

Section 1: 10-K (FY1718 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, 2018

OR

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

For the transition period from _____ to _____

Commission File No. 1-434

THE PROCTER & GAMBLE COMPANY

One Procter & Gamble Plaza, Cincinnati, Ohio 45202

Telephone (513) 983-1100

IRS Employer Identification No. 31-0411980

State of Incorporation: Ohio

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

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

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	(Do not check if smaller reporting company)	
		Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the voting stock held by non-affiliates amounted to \$231 billion on December 31, 2017.

There were 2,488,011,390 shares of Common Stock outstanding as of July 31, 2018.

Documents Incorporated by Reference

Portions of the Proxy Statement for the 2018 Annual Meeting of Shareholders, which will be filed within one hundred and twenty days of the fiscal

year ended June 30, 2018 (2018 Proxy Statement), are incorporated by reference into Part III of this report to the extent described herein.

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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 EQ Shareowner Services, 1100 Centre Pointe Curve, Suite 101, Mendota, MN 55120-4100.

Financial Information about Segments

As of June 30, 2018, the Company has five reportable segments under U.S. GAAP: Beauty; Grooming; Health Care; Fabric & Home Care and Baby, Feminine & Family Care. Many of the factors necessary for understanding these businesses are similar. Operating margins of the individual businesses vary due to the nature of materials and processes used to manufacture the products, the capital intensity of the businesses and differences in selling, general and administrative expenses as a percentage of net sales. Net sales growth by business is also expected to vary slightly due to the underlying growth of the markets and product categories in which they operate. While none of our reportable segments are highly seasonal, components within certain reportable segments, such as Appliances (Grooming) and Personal Health Care (Health), are seasonal.

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

Narrative Description of Business

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

commerce, grocery stores, membership club stores, drug stores, department stores, distributors, wholesalers, baby stores, specialty beauty stores, high-frequency stores and pharmacies. Our growth strategy is to deliver meaningful and noticeable superiority in all elements of our consumer proposition - product, packaging, brand communication, retail execution and value equation. We use our research and development and consumer insights to provide superior products and packaging. We utilize our marketing and online presence to deliver superior brand messaging to our consumers. We work collaboratively with our customers to deliver superior retail execution, both in-store and online. In conjunction with the above elements, we provide superior value to consumers and our retail customers, in each price tier where we compete.

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

Key Customers. Our customers include mass merchandisers, e-commerce, grocery stores, membership club stores, drug stores, department stores, distributors, wholesalers, baby stores, specialty beauty stores, high-frequency stores and pharmacies. Sales to Walmart Inc. and its affiliates represent approximately 15% of our total sales in 2018, 16% in 2017 and 15% in 2016. No other customer represents more than 10% of our total sales. Our top ten customers accounted for approximately 36% of our total sales in 2018 and 35% in both 2017 and 2016. The nature of our business results in no material backlog orders or contracts with the government. We believe our practices related to working capital items for customers and suppliers are consistent with the industry segments in which we compete.

Sources and Availability of Materials. Almost all of the raw and packaging materials used by the Company are purchased from others, some of whom are single-source suppliers. We produce certain raw materials, primarily chemicals, for further use in the manufacturing process. In addition, fuel, natural gas and derivative products are important commodities consumed in our manufacturing process and in the transportation of input materials and finished products to customers. The prices we pay for materials and other commodities are subject to fluctuation. When prices for these items change, we may or may not pass the change to our customers. The Company purchases a substantial variety of other raw and packaging materials, none of which is material to our business taken as a whole.

Trademarks and Patents. We own or have licenses under patents and registered trademarks, which are used in connection with our activity in all businesses. Some of these patents or licenses cover significant product formulation and processes used to manufacture our products. The trademarks are important to the overall marketing and branding of our products. All major trademarks in each business are registered. In part, our success can be attributed to the existence and continued protection of these trademarks, patents and licenses.

Competitive Condition. The markets in which our products are sold are highly competitive. Our products compete against similar products of many large and small companies, including well-known global competitors. In many of the markets and industry segments in which we sell our products we compete against other branded products as well as retailers' private-label brands. We are well positioned in the industry segments and markets in which we operate, often holding a leadership or significant market share position. We support our products with advertising, promotions and other marketing vehicles to build awareness and trial of our brands and products in conjunction with our sales force. We believe this combination provides the most efficient method of marketing for these types of products. Product quality, performance, value and packaging are also important differentiating factors.

Research and Development Expenditures. Research and development (R&D) expenditures enable us to develop technologies and obtain patents across all categories in order to meet the needs and improve the lives of our consumers. Research and development expenses were \$1.9 billion in 2018, 2017 and 2016 (reported in Net earnings from continuing operations).

Expenditures for Environmental Compliance. Expenditures for compliance with federal, state and local environmental laws and regulations are fairly consistent from year to year and are not material to the Company. No material change is expected in fiscal year 2019.

Employees. Total number of employees is an estimate of total Company employees excluding interns, co-ops, contractors and employees of joint ventures as of the years ended June 30. The number of employees includes manufacturing and non-manufacturing employees. The number of employees is not restated to exclude employees of discontinued operations.

	Total Number of Employees
2018	92,000
2017	95,000
2016	105,000
2015	110,000
2014	118,000
2013	121,000

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

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

	2018	2017	2016
North America ⁽¹⁾	44%	45%	44%
Europe	24%	23%	23%
Asia Pacific	9%	9%	9%
Greater China	9%	8%	8%
Latin America	7%	8%	8%
IMEA ⁽²⁾	7%	7%	8%

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

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

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

Net Sales (years ended June 30)	United States	International
2018	\$27.3	\$39.5
2017	\$27.3	\$37.8
2016	\$27.0	\$38.3
Total Assets (years ended June 30)	United States	International
2018	\$63.4	\$54.9
2017	\$59.8	\$60.6
2016	\$64.4	\$62.7

Item 1A. Risk Factors.

We discuss our expectations regarding future performance, events and outcomes, such as our business outlook and objectives in this Form 10-K, quarterly and annual reports, press releases and other written and oral communications. All statements, except for historical and present factual information, are “forward-looking statements” and are based on financial data and business plans available only as of the time the statements are made, which may become outdated or incomplete. We assume no obligation to update any forward-looking statements as a result of new information, future events or other factors. Forward-looking statements are inherently uncertain, and investors must recognize that events could significantly differ from our expectations.

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

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

We are a global company, with operations in approximately 70 countries and products sold in more than 180 countries and territories around the world. We hold assets, incur liabilities, earn revenues and pay expenses in a variety of currencies other than the U.S. dollar, and our operations outside the U.S. generate a significant portion of our net revenue. Fluctuations in exchange rates for foreign currencies may reduce the U.S. dollar value of revenues, profits and cash flows we receive from non-U.S. markets, increase our supply costs (as measured in U.S. dollars) in those markets, negatively impact our competitiveness in those markets or otherwise adversely impact our business results or financial condition. Moreover, discriminatory or conflicting fiscal or trade policies in different countries, including potential changes to tariffs and existing trade policies and agreements, could adversely affect our results. See also the Results of Operations and Cash Flow, Financial Condition and Liquidity sections of the MD&A and Note 9 to our Consolidated Financial Statements.

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

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

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

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

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

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

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

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

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

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

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

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

We are a consumer products company that relies on continued global demand for our brands and products. Achieving our business results depends, in part, on successfully developing, introducing and marketing new products and on making significant improvements to our equipment and manufacturing processes. The success of such innovation depends on our ability to correctly anticipate customer and consumer acceptance and trends, to obtain, maintain and enforce necessary intellectual property protections and to avoid infringing upon the intellectual property rights of others. We

must also successfully respond to technological advances made by, and intellectual property rights granted to, competitors. Failure to continually innovate, improve and respond to competitive moves and changing consumer habits could compromise our competitive position and adversely impact our results.

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

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

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

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

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

The Company's reputation, and the reputation of our brands, form the foundation of our relationships with key stakeholders and other constituencies, including consumers, customers and suppliers. The quality and safety of our products are critical to our business. Many of our brands have worldwide

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

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

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

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

As part of the Company's regular review of potential risks, we maintain an information and operational technology ("IT/OT") risk management program that is primarily supervised by information technology management and reviewed by internal cross-functional stakeholders. As part of this program, analyses of emerging cybersecurity threats as well as the Company's plans and strategies to address them are regularly prepared and presented to senior management, the Audit

Committee and the Board of Directors. Despite our policies, procedures and programs, including this IT/OT risk management program, we may not be effective in identifying and mitigating every risk to which we are exposed.

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

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

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

Our IT/OT databases and systems and our third-party providers’ databases and systems have been, and will likely continue to be, subject to advanced computer viruses or other

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

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

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

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

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

Our business is subject to a wide variety of laws and regulations across all of the countries in which we do business, including

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

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

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

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

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

Statements, which could adversely impact our cash flows and financial results.

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

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

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

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

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

In the U.S., we own and operate 25 manufacturing sites located in 19 different states. In addition, we own and operate 85 manufacturing sites in 37 other countries. Many of the domestic and international sites manufacture products for multiple businesses. Beauty products are manufactured at 24 of these locations; Grooming products at 20; Health Care products at 18; Fabric & Home Care products at 41; and Baby, Feminine & Family Care at 39. We own our Corporate headquarters in Cincinnati, Ohio. We own or lease our principal regional general offices in Switzerland, Panama, Singapore and China. We own or lease our principal regional shared service centers in Costa Rica, the United Kingdom and the Philippines. Management believes that the Company's sites are adequate to support the business and that the properties and equipment have been well maintained.

Item 3. Legal Proceedings.

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

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

Item 4. Mine Safety Disclosure.

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages and positions held by the Executive Officers of the Company on August 7, 2018, are:

Name	Position	Age	First Elected to Officer Position
David S. Taylor	Chairman of the Board, President and Chief Executive Officer	60	2013
Jon R. Moeller	Vice Chairman and Chief Financial Officer	54	2009
Steven D. Bishop	Group President - Global Health Care	54	2016
Mary Lynn Ferguson-McHugh	Group President - Global Family Care and P&G Ventures	58	2016
Carolyn M. Tastad	Group President - North America Selling and Market Operations	57	2014
Gary A. Coombe	President - Global Grooming	54	2014
Kathleen B. Fish	Chief Research, Development and Innovation Officer	61	2014
Fama Francisco	President - Global Baby Care and Baby and Feminine Care Sector	50	2018
M. Tracey Grabowski	Chief Human Resources Officer	50	2018
Shailesh Jejurikar	President - Global Fabric Care and Fabric & Home Care Sector	51	2018
R. Alexandra Keith	President - Global Hair Care and Beauty Sector	50	2017
Deborah P. Majoras	Chief Legal Officer and Secretary	54	2010
Juan Fernando Posada	President - Latin America Selling and Market Operations	56	2015
Matthew Price	President - Greater China Selling and Market Operations	52	2015
Marc S. Pritchard	Chief Brand Officer	58	2008
Loïc Tassel	President - Europe Selling and Market Operations	51	2018
Jeffrey K. Schomburger	Global Sales Officer	56	2015
Valarie L. Sheppard	Senior Vice President, Comptroller and Treasurer	54	2005
Yannis Skoufalos	Global Product Supply Officer	61	2011
Magesvaran Suranjan	President - Asia Pacific Selling and Market Operations and India, Middle East and Africa (IMEA) Selling and Market Operations	48	2015

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

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

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share ⁽²⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽³⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under Our Share Repurchase Program
4/1/2018 - 4/30/2018	6,119,071	\$76.82	6,119,071	(3)
5/1/2018 - 5/31/2018	6,160,881	73.04	6,160,881	(3)
6/1/2018 - 6/30/2018	5,914,776	76.08	5,914,776	(3)
Total	18,194,728	\$75.30	18,194,728	(3)

⁽¹⁾ All transactions were made in the open market with large financial institutions. This table excludes shares withheld from employees to satisfy minimum tax withholding requirements on option exercises and other equity-based transactions. The Company administers cashless exercises through an independent third party and does not repurchase stock in connection with cashless exercises.

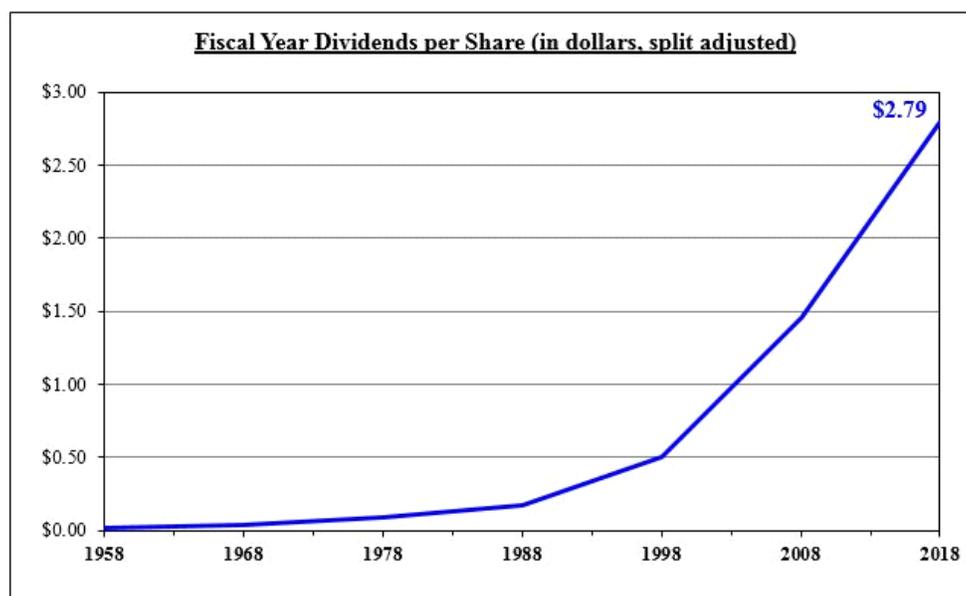
⁽²⁾ Average price paid per share is calculated on a settlement basis and excludes commission.

⁽³⁾ On April 19, 2018, the Company stated that in fiscal year 2018 the Company expected to reduce outstanding shares through direct share repurchases at a value of approximately \$6 to \$8 billion, notwithstanding any purchases under the Company's compensation and benefit plans. The share repurchases were authorized pursuant to a resolution issued by the Company's Board of Directors and were financed through a combination of operating cash flows and issuance of long-term and short-term debt. The total value of the shares purchased under the share repurchase plan was \$7.0 billion. The share repurchase plan ended on June 30, 2018.

Additional information required by this item can be found in Part III, Item 12 of this Form 10-K.

SHAREHOLDER RETURN PERFORMANCE GRAPHS**Market and Dividend Information**

P&G has been paying a dividend for 128 consecutive years since its original incorporation in 1890 and has increased its dividend for 62 consecutive years. Over the past five years, the dividend has increased at an annual compound average rate of 4%. Nevertheless, as in the past, further dividends will be considered after reviewing dividend yields, profitability expectations and financing needs and will be declared at the discretion of the Company's Board of Directors.



<u>(in dollars; split-adjusted)</u>	1958	1968	1978	1988	1998	2008	2018
Dividends per share	\$ 0.02	\$ 0.04	\$ 0.08	\$ 0.17	\$ 0.51	\$ 1.45	\$ 2.79

Quarterly Dividends

<u>Quarter ended</u>	<u>2017 - 2018</u>		<u>2016 - 2017</u>	
September 30	\$	0.6896	\$	0.6695
December 31		0.6896		0.6695
March 31		0.6896		0.6695
June 30		0.7172		0.6896

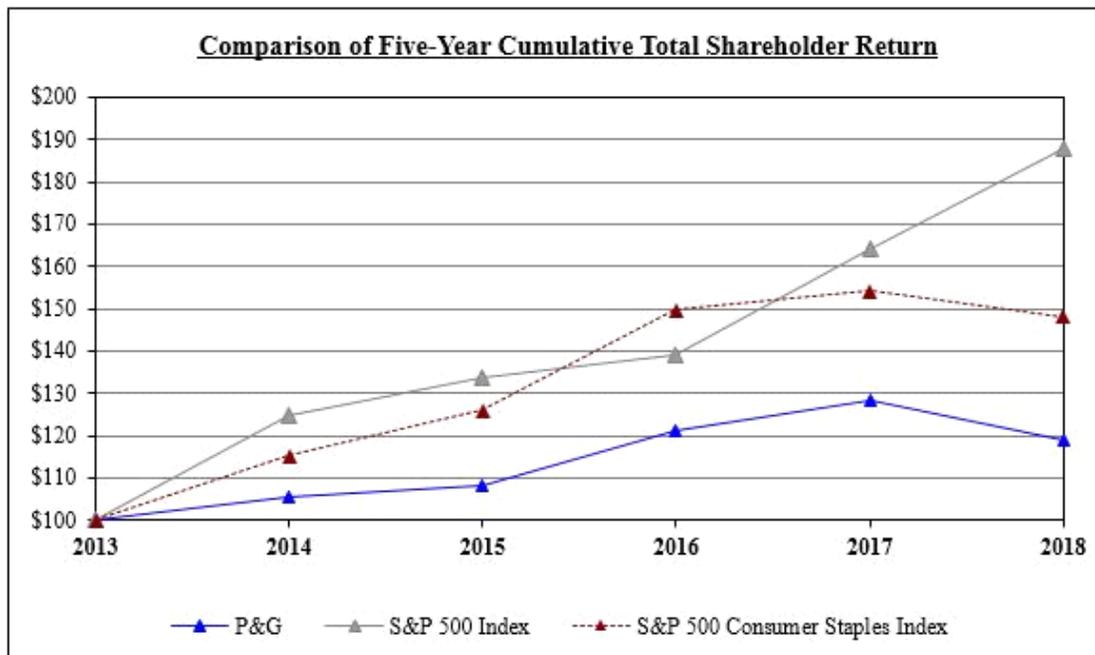
Common Stock Price Range

<u>Quarter ended</u>	<u>2017 - 2018</u>		<u>2016 - 2017</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
September 30	\$ 94.67	\$ 86.31	\$ 90.22	\$ 84.32
December 31	93.51	85.43	90.32	81.18
March 31	91.92	75.81	92.00	83.24
June 30	79.51	70.74	91.13	85.52

P&G trades on the New York Stock Exchange and NYSE Euronext-Paris under the stock symbol PG. There were approximately 3.2 million common stock shareowners, including shareowners of record, participants in the P&G Direct Stock Purchase Plan, participants in P&G stock ownership plans and beneficial owners with accounts at banks and brokerage firms, as of June 30, 2018.

Shareholder Return

The following graph compares the cumulative total return of P&G's common stock for the five-year period ended June 30, 2018, against the cumulative total return of the S&P 500 Stock Index (broad market comparison) and the S&P 500 Consumer Staples Index (line of business comparison). The graph and table assume \$100 was invested on June 30, 2013, and that all dividends were reinvested.



<u>Company Name/Index</u>	<u>Cumulative Value of \$100 Investment, through June 30</u>					
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
P&G	\$ 100	\$ 105	\$ 108	\$ 121	\$ 128	\$ 119
S&P 500 Index	100	125	134	139	164	188
S&P 500 Consumer Staples Index	100	115	126	150	154	148

Item 6. Selected Financial Data.

The information required by this item is incorporated by reference to Note 1 and Note 2 to our Consolidated Financial Statements. For further details behind the business drivers for recent results presented below, see the Management's Discussion and Analysis.

Financial Summary (Unaudited)

<u>Amounts in millions, except per share amounts</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net sales	\$ 66,832	\$ 65,058	\$ 65,299	\$ 70,749	\$ 74,401	\$ 73,910
Gross profit	32,564	32,523	32,390	33,693	35,371	35,858
Operating income	13,711	13,955	13,441	11,049	13,910	13,051
Net earnings from continuing operations	9,861	10,194	10,027	8,287	10,658	10,346
Net earnings/(loss) from discontinued operations	—	5,217	577	(1,143)	1,127	1,056
Net earnings attributable to Procter & Gamble	9,750	15,326	10,508	7,036	11,643	11,312
Net earnings margin from continuing operations	14.8%	15.7%	15.4%	11.7%	14.3%	14.0%
Basic net earnings per common share: ⁽¹⁾						
Earnings from continuing operations	\$ 3.75	\$ 3.79	\$ 3.59	\$ 2.92	\$ 3.78	\$ 3.65
Earnings/(loss) from discontinued operations	—	2.01	0.21	(0.42)	0.41	0.39
Basic net earnings per common share	\$ 3.75	\$ 5.80	\$ 3.80	\$ 2.50	\$ 4.19	\$ 4.04
Diluted net earnings per common share: ⁽¹⁾						
Earnings from continuing operations	\$ 3.67	\$ 3.69	\$ 3.49	\$ 2.84	\$ 3.63	\$ 3.50
Earnings/(loss) from discontinued operations	—	1.90	0.20	(0.40)	0.38	0.36
Diluted net earnings per common share	\$ 3.67	\$ 5.59	\$ 3.69	\$ 2.44	\$ 4.01	\$ 3.86
Dividends per common share	\$ 2.79	\$ 2.70	\$ 2.66	\$ 2.59	\$ 2.45	\$ 2.29
Research and development expense	\$ 1,908	\$ 1,874	\$ 1,879	\$ 1,991	\$ 1,910	\$ 1,867
Advertising expense	7,103	7,118	7,243	7,180	7,867	8,188
Total assets	118,310	120,406	127,136	129,495	144,266	139,263
Capital expenditures	3,717	3,384	3,314	3,736	3,848	4,008
Long-term debt	20,863	18,038	18,945	18,327	19,807	19,111
Shareholders' equity	\$ 52,883	\$ 55,778	\$ 57,983	\$ 63,050	\$ 69,976	\$ 68,709

⁽¹⁾ Basic net earnings per common share and Diluted net earnings per common share are calculated based on Net earnings attributable to Procter & Gamble.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**Management's Discussion and Analysis****Forward-Looking Statements**

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report, including without limitation, the following sections: “Management's Discussion and Analysis” and “Risk Factors.” These forward-looking statements generally are identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “intend,” “strategy,” “future,” “opportunity,” “plan,” “may,” “should,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. Forward-looking statements are based on current expectations and assumptions, which are subject to risks and uncertainties that may cause results to differ materially from those expressed or implied in the forward-looking statements. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from those projected herein is included, without limitation, in the section titled “Economic Conditions and Uncertainties” and the section titled “Risk Factors” (Part I, Item 1A of this Form 10-K). We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events or otherwise.

The purpose of Management's Discussion and Analysis (MD&A) is to provide an understanding of Procter & Gamble's financial condition, results of operations and cash flows by focusing on changes in certain key measures from year to year. The MD&A is provided as a supplement to, and should be read in conjunction with, our Consolidated Financial Statements and accompanying notes. The MD&A is organized in the following sections:

- Overview
- Summary of 2018 Results
- Economic Conditions and Uncertainties
- Results of Operations
- Segment Results
- Cash Flow, Financial Condition and Liquidity
- Significant Accounting Policies and Estimates
- Other Information

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

growth excluding the impacts of acquisitions, divestitures, foreign exchange and India Goods and Services tax changes from year-over-year comparisons. Core EPS is diluted net earnings per share from continuing operations excluding certain items that are not judged to be part of the Company's sustainable results or trends. Adjusted free cash flow is operating cash flow less capital spending and certain divestiture impacts. Adjusted free cash flow productivity is the ratio of adjusted free cash flow to net earnings excluding certain one-time items. We believe these measures provide our investors with additional information about our underlying results and trends, as well as insight to some of the metrics used to evaluate management. The explanation at the end of the MD&A provides more details on the use and the derivation of these measures.

Management also uses certain market share and market consumption estimates to evaluate performance relative to competition despite some limitations on the availability and comparability of share and consumption information. References to market share and consumption in the MD&A are based on a combination of vendor purchased traditional brick-and-mortar and online data in key markets as well as internal estimates. All market share references represent the percentage of sales in dollar terms on a constant currency basis of our products, relative to all product sales in the category. The Company measures fiscal-year-to-date market shares through the most recent period for which market share data is available, which typically reflects a lag time of one or two months.

OVERVIEW

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

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

ORGANIZATIONAL STRUCTURE

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

Global Business Units

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

Reportable Segments	% of Net Sales ⁽¹⁾	% of Net Earnings ⁽¹⁾	Product Categories (Sub-Categories)	Major Brands
Beauty	19%	23%	Hair Care (<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	10%	14%	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	12%	13%	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>)	Metamucil, 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	27%	23%	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, Puffs

⁽¹⁾ Percent of Net sales and Net earnings from continuing operations for the year ended June 30, 2018 (excluding results held in Corporate).

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

Recent Developments:

During fiscal 2018, the Company entered into an agreement to acquire the over the counter (OTC) healthcare business of Merck KGaA for €3.375 billion (\$3.9 billion based on current exchange rates). This business primarily sells OTC consumer healthcare products, mainly in Europe, Latin America and Asia markets. Total sales for the business during its most recent fiscal year were approximately \$1 billion. We anticipate the transaction to close during fiscal 2019, with the timing subject to regulatory clearance and customary closing conditions. The Company also reached an agreement during fiscal 2018 to dissolve our PGT Healthcare partnership, a venture between the Company and Teva Pharmaceutical Industries, Ltd (Teva) in the OTC consumer healthcare business. Pursuant to the agreement, PGT product assets will return to the original respective parent companies to reestablish independent OTC businesses. This transaction was completed in July 2018 and will be accounted for as a sale of the Teva portion of the PGT business. The Company expects to record an after-tax gain on the sale of approximately \$285 million.

During fiscal 2017, the Company completed the divestiture of four product categories, which included 43 of the Company's beauty brands ("Beauty Brands"), including the global salon professional hair care and color, retail hair color, cosmetics and the fine fragrance businesses, along with select hair styling brands. The Beauty Brands had historically been part of the Company's Beauty reportable segment. The results of the Beauty Brands are presented as discontinued operations and, as such, are excluded from both continuing operations and segment results for all periods presented.

During fiscal 2016, the Company completed the divestiture of its Batteries business. The Batteries business had historically been part of the Company's Fabric & Home Care reportable segment. The results of the Batteries business are presented as discontinued operations and, as such, are excluded from both continuing operations and segment results for all periods presented.

As a result of these divestitures, the Company's portfolio is comprised of 10 category-based businesses where P&G has

leading market positions, strong brands and consumer meaningful product technologies.

Refer to Note 13 to our Consolidated Financial Statements for more details on each of these divestiture transactions.

Beauty: We are a global market leader in the beauty category. Most of the beauty markets in which we compete are highly fragmented with a large number of global and local competitors. We compete in skin and personal care and in hair care. In skin and personal care, we offer a wide variety of products, ranging from deodorants to personal cleansing to skin care, such as our Olay brand, which is one of the top facial skin care brands in the world with nearly 6% global market share. We are the global market leader in the retail hair care market with over 20% global market share primarily behind our Pantene and Head & Shoulders brands.

Grooming: We compete in shave care and appliances. In Shave Care, we are the global market leader in the blades and razors market. Our global blades and razors market share is nearly 65%, primarily behind the Gillette franchise, including our Fusion, Mach3, Prestobarba and Venus brands. Our appliances, such as electric shavers and epilators, are sold under the Braun brand in a number of markets around the world where we compete against both global and regional competitors. We hold nearly 25% of the male shavers market and over 50% of the female epilators market.

Health Care: We compete in oral care and personal health care. In oral care, there are several global competitors in the market and we have the number two market share position with nearly 20% global market share behind our Oral-B and Crest brands. In personal health care, we are a top ten competitor in a large, highly fragmented industry, primarily behind respiratory treatments (Vicks brand), non-prescription heartburn medications (Prilosec OTC brand) and digestive wellness products (Metamucil, Pepto Bismol and Align brands). Nearly all of our sales outside the U.S. in personal health care are generated through the PGT Healthcare partnership with Teva Pharmaceuticals Ltd. In April 2018, we reached an agreement to dissolve the PGT Healthcare partnership and to acquire the OTC healthcare business of Merck KGaA as discussed above.

Fabric & Home Care: This segment is comprised of a variety of fabric care products, including laundry detergents, additives and fabric enhancers; and home care products, including dishwashing liquids and detergents, surface cleaners and air fresheners. In fabric care, we generally have the number one or number two market share position in the markets in which we compete and are the global market leader with over 25% global market share, primarily behind our Tide, Ariel and Downy brands. Our global home care market share is over 20% across the categories in which we compete.

Baby, Feminine & Family Care: In baby care, we are the global market leader and compete mainly in diapers, pants and baby wipes with over 25% global market share. We have the number one or number two market share position in most of the key markets in which we compete, primarily behind Pampers, the Company's largest brand, with annual net sales of more than \$8 billion. We are the global market leader in the

feminine care category with over 25% global market share, primarily behind Always. We also compete in the adult incontinence category in certain markets, achieving over 10% market share in most of the markets where we compete. Our family care business is predominantly a North American business comprised largely of the Bounty paper towel and Charmin toilet paper brands. U.S. market shares are over 40% for Bounty and over 25% for Charmin.

Selling and Market Operations

Our SMOs are responsible for developing and executing go-to-market plans at the local level. The SMOs include dedicated retail customer, trade channel and country-specific teams. Our SMOs are organized under six regions, comprised of North America, Europe, Latin America, Asia Pacific, Greater China and India, Middle East and Africa (IMEA). Throughout the MD&A, we reference business results in developed markets, which are comprised of North America, Western Europe and Japan, and developing markets, which are all other markets not included in developed.

Corporate Functions

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

Global Business Services

GBS provides technology, processes and standard data tools to enable the GBUs, the SMOs and Corporate Functions to better understand the business and better serve consumers and customers. The GBS organization is responsible for providing world-class solutions at a low cost and with minimal capital investment.

STRATEGIC FOCUS

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

Our strategic choices are focused on winning with consumers. The consumers who purchase and use our products are at the center of everything we do. We win with consumers by delivering superiority across the five key elements of product, packaging, brand communication, retail execution and value equation.

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

Productivity improvement is critical to delivering our balanced top-line growth, bottom-line growth and value creation objectives. Productivity improvement and sales growth reinforce and fuel each other. We are driving productivity

improvement across all elements of cost, including cost of goods sold, marketing and promotional expenses and non-manufacturing overhead. Productivity improvements and cost savings are being reinvested in product and packaging improvements, brand awareness-building advertising and trial-building sampling programs, increased sales coverage and R&D programs.

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

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

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

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

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

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

SUMMARY OF 2018 RESULTS

<u>Amounts in millions, except per share amounts</u>	2018	Change vs. Prior Year	2017	Change vs. Prior Year	2016
Net sales	\$ 66,832	3 %	\$ 65,058	— %	\$ 65,299
Operating income	13,711	(2)%	13,955	4 %	13,441
Net earnings from continuing operations	9,861	(3)%	10,194	2 %	10,027
Net earnings from discontinued operations	—	N/A	5,217	N/A	577
Net earnings attributable to Procter & Gamble	9,750	(36)%	15,326	46 %	10,508
Diluted net earnings per common share	3.67	(34)%	5.59	51 %	3.69
Diluted net earnings per share from continuing operations	3.67	(1)%	3.69	6 %	3.49
Core earnings per share	4.22	8 %	3.92	7 %	3.67
Cash flow from operating activities	14,867	17 %	12,753	(17)%	15,435

- Net sales increased 3% to \$66.8 billion including a positive 2% impact from foreign exchange.
 - Organic sales increased 1% on a 2% increase in organic volume.
 - Unit volume increased 1%. Volume increased low single digits in Beauty, Health Care and Fabric & Home Care and was unchanged in Grooming. Volume decreased low single digits in Baby, Feminine & Family Care. Excluding the impact of minor brand divestitures, organic volume increased mid-single digits in Fabric & Home Care.
- Net earnings from continuing operations decreased \$333 million or 3% in fiscal 2018, due primarily to the transitional impacts of the U.S. Tax Cuts and Jobs Act (U.S. Tax Act). Please refer to Note 5 to our Consolidated Financial Statements for further discussion on tax impacts. Operating income decreased 2% due to reduced margins, partially offset by net sales growth. This was largely offset by an increase in Other non-operating income/(expense), net, due to higher costs of early extinguishment of debt in the base period. Favorable foreign exchange impacts increased net earnings from continuing operations by approximately \$125 million or 1%.
- Net earnings from discontinued operations were zero in fiscal 2018 compared to \$5.2 billion in fiscal 2017

primarily due to the net impact of a gain on the sale of our Beauty Brands business.

- Net earnings attributable to Procter & Gamble were \$9.8 billion, a decrease of \$5.6 billion or 36% versus the prior year primarily due to the aforementioned reduction in net earnings from discontinued operations.
- Diluted net earnings per share decreased 34% to \$3.67.
 - Diluted net earnings per share from continuing operations decreased 1% to \$3.67.
 - Core EPS increased 8% to \$4.22.
- Cash flow from operating activities was \$14.9 billion.
 - Adjusted free cash flow was \$11.2 billion.
 - Adjusted free cash flow productivity was 104%.

ECONOMIC CONDITIONS AND UNCERTAINTIES

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

Global Economic Conditions. Current macroeconomic factors remain dynamic, and any causes of market size contraction, such as reduced GDP in commodity-dependent economies, greater political unrest in the Middle East, Central & Eastern Europe and the Korean peninsula, economic uncertainty related to the execution of the United Kingdom's exit from the European Union, political instability in certain Latin American markets and overall economic slowdowns, could reduce our sales or erode our operating margin, in either case reducing our earnings.

Changes in Costs. Our costs are subject to fluctuations, particularly due to changes in commodity prices, transportation costs and our own productivity efforts. We have significant exposures to certain commodities, in particular certain oil-derived materials like resins and paper-based materials like pulp, and volatility in the market price of these commodity input materials has a direct impact on our costs. If we are unable to manage commodity and other cost fluctuations through pricing actions, cost savings projects and sourcing decisions, as well as through consistent productivity improvements, it may adversely impact our gross margin, operating margin and net earnings. Sales could also be adversely impacted following pricing actions if there is a negative impact on consumption of our products. We strive to implement, achieve and sustain cost improvement plans, including outsourcing projects, supply chain optimization and general overhead and workforce optimization. As discussed later in this MD&A, we initiated certain non-manufacturing overhead reduction projects along with manufacturing and other supply chain cost improvement projects in 2012. In fiscal 2017, we communicated specific elements of an additional multi-year cost reduction program which is resulting in enrollment reductions and other savings. If we are not successful in executing and sustaining these changes, there could be a negative impact on our operating margin and net earnings.

Foreign Exchange. We have both translation and transaction exposure to the fluctuation of exchange rates. Translation exposures relate to exchange rate impacts of measuring income statements of foreign subsidiaries that do not use the U.S. dollar as their functional currency. Transaction exposures relate to 1) the impact from input costs that are denominated in a

currency other than the local reporting currency and 2) the revaluation of transaction-related working capital balances denominated in currencies other than the functional currency. Over previous fiscal years, the U.S. dollar has strengthened versus a number of foreign currencies leading to lower sales and earnings from these foreign exchange impacts. Certain countries experiencing significant exchange rate fluctuations, like Argentina, Egypt, Russia, Turkey and the United Kingdom have previously had, and could in the future have, a significant impact on our sales, costs and earnings. Increased pricing in response to certain fluctuations in foreign currency exchange rates may offset portions of the currency impacts but could also have a negative impact on consumption of our products, which would affect our sales and profits.

Government Policies. Our net earnings could be affected by changes in U.S. or foreign government tax policies, for example, the U.S. Tax Act enacted in December 2017, the implications and uncertainties of which are disclosed elsewhere in this report. Additionally, we attempt to carefully manage our debt, currency and other exposures in certain countries with currency exchange, import authorization and pricing controls, such as Nigeria, Algeria and Egypt. Further, our earnings and sales could be affected by changes to international trade agreements in North America and elsewhere, including potential increases of import tariffs. Changes in government policies in these areas might cause an increase or decrease in our sales, operating margin and net earnings.

For information on risk factors that could impact our results, please refer to "Risk Factors" in Part I, Item 1A of this Form 10-K.

RESULTS OF OPERATIONS

The key metrics included in our discussion of our consolidated results of operations include net sales, gross margin, selling, general and administrative costs (SG&A), other non-operating items and income taxes. The primary factors driving year-over-year changes in net sales include overall market growth in the categories in which we compete, product initiatives, competitive activities (the level of initiatives and other activities by competitors), marketing spending and acquisition and divestiture activity, all of which drive changes in our underlying unit volume, as well as pricing actions (which can also indirectly impact volume), changes in product and geographic mix and foreign currency impacts on sales outside the U.S.

Most of our cost of products sold and SG&A are to some extent variable in nature. Accordingly, our discussion of these operating costs focuses primarily on relative margins rather than the absolute year-over-year changes in total costs. The primary drivers of changes in gross margin are input costs (energy and other commodities), pricing impacts, geographic mix (for example, gross margins in developed markets are generally higher than in developing markets for similar products), product mix (for example, the Beauty segment has higher gross margins than the Company average), foreign exchange rate fluctuations (in situations where certain input costs may be tied to a different functional currency than the

underlying sales), the impacts of manufacturing savings projects and reinvestments (for example, product or package improvements) and to a lesser extent scale impacts (for costs that are fixed or less variable in nature). The primary components of SG&A are marketing-related costs and non-manufacturing overhead costs. Marketing-related costs are primarily variable in nature, although we may achieve some level of scale benefit over time due to overall growth and other marketing efficiencies. Overhead costs are also variable in nature, but on a relative basis, less so than marketing costs due to our ability to leverage our organization and systems infrastructures to support business growth. Accordingly, we generally experience more scale-related impacts for these costs.

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

Net Sales

Fiscal year 2018 compared with fiscal year 2017

Net sales increased 3% to \$66.8 billion in 2018 on a 1% increase in unit volume versus the prior year. Volume increased low single digits in Beauty, Health Care and Fabric & Home Care and was unchanged in Grooming. Volume decreased low single

digits in Baby, Feminine and Family Care. Excluding the impact of minor brand divestitures, Fabric & Home Care organic volume increased mid-single digits.

Volume increased low single digits in developed and developing regions. Favorable foreign exchange increased net sales by 2%. Pricing had a negative 1% impact on net sales. Product mix had a positive 1% impact on net sales primarily due to a disproportionate growth in super-premium brands. Organic sales grew 1% driven by a 2% increase in organic volume.

Fiscal year 2017 compared with fiscal year 2016

Net sales were unchanged at \$65.1 billion in 2017 on a 1% increase in unit volume versus the prior year period. Volume increased low single digits in Grooming, Health Care, Fabric & Home Care and Baby, Feminine & Family Care. Volume decreased low single digits in Beauty. Volume increased low single digits in developed regions and was unchanged in developing regions. Organic volume increased low single digits in both developed and developing markets. Unfavorable foreign exchange reduced net sales by 2%. Neither pricing nor mix had any net impact on net sales for the year. Organic sales grew 2% driven by a 2% increase in organic volume.

Operating Costs

Comparisons as a percentage of net sales; Years ended June 30	2018	Basis Point Change	2017	Basis Point Change	2016
Gross margin	48.7%	(130)	50.0%	40	49.6%
Selling, general and administrative expense	28.2%	(30)	28.5%	(50)	29.0%
Operating margin	20.5%	(100)	21.5%	90	20.6%
Earnings from continuing operations before income taxes	19.9%	(50)	20.4%	(10)	20.5%
Net earnings from continuing operations	14.8%	(90)	15.7%	30	15.4%
Net earnings attributable to Procter & Gamble	14.6%	(900)	23.6%	750	16.1%

Fiscal year 2018 compared with fiscal year 2017

Gross margin decreased 130 basis points to 48.7% of net sales in 2018. Gross margin benefited 200 basis points from total manufacturing cost savings (170 basis points net of product and packaging reinvestments). This was more than offset by:

- a 90 basis-point negative impact due to higher commodity costs,
- a 50 basis-point decline due to reduced pricing,
- a 100 basis-point decline from unfavorable product mix (within segments due to the disproportionate growth of lower margin product forms, large sizes and club channels and between segments caused by the disproportionate volume growth in Fabric & Home Care, which has lower than company-average gross margins),
- a 30 basis-point negative impact from higher restructuring charges and
- a 30 basis-point negative impact from unfavorable foreign exchange.

Total SG&A increased 2% to \$18.9 billion driven by increased overhead and marketing spending, as well as an increase in other net operating expenses, primarily due to higher gains on real estate sales in the base period. SG&A as a percentage of net sales decreased 30 basis points to 28.2%. Reductions in marketing and overhead spending as a percentage of net sales were partially offset by an increase in other net operating expenses.

- Marketing spending as a percentage of net sales decreased 30 basis points, primarily driven by reductions in agency compensation and production costs.
- Overhead costs as a percentage of net sales decreased 30 basis points, primarily driven by productivity savings and sales growth leverage, partially offset by higher restructuring costs versus the base year.
- Other operating expenses as a percentage of net sales increased 30 basis points primarily due to gains on the sale of real estate in the base year.

Fiscal year 2017 compared with fiscal year 2016

Gross margin increased 40 basis points (bps) to 50.0% of net sales in 2017. Gross margin increased primarily due to:

- a 230 basis-point positive impact from total manufacturing cost savings (210 basis points net of product and packaging reinvestments),
- a 20 basis-point benefit from lower restructuring charges and
- a 10 basis-point benefit from positive scale impacts due to higher volume.

These impacts were partially offset by:

- a 90 basis-point decrease from unfavorable product mix between segments (caused primarily by the lower relative proportion of sales in Grooming, which has higher than company-average gross margins) and within segments (due to disproportionate growth of lower margin products, forms and package sizes in certain businesses),
- a 40 basis-point negative impact from unfavorable foreign exchange and
- a combined 70 basis-point impact due to higher commodities and other costs.

Total SG&A decreased 2% to \$18.6 billion as increased overhead and advertising spending were more than offset by a reduction in other operating expenses, primarily due to a reduction in net foreign exchange transactional costs and gains on real estate sales. SG&A as a percentage of net sales decreased 50 basis points to 28.5% as a result of the decline in other operating expenses.

- Marketing spending as a percentage of net sales increased 10 basis points due to an increase in marketing activities, partially offset by productivity savings.
- Overhead costs as a percentage of net sales increased 20 basis points, primarily driven by wage inflation and increased sales personnel in certain businesses, partially offset by 20 basis points of productivity savings.
- Other operating expenses as a percent of net sales declined 80 basis points. Lower foreign exchange transactional charges reduced SG&A as a percentage of net sales by approximately 20 basis points. The balance of the reduction is primarily driven by gains on sales of real estate.

Non-Operating Items*Fiscal year 2018 compared with fiscal year 2017*

- Interest expense was \$506 million in 2018, an increase of \$41 million versus the prior year due to an increase in average long term debt balances and an increase in U.S. interest rates.
- Interest income was \$247 million in 2018, an increase of \$76 million versus the prior year primarily due to an increase in average balances of interest bearing cash and cash equivalents and investment securities balances and an increase in U.S. interest rates.
- Other non-operating income/(expense), which consists primarily of divestiture gains, investment income and other non-operating items was a net expense of \$126 million in 2018, an improvement of \$278 million versus

the prior year primarily due to lower charges for the early extinguishment of debt (which totaled \$346 million in the current year and \$543 million in the base year) and an increase in minor brand divestiture gains. In the current year we had approximately \$190 million in minor brand divestiture gains, including Swisse, Bold and other minor brands. In 2017, we had approximately \$110 million in minor brand divestiture gains, including Hipoglos and other minor brands.

Fiscal year 2017 compared with fiscal year 2016

- Interest expense was \$465 million in 2017, a decrease of \$114 million versus the prior year due to a decrease in weighted average interest rates.
- Interest income was \$171 million in 2017, comparable to 2016.
- Other non-operating income/(expense), which consists primarily of divestiture gains, investment income and other non-operating items, was a net expense of \$404 million in 2017 versus a net income of \$325 million in 2016, a \$729 million year-over-year decrease. This change is due to a \$543 million current-year charge related to early extinguishment of long-term debt and a reduction in gains on minor brand divestitures. In 2017, we had approximately \$110 million in minor brand divestiture gains, including Hipoglos (a baby care brand sold primarily in Brazil) and other minor brands. The prior year divestiture activities included approximately \$300 million in minor brand divestiture gains, including Escudo and certain hair care brands in Europe and IMEA.

Income Taxes*Fiscal year 2018 compared with fiscal year 2017*

The effective tax rate on continuing operations increased 290 basis points to 26.0% in 2018. A net transitional charge of \$602 million resulting from the enactment of the U.S. Tax Act caused a 450 basis-point increase in the current period rate (see Note 5 to the Consolidated Financial Statements for further discussion). The remaining net decrease of 160 basis points in the effective rate was driven by:

- a 280 basis-point year over year reduction from the ongoing impacts of the U.S. Tax Act, as the impact of the lower blended U.S. federal rate on current year earnings versus prior year rate was partially offset by reduced foreign tax credits versus prior year due to the inability to fully credit foreign taxes under the U.S. Tax Act,
- a 170 basis-point reduction from favorable geographic mix of earnings, primarily due to a greater proportion of income in lower tax foreign jurisdictions,
- a 180 basis-point increase from reduced favorable discrete impacts related to uncertain income tax positions (which netted to approximately 25 basis points in the current year versus 205 basis points in the prior year),
- a 70 basis-point increase from reduced excess tax benefits from share-based compensation (60 basis points in the current year versus 130 basis points in the prior year) and
- a 40 basis-point unfavorable impact due to reduced benefits from the tax impacts of early extinguishment of long-term debt (10 basis-point benefit in current year versus 50 basis-point benefit in the prior year).

Fiscal year 2017 compared with fiscal year 2016

The effective tax rate on continuing operations decreased 190 basis points to 23.1%. The rate declined due to:

- a 130 basis-point impact from excess tax benefits associated with share-based payments due to the adoption of FASB Accounting Standards Update (ASU) 2016-09 Improvements to Employee Share-based Payment Accounting in 2017,
- a 150 basis-point benefit from discrete impacts related to uncertain income tax positions (which netted to approximately 205 basis points in the current year versus 55 basis points in the prior year),
- a 50 basis-point benefit from the tax impact of the early extinguishment of long-term debt and
- a 130 basis-point benefit from the prior year establishment of a valuation allowance on deferred tax assets related to net operating loss carryforwards.

These benefits were partially offset by a 230 basis-point increase from unfavorable geographic mix, primarily due to a greater proportion of total income taxed in the U.S. and a 40 basis-point increase due to the impact of minor brand divestitures.

Net Earnings*Fiscal year 2018 compared with fiscal year 2017*

Net earnings from continuing operations decreased 3% to \$9.9 billion. Operating income decreased \$244 million, or 2%, as the increase in net sales and decrease in SG&A as a percentage of net sales were more than offset by the reduction in gross margin. The increase in net non-operating income/(expense) discussed above benefited net earnings. Net earnings from continuing operations before taxes increased 1%. Increased income tax expense negatively impacted net earnings from continuing operations by approximately 4% due largely to the net charge for the transitional impact of the U.S. Tax Act in 2018. Foreign exchange had a positive impact of \$125 million on net earnings in 2018 due to strengthening of certain currencies against the U.S. dollar, including those in the United Kingdom, China, Canada and Russia. This impact includes both transactional charges and translational impacts from converting earnings from foreign subsidiaries to U.S. dollars.

Net earnings from discontinued operations were zero in 2018. Net earnings from discontinued operations were \$5.2 billion in 2017, primarily due to the gain on the sale of the Beauty Brands which closed on October 1, 2016 (see Note 13 to the Consolidated Financial Statements).

Net earnings attributable to Procter & Gamble decreased \$5.6 billion, or 36%, to \$9.8 billion. The decrease was primarily due to the reduction in net earnings from discontinued operations.

Diluted net earnings per share from continuing operations declined \$0.02, or 1%, to \$3.67 due primarily to the reduction in net earnings from continuing operations, partially offset by a reduction in the number of weighted average shares outstanding.

Diluted net earnings per share from discontinued operations were zero in 2018, and were \$1.90 per share in the prior year due to the gain on the sale of the Beauty Brands in 2017. Diluted net earnings per share decreased \$1.92, or 34%, to \$3.67.

Core EPS increased 8% to \$4.22. Core EPS represents diluted net earnings per share from continuing operations, excluding the current year net charge for the transitional impact of the U.S. Tax Act and the charges in both periods for early extinguishment of debt and incremental restructuring charges related to our productivity and cost savings plans. The increase was driven by increased sales, the lower effective tax rate on core earnings (excluding the transitional net tax charge from the U.S. Tax Act) and the reduction in the number of weighted average shares outstanding discussed above.

Fiscal year 2017 compared with fiscal year 2016

Net earnings from continuing operations increased \$167 million, or 2%, to \$10.2 billion. Operating income improved \$514 million, or 4%, due to improved gross margin and reduced SG&A costs. Net earnings also benefitted from a lower tax rate in 2017. These benefits were partially offset by the increase in net non-operating expenses, discussed above. Foreign exchange impacts reduced net earnings by approximately \$420 million in 2017 due to weakening of certain currencies against the U.S. dollar, including those in Argentina, Nigeria, Egypt and the United Kingdom. This impact includes both transactional charges as discussed above in Operating Costs and translational impacts from converting earnings from foreign subsidiaries to U.S. dollars.

Net earnings from discontinued operations increased \$4.6 billion in 2017 to \$5.2 billion. This change was driven by the \$5.3 billion gain on the sale of the Beauty Brands in the current year, partially offset by the impact of the base period results, which included the net earnings of the Batteries and Beauty Brands businesses prior to divestiture, a gain on the sale of the Batteries business and impairment charges on the Batteries business prior to divestiture (see Note 13 to the Consolidated Financial Statements).

Net earnings attributable to Procter & Gamble increased \$4.8 billion, or 46%, to \$15.3 billion.

Diluted net earnings per share from continuing operations increased \$0.20, or 6%, to \$3.69 due to the increase in net earnings from continuing operations and a reduction in the number of weighted average shares outstanding following the shares tendered in the sale of the Beauty Brands to Coty (see Note 13 to the Consolidated Financial Statements), along with ongoing share repurchases.

Diluted net earnings per share from discontinued operations were \$1.90. This was an increase of \$1.70 per share versus the prior year primarily resulting from the gain on the sale of the Beauty Brands. Diluted net earnings per share increased \$1.90, or 51%, to \$5.59.

Core EPS increased 7% to \$3.92. Core EPS in fiscal year 2017 represents diluted net earnings per share from continuing operations excluding the charge related to early extinguishment of long-term debt and incremental restructuring charges related to our productivity and cost savings plan. The increase was driven by operating margin expansion, lower effective tax rate and the reduction in the number of weighted average shares outstanding discussed above.

