd.	Israel
P&G K.K.	Japan
P&G Max Factor Godo Kaisha	Japan
P&G Northeast Asia Pte. Ltd.	Singapore
P&G Prestige Products, Inc.	Connecticut
P&G Prestige Service GmbH	Germany
P&G South African Trading (Pty.) Ltd.	South Africa
P&G-Clairol, Inc.	Delaware
PGIO S.A. Agencia en Chile	Chile
PGT Health Care (Zhejiang) Limited	China
PGT Healthcare LLP	Delaware
Phase II Holdings Corporation	Philippines
PPI ZAO	Russia
PPS Hairwear Australia Pty. Ltd.	Australia
Procter & Gamble (Chengdu) Ltd.	China
Procter & Gamble (China) Ltd.	China
Procter & Gamble (China) Sales Co., Ltd.	China
Procter & Gamble (East Africa) Limited	Kenya
Procter & Gamble (Egypt) Manufacturing Company	Egypt
Procter & Gamble (Enterprise Fund) Limited	U.K.
Procter & Gamble (Guangzhou) Consumer Products Co., Ltd.	China
Procter & Gamble (Guangzhou) Enterprise Management Service Company Limited	China
Procter & Gamble (Guangzhou) Ltd.	China
Procter & Gamble (Health & Beauty Care) Limited	U.K.
Procter & Gamble (Jiangsu) Ltd.	China
Procter & Gamble (L&CP) Limited	U.K.
Procter & Gamble (Malaysia) Sdn Bhd	Malaysia
Procter & Gamble (Manufacturing) Ireland Limited	Ireland
Procter & Gamble (Shanghai) International Trade Company Ltd.	China
Procter & Gamble (Singapore) Pte. Ltd.	Singapore
Procter & Gamble Acquisition GmbH	Germany
Procter & Gamble Algeria EURL	Algeria

Procter & Gamble Amazon Holding B.V.	Netherlands
Procter & Gamble Amiens S.A.S.	France
Procter & Gamble Argentina SRL	Argentina
Procter & Gamble Asia Holding B.V.	Netherlands
Procter & Gamble Asia Pte. Ltd.	Philippines
Procter & Gamble Asnieres S.A.S.	France
Procter & Gamble Australia Proprietary Limited	Australia
Procter & Gamble Azerbaijan Services LLC	Azerbaijan
Procter & Gamble Bangladesh Private Ltd.	Bangladesh
Procter & Gamble Blois S.A.S.	France
Procter & Gamble Brazil Holdings B.V.	Netherlands
Procter & Gamble Bulgaria EOOD	Bulgaria
Procter & Gamble Business Services Canada Company	Canada
Procter & Gamble Canada Holding B.V.	Netherlands
Procter & Gamble Chile Holding Ltda.	Chile
Procter & Gamble Chile Limitada	Chile
Procter & Gamble Chile, Inc.	Ohio
Procter & Gamble Colombia Ltda.	Colombia
Procter & Gamble Commercial de Cuba, S.A.	Cuba
Procter & Gamble Commercial LLC	Puerto Rico
Procter & Gamble Czech Holding B.V.	Netherlands
Procter & Gamble Czech Republic s.r.o.	Czech Republic
Procter & Gamble d.o.o. za trgovinu	Croatia
Procter & Gamble Danmark ApS	Denmark
Procter & Gamble de Venezuela, S.C.A.	Venezuela
Procter & Gamble de Venezuela, S.R.L.	Venezuela
Procter & Gamble Detergent (Beijing) Ltd.	China
Procter & Gamble Distributing (Philippines) Inc.	Philippines
Procter & Gamble Distributing New Zealand Limited	New Zealand
Procter & Gamble Distribution Company (Europe) BVBA	Belgium
Procter & Gamble Distribution S.R.L.	Romania
Procter & Gamble do Brasil S/A	Brazil
Procter & Gamble do Brazil, LLC	Delaware
Procter & Gamble do Nordeste S/A	Brazil
Procter & Gamble DS Polska Sp. z o.o.	Poland
Procter & Gamble Eastern Europe, LLC	Ohio
Procter & Gamble Ecuador Cia. Ltda.	Ecuador
Procter & Gamble Egypt	Egypt
Procter & Gamble Egypt Distribution	Egypt
Procter & Gamble Egypt Holding	Egypt
Procter & Gamble Egypt Supplies	Egypt
Procter & Gamble Energy Company LLC	Ohio
Procter & Gamble España, S.A.	Spain
Procter & Gamble Europe SA	Switzerland
Procter & Gamble Export Operations SARL	Switzerland
Procter & Gamble Exportadora e Importadora Ltda.	Brazil