SEGMENT RESULTS

Segment results reflect information on the same basis we use for internal management reporting and performance evaluation. The results of these reportable segments do not include certain non-business unit specific costs such as interest expense, investing activities and certain restructuring and asset impairment costs. These costs are reported in our Corporate segment and are included as part of our Corporate segment discussion. Additionally, as described in Note 2 to the Consolidated Financial Statements, we apply blended statutory tax rates in the segments. Eliminations to adjust segment results to arrive at our consolidated effective tax rate, including the impacts of the U.S. Tax Act in fiscal 2018, are included in Corporate. All references to net earnings throughout the discussion of segment results refer to net earnings from continuing operations.

Net Sales Change Drivers 2018 vs. 2017 ⁽¹⁾

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

Net Sales Change Drivers 2017 vs. 2016 ⁽¹⁾

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

⁽¹⁾ Net sales percentage changes are approximations based on quantitative formulas that are consistently applied.

⁽²⁾ Other includes the sales mix impact from acquisitions and divestitures, the impact from India Goods and Services Tax implementation and rounding impacts necessary to reconcile volume to net sales.

BEAUTY

(\$ millions)	2018	Change vs. 2017	2017	Change vs. 2016
Volume	N/A	2%	N/A	(2)%
Net sales	\$12,406	9%	\$11,429	—%
Net earnings	\$2,320	21%	\$1,914	(3)%
% of net sales	18.7%	200 bps	16.7%	(50) bps

Fiscal year 2018 compared with fiscal year 2017

Beauty net sales increased 9% to \$12.4 billion in 2018 on a 2% increase in unit volume. Favorable foreign exchange impacts increased net sales by 2%. Favorable product mix added 5% to net sales, primarily due to the disproportionate growth of the super-premium SK-II and premium Olay Skin brands. Organic sales increased 7% on a 2% increase in organic volume. Global market share of the Beauty segment decreased 0.2 points. Volume was unchanged in developed regions and increased low single digits in developing regions.

- Volume in Hair Care increased low single digits. Volume

in developed regions decreased low single digits mainly due to competitive activity. Developing regions volume increased low single digits due to market growth, product innovation and improved in-store executions. Global market share of the hair care category decreased less than half a point.

- Volume in Skin and Personal Care increased low single digits. Developed market volume increased low single digits driven by product innovation. Volume increased mid-single digits in developing regions behind innovation and increased marketing. Global market share of the skin and personal care category was unchanged.

Net earnings increased 21% to \$2.3 billion in 2018 due to the increase in net sales and a 200 basis-point increase in net earnings margin driven primarily by a reduction in SG&A as a percentage of net sales. Gross margin increased slightly driven by manufacturing cost savings. SG&A as a percentage of sales decreased primarily due to positive scale impacts of the net sales increase on both marketing spending and overheads.

Fiscal year 2017 compared with fiscal year 2016

Beauty net sales were unchanged at \$11.4 billion in 2017 on a 2% decrease in unit volume. Unfavorable foreign exchange reduced net sales by 2%. Price increases had a 1% positive impact on net sales. Favorable product mix added 2% to net sales, primarily due to growth of the super-premium SK-II brand, which has higher than segment average selling prices. Organic sales increased 3% on organic volume that increased 1%. Global market share of the Beauty segment decreased 0.6 points. Volume decreased low single digits in developed regions. Volume decreased low single digits in developing regions. Excluding minor brand divestitures, organic volume in developing regions increased low single digits.

- Volume in Hair Care decreased low single digits due to minor brand divestitures. Organic volume increased low single digits. Developed regions decreased low single digits mainly due to competitive activity. Developing regions decreased low single digits due to minor brand divestitures. Organic volume increased low single digits in developing regions behind product innovation and market growth. Global market share of the hair care category decreased more than half a point.
- Volume in Skin and Personal Care was unchanged including the impact of minor brand divestitures. Organic volume increased low single digits. Developed market volume decreased low single digits following increased pricing and due to competitive activity. Volume increased low single digits in developing regions behind innovation and market growth. Global market share of the skin and personal care category decreased half a point.

Net earnings decreased 3% to \$1.9 billion in 2017 due to a 50 basis point decrease in net earnings margin, behind an increase in SG&A as a percentage of net sales. SG&A as a percentage of net sales increased due to increased overhead spending including investments in sales resources and incremental marketing activity. Gross margin decreased slightly as the benefits from productivity savings and higher pricing were more than offset by higher commodity costs and unfavorable mix impacts (driven by Hair Care from an increase in the proportion of lower margin forms and categories, and unfavorable geographic mix, which more than offset benefit from Skin and Personal Care, driven by the growth of SK-II).

GROOMING

(\$ millions)	2018	Change vs. 2017	2017	Change vs. 2016
Volume	N/A	—%	N/A	2%
Net sales	\$6,551	(1)%	\$6,642	(3)%
Net earnings	\$1,432	(7)%	\$1,537	(1)%
% of net sales	21.9%	(120) bps	23.1%	40 bps

Fiscal year 2018 compared with fiscal year 2017

Grooming net sales decreased 1% to \$6.6 billion in 2018 on unit volume that was unchanged. Favorable foreign exchange increased net sales by 3%. Price reductions in Shave Care reduced net sales by 3%. Unfavorable mix reduced net sales

by 1% driven by disproportionate growth of lower tier shave care products. Organic sales decreased 3% while organic volume was unchanged. Global market share of the Grooming segment decreased 0.8 points. Volume was unchanged in both developed and developing regions.

- Shave Care volume was unchanged. Volume was unchanged in developed regions as increased competitiveness of our products in the U.S. following price reductions was offset by competitive activity in other markets. Volume in developing regions was unchanged. Global market share of the shave care category decreased slightly.
- Appliances volume increased high single digits in developed and developing regions due to product innovation. Global market share of the appliances category increased more than half a point.

Net earnings decreased 7% to \$1.4 billion in 2018 due to the net sales decrease and a reduction in net earnings margin. Net earnings margin decreased 120 basis points due to a decrease in gross margin and an increase in SG&A as a percentage of net sales. Gross margin decreased due to the negative impact of reduced pricing and the above mentioned unfavorable product mix, partially offset by manufacturing cost savings. SG&A as a percentage of net sales increased due to overhead spending increases and a base period gain on the sale of real estate, partially offset by a reduction in current year marketing spending.

Fiscal year 2017 compared with fiscal year 2016

Grooming net sales decreased 3% to \$6.6 billion in 2017 on a 2% increase in unit volume. Unfavorable foreign exchange reduced net sales by 2%. Unfavorable mix reduced net sales by 2% driven by disproportionate growth in emerging markets, where average selling prices are lower than in developed regions, in part due to a higher relative proportion of disposable razors in those markets. Price reductions in the U.S. during the second half of the year taken to address consumer price-competitiveness drove a 1% reduction in net sales. Organic sales were unchanged on organic volume that increased 3%. Global market share of the Grooming segment decreased 0.7 points. Volume increased low single digits in developed and developing regions.

- Shave Care volume increased low single digits. Shave Care volume decreased low single digits in developed regions due to competitive activity and increased low single digits in developing regions behind product innovation. Global market share of the shave care category decreased half a point.
- Volume in Appliances increased double digits. Volume increased double digits in developed regions and increased low single digits in developing regions due to product innovation. Global market share of the appliances category increased nearly half a point.

Net earnings decreased 1% to \$1.5 billion in 2017 due to the reduction in net sales, partially offset by an increase in net earnings margin. Net earnings margin increased 40 basis points due to a decrease in SG&A as a percent of net sales and improved gross margin. SG&A as a percent of net sales

decreased due to a gain on the sale of real estate, partially offset by increased overhead spending. Gross margin increased as the benefits of productivity efforts were only partially offset by unfavorable foreign exchange impacts, reduced pricing and negative mix driven by growth in emerging markets, where average selling prices are lower than in developed regions, in part due to a higher relative proportion of disposable razors in those markets.

HEALTH CARE

(\$ millions)	2018	Change vs. 2017	2017	Change vs. 2016
Volume	N/A	3%	N/A	3%
Net sales	\$7,857	5%	\$7,513	2%
Net earnings	\$1,283	—%	\$1,280	2%
% of net sales	16.3%	(70) bps	17.0%	— bps

Fiscal year 2018 compared with fiscal year 2017

Health Care net sales increased 5% to \$7.9 billion in 2018 on a 3% increase in unit volume. Favorable foreign exchange impacts increased net sales by 3%. Lower pricing reduced net sales by 1%. Organic sales increased 2% on a 3% increase in organic volume. Global market share of the Health Care segment decreased 0.1 points. Volume increased low single digits in both developed and developing regions.

- Oral Care volume increased low single digits. Volume increased low single digits in developed regions driven by product innovation and marketing investments in the premium power brush segment. Volume increased low single digits in developing regions due to product innovation and reduced pricing in the form of increased promotional spending. Global market share of the oral care category decreased less than half a point.
- Volume in Personal Health Care increased mid-single digits. Volume increased low single digits in developed regions and increased high single digits in developing regions due to product innovation and increased consumption from a strong cough/cold season. Global market share of the personal health care category increased less than half a point.

Net earnings were unchanged at \$1.3 billion in 2018 as the increase in net sales was offset by a 70 basis-point decrease in net earnings margin. Net earnings margin decreased due to a reduction in gross margin and the impact of a base period gain from minor brand divestitures, partially offset by a reduction in SG&A as a percentage of net sales. Gross margin decreased due to unfavorable mix impact (from the disproportionate growth of larger sizes and club channel which have lower than segment-average margins) and reduced selling prices, partially offset by manufacturing cost savings. SG&A as a percentage of net sales decreased primarily due to the positive scale impacts of the net sales increase.

Fiscal year 2017 compared with fiscal year 2016

Health Care net sales increased 2% to \$7.5 billion in 2017 on a 3% increase in unit volume. Unfavorable foreign exchange reduced net sales by 2%. Favorable product mix contributed

1% to net sales due primarily to an increase in power toothbrushes in Oral Care, which have higher than segment-average selling prices. Organic sales increased 5% on organic volume that increased 4%. Global market share of the Health Care segment decreased 0.2 points. Volume increased low single digits in developed regions and increased mid-single digits in developing regions.

- Oral Care volume increased mid-single digits. Volume increased low single digits in developed regions and increased mid-single digits in developing regions driven by market growth and product innovation. Global market share of the oral care category decreased slightly.
- Volume in Personal Health Care increased low single digits. Volume increased low single digits in both developed and developing regions behind a stronger cough/cold season relative to prior year, product innovation and expanded distribution. Global market share of the personal health care category was unchanged.

Net earnings increased 2% to \$1.3 billion in 2017 due to the increase in net sales. Operating margin was unchanged as a higher gross margin was offset by increased SG&A as a percentage of net sales. Gross margin increased due to productivity cost savings, partially offset by unfavorable geographic mix driven by the disproportionate growth of developing regions, which have lower than segment-average margins. SG&A increased as a percentage of net sales due to increased overhead spending, partially offset by reduced marketing spending.

FABRIC & HOME CARE

(\$ millions)	2018	Change vs. 2017	2017	Change vs. 2016
Volume	N/A	3%	N/A	1%
Net sales	\$21,441	3%	\$20,717	—%
Net earnings	\$2,708	—%	\$2,713	(2)%
% of net sales	12.6%	(50) bps	13.1%	(30) bps

Fiscal year 2018 compared with fiscal year 2017

Fabric & Home Care net sales increased 3% to \$21.4 billion in 2018 on a 3% increase in unit volume. Favorable foreign exchange increased net sales by 1%. Lower pricing reduced net sales by 1%. Organic sales increased 3% on a 4% increase in organic volume. Global market share of the Fabric & Home Care segment increased 0.1 points. Volume increased mid-single digits in developed regions and increased low single digits in developing regions. Excluding minor brand divestitures, organic volume increased mid-single digits in developing regions.

- Fabric Care volume increased low single digits. Excluding the impact of minor brand divestitures, organic volume increased mid-single digits. Volume in developed regions increased mid-single digits, due to product innovation and behind lower pricing in the form of increased promotional spending. Volume in developing regions increased low single digits due to product innovation and category growth. Global market share of the Fabric Care category was unchanged.

- Home Care volume increased low single digits. Volume in developed regions increased low single digits driven by product innovation. Volume in developing regions increased mid-single digits driven by product innovation and category growth. Global market share of the Home Care category was unchanged.

Net earnings were unchanged at \$2.7 billion in 2018 as the increase in net sales was offset by a 50 basis-point decrease in net earnings margin. Net earnings margin decreased due to a reduction in Gross margin partially offset by a decrease in SG&A as a percentage of net sales. Gross margin decreased due to unfavorable product mix (due to an increase in the proportion of larger package sizes with lower than segment-average margins and newer product forms that have not yet been cost optimized), increased commodity costs and reduced selling prices, partially offset by manufacturing cost savings. SG&A as a percentage of net sales decreased primarily due to the positive scale impacts of the net sales increase. Net earnings also benefited from a gain on a minor brand divestiture in 2018.

Fiscal year 2017 compared with fiscal year 2016

Fabric & Home Care net sales were unchanged in 2017 at \$20.7 billion on a 1% increase in unit volume. Unfavorable foreign exchange reduced net sales by 2%. Favorable geographic mix increased net sales 1%, primarily driven by increased volume in developed regions, which have higher than segment-average selling prices. Organic sales increased 3% on organic volume that increased 2%. Global market share of the Fabric & Home Care segment decreased 0.1 points. Volume increased low single digits in developed regions and decreased low single digits in developing regions. Excluding minor brand divestitures, organic volume increased mid-single digits in developed regions and decreased low single digits in developing regions.

- Fabric Care volume increased low single digits as a mid-single digit volume increase in developed regions, due primarily to product innovation, was partially offset by a low single-digit decrease in developing regions, driven by competitive activity and reduced distribution of less profitable brands. Global market share of the fabric care category was unchanged.
- Home Care volume increased low single digits driven by a low single-digit increase in both developed and developing regions due to market growth and product innovation. Global market share of the home care category was unchanged.

Net earnings decreased 2% to \$2.7 billion in 2017 due to a 30 basis-point decrease in net earnings margin. Net earnings margin decreased due to an increase in the effective tax rate driven by the geographic mix of earnings. Gross margin expanded slightly, driven by manufacturing cost savings, partially offset by unfavorable foreign exchange impacts and increased commodity costs. SG&A as a percentage of net sales increased slightly due to increased overhead spending.

BABY, FEMININE & FAMILY CARE

	(\$ millions)	2018	Change vs. 2017	2017	Change vs. 2016
Volume		N/A	(1)%	N/A	2%
Net sales		\$18,080	(1)%	\$18,252	(1)%
Net earnings		\$2,251	(10)%	\$2,503	(6)%
% of net sales		12.5%	(120) bps	13.7%	(60) bps

Fiscal year 2018 compared with fiscal year 2017

Baby, Feminine & Family Care net sales in 2018 decreased 1% to \$18.1 billion on a 1% decrease in unit volume. Favorable foreign exchange increased net sales by 1%. Lower pricing had a negative 1% impact on net sales. Organic sales decreased 2% on a 1% decrease in organic volume. Global market share of the Baby, Feminine & Family Care segment decreased 0.7 points. Volume was unchanged in developed regions and decreased mid-single digits in developing regions. Excluding minor brand divestitures, organic volume in developed regions increased low single digits.

- Baby Care volume decreased mid-single digits. Volume in developed regions decreased low single digits due to competitive activity and trade inventory reductions. Volume in developing regions decreased high single digits due to competitive activity, market contraction and a reduction in trade inventories. Global market share of the baby care category decreased more than a point.
- Feminine Care volume decreased low single digits. Excluding the impact of minor brand divestitures, organic volume increased low single digits. Organic volume in developed regions increased low single digits due to product innovation. Volume in developing regions increased low single digits due to product innovation. Global market share of the feminine care category was unchanged.
- Volume in Family Care, which is predominantly a North American business, increased mid-single digits driven by product innovation and distribution gains. In the U.S., all-outlet share of the family care category increased slightly.

Net earnings in 2018 decreased 10% to \$2.3 billion primarily due to a 120 basis-point decrease in net earnings margin. Net earnings margin decreased primarily due to a decrease in gross margin driven by an increase in commodity costs, unfavorable product mix (driven by a higher relative mix of larger pack sizes with lower than segment-average margins and newer product forms that have not yet been cost optimized) and reduced selling prices, partially offset by manufacturing cost savings. SG&A as a percentage of net sales decreased marginally due to reduced marketing spending, partially offset by an increase in overhead costs.

Fiscal year 2017 compared with fiscal year 2016

Baby, Feminine & Family Care net sales decreased 1% to \$18.3 billion in 2017 on a 2% increase in unit volume. Unfavorable foreign exchange reduced net sales by 2%. Lower pricing had a negative 1% impact on net sales. Organic sales increased 1% on organic volume that increased 2%. Global market share

of the Baby, Feminine & Family Care segment decreased 0.1 points. Volume increased low single digits in developed regions and was unchanged in developing regions.

- Volume in Baby Care was unchanged. Volume in developed regions decreased low single digits, primarily due to competitive activity, and volume in developing regions increased low single digits, due to market growth and product innovation. Global market share of the baby care category decreased more than half a point.
- Volume in Feminine Care increased low single digits. Volume in developed regions increased low single digits, driven by product innovation, and volume in developing regions decreased low single digits due to competitive activity and reduced exports to our Venezuelan subsidiaries. Global market share of the feminine care category was unchanged.
- Volume in Family Care, which is predominantly a North American business, increased mid-single digits driven by product innovation and increased merchandising. In the U.S., all-outlet share of the family care category increased less than a point.

Net earnings decreased 6% to \$2.5 billion in 2017 due to the reduction in net sales and a 60 basis point decrease in net earnings margin. Net earnings margin decreased as increased SG&A as a percent of net sales was only partially offset by an increase in gross margin. SG&A as a percentage of net sales increased due to increased marketing and overhead spending. Gross margin increased driven by manufacturing cost savings partially offset by unfavorable foreign exchange impacts, lower pricing and unfavorable product mix across business units due to increased net sales in product forms and larger package sizes with lower than segment-average margins.

CORPORATE

(\$ millions)	2018	Change vs. 2017	2017	Change vs. 2016
Net sales	\$497	(2)%	\$505	20%
Net earnings/(loss)	\$(133)	N/A	\$247	N/A

Corporate includes certain operating and non-operating activities not allocated to specific business segments. These include: the incidental businesses managed at the corporate level; financing and investing activities; certain employee benefit costs; other general corporate items; gains and losses related to certain divested brands and categories; and certain restructuring-type activities to maintain a competitive cost structure, including manufacturing and workforce optimization. Corporate also includes reconciling items to adjust the accounting policies used in the segments to U.S. GAAP. The most significant reconciling item is income taxes, to adjust from blended statutory rates that are reflected in the segments to the overall Company effective tax rate. For 2018, the tax impact also includes the impacts of the U.S. Tax Act, which were included in the corporate segment.

Fiscal year 2018 compared with fiscal year 2017

Corporate net sales decreased 2% to \$497 million in 2018 due to a decrease in the incidental businesses managed at the

corporate level. Corporate net earnings/(loss) from continuing operations decreased by \$380 million in 2018, primarily due to:

- an increase in income tax expense in 2018 caused by the aforementioned \$602 million net charge for the transitional impacts of the U.S. Tax Act and
- an increase in after-tax restructuring charges of approximately \$331 million.

These costs were partially offset by lower charges related to the early extinguishment of long-term debt in 2018 versus 2017, the lower tax rate on current year earnings as a result of the U.S. Tax Act and an increase in the proportion of corporate overhead spending allocated to the segments.

Fiscal year 2017 compared with fiscal year 2016

Corporate net sales increased 20%, or \$83 million, to \$505 million in 2017 primarily due to an increase in the incidental businesses managed at the corporate level. Corporate net earnings from continuing operations improved by approximately \$421 million in 2017, primarily due to:

- lower restructuring charges in 2017 compared to the prior year,
- a gain on the sale of real estate in the current fiscal year,
- lower foreign exchange transactional charges,
- a reduction in the proportion of corporate overhead spending not allocated to the segments, consisting in part of reduced stranded overheads following divestitures, and
- current year tax benefits resulting from the adoption of a new accounting standard on the tax impacts of share-based payments to employees (see Note 1 to the Consolidated Financial Statements).

These benefits were partially offset by a \$345 million after-tax charge on the early extinguishment of long-term debt in fiscal 2017 and lower gains from minor brand divestitures compared to 2016.

Restructuring Program to deliver Productivity and Cost Savings

In 2012, the Company initiated a productivity and cost savings plan to reduce costs and better leverage scale in the areas of supply chain, research and development, marketing and overheads. The plan was designed to accelerate cost reductions by streamlining management decision making, manufacturing and other work processes to fund the Company's growth strategy. In 2017, the Company communicated specific elements of an additional multi-year productivity and cost savings program.

The current productivity and cost savings plan will further reduce costs in the areas of supply chain, certain marketing activities and overhead expenses. As part of this plan, the Company incurred approximately \$1.1 billion in total before-tax restructuring costs in fiscal 2018, with an additional amount of approximately \$0.8 billion expected in fiscal 2019. This program is expected to result in additional enrollment reductions, along with further optimization of the supply chain and other manufacturing processes. Savings generated from restructuring costs are difficult to estimate, given the nature of the activities, the timing of the execution and the degree of

reinvestment. However, we estimate that through 2018, the underlying restructuring costs and other non-manufacturing enrollment reductions since 2012 have delivered approximately \$3.3 billion in annual before-tax gross savings.

Restructuring accruals of \$513 million as of June 30, 2018 are classified as current liabilities. Approximately 65% of the restructuring charges incurred in fiscal 2018 either have been or will be settled with cash. Consistent with our historical policies for ongoing restructuring-type activities, the resulting charges are funded by and included within Corporate for segment reporting.

In addition to our restructuring programs, we have additional ongoing savings efforts in our supply chain, marketing and overhead areas that yield additional benefits to our operating margins.

Refer to Note 3 to the Consolidated Financial Statements for more details on the restructuring program and to the Operating Costs section of the MD&A for more information about the total benefit to operating margins from our total savings efforts.

CASH FLOW, FINANCIAL CONDITION AND LIQUIDITY

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

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

Operating Cash Flow

Fiscal year 2018 compared with fiscal year 2017

Operating cash flow was \$14.9 billion in 2018, a 17% increase from the prior year. Net earnings, adjusted for non-cash items (depreciation and amortization, loss on extinguishment of debt, share-based compensation, deferred income taxes and gain on sale of assets) generated \$11.4 billion of operating cash flow. Working capital and other impacts generated \$3.5 billion of operating cash flow as summarized below.

- An increase in accounts receivable used \$177 million of cash due to increased sales and the timing of the year-end (which fell on a weekend, resulting in fewer days collection). The number of days sales outstanding remained flat versus prior year.
- Higher inventory used \$188 million of cash mainly due to inventory increases to support initiatives and business growth across all segments. Inventory days on hand decreased approximately 1 day primarily due to foreign exchange impacts.

- Accounts payable, accrued and other liabilities increased, generating \$1.4 billion of cash. This was primarily driven by extended payment terms with our suppliers and an increase in fourth quarter marketing activity versus the prior year. These factors, along with offsetting impacts of foreign exchange, drove a 2 day increase in days payable outstanding. Although difficult to project due to market and other dynamics, we anticipate incremental cash flow benefits from the extended payment terms with suppliers could decline slightly over the next fiscal year.
- Other operating assets and liabilities generated \$2.0 billion of cash, primarily driven by the long-term portion of the payable related to the U.S. Tax Act repatriation charge.

Fiscal year 2017 compared with fiscal year 2016

Operating cash flow was \$12.8 billion in 2017, a 17% decrease from the prior year. Net earnings, adjusted for non-cash items (depreciation and amortization, share-based compensation, deferred income taxes, loss/(gain) on sale of assets and impairment charges) and the loss on early extinguishment of debt generated \$13.0 billion of operating cash flow. Working capital and other impacts used \$281 million of operating cash flow.

- An increase in accounts receivable used \$322 million of cash due to higher relative sales late in the period as compared to the prior period, partially offset by collection of approximately \$150 million of retained receivables from the Beauty Brands business. In addition, the number of days sales outstanding increased 1 day due in part to foreign exchange impacts.
- Lower inventory generated \$71 million of cash mainly due to supply chain optimizations, partially offset by increases to support business growth and increased commodity costs. Inventory days on hand decreased approximately 1 day primarily due to supply chain optimizations.
- Accounts payable, accrued and other liabilities decreased, using \$149 million in operating cash flow. This was caused by reduced accruals from lower fourth quarter marketing and overhead activities as compared to the base period, as well as the payment of approximately \$595 million of accounts payable and accrued liabilities related to the divestiture of the Beauty Brands business, including liabilities retained by the Company pursuant to the terms of the agreement. These impacts were partially offset by approximately \$700 million related to extended payment terms with our suppliers. These factors, along with the impact of foreign exchange, drove a 4 day increase in days payable outstanding.
- Other operating assets and liabilities used \$43 million of cash.

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

Fiscal year 2018 compared with fiscal year 2017

Adjusted free cash flow was \$11.2 billion in 2018, an increase of 14% versus the prior year. The increase was primarily driven by the increase in operating cash flows as discussed above. Adjusted free cash flow productivity, defined as the ratio of adjusted free cash flow to net earnings, excluding the transitional impact of the U.S. Tax Act and the loss on early extinguishment of debt, was 104% in 2018.

Fiscal year 2017 compared with fiscal year 2016

Adjusted free cash flow was \$9.8 billion in 2017, a decrease of 19% versus the prior year. The decrease was primarily driven by the decrease in operating cash flows. Adjusted free cash flow productivity, defined as the ratio of adjusted free cash flow to net earnings, excluding the loss on debt extinguishment and impacts of the sale of the Beauty Brands, was 94% in 2017.

Investing Cash Flow*Fiscal year 2018 compared with fiscal year 2017*

Net investing activities consumed \$3.5 billion in cash in 2018 mainly due to capital spending and purchases of short-term investments, partially offset by proceeds from asset sales and sales and maturities of short-term investments.

Fiscal year 2017 compared with fiscal year 2016

Net investing activities consumed \$5.7 billion in cash in 2017 mainly due to capital spending and purchases of short-term investments, partially offset by proceeds from asset sales, transactions related to the close of the Beauty Brands divestiture and sales and maturities of short-term investments.

Capital Spending. Capital expenditures, primarily to support capacity expansion, innovation and cost efficiencies, were \$3.7 billion in 2018 and \$3.4 billion in 2017. Capital spending as a percentage of net sales increased 40 basis points to 5.6% in 2018. Capital spending as a percentage of net sales was 5.2% in 2017.

Acquisitions. Acquisition activity used cash of \$109 million in 2018, primarily related to acquisitions in the Beauty segment. Acquisition activity was not material in 2017.

Proceeds from Divestitures and Other Asset Sales. Proceeds from asset sales in 2018 contributed \$269 million in cash, primarily from minor brand divestitures. Proceeds from asset sales contributed \$571 million in cash in 2017 primarily from real estate sales and other minor brand divestitures. In fiscal 2017, the Company invested an additional \$874 million of cash, received from the issuance of debt, in restricted cash. At the closing of the Beauty Brands transaction, \$1.9 billion of restricted cash (including the \$874 million invested in 2017) was released and returned to cash and cash equivalents and \$475 million of cash was transferred to the discontinued Beauty Brands business.

Financing Cash Flow

Dividend Payments. Our first discretionary use of cash is dividend payments. Dividends per common share increased 3.3% to \$2.79 per share in 2018. Total dividend payments to common and preferred shareholders were \$7.3 billion in 2018 and \$7.2 billion in 2017. In April 2018, the Board of Directors

declared an increase in our quarterly dividend from \$0.6896 to \$0.7172 per share on Common Stock and Series A and B ESOP Convertible Class A Preferred Stock. This represents a 4% increase compared to the prior quarterly dividend and is the 62nd consecutive year that our dividend has increased. We have paid a dividend for 128 years, every year since our incorporation in 1890.

Long-Term and Short-Term Debt. We maintain debt levels we consider appropriate after evaluating a number of factors, including cash flow expectations, cash requirements for ongoing operations, investment and financing plans (including acquisitions and share repurchase activities) and the overall cost of capital. Total debt was \$31.3 billion as of June 30, 2018 and \$31.6 billion as of June 30, 2017.

Treasury Purchases. Total share repurchases were \$7.0 billion in 2018 and \$5.2 billion in 2017.

Liquidity

At June 30, 2018, our current liabilities exceeded current assets by \$4.9 billion, largely due to short-term borrowings under our commercial paper program. We anticipate being able to support our short-term liquidity and operating needs largely through cash generated from operations. The Company regularly assesses its cash needs and the available sources to fund these needs. As of June 30, 2018, \$11.4 billion of the Company's cash, cash equivalents and marketable securities was held off-shore by foreign subsidiaries. This balance has declined versus the prior year primarily due to cash repatriations following the enactment of the U.S. Tax Act. Under current law, we do not expect restrictions or taxes on repatriation of cash held outside of the U.S. to have a material effect on our overall liquidity, financial condition or the results of operations for the foreseeable future. Of the June 30, 2018 balance of off-shore cash, cash equivalents and marketable securities, the majority relates to various Western European countries. As of June 30, 2018, we did not have material cash, cash equivalents and marketable securities balances in any country subject to exchange controls that significantly restrict our ability to access or repatriate the funds.

We utilize short- and long-term debt to fund discretionary items, such as acquisitions and share repurchases. We have strong short- and long-term debt ratings, which have enabled, and should continue to enable, us to refinance our debt as it becomes due at favorable rates in commercial paper and bond markets. In addition, we have agreements with a diverse group of financial institutions that, if needed, should provide sufficient credit funding to meet short-term financing requirements.

On June 30, 2018, our short-term credit ratings were P-1 (Moody's) and A-1+ (Standard & Poor's), while our long-term credit ratings were Aa3 (Moody's) and AA- (Standard & Poor's), all with a stable outlook.

We maintain bank credit facilities to support our ongoing commercial paper program. The current facility is an \$8.0 billion facility split between a \$3.2 billion five-year facility and a \$4.8 billion 364-day facility, which expire in November 2022 and November 2018, respectively. Both facilities can be extended for certain periods of time as specified in the terms

of the credit agreement. These facilities are currently undrawn and we anticipate that they will remain undrawn. These credit facilities do not have cross-default or ratings triggers, nor do they have material adverse events clauses, except at the time of signing. In addition to these credit facilities, we have an automatically effective registration statement on Form S-3 filed with the SEC that is available for registered offerings of short- or long-term debt securities. For additional details on debt see Note 10 to the Consolidated Financial Statements.

Guarantees and Other Off-Balance Sheet Arrangements

We do not have guarantees or other off-balance sheet financing arrangements, including variable interest entities, which we believe could have a material impact on our financial condition or liquidity.

Contractual Commitments

The following table provides information on the amount and payable date of our contractual commitments as of June 30, 2018.

<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	\$ 31,217	\$ 10,407	\$ 4,630	\$ 5,224	\$ 10,956
Capital leases	107	22	35	23	27
U.S. Tax Act transitional charge (1)	2,884	231	462	462	1,730
Uncertain tax positions (2)	—	—	—	—	—
OTHER					
Interest payments relating to long-term debt	4,944	574	1,033	811	2,526
Operating leases (3)	1,338	275	442	325	296
Minimum pension funding (4)	402	131	271	—	—
Purchase obligations (5)	1,129	778	167	47	137
TOTAL CONTRACTUAL COMMITMENTS	\$ 42,021	\$ 12,418	\$ 7,039	\$ 6,891	\$ 15,673

(1) Represents the U.S. federal tax liability associated with the repatriation provisions of the U.S. Tax Act. Does not include any provisions made for foreign withholding taxes on expected repatriations as the timing of those payments is uncertain.

(2) As of June 30, 2018, the Company's Consolidated Balance Sheet reflects a liability for uncertain tax positions of \$584 million, including \$114 million of interest and penalties. Due to the high degree of uncertainty regarding the timing of future cash outflows of liabilities for uncertain tax positions beyond one year, a reasonable estimate of the period of cash settlement beyond twelve months from the balance sheet date of June 30, 2018, cannot be made.

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

(4) Represents future pension payments to comply with local funding requirements. These future pension payments assume the Company continues to meet its future statutory funding requirements. Considering the current economic environment in which the Company operates, the Company believes its cash flows are adequate to meet the future statutory funding requirements. The projected payments beyond fiscal year 2020 are not currently determinable.

(5) Primarily reflects future contractual payments under various take-or-pay arrangements entered into as part of the normal course of business. Commitments made under take-or-pay obligations represent minimum commitments under take-or-pay agreements with suppliers and are in line with expected usage. This includes service contracts for information technology, human resources management and facilities management activities that have been outsourced. Such amounts also include arrangements with suppliers that qualify as embedded operating leases. While the amounts listed represent contractual obligations, we do not believe it is likely that the full contractual amount would be paid if the underlying contracts were canceled prior to maturity. In such cases, we generally are able to negotiate new contracts or cancellation penalties, resulting in a reduced payment. The amounts do not include other contractual purchase obligations that are not take-or-pay arrangements. Such contractual purchase obligations are primarily purchase orders at fair value that are part of normal operations and are reflected in historical operating cash flow trends. We do not believe such purchase obligations will adversely affect our liquidity position.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

In preparing our financial statements in accordance with U.S. GAAP, there are certain accounting policies that may require a choice between acceptable accounting methods or may require substantial judgment or estimation in their application. These include revenue recognition, income taxes, certain employee benefits and goodwill and intangible assets. We believe these accounting policies, and others set forth in Note 1 to the Consolidated Financial Statements, should be reviewed

as they are integral to understanding the results of operations and financial condition of the Company.

The Company has discussed the selection of significant accounting policies and the effect of estimates with the Audit Committee of the Company's Board of Directors.

Revenue Recognition

Sales are recognized when revenue is realized or realizable and has been earned. For us, this generally means revenue is recognized when title to the product, ownership and risk of loss transfer to the customer, which can be on the date of shipment or the date of receipt by the customer. Trade promotions,

consisting primarily of customer pricing allowances, in-store merchandising funds, advertising and other promotional activities, and consumer coupons, are offered through various programs to customers and consumers. Sales are recorded net of trade promotion spending, which is recognized as incurred, generally at the time of the sale. Amounts accrued for trade promotions at the end of a period require estimation, based on contractual terms, customer performance, sales volumes and historical utilization and redemption rates. The actual amounts paid may be different from such estimates. These differences, which have historically not been significant, are recognized as a change in management estimate in a subsequent period. The Company will adopt ASU 2014-09, "Revenue from Contracts with Customers" on July 1, 2018. Adoption of this standard will result in a change in the timing of recognition of certain trade promotional spending. See Note 1 to our Consolidated Financial Statements.

Income Taxes

Our annual tax rate is determined based on our income, statutory tax rates and the tax impacts of items treated differently for tax purposes than for financial reporting purposes. Also inherent in determining our annual tax rate are judgments and assumptions regarding the recoverability of certain deferred tax balances, primarily net operating loss and other carryforwards, and our ability to uphold certain tax positions.

Realization of net operating losses and other carryforwards is dependent upon generating sufficient taxable income in the appropriate jurisdiction prior to the expiration of the carryforward periods, which involves business plans, planning opportunities and expectations about future outcomes. Although realization is not assured, management believes it is more likely than not that our deferred tax assets, net of valuation allowances, will be realized.

We operate in multiple jurisdictions with complex tax policy and regulatory environments. In certain of these jurisdictions, we may take tax positions that management believes are supportable, but are potentially subject to successful challenge by the applicable taxing authority. These interpretational differences with the respective governmental taxing authorities can be impacted by the local economic and fiscal environment.

A core operating principle is that our tax structure is based on our business operating model, such that profits are earned in line with the business substance and functions of the various legal entities. However, because of the complexity of transfer pricing concepts, we may have income tax uncertainty related to the determination of intercompany transfer prices for our various cross-border transactions. We have obtained and continue to prioritize the strategy of seeking advance rulings with tax authorities to reduce this uncertainty. We estimate that our current portfolio of advance rulings reduces this uncertainty with respect to over 70% of our global earnings. We evaluate our tax positions and establish liabilities in accordance with the applicable accounting guidance on uncertainty in income taxes. We review these tax uncertainties in light of changing facts and circumstances, such as the progress of tax audits, and adjust them accordingly. We have

a number of audits in process in various jurisdictions. Although the resolution of these tax positions is uncertain, based on currently available information, we believe that the ultimate outcomes will not have a material adverse effect on our financial position, results of operations or cash flows.

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

Employee Benefits

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

The expected return on plan assets assumption impacts our defined benefit expense since many of our defined benefit pension plans and our primary OPEB plan are partially funded. The process for setting the expected rates of return is described in Note 8 to the Consolidated Financial Statements. For 2018, the average return on assets assumptions for pension plan assets and OPEB assets was 6.8% and 8.3%, respectively. A change in the rate of return of 100 basis points for both pension and OPEB assets would impact annual after-tax benefit expense by approximately \$115 million.

Since pension and OPEB liabilities are measured on a discounted basis, the discount rate impacts our plan obligations and expenses. Discount rates used for our U.S. defined benefit pension and OPEB plans are based on a yield curve constructed from a portfolio of high quality bonds for which the timing and amount of cash outflows approximate the estimated payouts of the plan. For our international plans, the discount rates are set by benchmarking against investment grade corporate bonds rated AA or better. The average discount rate on the defined

benefit pension plans of 2.5% represents a weighted average of local rates in countries where such plans exist. A 100 basis point change in the discount rate would impact annual after-tax benefit expense by approximately \$190 million. The average discount rate on the OPEB plan of 4.2% reflects the higher interest rates generally applicable in the U.S., which is where a majority of the plan participants receive benefits. A 100 basis point change in the discount rate would impact annual after-tax OPEB expense by approximately \$65 million. For additional details on our defined benefit pension and OPEB plans, see Note 8 to the Consolidated Financial Statements.

Goodwill and Intangible Assets

Significant judgment is required to estimate the fair value of our goodwill reporting units and intangible assets. Accordingly, we typically obtain the assistance of third-party valuation specialists for significant goodwill reporting units and intangible assets. The fair value estimates are based on available historical information and on future expectations. We typically estimate the fair value of these assets using the income method, which is based on the present value of estimated future cash flows attributable to the respective assets. The valuations used to test goodwill and intangible assets for impairment are dependent on a number of significant estimates and assumptions, including macroeconomic conditions, overall category growth rates, competitive activities, cost containment and margin progression, Company business plans and the discount rate applied to cash flows.

Indefinite lived intangible assets and goodwill are not amortized, but are tested separately at least annually for impairment. Assumptions used in our impairment evaluations, such as forecasted growth rates and cost of capital, are consistent with internal projections and operating plans. We believe these estimates and assumptions are reasonable and comparable to those that would be used by other marketplace participants. Unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions. For example, future changes in the judgments, assumptions and estimates that are used in our impairment testing for goodwill and indefinite lived intangible assets, including discount and tax rates or future cash flow projections, could result in significantly different estimates of the fair values. In addition, changes to, or a failure to achieve business plans or deterioration of macroeconomic conditions could result in reduced cash flows or higher discount rates, leading to a lower valuation that would trigger an impairment of the goodwill and intangible assets of these businesses.

We test individual indefinite lived intangible assets by comparing the book value of each asset to the estimated fair value. Our impairment testing for goodwill is performed separately from our impairment testing of indefinite lived intangible assets. The test to evaluate goodwill for impairment is a two step process. In the first step, we compare the fair value of the reporting unit to its carrying value. If the fair value of the reporting unit is less than its carrying value, we perform a second step to determine the implied fair value of the reporting unit's goodwill. The second step of the impairment analysis requires a valuation of a reporting unit's tangible and

intangible assets and liabilities in a manner similar to the allocation of purchase price in a business combination. If the resulting implied fair value of the reporting unit's goodwill is less than its carrying value, that difference represents an impairment.

Determining the useful life of an intangible asset also requires judgment. Certain brand intangible assets are expected to have indefinite lives based on their history and our plans to continue to support and build the acquired brands. Other acquired intangible assets (e.g., certain brands, all customer relationships, patents and technologies) are expected to have determinable useful lives. Our assessment as to brands that have an indefinite life and those that have a determinable life is based on a number of factors including competitive environment, market share, brand history, underlying product life cycles, operating plans and the macroeconomic environment of the countries in which the brands are sold. Determinable-lived intangible assets are amortized to expense over their estimated lives. An impairment assessment for determinable-lived intangibles is only required when an event or change in circumstances indicates that the carrying amount of the asset may not be recoverable.

Most of our goodwill reporting units are comprised of a combination of legacy and acquired businesses and as a result have fair value cushions that, at a minimum, exceed two times their underlying carrying values. Certain of our goodwill reporting units, in particular Shave Care and Appliances, are comprised entirely of acquired businesses and as a result have fair value cushions that are not as high. Both of these wholly-acquired reporting units have fair value cushions (the fair values currently exceed the underlying carrying values). However, the overall Shave Care cushion, as well as the related Gillette indefinite-lived intangible asset cushion, have both been reduced to below 10%, both due in large part to an increased competitive market environment, a deceleration of category growth caused by changing grooming habits and significant currency devaluations in a number of countries relative to the U.S. dollar that have occurred in recent years, and which has contributed to reduced cash flow projections. As a result, this reporting unit and indefinite-lived intangible asset are more susceptible to impairment risk.

The most significant assumptions utilized in the determination of the estimated fair values of Shave Care reporting unit and the Gillette indefinite-lived intangible asset are the residual net sales and earnings growth rates and discount rate. The residual growth rate represents the expected rate at which the reporting unit and Gillette brand are expected to grow beyond the 10-year time horizon. The residual growth rate utilized in our fair value estimates is consistent with the reporting unit and brand operating plans, and approximates expected long term category market growth rates. The residual growth rate is dependent on overall market growth rates, the competitive environment, inflation, relative currency exchange rates and business activities that impact market share. As a result, the residual growth rate could be adversely impacted by a sustained deceleration in category growth, grooming habit changes, devaluation of currencies against the U.S. dollar or an increased competitive environment. The discount rate, which is

consistent with a weighted average cost of capital that is likely to be expected by a market participant, is based upon industry required rates of return, including consideration of both debt and equity components of the capital structure. Our discount rate may be impacted by adverse changes in the macroeconomic environment, volatility in the equity and debt markets or other country specific factors, such as further devaluation of currencies against the U.S. dollar and changes in expected rates of inflation. While management can and has implemented strategies to address these events, significant changes in operating plans or adverse changes in the future could reduce the underlying cash flows used to estimate fair values and could result in a decline in fair value that could trigger future impairment charges of the business unit's goodwill and indefinite-lived intangibles. As of June 30, 2018, the carrying values of Shave Care goodwill and the Gillette indefinite-lived intangible asset are \$19.5 billion and \$15.7 billion, respectively.

The table below provides a sensitivity analysis for the Shave Care reporting unit and the Gillette indefinite lived intangible asset, utilizing reasonably possible changes in the assumptions for the residual net sales growth rate and the discount rate, to demonstrate the potential impacts to the estimated fair values. The table below provides, in isolation, the estimated fair value impacts related to a 50 basis point decrease to our residual net sales growth rate or a 50 basis point increase to our discount rate. Given the size of the fair value cushions, changes in the assumptions of this magnitude would result in an impairment of the underlying goodwill and could result in an impairment of the indefinite lived intangible asset.

	Approximate Percent Change in Estimated Fair Value	
	+50 bps Discount Rate	-50 bps Residual Growth
Shave Care goodwill reporting unit	(10)%	(7)%
Gillette indefinite-lived intangible asset	(10)%	(7)%

See Note 4 to the Consolidated Financial Statements for additional discussion on goodwill and intangible asset impairment testing results.

New Accounting Pronouncements

Refer to Note 1 to the Consolidated Financial Statements for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of June 30, 2018.

OTHER INFORMATION

Hedging and Derivative Financial Instruments

As a multinational company with diverse product offerings, we are exposed to market risks, such as changes in interest rates, currency exchange rates and commodity prices. We evaluate exposures on a centralized basis to take advantage of natural exposure correlation and netting. Except within financing operations, we leverage the Company's diversified portfolio of exposures as a natural hedge and prioritize

operational hedging activities over financial market instruments. To the extent we choose to further manage volatility associated with the net exposures, we enter into various financial transactions which we account for using the applicable accounting guidance for derivative instruments and hedging activities. These financial transactions are governed by our policies covering acceptable counterparty exposure, instrument types and other hedging practices. See Note 9 to the Consolidated Financial Statements for a discussion of our accounting policies for derivative instruments.

Derivative positions are monitored using techniques including market valuation, sensitivity analysis and value-at-risk modeling. The tests for interest rate, currency rate and commodity derivative positions discussed below are based on the RiskManager™ value-at-risk model using a one-year horizon and a 95% confidence level. The model incorporates the impact of correlation (the degree to which exposures move together over time) and diversification (from holding multiple currency, commodity and interest rate instruments) and assumes that financial returns are normally distributed. Estimates of volatility and correlations of market factors are drawn from the RiskMetrics™ dataset as of June 30, 2018. In cases where data is unavailable in RiskMetrics™, a reasonable proxy is included.

Our market risk exposures relative to interest rates, currency rates and commodity prices, as discussed below, have not changed materially versus the previous reporting period. In addition, we are not aware of any facts or circumstances that would significantly impact such exposures in the near term.

Interest Rate Exposure on Financial Instruments. Interest rate swaps are used to hedge exposures to interest rate movement on underlying debt obligations. Certain interest rate swaps denominated in foreign currencies are designated to hedge exposures to currency exchange rate movements on our investments in foreign operations. These currency interest rate swaps are designated as hedges of the Company's foreign net investments.

Based on our interest rate exposure as of and during the year ended June 30, 2018, including derivative and other instruments sensitive to interest rates, we believe a near-term change in interest rates, at a 95% confidence level based on historical interest rate movements, would not materially affect our financial statements.

Currency Rate Exposure on Financial Instruments. Because we manufacture and sell products and finance operations in a number of countries throughout the world, we are exposed to the impact on revenue and expenses of movements in currency exchange rates. Corporate policy prescribes the range of allowable hedging activity. To manage the exchange rate risk associated with the financing of our operations, we primarily use forward contracts and currency swaps with maturities of less than 18 months. In addition, we have entered into certain currency swaps with maturities of up to five years to hedge our exposure to exchange rate movements on intercompany financing transactions.

Based on our currency rate exposure on derivative and other instruments as of and during the year ended June 30, 2018, we

believe, at a 95% confidence level based on historical currency rate movements, the impact on such instruments of a near-term change in currency rates would not materially affect our financial statements.

Commodity Price Exposure on Financial Instruments. We use raw materials that are subject to price volatility caused by weather, supply conditions, political and economic variables and other unpredictable factors. We may use futures, options and swap contracts to manage the volatility related to the above exposures.

As of and during the years ended June 30, 2018 and June 30, 2017, we did not have any commodity hedging activity.

Measures Not Defined By U.S. GAAP

In accordance with the SEC's Regulation G, the following provides definitions of the non-GAAP measures and the reconciliation to the most closely related GAAP measures. We believe that these measures provide useful perspective of underlying business trends (i.e. trends excluding non-recurring or unusual items) and results and provide a supplemental measure of year-on-year results. The non-GAAP measures described below are used by management in making operating decisions, allocating financial resources and for business strategy purposes. These measures may be useful to investors as they provide supplemental information about business performance and provide investors a view of our business results through the eyes of management. These measures are also used to evaluate senior management and are a factor in determining their at-risk compensation. These non-GAAP measures are not intended to be considered by the user in place of the related GAAP measure, but rather as supplemental information to our business results. These non-GAAP measures may not be the same as similar measures used by other companies due to possible differences in method and in the items or events being adjusted. These measures include:

Organic Sales Growth. Organic sales growth is a non-GAAP measure of sales growth excluding the impacts of the India Goods & Services Tax changes, the impact of the Venezuela deconsolidation, acquisitions, divestitures and foreign exchange from year-over-year comparisons. We believe this measure provides investors with a supplemental understanding of underlying sales trends by providing sales growth on a consistent basis, and this measure is used in assessing achievement of management goals for at-risk compensation.

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

Year ended June 30, 2018	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other (1)	Organic Sales Growth
Beauty	9 %	(2)%	—%	7 %
Grooming	(1)%	(3)%	1%	(3)%
Health Care	5 %	(3)%	—%	2 %
Fabric & Home Care	3 %	(1)%	1%	3 %
Baby, Feminine & Family Care	(1)%	(1)%	—%	(2)%
TOTAL COMPANY	3 %	(2)%	—%	1 %

Year ended June 30, 2017	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other (2)	Organic Sales Growth
Beauty	— %	2 %	1%	3 %
Grooming	(3)%	2 %	1%	— %
Health Care	2 %	2 %	1%	5 %
Fabric & Home Care	— %	2 %	1%	3 %
Baby, Feminine & Family Care	(1)%	2 %	—%	1 %
TOTAL COMPANY	— %	2 %	—%	2 %

(1) Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures, the impact of the India Goods and Services Tax implementation and rounding impacts necessary to reconcile net sales to organic sales.

(2) Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures, the impact of the Venezuela deconsolidation and rounding impacts necessary to reconcile net sales to organic sales.

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

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

	Operating Cash Flow	Capital Spending	Divestiture impacts (1)	Adjusted Free Cash Flow
2018 \$	14,867 \$	(3,717) \$	— \$	11,150
2017	12,753	(3,384)	418	9,787
2016	15,435	(3,314)	—	12,121

(1) Divestiture impacts relate to tax payments for the Beauty Brands divestiture in fiscal 2017.

Adjusted Free Cash Flow Productivity. Adjusted free cash flow productivity is defined as the ratio of adjusted free cash flow to net earnings excluding the transitional impact of the U.S. Tax Act, the losses on early debt extinguishment, the gain on the sale of the Batteries and Beauty Brands businesses and Batteries impairments. We view adjusted free cash flow productivity as a useful measure to help investors understand P&G's ability to generate cash. Adjusted free cash flow productivity is used by management in making operating decisions, in allocating financial resources and for budget planning purposes. This measure is used in assessing the achievement of management goals for at-risk compensation. The Company's long-term target is to generate annual adjusted free cash flow productivity at or above 90 percent.

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

	Net Earnings	Adjustments to Net Earnings ⁽¹⁾	Net Earnings Excluding Adjustments	Adjusted Free Cash Flow	Adjusted Free Cash Flow Productivity
2018	\$ 9,861	\$ 845	\$ 10,706	\$ 11,150	104%
2017	15,411	(4,990)	10,421	9,787	94%
2016	10,604	(72)	10,532	12,121	115%

⁽¹⁾ Adjustments to Net Earnings relate to the transitional impact of the U.S. Tax Act in fiscal 2018, the losses on early debt extinguishment in fiscal 2018 and 2017, the gain on the sale of the Beauty Brands business in 2017, and the gain on the sale of the Batteries business and the Batteries impairment in fiscal 2016.

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

- **Incremental Restructuring:** The Company has had and continues to have an ongoing level of restructuring activities. Such activities have resulted in ongoing annual restructuring related charges of approximately \$250 - \$500 million before tax. In 2012, the Company began a \$10 billion strategic productivity and cost savings initiative that includes incremental restructuring activities. In 2017, we communicated details of an additional multi-year productivity and cost savings plan. This results in incremental restructuring charges to accelerate productivity efforts and cost savings. The adjustment to Core earnings includes only the restructuring costs above what we believe are the normal recurring level of restructuring costs.
- **Transitional Impacts of the U.S. Tax Act:** As discussed in Note 5 to the Consolidated Financial Statements, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "U.S. Tax Act") in December 2017. This resulted in a net charge of \$602 million for the fiscal year 2018. The adjustment to core earnings only includes this transitional impact. It does not include the ongoing impacts of the lower U.S. statutory rate on current year earnings.
- **Early debt extinguishment charges:** In fiscal 2018 and 2017, the Company recorded after-tax charges of \$243 million and \$345 million, respectively, due to the early extinguishment of certain long-term debt. These charges represent the difference between the reacquisition price and the par value of the debt extinguished.
- **Charges for certain European legal matters:** Several countries in Europe issued separate complaints alleging that the Company, along with several other companies, engaged in violations of competition laws in prior periods. In 2016, the Company incurred after-tax charges of \$11 million to adjust legal reserves related to these matters.

We do not view the above items to be indicative of underlying business results and their exclusion from Core earnings measures provides a more comparable measure of year-on-year results. These items are also excluded when evaluating senior management in determining their at-risk compensation.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
(Amounts in Millions Except Per Share Amounts)
Reconciliation of Non-GAAP Measures

Twelve Months Ended June 30, 2018						
	AS REPORTED (GAAP)	INCREMENTAL RESTRUCTURING	TRANSITIONAL IMPACTS OF THE U.S. TAX ACT	EARLY DEBT EXTINGUISHMENT	ROUNDING	NON-GAAP (CORE)
COST OF PRODUCTS SOLD	\$ 34,268	\$ (724)	\$ —		\$ (1)	\$ 33,543
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE	18,853	(15)	—		1	18,839
OPERATING INCOME	13,711	739	—		—	14,450
INCOME TAX ON CONTINUING OPERATIONS	3,465	129	(602)	103	—	3,095
NET EARNINGS ATTRIBUTABLE TO P&G	9,750	610	602	243	(1)	11,204
						Core EPS
DILUTED NET EARNINGS PER COMMON SHARE*	\$ 3.67	\$ 0.23	\$ 0.23	\$ 0.09	\$ —	\$ 4.22

* Diluted net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

CHANGE VERSUS YEAR AGO

CORE EPS 8%

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
(Amounts in Millions Except Per Share Amounts)
Reconciliation of Non-GAAP Measures

Twelve Months Ended June 30, 2017						
	AS REPORTED (GAAP)	DISCONTINUED OPERATIONS	INCREMENTAL RESTRUCTURING	EARLY DEBT EXTINGUISHMENT	ROUNDING	NON-GAAP (CORE)
COST OF PRODUCTS SOLD	\$ 32,535	\$ —	\$ (498)	\$ —	\$ —	\$ 32,037
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE	18,568	—	99	—	—	18,667
OPERATING INCOME	13,955	—	399	—	—	14,354
INCOME TAX ON CONTINUING OPERATIONS	3,063	—	120	198	—	3,381
NET EARNINGS ATTRIBUTABLE TO P&G	15,326	(5,217)	279	345	(1)	10,732
						Core EPS
DILUTED NET EARNINGS PER COMMON SHARE*	\$ 5.59	\$ (1.90)	\$ 0.10	\$ 0.13	\$ —	\$ 3.92

* Diluted net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

CHANGE VERSUS YEAR AGO

CORE EPS 7%

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
(Amounts in Millions Except Per Share Amounts)
Reconciliation of Non-GAAP Measures

Twelve Months Ended June 30, 2016						
	AS REPORTED (GAAP)	DISCONTINUED OPERATIONS	INCREMENTAL RESTRUCTURING	CHARGES FOR EUROPEAN LEGAL MATTERS	ROUNDING	NON-GAAP (CORE)
COST OF PRODUCTS SOLD	\$ 32,909	\$ —	\$ (624)	\$ —	\$ —	\$ 32,285
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE	18,949	—	31	(13)	—	18,967
OPERATING INCOME	13,441	—	593	13	—	14,047
INCOME TAX ON CONTINUING OPERATIONS	3,342	—	94	2	(1)	3,437
NET EARNINGS ATTRIBUTABLE TO P&G	10,508	(577)	499	11	—	10,441
						Core EPS
DILUTED NET EARNINGS PER COMMON SHARE*	\$ 3.69	\$ (0.20)	\$ 0.18	\$ —	\$ —	\$ 3.67

* Diluted net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

The information required by this item is incorporated by reference to the section entitled Other Information under Management's Disclosure and Analysis, and Note 9 to the Consolidated Financial Statements.

Item 8. Financial Statements and Supplementary Data.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting of The Procter & Gamble Company (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America.

Strong internal controls is an objective that is reinforced through our *Worldwide Business Conduct Manual*, which sets forth our commitment to conduct business with integrity, and within both the letter and the spirit of the law. Our people are deeply committed to our Purpose, Values, and Principles, which unite us in doing what's right. Our system of internal controls includes written policies and procedures, segregation of duties, and the careful selection and development of employees. Additional key elements of our internal control structure include our Global Leadership Council, which is actively involved in oversight of the business strategies, initiatives, results and controls, our Disclosure Committee, which is responsible for evaluating disclosure implications of significant business activities and events, our Board of Directors, which provides strong and effective corporate governance, and our Audit Committee, which reviews significant accounting policies, financial reporting and internal control matters.

The Company's internal control over financial reporting includes a Control Self-Assessment Program that is conducted annually for critical financial reporting areas of the Company and is audited by our Global Internal Audit organization. Management takes the appropriate action to correct any identified control deficiencies. Global Internal Audit also performs financial and compliance audits around the world, provides training, and continuously improves our internal control processes.

Because of its inherent limitations, any system of internal control over financial reporting, no matter how well designed, may not prevent or detect misstatements due to the possibility that a control can be circumvented or overridden or that misstatements due to error or fraud may occur that are not detected. Also, because of changes in conditions, internal control effectiveness may vary over time.

Management assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2018, using criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and concluded that the Company maintained effective internal control over financial reporting as of June 30, 2018, based on these criteria.

Deloitte & Touche LLP, an independent registered public accounting firm, has audited the effectiveness of the Company's internal control over financial reporting as of June 30, 2018, as stated in their report which is included herein.

/s/ David S. Taylor

David S. Taylor

Chairman of the Board, President and Chief Executive Officer

/s/ Jon R. Moeller

Jon R. Moeller

Vice Chairman and Chief Financial Officer

August 7, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying Consolidated Balance Sheets of The Procter & Gamble Company and subsidiaries (the "Company") as of June 30, 2018 and 2017, the related Consolidated Statements of Earnings, Comprehensive Income, Shareholders' Equity and Cash Flows for each of the three years in the period ended June 30, 2018 and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 7, 2018 expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio

August 7, 2018

We have served as the Company's auditor since 1890.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of The Procter & Gamble Company and subsidiaries (the "Company") as of June 30, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission(COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended June 30, 2018, of the Company and our report dated August 7, 2018, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ Deloitte & Touche LLP

Cincinnati, Ohio

August 7, 2018

Consolidated Statements of Earnings

Amounts in millions except per share amounts; Years ended June 30	2018	2017	2016
NET SALES	\$ 66,832	\$ 65,058	\$ 65,299
Cost of products sold	34,268	32,535	32,909
Selling, general and administrative expense	18,853	18,568	18,949
OPERATING INCOME	13,711	13,955	13,441
Interest expense	506	465	579
Interest income	247	171	182
Other non-operating income/(expense), net	(126)	(404)	325
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	13,326	13,257	13,369
Income taxes on continuing operations	3,465	3,063	3,342
NET EARNINGS FROM CONTINUING OPERATIONS	9,861	10,194	10,027
NET EARNINGS FROM DISCONTINUED OPERATIONS	—	5,217	577
NET EARNINGS	9,861	15,411	10,604
Less: Net earnings attributable to noncontrolling interests	111	85	96
NET EARNINGS ATTRIBUTABLE TO PROCTER & GAMBLE	\$ 9,750	\$ 15,326	\$ 10,508
BASIC NET EARNINGS PER COMMON SHARE: ⁽¹⁾			
Earnings from continuing operations	\$ 3.75	\$ 3.79	\$ 3.59
Earnings from discontinued operations	—	2.01	0.21
BASIC NET EARNINGS PER COMMON SHARE	\$ 3.75	\$ 5.80	\$ 3.80
DILUTED NET EARNINGS PER COMMON SHARE: ⁽¹⁾			
Earnings from continuing operations	\$ 3.67	\$ 3.69	\$ 3.49
Earnings from discontinued operations	—	1.90	0.20
DILUTED NET EARNINGS PER COMMON SHARE	\$ 3.67	\$ 5.59	\$ 3.69
DIVIDENDS PER COMMON SHARE	\$ 2.79	\$ 2.70	\$ 2.66

⁽¹⁾ Basic net earnings per common share and Diluted net earnings per common share are calculated on Net earnings attributable to Procter & Gamble.

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Amounts in millions; Years ended June 30	2018	2017	2016
NET EARNINGS	\$ 9,861	\$ 15,411	\$ 10,604
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX			
Financial statement foreign currency translation	(6)	239	(1,679)
Unrealized gains/(losses) on hedges (net of \$(279), \$(186) and \$5 tax, respectively)	(299)	(306)	1
Unrealized gains/(losses) on investment securities (net of \$0, \$(6) and \$7 tax, respectively)	(148)	(59)	28
Unrealized gains/(losses) on defined benefit retirement plans (net of \$68, \$551 and \$(621) tax, respectively)	334	1,401	(1,477)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX	(119)	1,275	(3,127)
TOTAL COMPREHENSIVE INCOME	9,742	16,686	7,477
Less: Total comprehensive income attributable to noncontrolling interests	109	85	96
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PROCTER & GAMBLE	\$ 9,633	\$ 16,601	\$ 7,381

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

Amounts in millions; As of June 30	2018	2017
Assets		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,569	\$ 5,569
Available-for-sale investment securities	9,281	9,568
Accounts receivable	4,686	4,594
INVENTORIES		
Materials and supplies	1,335	1,308
Work in process	588	529
Finished goods	2,815	2,787
Total inventories	4,738	4,624
Prepaid expenses and other current assets	2,046	2,139
TOTAL CURRENT ASSETS	23,320	26,494
PROPERTY, PLANT AND EQUIPMENT, NET	20,600	19,893
GOODWILL	45,175	44,699
TRADEMARKS AND OTHER INTANGIBLE ASSETS, NET	23,902	24,187
OTHER NONCURRENT ASSETS	5,313	5,133
TOTAL ASSETS	\$ 118,310	\$ 120,406
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES		
Accounts payable	\$ 10,344	\$ 9,632
Accrued and other liabilities	7,470	7,024
Debt due within one year	10,423	13,554
TOTAL CURRENT LIABILITIES	28,237	30,210
LONG-TERM DEBT	20,863	18,038
DEFERRED INCOME TAXES	6,163	8,126
OTHER NONCURRENT LIABILITIES	10,164	8,254
TOTAL LIABILITIES	65,427	64,628
SHAREHOLDERS' EQUITY		
Convertible Class A preferred stock, stated value \$1 per share (600 shares authorized)	967	1,006
Non-Voting Class B preferred stock, stated value \$1 per share (200 shares authorized)	—	—
Common stock, stated value \$1 per share (10,000 shares authorized; shares issued: 2018 - 4,009.2, 2017 - 4,009.2)	4,009	4,009
Additional paid-in capital	63,846	63,641
Reserve for ESOP debt retirement	(1,204)	(1,249)
Accumulated other comprehensive income/(loss)	(14,749)	(14,632)
Treasury stock, at cost (shares held: 2018 -1,511.2, 2017 - 1,455.9)	(99,217)	(93,715)
Retained earnings	98,641	96,124
Noncontrolling interest	590	594
TOTAL SHAREHOLDERS' EQUITY	52,883	55,778
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 118,310	\$ 120,406

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

Dollars in millions; shares in thousands	Common Stock		Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumulated Other Comprehensive Income/ (Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Shareholders' Equity
	Shares	Amount								
BALANCE JUNE 30, 2015	2,714,571	\$4,009	\$1,077	\$63,852	(\$1,320)	(\$12,780)	(\$77,226)	\$84,807	\$631	\$63,050
Net earnings								10,508	96	10,604
Other comprehensive loss						(3,127)				(3,127)
Dividends and dividend equivalents:										
Common								(7,181)		(7,181)
Preferred, net of tax benefits								(255)		(255)
Treasury stock purchases ⁽¹⁾	(103,449)						(8,217)			(8,217)
Employee stock plans	52,089			(144)			3,234			3,090
Preferred stock conversions	4,863		(39)	6			33			—
ESOP debt impacts					30			74		104
Noncontrolling interest, net									(85)	(85)
BALANCE JUNE 30, 2016	2,668,074	\$4,009	\$1,038	\$63,714	(\$1,290)	(\$15,907)	(\$82,176)	\$87,953	\$642	\$57,983
Net earnings								15,326	85	15,411
Other comprehensive loss						1,275				1,275
Dividends and dividend equivalents:										
Common								(6,989)		(6,989)
Preferred, net of tax benefits								(247)		(247)
Treasury stock purchases ⁽²⁾	(164,866)						(14,625)			(14,625)
Employee stock plans	45,848			(77)			3,058			2,981
Preferred stock conversions	4,241		(32)	4			28			—
ESOP debt impacts					41			81		122
Noncontrolling interest, net									(133)	(133)
BALANCE JUNE 30, 2017	2,553,297	\$4,009	\$1,006	\$63,641	(\$1,249)	(\$14,632)	(\$93,715)	\$96,124	\$594	\$55,778
Net earnings								9,750	111	9,861
Other comprehensive loss						(117)			(2)	(119)
Dividends and dividend equivalents:										
Common								(7,057)		(7,057)
Preferred, net of tax benefits								(265)		(265)
Treasury stock purchases	(81,439)						(7,004)			(7,004)
Employee stock plans	21,655			199			1,469			1,668
Preferred stock conversions	4,580		(39)	6			33			—
ESOP debt impacts					45			89		134
Noncontrolling interest, net									(113)	(113)
BALANCE JUNE 30, 2018	2,498,093	\$4,009	\$967	\$63,846	(\$1,204)	(\$14,749)	(\$99,217)	\$98,641	\$590	\$52,883

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

⁽²⁾ Includes \$9,421 of treasury shares received as part of the share exchange in the Beauty Brands transaction (see Note 13).

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Amounts in millions; Years ended June 30	2018	2017	2016
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$ 5,569	\$ 7,102	\$ 6,836
OPERATING ACTIVITIES			
Net earnings	9,861	15,411	10,604
Depreciation and amortization	2,834	2,820	3,078
Loss on early extinguishment of debt	346	543	—
Share-based compensation expense	395	351	335
Deferred income taxes	(1,844)	(601)	(815)
Gain on sale of assets	(176)	(5,490)	(41)
Goodwill and intangible asset impairment charges	—	—	450
Change in accounts receivable	(177)	(322)	35
Change in inventories	(188)	71	116
Change in accounts payable, accrued and other liabilities	1,385	(149)	1,285
Change in other operating assets and liabilities	2,000	(43)	204
Other	431	162	184
TOTAL OPERATING ACTIVITIES	14,867	12,753	15,435
INVESTING ACTIVITIES			
Capital expenditures	(3,717)	(3,384)	(3,314)
Proceeds from asset sales	269	571	432
Acquisitions, net of cash acquired	(109)	(16)	(186)
Purchases of short-term investments	(3,909)	(4,843)	(2,815)
Proceeds from sales and maturities of short-term investments	3,928	1,488	1,354
Pre-divestiture addition of restricted cash related to the Beauty Brands divestiture	—	(874)	(996)
Cash transferred at closing related to the Beauty Brands divestiture	—	(475)	—
Release of restricted cash upon closing of the Beauty Brands divestiture	—	1,870	—
Cash transferred in Batteries divestiture	—	—	(143)
Change in other investments	27	(26)	93
TOTAL INVESTING ACTIVITIES	(3,511)	(5,689)	(5,575)
FINANCING ACTIVITIES			
Dividends to shareholders	(7,310)	(7,236)	(7,436)
Change in short-term debt	(3,437)	2,727	(418)
Additions to long-term debt	5,072	3,603	3,916
Reductions of long-term debt (1)	(2,873)	(4,931)	(2,213)
Treasury stock purchases	(7,004)	(5,204)	(4,004)
Treasury stock from cash infused in Batteries divestiture	—	—	(1,730)
Impact of stock options and other	1,177	2,473	2,672
TOTAL FINANCING ACTIVITIES	(14,375)	(8,568)	(9,213)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	19	(29)	(381)
CHANGE IN CASH AND CASH EQUIVALENTS	(3,000)	(1,533)	266
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,569	\$ 5,569	\$ 7,102

SUPPLEMENTAL DISCLOSURE

Cash payments for interest	\$ 529	\$ 518	\$ 569
Cash payment for income taxes	2,830	3,714	3,730
Divestiture of Batteries business in exchange for shares of P&G stock ⁽²⁾	—	—	4,213
Divestiture of Beauty business in exchange for shares of P&G stock and assumption of debt	—	11,360	—

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

⁽¹⁾ Includes early extinguishment of debt costs of \$346 and \$543 in 2018 and 2017, respectively.

⁽²⁾ Includes \$1,730 from cash infused into the Batteries business pursuant to the divestiture agreement (see Note 13).

Notes to Consolidated Financial Statements

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Procter & Gamble Company's (the "Company," "Procter & Gamble," "we" or "us") business is focused on providing branded consumer packaged goods of superior quality and value. Our products are sold in more than 180 countries and territories primarily through mass merchandisers, e-commerce, grocery stores, membership club stores, drug stores, department stores, distributors, wholesalers, baby stores, specialty beauty stores, high-frequency stores and pharmacies. We have on-the-ground operations in approximately 70 countries.

Basis of Presentation

The Consolidated Financial Statements include the Company and its controlled subsidiaries. Intercompany transactions are eliminated.

Because of a lack of control over Venezuela subsidiaries caused by a number of currency and other operating controls and restrictions, our Venezuelan subsidiaries are not consolidated for any year presented. We account for those subsidiaries using the cost method of accounting.

Use of Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying disclosures. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates are used in accounting for, among other items, consumer and trade promotion accruals, restructuring reserves, pensions, post-employment benefits, stock options, valuation of acquired intangible assets, useful lives for depreciation and amortization of long-lived assets, future cash flows associated with impairment testing for goodwill, indefinite-lived intangible assets and other long-lived assets, deferred tax assets and liabilities, uncertain income tax positions and contingencies. Actual results may ultimately differ from estimates, although management does not generally believe such differences would materially affect the financial statements in any individual year. However, in regard to ongoing impairment testing of goodwill and indefinite-lived intangible assets, significant deterioration in future cash flow projections or other assumptions used in estimating fair values versus those anticipated at the time of the initial valuations, could result in impairment charges that materially affect the financial statements in a given year.

Revenue Recognition

Sales are recognized when revenue is realized or realizable and has been earned. Revenue transactions represent sales of inventory. The revenue recorded is presented net of sales and other taxes we collect on behalf of governmental authorities.

The revenue includes shipping and handling costs, which generally are included in the list price to the customer. Our policy is to recognize revenue when title to the product, ownership and risk of loss transfer to the customer, which can be on the date of shipment or the date of receipt by the customer. A provision for payment discounts and product return allowances is recorded as a reduction of sales in the same period the revenue is recognized.

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

Cost of Products Sold

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

Selling, General and Administrative Expense

Selling, general and administrative expense (SG&A) is primarily comprised of marketing expenses, selling expenses, research and development costs, administrative and other indirect overhead costs, depreciation and amortization expense on non-manufacturing assets and other miscellaneous operating items. Research and development costs are charged to expense as incurred and were \$1.9 billion in 2018, \$1.9 billion in 2017 and \$1.9 billion in 2016 (reported in Net earnings from continuing operations). Advertising costs, charged to expense as incurred, include worldwide television, print, radio, internet and in-store advertising expenses and were \$7.1 billion in 2018, \$7.1 billion in 2017 and \$7.2 billion in 2016 (reported in Net earnings from continuing operations). Non-advertising related components of the Company's total marketing spending reported in SG&A include costs associated with consumer promotions, product sampling and sales aids.

Other Non-Operating Income/(Expense), Net

Other non-operating income/(expense), net primarily includes net acquisition and divestiture gains, investment income and other non-operating items.

Currency Translation

Financial statements of operating subsidiaries outside the U.S. generally are measured using the local currency as the functional currency. Adjustments to translate those statements into U.S. dollars are recorded in Other comprehensive income (OCI). For subsidiaries operating in highly inflationary economies, the U.S. dollar is the functional currency. Re-

measurement adjustments for financial statements in highly inflationary economies and other transactional exchange gains and losses are reflected in earnings.

Cash Flow Presentation

The Consolidated Statements of Cash Flows are prepared using the indirect method, which reconciles net earnings to cash flow from operating activities. Cash flows from foreign currency transactions and operations are translated at an average exchange rate for the period. Cash flows from hedging activities are included in the same category as the items being hedged. Cash flows from derivative instruments designated as net investment hedges are classified as financing activities. Realized gains and losses from non-qualifying derivative instruments used to hedge currency exposures resulting from intercompany financing transactions are also classified as financing activities. Cash flows from other derivative instruments used to manage interest, commodity or other currency exposures are classified as operating activities. Cash payments related to income taxes are classified as operating activities. Cash flows from the Company's discontinued operations are included in the Consolidated Statements of Cash Flows. See Note 13 for significant cash flow items related to discontinued operations.

Investments

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

Investments in certain companies over which we exert significant influence, but do not control the financial and operating decisions, are accounted for as equity method investments. Other investments that are not controlled, and over which we do not have the ability to exercise significant influence, are accounted for under the cost method. Both equity and cost method investments are included as Other noncurrent assets in the Consolidated Balance Sheets.

Inventory Valuation

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

Property, Plant and Equipment

Property, plant and equipment is recorded at cost reduced by accumulated depreciation. Depreciation expense is recognized over the assets' estimated useful lives using the straight-line method. Machinery and equipment includes office furniture and fixtures (15-year life), computer equipment and capitalized software (3- to 5-year lives) and manufacturing equipment (3-

to 20-year lives). Buildings are depreciated over an estimated useful life of 40 years. Estimated useful lives are periodically reviewed and, when appropriate, changes are made prospectively. When certain events or changes in operating conditions occur, asset lives may be adjusted and an impairment assessment may be performed on the recoverability of the carrying amounts.

Goodwill and Other Intangible Assets

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

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

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

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

Fair Values of Financial Instruments

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

New Accounting Pronouncements and Policies

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." This guidance outlines a single, comprehensive model of accounting for revenue from contracts with customers. We will adopt the standard on July 1, 2018, using the modified retrospective transition method. Our revenue is primarily generated from the sale of finished

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

product to customers. Those sales predominantly contain a single delivery element and revenue is recognized at a single point in time when ownership, risks and rewards transfer. Accordingly, the timing of revenue recognition is not materially impacted by the new standard. The adoption of the new standard will impact the accrual timing for certain portions of our customer and consumer promotional spending, which will result in a cumulative adjustment to retained earnings of up to \$350, net of tax, on the date of adoption. The provisions of the new standard will also impact the classification of certain payments to customers, moving an immaterial amount of such payments (approximately \$300) from expense to a deduction from net sales. This new guidance will not have any other material impacts on our Consolidated Financial Statements, including financial disclosures.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." The standard requires lessees to recognize lease assets and lease liabilities on the balance sheet and requires expanded disclosures about leasing arrangements. We plan to adopt the standard on July 1, 2019. We are currently assessing the impact that the new standard will have on our Consolidated Financial Statements, which will consist primarily of a balance sheet gross up of our operating leases to show equal and offsetting lease assets and lease liabilities. For additional details on operating leases, see Note 12.

In January 2017, the FASB issued ASU 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." The standard simplifies the accounting for goodwill impairment by requiring a goodwill impairment to be measured using a single step impairment model, whereby the impairment equals the difference between the carrying amount and the fair value of the specified reporting units in their entirety. This eliminates the second step of the current impairment model that requires companies to first estimate the fair value of all assets in a reporting unit, and then measure impairments based on those fair values and a residual measurement approach. It also specifies that any loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. We will adopt the standard no later than July 1, 2020. The impact of the new standard will be dependent on the specific facts and circumstances of future individual impairments, if any.

In March 2017, the FASB issued ASU 2017-07, "Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715)." This guidance requires an entity to disaggregate the current service cost component from the other components of net benefit costs in the face of the income statement. It requires the service cost component to be presented with other current compensation costs for the related employees in the operating section of the income statement. Other components of net benefit cost are required to be presented outside of income from operations. We will adopt the standard retrospectively on July 1, 2018. The adoption of ASU 2017-07 is not expected to have a material impact on our Consolidated Financial Statements. We currently classify all net periodic pension costs within operating costs (as part of Cost of products sold and Selling,

general and administrative expense). Had this standard been effective and adopted during fiscal 2018, Cost of products sold and Selling, general and administrative costs would have increased approximately \$164 and \$184, respectively, for the year ended June 30, 2018 with an offsetting change in Other non-operating income/(expense), net.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." This standard enables entities to better portray the economics of their risk management activities in the financial statements and enhances the transparency and understandability of hedge results through improved disclosures. The new standard is effective for us beginning July 1, 2019, with early adoption permitted. We elected to early adopt the new guidance in the first quarter of fiscal year 2018. The amended presentation and disclosure guidance was applied on a prospective basis. The primary impact of adoption is the required disclosure changes. The adoption of the new standard did not have a material impact on our Consolidated Financial Statements, including the cumulative-effect adjustment required upon adoption.

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

NOTE 2

SEGMENT INFORMATION

During fiscal 2017, the Company completed the divestiture of four product categories, comprised of 43 of its beauty brands. The transactions included the global salon professional hair care and color, retail hair color, cosmetics and the fragrance businesses, along with select hair styling brands. In fiscal 2016, the Company completed the divestiture of its Batteries business to Berkshire Hathaway. Each of these businesses are reported as discontinued operations for all periods presented (see Note 13).

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

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

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

The accounting policies of the segments are generally the same as those described in Note 1. Differences between these policies and U.S. GAAP primarily reflect income taxes, which are reflected in the segments using applicable blended statutory rates. Adjustments to arrive at our effective tax rate are included in Corporate, including the impacts from the U.S. Tax Act in fiscal 2018 (see Note 5).

Corporate includes certain operating and non-operating activities that are not reflected in the operating results used internally to measure and evaluate the businesses, as well as items to adjust management reporting principles to U.S. GAAP. Operating activities in Corporate include the results of incidental businesses managed at the corporate level. Operating elements also include certain employee benefit costs, the costs of certain restructuring-type activities to maintain a competitive cost structure, including manufacturing and workforce optimization, certain significant asset impairment charges and other general Corporate items. The non-operating elements in Corporate primarily include interest expense, certain acquisition and divestiture gains, interest and investing income and other financing costs.

Total assets for the reportable segments include those assets managed by the reportable segment, primarily inventory, fixed assets and intangible assets. Other assets, primarily cash, accounts receivable, investment securities and goodwill, are included in Corporate.

Our business units are comprised of similar product categories. Nine business units individually accounted for 5% or more of consolidated net sales as follows:

% of Sales by Business Unit ⁽¹⁾			
Years ended June 30	2018	2017	2016
Fabric Care	22%	22%	22%
Baby Care	13%	14%	14%
Hair Care	10%	10%	10%
Home Care	10%	10%	10%
Skin and Personal Care	9%	8%	8%
Shave Care	8%	9%	9%
Family Care	8%	8%	8%
Oral Care	8%	8%	8%
Feminine Care	6%	6%	6%
<i>All Other</i>	6%	5%	5%
TOTAL	100%	100%	100%

⁽¹⁾ % of sales by business unit excludes sales held in Corporate.

The Company had net sales in the U.S. of \$27.3 billion, \$27.3 billion and \$27.0 billion for the years ended June 30, 2018, 2017 and 2016, respectively. Long-lived assets in the U.S. totaled \$9.7 billion and \$8.8 billion as of June 30, 2018 and 2017, respectively. Long-lived assets consists of property, plant and equipment. No other country's net sales or long-lived assets exceed 10% of the Company totals.

Our largest customer, Walmart Inc. and its affiliates, accounted for consolidated net sales of approximately 15%, 16% and 15% in 2018, 2017 and 2016, respectively. No other customer represents more than 10% of our consolidated net sales.

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

Global Segment Results		Net Sales	Earnings/(Loss) from		Depreciation and Amortization	Total Assets	Capital Expenditures
			Continuing Operations Before Income Taxes	Net Earnings/ (Loss) from Continuing Operations			
BEAUTY	2018	\$ 12,406	\$ 3,042	\$ 2,320	\$ 236	\$ 4,709	\$ 766
	2017	11,429	2,546	1,914	220	4,184	599
	2016	11,477	2,636	1,975	218	3,888	435
GROOMING	2018	6,551	1,801	1,432	447	22,609	364
	2017	6,642	1,985	1,537	433	22,759	341
	2016	6,815	2,009	1,548	451	22,819	383
HEALTH CARE	2018	7,857	1,922	1,283	230	5,254	330
	2017	7,513	1,898	1,280	209	5,194	283
	2016	7,350	1,812	1,250	204	5,139	240
FABRIC & HOME CARE	2018	21,441	4,191	2,708	534	7,295	1,020
	2017	20,717	4,249	2,713	513	6,886	797
	2016	20,730	4,249	2,778	531	6,919	672
BABY, FEMININE & FAMILY CARE	2018	18,080	3,527	2,251	899	9,682	1,016
	2017	18,252	3,868	2,503	874	9,920	1,197
	2016	18,505	4,042	2,650	886	9,863	1,261
CORPORATE ⁽¹⁾	2018	497	(1,157)	(133)	488	68,761	221
	2017	505	(1,289)	247	571	71,463	167
	2016	422	(1,379)	(174)	788	78,508	323
TOTAL COMPANY	2018	\$ 66,832	\$ 13,326	\$ 9,861	\$ 2,834	\$ 118,310	\$ 3,717
	2017	65,058	13,257	10,194	2,820	120,406	3,384
	2016	65,299	13,369	10,027	3,078	127,136	3,314

⁽¹⁾ The Corporate reportable segment includes depreciation and amortization, total assets and capital expenditures of the Beauty Brands and Batteries businesses prior to their divestiture.

NOTE 3

SUPPLEMENTAL FINANCIAL INFORMATION

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

As of June 30	2018	2017
PROPERTY, PLANT AND EQUIPMENT		
Buildings	\$ 7,188	\$ 6,943
Machinery and equipment	30,595	29,505
Land	841	765
Construction in progress	3,223	2,935
TOTAL PROPERTY, PLANT AND EQUIPMENT	41,847	40,148
Accumulated depreciation	(21,247)	(20,255)
PROPERTY, PLANT AND EQUIPMENT, NET	\$ 20,600	\$ 19,893

Selected components of current and noncurrent liabilities were as follows:

As of June 30	2018	2017
ACCRUED AND OTHER LIABILITIES - CURRENT		
Marketing and promotion	\$ 3,208	\$ 2,792
Compensation expenses	1,298	1,344
Restructuring reserves	513	277
Taxes payable	268	449
Legal and environmental	156	168
Other	2,027	1,994
TOTAL	\$ 7,470	\$ 7,024
OTHER NONCURRENT LIABILITIES		
Pension benefits	\$ 4,768	\$ 5,487
Other postretirement benefits	1,495	1,333
Uncertain tax positions	581	564
U.S. Tax Act transitional tax payable	2,654	—
Other	666	870
TOTAL	\$ 10,164	\$ 8,254

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

RESTRUCTURING PROGRAM

The Company has historically incurred an ongoing annual level of restructuring-type activities to maintain a competitive cost structure, including manufacturing and workforce optimization. Before-tax costs incurred under the ongoing program have generally ranged from \$250 to \$500 annually. In fiscal 2012, the Company initiated an incremental restructuring program (covering fiscal 2012 through 2017) as part of a productivity and cost savings plan to reduce costs in the areas of supply chain, research and development, marketing activities and overhead expenses. The productivity and cost savings plan was designed to accelerate cost reductions by streamlining management decision making, manufacturing and other work processes in order to help fund the Company's growth strategy. Total restructuring costs incurred under the plan through fiscal 2017 was \$5.6 billion, before tax.

In fiscal 2017 the Company announced specific elements of another incremental multi-year productivity and cost savings plan to further reduce costs in the areas of supply chain, certain marketing activities and overhead expenses. This program is expected to result in incremental enrollment reductions, along with further optimization of the supply chain and other manufacturing processes.

Restructuring costs incurred consist primarily of costs to separate employees, asset-related costs to exit facilities and other costs. The Company incurred total restructuring charges of \$1,070 and \$754 for the years ended June 30, 2018 and 2017, respectively. An additional amount of approximately \$800 is expected to be incurred in fiscal 2019. Of the charges incurred, \$251 and \$137 were recorded in SG&A for the years ended June 30, 2018 and 2017, respectively and \$819 and \$593 were recorded in Cost of products sold for the years ended June 30, 2018 and 2017, respectively. The remainder of the charges for fiscal 2017 were included in Net earnings from discontinued operations. The following table presents restructuring activity for the years ended June 30, 2018 and 2017:

<u>Amounts in millions</u>	Separations	Asset-Related Costs	Other	Total
RESERVE JUNE 30, 2016	\$ 243	\$ —	\$ 72	\$ 315
Charges	206	397	151	754
Cash spent ⁽¹⁾	(221)	—	(174)	(395)
Charges against assets	—	(397)	—	(397)
RESERVE JUNE 30, 2017	228	—	49	277
Charges	310	366	394	1,070
Cash spent	(279)	—	(189)	(468)
Charges against assets	—	(366)	—	(366)
RESERVE JUNE 30, 2018	\$ 259	\$ —	\$ 254	\$ 513

⁽¹⁾ Includes liabilities transferred to Coty related to our Beauty Brands divestiture.

Separation Costs

Employee separation charges for the years ended June 30, 2018 and 2017 relate to severance packages for approximately 2,720 and 2,120 employees, respectively. The packages were primarily voluntary and the amounts were calculated based on salary levels and past service periods. Severance costs related to voluntary separations are generally charged to earnings when the employee accepts the offer.

Asset-Related Costs

Asset-related costs consist of both asset write-downs and accelerated depreciation. Asset write-downs relate to the establishment of a new fair value basis for assets held-for-sale or disposal. These assets were written down to the lower of their current carrying basis or amounts expected to be realized upon disposal, less minor disposal costs. Charges for accelerated depreciation relate to long-lived assets that will be taken out of service prior to the end of their normal service period. These assets relate primarily to manufacturing consolidations and technology standardizations. The asset-related charges will not have a significant impact on future depreciation charges.

Other Costs

Other restructuring-type charges are incurred as a direct result of the restructuring program. Such charges primarily include asset removal and termination of contracts related to supply chain optimization.

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

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

<u>Years ended June 30</u>	2018	2017	2016
Beauty	\$ 60	\$ 90	\$ 72
Grooming	38	45	42
Health Care	21	15	26
Fabric & Home Care	115	144	250
Baby, Feminine & Family Care	547	231	225
Corporate ⁽¹⁾	289	229	362
Total Company	\$ 1,070	\$ 754	\$ 977

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

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

NOTE 4

GOODWILL AND INTANGIBLE ASSETS

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

	Beauty	Grooming	Health Care	Fabric & Home Care	Baby, Feminine & Family Care	Corporate	Total Company
Balance at June 30, 2016 - Net ⁽¹⁾	\$ 12,645	\$ 19,477	\$ 5,840	\$ 1,856	\$ 4,532	\$ —	\$ 44,350
Acquisitions and divestitures	—	—	(10)	(3)	(24)	—	(37)
Translation and other	146	150	48	4	38	—	386
Balance at June 30, 2017 - Net ⁽¹⁾	12,791	19,627	5,878	1,857	4,546	—	44,699
Acquisitions and divestitures	82	—	—	—	—	—	82
Translation and other	119	193	51	8	23	—	394
Balance at June 30, 2018 - Net ⁽¹⁾	\$ 12,992	\$ 19,820	\$ 5,929	\$ 1,865	\$ 4,569	\$ —	\$ 45,175

⁽¹⁾ Grooming goodwill balance is net of \$1.2 billion accumulated impairment losses.

During fiscal 2017, the Company completed the divestiture of four product categories, comprised of 43 of its beauty brands ("Beauty Brands"). The transactions included the global salon professional hair care and color, retail hair color and cosmetics businesses and the fine fragrances business, along with select hair styling brands (see Note 13). The Beauty Brands had historically been part of the Company's Beauty reportable segment. In accordance with applicable accounting guidance for the disposal of long-lived assets, the results of the Beauty Brands are presented as discontinued operations. As a result, the goodwill attributable to the Beauty Brands as of June 30, 2016 is excluded from the preceding table.

The change in goodwill during fiscal 2018 was primarily due to acquisitions of two brands within the Beauty reportable segment and currency translation across all reportable segments. The change in goodwill during fiscal 2017 was primarily due to minor brand divestitures and currency translation across all reportable segments.

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

Identifiable intangible assets were comprised of:

As of June 30	2018		2017	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
INTANGIBLE ASSETS WITH DETERMINABLE LIVES				
Brands	\$ 3,146	\$ (2,046)	\$ 3,094	\$ (1,898)
Patents and technology	2,617	(2,350)	2,617	(2,261)
Customer relationships	1,372	(616)	1,377	(564)
Other	241	(144)	239	(132)
TOTAL	\$ 7,376	\$ (5,156)	\$ 7,327	\$ (4,855)
INTANGIBLE ASSETS WITH INDEFINITE LIVES				
Brands	21,682	—	21,715	—
TOTAL	\$ 29,058	\$ (5,156)	\$ 29,042	\$ (4,855)

Amortization expense of intangible assets was as follows:

Years ended June 30	2018	2017	2016
Intangible asset amortization	\$ 302	\$ 325	\$ 388

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

Years ending June 30	2019	2020	2021	2022	2023
Estimated amortization expense	\$ 280	\$ 254	\$ 205	\$ 188	\$ 177

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

NOTE 5**INCOME TAXES**

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

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "U.S. Tax Act"). The U.S. Tax Act significantly revises the future ongoing U.S. corporate income tax by, among other things, lowering the U.S. corporate income tax rates and implementing a hybrid territorial tax system. As the Company has a June 30 fiscal year-end, the lower corporate income tax rate was phased in, resulting in a U.S. statutory federal rate of approximately 28% for our fiscal year ended June 30, 2018, and 21% for subsequent fiscal years. However, the U.S. Tax Act eliminates the domestic manufacturing deduction and moves to a hybrid territorial system, which also largely eliminates the ability to credit certain foreign taxes that existed prior to enactment of the U.S. Tax Act.

There are also certain transitional impacts of the U.S. Tax Act. As part of the transition to the new hybrid territorial tax system, the U.S. Tax Act imposed a one-time repatriation tax on deemed repatriation of historical earnings of foreign subsidiaries. In addition, the reduction of the U.S. corporate tax rate caused us to adjust our U.S. deferred tax assets and liabilities to the lower federal base rate of 21%. These transitional impacts resulted in a provisional net charge of \$602 for the fiscal year ended June 30, 2018, comprised of an estimated repatriation tax charge of \$3.8 billion (comprised of U.S. repatriation taxes and foreign withholding taxes) and an estimated net deferred tax benefit of \$3.2 billion.

The changes included in the U.S. Tax Act are broad and complex. The final transitional impacts of the U.S. Tax Act may differ from the above estimate, possibly materially, due to, among other things, changes in interpretations of the U.S. Tax Act, any legislative action to address questions that arise because of the U.S. Tax Act, or any updates or changes to estimates the Company has utilized to calculate the transitional impacts, which we expect to finalize when we complete our tax return for fiscal 2018. The SEC has issued rules that would allow for a measurement period of up to one year after the enactment date of the U.S. Tax Act to finalize the recording of the related tax impacts. We currently anticipate finalizing and recording any resulting adjustments within the one-year time period provided by the SEC.

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

Years ended June 30	2018	2017	2016
United States	\$ 9,277	\$ 9,031	\$ 8,788
International	4,049	4,226	4,581
TOTAL	\$ 13,326	\$ 13,257	\$ 13,369

Income taxes on continuing operations consisted of the following:

Years ended June 30	2018	2017	2016
CURRENT TAX EXPENSE			
U.S. federal	\$ 3,965	\$ 1,531	\$ 1,673
International	1,131	1,243	1,483
U.S. state and local	213	241	224
	5,309	3,015	3,380
DEFERRED TAX EXPENSE			
U.S. federal	(1,989)	28	33
International and other	145	20	(71)
	(1,844)	48	(38)
TOTAL TAX EXPENSE	\$ 3,465	\$ 3,063	\$ 3,342

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

Years ended June 30	2018	2017	2016
U.S. federal statutory income tax rate	28.1 %	35.0 %	35.0 %
Country mix impacts of foreign operations	(4.7) %	(6.8) %	(9.1) %
Changes in uncertain tax positions	(0.3) %	(2.0) %	(0.5) %
Excess tax benefits from the exercise of stock options	(0.4) %	(1.3) %	— %
Net transitional impact of U.S. Tax Act	4.5 %	— %	— %
Other	(1.2) %	(1.8) %	(0.4) %
EFFECTIVE INCOME TAX RATE	26.0 %	23.1 %	25.0 %

Country mix impacts of foreign operations includes the effects of foreign subsidiaries' earnings taxed at rates other than the U.S. statutory rate, the U.S. tax impacts of non-U.S. earnings repatriation and any net impacts of intercompany transactions. Changes in uncertain tax positions represent changes in our net liability related to prior year tax positions. Excess tax benefits from the exercise of stock options reflect the impact of adopting ASU 2016-09, "Stock Compensation (Topic 718): Improvements to Employee-Share-Based Payment Accounting."

Tax benefits charged to shareholders' equity totaled \$342 for the year ended June 30, 2018. This primarily relates to the tax effects of Net Investment hedges, partially offset by the impact of certain adjustments to pension obligations recorded in stockholders' equity. Tax costs credited to shareholders' equity totaled \$333 for the year ended June 30, 2017. This primarily relates to the impact of certain adjustments to pension obligations recorded in stockholders' equity, partially offset by the tax effects of Net Investment hedges.

Prior to the passage of the U.S. Tax Act, the Company asserted that substantially all of the undistributed earnings of its foreign subsidiaries were considered indefinitely invested and

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

accordingly, no deferred taxes were provided. Pursuant to the provisions of the U.S. Tax Act, these earnings were subjected to a one-time transition tax, for which a provisional charge has been recorded. This charge included provisional taxes for all U.S. income taxes and for the related foreign withholding taxes for the portion of those earnings which are no longer considered indefinitely invested. We have not provided deferred foreign withholding taxes on approximately \$33 billion of earnings that are considered permanently reinvested.

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

<u>Years ended June 30</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
BEGINNING OF YEAR	\$ 465	\$ 857	\$ 1,096
Increases in tax positions for prior years	26	87	124
Decreases in tax positions for prior years	(38)	(147)	(97)
Increases in tax positions for current year	87	75	97
Settlements with taxing authorities	(45)	(381)	(301)
Lapse in statute of limitations	(20)	(22)	(39)
Currency translation	(5)	(4)	(23)
END OF YEAR	\$ 470	\$ 465	\$ 857

Included in the total liability for uncertain tax positions at June 30, 2018, is \$251 that, depending on the ultimate resolution, could impact the effective tax rate in future periods.

The Company is present in approximately 70 countries and over 150 taxable jurisdictions and, at any point in time, has 40-50 jurisdictional audits underway at various stages of completion. We evaluate our tax positions and establish liabilities for uncertain tax positions that may be challenged by local authorities and may not be fully sustained, despite our belief that the underlying tax positions are fully supportable. Uncertain tax positions are reviewed on an ongoing basis and are adjusted in light of changing facts and circumstances, including progress of tax audits, developments in case law and the closing of statutes of limitation. Such adjustments are reflected in the tax provision as appropriate. We have tax years open ranging from 2008 and forward. We are generally not able to reliably estimate the ultimate settlement amounts until the close of the audit. While we do not expect material changes, it is possible that the amount of unrecognized benefit with respect to our uncertain tax positions could increase or decrease within the next 12 months. At this time, we are not able to make a reasonable estimate of the range of impact on the balance of uncertain tax positions or the impact on the effective tax rate related to any such changes.

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

We recognize the additional accrual of any possible related interest and penalties relating to the underlying uncertain tax position in income tax expense. As of June 30, 2018, 2017 and 2016, we had accrued interest of \$99, \$100 and \$323 and accrued penalties of \$15, \$20 and \$20, respectively, which are not included in the above table. During the fiscal years ended June 30, 2018, 2017 and 2016, we recognized \$(22), \$62 and \$2 in interest benefit/(expense) and \$(5), \$0 and \$(2) in penalties benefit/(expense), respectively. The net benefits recognized resulted primarily from the favorable resolution of tax positions for prior years.

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

<u>As of June 30</u>	<u>2018</u>	<u>2017</u>
DEFERRED TAX ASSETS		
Pension and postretirement benefits	\$ 1,478	\$ 1,775
Loss and other carryforwards	1,067	1,516
Stock-based compensation	476	732
Fixed assets	223	212
Accrued marketing and promotion	223	210
Unrealized loss on financial and foreign exchange transactions	61	259
Inventory	35	75
Accrued interest and taxes	17	30
Advance payments	4	121
Other	699	709
Valuation allowances	(457)	(505)
TOTAL	\$ 3,826	\$ 5,134

DEFERRED TAX LIABILITIES		
Goodwill and intangible assets	\$ 6,168	\$ 9,403
Fixed assets	1,276	1,495
Foreign withholding tax on earnings to be repatriated	244	—
Unrealized gain on financial and foreign exchange transactions	169	314
Other	161	26
TOTAL	\$ 8,018	\$ 11,238

Net operating loss carryforwards were \$3.5 billion and \$3.3 billion at June 30, 2018 and 2017, respectively. If unused, \$1.2 billion will expire between 2018 and 2037. The remainder, totaling \$2.3 billion at June 30, 2018, may be carried forward indefinitely.

NOTE 6**EARNINGS PER SHARE**

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

Net earnings per share were as follows:

Years ended June 30	2018			2017			2016		
	Total	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations
CONSOLIDATED AMOUNTS									
Net earnings	\$ 9,861	\$ 10,194	\$ 5,217	\$ 15,411	\$ 10,027	\$ 577	\$ 10,604		
Less: Net earnings attributable to noncontrolling interests	111	85	—	85	96	—	96		
Net earnings attributable to P&G (Diluted)	9,750	10,109	5,217	15,326	9,931	577	10,508		
Preferred dividends, net of tax	(265)	(247)	—	(247)	(255)	—	(255)		
Net earnings attributable to P&G available to common shareholders (Basic)	\$ 9,485	\$ 9,862	\$ 5,217	\$ 15,079	\$ 9,676	\$ 577	\$ 10,253		
SHARES IN MILLIONS									
Basic weighted average common shares outstanding	2,529.3	2,598.1	2,598.1	2,598.1	2,698.9	2,698.9	2,698.9		
Add: Effect of dilutive securities									
Conversion of preferred shares ⁽¹⁾	94.9	99.3	99.3	99.3	103.9	103.9	103.9		
Impact of stock options and other unvested equity awards ⁽²⁾	32.5	43.0	43.0	43.0	41.6	41.6	41.6		
Diluted weighted average common shares outstanding	2,656.7	2,740.4	2,740.4	2,740.4	2,844.4	2,844.4	2,844.4		
NET EARNINGS PER SHARE⁽³⁾									
Basic	\$ 3.75	\$ 3.79	\$ 2.01	\$ 5.80	\$ 3.59	\$ 0.21	\$ 3.80		
Diluted	\$ 3.67	\$ 3.69	\$ 1.90	\$ 5.59	\$ 3.49	\$ 0.20	\$ 3.69		

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

⁽²⁾ Weighted average outstanding stock options of approximately 48 million in 2018, 20 million in 2017 and 55 million in 2016 were not included in the Diluted net earnings per share calculation because the options were out of the money or to do so would have been antidilutive (i.e., the total proceeds upon exercise would have exceeded the market value of the underlying common shares).

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

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

NOTE 7**STOCK-BASED COMPENSATION**

We have two primary stock-based compensation programs under which we annually grant stock option, restricted stock unit (RSU) and performance stock unit (PSU) awards to key managers and directors.

In our main long-term incentive program, key managers can elect to receive options or RSUs. All options vest after three years and have a 10-year life. Exercise prices on options are set equal to the market price of the underlying shares on the date of the grant. Effective in fiscal year 2017, RSUs vest and settle in shares of common stock three years from the grant date. RSUs granted prior to fiscal years 2017 vest and settle in shares of common stock five years from the grant date.

Senior-level executives participate in an additional long-term incentive program that awards PSUs, which are paid in shares after the end of a three-year performance period. Under this program, the number of PSUs that will vest is based on the Company's performance relative to pre-established performance goals during that three year period.

In addition to these long-term incentive programs, we award RSUs to the Company's non-employee directors and make other minor stock option and RSU grants to employees for which the terms are not substantially different from our long-term incentive awards.

A total of 185 million shares of common stock were authorized for issuance under the stock-based compensation plan approved by shareholders in 2014, of which 65 million shares remain available for grant.

The Company recognizes stock-based compensation expense based on the fair value of the awards at the date of grant. The fair value is amortized on a straight-line basis over the requisite service period. Awards to employees eligible for retirement prior to the award becoming fully vested are recognized as compensation expense from the grant date through the date the employee first becomes eligible to retire and is no longer required to provide services to earn the award. Stock-based compensation expense is included as part of Cost of products sold and SG&A in the Consolidated Statement of Earnings and includes an estimate of forfeitures, which is based on historical data. Total expense and related tax benefit were as follows:

Years ended June 30	2018	2017 ⁽¹⁾	2016 ⁽¹⁾
Stock options	\$ 220	\$ 216	\$ 199
RSUs and PSUs	175	150	143
Total stock-based expense	\$ 395	\$ 366	\$ 342
Income tax benefit	\$ 87	\$ 111	\$ 85

⁽¹⁾ Includes amounts related to discontinued operations, which are not material in any period presented.