Procter & Gamble Exports, LLC	Delaware
Procter & Gamble Fabricação e Comercio Ltda.	Brazil
Procter & Gamble Far East, Inc.	Ohio
Procter & Gamble Finance (U.K.) Ltd.	U.K.
Procter & Gamble Finance Holding Ltd.	U.K.
Procter & Gamble Finance Management S.a.r.l.	Luxembourg
Procter & Gamble Financial Investments LLP	U.K.
Procter & Gamble Financial Services Ltd.	U.K.
Procter & Gamble Financial Services S.a.r.l.	Luxembourg
Procter & Gamble Finland OY	Finland
Procter & Gamble France S.A.S.	France
Procter & Gamble Germany GmbH	Germany
Procter & Gamble Germany GmbH & Co. Operations oHG	Germany
Procter & Gamble GmbH	Germany
Procter & Gamble Grundstücks-und Vermögensverwaltungs GmbH & Co. KG	Germany
Procter & Gamble Gulf FZE	United Arab Emirates
Procter & Gamble Hair Care, LLC	Delaware
Procter & Gamble Hellas Ltd.	Greece
Procter & Gamble Holding (Thailand) Limited	Thailand
Procter & Gamble Holding France S.A.S.	France
Procter & Gamble Holding GmbH	Germany
Procter & Gamble Holding S.r.l.	Italy
Procter & Gamble Holdings (UK) Ltd.	U.K.
Procter & Gamble Home Products Private Limited	India
Procter & Gamble Hong Kong Limited	Hong Kong
Procter & Gamble Hungary Wholesale Trading Partnership (KKT)	Hungary
Procter & Gamble Hygiene & Health Care Limited	India
Procter & Gamble Inc.	Canada
Procter & Gamble India Holdings B.V.	Netherlands
Procter & Gamble India Holdings, Inc.	Ohio
Procter & Gamble Indochina Limited Company	Vietnam
Procter & Gamble Industrial - 2012 C.A.	Venezuela
Procter & Gamble Industrial Colombia Ltda.	Colombia
Procter & Gamble Industrial e Comercial Ltda.	Brazil
Procter & Gamble Industrial S.C.A.	Venezuela
Procter & Gamble Interamericas de Costa Rica, Limitada	Costa Rica
Procter & Gamble Interamericas de El Salvador, Limitada de Capital Variable	El Salvador
Procter & Gamble Interamericas de Guatemala, Limitada	Guatemala
Procter & Gamble Interamericas de Panama, S. de R.L.	Panama
Procter & Gamble International Operations Pte. Ltd.	Singapore
Procter & Gamble International Operations S.A.	Switzerland
Procter & Gamble International Operations SA-ROHQ	Philippines
Procter & Gamble International S.a.r.l.	Luxembourg
Procter & Gamble Investment Company (UK) Ltd.	U.K.
Procter & Gamble Investment GmbH	Germany
Procter & Gamble Italia, S.p.A.	Italy