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

We utilize an industry standard lattice-based valuation model to calculate the fair value for stock options granted. Assumptions utilized in the model, which are evaluated and revised to reflect market conditions and experience, were as follows:

Years ended June 30	2018	2017	2016
Interest rate	1.9 - 2.9%	0.8 - 2.6%	0.7 - 1.9%
Weighted average interest rate	2.8%	2.6%	1.8%
Dividend yield	3.1%	3.2%	3.2%
Expected volatility	18%	15%	16%
Expected life in years	9.2	9.6	8.3

Lattice-based option valuation models incorporate ranges of assumptions for inputs and those ranges are disclosed in the preceding table. Expected volatilities are based on a combination of historical volatility of our stock and implied volatilities of call options on our stock. We use historical data to estimate option exercise and employee termination patterns within the valuation model. The expected life of options granted is derived from the output of the option valuation model and represents the average period of time that options granted are expected to be outstanding. The interest rate for periods within the contractual life of the options is based on the U.S. Treasury yield curve in effect at the time of grant.

A summary of options outstanding under the plans as of June 30, 2018 and activity during the year then ended is presented below:

Options	Options (in thousands)	Weighted Average Exercise Price	Weighted Average Contractual Life in Years	Aggregate Intrinsic Value
Outstanding, beginning of year	206,485	\$ 72.46		
Granted	20,292	82.19		
Exercised	(19,622)	63.44		
Canceled	(1,501)	82.92		
OUTSTANDING, END OF YEAR	205,654	\$ 74.21	5.3	\$ 1,349
EXERCISABLE	143,169	\$ 69.96	3.8	\$ 1,326

The following table provides additional information on stock options:

Years ended June 30	2018	2017	2016
Weighted average grant-date fair value of options granted	\$ 11.89	\$ 10.45	\$ 8.48
Intrinsic value of options exercised	500	1,334	1,388
Grant-date fair value of options that vested	209	246	200
Cash received from options exercised	1,245	2,630	2,332
Actual tax benefit from options exercised	127	421	433

At June 30, 2018, there was \$203 of compensation cost that has not yet been recognized related to stock option grants. That cost is expected to be recognized over a remaining weighted average period of 2.0 years.

A summary of non-vested RSUs and PSUs outstanding under the plans as of June 30, 2018 and activity during the year then ended is presented below:

RSU and PSU awards	RSUs		PSUs	
	Units (in thousands)	Weighted Average Grant Date Fair Value	Units (in thousands)	Weighted Average Grant Date Fair Value
Non-vested at July 1, 2017	5,359	\$ 74.98	1,194	\$ 82.40
Granted	1,978	79.73	784	78.59
Vested	(1,777)	72.27	(550)	73.38
Forfeited	(184)	74.79	(43)	81.56
Non-vested at June 30, 2018	5,376	\$ 77.17	1,385	\$ 84.08

At June 30, 2018, there was \$255 of compensation cost that has not yet been recognized related to RSUs and PSUs. That cost is expected to be recognized over a remaining weighted average period of 2.1 years. The total grant date fair value of shares vested was \$175, \$163 and \$97 in 2018, 2017 and 2016, respectively.

The Company settles equity issuances with treasury shares. We have no specific policy to repurchase common shares to mitigate the dilutive impact of options, RSUs and PSUs. However, we have historically made adequate discretionary purchases, based on cash availability, market trends and other factors, to offset the impacts of such activity.

NOTE 8

POSTRETIREMENT BENEFITS AND EMPLOYEE STOCK OWNERSHIP PLAN

We offer various postretirement benefits to our employees.

Defined Contribution Retirement Plans

We have defined contribution plans, which cover the majority of our U.S. employees, as well as employees in certain other countries. These plans are fully funded. We generally make contributions to participants' accounts based on individual base salaries and years of service. Total global defined contribution expense was \$292, \$270 and \$292 in 2018, 2017 and 2016, respectively.

The primary U.S. defined contribution plan (the U.S. DC plan) comprises the majority of the expense for the Company's defined contribution plans. For the U.S. DC plan, the contribution rate is set annually. Total contributions for this plan approximated 14% of total participants' annual wages and salaries in 2018, 2017 and 2016.

We maintain The Procter & Gamble Profit Sharing Trust (Trust) and Employee Stock Ownership Plan (ESOP) to provide a portion of the funding for the U.S. DC plan and other retiree benefits (described below). Operating details of the ESOP are provided at the end of this Note. The fair value of the ESOP Series A shares allocated to participants reduces our cash contribution required to fund the U.S. DC plan.

Defined Benefit Retirement Plans and Other Retiree Benefits

We offer defined benefit retirement pension plans to certain employees. These benefits relate primarily to local plans outside the U.S. and, to a lesser extent, plans assumed in previous acquisitions covering U.S. employees.

We also provide certain other retiree benefits, primarily health care and life insurance, for the majority of our U.S. employees who become eligible for these benefits when they meet minimum age and service requirements. Generally, the health care plans require cost sharing with retirees and pay a stated percentage of expenses, reduced by deductibles and other coverages. These benefits are primarily funded by ESOP Series B shares and certain other assets contributed by the Company.

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

Obligation and Funded Status. The following provides a reconciliation of benefit obligations, plan assets and funded status of these defined benefit plans:

Years ended June 30	Pension Benefits ⁽¹⁾		Other Retiree Benefits ⁽²⁾	
	2018	2017	2018	2017
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year ⁽³⁾	\$ 16,160	\$ 17,285	\$ 5,187	\$ 5,632
Service cost	280	310	112	133
Interest cost	348	300	177	175
Participants' contributions	13	14	73	74
Amendments	12	2	(231)	—
Net actuarial loss/(gain)	(722)	(643)	(308)	(554)
Acquisitions/(divestitures) ⁽⁴⁾	—	(413)	—	(31)
Curtailments	—	(132)	—	(37)
Special termination benefits	8	4	7	21
Currency translation and other	148	35	5	16
Benefit payments	(589)	(602)	(244)	(242)
BENEFIT OBLIGATION AT END OF YEAR ⁽³⁾	\$ 15,658	\$ 16,160	\$ 4,778	\$ 5,187
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	\$ 10,829	\$ 10,269	\$ 3,831	\$ 3,787
Actual return on plan assets	553	884	(481)	136
Acquisitions/(divestitures) ⁽⁴⁾	—	(34)	—	—
Employer contributions	406	316	33	36
Participants' contributions	13	14	73	74
Currency translation and other	55	(18)	(3)	(4)
ESOP debt impacts ⁽⁵⁾	—	—	50	44
Benefit payments	(589)	(602)	(244)	(242)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	\$ 11,267	\$ 10,829	\$ 3,259	\$ 3,831
FUNDED STATUS	\$ (4,391)	\$ (5,331)	\$ (1,519)	\$ (1,356)

⁽¹⁾ Primarily non-U.S.-based defined benefit retirement plans.

⁽²⁾ Primarily U.S.-based other postretirement benefit plans.

⁽³⁾ For the pension benefit plans, the benefit obligation is the projected benefit obligation. For other retiree benefit plans, the benefit obligation is the accumulated postretirement benefit obligation.

⁽⁴⁾ For the year ended June 30, 2017, this represents the obligations and plans which were classified as held for sale at June 30, 2016.

⁽⁵⁾ Represents the net impact of ESOP debt service requirements, which is netted against plan assets for other retiree benefits.

The underfunding of pension benefits is primarily a function of the different funding incentives that exist outside of the U.S. In certain countries, there are no legal requirements or financial incentives provided to companies to pre-fund pension obligations prior to their due date. In these instances, benefit payments are typically paid directly from the Company's cash as they become due.

As of June 30	Pension Benefits		Other Retiree Benefits	
	2018	2017	2018	2017
CLASSIFICATION OF NET AMOUNT RECOGNIZED				
Noncurrent assets	\$ 420	\$ 196	\$ —	\$ —
Current liabilities	(43)	(40)	(24)	(23)
Noncurrent liabilities	(4,768)	(5,487)	(1,495)	(1,333)
NET AMOUNT RECOGNIZED	\$ (4,391)	\$ (5,331)	\$ (1,519)	\$ (1,356)
AMOUNTS RECOGNIZED IN ACCUMULATED OTHER COMPREHENSIVE INCOME (AOCI)				
Net actuarial loss	\$ 3,787	\$ 4,548	\$ 2,366	\$ 1,819
Prior service cost/(credit)	244	245	(478)	(293)
NET AMOUNTS RECOGNIZED IN AOCI	\$ 4,031	\$ 4,793	\$ 1,888	\$ 1,526

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

The accumulated benefit obligation for all defined benefit pension plans was \$14,370 and \$14,512 as of June 30, 2018 and 2017, respectively. Pension plans with accumulated benefit obligations in excess of plan assets and plans with projected benefit obligations in excess of plan assets consisted of the following:

As of June 30	Accumulated Benefit Obligation Exceeds the Fair Value of Plan Assets		Projected Benefit Obligation Exceeds the Fair Value of Plan Assets	
	2018	2017	2018	2017
Projected benefit obligation	\$ 8,467	\$ 13,699	\$ 8,962	\$ 14,181
Accumulated benefit obligation	7,573	12,276	7,974	12,630
Fair value of plan assets	3,740	8,279	4,150	8,654

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

Years ended June 30	Pension Benefits			Other Retiree Benefits		
	2018	2017	2016	2018	2017	2016
AMOUNTS RECOGNIZED IN NET PERIODIC BENEFIT COST						
Service cost	\$ 280	\$ 310 ⁽¹⁾	\$ 314 ⁽¹⁾	\$ 112	\$ 133 ⁽¹⁾	\$ 124 ⁽¹⁾
Interest cost	348	300	466	177	175	219
Expected return on plan assets	(751)	(675)	(731)	(451)	(431)	(416)
Amortization of net actuarial loss	295	375	265	69	122	78
Amortization of prior service cost/(credit)	28	28	29	(41)	(45)	(52)
Amortization of net actuarial loss/ prior service cost due to settlements and curtailments	—	186 ⁽²⁾	—	—	16 ⁽²⁾	—
Special termination benefits	8	4	6	7	21 ⁽²⁾	12
GROSS BENEFIT COST/(CREDIT)	208	528	349	(127)	(9)	(35)
Dividends on ESOP preferred stock	—	—	—	(37)	(45)	(52)
NET PERIODIC BENEFIT COST/(CREDIT)	\$ 208	\$ 528	\$ 349	\$ (164)	\$ (54)	\$ (87)
CHANGE IN PLAN ASSETS AND BENEFIT OBLIGATIONS RECOGNIZED IN AOCI						
Net actuarial loss/(gain) - current year	\$ (524)	\$ (852)		\$ 624	\$ (259)	
Prior service cost/(credit) - current year	12	2		(231)	—	
Amortization of net actuarial loss	(295)	(375)		(69)	(122)	
Amortization of prior service (cost)/credit	(28)	(28)		41	45	
Amortization of net actuarial loss/prior service costs due to settlements and curtailments	—	(186)		—	(16)	
Reduction in net actuarial losses resulting from curtailment	—	(132)		—	(37)	
Currency translation and other	73	6		(3)	2	
TOTAL CHANGE IN AOCI	(762)	(1,565)		362	(387)	
NET AMOUNTS RECOGNIZED IN PERIODIC BENEFIT COST AND AOCI	\$ (554)	\$ (1,037)		\$ 198	\$ (441)	

⁽¹⁾ Service cost includes amounts related to discontinued operations in fiscal years ended June 30, 2017 and June 30, 2016, which are not material for any period.

⁽²⁾ For fiscal year ended June 30, 2017, amortization of net actuarial loss / prior service cost due to settlement and curtailments and \$18 of the special termination benefits are included in Net earnings from discontinued operations.

Amounts expected to be amortized from AOCI into net periodic benefit cost during the year ending June 30, 2019, are as follows:

	Pension Benefits	Other Retiree Benefits
Net actuarial loss	\$ 224	\$ 71
Prior service cost/(credit)	26	(49)

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

Assumptions. We determine our actuarial assumptions on an annual basis. These assumptions are weighted to reflect each country that may have an impact on the cost of providing retirement benefits. The weighted average assumptions used to determine benefit obligations recorded on the Consolidated Balance Sheets as of June 30, were as follows: ⁽¹⁾

<u>As of June 30</u>	<u>Pension Benefits</u>		<u>Other Retiree Benefits</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Discount rate	2.5%	2.4%	4.2%	3.9%
Rate of compensation increase	2.6%	3.0%	N/A	N/A
Health care cost trend rates assumed for next year	N/A	N/A	6.6%	6.4%
Rate to which the health care cost trend rate is assumed to decline (ultimate trend rate)	N/A	N/A	4.9%	4.9%
Year that the rate reaches the ultimate trend rate	N/A	N/A	2025	2022

⁽¹⁾ Determined as of end of fiscal year.

The weighted average assumptions used to determine net benefit cost recorded on the Consolidated Statement of Earnings for the years ended June 30, were as follows: ⁽¹⁾

<u>Years ended June 30</u>	<u>Pension Benefits</u>			<u>Other Retiree Benefits</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Discount rate	2.4%	2.1%	3.1%	3.9%	3.6%	4.5%
Expected return on plan assets	6.8%	6.9%	7.2%	8.3%	8.3%	8.3%
Rate of compensation increase	3.0%	2.9%	3.1%	N/A	N/A	N/A

⁽¹⁾ Determined as of beginning of fiscal year.

For plans that make up the majority of our obligation, the Company calculates the benefit obligation and the related impacts on service and interest costs using specific spot rates along the corporate bond yield curve. For the remaining plans, the Company determines these amounts utilizing a single weighted-average discount rate derived from the corporate bond yield curve used to measure the plan obligations.

Several factors are considered in developing the estimate for the long-term expected rate of return on plan assets. For the defined benefit retirement plans, these factors include historical rates of return of broad equity and bond indices and projected long-term rates of return obtained from pension investment consultants. The expected long-term rates of return for plan assets are 8 - 9% for equities and 5 - 6% for bonds. For other retiree benefit plans, the expected long-term rate of return reflects that the assets are comprised primarily of Company stock. The expected rate of return on Company stock is based on the long-term projected return of 8.5% and reflects the historical pattern of returns.

Assumed health care cost trend rates could have a significant effect on the amounts reported for the other retiree benefit plans. A one percentage point change in assumed health care cost trend rates would have the following effects:

	<u>One-Percentage Point Increase</u>	<u>One-Percentage Point Decrease</u>
Effect on the total service and interest cost components	\$ 62	\$ (47)
Effect on the accumulated postretirement benefit obligation	737	(585)

Plan Assets. Our investment objective for defined benefit retirement plan assets is to meet the plans' benefit obligations and to improve plan self-sufficiency for future benefit obligations. The investment strategies focus on asset class diversification, liquidity to meet benefit payments and an appropriate balance of long-term investment return and risk. Target ranges for asset allocations are determined by assessing different investment risks and matching the actuarial projections of the plans' future liabilities and benefit payments with current as well as expected long-term rates of return on the assets, taking into account investment return volatility and correlations across asset classes. Plan assets are diversified across several investment managers and are generally invested in liquid funds that are selected to track broad market equity and bond indices. Investment risk is carefully controlled with plan assets rebalanced to target allocations on a periodic basis and with continual monitoring of investment managers' performance relative to the investment guidelines established with each investment manager.

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

Our target asset allocation for the year ended June 30, 2018, and actual asset allocation by asset category as of June 30, 2018 and 2017, were as follows:

Asset Category	Target Asset Allocation		Actual Asset Allocation at June 30			
	Pension Benefits	Other Retiree Benefits	Pension Benefits		Other Retiree Benefits	
			2018	2017	2018	2017
Cash	—%	2%	2%	2%	1%	1%
Debt securities	65%	3%	59%	53%	4%	4%
Equity securities	35%	95%	39%	45%	95%	95%
TOTAL	100%	100%	100%	100%	100%	100%

The following tables set forth the fair value of the Company's plan assets as of June 30, 2018 and 2017 segregated by level within the fair value hierarchy (refer to Note 9 for further discussion on the fair value hierarchy and fair value principles). Company stock listed as Level 2 in the hierarchy represents preferred shares which are valued based on the value of Company common stock. The majority of our Level 3 pension assets are insurance contracts. Their fair values are based on their cash equivalent or models that project future cash flows and discount the future amounts to a present value using market-based observable inputs, including credit risk and interest rate curves. There was no significant activity within the Level 3 pension and other retiree benefits plan assets during the years presented. Investments valued using net asset value as a practical expedient are primarily equity and fixed income collective funds. These assets are not valued using the fair value hierarchy, but rather valued using the net asset value reported by the managers of the funds and as supported by the unit prices of actual purchase and sale transactions.

As of June 30	Pension Benefits			Other Retiree Benefits		
	Fair Value Hierarchy Level	2018	2017	Fair Value Hierarchy Level	2018	2017
ASSETS AT FAIR VALUE						
Cash and cash equivalents	1	\$ 136	\$ 134	1	\$ 5	\$ 6
Company stock ⁽¹⁾		—	—	2	3,092	3,643
Other ⁽²⁾	1, 2 & 3	400	165	1	4	7
TOTAL ASSETS IN THE FAIR VALUE HEIRARCHY		536	299		3,101	3,656
Investments valued at net asset value		10,731	10,530		158	175
TOTAL ASSETS AT FAIR VALUE		\$ 11,267	10,829		\$ 3,259	3,831

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

⁽²⁾ The Company's other pension plan assets measured at fair value are generally classified as Level 3 within the fair value hierarchy. There are no material other pension plan asset balances classified as Level 1 or Level 2 within the fair value hierarchy.

Cash Flows. Management's best estimate of cash requirements and discretionary contributions for the defined benefit retirement plans and other retiree benefit plans for the year ending June 30, 2019, is \$134 and \$39, respectively. For the defined benefit retirement plans, this is comprised of \$82 in expected benefit payments from the Company directly to participants of unfunded plans and \$52 of expected contributions to funded plans. For other retiree benefit plans, this is comprised of \$24 in expected benefit payments from the Company directly to participants of unfunded plans and \$15 of expected contributions to funded plans. Expected contributions are dependent on many variables, including the variability of the market value of the plan assets as compared to the benefit obligation and other market or regulatory conditions. In addition, we take into consideration our business investment opportunities and resulting cash requirements. Accordingly, actual funding may differ significantly from current estimates.

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

Years ending June 30	Pension Benefits	Other Retiree Benefits
EXPECTED BENEFIT PAYMENTS		
2019	\$ 517	\$ 194
2020	508	207
2021	545	219
2022	557	231
2023	577	241
2024 - 2028	3,280	1,339

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

Employee Stock Ownership Plan

We maintain the ESOP to provide funding for certain employee benefits discussed in the preceding paragraphs.

The ESOP borrowed \$1.0 billion in 1989 and the proceeds were used to purchase Series A ESOP Convertible Class A Preferred Stock to fund a portion of the U.S. DC plan. Principal and interest requirements of the borrowing were paid by the Trust from dividends on the preferred shares and from advances provided by the Company. The original borrowing of \$1.0 billion has been repaid in full, and advances from the Company of \$52 remain outstanding at June 30, 2018. Each share is convertible at the option of the holder into one share of the Company's common stock. The dividend for the current year was equal to the common stock dividend of \$2.79 per share. The liquidation value is \$6.82 per share.

In 1991, the ESOP borrowed an additional \$1.0 billion. The proceeds were used to purchase Series B ESOP Convertible Class A Preferred Stock to fund a portion of retiree health care benefits. These shares, net of the ESOP's debt, are considered plan assets of the other retiree benefits plan discussed above. Debt service requirements are funded by preferred stock dividends, cash contributions and advances provided by the Company, of which \$825 are outstanding at June 30, 2018. Each share is convertible at the option of the holder into one share of the Company's common stock. The dividend for the current year was equal to the common stock dividend of \$2.79 per share. The liquidation value is \$12.96 per share.

Our ESOP accounting practices are consistent with current ESOP accounting guidance, including the permissible continuation of certain provisions from prior accounting guidance. ESOP debt, which is guaranteed by the Company, is recorded as debt (see Note 10) with an offset to the Reserve for ESOP debt retirement, which is presented within Shareholders' equity. Advances to the ESOP by the Company are recorded as an increase in the Reserve for ESOP debt retirement. Interest incurred on the ESOP debt is recorded as Interest expense. Dividends on all preferred shares, net of related tax benefits, are charged to Retained earnings.

The series A and B preferred shares of the ESOP are allocated to employees based on debt service requirements. The number of preferred shares outstanding at June 30 was as follows:

Shares in thousands	2018	2017	2016
Allocated	34,233	36,488	39,241
Unallocated	4,117	5,060	6,095
TOTAL SERIES A	38,350	41,548	45,336
Allocated	25,895	25,378	23,925
Unallocated	28,512	30,412	32,319
TOTAL SERIES B	54,407	55,790	56,244

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

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.

If the Company elects to do so and if the instrument meets certain specified accounting criteria, management designates derivative instruments as cash flow hedges, fair value hedges or net investment hedges. We record derivative instruments at fair value and the accounting for changes in the fair value depends on the intended use of the derivative, the resulting designation and the effectiveness of the instrument in offsetting the risk exposure it is designed to hedge. We generally have a high degree of effectiveness between the exposure being hedged and the hedging instrument.

Credit Risk Management

We have counterparty credit guidelines and normally enter into transactions with investment grade financial institutions, to the extent commercially viable. Counterparty exposures are monitored daily and downgrades in counterparty credit ratings are reviewed on a timely basis. We have not incurred, and do not expect to incur, material credit losses on our risk management or other financial instruments.

Substantially all of the Company's financial instruments used in hedging transactions are governed by industry standard netting and collateral agreements with counterparties. If the Company's credit rating were to fall below the levels stipulated in the agreements, the counterparties could demand either collateralization or termination of the arrangements. The aggregate fair value of the instruments covered by these contractual features that are in a net liability position as of June 30, 2018, was not material. The Company has not been required to post collateral as a result of these contractual features.

Interest Rate Risk Management

Our policy is to manage interest cost using a mixture of fixed-rate and variable-rate debt. To manage this risk in a cost-efficient manner, we enter into interest rate swaps whereby we agree to exchange with the counterparty, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to a notional amount.

We designate certain interest rate swaps that meet specific accounting criteria as fair value hedges. For fair value hedges, the changes in the fair value of both the hedging instruments and the underlying debt obligations are immediately recognized in earnings. Historically, we had interest rate swaps

designated as cash flow hedges. For the years ended June 30, 2018 and 2017, we did not have any contracts outstanding.

Foreign Currency Risk Management

We manufacture and sell our products and finance our operations in a number of countries throughout the world. As a result, we are exposed to movements in foreign currency exchange rates. We leverage the Company's diversified portfolio of exposures as a natural hedge. In certain cases, we enter into non-qualifying foreign currency contracts to hedge certain balance sheet items subject to revaluation. The change in fair value of these instruments and the underlying exposure are both immediately recognized in earnings.

To manage exchange rate risk related to our intercompany financing, we primarily use forward contracts and currency swaps. The change in fair value of these non-qualifying instruments is immediately recognized in earnings, substantially offsetting the foreign currency mark-to-market impact of the related exposure.

Historically, we had certain foreign currency swaps with original maturities up to five years, which were intended to offset the effect of exchange rate fluctuations on intercompany loans denominated in foreign currencies; these swaps were accounted for as cash flow hedges. Those swaps were terminated during the year ended June 30, 2017 and as a result, there was an immaterial gain reclassified from AOCI into earnings for the year ended June 30, 2017 in the following tables but there were no outstanding contracts as of June 30, 2018 and 2017.

Net Investment Hedging

We hedge certain net investment positions in foreign subsidiaries. To accomplish this, we either borrow directly in foreign currencies and designate all or a portion of the foreign currency debt as a hedge of the applicable net investment position or we enter into foreign currency swaps that are designated as hedges of net investments. Changes in the fair value of these instruments are recognized in OCI and offset the change in the value of the net investment being hedged. Upon adoption of ASU 2017-12, the time value component of the net investment hedge currency swaps is excluded from the assessment of hedge effectiveness and reported in income on a systematic basis. Changes in the fair value of the swap, including changes in the fair value of the excluded time value component, are recognized in OCI and offset the value of the underlying net assets.

Commodity Risk Management Certain raw materials used in our products or production processes are subject to price volatility caused by weather, supply conditions, political and economic variables and other unpredictable factors. To manage the volatility related to anticipated purchases of certain of these materials, we have historically, on a limited basis, used futures and options with maturities generally less than one year and swap contracts with maturities up to five years. As of and during the years ended June 30, 2018 and 2017, we did not have any commodity hedging activity.

Insurance

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

Fair Value Hierarchy

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

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

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

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

The following table sets forth the Company's financial assets as of June 30, 2018 and 2017 that were measured at fair value on a recurring basis during the period:

As of June 30	Fair Value Asset	
	2018	2017
Investments:		
U.S. government securities	\$ 5,544	\$ 6,297
Corporate bond securities	3,737	3,271
Other investments	141	132
TOTAL	\$ 9,422	\$ 9,700

Investment securities are presented in Available-for-sale investment securities and Other noncurrent assets. The amortized cost of the U.S. government securities with maturities less than one year was \$2,003 and \$2,494 as of June 30, 2018 and 2017, respectively. The amortized cost of the U.S. government securities with maturities between one and five years was \$3,659 and \$3,824 as of June 30, 2018 and 2017, respectively. The amortized cost of corporate bond securities with maturities of less than a year was \$1,291 and \$730 as of June 30, 2018 and 2017, respectively. The

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

amortized cost of corporate bond securities with maturities between one and five years was \$2,503 and \$2,547 as of June 30, 2018 and 2017, respectively. The Company's investments measured at fair value are generally classified as Level 2 within the fair value hierarchy. There are no material investment balances classified as Level 1 or Level 3 within the fair value hierarchy, or using net asset value as a practical expedient. Fair values are generally estimated based upon quoted market prices for similar instruments.

The fair value of long-term debt was \$23,402 and \$21,396 as of June 30, 2018 and 2017, respectively. This includes the

current portion of debt instruments (\$1,769 and \$1,694 as of June 30, 2018 and 2017, respectively). Certain long-term debt (debt designated as a fair value hedge) is recorded at fair value. All other long-term debt is recorded at amortized cost, but is measured at fair value for disclosure purposes. We consider our debt to be Level 2 in the fair value hierarchy. Fair values are generally estimated based on quoted market prices for identical or similar instruments.

Disclosures about Financial Instruments

The notional amounts and fair values of financial instruments used in hedging transactions as of June 30, 2018 and 2017 are as follows:

As of June 30	Notional Amount		Fair Value Asset		Fair Value (Liability)	
	2018	2017	2018	2017	2018	2017
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS						
Interest rate contracts	\$ 4,587	\$ 4,552	\$ 125	\$ 180	\$ (53)	\$ (2)
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS						
Foreign currency interest rate contracts	\$ 1,848	\$ 6,102	\$ 41	\$ 14	\$ (75)	\$ (177)
TOTAL DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS	\$ 6,435	\$ 10,654	\$ 166	\$ 194	\$ (128)	\$ (179)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS						
Foreign currency contracts	\$ 7,358	\$ 4,969	\$ 30	\$ 25	\$ (56)	\$ (7)
TOTAL DERIVATIVES AT FAIR VALUE	\$ 13,793	\$ 15,623	\$ 196	\$ 219	\$ (184)	\$ (186)

All derivative assets are presented in Prepaid expenses and other current assets or Other noncurrent assets. All derivative liabilities are presented in Accrued and other liabilities or Other noncurrent liabilities.

The fair value of the interest rate derivative asset/liability directly offsets the cumulative amount of the fair value hedging adjustment included in the carrying amount of the underlying debt obligation. The carrying amount of the underlying debt obligation, which includes the unamortized discount or premium and the fair value adjustment, was \$4,639 and \$4,705 as of June 30, 2018 and 2017, respectively. In addition to the foreign currency derivative contracts designated as net investment hedges, certain of our foreign currency denominated debt instruments are designated as net investment hedges. The carrying value of those debt instruments designated as net investment hedges, which includes the adjustment for the foreign currency transaction gain or loss on those instruments, was \$15,012 and \$19,030 as of June 30, 2018 and 2017, respectively. The decrease in the notional balance of the net investment hedges, including the debt instruments designated as net investment hedges, is primarily driven by the reduction in net foreign currency hedgeable assets as a result of US tax reform. The increase in the notional balance of foreign currency contracts not designated as hedging instruments reflects changes in the level of intercompany financing activity during the period.

All of the Company's derivative assets and liabilities measured at fair value are classified as Level 2 within the fair value hierarchy. The Company recognizes transfers between levels within the fair value hierarchy, if any, at the end of each quarter. There were no transfers between levels during the periods presented. In addition, there was no significant activity within the Level 3 assets and liabilities during the periods presented. There were no significant assets or liabilities that were re-measured at fair value on a non-recurring basis during the years ended June 30, 2018 and 2017.

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

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

	Amount of Gain/(Loss) Recognized in AOCI on Derivatives	
	2018	2017
As of June 30		
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS ^{(1) (2)}		
Foreign currency interest rate contracts	\$ (34)	\$ (163)
	Amount of Gain/(Loss) Reclassified from AOCI into Earnings	
	2018	2017
Years ended June 30		
DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS		
Foreign currency contracts	\$ —	\$ 69
	Amount of Gain/(Loss) Recognized in Earnings	
	2018	2017
Years ended June 30		
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS		
Interest rate contracts	\$ (106)	\$ (193)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS		
Foreign currency contracts	\$ (1)	\$ 59

⁽¹⁾ For the derivatives in net investment hedging relationships, the amount of gain/(loss) excluded from effectiveness testing, which was recognized in earnings, was \$138 and \$48 for the fiscal year ended June 30, 2018 and 2017, respectively.

⁽²⁾ In addition to the foreign currency derivative contracts designated as net investment hedges, certain of our foreign currency denominated debt instruments are designated as net investment hedges. The amount of gain/(loss) recognized in AOCI for such instruments was \$367 and \$161, as of June 30, 2018 and 2017, respectively.

The gain/(loss) reclassified from AOCI into earnings on the derivatives in cash flow hedging relationships is recognized in the same period during which the related item affects earnings. Such amounts related to foreign currency contracts are included in the Consolidated Statement of Earnings in SG&A. The gain/(loss) on the derivatives in fair value hedging relationships is fully offset by the mark-to-market impact of the related exposure. These are both recognized in the Consolidated Statement of Earnings in Interest Expense. The gain/(loss) on derivatives not designated as hedging instruments is substantially offset by the currency mark-to-market of the related exposure. These are both recognized in the Consolidated Statements of Earnings in SG&A.

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

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

As of June 30	2018	2017
DEBT DUE WITHIN ONE YEAR		
Current portion of long-term debt	\$ 1,772	\$ 1,676
Commercial paper	7,761	11,705
Loan due August 2018	800	—
Other	90	173
TOTAL	\$ 10,423	\$ 13,554
Short-term weighted average interest rates (1)	0.7%	0.5%

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

As of June 30	2018	2017
LONG-TERM DEBT		
1.60% USD note due November 2018	1,000	1,000
1.75% USD note due October 2019	600	—
1.90% USD note due November 2019	550	550
0.28% JPY note due May 2020	903	894
1.90% USD note due October 2020	600	—
4.13% EUR note due December 2020	698	686
9.36% ESOP debentures due 2018-2021 (1)	327	417
1.85% USD note due February 2021	600	600
1.70% USD note due November 2021	875	875
2.00% EUR note due November 2021	873	858
2.30% USD note due February 2022	1,000	1,000
2.15% USD note due August 2022	1,250	—
2.00% EUR note due August 2022	1,164	1,144
3.10% USD note due August 2023	1,000	1,000
1.13% EUR note due November 2023	1,455	1,430
0.50% EUR note due October 2024	582	—
2.70% USD note due February 2026	600	600
2.45% USD note due November 2026	875	875
4.88% EUR note due May 2027	1,164	1,144
2.85% USD note due August 2027	750	—
1.25% EUR note due October 2029	582	—
5.55% USD note due March 2037	763	1,130
3.50% USD note due October 2047	600	—
Capital lease obligations	107	51
All other long-term debt	3,717	5,460
Current portion of long-term debt	(1,772)	(1,676)
TOTAL	\$20,863	\$18,038
Long-term weighted average interest rates (2)	2.5%	2.6%

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

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

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

Years ending June 30	2019	2020	2021	2022	2023
Debt maturities	\$1,772	\$2,621	\$2,034	\$2,839	\$2,498

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

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 AOCI
BALANCE at JUNE 30, 2016	\$ (2,641)	\$ 34	\$ (5,798)	\$ (7,502)	\$ (15,907)
OCI before reclassifications ⁽¹⁾	(237)	(49)	910	356	980
Amounts reclassified from AOCI ⁽²⁾	(69)	(10)	491	(117)	295
Net current period OCI	(306)	(59)	1,401	239	1,275
BALANCE at JUNE 30, 2017	(2,947)	(25)	(4,397)	(7,263)	(14,632)
OCI before reclassifications ⁽³⁾	(299)	(141)	74	(6)	(372)
Amounts reclassified from AOCI ⁽⁴⁾	—	(7)	260	—	253
Net current period OCI	(299)	(148)	334	(6)	(119)
Less: Other comprehensive income/(loss) attributable to non-controlling interests	—	—	(5)	3	(2)
BALANCE at JUNE 30, 2018	\$ (3,246)	\$ (173)	\$ (4,058)	\$ (7,272)	\$ (14,749)

⁽¹⁾ Net of tax (benefit) / expense of \$(186), \$(6) and \$360 for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively, for the period ended June 30, 2017.

⁽²⁾ Net of tax (benefit) / expense of \$0, \$0 and \$191 for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively, for the period ended June 30, 2017.

⁽³⁾ Net of tax (benefit) / expense of \$(279), \$0 and \$(23) for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively, for the period ended June 30, 2018.

⁽⁴⁾ Net of tax (benefit) / expense of \$0, \$0 and \$91 for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively, for the period ended June 30, 2018.

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

- Hedges: see Note 9 for classification of gains and losses from hedges in the Consolidated Statements of Earnings.
- Investment securities: amounts reclassified from AOCI into Other non-operating income, net.
- Pension and other retiree benefits: amounts reclassified from AOCI into Cost of product sold, SG&A, and Net earnings from discontinued operations and included in the computation of net periodic pension cost (see Note 8 for additional details).
- Financial statement translation: amounts reclassified from AOCI into Net earnings from discontinued operations. These amounts relate to accumulated translation associated with foreign entities sold as part of the sale of the Beauty Brands business.

NOTE 12**COMMITMENTS AND CONTINGENCIES****Guarantees**

In conjunction with certain transactions, primarily divestitures, we may provide routine indemnifications (e.g., indemnification for representations and warranties and retention of previously existing environmental, tax and employee liabilities) for which terms range in duration and, in some circumstances, are not explicitly defined. The maximum obligation under some indemnifications is also not explicitly stated and, as a result, the overall amount of these obligations cannot be reasonably estimated. Other than obligations recorded as liabilities at the time of divestiture, we have not made significant payments for these indemnifications. We believe that if we were to incur a loss on any of these matters, the loss would not have a material effect on our financial position, results of operations or cash flows.

In certain situations, we guarantee loans for suppliers and customers. The total amount of guarantees issued under such arrangements is not material.

Off-Balance Sheet Arrangements

We do not have off-balance sheet financing arrangements, including variable interest entities, that have a material impact on our financial statements.

Purchase Commitments and Operating Leases

We have purchase commitments for materials, supplies, services and property, plant and equipment as part of the normal course of business. Commitments made under take-or-pay obligations are as follows:

Years ending June 30	2019	2020	2021	2022	2023	There-after
Purchase obligations	\$ 778	\$ 111	\$ 56	\$ 34	\$ 13	\$ 137

Such amounts represent minimum commitments under take-or-pay agreements with suppliers and are in line with expected

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

usage. These amounts include purchase commitments related to service contracts for information technology, human resources management and facilities management activities that have been outsourced to third-party suppliers. Such amounts also include arrangements with suppliers that qualify as embedded operating leases. Due to the proprietary nature of many of our materials and processes, certain supply contracts contain penalty provisions for early termination. We do not expect to incur penalty payments under these provisions that would materially affect our financial position, results of operations or cash flows.

We also lease certain property and equipment for varying periods. Future minimum rental commitments under non-cancelable operating leases, net of guaranteed sublease income, are as follows:

<u>Years ending June 30</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>There- after</u>
Operating leases	\$ 275	\$ 240	\$ 202	\$ 172	\$ 153	\$ 296

Litigation

We are subject, from time to time, to certain legal proceedings and claims arising out of our business, which cover a wide range of matters, including antitrust and trade regulation, product liability, advertising, contracts, environmental, patent and trademark matters, labor and employment matters and tax.

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

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

NOTE 13

DISCONTINUED OPERATIONS

On October 1, 2016, the Company completed the divestiture of four product categories to Coty, Inc. ("Coty"). The divestiture included 41 of the Company's beauty brands ("Beauty Brands"), including the global salon professional hair care and color, retail hair color, cosmetics and a majority of the fine fragrance businesses, along with select hair styling brands. The form of the divestiture transaction was a Reverse Morris Trust split-off, in which P&G shareholders were given the election to exchange their P&G shares for shares of a new corporation that held the Beauty Brands (Galleria Co.), and then immediately exchange those shares for Coty shares. The value P&G received in the transaction was \$11.4 billion. The value was comprised of 105 million shares of common stock of the Company, which were tendered by shareholders of the Company and exchanged for the Galleria Co. shares, valued at approximately \$9.4 billion, and the assumption of \$1.9 billion of debt by Galleria Co. The shares tendered in the

transaction were reflected as an addition to treasury stock and the cash received related to the debt assumed by Coty was reflected as an investing activity in the Consolidated Statement of Cash Flows. The Company recorded an after-tax gain on the final transaction of \$5.3 billion, net of transaction and related costs.

Two of the fine fragrance brands, Dolce & Gabbana and Christina Aguilera, were excluded from the divestiture. These brands were subsequently divested at amounts that approximated their adjusted carrying values.

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

In accordance with applicable accounting guidance for the disposal of long-lived assets, the results of the Beauty Brands and Batteries businesses are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented. The Beauty Brands were historically part of the Company's Beauty reportable segment. The Batteries business was historically part of the Company's Fabric & Home Care reportable segment.

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

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

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

Years ended June 30	2017	2016
Beauty Brands	\$ 5,217	\$ 336
Batteries	—	241
Net earnings from discontinued operations	\$ 5,217	\$ 577

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

Years ended June 30	Beauty Brands	
	2017	2016
Net sales	\$ 1,159	\$ 4,910
Cost of products sold	450	1,621
Selling, general and administrative expense	783	2,763
Intangible asset impairment charges	—	48
Interest expense	14	32
Interest income	—	2
Other non-operating income/(expense), net	16	9
Earnings/(loss) from discontinued operations before income taxes	\$ (72)	\$ 457
Income taxes on discontinued operations	46	121
Gain on sale of business before income taxes	\$ 5,197	\$ —
Income tax expense/(benefit) on sale of business	(138) ⁽¹⁾	—
Net earnings from discontinued operations	\$ 5,217	\$ 336

⁽¹⁾ The income tax benefit of the Beauty Brands divestiture represents the reversal of underlying deferred tax balances partially offset by current tax expense related to the transaction.

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

Years ended June 30	Beauty Brands	
	2017	2016
NON-CASH OPERATING ITEMS		
Depreciation and amortization	\$ 24	\$ 106
Deferred income tax benefit	(649)	—
Gain on sale of businesses	5,210	8
Goodwill and intangible asset impairment charges	—	48
Net increase in accrued taxes	93	—
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash taxes paid	\$ 418	\$ —
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	\$ 38	\$ 114

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

Following is selected financial information included in Net earnings from discontinued operations for the Batteries business:

		Net Sales	Earnings Before Impairment Charges and Income Taxes	Impairment Charges	Income Tax (Expense)/Benefit	Loss on Sale Before Income Taxes	Income Tax (Expense)/Benefit on Sale	Net Earnings from Discontinued Operations
Batteries	2016	1,517	266	(402)	(45)	(288)	710 ⁽¹⁾	241

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

NOTE 14

QUARTERLY RESULTS (UNAUDITED)

Quarters Ended		Sep 30	Dec 31	Mar 31	Jun 30	Total Year
NET SALES	2017-2018	\$ 16,653	\$ 17,395	\$ 16,281	\$ 16,503	\$ 66,832
	2016-2017	16,518	16,856	15,605	16,079	65,058
OPERATING INCOME	2017-2018	3,735	4,003	3,296	2,677	13,711
	2016-2017	3,771	3,875	3,360	2,949	13,955
GROSS MARGIN	2017-2018	50.6%	50.2%	48.8%	45.3%	48.7%
	2016-2017	51.0%	50.8%	49.8%	48.4%	50.0%
NET EARNINGS:						
Net earnings from continuing operations	2017-2018	\$ 2,870	\$ 2,561	\$ 2,540	\$ 1,890	\$ 9,861
	2016-2017	2,875	2,561	2,556	2,202	10,194
Net earnings/(loss) from discontinued operations	2017-2018	—	—	—	—	—
	2016-2017	(118)	5,335	—	—	5,217
Net earnings attributable to Procter & Gamble	2017-2018	2,853	2,495	2,511	1,891	9,750
	2016-2017	2,714	7,875	2,522	2,215	15,326
DILUTED NET EARNINGS PER COMMON SHARE: ⁽¹⁾						
Earnings from continuing operations	2017-2018	\$ 1.06	\$ 0.93	\$ 0.95	\$ 0.72	\$ 3.67
	2016-2017	1.00	0.93	0.93	0.82	3.69
Earnings/(loss) from discontinued operations	2017-2018	—	—	—	—	—
	2016-2017	(0.04)	1.95	—	—	1.90
Net earnings	2017-2018	1.06	0.93	0.95	0.72	3.67
	2016-2017	0.96	2.88	0.93	0.82	5.59

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

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures.

The Company's President and Chief Executive Officer, David S. Taylor, and the Company's Chief Financial Officer, Jon R. Moeller, performed an evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (Exchange Act)) as of the end of the period covered by this Annual Report on Form 10-K.

Messrs. Taylor and Moeller have concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in reports we file or

submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) accumulated and communicated to our management, including Messrs. Taylor and Moeller, to allow their timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting.

There were no changes in our internal control over financial reporting that occurred during the Company's fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

Not applicable.

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

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

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

The information required by this item is incorporated by reference to the following sections of the 2018 Proxy Statement filed pursuant to Regulation 14A: the section entitled Election of Directors; the subsection of the Corporate Governance section entitled Board Meetings and Committees of the Board; the subsection of the Corporate Governance section entitled Code of Ethics; the subsections of the Other Matters section entitled Director Nominations for Inclusion in the 2019 Proxy Statement and entitled Shareholder Recommendations of Board Nominees and Committee Process for Recommending Board Nominees; and the section entitled Section 16(a) Beneficial Ownership Reporting Compliance. Pursuant to Instruction 3 of Item 401(b) of Regulation S-K, Executive Officers of the Registrant are reported in Part I of this report.

Item 11. Executive Compensation.

The information required by this item is incorporated by reference to the following sections of the 2018 Proxy Statement filed pursuant to Regulation 14A: the subsections of the Corporate Governance section entitled Board Meetings and Committees of the Board and entitled Compensation Committee Interlocks and Insider Participation; and the portion beginning with the section entitled Director Compensation up to but not including the section entitled Security Ownership of Management and Certain Beneficial Owners.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table gives information about the Company's common stock that may be issued upon the exercise of options, warrants and rights under all of the Company's equity compensation plans as of June 30, 2018. The table includes the following plans: The Procter & Gamble 1992 Stock Plan; The Procter & Gamble 2001 Stock and Incentive Compensation Plan; The Procter & Gamble 2003 Non-Employee Directors' Stock Plan; The Gillette Company 2004 Long-Term Incentive Plan; The Procter & Gamble 2009 Stock and Incentive Compensation Plan; and The Procter & Gamble 2014 Stock and Incentive Compensation Plan.

<u>Plan Category</u>	<u>(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>(b) Weighted- average exercise price of outstanding options, warrants and rights</u>	<u>(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u>
Equity compensation plans approved by security holders ⁽¹⁾			
Options	204,890,213	\$74.3190	(2)
Restricted Stock Units (RSUs)/Performance Stock Units (PSUs)	11,449,954	N/A	(2)
Equity compensation plans not approved by security holders ⁽³⁾			
Options	876,818	48.1700	(3)
GRAND TOTAL	217,216,985	\$74.2076 ⁽⁴⁾	

⁽¹⁾ Includes The Procter & Gamble 1992 Plan; The Procter & Gamble 2001 Stock and Incentive Compensation Plan; The Procter & Gamble 2003 Non-Employee Directors' Stock Plan; The Procter & Gamble 2009 Stock and Incentive Compensation Plan; and The Procter & Gamble 2014 Stock and Incentive Compensation Plan.

⁽²⁾ Of the plans listed in (1), only The Procter & Gamble 2014 Stock and Incentive Compensation Plan allow for future grants of securities. The maximum number of shares that may be granted under this plan is 185 million shares. Stock options and stock appreciation rights are counted on a one for one basis while full value awards (such as RSUs and PSUs) will be counted as 5 shares for each share awarded. Total shares available for future issuance under this plan is 65 million.

⁽³⁾ Includes The Gillette Company 2004 Long-Term Incentive Plan. This plan does not allow for future grants of securities.

⁽⁴⁾ Weighted average exercise price of outstanding options only.

The Gillette Company 2004 Long-Term Incentive Plan

Shareholders of The Gillette Company approved The Gillette Company 2004 Long-Term Incentive Plan on May 20, 2004, and the plan was assumed by the Company upon the merger between The Procter & Gamble Company and The Gillette Company. All options became immediately vested and exercisable on October 1, 2005 as a result of the merger. After the merger, all outstanding options became options to purchase shares of The Procter & Gamble Company subject to an exchange ratio of .975 shares of P&G stock per share of Gillette stock. Only employees previously employed by The Gillette Company prior to October 1, 2005 are eligible to receive grants under this plan. The last grant of equity under this plan was on February 27, 2009.

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

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

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

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

Additional information required by this item is incorporated by reference to the 2018 Proxy Statement filed pursuant to Regulation 14A, beginning with the subsection of the Beneficial Ownership section entitled Security Ownership of Management and Certain Beneficial Owners and up to but not including the subsection entitled Section 16(a) Beneficial Ownership Reporting Compliance.

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

The information required by this item is incorporated by reference to the following sections of the 2018 Proxy Statement filed pursuant to Regulation 14A: the subsections of the Corporate Governance section entitled Director Independence and Review and Approval of Transactions with Related Persons.

Item 14. Principal Accountant Fees and Services.

The information required by this item is incorporated by reference to the following section of the 2018 Proxy Statement filed pursuant to Regulation 14A: Report of the Audit Committee, which ends with the subsection entitled Services Provided by Deloitte.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

1. Financial Statements:

The following Consolidated Financial Statements of The Procter & Gamble Company and subsidiaries, management's report and the reports of the independent registered public accounting firm are incorporated by reference in Part II, Item 8 of this Form 10-K.

- Management's Report on Internal Control over Financial Reporting
- Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting
- Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements
- Consolidated Statements of Earnings - for years ended June 30, 2018, 2017 and 2016

- Consolidated Statements of Other Comprehensive Income - for years ended June 30, 2018, 2017 and 2016
- Consolidated Balance Sheets - as of June 30, 2018 and 2017
- Consolidated Statements of Shareholders' Equity - for years ended June 30, 2018, 2017 and 2016
- Consolidated Statements of Cash Flows - for years ended June 30, 2018, 2017 and 2016
- Notes to Consolidated Financial Statements

2. Financial Statement Schedules:

These schedules are omitted because of the absence of the conditions under which they are required or because the information is set forth in the Consolidated Financial Statements or Notes thereto.

EXHIBITS

- Exhibit (3-1) - Amended Articles of Incorporation (as amended by shareholders at the annual meeting on October 11, 2011 and consolidated by the Board of Directors on April 8, 2016) (Incorporated by reference to Exhibit (3-1) of the Company's Annual Report on Form 10-K for the year ended June 30, 2016).
- (3-2) - Regulations (as approved by the Board of Directors on April 8, 2016, pursuant to authority granted by shareholders at the annual meeting on October 13, 2009) (Incorporated by reference to Exhibit (3-2) of the Company's Annual Report on Form 10-K for the year ended June 30, 2016).
- Exhibit (4-1) - Indenture, dated as of September 3, 2009, between the Company and Deutsche Bank Trust Company Americas, as Trustee (Incorporated by reference to Exhibit (4-1) of the Company's Annual Report on Form 10-K for the year ended June 30, 2015).
- Exhibit (10-1) - The Procter & Gamble 2001 Stock and Incentive Compensation Plan (as amended), which was originally adopted by shareholders at the annual meeting on October 9, 2001 +; and related correspondence and terms and conditions (Incorporated by reference to Exhibit (10-1) of the Company's Form 10-Q for the quarter ended December 31, 2013). *
- (10-2) - The Procter & Gamble 1992 Stock Plan (as amended December 11, 2001), which was originally adopted by the shareholders at the annual meeting on October 12, 1992 +. *
- (10-3) - The Procter & Gamble Executive Group Life Insurance Policy +. *
- (10-4) - Summary of the Company's Retirement Plan Restoration Program (Incorporated by reference to Exhibit (10-27) of the Company's Annual Report on Form 10-K for the year ended June 30, 2016); and related correspondence and terms and conditions (Incorporated by reference to Exhibit (10-8) of the Company's Form 10-Q for the quarter ended September 30, 2015). *
- (10-5) - The Procter & Gamble 1993 Non-Employee Directors' Stock Plan (as amended September 10, 2002), which was originally adopted by the shareholders at the annual meeting on October 11, 1994 +. *
- (10-6) - Summary of the Company's Long-Term Incentive Program (Incorporated by reference to Exhibit (10-6) of the Company's Annual Report on Form 10-K for the year ended June 30, 2016); related correspondence and terms and conditions (Incorporated by reference to Exhibit (10-6) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017). *
- (10-7) - The Procter & Gamble Future Shares Plan (as adjusted for the stock split effective May 21, 2004), which was originally adopted by the Board of Directors on October 14, 1997 (Incorporated by reference to Exhibit (10-7) of the Company's Annual Report on Form 10-K for the year ended June 30, 2015). *
- (10-8) - The Procter & Gamble 2003 Non-Employee Directors' Stock Plan (as amended), which was originally adopted by the shareholders at the annual meeting on October 14, 2003, and related correspondence and terms and conditions +. *
- (10-9) - The Procter & Gamble Company Executive Deferred Compensation Plan (Incorporated by reference to Exhibit (10-4) of the Company's Form 10-Q for the quarter ended December 31, 2013). *
- (10-10) - Summary of the Company's Short Term Achievement Reward Program +; related correspondence and terms and conditions (Incorporated by reference to Exhibit (10-2) of the Company's Form 10-Q for the quarter ended September 30, 2015). *
- (10-11) - Company's Forms of Separation Agreement & Release (Incorporated by reference to Exhibit (10-1) of the Company's Form 10-Q for the quarter ended March 31, 2018); Company's Form of Separation Letter and Release (Incorporated by reference to Exhibit (10-2)) of the Company's Form 10-Q for the quarter ended March 31, 2018). *
- (10-12) - Summary of personal benefits available to certain officers and non-employee directors (Incorporated by reference to Exhibit (10-1) of the Company's Form 10-Q for the quarter ended September 30, 2013). *
- (10-13) - The Gillette Company 2004 Long-Term Incentive Plan (as amended on August 14, 2007) +. *
- (10-14) - The Gillette Company Executive Life Insurance Program (Incorporated by reference to Exhibit (10-14) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017). *
- (10-15) - The Gillette Company Personal Financial Planning Reimbursement Program (Incorporated by reference to Exhibit (10-15) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017). *
- (10-16) - The Gillette Company Senior Executive Financial Planning Program (Incorporated by reference to Exhibit (10-16) of the Company's

Annual Report on Form 10-K for the year ended June 30, 2017). *

(10-17) - The Gillette Company Estate Preservation (Incorporated by reference to Exhibit (10-17) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017). *

- (10-18) - The Gillette Company Deferred Compensation Plan (Incorporated by reference to Exhibit (10-18) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017). *
- (10-19) - Senior Executive Recoupment Policy +. *
- (10-20) - The Gillette Company Deferred Compensation Plan (for salary deferrals prior to January 1, 2005) as amended through August 21, 2006 (Incorporated by reference to Exhibit (10-20) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017). *
- (10-21) - The Procter & Gamble 2009 Stock and Incentive Compensation Plan, which was originally adopted by shareholders at the annual meeting on October 13, 2009 (Incorporated by reference to Exhibit (10-21) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017), and the Regulations of the Compensation and Leadership Development Committee for The Procter & Gamble 2009 Stock and Incentive Compensation Plan, The Procter & Gamble 2001 Stock and Incentive Compensation Plan, The Procter & Gamble 1992 Stock Plan, The Procter & Gamble 1992 Stock Plan (Belgium Version), The Gillette Company 2004 Long-Term Incentive Plan and the Gillette Company 1971 Stock Option Plan +. *
- (10-22) - The Procter & Gamble 2009 Stock and Incentive Compensation Plan - Additional terms and conditions and related correspondence (Incorporated by reference to Exhibit (10-2) of the Company Form 10-Q for the quarter ended December 31, 2013). *
- (10-23) - The Procter & Gamble Performance Stock Program Summary (Incorporated by reference to Exhibit (10-1) of the Company's Form 10-Q for the quarter ended September 30, 2017); related correspondence and terms and conditions (Incorporated by reference to Exhibit (10-2) of the Company's Form 10-Q for the quarter ended September 30, 2017). *
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- (1) Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.
- * Compensatory plan or arrangement.
- + Filed herewith.

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized in the city of Cincinnati, State of Ohio.

THE PROCTER & GAMBLE COMPANY

By /s/ DAVID S. TAYLOR

(David S. Taylor)

Chairman of the Board, President and Chief Executive Officer

August 7, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the dates indicated.

<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 7, 2018
<u>/s/ JON R. MOELLER</u> (Jon R. Moeller)	Vice Chairman and Chief Financial Officer (Principal Financial Officer)	August 7, 2018
<u>/s/ VALARIE L. SHEPPARD</u> (Valarie L. Sheppard)	Senior Vice President, Comptroller & Treasurer (Principal Accounting Officer)	August 7, 2018
<u>/s/ FRANCIS S. BLAKE</u> (Francis S. Blake)	Director	August 7, 2018
<u>/s/ ANGELA F. BRALY</u> (Angela F. Braly)	Director	August 7, 2018
<u>/s/ AMY L. CHANG</u> (Amy L. Chang)	Director	August 7, 2018
<u>/s/ KENNETH I. CHENAULT</u> (Kenneth I. Chenault)	Director	August 7, 2018
<u>/s/ SCOTT D. COOK</u> (Scott D. Cook)	Director	August 7, 2018
<u>/s/ JOSEPH JIMENEZ</u> (Joseph Jimenez)	Director	August 7, 2018
<u>/s/ TERRY J. LUNDGREN</u> (Terry J. Lundgren)	Director	August 7, 2018
<u>/s/ W. JAMES MCNERNEY, JR.</u> (W. James McNerney, Jr.)	Director	August 7, 2018
<u>/s/ NELSON PELTZ</u> (Nelson Peltz)	Director	August 7, 2018
<u>/s/ MARGARET C. WHITMAN</u> (Margaret C. Whitman)	Director	August 7, 2018
<u>/s/ PATRICIA A. WOERTZ</u> (Patricia A. Woertz)	Director	August 7, 2018
<u>/s/ ERNESTO ZEDILLO</u> (Ernesto Zedillo)	Director	August 7, 2018

EXHIBIT INDEX

- Exhibit [\(3-1\)](#) - [Amended Articles of Incorporation \(as amended by shareholders at the annual meeting on October 11, 2011 and consolidated by the Board of Directors on April 8, 2016\) \(Incorporated by reference to Exhibit \(3-1\) of the Company's Annual Report on Form 10-K for the year ended June 30, 2016\).](#)
- [\(3-2\)](#) - [Regulations \(as approved by the Board of Directors on April 8, 2016, pursuant to authority granted by shareholders at the annual meeting on October 13, 2009\) \(Incorporated by reference to Exhibit \(3-2\) of the Company's Annual Report on Form 10-K for the year ended June 30, 2016\).](#)
- Exhibit [\(4-1\)](#) - [Indenture, dated as of September 3, 2009, between the Company and Deutsche Bank Trust Company Americas, as Trustee \(Incorporated by reference to Exhibit \(4-1\) of the Company's Annual Report on Form 10-K for the year ended June 30, 2015\).](#)
- Exhibit [\(10-1\)](#) - [The Procter & Gamble 2001 Stock and Incentive Compensation Plan \(as amended\), which was originally adopted by shareholders at the annual meeting on October 9, 2001 +; and related correspondence and terms and conditions \(Incorporated by reference to Exhibit \(10-1\) of the Company's Form 10-Q for the quarter ended December 31, 2013\).](#)
- [\(10-2\)](#) - [The Procter & Gamble 1992 Stock Plan \(as amended December 11, 2001\), which was originally adopted by the shareholders at the annual meeting on October 12, 1992 +.](#)
- [\(10-3\)](#) - [The Procter & Gamble Executive Group Life Insurance Policy +.](#)
- [\(10-4\)](#) - [Summary of the Company's Retirement Plan Restoration Program \(Incorporated by reference to Exhibit \(10-27\) of the Company's Annual Report on Form 10-K for the year ended June 30, 2016\); and related correspondence and terms and conditions \(Incorporated by reference to Exhibit \(10-8\) of the Company's Form 10-Q for the quarter ended September 30, 2015\).](#)
- [\(10-5\)](#) - [The Procter & Gamble 1993 Non-Employee Directors' Stock Plan \(as amended September 10, 2002\), which was originally adopted by the shareholders at the annual meeting on October 11, 1994 +.](#)
- [\(10-6\)](#) - [Summary of the Company's Long-Term Incentive Program \(Incorporated by reference to Exhibit \(10-6\) of the Company's Annual Report on Form 10-K for the year ended June 30, 2016\); related correspondence and terms and conditions \(Incorporated by reference to Exhibit \(10-6\) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017\).](#)
- [\(10-7\)](#) - [The Procter & Gamble Future Shares Plan \(as adjusted for the stock split effective May 21, 2004\), which was originally adopted by the Board of Directors on October 14, 1997 \(Incorporated by reference to Exhibit \(10-7\) of the Company's Annual Report on Form 10-K for the year ended June 30, 2015\).](#)
- [\(10-8\)](#) - [The Procter & Gamble 2003 Non-Employee Directors' Stock Plan \(as amended\), which was originally adopted by the shareholders at the annual meeting on October 14, 2003, and related correspondence and terms and conditions +.](#)
- [\(10-9\)](#) - [The Procter & Gamble Company Executive Deferred Compensation Plan \(Incorporated by reference to Exhibit \(10-4\) of the Company's Form 10-Q for the quarter ended December 31, 2013\).](#)
- [\(10-10\)](#) - [Summary of the Company's Short Term Achievement Reward Program +; related correspondence and terms and conditions \(Incorporated by reference to Exhibit \(10-2\) of the Company's Form 10-Q for the quarter ended September 30, 2015\).](#)
- [\(10-11\)](#) - [Company's Forms of Separation Agreement & Release \(Incorporated by reference to Exhibit \(10-1\) of the Company's Form 10-Q for the quarter ended March 31, 2018\); Company's Form of Separation Letter and Release \(Incorporated by reference to Exhibit \(10-2\) of the Company's Form 10-Q for the quarter ended March 31, 2018\).](#)
- [\(10-12\)](#) - [Summary of personal benefits available to certain officers and non-employee directors \(Incorporated by reference to Exhibit \(10-1\) of the Company's Form 10-Q for the quarter ended September 30, 2013\).](#)
- [\(10-13\)](#) - [The Gillette Company 2004 Long-Term Incentive Plan \(as amended on August 14, 2007\) +.](#)
- [\(10-14\)](#) - [The Gillette Company Executive Life Insurance Program \(Incorporated by reference to Exhibit \(10-14\) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017\).](#)
- [\(10-15\)](#) - [The Gillette Company Personal Financial Planning Reimbursement Program \(Incorporated by reference to Exhibit \(10-15\) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017\).](#)
- [\(10-16\)](#) - [The Gillette Company Senior Executive Financial Planning Program \(Incorporated by reference to Exhibit \(10-16\) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017\).](#)
- [\(10-17\)](#) - [The Gillette Company Estate Preservation \(Incorporated by reference to Exhibit \(10-17\) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017\).](#)

- [\(10-18\)](#) - [The Gillette Company Deferred Compensation Plan \(Incorporated by reference to Exhibit \(10-18\) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017\).](#)
- [\(10-19\)](#) - [Senior Executive Recoupment Policy](#) +.
- [\(10-20\)](#) - [The Gillette Company Deferred Compensation Plan \(for salary deferrals prior to January 1, 2005\) as amended through August 21, 2006 \(Incorporated by reference to Exhibit \(10-20\) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017\).](#)
- [\(10-21\)](#) - [The Procter & Gamble 2009 Stock and Incentive Compensation Plan, which was originally adopted by shareholders at the annual meeting on October 13, 2009 \(Incorporated by reference to Exhibit \(10-21\) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017\), and the Regulations of the Compensation and Leadership Development Committee for The Procter & Gamble 2009 Stock and Incentive Compensation Plan, The Procter & Gamble 2001 Stock and Incentive Compensation Plan, The Procter & Gamble 1992 Stock Plan, The Procter & Gamble 1992 Stock Plan \(Belgium Version\), The Gillette Company 2004 Long-Term Incentive Plan and the Gillette Company 1971 Stock Option Plan](#) +.
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+ Filed herewith.

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Section 2: EX-10.1 (THE P&G 2001 STOCK AND INCENTIVE COMPENSATION PLAN)

EXHIBIT (10-1)

The Procter & Gamble Stock & Incentive Plan
(as amended on August 14, 2007)

The Procter & Gamble Company
Executive Offices
1 Procter & Gamble Plaza, Cincinnati, Ohio 45202-3315

August 14, 2007

To: Participants in The Procter & Gamble 2001 Stock and Incentive Compensation Plan

This document provides a copy of The Procter & Gamble 2001 Stock and Incentive Compensation Plan followed by important Additional Information. Please save this with your stock option materials.

Very truly yours,

James J. Johnson
Secretary

This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

THE PROCTER & GAMBLE 2001 STOCK AND INCENTIVE COMPENSATION PLAN
(as adjusted for stock split on May 21, 2004 and amended on August 14, 2007)

ARTICLE A -- Purpose.

The purposes of The Procter & Gamble 2001 Stock and Incentive Compensation Plan (the "Plan") are to strengthen the alignment of interests between those employees of The Procter & Gamble Company (the "Company") and its subsidiaries who are largely responsible for the success of the business (the "Participants") and the Company's shareholders through ownership behavior and the increased ownership of shares of the Company's common stock (the "Common Stock"), and to encourage the Participants to remain in the employ of the Company and its subsidiaries. This will be accomplished through the granting of options to purchase shares of Common Stock, the granting of performance related awards, the payment of a portion of the Participants' remuneration in shares of Common Stock, the granting of deferred awards related to the increase in the price of Common Stock, and the granting of restricted stock units ("RSUs") or other awards that are related to the price of Common Stock.

ARTICLE B -- Administration.

1. The Plan shall be administered by the Compensation Committee (the "Committee") of the Board of Directors of the Company (the "Board"), or such other committee as may be designated by the Board. The Committee shall consist of not fewer than three (3) members of the Board who are "Non-Employee Directors" as defined in Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "1934 Act"), or any successor rule or definition adopted by the Securities and Exchange Commission, to be appointed by the Board from time to time and to serve at the discretion of the Board. The Committee may establish such 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, and may designate the Secretary of the Company or other employees of the Company 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. The Committee shall report to the Board on the administration of the Plan not less than once each year.

2. Subject to the express provisions of the Plan, the Committee shall have authority: to grant nonstatutory and incentive stock options; to grant stock appreciation rights either freestanding or in tandem with simultaneously granted stock options; to grant Performance Awards (as defined in Article J); to award a portion of a Participant's remuneration in shares of Common Stock subject to such conditions or restrictions, if any, as the Committee may determine; to award RSUs or other awards that are related to the price of Common Stock; to determine all the terms and provisions of the respective stock option, stock appreciation right, stock award, RSU, or other award agreements including setting the dates when each stock option or stock appreciation right or part thereof may be exercised and determining the conditions and restrictions, if any, of any shares of Common Stock acquired through the exercise of any stock option; to provide for special terms for any stock options, stock appreciation rights, stock awards, RSUs or other awards granted to Participants who are foreign nationals or who are employed by the Company or any of its subsidiaries outside of the United States of America in order to fairly accommodate for differences in local law, tax policy or custom and to approve such supplements to or amendments, restatements or alternative versions of the Plan as the Committee may consider necessary or appropriate for such purposes (without affecting the terms of the Plan for any other purpose); and to make all other determinations it deems necessary or advisable for administering the Plan. In addition, at the time of grant the Committee shall have the further authority to:

- (a) waive the provisions of Article F, Paragraph 1(a);
- (b) waive the provisions of Article F, Paragraph 1(b);
- (c) waive the provisions of Article G, Paragraph 4(a), 4(b) and 4(c); and
- (d) impose conditions in lieu of those set forth in Article G, Paragraphs 4 through 7, for nonstatutory stock options, stock appreciation rights, stock awards, RSUs, or Performance Awards which do not increase or extend the rights of the Participant.

ARTICLE C -- Participation.

The Committee shall select as Participants those employees of the Company and its subsidiaries who, in the opinion of the Committee, have demonstrated a capacity for contributing in a substantial manner to the success of such companies.

ARTICLE D -- Limitation on Number of Shares Available Under the Plan.

1. Unless otherwise authorized by the shareholders and subject to Paragraph 2 of this Article D, the maximum aggregate number of shares available for award under the Plan shall be one hundred ninety million (190,000,000) shares. Any of the authorized shares may be used for any of the types of awards described in the Plan, except that no more than fifteen percent (15%) of the authorized shares may be awarded as restricted or unrestricted stock.

2. In addition to the shares authorized for award by Paragraph 1 of this Article, the following shares may be awarded under the Plan:

(a) shares that were authorized to be awarded under The Procter & Gamble 1992 Stock Plan (the "1992 Plan"), but that were not awarded under the 1992 Plan;

(b) shares awarded under the Plan or the 1992 Plan that are subsequently forfeited in accordance with the Plan or the 1992 Plan, respectively;

(c) shares tendered by a Participant in payment of all or part of the exercise price of a stock option awarded under the Plan or the 1992 Plan;

(d) shares tendered by or withheld from a Participant in satisfaction of withholding tax obligations with respect to a stock option awarded under the Plan or the 1992 Plan.

ARTICLE E -- Shares Subject to Use Under the Plan.

1. The shares to be delivered by the Company upon exercise of stock options or stock appreciation rights shall be determined by the Board and may consist, in whole or in part, of authorized but unissued shares or treasury shares. In the case of redemption of stock appreciation rights by one of the Company's subsidiaries, such shares shall be shares acquired by that subsidiary.

2. For purposes of the Plan, restricted or unrestricted stock awarded or issued following redemption of RSUs under the terms of the Plan shall be authorized but unissued shares, treasury shares, or shares acquired in the open market by the Company or a subsidiary, as determined by the Board.

ARTICLE F -- Stock Options and Stock Appreciation Rights.

1. In addition to such other conditions as may be established by the Committee, in consideration of the granting of stock options or stock appreciation rights under the terms of the Plan, each Participant agrees as follows:

(a) The right to exercise any stock option or stock appreciation right shall be conditional upon certification by the Participant at time of exercise that the Participant intends to remain in the employ of the Company or one of its subsidiaries for at least one (1) year following the date of the exercise of the stock option or stock appreciation right (provided that termination of employment due to Retirement or Special Separation shall not constitute a breach of such certification), and,

(b) In order to better protect the goodwill of the Company and its subsidiaries and to prevent the disclosure of the Company's or its subsidiaries' trade secrets and confidential information and thereby help insure the long-term success of the business, the Participant, without prior written consent 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 with the Company, 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 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 subsidiaries, to be in development):

(1) with respect to which the Participant's work has been directly concerned at any time during the two (2) years preceding termination of employment with the Company or one of its subsidiaries or

(2) with respect to which during that period of time the Participant, as a consequence of the Participant's job performance and duties, acquired knowledge of trade secrets or other confidential information of the Company or its subsidiaries.

For purposes of this paragraph, 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) The provisions of this Article are not in lieu of, but are in addition to the continuing obligation of the Participant (which Participant hereby acknowledges) to not use or disclose the Company's or its subsidiaries' trade secrets and confidential information known to the Participant until any particular trade secret or confidential information become 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 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, "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. As used in this Article, "trade secrets and other confidential information" also includes personnel knowledge about a manager, or managers, of the Company or its subsidiaries gained in the course of Participant's employment with the Company or its subsidiaries (including personnel ratings or rankings, manager or peer evaluations, performance records, special skills or abilities, compensation, work and development plans, training, nature of specific project and work assignments, or specialties developed as a result of such assignments) which directly or indirectly affords the Participant a confidential basis to solicit, encourage, or participate in soliciting any manager, or managers, of the Company or any subsidiary to terminate his or her relationship with the Company or that subsidiary.

(d) By acceptance of any offered stock option or stock appreciation rights 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 subsidiaries' trade secrets or confidential information or threaten to do so, the Company or one of its 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 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 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.

(e) If any of the provisions contained in this Article F shall for any reason, whether by application of existing law or law which may develop after the Participant's acceptance of an offer of the granting of stock appreciation rights or stock options, 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 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 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 shall remain in full force and effect and shall in no way be affected, impaired, or invalidated.

2. The fact that a Participant has been granted a stock option or a stock appreciation right under the Plan shall not limit the right of the employer to terminate the Participant's employment at any time.

Because a main purpose of the Plan is to strengthen the alignment of interests between employees of the Company (including all subsidiaries) and its shareholders to ensure the continued success of the Company, the Committee is authorized to suspend or terminate any outstanding stock option or stock appreciation right of a Participant if the Committee determines the Participant has acted significantly contrary to the best interests of the Company or its subsidiaries. For purposes of this paragraph, an action taken "significantly contrary to the best interests of the Company or its 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 subsidiary. This paragraph is in addition to any remedy the Company or a subsidiary may have at law or in equity, including without limitation injunctive and other appropriate relief.

3. The maximum number of shares with respect to which stock options or stock appreciation rights may be granted to any Participant in any calendar year shall not exceed 2,000,000 shares.

4. The aggregate fair market value (determined at the time when the incentive stock option is exercisable for the first time by a Participant during any calendar year) of the shares for which any Participant may be granted incentive stock options under the Plan and all other stock option plans of the Company and its subsidiaries in any calendar year shall not exceed \$100,000

(or such other amount as reflected in the limits imposed by Section 422(d) of the Internal Revenue Code of 1986, as it may be amended from time to time).

5. If the Committee grants incentive stock options, all such stock options shall contain such provisions as permit them to qualify as "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as may be amended from time to time.

6. With respect to stock options granted in tandem with stock appreciation rights, the exercise of either such stock options or such stock appreciation rights will result in the simultaneous cancellation of the same number of tandem stock appreciation rights or stock options, as the case may be.

7. The exercise price for all stock options and stock appreciation rights shall be established by the Committee at the time of their grant and shall be not less than one hundred percent (100%) of the fair market value of the Common Stock on the date of grant.

8. Unless otherwise authorized by the shareholders of the Company, neither the Board nor the Committee shall authorize the amendment of any outstanding stock option or stock appreciation right to reduce the exercise price.

9. No stock option or stock appreciation right shall be cancelled and replaced with awards having a lower exercise price without the prior approval of the shareholders of the Company. This Article F, Paragraph 9 is intended to prohibit the repricing of "underwater" stock options and stock appreciation rights and shall not be construed to prohibit the adjustments permitted under Article K of the Plan.

10. The Committee may require any Participant to accept any stock options or stock appreciation rights by means of electronic signature.

ARTICLE G -- Exercise of Stock Options and Stock Appreciation Rights.

1. All stock options and stock appreciation rights granted hereunder shall have a maximum life of no more than ten (10) years from the date of grant.

2. No stock options or stock appreciation rights shall be exercisable within one (1) year from their date of grant, except in the case of the death of the Participant.

3. Unless a transfer has been duly authorized by the Committee pursuant to Article G, Paragraph 6 of the Plan, during the lifetime of the Participant, stock options and stock appreciation rights may be exercised only by the Participant personally, or, in the event of the legal incompetence of the Participant, by the Participant's duly appointed legal guardian.

4. In the event that a Participant ceases to be an employee of the Company or any of its subsidiaries while holding an unexercised stock option or stock appreciation right:

(a) Any unexercisable portions thereof are then void, except in the case of: (1) death of the Participant; (2) Retirement or Special Separation that occurs more than six months from the date the options were granted; or (3) any option as to which the Committee has waived, at the time of grant, the provisions of this Article G, Paragraph 4(a).

(b) Any exercisable portions thereof are then void, except in the case of: (1) death of the Participant; (2) Retirement or Special Separation; or (3) any option as to which the Committee has waived, at the time of grant, the provisions of this Article G, Paragraph 4(b).

(c) In the case of a Special Separation which occurs prior to October 2, 2007, any stock option or stock appreciation right must be exercised within the time specified in the original grant or five (5) years from the date of Special Separation, whichever is shorter. For a Special Separation which occurs on or after October 2, 2007, any stock option or stock appreciation right must be exercised within the time specified in the original grant.

5. In the case of the death of a Participant, the persons to whom the stock options or stock appreciation rights have been transferred by will or the laws of descent and distribution shall have the privilege of exercising remaining stock 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 stock options or stock appreciation rights.

6. Stock options and stock appreciation rights are not transferable other than by will or by the laws of descent and distribution. For the purpose of exercising stock options or stock appreciation rights after the death of the Participant, the duly appointed executors and administrators of the estate of the deceased Participant shall have the same rights with respect to the stock options and stock appreciation rights as legatees or distributees would have after distribution to them from the Participant's estate. Notwithstanding the foregoing, the Committee may authorize the transfer of stock options and stock appreciation rights upon such terms and conditions as the Committee may require. Such transfer shall become effective only upon the Committee's complete satisfaction that the proposed transferee has strictly complied with such terms and conditions, and both the original Participant and the transferee shall be subject to the same terms and conditions hereunder as the original Participant.

7. Upon the exercise of stock appreciation rights, the Participant shall be entitled to receive a redemption differential for each such stock appreciation right which shall be the difference between the then fair market value of one share of Common Stock and the exercise price of one stock appreciation right then being exercised. In the case of the redemption of stock appreciation rights 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. As determined by the Committee, the redemption differential may be paid in cash, Common Stock to be valued at its fair market value on the date of exercise, any other mode of payment deemed appropriate by the Committee or any combination thereof.

8. Time spent on leave of absence shall be considered as employment for the purposes of the Plan. Leave of absence means any period of time away from work granted to any employee by his or her employer because of illness, injury, or other reasons satisfactory to the employer.

9. The Company reserves the right from time to time to suspend the exercise of any stock option or stock appreciation right where such suspension is deemed by the Company as necessary or appropriate for corporate purposes. No such suspension shall extend the life of the stock 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.

10. The Committee may require any Participant to exercise any stock options or stock appreciation rights by means of electronic signature.

ARTICLE H -- Payment for Stock Options and Tax Withholding.

Upon the exercise of a stock option, payment in full of the exercise price shall be made by the Participant. As determined by the Committee, the stock option exercise price may be paid by the Participant either in cash, shares of Common Stock valued at their fair market value on the date of exercise, a combination thereof, or such other method as determined by the Committee. In addition to payment of the exercise price, the Committee may authorize the Company to charge a reasonable administrative fee for the exercise of any stock option. Furthermore, to the extent the Company is required to withhold federal, state, local or foreign taxes in connection with any Participant's stock option exercise, the Committee may require the Participant to make such arrangements as the Company may deem necessary for the payment of such taxes required to be withheld (including, without limitation, relinquishment of a portion of such stock options or relinquishment of a portion of the proceeds received by the Participant in a simultaneous exercise and sale of stock during a "cashless" exercise). In no event, however, shall the Committee be permitted to require payment from a Participant in excess of the maximum required tax withholding rates.

ARTICLE I -- Grant of Unrestricted Stock, Restricted Stock or RSUs.

The Committee may grant Common Stock or RSUs to Participants under the Plan subject to such conditions or restrictions, if any, as the Committee may determine. To the extent the Company is required to withhold federal, state, local or foreign taxes in connection with the lapse of restrictions on any Participant's shares of Common Stock, the Committee may require the Participant to make such arrangements as the Company may deem necessary for the payment of such taxes required to be withheld (including, without limitation, relinquishment of a portion of such shares of Common Stock). In no event, however, shall the Committee be permitted to require payment from a Participant in excess of the maximum required tax withholding rates.

ARTICLE J -- Performance Related Awards.

1. The Committee, in its discretion, may establish performance goals for selected Participants and authorize the granting of cash, stock options, stock appreciation rights, Common Stock, RSUs or other awards that are related to the price of Common Stock, other property, or any combination thereof ("Performance Awards") to such Participants upon achievement of such established performance goals during a specified time period (the "Performance Period"). The Committee, in its discretion, shall determine the Participants eligible for Performance Awards, the performance goals to be achieved during each Performance Period,

the amount of any Performance Awards to be paid, and the method of payment for any Performance Awards. Performance Awards may be granted either alone or in addition to other grants made under the Plan.

2. Notwithstanding the foregoing, any Performance Awards granted under Article J, Paragraph 1 to any Participant subject to the restrictions set forth in Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") shall comply with all of the following requirements:

(a) Each grant shall specify the specific performance objectives (the "Performance Objectives") which, if achieved, will result in payment or early payment of the Performance Award. The Performance Objectives may be described in terms of Company-wide objectives that are related to the individual Participant or objectives that are related to a subsidiary, division, department, region, function or business unit of the Company in which the Participant is employed, and may consist of one or more or any combination of the following criteria: stock price, market share, sales revenue, cash flow, earnings per share, return on equity, total shareholder return, gross margin, stock price growth measures, operating total shareholder return, net earnings or net income (before or after taxes), return on assets or capital, earnings (before or after interest, taxes, depreciation and/or amortization), operating margin, acquisition integration metrics, economic value added, and/or costs. The Performance Objectives may be made relative to the performance of other corporations. The Committee, in its discretion, may change or modify these criteria, however, at all times the criterion must be valid performance criterion for purposes of Section 162(m) of the Code. The Committee may not change the criteria or Performance Objectives for any Performance Period that has already been approved by the Committee. The Committee may cancel a Performance Period or replace a Performance Period with a new Performance Period, provided that any such cancellation or replacement shall not cause the Performance Award to fail to meet the requirements of Section 162(m) of the Code.

(b) Each grant shall specify the minimum level of achievement required by the Participant relative to the Performance Objectives to qualify for a Performance Award. In doing so, the grant shall establish a formula for determining the percentage of the Performance Award to be awarded if performance is at or above the minimum level, but falls short of full achievement of the specified Performance Objectives. Each grant may also establish a formula for determining an additional award above and beyond the Performance Award to be granted to the Participant if performance is at or above the specified Performance Objectives. Such additional award shall also be established as a percentage of the Performance Award. The Committee may decrease a Performance Award as determined by the Performance Objectives, but in no case may the Committee increase any Performance Award as determined by the Performance Objectives.

(c) The maximum Performance Award that may be granted to any Participant for any one-year Performance Period shall not exceed \$20,000,000 or 800,000 shares of Common Stock (the "Annual Maximum"). The maximum Performance Award that may be granted to any Participant for a Performance Period greater than one year shall not exceed the Annual Maximum multiplied by the number of full years in the Performance Period.

ARTICLE K -- Adjustments.

In the event of any future reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, rights offering, share exchange, reclassification, distribution, spin-off or other change affecting the corporate structure, capitalization or Common Stock of the Company occurring after the date of approval of the Plan by the Company's shareholders, (i) the amount of shares authorized to be issued under the Plan and (ii) the number of shares and/or the exercise prices covered by outstanding stock options, stock appreciation rights or RSUs shall be adjusted appropriately and equitably to prevent dilution or enlargement of rights under the Plan. Following any such change, the term "Common Stock" shall be deemed to refer to such class of shares or other securities as may be applicable.

ARTICLE L -- Additional Provisions and Definitions.

1. The Board may, at any time, repeal the Plan or may amend it except that no such amendment may amend this paragraph, increase the total aggregate number of shares subject to the Plan, reduce the price at which stock options or stock appreciation rights may be granted or exercised, alter the class of employees eligible to receive stock options, or increase the percentage of shares authorized to be transferred as restricted or unrestricted stock. Participants and the Company shall be bound by any such amendments as of their effective dates, but if any outstanding stock options or stock appreciation rights are materially affected adversely, notice thereof shall be given to the Participants holding such stock options and stock appreciation rights and such amendments shall not be applicable without such Participant's written consent. If the Plan is repealed in its entirety, all theretofore granted unexercised stock options or stock appreciation rights shall continue to be exercisable in accordance with their terms and shares subject to conditions or restrictions granted pursuant to the Plan shall continue to be subject to such conditions or restrictions.

2. In the case of a Participant who is an employee of a subsidiary of the Company, performance under the Plan, including the granting of shares of the Company, may be by the subsidiary. Nothing in the Plan shall affect the right of the Company or any subsidiary to terminate the employment of any employee with or without cause. None of the Participants, either individually or as a group, and no beneficiary, transferee or other person claiming under or through any Participant, shall have any right, title, or interest in any shares of the Company purchased or reserved for the purpose of the Plan except as to such shares, if any, as shall have been granted or transferred to him or her. Nothing in the Plan shall preclude the awarding or granting of shares of the Company to employees under any other plan or arrangement now or hereafter in effect.

3. "Subsidiary" means any company in which more than fifty percent (50%) of the total combined voting power of all classes of stock is owned, directly or indirectly, by the Company or, if the company does not issue stock, more than fifty percent (50%) of the total combined ownership interest is owned, directly or indirectly, by the Company. In addition, the Board may designate for participation in the Plan as a "subsidiary," except for the granting of incentive stock options, those additional companies affiliated with the Company in which the Company's direct or indirect stock ownership is fifty percent (50%) or less of the total combined voting power of all classes of such company's stock, or, if the company does not issue stock, the Company's direct or indirect ownership is fifty percent (50%) or less of the company's total combined ownership interest.

4. Notwithstanding anything to the contrary in the Plan, stock options and stock appreciation rights granted hereunder shall vest immediately and any conditions or restrictions on Common Stock shall lapse upon a "Change in Control." A "Change in Control" shall mean the occurrence of any of the following:

- (a) An acquisition (other than directly from the Company) of any voting securities of the Company (the "Voting Securities") by any "Person" (as the term person is used for purposes of Section 13(d) or 14(d) of the Exchange Act), immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of twenty percent (20%) or more of the then outstanding shares or the combined voting power of the Company's then outstanding Voting Securities; *provided, however*, in determining whether a Change in Control has occurred pursuant to this Paragraph 4(a), shares or Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A "Non-Control Acquisition" shall mean an acquisition by (i) an employee benefit plan (or a trust forming a part thereof) maintained by (A) the Company or (B) any corporation or other Person of which a majority of its voting power or its voting equity securities or equity interest is owned, directly or indirectly, by the Company (for purposes of this definition, a "Related Entity"), (ii) the Company or any Related Entity, or (iii) any Person in connection with a "Non-Control Transaction" (as hereinafter defined);
- (b) The individuals who, as of July 10, 2001 are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least half of the members of the Board; or, following a Merger (as hereinafter defined) which results in a Parent Corporation (as hereinafter defined), the board of directors of the ultimate Parent Corporation; *provided, however*, that if the election, or nomination for election by the Company's common stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of the Plan, be considered as a member of the Incumbent Board; *provided further, however*, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or
- (c) The consummation of:
 - (i) A merger, consolidation or reorganization with or into the Company or in which securities of the Company are issued (a "Merger"), unless such Merger is a "Non-Control Transaction." A "Non-Control Transaction" shall mean a Merger where:
 - (A) the stockholders of the Company, immediately before such Merger own directly or indirectly immediately following such Merger at least fifty percent (50%) of the combined voting power of the outstanding voting securities of (x) the corporation resulting from such Merger (the "Surviving Corporation") if fifty percent (50%) or more of the combined voting power of the then outstanding voting securities of the Surviving Corporation is not Beneficially Owned, directly or indirectly by another Person (a "Parent Corporation"), or (y) if there is one or more Parent Corporations, the ultimate Parent Corporation;
 - (B) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such Merger constitute at least half of the members of the board of directors of (x) the Surviving

Corporation, if there is no Parent Corporation, or (y) if there is one or more Parent Corporations, the ultimate Parent Corporation; and

- (C) no Person other than (1) the Company, (2) any Related Entity, (3) any employee benefit plan (or any trust forming a part thereof) that, immediately prior to such Merger was maintained by the Company or any Related Entity, or (4) any Person who, immediately prior to such merger, consolidation or reorganization had Beneficial Ownership of twenty percent (20%) or more of the then outstanding Voting Securities or shares, has Beneficial Ownership of twenty percent (20%) or more of the combined voting power of the outstanding voting securities or common stock of (x) the Surviving Corporation if there is no Parent Corporation, or (y) if there is one or more Parent Corporations, the ultimate Parent Corporation;
- (ii) A complete liquidation or dissolution of the Company; or
- (iii) The sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Related Entity or under conditions that would constitute a Non-Control Transaction with the disposition of assets being regarded as a Merger for this purpose or the distribution to the Company's stockholders of the stock of a Related Entity or any other assets).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the then outstanding shares or Voting Securities as a result of the acquisition of shares or Voting Securities by the Company which, by reducing the number of shares or Voting Securities then outstanding, increases the proportional number of shares Beneficially Owned by the Subject Persons, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of shares or Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional shares or Voting Securities which increases the percentage of the then outstanding shares or Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur.

5. The term "Special Separation" shall mean any termination of employment that occurs prior to the time a Participant is eligible to retire, except a termination for cause or a voluntary resignation that is not initiated or encouraged by the Company.

6. The term "Retirement" shall mean: (a) retirement in accordance with the provisions of any appropriate retirement plan of the Company or any of its subsidiaries; or (b) termination of employment under the permanent disability provision of any retirement plan of the Company or any of its subsidiaries.

ARTICLE M -- Consent.

Every Participant who receives a stock option, stock appreciation right, RSU, or grant of shares pursuant to the Plan shall be bound by the terms and provisions of the Plan and of the stock option, stock appreciation right, RSU, or grant of shares agreement referable thereto, and the acceptance of any stock option, stock appreciation right, RSU, or grant of shares pursuant to the Plan shall constitute a binding agreement between the Participant and the Company and its subsidiaries and any successors in interest to any of them. Every Person who receives a stock option, stock appreciation right, RSU, or grant of shares from a Participant pursuant to the Plan shall, in addition to such terms and conditions as the Committee may require upon such grant, be bound by the terms and provisions of the Plan and of the stock option, stock appreciation right, RSU, or grant of shares agreement referable thereto, and the acceptance of any stock option, stock appreciation right, RSU, or grant of shares by such Person shall constitute a binding agreement between such Person and the Company and its subsidiaries and any successors in interest to any of them. The Plan shall be governed by and construed in accordance with the laws of the State of Ohio, United States of America.

ARTICLE N - Purchase of Shares or Stock Options.

The Committee may authorize any Participant to convert cash compensation otherwise payable to such Participant into stock options or shares of Common Stock under the Plan upon such terms and conditions as the Committee, in its discretion, shall determine. Notwithstanding the foregoing, in any such conversion the shares of Common Stock shall be valued at no less than one hundred percent (100%) of their fair market value.

ARTICLE O -- Duration of Plan.

The Plan will terminate on July 10, 2011 unless a different termination date is fixed by the shareholders or by action of the Board of Directors, but no such termination shall affect the prior rights under the Plan of the Company (or any subsidiary) or

of anyone to whom stock options or stock appreciation rights were granted prior thereto or to whom shares or RSUs have been transferred prior to such termination.

ADDITIONAL INFORMATION

1. Shares Awarded as a Portion of Remuneration

Any shares of Common Stock of the Company awarded as a portion of a participant's remuneration shall be valued at not less than one hundred percent (100%) of the fair market value of the Company's Common Stock on the date of the award. These shares may be subject to such conditions or restrictions as the Committee may determine, including a requirement that the participant remain in the employ of the Company or one of its subsidiaries for a set period of time, or until retirement. Failure to abide by any applicable restriction will result in forfeiture of the shares.

2. U.S. Tax Effects

Incentive Stock Options

With regard to tax effects which may accrue to the optionee, counsel advises that if the optionee has continuously been an employee from the time an option has been granted until at least three months before it is exercised, under existing law no taxable income results to the optionee from the exercise of an incentive stock option at the time of exercise. However, the spread at exercise is an "adjustment" item for alternative minimum tax purposes.

Any gain realized on the sale or other disposition of stock acquired on exercise of an incentive stock option is considered as long-term capital gain for tax purposes if the stock has been held more than two years after the date the option was granted and more than one year after the date of exercise of the option. If the stock is disposed of within one year after exercise, the lesser of any gain on such disposition or the spread at exercise (i.e., the excess of the fair market value of the stock on the date of exercise over the option price) is treated as ordinary income, and any appreciation after the date of exercise is considered long-term or short-term capital gain to the optionee depending on the holding period prior to sale. However, the spread at exercise (even if greater than the gain on the disposition) is treated as ordinary income if the disposition is one on which a loss, if sustained, is not recognized--e.g., a gift, a "wash" sale or a sale to a related party. The amount of ordinary income recognized by the optionee is treated as a tax deductible expense to the Company. No other amount relative to an incentive stock option is a tax deductible expense to the Company.

Nonstatutory Stock Options

With regard to tax effects which may accrue to the optionee, counsel advises that under existing tax law gain taxable as ordinary income to the optionee is deemed to be realized at the date of exercise of the option, the gain on each share being the difference between the market price on the date of exercise and the option price. This amount is treated as a tax deductible expense to the Company at the time of the exercise of the option. Any appreciation in the value of the stock after the date of exercise is considered a long-term or short-term capital gain to the optionee depending on whether or not the stock was held for the appropriate holding period prior to sale.

Stock Appreciation Rights

With regard to tax effects which may accrue to the recipient, counsel advises that "United States persons," as defined in the Internal Revenue Code of 1986 (the "I.R.C."), must recognize ordinary income as of the date of exercise equal to the amount paid to the recipient, i.e., the difference between the grant price and the value of the shares on the date of exercise.

Shares Awarded as a Portion of Remuneration

With regard to tax effects which may accrue to the recipient, counsel advises that "United States persons" as defined in the Internal Revenue Code of 1986 (the "I.R.C."), must recognize ordinary income in the first taxable year in which the recipient's rights to the stock are transferable or are not subject to a substantial risk of forfeiture, whichever is applicable. Recipients who are "United States persons" may also elect to include the income in their tax returns for the taxable year in which they receive the shares by filing an election to do so with the appropriate office of the Internal Revenue Service within 30 days of the date the shares are transferred to them.

The amount includable in income is the fair market value of the shares as of the day the shares are transferable or not subject to a substantial risk of forfeiture, whichever is applicable; if the recipient has elected to include the income in the year in which the shares are received, the amount of income includable is the fair market value of the shares at the time of transfer.

For non-United States persons, the time when income is realized, its measurement and its taxation, will depend on the laws of the particular countries in which the recipients are residents and/or citizens at the time of transfer or when the shares are first transferable and not subject to a substantial risk of forfeiture, as the case may be. "United States persons" who receive shares awarded as a portion of remuneration may also have tax consequences with respect to the receipt of shares or the expiration of restrictions or substantial risk of forfeiture on such shares under the laws of the particular country other than the United States of which such person is a resident or citizen.

Notwithstanding the above advice received by the Company, it is each individual recipient's responsibility to check with his or her personal tax adviser as to the tax effects and proper handling of stock options, stock appreciation rights, restricted stock units and Common Stock acquired. The above advice relates specifically to the U.S. consequences of stock options, stock appreciation rights and Common Stock acquired, including the U.S. consequences to "United States persons" whether or not resident in the U.S. In addition to U.S. tax consequences, for all persons who are not U.S. residents, the time when income, if any, is realized, the measurement of such income and its taxation will also depend on the laws of the particular country other than the U.S. of which such persons are resident and/or citizens at the time of grant or the time of exercise, as the case may be.

The Plan is not subject to the qualification requirements of Section 401(a) of the I.R.C.

3. Employee Retirement Income Security Act of 1974

The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended.

4. Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission (File No. 1-434) pursuant to the 1934 Act are incorporated into this document by reference:

1. The Company's Annual Report on Form 10-K for the most recent fiscal year ended June 30;
2. The Company's Quarterly Report on Form 10-Q for the most recent quarter(s); and
3. All other documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the 1934 Act after the date of this Prospectus and prior to the filing of a post-effective amendment which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold.

The Company will provide without charge to each participant in the Plan, upon oral or written request, a copy of any or all of these documents other than exhibits to such documents, unless such exhibits are specifically incorporated by reference into such documents. In addition, the Company will provide without charge to such participants a copy of the Company's most recent annual report to shareholders, proxy statement, and other communications distributed generally to security holders of the Company. Requests for such copies should be directed to Mr. Jay A. Ernst, Manager, Shareholder Services, The Procter & Gamble Company, P.O. Box 5572, Cincinnati, Ohio 45201, (513) 983-3413.

5. Additional Information

Additional information about the Plan and its administrators may be obtained from Mr. E.J. Wunsch, Assistant Secretary, The Procter & Gamble Company, One Procter & Gamble Plaza, Cincinnati, Ohio 45202, (513) 983-4370.

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Section 3: EX-10.2 (THE P&G 1992 STOCK PLAN)

EXHIBIT (10-2)

**The Procter & Gamble 1992 Stock Plan
(as amended December 11, 2001)**

THE PROCTER & GAMBLE 1992 STOCK PLAN
(as amended December 11, 2001)

ARTICLE A - Purpose.

The purpose of The Procter & Gamble 1992 Stock Plan (hereinafter referred to as the "Plan") is to encourage those employees of The Procter & Gamble Company (hereinafter referred to as the "Company") and its subsidiaries who are largely responsible for the long-term success and development of the business to strengthen the alignment of interests between employees and the Company's shareholders through the increased ownership of shares of the Company's Common Stock, and to encourage those employees to remain in the employ of the Company and its subsidiaries. This will be accomplished through the granting to employees of options to purchase shares of the Common Stock of the Company, payment of a portion of the employees' remuneration in shares of the Common Stock, and the granting to them by the Company and a subsidiary, if appropriate, of deferred awards related to the increase in the price of the Common Stock of the Company as provided by the terms and conditions set forth in the Plan.

ARTICLE B - Administration.

1. The Plan shall be administered by the Compensation Committee (hereinafter referred to as the "Committee") of the Board of Directors of the Company (hereinafter referred to as the "Board"), or such other committee as may be designated by the Board. The Committee shall consist of not less than three (3) members of the Board who are neither officers nor employees, or members of the Board who are "Non-Employee Directors" as defined in Rule 16b-3 under the Securities Exchange Act of 1934, as amended (hereinafter referred to as the "1934 Act"), or any successor rule or definition adopted by the Securities and Exchange Commission, to be appointed by the Board from time to time and to serve at the discretion of the Board.

2. It shall be the duty of the Committee to administer this Plan in accordance with its provisions, to report thereon not less than once each year to the Board and to make such recommendations of amendments or otherwise as it deems necessary or appropriate. A decision by a majority of the Committee shall govern all actions of the Committee.

3. Subject to the express provisions of this Plan, the Committee shall have authority: to grant nonstatutory and incentive stock options; to grant to recipients stock appreciation rights either freestanding, in tandem with simultaneously granted stock options, or in parallel with simultaneously granted stock options; to award a portion of a recipient's remuneration in shares of Common Stock of the Company subject to such conditions or restrictions, if any, as the Committee may determine; to determine all the terms and provisions of the respective stock option, stock appreciation right, and stock award agreements including setting the dates when each stock option or stock appreciation right or part thereof may be exercised and determining the conditions and restrictions, if any, of any shares of Common Stock acquired through the exercise of any stock option; and to make all other determinations it deems necessary or advisable for administering this Plan; provided, however, the Committee shall have the further authority at time of grant to:

(a) waive the provisions of Article F, paragraph 1(a);

(b) waive the provisions of Article F, paragraph 1(b);

(c) waive the provisions of Article G, paragraph 4(a); and

(d) impose conditions in lieu of those set forth in Article G, paragraphs 4 through 7, for nonstatutory stock options, stock appreciation rights, and stock award grants which do not increase or extend the rights of the recipient,

to take into consideration the differences, limitations, and requirements of foreign laws or conditions including tax regulations, exchange controls or investment restrictions, possible unenforceability of any part of this Plan, or other matters deemed appropriate by it.

4. The Committee may establish from time to time such regulations, provisions, and procedures within the terms of this Plan as, in its opinion, may be advisable in the administration of this Plan.

5. The Committee may designate the Secretary of the Company or other employees of the Company to assist the Committee in the administration of this Plan and may grant authority to such persons to execute documents on behalf of the Committee.

ARTICLE C -- Participation.

The Committee shall select those employees of the Company and its subsidiaries who, in the opinion of the Committee, have demonstrated a capacity for contributing in a substantial manner to the success of such companies and shall determine the number of shares of the Common Stock of the Company to be transferred under this Plan subject to such conditions or restrictions as the Committee may determine and the number of shares with respect to which stock options or stock appreciation rights will be granted. The Committee may consult with the Chief Executive, but nevertheless the Committee has the full authority to act, and the Committee's actions shall be final.

ARTICLE D -- Limitation on Number of Shares for the Plan.

1. Unless otherwise authorized by the shareholders, the maximum aggregate number of shares available for award under this Plan for each calendar year the Plan is in effect shall be one percent (1%) of the total issued shares of Common Stock of the Company as of June 30 of the immediately preceding fiscal year.

2. Any of the authorized shares may be used in respect of any of the types of awards described in this Plan, except that no more than twenty-five percent (25%) of the authorized shares in any calendar year may be issued as restricted or unrestricted stock and no more than 50,000,000 of the authorized shares during the term of the Plan may be issued as incentive stock options.

3. Any authorized shares not used in a calendar year shall be available for awards under this Plan in succeeding calendar years.

ARTICLE E -- Shares Subject to Use Under the Plan.

1. The shares to be delivered by the Company upon exercise of stock options or stock appreciation rights shall be either authorized but unissued shares or treasury shares, as determined by the Board. In the case of redemption of stock appreciation rights by one of the Company's subsidiaries, such shares shall be shares acquired by that subsidiary.

2. For purposes of this Plan, restricted or unrestricted stock awarded under the terms of this Plan shall be authorized but unissued shares, treasury shares, or shares acquired for purposes of the Plan by the Company or a subsidiary, as determined by the Board.

ARTICLE F -- Stock Options and Stock Appreciation Rights.

1. In addition to such other conditions as may be established by the Committee, in consideration of the granting of stock options or stock appreciation rights under the terms of this Plan, the recipient agrees as follows:

(a) The right to exercise any stock option or stock appreciation right shall be conditional upon certification by the recipient at time of exercise that the recipient intends to remain in the employ of the Company or one of its subsidiaries (except in cases of retirement, disability or Special Separation as defined in section 6 of Article G) for at least one (1) year following the date of the exercise of the stock option or stock appreciation right, and,

(b) In order to better protect the goodwill of the Company and its subsidiaries and to prevent the disclosure of the Company's or its subsidiaries' trade secrets and confidential information and thereby help insure the long-term success of the business, the recipient, without prior written consent 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 recipient's termination of employment with the Company (except for terminations of employment resulting from retirement or Special Separation), 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 subsidiaries (including both existing products as well as products known to the recipient, as a consequence of the recipient's employment with the Company or one of its subsidiaries, to be in development):

- (1) with respect to which the recipient's work has been directly concerned at any time during the two (2) years preceding termination of employment with the Company or one of its subsidiaries or
- (2) with respect to which during that period of time the recipient, as a consequence of the recipient's job performance and duties, acquired knowledge of trade secrets or other confidential information of the Company or its subsidiaries.

For purposes of this section, it shall be conclusively presumed that recipients 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) The provisions of this Article are not in lieu of, but are in addition to the continuing obligation of the recipient (which recipient hereby acknowledges) to not use or disclose the Company's or its subsidiaries' trade secrets and confidential information known to the recipient until any particular trade secret or confidential information become generally known (through no fault of the recipient), 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 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, "generally known" means known throughout the domestic U. S. industry or, in the case of recipients who have job responsibilities outside of the United States, the appropriate foreign country or countries' industry.