Procter & Gamble Japan K.K.	Japan
Procter & Gamble Kazakhstan LLP	Kazakhstan
Procter & Gamble Korea Inc.	Korea
Procter & Gamble Korea S&D Co.	Korea
Procter & Gamble Lanka Private Ltd.	Sri Lanka
Procter & Gamble Leasing LLC	Ohio
Procter & Gamble Levant S.A.L.	Lebanon
Procter & Gamble Limited	U.K.
"Procter & Gamble" LLC	Russia
Procter & Gamble Manufactura, S. de R.L. de C.V.	Mexico
Procter & Gamble Manufacturera Mexico S. de R.L. de C.V.	Mexico
Procter & Gamble Manufacturing (Thailand) Limited	Thailand
Procter & Gamble Manufacturing (Tianjin) Co. Ltd.	China
Procter & Gamble Manufacturing Belgium N.V.	Belgium
Procter & Gamble Manufacturing Berlin GmbH	Germany
Procter & Gamble Manufacturing Cologne GmbH	Germany
Procter & Gamble Manufacturing GmbH	Germany
Procter & Gamble Manufacturing Mexico S. de R.L. de C.V.	Mexico
Procter & Gamble Manufacturing SA (Pty) Ltd	South Africa
Procter & Gamble Marketing and Services doo	Serbia and Montenegro
Procter & Gamble Marketing Romania SRL	Romania
Procter & Gamble Maroc SA	Morocco
Procter & Gamble Mataro, S.L.U.	Spain
Procter & Gamble Mexico Holding B.V.	Netherlands
Procter & Gamble Middle East FZE	United Arab Emirates
Procter & Gamble Nederland B.V.	Netherlands
Procter & Gamble Netherlands Investments B.V.	Netherlands
Procter & Gamble Netherlands Services B.V.	Netherlands
Procter & Gamble Nigeria Limited	Nigeria
Procter & Gamble Nordic, LLC	Ohio
Procter & Gamble Norge AS	Norway
Procter & Gamble Operations Polska Sp. z o.o.	Poland
Procter & Gamble Overseas India B.V.	Netherlands
Procter & Gamble Overseas Ltd.	U.K.
Procter & Gamble Pakistan (Private) Limited	Pakistan
Procter & Gamble Partnership LLP	U.K.
Procter & Gamble Peru S.R.L.	Peru
Procter & Gamble Pharmaceuticals France SAS	France
Procter & Gamble Philippines, Inc.	Philippines
Procter & Gamble Polska Sp. z o.o	Poland
Procter & Gamble Portugal - Produtos De Consumo, Higiene e Saúde S.A.	Portugal
Procter & Gamble Prestige Products S.A.	Portugal
Procter & Gamble Product Supply (U.K.) Limited	U.K.
Procter & Gamble Productions, Inc.	Ohio
Procter & Gamble Productos de Consumo, S.L.U.	Spain
Procter & Gamble Retail Services BVBA	Belguim

Procter & Gamble RHD, Inc.	Ohio
Procter & Gamble RSC Regional Service Company Ltd.	Hungary
Procter & Gamble S.r.l.	Italy
Procter & Gamble SA (Pty) Ltd	South Africa
Procter & Gamble Satis ve Dagitim Ltd. Sti.	Turkey
Procter & Gamble Seine S.A.S.	France
Procter & Gamble Service GmbH	Germany
Procter & Gamble Services (Switzerland) SA	Switzerland
Procter & Gamble Services Company N.V.	Belgium
"Procter & Gamble Services" LLC	Russia
Procter & Gamble Services Ltd.	Kenya
Procter & Gamble South America Holding B.V.	Netherlands
Procter & Gamble Sverige AB	Sweden
Procter & Gamble Switzerland SARL	Switzerland
Procter & Gamble Taiwan Limited	Taiwan
Procter & Gamble Taiwan Sales Company Limited	Taiwan
Procter & Gamble Technical Centres Limited	U.K.
Procter & Gamble Technology (Beijing) Co., Ltd.	China
Procter & Gamble Trading (Thailand) Limited	Thailand
Procter & Gamble Tuketim Mallari Sanayi A.S.	Turkey
Procter & Gamble UK	U.K.
Procter & Gamble UK Parent Company Ltd.	U.K.
Procter & Gamble Universal Holding B.V.	Netherlands
Procter & Gamble Verwaltungs GmbH	Germany
Procter & Gamble Vietnam, Ltd.	Vietnam
Procter & Gamble, Spol. s.r.o. (Ltd.)	Slovak Republic
Procter & Gamble-Rakona s.r.o.	Czech Republic
Productos Cosméticos, S.L.U.	Spain
Professional Care Logistics, S.L.U.	Spain
Progam Realty & Development Corporation	Philippines
Promotora de Bienes y Valores, S. de R.L. de C.V.	Mexico
PT Cosmopolitan Cosmetics	Indonesia
PT Kosmino	Indonesia
PT Procter & Gamble Home Products Indonesia	Indonesia
PT Procter & Gamble Operations Indonesia	Indonesia
Redmond Products, Inc.	Minnesota
Richardson-Vicks do Brasil Quimica e Farmacêutica Ltda	Brazil
Richardson-Vicks Real Estate Inc.	Ohio
Riverfront Music Publishing Co., Inc.	Ohio
Rosemount LLC	Delaware
S.P.F. Beaute SAS	France
Scannon GmbH	Germany
Scannon S.A.S.	France
Sebastian Europe GmbH	Germany
Series Acquisition B.V.	Netherlands
Shulton, Inc.	New Jersey