(d) By acceptance of any offered stock option or stock appreciation rights granted under the terms of this Plan, the recipient acknowledges that if the recipient were, without authority, to use or disclose the Company's or any of its subsidiaries' trade secrets or confidential information or threaten to do so, the Company or one of its subsidiaries would be entitled to injunctive and other appropriate relief to prevent the recipient from doing so. The recipient acknowledges that the harm caused to the Company by the breach or anticipated breach of this Article 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 recipient 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 subsidiaries, be entered on consent and enforced by any court having jurisdiction over the recipient, without prejudice to any rights either party may have to appeal from the proceedings which resulted in any grant of such relief.

(e) If any of the provisions contained in this Article shall for any reason, whether by application of existing law or law which may develop after the recipient's acceptance of an offer of the granting of stock appreciation rights or stock options, be determined by a court of competent jurisdiction to be overly broad as to scope of activity, duration, or territory, the recipient agrees to join the Company or any of its 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 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 shall remain in full force and effect and shall in no way be affected, impaired, or invalidated.

2. The fact that an employee has been granted a stock option or a stock appreciation right under this Plan shall not limit the right of the employer to terminate the recipient's employment at any time. The Committee is authorized to suspend or terminate any outstanding stock option or stock appreciation right for actions taken prior to termination of employment if the Committee determines the recipient has acted significantly contrary to the best interests of the Company.

3. More than one stock option or stock appreciation right may be granted to any employee under this Plan but the maximum number of shares with respect to which stock options or stock appreciation rights may be granted to any employee in any calendar year shall not exceed five percent (5%) of the number of shares which can be issued or transferred annually hereunder.

4. The aggregate fair market value (determined at the time when the incentive stock option is exercisable for the first time by an employee during any calendar year) of the shares for which any employee may be granted incentive stock options under this Plan and all other stock option plans of the Company and its subsidiaries in any calendar year shall not exceed \$100,000 (or such other amount as reflected in the limits imposed by Section 422(d) of the Internal Revenue Code of 1986, as it may be amended from time to time).

5. If the Committee grants incentive stock options, all such stock options shall contain such provisions as permit them to qualify as "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as may be amended from time to time.

6. With respect to stock options granted in tandem with or parallel to stock appreciation rights, the exercise of either such stock options or such stock appreciation rights will result in the simultaneous cancellation of the same number of tandem or parallel stock appreciation rights or stock options, as the case may be.

7. The exercise price for all stock options and stock appreciation rights shall be established by the Committee at the time of their grant and shall be not less than one hundred percent (100%) of the fair market value of the Common Stock of the Company on the date of grant.

ARTICLE G -- Exercise of Stock Options and Stock Appreciation Rights.

1. All stock options and stock appreciation rights granted hereunder shall have a maximum life of no more than fifteen (15) years from the date of grant; provided, however, that any stock options or stock appreciation rights with a life of more than ten (10) years from the date of grant that have been conditionally granted to the Chief Executive or to any other executive officer subject to the provisions of Section 162(m) of the Internal Revenue Code and subject to taxation under United States law, as it may be amended from time to time, prior to the annual meeting of shareholders scheduled for October 12, 1999 shall automatically be canceled effective October 12, 1999 if the shareholders do not adopt a resolution at such annual meeting approving grants to such officers with a maximum life of up to fifteen (15) years from the date of grant.

2. No stock options or stock appreciation rights shall be exercisable within one (1) year from their date of grant, except in the case of the death of the recipient.

3. During the lifetime of the recipient, stock options and stock appreciation rights may be exercised only by the recipient personally, or, in the event of the legal incompetence of the recipient, by the recipient's duly appointed legal guardian.

4. In case a recipient of stock options or stock appreciation rights ceases to be an employee of the Company or any of its subsidiaries while holding an unexercised stock option or stock appreciation right:

(a) Any unexercisable portions thereof are then void, except in the case of: (1) death of the recipient; (2) any Special Separation (as defined in section 6 of this Article G) that occurs more than six months from the date the options were granted; or (3) any option as to which the Committee has waived, at the time of grant, the provisions of this Article G, paragraph 4(a) pursuant to the authority granted by Article B, paragraph 3.

(b) Any exercisable portions thereof are then void, except in the case of death, retirement in accordance with the provisions of any appropriate profit sharing or retirement plan of the Company or any of its subsidiaries, or Special Separation (as defined in section 6 of this Article G) of the recipient.

5. In the case of the death of a recipient of stock options or stock appreciation rights while an employee of the Company or any of its subsidiaries, the persons to whom the stock options or stock appreciation rights have been transferred by will or the laws of descent and distribution shall have the privilege of exercising remaining stock options, stock appreciation rights or parts thereof, whether or not exercisable on the date of death of such employee, at any time prior to the expiration date of the stock options or stock appreciation rights.

6. Termination of employment under the permanent disability provision of any appropriate profit sharing or retirement plan of the Company or any of its subsidiaries shall be deemed the same as retirement. Special Separation means any termination of employment, except a termination for cause or a voluntary resignation that is not initiated or encouraged by the Company, that occurs prior to the time a recipient is eligible to retire. The death of a recipient of stock options or stock appreciation rights subsequent to retirement or Special Separation shall not render exercisable stock options or stock appreciation rights which were unexercisable at the time of the retirement or Special Separation. The persons to whom the exercisable stock options or stock appreciation rights have been transferred by will or the laws of descent and distribution shall have the privilege of exercising such remaining stock options, stock appreciation rights or parts thereof, at any time prior to the expiration date of the stock options or stock appreciation rights.

7. Stock options and stock appreciation rights are not transferable other than by will or by the laws of descent and distribution. For the purpose of exercising stock options or stock appreciation rights after the death of the recipient, the duly appointed executors and administrators of the estate of the deceased recipient shall have the same rights with respect to the stock options and stock appreciation rights as legatees or distributees would have after distribution to them from the recipient's estate.

8. Upon the exercise of stock appreciation rights, the recipient shall be entitled to receive a redemption differential for each such stock appreciation right which shall be the difference between the then fair market value of one share of the Common Stock of the Company and the exercise price of one stock appreciation right then being exercised. In the case of the redemption of stock appreciation rights 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. As determined by the Committee, the redemption differential may be paid in cash, Common Stock of the Company to be valued at its fair market value

on the date of exercise, any other mode of payment deemed appropriate by the Committee or any combination thereof. The number of shares with respect to which stock appreciation rights are being exercised shall not be available for granting future stock options or stock appreciation rights under this Plan.

9. The Committee may, in its sole discretion, permit a stock option which is being exercised either (a) by an optionee whose retirement is imminent or who has retired or (b) after the death of the optionee, to be surrendered, in lieu of exercise, for an amount equal to the difference between the stock option exercise price and the fair market value of shares of the Common Stock of the Company on the day the stock option is surrendered, payment to be made in shares of the Company's Common Stock which are subject to this Plan valued at their fair market value on such date, cash, or a combination thereof, in such proportion and upon such terms and conditions as shall be determined by the Committee. The difference between the number of shares subject to stock options so surrendered and the number of shares, if any, issued upon such surrender shall represent shares which shall not be available for granting future stock options under this Plan.

10. Time spent on leave of absence shall be considered as employment for the purposes of this Plan. Leave of absence means any period of time away from work granted to any employee by his or her employer because of illness, injury, or other reasons satisfactory to the employer.

11. The Company reserves the right from time to time to suspend the exercise of any stock option or stock appreciation right where such suspension is deemed by it necessary or appropriate for corporate purposes. No such suspension shall extend the life of the stock 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 H -- Payment for Stock Options.

Upon the exercise of a stock option, payment in full of the exercise price shall be made by the optionee. As determined by the Committee, the stock option exercise price may be paid for by the optionee either in cash, shares of the Common Stock of the Company to be valued at their fair market value on the date of exercise, a combination thereof, or such other method as determined by the Committee.

ARTICLE I -- Transfer of Shares.

1. The Committee may transfer Common Stock of the Company under the Plan subject to such conditions or restrictions, if any, as the Committee may determine. The conditions and restrictions may vary from time to time and with respect to particular employees or group of employees and may be set forth in agreements between the Company and the employee or in the awards of stock to them, all as the Committee determines. It is contemplated that the conditions and restrictions established by the Committee will be consistent with the objectives of this Plan and may be of the following types. In giving these examples, it is not intended to restrict the Committee's authority to impose other restrictions or conditions, or to waive restrictions or conditions under circumstances deemed by the Committee to be appropriate and not contrary to the best interests of the Company.

(a) Restrictions

The employee will not be able to sell, pledge, or dispose of the shares during a specified period except in accordance with the agreement or award. Such restrictions will lapse either after a period of, for example, five years, or in fifteen or fewer annual installments following retirement or termination of employment, as the Committee from time to time may determine. However, upon the transfer of shares subject to restrictions, an employee will have all incidents of ownership in the shares, including the right to dividends (unless otherwise restricted by the Committee), to vote the shares, and to make gifts of them to family members (still subject to the restrictions).

(b) Lapse of Restrictions

In order to have the restrictions lapse, an employee may be required to continue in the employ of the Company or a subsidiary for a prescribed period of time. Exemption from this requirement may be prescribed in the case of death, disability, or retirement, or as otherwise prescribed by the Committee.

ARTICLE J -- Adjustments.

In the event of any future reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, rights offering, share exchange, reclassification, distribution, spin-off or other change affecting the corporate structure, capitalization or Common Stock of the Company occurring after the date of approval of the Plan by the Company's shareholders,

(i) the amount of shares authorized to be issued under the Plan and (ii) the number of shares and/or the exercise prices covered by outstanding stock options and stock appreciation rights shall be adjusted appropriately and equitably to prevent dilution or enlargement of rights under the Plan. Following any such change, the term "Common Stock" shall be deemed to refer to such class of shares or other securities as may be applicable.

ARTICLE K -- Additional Provisions.

1. The Board may, at any time, repeal this Plan or may amend it from time to time except that no such amendment may amend this paragraph, increase the annual aggregate number of shares subject to this Plan, reduce the price at which stock options or stock appreciation rights may be granted, exercised, or surrendered, alter the class of employees eligible to receive stock options, or increase the percentage of shares authorized to be transferred as restricted or unrestricted stock. The recipient of awards under this Plan and the Company shall be bound by any such amendments as of their effective dates, but if any outstanding stock options or stock appreciation rights are affected, notice thereof shall be given to the holders of such stock options and stock appreciation rights and such amendments shall not be applicable to such holder without his or her written consent. If this Plan is repealed in its entirety, all theretofore granted unexercised stock options or stock appreciation rights shall continue to be exercisable in accordance with their terms and shares subject to conditions or restrictions transferred pursuant to this Plan shall continue to be subject to such conditions or restrictions.

2. In the case of an employee of a subsidiary company, performance under this Plan, including the transfer of shares of the Company, may be by the subsidiary. Nothing in this Plan shall affect the right of the Company or any subsidiary to terminate the employment of any employee with or without cause. None of the participants, either individually or as a group, and no beneficiary or other person claiming under or through any participant, shall have any right, title, or interest in any shares of the Company purchased or reserved for the purpose of this Plan except as to such shares, if any, as shall have been granted or transferred to him or her. Nothing in this Plan shall preclude the issuance or transfer of shares of the Company to employees under any other plan or arrangement now or hereafter in effect.

3. "Subsidiary" means any company in which greater than fifty percent (50%) of the total combined voting power of all classes of stock is owned, directly or indirectly, by the Company. In addition, the Board may designate for participation in this Plan as a "subsidiary," except for the granting of incentive stock options, those additional companies affiliated with the Company in which the Company's direct or indirect stock ownership is less than fifty percent (50%) of the total combined voting power of all classes of such company's stock.

4. Notwithstanding anything to the contrary in the this Plan, stock options and stock appreciation rights granted hereunder shall vest immediately and any conditions or restrictions on Common Stock shall lapse upon a "Change in Control." A "Change in Control" shall mean the occurrence of any of the following:

- (a) An acquisition (other than directly from the Company) of any voting securities of the Company (the "Voting Securities") by any "Person" (as the term person is used for purposes of Section 13(d) or 14(d) of the Exchange Act), immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of twenty percent (20%) or more of the then outstanding Shares or the combined voting power of the Company's then outstanding Voting Securities; *provided, however*, in determining whether a Change in Control has occurred pursuant to this Section 4(a), Shares or Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A "Non-Control Acquisition" shall mean an acquisition by (i) an employee benefit plan (or a trust forming a part thereof) maintained by (A) the Company or (B) any corporation or other Person of which a majority of its voting power or its voting equity securities or equity interest is owned, directly or indirectly, by the Company (for purposes of this definition, a "Related Entity"), (ii) the Company or any Related Entity, or (iii) any Person in connection with a "Non-Control Transaction" (as hereinafter defined);
- (b) The individuals who, as of July 11, 2000 are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least half of the members of the Board; or, following a Merger (as hereinafter defined) which results in a Parent Corporation (as hereinafter defined), the board of directors of the ultimate Parent Corporation; *provided, however*, that if the election, or nomination for election by the Company's common stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Plan, be considered as a member of the Incumbent Board; *provided further, however*, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(c) The consummation of:

- (i) A merger, consolidation or reorganization with or into the Company or in which securities of the Company are issued (a "Merger"), unless such Merger is a "Non-Control Transaction." A "Non-Control Transaction" shall mean a Merger where:
 - (A) the stockholders of the Company, immediately before such Merger own directly or indirectly immediately following such Merger at least fifty percent (50%) of the combined voting power of the outstanding voting securities of (x) the corporation resulting from such Merger (the "Surviving Corporation") if fifty percent (50%) or more of the combined voting power of the then outstanding voting securities of the Surviving Corporation is not Beneficially Owned, directly or indirectly by another Person (a "Parent Corporation"), or (y) if there is one or more Parent Corporations, the ultimate Parent Corporation;
 - (B) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such Merger constitute at least half of the members of the board of directors of (x) the Surviving Corporation, if there is no Parent Corporation, or (y) if there is one or more Parent Corporations, the ultimate Parent Corporation; and
 - (C) no Person other than (1) the Company, (2) any Related Entity, (3) any employee benefit plan (or any trust forming a part thereof) that, immediately prior to such Merger was maintained by the Company or any Related Entity, or (4) any Person who, immediately prior to such merger, consolidation or reorganization had Beneficial Ownership of twenty percent (20%) or more of the then outstanding Voting Securities or Shares, has Beneficial Ownership of twenty percent (20%) or more of the combined voting power of the outstanding voting securities or common stock of (x) the Surviving Corporation if there is no Parent Corporation, or (y) if there is one or more Parent Corporations, the ultimate Parent Corporation;
- (ii) A complete liquidation or dissolution of the Company; or
- (iii) The sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Related Entity or under conditions that would constitute a Non-Control Transaction with the disposition of assets being regarded as a Merger for this purpose or the distribution to the Company's stockholders of the stock of a Related Entity or any other assets).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the then outstanding Shares or Voting Securities as a result of the acquisition of Shares or Voting Securities by the Company which, by reducing the number of Shares or Voting Securities then outstanding, increases the proportional number of shares Beneficially Owned by the Subject Persons, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Shares or Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Shares or Voting Securities which increases the percentage of the then outstanding Shares or Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur.

ARTICLE L -- Consent.

Every recipient of a stock option, stock appreciation right, or transfer of shares pursuant to this Plan shall be bound by the terms and provisions of this Plan and of the stock option, stock appreciation right, or transfer of shares agreement referable thereto, and the acceptance of any stock option, stock appreciation right, or transfer of shares pursuant to this Plan shall constitute a binding agreement between the recipient and the Company and its subsidiaries and any successors in interest to any of them. This Plan shall be governed by and construed in accordance with the laws of the State of Ohio, United States of America.

ARTICLE M -- Duration of Plan.

This Plan will terminate on July 14, 2002 unless a different termination date is fixed by the shareholders or by action of the Board of Directors, but no such termination shall affect the prior rights under this Plan of the Company (or any subsidiary) or

of anyone to whom stock options or stock appreciation rights were granted prior thereto or to whom shares have been transferred prior to such termination.

ADDITIONAL INFORMATION

1. Shares Awarded as a Portion of Remuneration

Any shares of Common Stock of the Company awarded as a portion of a participant's remuneration shall be valued at not less than one hundred percent (100%) of the fair market value of the Company's Common Stock on the date of the award. These shares may be subject to such conditions or restrictions as the Committee may determine, including a requirement that the participant remain in the employ of the Company or one of its subsidiaries for a set period of time, or until retirement. Failure to abide by any applicable restriction will result in forfeiture of the shares.

2. Tax Effects

Incentive Stock Options

With regard to tax effects which may accrue to the optionee, counsel advises that if the optionee has continuously been an employee from the time an option has been granted until at least three months before it is exercised, under existing law no taxable income results to the optionee from the exercise of an incentive stock option at the time of exercise. However, the spread at exercise is an "adjustment" item for alternative minimum tax purposes.

Any gain realized on the sale or other disposition of stock acquired on exercise of an incentive stock option is considered as long-term capital gain for tax purposes if the stock has been held more than two years after the date the option was granted and more than one year after the date of exercise of the option. If the stock is disposed of within one year after exercise, the lesser of any gain on such disposition or the spread at exercise (i.e., the excess of the fair market value of the stock on the date of exercise over the option price) is treated as ordinary income, and any appreciation after the date of exercise is considered long-term or short-term capital gain to the optionee depending on the holding period prior to sale. However, the spread at exercise (even if greater than the gain on the disposition) is treated as ordinary income if the disposition is one on which a loss, if sustained, is not recognized--e.g., a gift, a "wash" sale or a sale to a related party. The amount of ordinary income recognized by the optionee is treated as a tax deductible expense to the Company. No other amount relative to an incentive stock option is a tax deductible expense to the Company.

Nonstatutory Stock Options

With regard to tax effects which may accrue to the optionee, counsel advises that under existing tax law gain taxable as ordinary income to the optionee is deemed to be realized at the date of exercise of the option, the gain on each share being the difference between the market price on the date of exercise and the option price. This amount is treated as a tax deductible expense to the Company at the time of the exercise of the option. Any appreciation in the value of the stock after the date of exercise is considered a long-term or short-term capital gain to the optionee depending on whether or not the stock was held for the appropriate holding period prior to sale.

Stock Appreciation Rights

With regard to tax effects which may accrue to the recipient, counsel advises that "United States persons," as defined in the Internal Revenue Code of 1986 (the "I.R.C."), must recognize ordinary income as of the date of exercise equal to the amount paid to the recipient, i.e., the difference between the grant price and the value of the shares on the date of exercise.

Shares Awarded as a Portion of Remuneration

With regard to tax effects which may accrue to the recipient, counsel advises that "United States persons" as defined in the Internal Revenue Code of 1986 (the "I.R.C."), must recognize ordinary income in the first taxable year in which the recipient's rights to the stock are transferable or are not subject to a substantial risk of forfeiture, whichever is applicable. Recipients who are "United States persons" may also elect to include the income in their tax returns for the taxable year in which they receive the shares by filing an election to do so with the appropriate office of the Internal Revenue Service within 30 days of the date the shares are transferred to them.

The amount includable in income is the fair market value of the shares as of the day the shares are transferable or not subject to a substantial risk of forfeiture, whichever is applicable; if the recipient has elected to include the income in the year in which the shares are received, the amount of income includable is the fair market value of the shares at the time of transfer.

For non-United States persons, the time when income is realized, its measurement and its taxation, will depend on the laws of the particular countries in which the recipients are residents and/or citizens at the time of transfer or when the shares are first transferable and not subject to a substantial risk of forfeiture, as the case may be. "United States persons" who receive shares awarded as a portion of remuneration may also have tax consequences with respect to the receipt of shares or the expiration of restrictions or substantial risk of forfeiture on such shares under the laws of the particular country other than the United States of which such person is a resident or citizen.

Notwithstanding the above advice received by the Company, it is each individual recipient's responsibility to check with his or her personal tax adviser as to the tax effects and proper handling of stock options, stock appreciation rights and Common Stock acquired. The above advice relates specifically to the U.S. consequences of stock options, stock appreciation rights and Common Stock acquired, including the U.S. consequences to "United States persons" whether or not resident in the U.S. In addition to U.S. tax consequences, for all persons who are not U.S. residents, the time when income, if any, is realized, the measurement of such income and its taxation will also depend on the laws of the particular country other than the U.S. of which such persons are resident and/or citizens at the time of grant or the time of exercise, as the case may be.

The Plan is not subject to the qualification requirements of Section 401(a) of the I.R.C.

3. Employee Retirement Income Security Act of 1974

The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended.

4. Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission (File No. 1-434) pursuant to the 1934 Act are incorporated into this document by reference:

1. The Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2001;
2. The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001; and
3. All other documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the 1934 Act after the date of this Prospectus and prior to the filing of a post-effective amendment which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold.

The Company will provide without charge to each participant in the Plan, upon oral or written request, a copy of any or all of these documents other than exhibits to such documents, unless such exhibits are specifically incorporated by reference into such documents. In addition, the Company will provide without charge to such participants a copy of the Company's most recent annual report to shareholders, proxy statement, and other communications distributed generally to security holders of the Company. Requests for such copies should be directed to Mr. James C. Ashley, Manager, Shareholder Services, The Procter & Gamble Company, P.O. Box 5572, Cincinnati, Ohio 45201, (513) 983-3413.

5. Additional Information

Additional information about the Plan and its administrators may be obtained from Mr. Terry L. Overbey, Secretary, The Procter & Gamble Company, One Procter & Gamble Plaza, Cincinnati, Ohio 45202, (513) 983-4463.

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Section 4: EX-10.3 (THE P&G EXECUTIVE GROUP LIFE INSURANCE POLICY)

EXHIBIT (10-3)

The Procter & Gamble Executive Group Life Insurance Policy

1997 Policy

MEMORANDUM OF UNDERSTANDING

This memorandum dated as of December 30, 1997, reflects the understanding and agreement between The Procter & Gamble Company as policyholder ("Policyholder/P&G") of a Flexible Premium Group Variable Life Insurance Policy (the "Policy") and Metropolitan Life Insurance Company ("Carrier/Metropolitan").

Policyholder and Carrier understand and agree that the following is in no way inconsistent with the Policy:

Qualification of the Policy as Life Insurance (IRC Sections 7702 and 101)

Assuming insurable interest by the Policyholder, Carrier will administer the Policy to qualify as a life insurance contract under Section 7702 of the Internal Revenue Code (the "IRC"), to have a bona fide element of risk, and to provide death benefits under the Policy that will be excludible from taxable income to the extent provided under IRC section 101(a). On or before the date of this memorandum, Carrier has provided an opinion from outside counsel addressed to Policyholder that the Policy complies with the requirements of section 7702.

Qualification of the Policy as a Variable Contract

Subject to the conditions stated below, Carrier will administer the Policy to (a) be a "variable contract" within the meaning of Section 817(d) of the Internal Revenue Code and (b) be based on one or more segregated asset accounts, the assets of which are owned by Carrier and are adequately diversified, as required by Internal Revenue Code Section 817(h).

Policyholder may determine the percentage of premium payments and/or policy cash value that is allocated to a specific separate account and will have the right to reallocate amounts among the separate accounts as provided in the Policy. The Policyholder shall not have the right to manage the assets of the separate accounts or to direct the purchase or sale of specific investment assets and will not communicate directly or in any manner with respect to these separate accounts with any of the managers or sub investment managers of the separate accounts.

Metropolitan will be the investment manager for any Separate Accounts under this Policy. Separate Accounts may have sub-investment managers chosen by Metropolitan.

The Policy will state that the assets held in each Separate Account will be maintained solely for the liabilities of the participants in that Separate Account. The Carrier will make provision that the income, gains and losses of each Separate Account shall be credited to or charged against that Separate Account's assets and none of the assets held in a Separate Account will be charged as chargeable with liabilities arising out of any other business of the Carrier or used for purposes unrelated to the terms and provisions of that Separate Account. On or before the date of this memorandum, Carrier has provided a letter from its counsel addressed to Policyholder on these issues.

Underwriting

Based on the census in the November 11, 1998 illustrations, current participants who are domestic actives and retirees will be covered under Carrier's Guaranteed Issue program for the plan benefit and cost recovery amounts in effect on the date the Policy is issued.

Future new participants will be subject to the following "Active at Work" criteria:

- not been absent from work due to illness or medical treatment for a period of more than 5 consecutive days in the last 3 months; and
- are actively at work, full time performing all duties of regular occupation, at customary place of employment.

The guaranteed issue limit upon entry into the plan by new participants will be \$2 million. Based on the current plan design, death benefits under the Policy may be increased without additional underwriting:

by reason of promotional increases verified by P&G, and

by up to 15% per year (with any unused portion of such increment rolling forward for five years on a cumulative basis) to reflect compensation (salary and bonus) increases,

subject to a lifetime guaranteed issue limit of \$5,000,000 per life, which limit will be reviewed at least every five years and (absent retention, reinsurance or adverse selection constraints) adjusted to accommodate anticipated plan benefit and cost recovery amounts. Amounts in excess of the guaranteed issue limits will, at Carrier's request, be subject to underwriting.

Carrier will not deny claims by reason of the suicide exclusion provision of the Policy. Carrier acknowledges, accepts and agrees to be bound by consents to insurance, beneficiary designations and assignments in effect under P&G's executive life insurance program.

Cost of Term Insurance Charges

The Cost of Term Insurance charges ("COI") for the current active population and new entrants (meeting the "active at work" requirements) will be based on 90% of Carrier's current Corporate Universal Life Guaranteed Issue, Sex Distinct, Unismoker rates. The current retirees will have rates equal to 120% of Carrier's Corporate Universal Life Guaranteed Issue, Sex Distinct, Unismoker rates.

P & G will have COI rates equal to the foregoing unless Carrier's Corporate Universal Life Guaranteed Issue, Sex Distinct, Unismoker rates are increased to the maximum rates of 1980 CSO table (Table A for males and Table G for females). Only at that time will the rates under this Policy for actives and new entrants be increased to up to 100% of Corporate Universal Life Guaranteed Issue, Sex Distinct, Unismoker rates, with a corresponding change in the COI for current retirees. Any future changes in COI rates will be determined based on changes in Corporate Universal Life Guaranteed Issue Rates. Metropolitan shall inform the Policyholder in writing at least 60 days in advance of any changes in such rates.

The Guaranteed Issue, Sex Distinct COI rates are the rates that Metropolitan charges in Individual Executive Pooled Policies which are selected by the Guaranteed Issue Underwriting procedure and are filed with the state Insurance Departments. The Corporate Universal Life Product is one of those policies included in this pool. Any changes in these rates are required to be filed with the state Insurance Departments and must be justifiable in terms of experience of the Guaranteed Issue mortality pool. Therefore, the insured employees of this Policy join the mortality pool which is the aggregate of all insured executives who are selected by the Guaranteed Issue Underwriting procedure. The future determination of the COI of this pool is by the mortality experience of the pool in total and is not by the mortality experience of each case or a subgroup of insured lives of the pool. Any changes in these rates must apply to all policies which are charged the Guaranteed Issue COI rates, including the Policy.

Upon reasonable notice from Policyholder, Metropolitan will develop COI charges, retention and retrospective deductions based on the demographics of insured lives in the plan at that time.

The guaranteed maximum COI will never exceed those based on the 1980 CSO Table (Table A for males and Table G for females).

Enhanced Policy Administration

At Policyholder's request, Carrier will provide enhanced administrative services with respect to the Policy. Such services will include:

A. Program Analysis

1. Prepare feasibility studies and recommendations of various funding level alternatives.
2. Provide financial analysis of the program.

B. Program Establishment

1. Provide specimen documents to and reviewing specimen documents with Policyholder's legal counsel and auditors.
2. Prepare financial projections and, where applicable, proxy statement text with respect to the program.
3. Coordinate and establish program implementation and administration, and set up records and other systems for the program.
4. Process section 1035 exchange.

C. Program Documentation. Provide program documentation, including:

1. Program explanation (including original assumptions).
2. Insurance schedule.
3. Funding assumptions and corporate composite projections.
4. Participant census.
5. Individual participant information.
6. Definition of Payment procedures.
 - a. Premiums
 - b. Death benefits
 - c. Withdrawals/surrenders
 - d. Loans

D. Program Servicing

1. Provide periodic reports on program and policy financial status.
2. Provide information for possible program modifications.
3. Provide ongoing program coordination.
4. Compile updated program data with assistance from Policyholder.
 - a. New participants
 - b. Terminations
 - c. Retirees
 - d. Deaths
5. Determine current and ongoing funding requirements.
6. Assist with enrollment of new participants.
7. Prepare detailed annual reviews of program experience to include:
 - a. Corporate composite projections
 - b. Program participant census including insurance amount
8. Compile composite billing for program.
9. Timely provide assistance to accountants and auditors for reporting program transactions on financial statements and or tax return and other reports or analyses as reasonably required from time to time by Policyholder.
10. Advise the Policyholder of transactions necessary or desirable to meet program goals and commitments.
11. Execute quarterly social security sweeps.
12. Annually determine and provide to Policyholder the amount of imputed taxable income for each participant.

13. Conduct annual performance review.

E. Performance Criteria

Carrier's enhanced policy administration will be subject to performance criteria mutually agreed by Carrier and Policyholder from time to time.

F. Termination of Enhanced Policy Administration

Policyholder may terminate Carrier's enhanced policy administration at any time on written notice.

Policy Expenses

Front End Load Charges

1. State Premium Tax - state premium tax will be handled as a pass-through. Taxes will be assessed based upon the Insureds' state of residence as of the date of issue of the Policy.
2. Policy DAC Tax -1.20%
3. Other Charge - if enhanced policy administration is in effect, a one time set-up charge of \$100,000 in the aggregate for all Policies in the program, in the first policy year.

Mortality and Expense (M&E) Charge

The M&E risk charge is assessed against the average monthly value of the total policy cash value in all separate accounts and is deducted monthly. The following M&E risk charge is based upon a 4-tier sliding scale and applies for any period when enhanced policy administration is in effect:

First \$50 million	0.250%
Next \$200 million	0.150%
Next \$250 million	0.125%
Over \$500 million	0.100%

Under the foregoing schedule, Carrier will not take into consideration the combined assets in both policies (VEBA Plan and the Split Dollar Plan) for purposes of calculating the monthly M&E expenses for this Policy. Carrier would, however, take the assets under this Policy into consideration when determining the M&E under the VEBA policy.

For any period when enhanced policy administration is not in effect, the M&E risk charge is as follows:

First \$250 million	1.750%
Next \$500 million	0.150%
Next \$250 million	0.125%
Over \$1000 million	0.100%

Under this schedule, Carrier will take into consideration the combined assets on both policies (VEBA Plan and the Split Dollar Plan) in calculating the monthly M&E risk charge for both policies.

Investment Management Fees

Investment management fees for each separate account are assessed against the average monthly value of the policy cash value in a separate account. In calculating the monthly fee per separate account Carrier will take into consideration the combined assets in both policies (VEBA Plan and the Split Dollar Plan) which are invested in the same separate account(s). The investment management fees for the current commingled separate accounts can be found in the Offering Memorandum.

Custody and Securities Accounting/Valuation

There are no separate charges for these functions for the commingled separate accounts. However, there are pass through charges for these functions for single customer accounts.

Policy Administration Charge

Currently, and as illustrated, the Policy Administration Charge is a per insured life charge of \$5.00 per month in all policy years. The current charge may be reduced by the Carrier from time to time, and reductions in the Carrier's costs incurred to service the Policy will be commensurately reflected in the current charge. The guaranteed maximum monthly charge for administration is \$5.00 per insured.

Changes in Pricing for Other Than the Cost of Insurance Charges

Carrier will not change the charges or fees related to factors under its control. Changes based on external factors may be reflected in the Policy.

For purposes of this paragraph, Carrier's profit goals and the contribution of Specialized Benefit Resources organization to overhead are not external factors. The external factors that may be reflected include (i) Federal and State legislation and state insurance statutory and regulatory changes, and (ii) after the first three policy years, increase in investment management, custody and securities accounting/valuation charges pertaining to P&G single-customer accounts by the providers of these services.

Any increase in price due to external factors will be documented and the price increase, if appropriate, will be only to recover the increased cost of the Carrier. With respect to any increase in charges pursuant to this section, P&G may audit the relevant records of Metropolitan pursuant to an appropriate nondisclosure document.

Governing Law

The validity, construction, interpretation, and effect of this memorandum of understanding and the Policy shall be governed by the laws of the state of Ohio, without regard to Ohio's choice of law rules.

Changes to this Memorandum

Except with respect to changes mandated by state and federal law and as otherwise specifically provided in this Memorandum or the Policy, this Memorandum may be changed only by mutual agreement among the affected parties.

Notices

Unless and until the parties give written notice otherwise, whenever this Memorandum provides for notices or consents in writing to be given by one of the parties hereto to the other, such notices or consent will be given when addressed and delivered to the following or their successors:

(1) The Procter & Gamble Company
Global Pensions
Two Procter & Gamble Plaza
Cincinnati, Ohio 45202-3315
Attn: [name]

(2) Metropolitan Life Insurance Co.
Specialized Benefit Resources
485B Route One South, Suite 420
Iselin, New Jersey 08830
Attn:[name]

All such notices or consents must be sent by U.S. Certified Mail, Return Receipt Requested.

Agreed:

THE PROCTER & GAMBLE COMPANY

METROPOLITAN LIFE INSURANCE COMPANY

By: /s/ C. S. Clark

By: /s/ John J. Ryan

Group Manager Global Pensions
(Title)

Vice President
(Title)

C.S. Clark
(Print or Type Name)

John J. Ryan
(Print of Type Name)

Dec. 30, 1997
(Date)

Dec. 30, 1997
(Date)

AMENDMENT TO MEMORANDUM OF UNDERSTANDING

Any references to the Cost of Tenn Insurance charges in the Memorandum of Understanding dated December 30, 1997 should be amended to read Carrier's current Corporate Universal Life Guaranteed Issue, Unisex, Unismoke rates.

Agreed:

THE PROCTER & GAMBLE COMPANY

METROPOLITAN LIFE INSURANCE COMPANY

March 30, 1998

AMENDMENT TO MEMORANDUM OF UNDERSTANDING

The following amends the Memorandum of Understanding between The Procter & Gamble Company as policyholder ("Policyholder") and Metropolitan Life Insurance Company ("Carrier") dated December 30, 1997, as amended March 30, 1998.

All defined terms in this Amendment have the same meaning as in the Memorandum of Understanding.

Underwriting - this section is removed in its entirety from the Memorandum of Understanding and is substituted as follows:

New Participants

New participants eligible for insurance on or after January 1, 2009 ("New Participants") will be covered under Group Policy 191526-G (the "New Policy"). New Participants will be subject to the following "Active at Work" criteria:

- not been absent from work due to illness or medical treatment for a period of more than 5 consecutive days in the last 3 months; and
- are actively at work, full time performing all duties of regular occupation, at customary place of employment.

The guaranteed issue limit upon entry into the plan by New Participants will be \$2 million of Specified Face Amount.

Increases in Specified Face Amounts

Based upon current plan design and consistent with our underwriting criteria since 2002, the Specified Face Amounts may be increased without additional underwriting:

- For Active Employees, by up to 25% per year (any unused portion will not be cumulative) to reflect compensation increases, promotional increases and corporate cost recovery amounts.
- For Retired Employees, by up to 25% per year (any unused portion will not be cumulative) to reflect corporate cost recovery amounts.
- For Active and Retired Employees whose compensation is not denominated in U.S. dollar, the Specified Face Amounts may be adjusted to reflect the foreign exchange rate of their home currency.

Increases in Specified Face Amount issued on a Guaranteed Issue basis will be allowed up to maximum total coverage of \$5,000,000. For Active Employees, these Guaranteed Issue increases will be applicable so long as the insured meets the "Active at Work" criteria described under New Participants and is still eligible for the plan and the plan is still in effect. For Retired Employees, these Guaranteed Issue increases will be applicable if the insured is still eligible for the plan and the plan is still in effect. For the Retired Employees, these Guaranteed Issue increases are not subject to the "Active at Work" criteria described under New Participants.

Annual increases in excess of 25% will require documentation explaining the reason for the increase, in a letter endorsed by a representative of the company who has been designated by a Procter & Gamble Company Officer as an authorized signor for such purposes, for review and consideration by MetLife's underwriters and may require supporting evidence of insurability. These types of increases are subject to the Carrier's current underwriting requirements. In no instance may the total coverage in force exceed \$5,000,000.

Carrier will not deny claims by reason of suicide exclusion provision of the Policy. Carrier acknowledges, accepts and agrees to be bound by consents to insurance, beneficiary designations and assignments in effect under Policyholders executive life insurance program.

2. Cost of Term Insurance

The Cost of Term Insurance charges ("COI") for all participants under the New Policy (meeting the "Active at Work" requirements) will be based on 100% of Carrier's current Corporate Universal Life Guaranteed Issue, Unisex, Unismoke rates. The guaranteed maximum COI under the New Policy will never exceed those based on the

2001 CSO (60) Composite U ALB Table.

THE PROCTER & GAMBLE COMPANY METROPOLITAN LIFE INSURANCE COMPANY

2009 Policy

Policyholder: The Procter & Gamble Company

Group Policy No: 191526-G

Date of Issue: January 30, 2009

In consideration of the application of the Policyholder and the payment of contributions as provided herein,

Metlife

Metropolitan Life Insurance Company

New York, New York 10166

(Herein called MetLife)

certifies that the benefits as described herein are provided under and subject to the terms and provisions of this Policy. The Schedule of Exhibits sets forth each Exhibit, which is to be attached to and made a part of this Policy.

/s/ Gwenn L. Carr

Vice-President and Secretary

/s/ Robert Henrikson

President and Chief Executive Officer

Flexible Premium Group Variable Life Insurance Policy

NON-DIVIDEND PAYING

THE BENEFITS IN THIS POLICY ARE ON A VARIABLE BASIS.

THE AMOUNT OR DURATION OF THE DEATH BENEFIT MAY BE FIXED OR VARIABLE UNDER SPECIFIED CONDITIONS.

CASH VALUES MAY INCREASE OR DECREASE IN ACCORDANCE WITH THE EXPERIENCE OF THE SEPARATE ACCOUNTS.

THE DEATH BENEFIT APPLICABLE TO EACH EMPLOYEE COVERED HEREIN MAY BE DETERMINED IN ACCORDANCE WITH THE PROVISIONS OF SECTION 12 OF THIS POLICY.

Section 1. DEFINITIONS

Section 2. ELIGIBILITY AND EFFECTIVE DATES OF INSURANCE

A. ELIGIBILITY FOR INSURANCE

B. EFFECTIVE DATES OF INSURANCE

Section 3. PLAN DEDUCTIONS

Section 4. INVESTMENT MANAGEMENT FEES

Section 5. MORTALITY AND EXPENSE RISK CHARGE

Section 6. COST OF TERM INSURANCE

Section 7. RETROSPECTIVE DEDUCTIONS

Section 8. CONTRIBUTION PAYMENTS

Section 9. FAILURE OF THE POLICYHOLDER TO MAKE CONTRIBUTION PAYMENTS

Section 10. FIXED ACCOUNT

A. VALUE

B. INTEREST RATE

Section 11. SEPARATE ACCOUNTS

A. DESCRIPTION

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A. DESCRIPTION

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Section 14. PAYMENTS DURING AN EMPLOYEE'S LIFETIME

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B. PARTIAL CASH WITHDRAWAL

- C. LOAN
- D. LOAN REPAYMENT
- E. EFFECT OF A LOAN ON THE CASH SURRENDER VALUE
- F. DEFERMENT
- G. RESTRICTIONS ON ACCOUNT REDUCTIONS

Section 15. POLICYHOLDER'S GENERAL RIGHTS

Section 16. RECORDS TO BE MAINTAINED

Section 17. INFORMATION TO BE FURNISHED

Section 18. ENTIRE CONTRACT

Section 19. INCONTESTABILITY; STATEMENTS

Section 20. MISSTATEMENT OF AGE

Section 21. CHANGES IN THE POLICY

Section 22. CHANGES IN POLICY COST FACTORS

Section 23. REPORTS

Section 24. RIGHT TO CHANGE THIS POLICY

Section 25. TERMINATION OF AN EMPLOYEE'S COVERAGE

Section 26. DISCONTINUANCE OF THE POLICY

Section 27. ADDITIONAL PROVISIONS

SCHEDULE OF EXHIBITS

Section 1. DEFINITIONS

1. "Policyholder" is as shown on the first page of this Group Policy.
2. "Employer" is as shown in the Policy Rider attached.
3. "This Plan" means the group insurance plan for insured Employees of the Employer under this Group Policy.
4. "Employee" means a person who is in a class designated as eligible for insurance as described in the Policy Rider attached to this Group Policy as a part hereof.
5. "Specified Face Amount of Insurance" for each Employee is the amount of insurance as filed with the records for the insurance provided under this Group Policy.
6. "Anniversary Date" is the date indicated in the Policy Rider attached.
7. "Monthly Date" means a monthly anniversary date of the Anniversary Date.
8. "Net Contribution" means the contribution received by MetLife on behalf of Employees who are covered under This Plan minus any Front End Load Charge indicated in the Policy Rider attached. The Net Contribution is allocated by the Policyholder to either the Fixed Account, the Separate Account(s), or a combination thereof.
9. "Fixed Account" is the account under this Group Policy to which MetLife will add the payments that the Policyholder allocates thereto. The Fixed Account is part of MetLife's general account.
10. "Separate Account(s)" as described in the Exhibits attached are the investment account(s) under this Group Policy to which MetLife will add the payments that the Policyholder allocates thereto.
11. "Variable Account" is the account under this Group Policy that consists of the Separate Account(s) that are described in the Exhibits attached.
12. "Policy Loan Account" is the account to which MetLife will transfer the amount of any policy loan from the Fixed Account and any Separate Account(s).
13. "Business Day" means a day on which both the New York Stock Exchange and MetLife's Home Office are open for business.
14. "Plan Year" means a period from one Anniversary Date to the following Anniversary Date.
15. "Policy Cash Value" is the sum of: (a) the total cash value in the Fixed Account; (b) the total cash value in the Variable Account; and the total cash value in the Policy Loan Account.
16. "Cash Surrender Value" is the Policy Cash Value, less any Loan and Loan Interest.
17. "Loan and Loan Interest" means the total amount of money borrowed by the Policyholder and the interest due on that borrowed amount.
18. "Account Value" means the part of the Policy Cash Value applicable to an Employee.
19. "Loan Amount" means the part of the Loan and Loan Interest applicable to an Employee.
20. "Cash Amount" means the part of a Cash Withdrawal applicable to an Employee.
21. "Cash Withdrawal" means a full or partial withdrawal of the Cash Surrender Value by the Policyholder.

Section 2. ELIGIBILITY AND EFFECTIVE DATES OF INSURANCE

A. ELIGIBILITY FOR INSURANCE

Each Employee will be eligible for insurance in accordance with the requirements of the Employer. In no event will any Employee become eligible for insurance prior to the Date of Issue.

B. EFFECTIVE DATES OF INSURANCE

Active Work Requirement

The Employee must be Actively at Work in the employ of the Employer in order for the insurance to be effective.

"Actively at Work" means that the Employee is actively at work and physically able to perform all the duties of his occupation.

MetLife reserves the right to change this provision by giving written notice of such change to the Policyholder at least 31 days prior to the date such change is to become effective.

If retirees of an Employer are insured under this Group Policy, the above active work requirement will not apply to such retirees.

Once a year on the Anniversary Date, the Policyholder may add additional Employees to This Plan. These employees must be Actively at Work on such Anniversary Date.

Section 3. PLAN DEDUCTIONS

Plan Deductions are made from each Employee's Account Value for:

the Investment Management Fees, if applicable (see Investment Management Fees below);

the Mortality and Expense Risk Charge, if applicable (see Mortality and Expense Risk Charge below);

the Administration Charge indicated in the Policy Rider attached;

the Cost of Term Insurance for each Employee (See Cost of Term Insurance below); and

the Retrospective Deduction (See Retrospective Deductions below); for the insurance applicable to each of the Employees insured under This Plan.

The Plan Deductions stated above will be charged proportionately to the Fixed Account and/or the Separate Account(s) in which the Policyholder participates. Plan Deductions are made periodically. The Mode of Plan Deduction indicated in the Policy Rider attached will be used.

Section 4. INVESTMENT MANAGEMENT FEES

If the Policyholder participates in one or more Separate Accounts an Investment Management Fee will be charged based upon the Policyholder's participation in the particular Separate Account(s).

The Investment Management Fees are indicated in the Policy Rider attached.

This fee will be deducted periodically by canceling investment units from the Separate Account(s) in which the Policyholder participates. The Mode of Plan Deduction indicated in the Policy Rider attached will be used.

Section 5. MORTALITY AND EXPENSE RISK CHARGE

If the Policyholder participates in one or more Separate Accounts the Mortality and Expense Risk Charge will be charged based upon the gross asset value of the Separate Account(s) in which the Policyholder participates. The Mortality and Expense Risk Charge are indicated in the Policy Rider attached.

This charge will be deducted periodically by canceling investment units from the Separate Account(s) in which the Policyholder participates. The Mode of Plan Deduction indicated in the Policy Rider attached will be used.

Section 6. COST OF TERM INSURANCE

The Cost of Term Insurance on the life of an Employee is equal to the term insurance rate multiplied by each \$1,000 of the amount of term insurance for which the Employee is insured. Term insurance rates will be set by MetLife from time to time based on the Employee's age. The Table of Guaranteed Maximum Rates are shown below. The rates charged will never be more than the maximum rates listed in such Table.

Section 7. RETROSPECTIVE DEDUCTIONS

If the Plan Deductions for the Cost of Term Insurance for each Employee during a Plan Year, are less than the Charges applicable for that time period, a Retrospective Deduction will be made. The Retrospective Deduction will not be more than the Retrospective Deduction Percentage indicated in the Policy Rider attached multiplied by the Cost of Term Insurance. Charges will be determined by Metropolitan and will include items such as claims paid from Metropolitan's funds (including interest thereon), open and unreported claim reserves, approved claim reserves, taxes, pooling, expenses, cash flow and risk charges.

Section 8. CONTRIBUTION PAYMENTS

Planned Contributions as shown in the Policy Rider attached will be payable to MetLife, according to a mode of contribution payments that has been selected by the Policyholder.

The amount of the Planned Contributions may be changed by the Policyholder from time to time.

The Policyholder may skip Planned Contribution payments or change their frequency and amount if the Cash Surrender Value is large enough to pay the next Plan Deduction due.

LIMITS

The Policyholder's first contribution may not be less than the Planned Contribution.

Any contribution that is not a Planned Contribution is an Unplanned Contribution. Unplanned Contributions by the Policyholder cannot be less than the Minimum Unplanned Contribution indicated in the Policy Rider attached.

MetLife reserves the right not to accept an Unplanned Contribution to the Fixed Account for up to 6 months from the date a partial Cash Withdrawal is paid from the Fixed Account to the Policyholder; however MetLife will accept an Unplanned Contribution if such Contribution is needed to keep the insurance coverage in force. See the Partial Cash Withdrawal provision.

Section 9. FAILURE OF THE POLICYHOLDER TO MAKE CONTRIBUTION PAYMENTS

If an Employee's Account Value reduced by any Loan Amount is less than the Plan Deduction due for that Employee, there will be a grace period of 60 days after such date to pay an amount that will cover the Plan Deduction due for that Employee. MetLife will send the Policyholder a notice at the start of the grace period.

If MetLife does not receive a sufficient amount by the end of the grace period, the insurance applicable to such Employee will terminate. If such Employee dies during the grace period, MetLife will pay the Death Benefit applicable to such Employee minus (i) the Loan Amount for such Employee and (ii) the due and unpaid Plan Deduction applicable to such Employee.

If the Cash Surrender Value is less than the Plan Deduction due, there will be a grace period of 60 days after such date to pay an amount that will cover the Plan Deduction due. MetLife will send the Policyholder a notice at the start of the grace period.

If MetLife does not receive a sufficient amount by the end of the grace period, MetLife may discontinue this Group Policy on or after the last day of the grace period. (See the Discontinuance of the Policy provision.) If an insured Employee dies during the grace period, MetLife will pay the Death Benefit minus (i) the Loan Amount for such Employee and (ii) the due and unpaid Plan Deduction applicable to all Employees.

Section 10. FIXED ACCOUNT

A. VALUE

On the Date of Issue the cash value in the Fixed Account applicable to an Employee covered under This Plan is equal to:

1. The portion of the Net Contributions applicable to such Employee which have been paid by the Policyholder and allocated to the Fixed Account;
MINUS
2. The portion of the Plan Deduction applicable to such Employee charged to the Fixed Account on the Date of Issue.

The cash value in the Fixed Account applicable to an Employee covered under This Plan on any day after the Date of Issue is equal to:

1. The portion of the cash value in the Fixed Account applicable to such Employee on the preceding day, with interest on such
PLUS
2. Any portion of the Net Contributions applicable to such Employee paid and allocated to the Fixed Account on that day;
PLUS
3. Any amounts applicable to such Employee transferred by the Policyholder from the Variable Account to the Fixed Account on that day;
PLUS
4. Any loan repayments applicable to such Employee allocated by the Policyholder to the Fixed Account on that day;
PLUS
5. That portion of any interest credited on outstanding loans taken by the Policyholder applicable to such Employee which is allocated to the Fixed Account on that day;
MINUS
6. Any amounts applicable to such Employee transferred by the Policyholder from the Fixed Account to the Variable Account on that day;
MINUS
7. Any Cash Withdrawals applicable to such Employee made by the Policyholder from the Fixed Account on that day;
MINUS
8. Any amounts applicable to such Employee transferred from the Fixed Account to the Policy Loan Account on that day;
MINUS
9. Any Plan Deductions applicable to such Employee which are charged to the Fixed Account on that day.

The cash value in the Fixed Account is equal to the sum of the cash values in the Fixed Account applicable to each Employee covered under This Plan Minus any Death Benefits paid to the Policyholder (see the Death Benefit provision).

B. INTEREST RATE

The Guaranteed Interest Rate for the Fixed Account is at the effective rate of 3% a year. Interest will be credited to the Fixed Account in the manner and at the rates MetLife sets from time to time. Any rates MetLife sets will never be less than the Guaranteed Interest Rate.

Section 11. SEPARATE ACCOUNTS

A. DESCRIPTION

Separate Accounts are investment accounts established and maintained by MetLife, separate from MetLife's general account and other separate investment accounts.

MetLife owns the assets in the Separate Accounts. Assets equal to the reserves and other liabilities of the Separate Accounts will not be charged with liabilities that arise from any other business MetLife conducts. MetLife may from time to time transfer to its general account cash in excess of such reserves and liabilities.

Income and realized and unrealized gains and losses from assets in the Separate Accounts are credited to or charged against the Separate Accounts without regard to MetLife's other income, gains or losses.

The Separate Accounts may be valued at the end of each Business Day or less frequently. In any event, a valuation will be determined as described in the Exhibits attached to this Group Policy.

The Separate Accounts available on the Date of Issue are described in the Exhibits attached as of such date. The initial Separate Account(s) selected by the Policyholder are shown in the Policy Rider attached. MetLife may from time to time make other Separate Accounts available to the Policyholder. MetLife will provide the Policyholder with written notice of all material details including investment objectives and all charges.

Each Separate Account is established and maintained pursuant to the Insurance Law of the State of New York.

B. VALUE

The total cash value in the Variable Account is equal to the sum of the Policyholder's Cash Value in each of the Separate Accounts.

The Policyholder's Cash Value in a Separate Account will be determined by multiplying the number of units owned by the Policyholder in such Separate Account by the unit value of such Separate Account. The unit value of the Separate Account is determined as described in the Exhibits attached to this Group Policy.

Section 12. RIGHT TO CHANGE ALLOCATION

The Policyholder can change the allocation of future Net Contributions among the Fixed Account and/or Separate Account(s). The Policyholder must allocate a minimum amount of Net Contributions to each alternative chosen. Such minimum amount is on file with the records for the insurance provided under this Group Policy. Percentages must be in whole numbers. For example, 33 1/3% may not be chosen. The Policyholder must notify MetLife in writing of a change in the allocation percentages. The change will take effect on the date MetLife receives written notice from the Policyholder at MetLife's Home Office or Administrative Office.

The Policyholder may also change the allocation of the Policy Cash Value. To do this, the Policyholder may transfer amounts among the Fixed Account and/or the Separate Account(s) up to four times in a Plan Year without paying a transfer fee. Any additional transfer will be subject to the Transfer Charge indicated in the Policy Rider attached.

Transfers must be in either dollar amounts or a percentage in whole numbers. The minimum amount that may be transferred is the amount indicated in the Policy Rider attached or, if less, the Cash Value in a Separate Account or the Cash Value in the Fixed Account.

Transfers to or from any part of the Variable Account are subject to the following conditions:

(1) Unless MetLife agrees otherwise, no transfer will be made sooner than 10 Business Days after the date MetLife receives the written request of transfer, or within 10 Business Days after any prior transfer.

(2) Any transfer to or from a Separate Account is subject to any restrictions set out in the applicable Separate Account Exhibit relating to additions thereto or withdrawals there from.

(3) If in MetLife's reasonable judgment any transfer would involve the sale of Separate Account assets for which there is no readily available market, MetLife will defer the withdrawal of all or part of the transfer amount for such period as it deems necessary.

(4) Any transfer to or from any part of the Variable Account will be made in cash.

(5) No transfer to or from any part of the Variable Account will be made on or after the Discontinuance of the Policy. (See the Discontinuance of the Policy provision.)

Transfers may be subject to certain restrictions. (See the Restrictions on Reductions in the Fixed Account provision .)

Section 13. DEATH BENEFIT

A. DESCRIPTION

When MetLife receives satisfactory proof that an Employee whose life is insured under the Group Policy has died, MetLife will pay to the Policyholder:

The Death Benefit in effect on the life of such Employee at the time of death;

MINUS

The Loan Amount.

The amount of Death Benefit on the life of an Employee is the Specified Face Amount of Insurance as filed with the records for insurance provided under this Group Policy, less any Cash Amount taken by the Policyholder. See the Partial Cash Withdrawal provision. The Death Benefit is composed of two parts - Term Insurance and an Account Value. The amount of Term Insurance varies depending upon the amount of the Account Value. The amount of Term Insurance is determined by subtracting the amount of the Account Value from the amount of Death Benefit.

B. MINIMUM DEATH BENEFIT

Notwithstanding any other provision of the Policy, the amount to be paid as a Death Benefit on each insured's life shall never be less than an amount which would allow the portion of the policy attributable to such insured life, and the entire Policy, to be treated as life insurance for federal income tax purposes. In no event will the Death Benefit be less than the amount calculated by multiplying the Account Value applicable to the deceased Employee by the applicable Minimum Death Benefit Factor listed in Section 28 of this Group Policy based on the deceased Employee's attained age as of the most recent Anniversary Date.

Section 14. PAYMENTS DURING AN EMPLOYEE'S LIFETIME

A. MATURITY DATE

If an Employee is alive on the Maturity Date as described in the Policy Rider attached, MetLife will pay to the Policyholder the Account Value applicable to such Employee minus any Loan Amount.

B. PARTIAL CASH WITHDRAWAL

The Policyholder may request a partial Cash Withdrawal. Only four partial Cash Withdrawals each Plan Year may be taken without paying a fee. Any additional partial withdrawals will be subject to the Partial Cash Withdrawal Charge indicated in the Policy Rider attached. Each partial Cash Withdrawal must be at least the Minimum Partial Cash Withdrawal indicated in the Policy Rider attached. The available Cash Surrender Value will be determined as of the date MetLife receives the request. When a partial Cash Withdrawal is made, it will reduce the Cash Surrender Value by the amount of the partial Cash Withdrawal. The withdrawal will be allocated from the Fixed Account and/or any Separate Account(s) in accordance with the Policyholder's request. If no allocation is made, the withdrawal will be allocated proportionately from the Fixed Account and/or any Separate Account(s).

The Maximum Partial Cash Withdrawal during the first Plan Year is the Policyholder's current Cash Surrender Value less the Plan Deduction due in the first Plan Year.

The Maximum Partial Cash Withdrawal at any time after the first Plan Year is the current Cash Surrender Value less the Plan Deductions made for the year preceding the last Anniversary Date.

Cash Withdrawals from the Fixed Account are subject to certain restrictions. (See the Restrictions In The Fixed Account provision.)

The total Specified Face Amounts of Insurance on the lives of all Employees covered under.

This Plan will be concurrently reduced by the total of the amounts withdrawn above, proportionately for each such Employee. However, the Policyholder may request that the partial Cash Withdrawal be made on a basis other than proportionately. MetLife will reduce the Account Values of the affected Employees in accordance with the Policyholder's request. If the Policyholder requests that the partial Cash Withdrawal be made other than proportionately for each Employee covered under This Plan, MetLife will charge the Policyholder an administrative fee.

C. LOAN

The Policyholder may take a loan as described below. The maximum amount available is the Cash Surrender Value less the Plan Deductions made for the year preceding the last Anniversary Date (except in the first Plan Year where the Plan Deductions due in the first Plan Year will be used) and less interest on such loan to the next Plan Anniversary Date at the current loan interest rate. The loan must be for at least the Minimum Loan Amount indicated in the Policy Rider attached.

The loan will be allocated from the Fixed Account and/or the Separate Account(s) in accordance with the Policyholder's request. If no allocation is made, the loan will be allocated proportionately from the Fixed Account and/or the Separate Account(s). Loans from the Fixed Account are subject to certain restrictions. (See the Restrictions On Reductions in the Fixed Account provision.) The Policyholder may request that the loan be made on a basis other than proportionately. MetLife will reduce the Account Values of the affected Employees in accordance with the Policyholder's request. If the Policyholder requests that the loan be made other than proportionately for each Employee covered under This Plan, MetLife may charge the Policyholder an administrative fee.

Loan interest is charged at an adjustable interest rate. This rate will never be more than the maximum permitted by law and will not change more often than once a year on the Anniversary Date.

The rate of interest MetLife sets for a Plan Year may not exceed a maximum limit which is the higher of:

- (a) The Published Monthly Average for the calendar month ending 2 months before the Anniversary Date at the beginning of the Plan Year; or
- (b) The Guaranteed Interest Rate, plus 1%.

The Published Monthly Average means:

- (a) Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc. or any successor to that service; or
- (b) if that average is no longer published, a substantially similar average, established by regulation issued by the insurance supervisory official of the state in which the Group Policy is delivered.

If the Published Monthly Average rate is erroneously reported, the corrected rate will be used.

If the maximum limit for a Plan Year is at least 112% higher than the rate set for the previous Plan Year, MetLife may increase the rate to no more than that limit. If the maximum limit for a Plan Year is at least 1/2% lower than the rate set for the previous Plan Year, MetLife will reduce the rate to at least that limit.

When a loan is made, the Policyholder will be informed of the initial rate applicable to that loan. Advance notice will be given to the Policyholder if there is to be an increase in the rate applicable to an existing loan.

Loan interest is due on each Anniversary Date. Interest not paid when due will be deducted proportionately from the Cash Surrender Value in the Fixed Account and/or the Separate Account(s) and will be transferred to the Policy Loan Account. The amount transferred will be treated as an increase to the loan and will be subject to applicable interest rates.

D. LOAN REPAYMENT

The Policyholder may repay all or part (but not less than the Minimum Loan Repayment indicated in the Policy Rider attached) of a loan while the insurance is in force. MetLife must be notified if the payment is intended as a loan repayment. Otherwise, it will be treated as a Contribution. Loan repayments on loans made on a proportionate basis will be allocated in the same manner as Net Contributions. Loan repayments on loans made on other than a proportionate basis will be allocated as directed by the Policyholder.

Failure to repay a loan or to pay loan interest will not result in Discontinuance Of The Policy unless the Cash Surrender Value is less than the Plan Deduction due. In that case, the provisions in Failure Of The Policyholder To Make Contribution Payments will apply.

If a loan amount is deducted from the Fixed and Separate Accounts applicable to a specific Employee, failure to repay the loan or loan interest will not result in the termination of such Employee's coverage unless the Cash Surrender Value applicable to such Employee is less than the Plan Deduction due for that Employee.

E. EFFECT OF A LOAN ON THE CASH SURRENDER VALUE

When the Policyholder takes a loan, the Cash Surrender Value in the Separate Account(s) equal to the portion of the policy loan allocated to such Separate Account(s), will be transferred to the Policy Loan Account. The Cash Surrender Value in the Fixed Account equal to the portion of the policy loan allocated to that Account will also be transferred to the Policy Loan Account. A proportionate amount of the loan will be applicable to the Fixed and Separate of each Employee who is covered under This Plan. If a loan amount is deducted from the Fixed and Separate Accounts of a specific Employee, the amount of the policy loan applicable to such Employee will be transferred to the Policy Loan Account of that Employee. Amounts in the Policy Loan Account will be credited with interest at the rate MetLife sets. That rate will be based on the rate charged on policy loans, less expenses for such loans, but will never be less than the Guaranteed Interest Rate for the Fixed Account. Interest credited to amounts in the Policy Loan Account will be allocated at least once a year among the Fixed Account and the Separate Account(s) in the same proportions as Net Contributions are then being allocated.

F. DEFERMENT

MetLife reserves the right to defer calculation and payment in the following circumstances:

1. If insurance is in force with a portion of the Cash Surrender Value in a Separate Account, it will generally not be practical to determine the investment experience of such Separate Account during any period when the New York Stock Exchange is closed for trading, or when the Securities and Exchange Commission restricts trading or determines that an emergency exists. In such a case and with respect to such Separate Account, MetLife reserves the right to defer: (a) a change in the allocation among the Separate Accounts; and (b) payment of (i) a Cash Withdrawal, (ii) policy loans and (iii) the Death Benefit.

2. If insurance is in force with a portion of the Cash Surrender Value in the Fixed Account, MetLife may defer paying a Cash Withdrawal from the Fixed Account for up to 6 months from the date MetLife receives a request for payment. If MetLife delays payment for 30 days or more, interest will be paid at a rate not less than 3% a year.

3. MetLife may delay making a loan from the Fixed Account for up to 6 months from the date a loan is requested.

G. RESTRICTIONS ON ACCOUNT REDUCTIONS

The maximum reduction in the portion of the Policy Cash Value in the Fixed Account due to any combination of loans, cash withdrawals or transfers by the Policyholder during a Plan Year is limited to the Maximum Fixed Account Reduction Percentage indicated in the Policy Rider multiplied by the Policy Cash Value in the Fixed Account at the beginning of such period; however, a different maximum fixed account reduction percentage may be used if agreed upon by MetLife and the Policyholder.

Section 15. POLICYHOLDER'S GENERAL RIGHTS

These are the Policyholder's general rights with respect to coverage on Employees' lives under the Group Policy, subject to the provisions of this Group Policy:

- (a) Right to discontinue coverage;
- (b) Right to make Cash Withdrawals;
- (c) Right to obtain loans;
- (d) Right to pay contributions;
- (e) Right to select and to change the allocation of Net Contributions and to transfer the Policy Cash Value between the Fixed Account and the Variable Account.

Section 16. RECORDS TO BE MAINTAINED

Records which relate to the insurance under this Policy will be maintained. Such records will include at least the following:

- (a) The names and ages of all Employees who are insured.
- (b) The amount of insurance in force on each Employee.
- (c) The effective date of each Employee's insurance.
- (d) The effective date of any change in an amount of an Employee's insurance.
- (e) The Policyholder's allocation of Net Contributions.

Such records will be maintained by MetLife; the records may, with the consent of MetLife, be maintained by the Policyholder.

Section 17. INFORMATION TO BE FURNISHED

The Policyholder will furnish to MetLife all of the information which MetLife may reasonably require with regard to the matters which relate to the insurance. The Policyholder will allow MetLife to inspect all documents, books and records of the Policyholder which relate to the insurance or to the contributions.

Section 18. ENTIRE CONTRACT

This Policy including all Policy Riders and Exhibits attached hereto, and the application of the Policyholder constitute the entire contract between the parties. A copy of the application is attached to this Policy.

Section 19. INCONTESTABILITY; STATEMENTS

Any statement made by the Policyholder or by an Employee will be deemed a representation and not a warranty. No such statement will avoid the insurance or reduce the benefits under this Policy or be used in defense to a claim under this Policy unless it is contained in a written application. No such statement of the Policyholder will be used at all after two years from the Date of Issue.

No such statement made by an Employee which relates to insurability will be used in contesting the validity of the insurance with respect to which such statement was made or to reduce the benefits unless the conditions listed in items (1) and (2) below have been met:

- (1) The statement must be contained in a written application which has been signed by the Employee.
- (2) A copy of the application has been furnished to the Employee or to the Policyholder.

No such statement of the Employee will be used at all after such insurance has been in force prior to the contest for a period of two years during the lifetime of the person to whom the statement applies.

Section 20. MISSTATEMENT OF AGE

In the case of the misstatement of the age of an Employee, an adjustment of the Death Benefit will be made, if appropriate. The adjusted Death Benefit will be that which the Plan Deductions paid would have provided at the correct age.

Section 21. CHANGES IN THE POLICY

No change in this Policy will be valid unless it is approved by an authorized officer of MetLife. Each such change must be evidenced by an amendment signed by both the Policyholder and by MetLife or by an endorsement signed by MetLife.

No agent may make a change in this Policy or waive any of its provisions.

Section 22. CHANGES IN POLICY COST FACTORS

Policy cost factors are interest rates, cost of term insurance rates, expense charges and administrative charges. Changes in policy cost factors will be by class and based on changes in future expectations for such elements as investment earnings, mortality, persistency, expenses and taxes. Any change in policy cost factors will be determined in accordance with procedures and standards on file, if required, with the insurance supervisory official of the jurisdiction in which the Group Policy is delivered. Policy cost factors for in-force insurance coverage will be reviewed at least once every five years to determine whether an adjustment in policy cost factors should be made.

Section 23. REPORTS

Each year, MetLife will send the Policyholder a report showing the current death benefit, Cash Surrender Value, and any outstanding policy loans.

It will also show the amount and type of credits to and deductions from the Cash Surrender Value during the past policy year.

The report will also include any other information required by the insurance supervisory official of the jurisdiction in which the Group Policy is delivered.

MetLife will also provide any reports required pursuant to the Federal Securities laws or any regulations thereunder.

Upon payment of a fee determined by MetLife, the Policyholder may request MetLife to prepare any special reports.

Section 24. RIGHT TO CHANGE THIS POLICY

MetLife reserves the right to make changes in this Group Policy in order to continue to qualify this coverage with respect to each Employee as life insurance under the Internal Revenue Code Section 7702 or successor law. MetLife will give the Policyholder written notice of any such change.

MetLife also reserves the right to make certain changes if, in its judgment, they would best serve the interests of the Policyholder. Any changes will be made only to the extent and in the manner permitted by applicable laws. Also, when required by law, MetLife will obtain approval of the changes from the Policyholder and the approval of any appropriate regulatory authority.

Examples of the changes MetLife may make include:

To operate the Separate Accounts in any form permitted by law.

To take any action necessary to comply with or obtain and continue any exemptions from the Investment Company Act of 1940.

To transfer in cash any assets in a Separate Account to another Separate Account or to one or more Separate Accounts, or to MetLife's general account; or to add, combine, or remove Separate Accounts.

To change the way MetLife assesses charges.

To make any other necessary technical changes in this Group Policy in order to conform with any action this provision permits MetLife to take.

If any of these changes result in a material change in the underlying investments of a Separate Account, MetLife will notify the Policyholder of such change. If the Policyholder has funds allocated to that Separate Account, the Policyholder may then make a new choice of Separate Accounts.

Section 25. TERMINATION OF AN EMPLOYEE'S COVERAGE

The insurance on the life of an Employee will terminate on the earliest of these dates:

- (a) The date of Discontinuance of the Policy.
- (b) The date the Employee dies.
- (c) The Maturity Date as described in the Policy Rider attached.
- (d) The Monthly Date after the Policyholder requests to terminate the Account Value applicable to that Employee.

Section 26. DISCONTINUANCE OF THE POLICY

MetLife will have the right to discontinue this Group Policy at the end of the grace period. (See Failure Of The Policyholder To Make Contribution Payments.) Notice, in writing, that this Policy is to be discontinued must be given to the Policyholder by MetLife. The notice must be given at least sixty days prior to the last day of the grace period.

The Policyholder will have the right to discontinue this Policy. Notice, in writing, that this Policy is to be discontinued must be given to MetLife by the Policyholder. The notice must be given at least sixty days prior to the date this Policy is to be discontinued.

If this Policy is discontinued, the Cash Surrender Value minus a pro-rata share of any Plan Deduction which has not been made in the current Plan Year will be payable by MetLife to such Policyholder as follows:

(a) If any of the Policy Cash Value is in a Separate Account, MetLife will pay the Cash Surrender Value of such Account. If in MetLife's reasonable judgment any such payment would involve the sale of Separate Account assets for which there is then no readily available market, MetLife will defer all or a portion of such payment for such time as it deems necessary.

(b) If any of the Policy Cash Value is in the Fixed Account, MetLife will pay, over the Cancellation Period indicated in the Policy Rider attached, the Cash Surrender Value divided into equal monthly installments. If the payout is delayed in excess of thirty days, MetLife will credit interest on any unpaid balance at the Payout Interest Rate indicated in the Policy Rider attached.

The Cash Surrender Value will be determined as of the date this Policy is discontinued.

Section 27. ADDITIONAL PROVISIONS

None.

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Section 5: EX-10.5 (THE P&G 1993 NON-EMPLOYEE DIRECTORS' STOCK PLAN)

EXHIBIT (10-5)

The Procter & Gamble 1993 Non-Employee Directors' Stock Plan
(as amended September 10, 2002)

**THE PROCTER & GAMBLE 1993 NON-EMPLOYEE DIRECTORS'
STOCK PLAN
(as amended September 10, 2002)**

ARTICLE A -- Purpose.

The purpose of The Procter & Gamble 1993 Non-Employee Directors' Stock Plan (hereinafter referred to as the "Plan") is to strengthen the alignment of interests between non-employee Directors (hereinafter referred to as "Participants") and the shareholders of The Procter & Gamble Company (hereinafter referred to as the "Company") through the increased ownership of shares of the Company's Common Stock. This will be accomplished by allowing Participants to elect voluntarily to convert a portion or all of their cash fees for services as a Director into Common Stock, by granting Participants a fixed value of shares of Common Stock restricted until retirement (hereinafter referred to as "Retirement Shares") and by granting Participants non-qualified options to purchase shares of Common Stock (hereinafter referred to as "Stock Options").

ARTICLE B -- Administration.

1. The Plan shall be administered by the Compensation Committee (hereinafter referred to as the "Committee") of the Board of Directors of the Company (hereinafter referred to as the "Board"), or such other committee as may be designated by the Board. The Committee shall consist of not less than three (3) members of the Board who are "Non-Employee Directors" as defined in Rule 16b-3 under the Securities Exchange Act of 1934, as amended, or any successor rule or definition adopted by the Securities and Exchange Commission, to be appointed by the Board from time to time and to serve at the discretion of the Board.

2. It shall be the duty of the Committee to administer this Plan in accordance with its provisions and to make such recommendations of amendments or otherwise as it deems necessary or appropriate. A decision by a majority of the Committee shall govern all actions of the Committee.

3. Subject to the express provisions of this Plan, the Committee shall have authority to allow Participants the right to elect to receive fees for services as a director in either cash or an equivalent amount of whole shares of Common Stock of the Company, or partly in cash and partly in whole shares of the Common Stock of the Company, subject to such conditions or restrictions, if any, as the Committee may determine. The Committee also has the authority to make all other determinations it deems necessary or advisable for administering this Plan.

4. The Committee may establish from time to time such regulations, provisions, and procedures within the terms of this Plan as, in its opinion, may be advisable in the administration of this Plan.

5. The Committee may designate the Secretary of the Company or other employees of the Company to assist the Committee in the administration of this Plan and may grant authority to such persons to execute documents on behalf of the Committee.

ARTICLE C -- Participation.

Participation in the Plan shall be limited to all non-employee Directors of the Company.

ARTICLE D -- Limitation on Number of Shares for the Plan.

The total number of shares of Common Stock of the Company that may be awarded each year shall not exceed 50,000 shares.

ARTICLE E -- Shares Subject to Use Under the Plan.

Shares of Common Stock to be awarded under the terms of this Plan shall be treasury shares.

ARTICLE F -- Retirement Shares.

1. On the first business day in January, each Participant shall receive Retirement Shares with a fair market value of \$45,000 on the date of grant.

2. All shares awarded under this Article shall be valued as set forth in Article I.

ARTICLE G -- Stock Options.

1. The Committee may, from time to time, grant Participants a Stock Option to purchase shares of Common Stock having an exercise price of one hundred percent (100%) of the fair market value of the Common Stock on the date of the grant.

2. The Stock Options shall have a term of ten (10) years from the date of grant, subject to earlier termination as provided herein, and shall be exercisable 100% three (3) years from the date of grant, except in the case of death, in which case the Stock Options shall be immediately exercisable.

3. Stock Options are not transferable other than by will or by the laws of descent and distribution. Legatees, distributees and duly appointed executors and administrators of the estate of a deceased Participant shall have the right to exercise such Stock Options at any time prior to the expiration date of the Stock Options.

4. If a Participant ceases to be a Director while holding unexercised Stock Options, such stock options are then void, except in the case of (i) death, (ii) disability, (iii) retirement at the end of a term, (iv) retirement after attaining the age of sixty-nine (69), (v) resignation from the Board following the Participant's retirement from a principal employer under the terms of an appropriate retirement plan or (vi) resignation from the Board for reasons of the antitrust laws or the conflict of interest, corporate governance or continued service policies.

5. Upon the exercise of a Stock Option, payment in full of the exercise price shall be made by the Participant. The exercise price may be paid for by the Participant either in cash, shares of the Common Stock of the Company to be valued at their fair market value on the date of exercise, or a combination thereof.

ARTICLE H -- Adjustments.

In the event of any future reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, rights offering, share exchange, reclassification, distribution, spin-off or other change affecting the corporate structure, capitalization or Common Stock of the Company occurring after the date of approval of the Plan by the Company's shareholders, (i) the amount of shares authorized to be issued under the Plan and (ii) the number of shares and/or the exercise prices covered by outstanding stock options and stock appreciation rights shall be adjusted appropriately and equitably to prevent dilution or enlargement of rights under the Plan. Following any such change, the term "Common Stock" shall be deemed to refer to such class of shares or other securities as may be applicable.

ARTICLE I -- Transfer of Shares.

1. The Committee may transfer Common Stock of the Company under the Plan subject to such conditions or restrictions, if any, as the Committee may determine. The conditions and restrictions may vary from time to time and may be set forth in agreements between the Company and the Participant or in the awards of stock to them, all as the Committee determines.

2. The shares awarded shall be valued at the average of the high and low quotations for Common Stock of the Company on the New York Stock Exchange on the day of the transfer to a Participant. All shares awarded shall be full shares, rounded up to the nearest whole share.

ARTICLE J -- Additional Provisions.

1. The Board may, at any time, repeal this Plan or may amend it from time to time except that no such amendment may amend this paragraph, increase the annual aggregate number of shares subject to this Plan, or alter the persons eligible to participate in this Plan. The Participants and the Company shall be bound by any such amendments as of their effective dates, but if any outstanding awards are affected, notice thereof shall be given to the holders of such awards and such amendments shall not be applicable to such holder without his or her written consent. If this Plan is repealed in its entirety, all theretofore awarded shares subject to conditions or restrictions transferred pursuant to this Plan shall continue to be subject to such conditions or restrictions.

2. Every recipient of shares pursuant to this Plan shall be bound by the terms and provisions of this Plan and of the transfer of shares agreement referable thereto, and the acceptance of any transfer of shares pursuant to this Plan shall constitute a binding agreement between the recipient and the Company.

3. Notwithstanding anything to the contrary in this Plan, stock options and stock appreciation rights granted hereunder shall vest immediately and any conditions or restrictions on Common Stock shall lapse upon a "Change in Control." A "Change in Control" shall mean the occurrence of any of the following:

- (a) An acquisition (other than directly from the Company) of any voting securities of the Company (the "Voting Securities") by any "Person" (as the term person is used for purposes of Section 13(d) or 14(d) of the Exchange Act), immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of twenty percent (20%) or more of the then outstanding Shares or the combined voting power of the Company's then outstanding Voting Securities; *provided, however*, in determining whether a Change in Control has occurred pursuant to this Section 4(a), Shares or Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A "Non-Control Acquisition" shall mean an acquisition by (i) an employee benefit plan (or a trust forming a part thereof) maintained by (A) the Company or (B) any corporation or other Person of which a majority of its voting power or its voting equity securities or equity interest is owned, directly or indirectly, by the Company (for purposes of this definition, a "Related Entity"), (ii) the Company or any Related Entity, or (iii) any Person in connection with a "Non-Control Transaction" (as hereinafter defined);
- (b) The individuals who, as of July 11, 2000 are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least half of the members of the Board; or, following a Merger (as hereinafter defined) which results in a Parent Corporation (as hereinafter defined), the board of directors of the ultimate Parent Corporation; *provided, however*, that if the election, or nomination for election by the Company's common stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Plan, be considered as a member of the Incumbent Board; *provided further, however*, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or
- (c) The consummation of:
 - (i) A merger, consolidation or reorganization with or into the Company or in which securities of the Company are issued (a "Merger"), unless such Merger is a "Non-Control Transaction." A "Non-Control Transaction" shall mean a Merger where:
 - (A) the stockholders of the Company, immediately before such Merger own directly or indirectly immediately following such Merger at least fifty percent (50%) of the combined voting power of the outstanding voting securities of (x) the corporation resulting from such Merger (the "Surviving Corporation") if fifty percent (50%) or more of the combined voting power of the then outstanding voting securities of the Surviving Corporation is not Beneficially Owned, directly or indirectly by another Person (a "Parent Corporation"), or (y) if there is one or more Parent Corporations, the ultimate Parent Corporation;
 - (B) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such Merger constitute at least half of the members of the board of directors of (x) the Surviving Corporation, if there is no Parent Corporation, or (y) if there is one or more Parent Corporations, the ultimate Parent Corporation; and
 - (C) no Person other than (1) the Company, (2) any Related Entity, (3) any employee benefit plan (or any trust forming a part thereof) that, immediately prior to such Merger was maintained by the Company or any Related Entity, or (4) any Person who, immediately prior to such merger, consolidation or reorganization had Beneficial Ownership of twenty percent (20%) or more of the then outstanding Voting Securities or Shares, has Beneficial Ownership of twenty percent (20%) or more of the combined voting power of the outstanding voting securities or common stock of (x) the Surviving Corporation if there is no Parent Corporation, or (y) if there is one or more Parent Corporations, the ultimate Parent Corporation;
 - (ii) A complete liquidation or dissolution of the Company; or
 - (iii) The sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Related Entity or under conditions that would constitute a Non-Control Transaction with the disposition of assets being regarded as a Merger for this purpose or the distribution to the Company's stockholders of the stock of a Related Entity or any other assets).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the then outstanding Shares or Voting Securities as a result of the acquisition of Shares or Voting Securities by the Company which, by reducing the number of Shares or Voting Securities then outstanding, increases the proportional number of shares Beneficially Owned by the Subject Persons, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Shares or Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Shares or Voting Securities which increases the percentage of the then outstanding Shares or Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur.

ARTICLE K -- Duration of Plan.

This Plan shall be effective as of January 1, 1994. This Plan will terminate on December 31, 2003 unless a different termination date is fixed by the shareholders or by action of the Board but no such termination shall affect the prior rights under this Plan of the Company or of anyone to whom shares have been transferred prior to such termination.

Plan adopted November 9, 1993

Plan approved by shareholders on October 11, 1994

Plan Amended January 10, 1995

Plan Amended June 11, 1996

Adjusted for August 22, 1997 stock split

Plan amended January 12, 1999

Plan amended July 11, 2000

Plan amended December 12, 2000

Plan amended December 11, 2001

Plan amended September 10, 2002

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Section 6: EX-10.8 (THE P&G 2003 NON-EMPLOYEE DIRECTORS' STOCK PLAN)

EXHIBIT (10-8)

The Procter & Gamble 2003 Non-Employee Directors' Stock Plan

(as amended October 9, 2007)

**THE PROCTER & GAMBLE 2003 NON-EMPLOYEE DIRECTORS'
STOCK PLAN
(as amended October 9, 2007)**

ARTICLE A -- Purpose.

The purposes of The Procter & Gamble 2003 Non-Employee Directors' Stock Plan (the "Plan") are to strengthen the alignment of interests between the non-employee Directors ("Participants") and the shareholders of The Procter & Gamble Company (the "Company") through ownership behavior and the increased ownership of shares of the Company's common stock ("Common Stock"). This will be accomplished by allowing each Participant to elect voluntarily to convert a portion or all of his/her cash fees for services as a Director into Common Stock or RSUs (as hereinafter defined), and by granting Participants (i) restricted stock units or other awards related to the price of Common Stock ("RSUs"), (ii) shares of Common Stock restricted in a manner determined by the Committee ("Restricted Shares"), (iii) non-qualified options to purchase shares of Common Stock ("Stock Options"), and/or (iv) stock appreciation rights ("SARs").

ARTICLE B -- Administration.

1. The Plan shall be administered by the Compensation Committee of the Board of Directors of the Company (the "Board"), or such other committee as may be designated by the Board (the "Committee"). The Committee shall consist of not less than three (3) members of the Board who are "Non-Employee Directors" as defined in Rule 16b-3 under the Securities Exchange Act of 1934 (the "1934 Act"), as amended, or any successor rule or definition adopted by the Securities and Exchange Commission, or such other number of Non-Employee Directors required from time to time by such rule or any successor rule adopted by the Securities and Exchange Commission, to be appointed by the Board from time to time and to serve at the discretion of the Board. The Committee may establish such 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, and may designate the Secretary of the Company or other employees of the Company 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. The Committee shall report to the Board on the administration of the Plan not less than once each year.
2. Subject to the express provisions of the Plan, the Committee shall have authority: (i) to allow Participants the right to elect to receive fees for services as a Director in either cash or an equivalent amount of whole shares of Common Stock or RSUs of the Company, or partly in cash and partly in whole shares of the Common Stock or RSUs of the Company, subject to such conditions or restrictions, if any, as the Committee may determine; (ii) to grant Participants Restricted Shares, subject to such conditions or restrictions, if any, as the Committee may determine; (iii) to grant RSUs, subject to such conditions or restrictions, if any, as the Committee may determine; (iv) to grant Participants Stock Options, subject to such conditions or restrictions, if any, as the Committee may determine; (v) to grant Participants SARs, subject to such conditions or restrictions, if any, as the Committee may determine; (vi) to make all other determinations it deems necessary or advisable for administering the Plan; and (vii) to provide for special terms for any RSUs, Restricted Shares, Stock Options, SARs or other awards granted to Participants who are foreign nationals or who reside outside of the United States of America in order to fairly accommodate for differences in local law, tax policy or custom and to approve such supplements to or amendments, restatements or alternative versions of the Plan as the Committee may consider necessary or appropriate for such purposes (without affecting the terms of the Plan for any purpose); and to make all other determinations it deems necessary or advisable for administering the Plan.

ARTICLE C -- Participation.

Participation in the Plan shall be limited to non-employee Directors of the Company.

ARTICLE D -- Limitation on Number of Shares Available Under the Plan.

1. The maximum aggregate number of shares available for grant under the Plan shall be 1,000,000 shares.
2. In addition to the shares authorized for award by Paragraph 1 of this Article, the following shares may be awarded under the Plan:
 - (a) shares that were authorized to be awarded under The Procter & Gamble 1993 Non-Employee Directors' Stock Plan (the "1993 Plan"), but that were not awarded under the 1993 Plan;

- (b) shares awarded under the Plan or the 1993 Plan that are subsequently forfeited in accordance with the Plan or the 1993 Plan, respectively; or shares tendered by or withheld from a Participant in payment of all or part of the exercise price of a stock option awarded under the Plan or the 1993 Plan.

ARTICLE E -- Shares Subject to Use Under the Plan.

Shares of Common Stock to be granted by the Company or delivered by the Company upon exercise of Stock Options shall be treasury shares.

ARTICLE F -Stock Options and SARs.

1. The Committee may, from time to time, grant Participants one or more Stock Options to purchase shares of Common Stock, each having an exercise price equal to no less than the closing price for Common Stock on the New York Stock Exchange on the day of the grant.
2. The Committee may, from time to time, grant Participants one or more SARs each entitling the Participant to receive, upon exercise, a redemption differential for each such SAR which shall be the difference between the closing price for one share of Common Stock on the New York Stock Exchange on the date of exercise and the exercise price of the SAR then being exercised. The exercise price for each SAR granted under this Plan shall be the closing price for Common Stock on the New York Stock Exchange on the day of the grant.
3. Stock Options and SARs shall have a term of not less than ten (10) years from the date of grant, subject to earlier termination as provided herein, and shall be exercisable one hundred percent (100%) not less than one (1) year from the date of grant, except in the case of death of a Participant, in which case such Participant's Stock Options or SARs shall immediately vest and be exercisable in accordance with this Article F.
4. In the case of death of a Participant, the persons to whom the Stock Options or SARs have been transferred by will or the laws of descent and distribution shall have the privilege of exercising remaining Stock Options or SARs or parts thereof, whether or not exercisable on the date of death of such Participant, at any time prior to the expiration date of such Stock Options or SARs.
5. Stock Options are not transferable other than by will or by the laws of descent and distribution. For the purpose of exercising Stock Options or SARs after the death of the Participant, the duly appointed executors and administrators of the estate of the deceased Participant shall have the same rights with respect to the Stock Options and SARs as legatees or distributees would have after distribution to them from the Participant's estate, subject in all respects to Article J hereof.
6. If a Participant ceases to be a Director while holding unexercised Stock Options or SARs, such Stock Options or SARs are then void, except in the case of (i) death, in which case such Stock Options or SARs may be transferred in accordance with this Article F and Article J hereof, (ii) disability, (iii) retirement at the end of a term, (iv) retirement after attaining the age of sixty nine (69), (v) resignation from the Board following a Participant's retirement from a principal employer in good standing under the terms of that employer's retirement plan, or (vi) resignation from the Board for reasons of antitrust laws or the Company's conflict of interest, corporate governance or continued service policies. In cases covered by (ii), (iii), (iv), (v) and (vi) above, the Participant shall be immediately vested in his or her Stock Options or SARs subject to all other terms of such Stock Options or SARs.
7. Upon the exercise of a Stock Option, payment in full of the exercise price shall be made by the Participant. The exercise price may be paid for by the Participant either in cash, shares of Common Stock to be valued at their fair market value on the date of exercise, or a combination thereof.

ARTICLE G -- Adjustments.

In the event of any future reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, rights offering, share exchange, reclassification, distribution, spin-off or other change affecting the corporate structure, capitalization or Common Stock of the Company occurring after the date of approval of the Plan by the Company's shareholders, (i) the amount of shares authorized to be issued under the Plan, (ii) the number of shares covered by outstanding Stock Options, SARs, Restricted Shares or RSUs, and (iii) the exercise price of stock options or the grant price of SARs shall be adjusted appropriately and equitably to prevent dilution or enlargement of rights under the Plan. Following any such change, the term "Common Stock" shall be deemed to refer to such class of shares or other securities as may be applicable.

ARTICLE H -Grant of Common Stock, Restricted Shares or RSUs.

1. The Committee may grant Common Stock, Restricted Shares, or RSUs to Participants under the Plan subject to such conditions or restrictions, if any, as the Committee may determine.
2. The shares granted under this Article H shall be valued at the closing price for Common Stock on the New York Stock Exchange on the day of the grant to a Participant. All shares granted shall be full shares, rounded up to the nearest whole share.

ARTICLE I -- Additional Provisions.

1. The Board may, at any time, repeal the Plan or may amend it except that no such amendment may amend this paragraph, increase the total aggregate number of shares subject to the Plan, alter the persons eligible to receive shares under the Plan. Participants and the Company shall be bound by any such amendments as of their effective dates, but if any outstanding grants are materially affected adversely, notice thereof shall be given to Participants holding such grants and such amendments shall not be applicable without such Participant's written consent. If the Plan is repealed in its entirety, all theretofore granted shares subject to conditions or restrictions granted pursuant to the Plan shall continue to be subject to such conditions or restrictions. Notwithstanding this or any other provision of this Plan, Stock Options and SARs may not be re-priced or re-valued except in accordance with Article G hereof.
2. Notwithstanding anything to the contrary in this Plan, Stock Options and SARs granted hereunder shall vest immediately, and any conditions or restrictions on Common Stock, Restricted Stock or RSUs shall lapse, upon a "Change in Control." A "Change in Control" shall mean the occurrence of any of the following:
 - (a) An acquisition (other than directly from the Company) of any voting securities of the Company (the "Voting Securities") by any "Person" (as the term person is used for purposes of Section 13(d) or 14(d) of the 1934 Act), immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of twenty percent (20%) or more of the then outstanding shares or the combined voting power of the Company's then outstanding Voting Securities; provided, however, in determining whether a Change in Control has occurred pursuant to this Section 2(a), shares or Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A "Non-Control Acquisition" shall mean an acquisition by (i) an employee benefit plan (or a trust forming a part thereof) maintained by (A) the Company or (B) any corporation or other Person of which a majority of its voting power or its voting equity securities or equity interest is owned, directly or indirectly, by the Company (for purposes of this definition, a "Related Entity"), (ii) the Company or any Related Entity, or (iii) any Person in connection with a "Non-Control Transaction" (as hereinafter defined);
 - (b) The individuals who, as of July 10, 2001 are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least half of the members of the Board; or, following a Merger (as hereinafter defined) which results in a Parent Corporation (as hereinafter defined), the board of directors of the ultimate Parent Corporation; provided, however, that if the election, or nomination for election by the Company's common stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of the Plan, be considered as a member of the Incumbent Board; provided further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the 1934 Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or
 - (c) The consummation of:
 - (i) A merger, consolidation or reorganization with or into the Company or in which securities of the Company are issued (a "Merger"), unless such Merger is a "Non-Control Transaction". A "Non-Control Transaction" shall mean a Merger where:
 - (A) the stockholders of the Company, immediately before such Merger own directly or indirectly immediately following such Merger at least fifty percent (50%) of the combined voting power of the outstanding voting securities of (x) the corporation

resulting from such Merger (the "Surviving Corporation") if fifty percent (50%) or more of the combined voting power of the then outstanding voting securities of the Surviving Corporation is not Beneficially Owned, directly or indirectly by another Person (a "Parent Corporation"), or (y) if there is one or more Parent Corporations, the ultimate Parent Corporation;

- (B) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such Merger constitute at least half of the members of the board of directors of (x) the Surviving Corporation, if there is no Parent Corporation, or (y) if there is one or more Parent Corporations, the ultimate Parent Corporation; and
 - (C) no Person other than (1) the Company, (2) any Related Entity, (3) any employee benefit plan (or any trust forming a part thereof) that, immediately prior to such Merger was maintained by the Company or any Related Entity, or (4) any Person who, immediately prior to such merger, consolidation or reorganization had Beneficial Ownership of twenty percent (20%) or more of the then outstanding Voting Securities or shares, has Beneficial Ownership of twenty percent (20%) or more of the combined voting power of the outstanding voting securities or common stock of (x) the Surviving Corporation if there is no Parent Corporation, or (y) if there is one or more Parent Corporations, the ultimate Parent Corporation;
- (ii) A complete liquidation or dissolution of the Company; or
 - (iii) The sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Related Entity or under conditions that would constitute a Non-Control Transaction with the disposition of assets being regarded as a Merger for this purpose or the distribution to the Company's stockholders of the stock of a Related Entity or any other assets).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the then outstanding shares or Voting Securities as a result of the acquisition of shares or Voting Securities by the Company which, by reducing the number of shares or Voting Securities then outstanding, increases the proportional number of shares Beneficially Owned by the Subject Persons, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of shares or Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional shares or Voting Securities which increases the percentage of the then outstanding shares or Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur.

ARTICLE J --Consent.

Every Participant who receives a grant of Common Stock, Stock Options, SARs, Restricted Shares or RSUs pursuant to the Plan shall be bound by the terms and provisions of the Plan and of any grant agreement referable thereto, and the acceptance of any grant of shares or RSUs pursuant to the Plan shall constitute a binding agreement between the Participant and the Company and any successors in interest to any of them. Every person who receives Stock Options or SARs, in accordance with Article F hereof, that a Participant received pursuant to the Plan shall, in addition to such terms and conditions as the Committee may require upon such grant, be bound by the terms and provisions of the Plan and of the grant of Stock Options or SARs referable thereto, and the acceptance of any grant of shares or RSUs by such person shall constitute a binding agreement between such person and the Company and any successors in interest to any of them. The Plan shall be governed by and construed in accordance with the laws of the State of Ohio, United States of America.

ARTICLE K -- Duration of Plan.

The Plan shall be effective as of January 1, 2004 and terminate on December 31, 2013 unless a different termination date is fixed by the shareholders or by action of the Board but no such termination shall affect the prior rights under the Plan of the Company or of anyone to whom Common Stock, Stock Options, SARs, Restricted Shares or RSUs have been granted prior to such termination.

RELATED CORRESPONDENCE AND TERMS AND CONDITIONS

BOD

[INSERT DATE]

[INSERT NAME]

Subject: Award of Restricted Stock Units

This is to advise you that The Procter & Gamble Company, an Ohio corporation, is awarding you with Restricted Stock Units, on the dates and in the amounts listed below, pursuant to The Procter & Gamble 2003 Non-Employee Directors' Stock Plan, and subject to the attached Statement of Terms and Conditions Form RSU.

Grant Date: [INSERT DATE OF GRANT]

Forfeiture Date: [INSERT DATE FORFEITURE ENDS]

Original Settlement Date: [INSERT DATE RSUs BECOME SHARES]

Number of Restricted Stock Units: [INSERT NUMBER GRANTED]

As you will see from the Statement of Terms and Conditions Form RSU, under certain circumstances you may agree with The Procter & Gamble Company to delay the settlement of your Restricted Stock Units beyond the Original Settlement Date. You may want to consult your personal tax advisor before making a decision about this matter.

THE PROCTER & GAMBLE COMPANY

[NAME]

For the Compensation Committee

THE PROCTER & GAMBLE COMPANY**STATEMENT OF TERMS AND CONDITIONS FOR RESTRICTED STOCK UNITS****THE PROCTER & GAMBLE 2003 NON-EMPLOYEE DIRECTORS' STOCK PLAN**

The Restricted Stock Units awarded to you as set forth in the letter you received from the Company (your "Award Letter"), and your ownership thereof, are subject to the following terms and conditions.

1. Definitions.

For purposes of this Statement of Terms and Conditions for Restricted Stock Units ("Terms and Conditions"), all capitalized terms not defined in these Terms and Conditions will have the meanings described in The Procter & Gamble 2003 Non-Employee Directors' Stock Plan (the "Plan"), and the following terms will have the following meanings.

- (a) **"Agreed Settlement Date"** has the meaning described in Section 2(c);
- (b) **"Data"** has the meaning described in Section 8;
- (c) **"Dividend Equivalents"** has the meaning described in Section 3;
- (d) **"Forfeiture Date"** is the date identified as such in your Award Letter;
- (e) **"Forfeiture Period"** means the period from the Grant Date until the Forfeiture Date.
- (f) **"Grant Date"** means the date a Restricted Stock Unit was awarded to you, as identified in your Award Letter;
- (g) **"Original Settlement Date"** is the date identified as such in your Award Letter, as adjusted, if applicable, by Section 2;
- (h) **"Post-Forfeiture Period"** means the period from the Forfeiture Date until the later of the Original Settlement Date or the Agreed Settlement Date;
- (i) **"Procter & Gamble"** means the Company and/or its Subsidiaries;
- (j) **"Restricted Stock Unit"** means an unfunded, unsecured promise by the Company, in accordance with these Terms and Conditions and the provisions of the Plan, to issue to you one share of Common Stock on the later of the Original Settlement Date or the Agreed Settlement Date;
- (k) **"Separation from Service"** shall have the meaning provided under Section 409A of the Code and regulations thereto.

2. Transfer and Restrictions.

(a) Neither Restricted Stock Units nor your interest in them may be sold, exchanged, transferred, pledged, hypothecated, given or otherwise disposed of by you at any time, except by will or by the laws of descent and distribution. Any attempted transfer of a Restricted Stock Unit, whether voluntary or involuntary on your part, will result in the immediate forfeiture to the Company, and cancellation, of the Restricted Stock Unit (including all rights to receive Dividend Equivalents).

(b) During the Forfeiture Period, your Restricted Stock Units (including all rights to receive Dividend Equivalents) will be forfeited and cancelled if you leave your position as a Director of the Company for any reason, except due to your: (i) disability; (ii) retirement after attaining the age of sixty-nine (69); (iii) resignation following retirement from your principal employer in good standing under the terms or your principal employer's retirement plan; or (iv) resignation for reasons of antitrust laws or the Company's conflict of interest, corporate governance or continued service policies. In the event of your disability during the Forfeiture Period, unless otherwise agreed to in writing by the Company, your Original Settlement Date shall automatically and

immediately become, without any further action by you or the Company, the date of your disability. In the event of any of the other above exceptions occurring, you will retain your Restricted Stock Units subject to the Plan and these Terms and Conditions.

(c) At any time at least one calendar year prior to the Original Settlement Date, you and the Company may agree to postpone the date on which you are entitled to receive one share of Common Stock for each Restricted Stock Unit you hold according to the deferral terms in place at the time, and provided the new date (the "Agreed Settlement Date") is at least five years from the Original Settlement Date.

(d) Upon your death or upon your disability that satisfies the definition of "disability" under Internal Revenue Code Section 409A ("Section 409A"), at any time while you hold Restricted Stock Units and/or Dividend Equivalents, your Original Settlement Date (or Agreed Settlement Date, if applicable) will automatically and immediately become, without any further action by you or the Company, the date of your death or disability, as applicable.

(e) Upon the occurrence of a Change in Control, the forfeiture Date (if any) shall become the date the Change in Control occurred. If the Change in Control occurrence meets the definitional requirements of a change in control as defined under Section 409A, your Original Settlement Date (or Agreed Settlement Date, if applicable) will become the date the change in control occurred, and the award will be settled in accordance with the terms of the Plan. If the Change in Control does not meet the Section 409A requirements, your Original Settlement Date (or Agreed Settlement Date, if applicable) will not be changed.

(f) From time to time, the Company and/or the Committee may establish procedures with which you must comply in order to accept an award of Restricted Stock Units, to agree to an Agreed Settlement Date, or to settle your Restricted Stock Units, including requiring you to do so by means of electronic signature, or charging you an administrative fee for doing so.

(g) Once your Restricted Stock Units have been settled by delivery to you of an equivalent number of shares of Common Stock, the Restricted Stock Units will have no further value, force or effect and you will cease to receive Dividend Equivalents associated with the Restricted Stock Units.

3. Dividend Equivalents.

As a holder of Restricted Stock Units, during the period from the Grant Date until the Original Settlement Date or the Agreed Settlement Date, whichever is later, each time a cash dividend or other cash distribution is paid with respect to Common Stock, you will receive additional Restricted Stock Units ("Dividend Equivalents"). The number of such additional Restricted Stock Units will be determined as follows: multiply the number of Restricted Stock Units currently held by the per share amount of the cash dividend or other cash distribution on the Common Stock, and then divide the result by the price of the Common Stock on the date of the dividend or distribution. These Dividend Equivalent Restricted Stock Units will be subject to the same terms and conditions as the original Restricted Stock Units that gave rise to them, including forfeiture and settlement terms, except that if there is a fractional number of Dividend Equivalent Restricted Stock Units on the date they are to be settled, you will receive one share of Common Stock for the fractional Dividend Equivalent Restricted Stock Units.

4. Voting and Other Shareholder Rights.

A Restricted Stock Unit is not a share of Common Stock, and thus you are not entitled to any voting, dividend or other rights as a shareholder of the Company with respect to the Restricted Stock Units you hold.

5. Adjustments in Case of Stock Dividends, Stock Splits, Etc.

In the event of a future reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, rights offering, share exchange, reclassification, distribution, spin-off, or other change affecting the corporate structure, capitalization or Common Stock, the number of Restricted Stock Units you hold will be adjusted appropriately and equitably to prevent dilution or enlargement of your rights.

6. Tax Withholding.

To the extent Procter & Gamble is required to withhold federal, state, local or foreign taxes in connection with your Restricted Stock Units or Dividend Equivalents, the Committee may require you to make such arrangements as Procter & Gamble may deem appropriate for the payment of such taxes required to be withheld, including without limitation, relinquishment of some of the shares of Common Stock that would otherwise be given to you. However, regardless of any action taken by Procter & Gamble with respect to any income tax, social insurance, payroll tax, or other tax, by accepting a Restricted Stock Unit or Dividend Equivalent, you acknowledge that the ultimate liability for any such tax owed by you is and remains your responsibility, and that

Procter & Gamble makes no representations about the tax treatment of your Restricted Stock Units or Dividend Equivalents, and does not commit to structure any aspect of the Restricted Stock Units or Dividend Equivalents to reduce or eliminate your tax liability.

7. Suspension Periods and Termination.

The Company reserves the right from time to time to temporarily suspend your right to settle your Restricted Stock Units for shares of Common Stock where such suspension is deemed by the Company as necessary or appropriate and to the extent such action does not result in immediate taxation and penalties under Section 409A.