SPD Development Company Limited	U.K.
SPD Swiss Precision Diagnostics GmbH	Switzerland
Surfac S.R.L.	Peru
Sycamore Productions, Inc.	Ohio
Tambrands Inc.	Delaware
Tambrands Limited	U.K.
TAOS - FL, LLC	Florida
TAOS Retail, LLC	Delaware
Temple Trees Impex & Investment Private Limited	India
The Art of Shaving - FL, LLC	Florida
The Dover Wipes Company	Ohio
The Gillette Company	Delaware
The Procter & Gamble Distributing LLC	Delaware
The Procter & Gamble GBS Company	Ohio
The Procter & Gamble Global Finance Company, LLC	Ohio
The Procter & Gamble Manufacturing Company	Ohio
The Procter & Gamble Paper Products Company	Ohio
The Procter & Gamble U.S. Business Services Company	Ohio
The Wella Corporation	Delaware
US CD LLC	Delaware
Vidal Sassoon (Shanghai) Academy	China
Vidal Sassoon Co.	Ohio
WEBA Betriebsrenten-Verwaltungsgesellschaft mbH	Germany
Wella (U.K.) Ltd.	U.K.
Wella (UK) Holdings Ltd.	U.K.
Wella France S.A.S.	France
Wella GmbH	Germany
Wella Grundstücks-und Vermögensverwaltungs AG & Co. KG	Germany
Wella Hellas Ltd.	Greece
Wella India Hair Cosmetics Private Limited	India
Wella India Private Limited	India
Wella Intercosmetic GmbH	Germany
Wella Manufacturing GmbH	Germany
Wella Philippines Inc.	Philippines
Wella Verwaltung GmbH	Germany

Section 12: EX-23 (EXHIBIT 23 CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM)

EXHIBIT (23)

Consent of Independent Registered Public Accounting Firm

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following registration statements of our reports dated August 9, 2016, relating to the consolidated financial statements of The Procter & Gamble Company (which report expresses an unqualified opinion and includes an explanatory paragraph regarding the Company's adoption on July 1, 2015 of the new accounting guidance in ASU 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*) and the effectiveness of The Procter & Gamble Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of The Procter & Gamble Company for the year ended June 30, 2016:

1. Post-Effective Amendment No. 1 to Registration Statement No. 33-49289 on Form S-8 for The Procter & Gamble 1992 Stock Plan;
2. Registration Statement No. 33-47656 on Form S-8 for Procter & Gamble International Stock Ownership Plan;
3. Registration Statement No. 33-50273 on Form S-8 for The Procter & Gamble Commercial Company Employees' Savings Plan;
4. Registration Statement No. 33-51469 on Form S-8 for The Procter & Gamble 1993 Non-Employee Directors' Stock Plan;
5. Post-Effective Amendment No. 2 to Registration Statement No. 33-59257 on Form S-3 for The Procter & Gamble Shareholder Investment Program;
6. Registration Statement No. 333-14381 on Form S-8 for Profit Sharing Retirement Plan of The Procter & Gamble Commercial Company;
7. Registration Statement No. 333-21783 on Form S-8 for The Procter & Gamble 1992 Stock Plan (Belgian Version);
8. Registration Statement No. 333-37905 on Form S-8 for The Procter & Gamble Future Shares Plan;
9. Registration Statement No. 333-51213 on Form S-8 for Group Profit Sharing, Incentive and Employer Contribution Plan (France);
10. Registration Statement No. 333-51219 on Form S-8 for Procter & Gamble Ireland Employees Share Ownership Plan;
11. Registration Statement No. 333-51221 on Form S-8 for Employee Stock Purchase Plan (Japan);
12. Registration Statement No. 333-34606 on Form S-8 for The Procter & Gamble Future Shares Plan;
13. Registration Statement No. 333-44034 on Form S-8 for Procter & Gamble International Stock Ownership Plan;
14. Registration Statement No. 333-47132 on Form S-8 for Employee Stock Purchase Plan (Japan);
15. Registration Statement No. 333-49764 on Form S-3 for The Procter & Gamble U.K. Share Investment Scheme;
16. Registration Statement No. 333-75030 on Form S-8 for The Procter & Gamble 2001 Stock and Incentive Compensation Plan;
17. Registration Statement No. 333-100561 on Form S-8 for The Procter & Gamble (U.K.) 1-4-1 Plan;
18. Registration Statement No. 333-108753 on Form S-8 for The Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan;
19. Registration Statement No. 333-108991 on Form S-8 for The Procter & Gamble 1992 Stock Plan (Belgian Version);
20. Registration Statement No. 333-108993 on Form S-8 for Employee Stock Purchase Plan (Japan);
21. Registration Statement No. 333-108994 on Form S-8 for Procter & Gamble Ireland Employees Share Plan;
22. Registration Statement No. 333-108995 on Form S-8 for Group Profit Sharing, Incentive and Employer Contribution Plan (France);
23. Registration Statement No. 333-108997 on Form S-8 for Procter & Gamble International Stock Ownership Plan;
24. Registration Statement No. 333-108998 on Form S-8 for The Procter & Gamble 1993 Non-Employee Directors' Stock Plan;
25. Registration Statement No. 333-108999 on Form S-8 for The Procter & Gamble 1992 Stock Plan;
26. Registration Statement No. 333-111304 on Form S-8 for The Procter & Gamble 2003 Non-Employee Directors' Stock Plan;

27. Amendment No. 1 to Registration Statement No. 333-113515 on Form S-3 for The Procter & Gamble Company Debt Securities and Warrants;
28. Amendment No. 3 to Registration Statement No. 333-123309 on Form S-4 for The Procter & Gamble Company;
29. Registration Statement No. 333-128859 on Form S-8 for certain employee benefit plans of The Gillette Company (2004 Long-Term Incentive Plan of The Gillette Company; 1971 Stock Option Plan of The Gillette Company; James M. Kilts Non-Statutory Stock Option Plan; The Gillette Company Employees' Savings Plan; The Gillette Company Supplemental Savings Plan; The Gillette Company Global Employee Stock Ownership Plan (GESOP));
30. Registration Statement No. 333-143801 on Form S-8 for The Procter & Gamble Savings Plan;
31. Registration Statement No. 333-145938 on Form S-3 for The Procter & Gamble Company and Procter & Gamble International Funding SCA;
32. Registration Statement No. 333-155046 on Form S-8 for Employee Stock Purchase Plan (Japan);
33. Registration Statement No. 333-156032 on Form S-3 for The Procter & Gamble U.K. Share Investment Scheme;
34. Registration Statement No. 333-156033 on Form S-3 for The Procter & Gamble Shareholder Investment Program;
35. Registration Statement No. 333-161725 on Form S-8 for The Procter & Gamble Savings Plan;
36. Registration Statement No. 333-161767 on Form S-3 for The Procter & Gamble Company and Procter & Gamble International Funding SCA;
37. Registration Statement No. 333-164612 on Form S-8 for The Procter & Gamble 2009 Stock and Incentive Compensation Plan;
38. Registration Statement No. 333-177760 on Form S-3 for The Procter & Gamble Shareholder Investment Program;
39. Registration Statement No. 333-177762 on Form S-3 for The Procter & Gamble Company and Procter & Gamble International Funding SCA;
40. Registration Statement No. 333-177878 on Form S-3 for The Procter & Gamble U.K. Share Investment Scheme;
41. Registration Statement No. 333-192841 on Form S-8 for The Procter & Gamble 1992 Stock Plan (Belgian Version);
42. Registration Statement No. 333-199592 on Form S-8 for The Procter & Gamble 2014 Stock and Incentive Compensation Plan;
43. Registration Statement No. 333-199594 on Form S-3 for The Procter & Gamble Company and Procter & Gamble International Funding SCA;
44. Registration Statement No. 333-199595 on Form S-3 for The Procter & Gamble Shareholder Investment Program;
45. Registration Statement No. 333-199613 on Form S-3 for The Procter & Gamble U.K. Share Investment Scheme;
46. Registration Statement No. 333-208407 on Form S-8 for The Profit Sharing Retirement Plan of The Procter & Gamble Commercial Company;
47. Registration Statement No. 333-208408 on Form S-8 for Procter & Gamble Ireland Employees Share Plan;
48. Registration Statement No. 333-208409 on Form S-8 for Procter & Gamble International Stock Ownership Plan;
49. Registration Statement No. 333-208410 on Form S-8 for The Procter & Gamble (U.K.) 1-4-1 Plan;
50. Registration Statement No. 333-208411 on Form S-8 for The Procter & Gamble Commercial Company Employees' Savings Plan; and
51. Registration Statement No. 333-208412 on Form S-8 for Group Profit Sharing, Incentive and Employer Contribution Plan (France).

/s/ Deloitte & Touche LLP

Cincinnati, Ohio
August 9, 2016

Section 13: EX-31 (EXHIBIT 31 RULE13A-14(A)/15D-14(A) CERTIFICATIONS)

Rule 13a-14(a)/15d-14(a) Certifications

I, David S. Taylor, certify that:

- (1) I have reviewed this Form 10-K of The Procter & Gamble Company;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DAVID S. TAYLOR

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

August 9, 2016
Date

EXHIBIT (31)

Rule 13a-14(a)/15d-14(a) Certifications

I, Jon R. Moeller, certify that:

- (1) I have reviewed this Form 10-K of The Procter & Gamble Company;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JON R. MOELLER

(Jon R. Moeller)
Chief Financial Officer

August 9, 2016
Date

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Section 14: EX-32 (EXHIBIT 32 SECTION 1350 CERTIFICATIONS)

Section 1350 Certifications

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of The Procter & Gamble Company (the "Company") certifies to his knowledge that:

- (1) Form 10-K of the Company for the year ended June 30, 2016 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in that Form 10-K fairly presents, in all material respects, the financial conditions and results of operations of the Company.

/s/ DAVID S. TAYLOR

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

August 9, 2016
Date

A signed original of this written statement required by Section 906 has been provided to The Procter & Gamble Company and will be retained by The Procter & Gamble Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT (32)

Section 1350 Certifications

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of The Procter & Gamble Company (the "Company") certifies to his knowledge that:

- (1) Form 10-K of the Company for the year ended June 30, 2016 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in that Form 10-K fairly presents, in all material respects, the financial conditions and results of operations of the Company.

/s/ JON R. MOELLER

(Jon R. Moeller)
Chief Financial Officer

August 9, 2016
Date

A signed original of this written statement required by Section 906 has been provided to The Procter & Gamble Company and will be retained by The Procter & Gamble Company and furnished to the Securities and Exchange Commission or its staff upon request.

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Section 15: EX-99.1 (EXHIBIT 99.1 SUMMARY OF DIRECTORS AND OFFICERS INSURANCE PROGRAM)

EXHIBIT (99-1)

Summary of Directors and Officers Insurance Program

Summary of Directors and Officers Insurance Program

The Procter & Gamble Company purchases Directors and Officers Liability insurance from various insurance carriers. The policy limits for the period from June 30, 2015 to June 30, 2016 were \$300 million.