8. Data Privacy.

By accepting a Restricted Stock Unit, you explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this document by and among, as applicable, any Procter & Gamble entity or third party for the purpose of implementing, administering and managing your participation in the Plan. You understand that Procter & Gamble holds certain personal information about you, including without limitation your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in a Procter & Gamble entity, details of all options, Restricted Stock Units, or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the purpose of implementing, administering and managing the Plan (“Data”). You understand that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of Data by contacting your local human resources representative. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data to any broker or other third party with whom you may elect to deposit any shares of Common Stock in connection with the settlement of your Restricted Stock Units. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the plan. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data, or refuse or withdraw the consents contained in this paragraph, in any case without cost, by contacting in writing your local human resources representative. You understand, however, that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

9. Notices.

(a) Any notice to Procter & Gamble that is required or appropriate with respect to Restricted Stock Units held by you must be in writing and addressed to:

The Procter & Gamble Company
ATTN: Corporate Secretary's Office
P.O. Box 599
Cincinnati, OH 45201

or such other address as Procter & Gamble may from time to time provide to you in writing.

(b) Any notice to you that is required or appropriate with respect to Restricted Stock Units held or to be awarded to you will be provided to you in written or electronic form at any physical or electronic mail address for you that is on file with Procter & Gamble.

10. Successors and Assigns.

These Terms and Conditions are binding on, and inure to the benefit of, (a) The Procter & Gamble Company and its successors and assigns; and (b) you and, if applicable, the representative of your estate.

11. Governing Law.

The validity, interpretation, performance and enforcements of these Terms and Conditions, the Plan and your Restricted Stock Units will be governed by the laws of the State of Ohio, U.S.A. without giving effect to any other jurisdiction's conflicts of

law principles. With respect to any dispute concerning these Terms and Conditions, the Plan and your Restricted Stock Units, you consent to the exclusive jurisdiction of the federal or state courts located in Hamilton County, Ohio, U.S.A.

12. The Plan.

All Restricted Stock Units awarded to you have been awarded under the Plan. Certain provisions of the Plan may have been repeated or emphasized in these Terms and Conditions; however, all terms of the Plan apply to you and your Restricted Stock Units whether or not they have been called out in these Terms and Conditions.

13. Effect of These Terms and Conditions.

These Terms and Conditions and the terms of the Plan, which are incorporated herein by reference, describe the contractual rights awarded to you in the form of Restricted Stock Units, and the obligations imposed on you in connection with those rights. No right exists with respect to Restricted Stock Units except as described in these Terms and Conditions and the Plan.

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Section 7: EX-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, 2018)

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 70% weighting) + (Total Company Performance Factor X 30% weighting)]

- 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 weighted at 70% and 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 0% to 200% 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 pay score (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 and no individual STAR award exceeds 200% of target.

- The **Total Company Performance Factor** is weighted at 30% and is based on the total Company's success during the fiscal year and ranges from 0% to 200%, 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.

While the STAR Committee makes recommendations to the C&LD Committee regarding the Business Unit 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.

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 or the last business day in June (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 (stock options 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 as amended by the C&LD Committee in April 2018.

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 8: EX-10.13 (THE GILLETTE CO. 2004 LONG-TERM INCENTIVE PLAN)

EXHIBIT (10-13)

The Gillette Company 2004 Long-Term Incentive Plan

(Amended and Restated as of August 14, 2007)

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The Gillette Company
2004 Long-Term Incentive Plan

Article 1. Establishment, Purpose, and Duration

1.1 Establishment. The Gillette Company, a Delaware corporation has established this 2004 Long-Term Incentive Plan (the "Plan") as a long-term incentive compensation plan. The Plan permits the grant of Cash-Based Awards, Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares, and Other Stock-Based Awards. The Plan is effective as of May 20, 2004 (the "Effective Date") and shall remain in effect as provided in Section 1.4 hereof.

1.2 Assumption of the Plan. As of the Effective Time, The Procter & Gamble Company, an Ohio corporation, has assumed the Plan according to the Merger Agreement. Unless otherwise specified, amendments to the Plan made in connection with the Merger Agreement shall be effective upon the Effective Time. Should the Merger not become effective, the Plan shall revert to the form approved by the shareholders of The Gillette Company on May 20, 2004, without prejudice to any Awards then outstanding.

1.3 Purpose of the Plan. The purpose of the Plan is to promote the interests of the Company and its stockholders by strengthening the Company's ability to attract, motivate, and retain Employees and, until the Effective Time, Nonemployee Directors of the Company upon whose judgment, initiative, and efforts the financial success and growth of the business of the Company depend, and to provide an additional incentive for such individuals through stock ownership and other rights that promote and recognize the financial success and growth of the Company and create value for stockholders.

1.4 Duration of the Plan. Unless sooner terminated as provided herein, the Plan shall terminate ten years from the Effective Date. After the Plan is terminated, no Awards may be granted but Awards previously granted shall remain outstanding in accordance with their applicable terms. No Incentive Stock Options may be granted more than ten years after December 9, 2003.

Article 2. Administration

2.1 General. The Committee shall be responsible for administering the Plan, subject to this Article 2 and the other provisions of the Plan. The Committee may employ attorneys, consultants, accountants, agents, and other persons, any of whom may be an Employee, and shall be entitled to rely upon the advice, opinions, or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Participants, the Company, and all other interested persons.

2.2 Authority of the Committee. The Committee shall have full discretionary power to interpret the terms and the intent of the Plan and any Award Agreement or other agreement or document ancillary to or in connection with the Plan; to determine eligibility for Awards ; to adopt such rules, regulations, forms, instruments, and guidelines for administering the Plan, as it may deem necessary or proper. Such authority shall include, but not be limited to, selecting Award recipients including prospective Employees and establishing all Award terms and conditions, including the terms and conditions set forth in Award Agreements. In addition, for any grant following the Effective Time, the Committee shall have the further authority to:

- (a) waive the provisions of Section 12.1A(a) hereof;
- (b) waive the provisions of Section 12.1A(b) hereof;
- (c) waive the provisions of Section 12.1A(c) hereof;
- (d) waive the provisions of Section 5.8(a), 5.8(b), and 5.8(c) hereof as well as Sections 6.7(a), 6.7(b), and 6.7(c) hereof; and
- (e) impose conditions in lieu of those set forth in Articles 5, 6, 7, 8, and 9 for Options, SARs, Restricted Stock, RSUs, Performance Shares, or other Awards which do not increase or extend the rights of the Participant.

Notwithstanding the foregoing, Awards to Nonemployee Directors shall be made by the Board, and all references in the Plan to the Committee, where the Committee is referred to as having discretion or authority to grant Awards, shall, as applied to Awards made to Nonemployee Directors, be construed to refer to the Board. Awards to Nonemployee Directors are not subject to management's discretion.

2.3 Composition. The Committee shall consist of not fewer than three (3) members of the Board who are "Non-Employee Directors" as defined in Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "1934 Act"), or any successor rule or definition adopted by the Securities and Exchange Commission, to be appointed by the Board from time to time and to serve at the discretion of the Board. The Committee shall report to the Board on the administration of the Plan not less than once each year.

The Committee may delegate to one or more of its members or to one or more officers of the Company, and/or its Subsidiaries or to one or more agents or advisors such administrative duties or powers as it may deem advisable. The Committee may also delegate to one or more officers (each, a "delegated officer") of the Company the power to designate Employees (other than the delegated officer and other than any officer subject to Section 16 of the Exchange Act) to receive Awards under the Plan, on such terms as the delegated officer determines, subject to the following: (i) any such delegation with respect to Options shall comply with the requirements set forth therein, and (ii) in the case of any such delegation with respect to other Awards involving the issuance of Shares, the Committee shall authorize the issuance of the Shares, limiting the aggregate number thereof that shall be subject to Awards to which the delegation applies, and shall determine the price, if any, to be paid therefor. Any officer to whom a delegation under the preceding sentence is made shall report periodically to the Committee, in such detail as the Committee may require, concerning Awards allocated or granted pursuant to such delegation. References to the Committee herein shall be deemed to include any person to whom the Committee has delegated responsibilities under this Section 2.3, to the extent of such delegation.

Article 3. Shares Subject to the Plan and Maximum Awards

3.1 Number of Shares Available for Awards.

- (a) Subject to adjustment as provided in Section 3.4 hereof, the maximum number of Shares available for issuance to Participants under the Plan (the "Share Authorization") shall be:
 - (i) Nineteen million (19,000,000), plus
 - (ii) The sum of (1) the authorized Shares not issued or subject to outstanding awards under the Company's Prior Plan as of the Effective Date plus (2) any unissued Shares subject to outstanding awards as of the Effective Date under the Prior Plan that on or after the Effective Date cease for any reason to be subject to such awards (other than by reason of exercise or settlement of the awards to the extent they are exercised for or settled in vested and nonforfeitable Shares).
- (b) Subject to the foregoing limit on the number of Shares that may be issued in the aggregate under the Plan, the maximum number of Shares that may be issued in the following categories shall be as follows:
 - (i) No more than thirty seven million (37,000,000) Shares may be issued pursuant to Awards in the form of ISOs; and
 - (ii) No more than thirty seven million (37,000,000) Shares may be issued pursuant to Awards in the form of NQSOs; and
 - (iii) No more than one million (1,000,000) Shares may be issued pursuant to Awards made to Nonemployee Directors.

3.2 Share Usage.

- (a) Shares related to Awards that terminate by expiration, forfeiture, cancellation, or otherwise without the issuance of such Shares, are settled in cash in lieu of Shares, or are exchanged with the Committee's permission, prior to the issuance of Shares, for Awards not involving Shares, are not issued Shares and, consistent with Section 3.1 above, shall be available for Awards granted under the Plan. If the Option Price of any Option granted under the Plan or the tax withholding requirements with respect to any Award granted under the Plan are satisfied by tendering Shares to the Company (by either actual delivery or by attestation), or if shares are tendered for any other purpose under any other form of Award, the number of Shares treated as issued under the Plan for purposes of Section 3.1 above shall be determined net of any Shares tendered to the Company. The Shares available for issuance under the Plan may be authorized and unissued Shares or treasury Shares, or shares acquired in the open market as the Committee determines.

- (b) The Committee shall have the authority to grant Awards as an alternative to or as the form of payment for grants or rights earned or due under other compensation plans or arrangements of the Company.

3.3 Annual Award Limits. The following limits (each an “Annual Award Limit,” and, collectively, “Annual Award Limits”) shall apply to grants of Awards under the Plan:

- (a) **Options:** The maximum aggregate number of Shares subject to Options granted in any one Plan Year to any one Participant shall be three million (3,000,000) plus the amount of the Participant's unused applicable Annual Award Limit as of the close of the previous Plan Year.
- (b) **SARs:** The maximum number of Shares subject to Stock Appreciation Rights granted in any one Plan Year to any one Participant shall be three million (3,000,000) plus the amount of the Participant's unused applicable Annual Award Limit as of the close of the previous Plan Year.
- (c) **Restricted Stock or Restricted Stock Units:** The maximum aggregate grant with respect to Awards of Restricted Stock or Restricted Stock Units granted in any one Plan Year to any one Participant shall be two million (2,000,000) plus the amount of the Participant's unused applicable Annual Award Limit as of the close of the previous Plan Year.
- (d) **Performance Shares:** The maximum aggregate grant of Performance Shares in any one Plan Year to any one Participant shall be one and one-half million (1,500,000) Shares plus the amount of the Participant's unused applicable Annual Award Limit as of the close of the previous Plan Year.
- (e) **Cash-Based Awards:** The maximum aggregate grant amount with respect to Cash-Based Awards granted in any one Plan Year to any one Participant may not exceed ten million dollars (\$10,000,000) plus the amount of the Participant's unused applicable Annual Award Limit as of the close of the previous Plan Year.
- (f) **Other Stock-Based Awards:** The maximum aggregate grant with respect to Other Stock-Based Awards granted in any one Plan Year to any one Participant shall be one and one-half million (1,500,000) Shares plus the amount of the Participant's unused applicable Annual Award Limit as of the close of the previous Plan Year.
- (g) **Awards to Nonemployee Directors:** The maximum aggregate grant with respect to Awards made in any one Plan Year to any one Nonemployee Director shall be twenty thousand (20,000) Shares plus the amount of the Participant's unused applicable Annual Award Limit as of the close of the previous Plan Year. Notwithstanding any other provision to the contrary in this Plan, there shall be no Awards granted to any Nonemployee Director after May 2005, *provided that* the Merger closes according to the terms and conditions of the Merger Agreement.

3.4 Adjustments in Authorized Shares. In the event of any corporate event or transaction (including, but not limited to, a change in the shares of the Company or the capitalization of the Company) such as a merger, consolidation, reorganization, recapitalization, separation, stock dividend, stock split, reverse stock split, split up, spin-off, or other distribution of stock or property of the Company, combination of Shares, exchange of Shares, dividend in kind, or other like change in capital structure, or a distribution (other than a normal cash dividend) to stockholders of the Company, or any similar corporate event or transaction, the Committee, in order to prevent dilution or enlargement of Participants' rights under the Plan, shall substitute or adjust, as applicable, the number and kind of Shares that may be issued under the Plan or under particular forms of Award, the number and kind of Shares subject to outstanding Awards, the Option Price or Grant Price applicable to outstanding Awards, the Annual Award Limits, and other value determinations applicable to outstanding Awards.

The Committee may also make such other adjustments in Awards as are authorized by Article 15 or Article 16. Any adjustment made pursuant to this Section 3.4 or pursuant to Article 15 or Article 16 that is made with respect to an Award intended to be an ISO shall be made only to the extent consistent with such intent, and any such adjustment that is made with respect to an Award to a Covered Employee that is intended to qualify for the performance-based compensation exception under Section 162(m) of the Code shall be made consistent with that intent. The determination of the Committee as to Award adjustments, if any, shall be conclusive and binding on Participants under the Plan.

3.5 Adjustments Resulting from the Merger. The Share Authorization, Annual Award Limits, and other Award limitations and maximums set forth in this Article 3 shall be multiplied by the Exchange Ratio to establish an adjusted Share Authorization, Annual Award Limits, and other Award limitations and maximums following the Effective Time.

Article 4. Eligibility and Participation

4.1 Eligibility. Individuals eligible to participate in this Plan include all key 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/or its subsidiaries. Nonemployee Directors of the Company are also eligible for participation in the Plan until and including May 2005, after which time no further grants shall be made to Nonemployee Directors, *provided that* the Merger closes according to the terms and conditions of the Merger Agreement.

4.2 Actual Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from all eligible individuals those to whom Awards shall be granted and the amount, type, and terms of each Award.

Article 5. Stock Options

5.1 Grant of Options. Subject to the terms and provisions of the Plan, 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; provided that ISOs may be granted only to eligible Employees of the Company or of any parent or subsidiary corporation (as these terms are defined in Section 424 of the Code and the regulations thereunder).

5.2 Award Agreement. Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the maximum duration of the Option, the number of Shares to which the Option pertains, the conditions upon which an Option shall become vested and exercisable, and such other provisions as the Committee shall determine that are not inconsistent with the terms of the Plan. The Award Agreement also shall specify whether the Option is intended to be an ISO or a NQSO.

5.3 Option Price. The Option Price for each grant of an Option under this Plan shall be as determined by the Committee and shall be specified in the Award Agreement. The Option Price shall be fixed and shall be equal to or greater than the FMV on the date of grant of the Shares subject to the Option.

5.4 Duration of Options. Each Option shall expire at such time as the Committee shall determine at the time of grant; provided, however, that no Option shall be exercisable later than the tenth (10th) anniversary of the date of its grant.

5.5 Exercise of Options. Options 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.

5.6 Payment. Options granted under this Article 5 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 which may be authorized by the Committee, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares.

The issuance of Shares with respect to any Option exercise shall be conditioned on full payment of the related Option Price. The Option Price of any Option shall be payable to the Company either: (a) in cash or its equivalent; (b) by tendering (either by actual delivery or attestation) previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the Option Price (provided that, except as otherwise determined by the Committee, the Shares that are tendered must have been held by the Participant for at least six (6) months prior to their tender to satisfy the Option Price or have been purchased on the open market); (c) by any other method approved or accepted by the Committee, including, without limitation, if the Committee so determines, a cashless (broker assisted) exercise; or (d) by any combination of the foregoing.

Subject to any governing rules or regulations, as soon as practicable after receipt of written notification of exercise and full payment (including satisfaction of any applicable tax withholding), the Company shall deliver to the person exercising the Option evidence of book entry Shares, or upon such person's request, Share certificates in an appropriate amount based upon the number of Shares purchased under the Option(s).

Unless otherwise determined by the Committee, all cash payments under all of the methods indicated above shall be paid in United States dollars.

5.7 Restrictions on Share Transferability. The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option granted under this Article 5 as it may deem advisable, including, without limitation, minimum holding period requirements, restrictions under applicable securities laws, or under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded.

5.8 Termination of Employment.

Except as provided in Section 19A hereof and the Merger Agreement, in the event that a Participant ceases to be an employee of the Company or any of its subsidiaries while holding an unexercised Option:

- (a) Any unexercisable portions thereof are then void, except in the case of: (1) death of the Participant; (2) Retirement or Special Separation that occurs more than six months from the date the Options were granted; or (3) any Option as to which the Committee has waived, at the time of grant, the provisions of this Section 5.8(a) hereof.
- (b) Any exercisable portions thereof are then void, except in the case of: (1) death of the Participant which for Options granted prior to the Effective Time shall be exercised within the shorter of the term of the original grant or three years from the date of death, and for Options granted after the Effective Time shall be exercised within the term of the original grant; (2) Retirement or Special Separation; (3) a voluntary resignation that is not for Good Reason, but only with respect to Options granted prior to the Effective Time, which must be exercised (if at all) within 30 days after the date of termination of employment; or (4) any Option as to which the Committee has waived, at the time of grant, the provisions of this Section 5.8(b).
- (c) In the case of a Special Separation which occurs prior to October 2, 2007, any Option must be exercised within the time specified in the original grant or five (5) years from the date of Special Separation, whichever is shorter. For a Special Separation which occurs on or after October 2, 2007, any Option must be exercised within the time specified in the original grant.
- (d) In the case of the death of a Participant, the persons to whom the Options granted following the Effective Time have been transferred by will or the laws of descent and distribution shall have the privilege of exercising remaining Options 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. Options granted before the Effective Time may be exercised during a period ending on the earlier of the term of the original grant or three years from the date of death.

5.9 Transferability of Options.

- (a) **Incentive Stock Options.** No ISO granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, all ISOs granted to a Participant under this Article 5 shall be exercisable during his or her lifetime only by such Participant, or, in the event of the legal incompetence of the Participant, by the Participant's duly appointed legal guardian.
- (b) **Nonqualified Stock Options.** Except as otherwise provided in a Participant's Award Agreement or otherwise at any time by the Committee, no NQSO granted under this Article 5 may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution; provided that the Board or Committee may permit further transferability, on a general or a specific basis, and may impose conditions and limitations on any permitted transferability. Further, except as otherwise provided in a Participant's Award Agreement or otherwise at any time by the Committee, or unless the Board or Committee decides to permit further transferability, all NQSOs granted to a Participant under this Article 5 shall be exercisable during his or her lifetime only by such Participant or, in the event of the legal incompetence of the Participant, by the Participant's duly appointed legal guardian. With respect to those NQSOs, if any, that are permitted to be transferred to another person, relevant references in the Plan to the Participant, as determined by the Committee, shall be deemed to include the Participant's permitted transferee.

For the purpose of exercising any Options after the death of the Participant, the duly appointed executors and administrators of the estate of the deceased Participant shall have the same rights with respect to the Options as legatees or distributees would have after distribution to them from the Participant's estate. Notwithstanding the foregoing, the Committee may authorize the transfer of Options upon such terms and conditions as the Committee may require. Such transfer shall become effective only upon the Committee's complete satisfaction that the proposed transferee has strictly complied with such terms and conditions, and both the original Participant and the transferee shall be subject to the same terms and conditions hereunder as the original Participant.

5.10 Notification of Disqualifying Disposition. If any Participant shall make any disposition of Shares issued pursuant to the exercise of an ISO under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions), such Participant shall notify the Company of such disposition within ten (10) days thereof.

5.11 Substituting SARs. In the event the Company no longer uses APB Opinion 25 to account for equity compensation and is required to or elects to expense the cost of Options pursuant to FAS 123 (or a successor standard), the Committee shall have the ability to substitute, without receiving Participant permission, SARs paid only in Stock (or SARs paid in Stock or cash at the Committee's discretion) for outstanding Options awarded after the adoption of FAS 123; provided, the terms of the substituted Stock SARs correspond in relevant respects to the terms of the Options and the difference between the Fair Market Value of the underlying Shares and the Grant Price of the SARs is equivalent to the difference between the Fair Market Value of the underlying Shares and the Option Price of the Options, as determined by the Committee.

5.12 ISOs. The aggregate fair market value (determined at the time when the ISO is exercisable for the first time by a Participant during any calendar year) of the shares for which any Participant may be granted ISOs under the Plan and all other stock option plans of the Company and its subsidiaries in any calendar year shall not exceed \$100,000 (or such other amount as reflected in the limits imposed by Section 422(d) of the Internal Revenue Code of 1986, as it may be amended from time to time).

- (a) Unless otherwise authorized by the shareholders of the Company, neither the Board nor the Committee shall authorize the amendment of any Option to reduce the Option Price. This Paragraph shall not be construed to prohibit the adjustments permitted under Section 3.4 the Plan.
- (b) No Option shall be cancelled and replaced with awards having a lower Option Price without the prior approval of the shareholders of the Company. This Paragraph is intended to prohibit the repricing of "underwater" Options and shall not be construed to prohibit the adjustments permitted under Section 3.4 the Plan.
- (c) The Committee may require any Participant to accept any Option by means of electronic signature.
- (d) No Options granted after the Effective Time shall be exercisable within one (1) year from their date of grant, except in the case of the death of the Participant.

Article 6. Stock Appreciation Rights

6.1 Grant of SARs. Subject to the terms and conditions of the Plan, 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. The Committee may grant Freestanding SARs, Tandem SARs, or any combination of these forms of SARs.

The Grant Price for each grant of a Freestanding SAR shall be determined by the Committee and shall be specified in the Award Agreement. The Grant Price for a Freestanding SAR shall be fixed and shall be equal to or greater than the FMV on the date of grant of the Shares subject to the Freestanding SAR. The Grant Price of Tandem SARs shall be equal to the Option Price of the related Option.

6.2 SAR Agreement. Each SAR Award shall be evidenced by an Award Agreement that shall specify the Grant Price, the maximum duration of the SAR, the number of Shares to which the SAR pertains, the conditions upon which a SAR shall become vested and exercisable, and such other provisions as the Committee shall determine that are not inconsistent with the terms of the Plan.

6.3 Duration of SAR. Each SAR shall expire at such time as the Committee shall determine at the time of grant; provided, however, that no SAR shall be exercisable later than the tenth (10th) anniversary of the date of its grant.

6.4 Exercise of Freestanding SARs. Freestanding SARs 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.

6.5 Exercise of Tandem SARs. Tandem SARs may be exercised for all or part of the Shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option. A Tandem SAR may be exercised only with respect to the Shares for which its related Option is then exercisable.

Notwithstanding any other provision of this Plan to the contrary, with respect to a Tandem SAR granted in connection with an ISO: (a) the Tandem SAR will expire no later than the expiration of the underlying ISO; (b) the value of the payout with respect to the Tandem SAR may be for no more than one hundred percent (100%) of the difference between the Option Price of the underlying ISO and the Fair Market Value of the Shares subject to the underlying ISO at the time the Tandem SAR is exercised; and (c) the Tandem SAR may be exercised only when the Fair Market Value of the Shares subject to the ISO exceeds the Option Price of the ISO.

6.6 Payment of SAR Amount. Upon the exercise of an SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

- (a) The difference between the Fair Market Value of a Share on the date of exercise over the Grant Price; by
- (b) The number of Shares with respect to which the SAR is exercised.

The payment upon SAR exercise may be in cash, Shares, or any combination thereof, or in any other manner approved by the Committee. The Committee's determination regarding the form of SAR payout shall be set forth in the Award Agreement pertaining to the grant of the SAR.

6.7 Termination of Employment. In the event that a Participant ceases to be an employee of the Company or any of its subsidiaries while holding an unexercised SAR:

- (a) Any unexercisable portions thereof are then void, except in the case of: (1) death of the Participant; (2) Retirement or Special Separation that occurs more than six months from the date the SARs were granted; or (3) any SAR as to which the Committee has waived, at the time of grant, the provisions of this Section 6.7(a).
- (b) Any exercisable portions thereof are then void, except in the case of: (1) death of the Participant; (2) Retirement or Special Separation; or (3) any SAR as to which the Committee has waived, at the time of grant, the provisions of this Section 6.7(b).
- (c) In the case of a Special Separation which occurs prior to October 2, 2007, any SAR must be exercised within the time specified in the original grant or five (5) years from the date of Special Separation, whichever is shorter. For a Special Separation which occurs on or after October 2, 2007, any SAR must be exercised within the time specified in the original grant.
- (d) In the case of the death of a Participant, the persons to whom SARs have been transferred by will or the laws of descent and distribution shall have the privilege of exercising remaining 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 SARs.

6.8 Nontransferability of SARs. Except as otherwise provided in a Participant's Award Agreement or otherwise at any time by the Committee, no SAR granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement or otherwise at any time by the Committee, all SARs granted to a Participant under the Plan shall be exercisable during his or her lifetime only by such Participant or, in the event of the legal incompetence of the Participant, by the Participant's duly appointed legal guardian. With respect to those SARs, if any, that are permitted to be transferred to another person, relevant references in the Plan to the Participant, as determined by the Committee, shall be deemed to include the Participant's permitted transferee.

For the purpose of exercising SARs after the death of the Participant, the duly appointed executors and administrators of the estate of the deceased Participant shall have the same rights with respect to the SARs as legatees or distributees would have after distribution to them from the Participant's estate. Notwithstanding the foregoing, the Committee may authorize the transfer of SARs upon such terms and conditions as the Committee may require. Such transfer shall become effective only upon the Committee's complete satisfaction that the proposed transferee has strictly complied with such terms and conditions, and both the original Participant and the transferee shall be subject to the same terms and conditions hereunder as the original Participant.

6.9 Other Restrictions. The Committee shall impose such other conditions and/or restrictions on any Shares received upon exercise of a SAR granted pursuant to the Plan as it may deem advisable or desirable. These restrictions may include, but shall not be limited to, a requirement that the Participant hold any Shares received upon exercise of a SAR for a specified period of time.

6.10. Additional Terms and Conditions.

- (a) Unless otherwise authorized by the shareholders of the Company, neither the Board nor the Committee shall authorize the amendment of any outstanding SAR to reduce the Grant Price. This Paragraph shall not be construed to prohibit the adjustments permitted under Section 3.4 the Plan.

- (b) No SAR shall be cancelled and replaced with awards having a lower Grant Price without the prior approval of the shareholders of the Company. This Paragraph is intended to prohibit the repricing of “underwater” SARs and shall not be construed to prohibit the adjustments permitted under Section 3.4 of the Plan.
- (c) The Committee may require any Participant to accept any SAR by means of electronic signature.
- (d) No SARs granted after the Effective Time shall be exercisable within one (1) year from their date of grant, except in the case of the death of the Participant.

Article 7. Restricted Stock and Restricted Stock Units

7.1 Grant of Restricted Stock or Restricted Stock Units. Subject to the terms and provisions of the Plan, Shares of Restricted Stock and/or 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.

7.2 Restricted Stock or Restricted Stock Unit Agreement. Each Restricted Stock and/or Restricted Stock Unit grant shall be evidenced by an Award Agreement that shall specify the Period(s) of Restriction, the number of Shares of Restricted Stock or the number of Restricted Stock Units granted, the conditions upon which Restricted Stock or Restricted Stock Units shall become vested, and such other provisions as the Committee shall determine that are not inconsistent with the terms of the Plan.

7.3 Transferability. Except as provided in this Plan or an Award Agreement, the Shares of Restricted Stock and/or Restricted Stock Units granted herein may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction established by the Committee and specified in the Award Agreement or otherwise at anytime by the Committee (and in the case of Restricted Stock Units until the date of delivery or other payment), or upon earlier satisfaction of any other conditions, as specified by the Committee, and set forth in the Award Agreement or otherwise at any time by the Committee. All rights with respect to the Restricted Stock and/or Restricted Stock Units granted to a Participant under the Plan shall be available during his or her lifetime only to such Participant or, in the event of the legal incompetence of the Participant, by the Participant's duly appointed legal guardian, except as otherwise provided in an Award Agreement or at any time by the Committee.

7.4 Other Restrictions. The Committee shall impose such other conditions and/or restrictions on any Shares of Restricted Stock or Restricted Stock Units granted pursuant to the Plan as it may deem advisable including, without limitation, a requirement that Participants pay a stipulated purchase price for each Share of Restricted Stock or each Restricted Stock Unit, restrictions based upon the achievement of specific performance goals, time-based restrictions, and/or restrictions under applicable laws or under the requirements of any stock exchange or market upon which such Shares are listed or traded, or holding requirements or sale restrictions placed on the Shares by the Company upon vesting of such Restricted Stock or Restricted Stock Units.

Except with respect to a maximum of five percent (5%) of the Shares authorized in Section 3.1(a) and disregarding the impact of Article 15, any Awards of Restricted Stock or Restricted Stock Units that vest on the basis of the Participant's continued employment with or provision of service to the Company shall provide for vesting at a rate that is not more rapid than annual pro rata vesting over a three (3) year period and any Awards of Restricted Stock or Restricted Stock Units that vest upon the attainment of performance goals shall provide for a performance period of at least twelve (12) months.

To the extent deemed appropriate by the Committee, the Company may retain the certificates representing Shares of Restricted Stock in the Company's possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied or lapse.

After all conditions and restrictions under the Plan applicable to an Award under this Article 7 have been satisfied or have lapsed, including the satisfaction of all applicable tax withholding obligations, then (a) if the Award was an Award of Restricted Stock, the Shares subject to the Award shall be free of all transfer restrictions imposed under the Plan, and (b) if the Award was an Award of Restricted Stock Units, the Shares subject to the Award, or cash in lieu thereof, or a combination of Shares and cash, as the Committee determines, shall be issued and delivered to the holder of the Award.

7.5 Voting Rights. Except as otherwise specified in an Award Agreement, Participants holding Shares of Restricted Stock shall have full voting rights with respect to those Shares during the Period of Restriction. A Participant shall have no voting rights with respect to any Restricted Stock Units granted hereunder except as to Shares actually issued and delivered under such Units.

7.6 Termination of Employment. Each Award Agreement shall set forth the extent, if any, to which the Participant shall have the right to retain Restricted Stock and/or Restricted Stock Units following termination of the Participant's employment with

or provision of services to the Company and/or its Subsidiaries, as the case may be. Such provisions shall be determined by the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Shares of Restricted Stock or Restricted Stock Units issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination.

7.7 Section 83(b) Election. The Committee may provide in an Award Agreement relating to Restricted Stock that the Award is conditioned upon the Participant making or refraining from making an election with respect to the Restricted Stock under Section 83(b) of the Code. If a Participant makes an election pursuant to Section 83(b) of the Code concerning Restricted Stock, the Participant shall be required to file promptly a copy of such election with the Company.

Article 8. Performance Shares

8.1 Grant of Performance Shares. Subject to the terms and provisions of the Plan, Performance Shares may be granted in such number, and upon such terms, which may include requirements of continued service as well as performance conditions, and at any time and from time to time as shall be determined by the Committee. Each Award under this Article 8 shall specify the performance measures applicable to the Award, as determined by the Committee, and the period or periods (each, a "Performance Period") over which the performance measures so determined are to be measured. Each Performance Share shall be expressed in units of Shares or fractions or multiples of Shares and shall provide for payout, if the applicable performance and other Award conditions are met, based on the value of the underlying Shares, or on appreciation in such value, or on such other Share-related measures of value as the Committee may determine. For the avoidance of doubt, an Award granted under Articles 5, 6, 7 or 9 may provide for the acceleration of vesting or payment upon the satisfaction of performance conditions and shall not thereby be considered a Performance Share Award under this Article 8, but a share based Award that would otherwise be described in Articles 5, 6, 7 or 9 but under which the satisfaction of performance conditions (other than service) is a precondition to any vesting or exercisability shall be considered a Performance Share for purposes of the Plan.

8.2 Payment of Performance Shares. Subject to the terms of this Plan, after the applicable Performance Period has ended, the holder of a Performance Share shall be entitled to receive such payout, if any, as the Committee determines is owed based on the terms of the Award. Payment with respect to a Performance Share may be made in the form of cash or in Shares (or in a combination thereof), as the Committee determines.

8.3 Termination of Employment. Each Award Agreement shall set forth the extent, if any, to which the Participant shall have the right to retain Performance Shares following termination of the Participant's employment with or provision of services to the Company and/or its Subsidiaries, as the case may be. Such provisions shall be determined by the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Awards of Performance Shares issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination.

8.4 Nontransferability. Except as otherwise provided in a Participant's Award Agreement or otherwise at any time by the Committee, Performance Shares may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement or otherwise at any time by the Committee, a Participant's rights under the Plan shall be exercisable during his or her lifetime only by such Participant, or, in the event of the legal incompetence of the Participant, by the Participant's duly appointed legal guardian. With respect to those Performance Shares, if any, that are permitted to be transferred to another person, relevant references in the Plan to a Participant, as determined by the Committee, shall be deemed to include the Participant's permitted transferee.

Article 9. Cash-Based Awards and Other Stock-Based Awards

9.1 Grant of Cash-Based Awards. Subject to the terms and provisions of the Plan, Cash-Based Awards may be granted in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee. Each such Award shall be evidenced by an Award Agreement that shall specify the maximum duration of the Cash-Based Award, the amount of cash to which the Cash-Based Award pertains, the conditions upon which the Cash-Based Award shall become vested or exercisable, and such other provisions as the Committee shall determine which are not inconsistent with the terms of the Plan.

9.2 Other Stock-Based Awards. Subject to the terms and provisions of the Plan, Other Stock-Based Awards may be granted in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee. Such Awards shall be evidenced by an Award Agreement that shall specify the maximum duration of the Other Stock-Based Award, the number of Shares to which the Other Stock-Based Award pertains, the conditions upon which the Other Stock-Based Award shall become vested and exercisable, and such other provisions as the Committee shall determine which are not inconsistent with the terms of the Plan.

9.3 Payment of Cash-Based and Other Stock-Based Awards. Each Cash-Based Award shall specify a cash-denominated payment amount or payment ranges as determined by the Committee. Each Other Stock-Based Award shall be expressed in terms of Shares or units based on Shares, as determined by the Committee. Payment, if any, with respect to a Cash-Based Award or an Other Stock-Based Award shall be made in accordance with the terms of the Award and, subject to such terms, may be made under either form of Award in cash or in Shares, as the Committee determines.

9.4 Termination of Employment. Each Participant's Award Agreement shall set forth the extent, if any, to which the Participant shall have the right to receive payment under Cash-Based Awards or Other Stock-Based Awards following termination of the Participant's employment with or provision of services to the Company and/or its Subsidiaries, as the case may be. Such provisions shall be determined by the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Cash-Based Awards or Other Stock-Based Awards issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination.

9.5 Nontransferability. Except as otherwise determined by the Committee, neither Cash-Based Awards nor Other Stock-Based Awards may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided by the Committee, a Participant's rights under the Plan, if exercisable, shall be exercisable during his or her lifetime only by such Participant, or, in the event of the legal incompetence of the Participant, by the Participant's duly appointed legal guardian. With respect to those Cash-Based Awards or Other Stock-Based Awards, if any, that are permitted to be transferred to another person, relevant references in the Plan to a Participant, as determined by the Committee, shall be deemed to include the Participant's permitted transferee.

Article 10. Performance Measures

10.1 Performance Measures. The performance goals upon which the payment or vesting of an Award to a Covered Employee that is intended to qualify as Performance-Based Compensation shall be objectively determinable goals based upon one or more of the following Performance Measures:

- (a) Net earnings or net income (before or after taxes);
- (b) Net income per share;
- (c) Net sales growth;
- (d) Net operating profit;
- (e) Return measures (including, but not limited to, return on invested capital, assets, equity, or net sales);
- (f) Cash flow (including, but not limited to, operating cash flow, free cash flow, and cash flow return on capital);
- (g) Income before or after taxes, interest, depreciation, and/or amortization;
- (h) Gross or operating margins;
- (i) Productivity ratios;
- (j) Share price (including, but not limited to, growth measures and total stockholder return);
- (k) Expense targets;
- (l) Margins;
- (m) Operating efficiency;
- (n) Working capital targets; and
- (o) Economic Value Added or EVA[®](net operating profit after taxes minus the sum of capital multiplied by the cost of capital).

Performance Measures may be applied to any or any combination of the Company and its Subsidiaries on a consolidated basis or, as the context permits, on a divisional, entity, line of business, project or geographical basis or in combinations thereof. If the Committee so determines, performance goals may relate to performance under one or more of the Performance Measures as hereinabove described compared to the performance of a group of comparator companies or another index or indices. The Committee also has the authority to provide for accelerated vesting of any Award based on the achievement of performance goals pursuant to the Performance Measures specified in this Article 10.

10.2 Evaluation of Performance. The Committee may provide in any such Award that any evaluation of performance may include or exclude any of the following events that are objectively determinable and that occur during a Performance Period: (a) asset write-downs, (b) litigation, claims, judgments, or settlements, (c) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results, (d) any reorganization and restructuring programs, (e) extraordinary nonrecurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable year, (f) acquisitions, divestitures, joint ventures, or alliances, and (g) foreign exchange gains and losses. To the extent such inclusions or exclusions affect Awards to Covered Employees, they shall be prescribed in a form that meets the requirements of Code Section 162(m) for deductibility.

10.3 Adjustment of Performance-Based Compensation. Awards that are designed to qualify as Performance-Based Compensation, and that are held by Covered Employees, may not be adjusted upward. The Committee may adjust such Awards downward, either on a formula or a discretionary basis or any combination, as the Committee determines.

10.4 Other Changes. In the event that applicable tax and/or securities laws change to permit Committee discretion to alter the governing Performance Measures without obtaining stockholder approval of such changes, the Committee may make such changes without obtaining stockholder 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 may base vesting on Performance Measures other than those set forth in Section 10.1.

Article 11. Dividend Equivalents

Any Participant selected by the Committee may be granted dividend equivalents based on the dividends declared on Shares that are subject to any Award but that have not been issued or delivered, to be credited as of dividend payment dates during the period between the date the Award is granted and the date the Award is exercised, vests or expires, as determined by the Committee. Such dividend equivalents shall be converted to cash or additional Shares by such formula and at such time and subject to such limitations as may be determined by the Committee.

Article 12. Additional Conditions of Awards

Except as otherwise provided in the Merger Agreement or in any employment agreement (including any amendment thereto) entered between an Employee Participant and the Company before January 28, 2005, the following additional provisions shall govern Awards granted under the Plan.

12.1A Additional Conditions of Awards Granted in or after May 2005.

With respect to any Awards granted in or after May 2005, in addition to such other conditions as may be established by the Committee, in consideration of the granting of any Award under the terms of the Plan, including, without limitation, any Option, SAR, RSU, or grant of Shares, each Participant agrees as follows:

- (a) The right to exercise any Award shall be conditional upon certification by the Participant at time of exercise that the Participant intends to remain in the employ of the Company or one of its subsidiaries for at least one (1) year following the date of the exercise of the Award (provided that termination of employment due to Retirement or Special Separation shall not constitute a breach of such certification).
- (b) In order to better protect the goodwill of the Company and its subsidiaries and to prevent the disclosure of the Company's or its subsidiaries' trade secrets and confidential information and thereby help insure the long-term success of the business, the Participant, without prior written consent 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 with the Company for any reason, in connection with the manufacture, development, advertising, promotion, or sale of any product which is the same as or similar to or competitive with:

- (i) any business of The Gillette Company or its subsidiaries immediately prior to the Effective Time (including as relates to both existing products as well as products known to the Participant, as a consequence of the Participant's employment with The Gillette Company or its subsidiaries, to be in development); or
- (ii) any business of The Procter & Gamble Company or its subsidiaries in which the Participant was employed following the Effective Time (including as relates to both existing products as well as products known to the Participant, as a consequence of the Participant's employment with The Procter & Gamble Company or one of its subsidiaries, to be in development),

with respect to which, in either case, the Participant's work has been directly involved at any time during the two (2) years preceding termination of employment or with respect to which during that period of time the Participant acquired knowledge of trade secrets or other confidential information of The Gillette Company, The Procter & Gamble Company, and/or any of their subsidiaries as a result of Participant's job performance and duties.

For purposes of this paragraph, 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) Following the Effective Time, unless otherwise provided pursuant to a termination settlement agreement with the Company or any of its subsidiaries, while the Participant is employed by the Company and for a period of eighteen (18) months after the termination or cessation of such employment for any reason, the Participant shall not directly or indirectly, either alone or in association with others: (i) solicit or encourage any employee or independent contractor of the Company to terminate his or her relationship with the Company; or (ii) recruit, hire or solicit for employment or for engagement as an independent contractor, any person who is or was employed by the Company at any time during the Participant's employment with the Company; provided, that this Paragraph (c) shall not apply to such person whose employment with the Company has been terminated for a period of six months or longer.
- (d) The Participant agrees not to use or disclose the Company's or its subsidiaries' trade secrets and confidential information known to the Participant until any particular trade secret or confidential information become 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 subsidiaries is considering for broader use, shall not be deemed generally known until such broader use is actually commercially implemented. As used in this Section, "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. Without limiting the generality of the foregoing, Participant shall not:
 - (i) Disclose or use at any time any secret or confidential information or knowledge obtained or acquired by the Participant during, after, or by reason of, employment with The Gillette Company or any of its subsidiaries, as provided under applicable law and any and all agreements between the Participant and The Gillette Company or any of its subsidiaries regarding Participant's employment with The Gillette Company or the subsidiary; and
 - (ii) Disclose or use at any time any secret or confidential information or knowledge obtained or acquired by the Participant during, after, or by reason of, employment with The Procter & Gamble Company or any of its subsidiaries, as provided under applicable law and any and all agreements between the Participant and The Procter & Gamble Company or any of its subsidiaries regarding Participant's employment with The Procter & Gamble Company or the subsidiary.
- (e) Following the Effective Time, to the extent permitted by law, the Participant shall not make, publish or state, or cause to be made, published or stated, any defamatory or disparaging statement, writing or communication pertaining to the character, reputation, business practices, competence or conduct of the Company, its subsidiaries, stockholders, directors, officers, employees, agents, representatives or successors.
- (f) In accordance with any and all agreements between the Participant and the Company or any of its subsidiaries regarding the Participant's employment, the Participant shall disclose promptly and transfer and assign to the

Company all improvements and inventions in certain fields made or conceived by the Participant during employment with the Company or its subsidiaries and within the prescribed periods thereafter.

- (g) By acceptance of any offered Option, SAR, RSU, grant of Shares, or any other Award granted under the terms of the Plan, the Participant acknowledges that if the Participant were, without authority, to use, disclose, or threaten the use or disclosure of the trade secrets or confidential information of The Gillette Company or its subsidiaries or, following the Effective Time, of The Procter & Gamble Company or its subsidiaries, the Company or one of its 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 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 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.

12.1B Additional Conditions of Awards Granted Before May 2005.

With respect to any Awards granted before May 2005, in addition to such other conditions as may be established by the Committee, in consideration of the granting of any Award under the terms of the Plan, including, without limitation, any Option, SAR, RSU, or grant of Shares, each Participant agrees as follows:

- (a) Unless otherwise provided pursuant to a termination settlement agreement with the Company or any of its subsidiaries, while the Participant is employed by the Company and for a period of eighteen (18) months after the termination or cessation of such employment for any reason, the Participant shall not directly or indirectly:
- (i) As an employee, consultant, independent contractor, officer, director, individual proprietor, investor, partner, stockholder, agent, principal, joint venturer, or in any other capacity whatsoever (other than as the holder of not more than one percent of the combined voting power of the outstanding stock of a publicly held corporation or company), be employed, work, consult, advise, assist, or engage in any activity regarding any business, product, service or other matter which: (A) is substantially similar to or competes with any business, product, service or other matter regarding which the Participant worked for the Company, or any of its subsidiaries, during the three (3) years prior to Participant's termination of employment; or (B) concerns subject matters about which Participant gained proprietary information of the Company, or any of its subsidiaries, during the three (3) year period prior to the Participant's termination of employment;
 - (ii) Either alone or in association with others, solicit, divert or take away, or attempt to divert or to take away, the business or patronage of any of the clients, customers or accounts, or prospective clients, customers or accounts, of the Company which were contacted, solicited or served, directly or indirectly, by Participant while employed by the Company; or
 - (iii) Either alone or in association with others: (A) solicit or encourage any employee or independent contractor of the Company to terminate his or her relationship with the Company; or (B) recruit, hire or solicit for employment or for engagement as an independent contractor, any person who is or was employed by the Company at any time during the Participant's employment with the Company; provided, that this Paragraph (iii) shall not apply to such person whose employment with the Company has been terminated for a period of six months or longer.
- (b) The Participant shall not disclose or use at any time any secret or confidential information or knowledge obtained or acquired by the Participant during, after, or by reason of, employment with the Company or any of its subsidiaries, as provided under applicable law and any and all agreements between the Participant and the Company or any of its subsidiaries regarding Participant's employment with the Company or the subsidiary.
- (c) In accordance with any and all agreements between the Participant and the Company or any of its subsidiaries regarding the Participant's employment, the Participant shall disclose promptly and transfer and assign to the Company all improvements and inventions in certain fields made or conceived by the Participant during employment with the Company or the subsidiary and within the prescribed periods thereafter.

- (d) To the extent permitted by law, the Participant shall not make, publish or state, or cause to be made, published or stated, any defamatory or disparaging statement, writing or communication pertaining to the character, reputation, business practices, competence or conduct of the Company, its subsidiaries, stockholders, directors, officers, employees, agents, representatives or successors.

12.2 Scope of Provisions. If any of the provisions contained in Section 12.1A and 12.1B hereof shall for any reason, whether by application of existing law or law which may develop after the Participant's acceptance of an offer of the granting of an Award, 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 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 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 shall remain in full force and effect and shall in no way be affected, impaired, or invalidated.

12.3 Effect of Change of Control on Conditions. In the event of a Change of Control, the restrictions contained in Sections 12.1B (a)(i), 12.1B (a)(iii) and 12.1B(d) hereof shall cease and the Participant shall no longer be bound by the obligations thereunder. However, the provisions of Section 12.1A hereof shall continue in full force and effect notwithstanding a Change of Control.

12.4 Consequences of Violation of Conditions. If the Company reasonably determines that a Participant has materially violated any of the Participant's obligations under Section 12.1A or Section 12.1B above, or if a Participant is terminated for Cause, then, in addition to any other remedies provided in this Plan and available at law or in equity (including, without limitation, injunctive and other appropriate relief), the Company may cancel any and all Awards granted to the Participant, including grants that according to their terms are vested.

12.5 Effect on Other Non-Competition Restrictions. The non-competition restrictions set forth in Section 12.1B(a) supersede any non-competition restrictions of less than eighteen (18) months in duration set forth in any employment agreement between a Participant and the Company or any subsidiary or predecessor.

Article 13. Deferrals

The Committee may permit or require a Participant to defer such Participant's receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant by virtue of the exercise of an Option or SAR, the lapse or waiver of restrictions with respect to Restricted Stock Units, or payment in respect of Performance Shares, Cash-Based Awards, and Other Stock-Based Awards. If any such deferral election is required or permitted, the Committee shall establish rules and procedures for such payment deferrals.

Article 14. Rights of Participants

14.1 Employment. Nothing in the Plan or an Award Agreement shall interfere with or limit in any way the right of the Company and/or its Subsidiaries to terminate any Participant's employment or service on the Board at any time or for any reason or confer upon any Participant any right to continue his or her employment or service as a Nonemployee 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 and/or its Subsidiaries. Subject to Articles 2 and 16, this Plan and the benefits hereunder may be terminated at any time pursuant to Article 16 without giving rise to any liability on the part of the Company and/or its Subsidiaries.

14.2 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.

14.3 Rights as a Stockholder. Except as otherwise provided herein, a Participant shall have none of the rights of a stockholder with respect to Shares covered by any Award until the Participant becomes the record holder of such Shares.

Article 15. Covered Transactions and Change of Control

15.1 Covered Transactions. Unless otherwise specified in an Award Agreement, in the event of a "covered transaction" (as hereinafter defined) in which there is an acquiring or surviving entity, the Committee may provide for the assumption of some or all outstanding Awards, or for the grant of new Awards in substitution therefor, by the acquirer or survivor or an affiliate of the acquirer or survivor, in each case on such terms and subject to such conditions as the Committee determines. The terms and

conditions of any substitute Award shall be substantially equivalent to the terms and conditions of the Award that it replaces, taking into account changes necessitated by the covered transaction, all as determined by the Committee. In the absence of such an assumption or if there is no substitution, except as otherwise provided in the Award each Stock Option, SAR and other Award requiring exercise will become fully exercisable, and the delivery of Shares or cash issuable or payable under each other outstanding Award will be accelerated, prior to the covered transaction, in each case (where Shares are to be delivered) on a basis that gives the holder of the Award a reasonable opportunity, as determined by the Committee, following exercise of the Award or the issuance of the Shares, as the case may be, to participate as a stockholder in the covered transaction, and the Award will terminate upon consummation of the covered transaction. In the case of Restricted Stock or other Award subject to restrictions, the Committee may require that any amounts delivered, exchanged or otherwise paid in respect of such Shares or under the Award in connection with the covered transaction be placed in escrow or otherwise made subject to such restrictions as the Committee deems appropriate to carry out the intent of the Plan. For purposes of the foregoing, a “covered transaction” is any of (i) a consolidation, merger, or similar transaction or series of related transactions in which the Company is not the surviving corporation or which results in the acquisition of all or substantially all of the Company’s then outstanding common stock by a single person or entity or by a group of persons and/or entities acting in concert, (ii) a sale or transfer of all or substantially all the Company’s assets, or (iii) a dissolution or liquidation of the Company. Where a covered transaction involves a tender offer that is reasonably expected to be followed by a merger described in clause (i) (as determined by the Committee), the covered transaction shall be deemed to have occurred upon consummation of the tender offer.

15.2 Change of Control of the Company. Unless otherwise specified in an Award Agreement or an employment agreement between an Employee Participant and the Company, in the event of a Change of Control, whether or not such Change of Control also constitutes a “covered transaction” as defined in Section 15.1 above, the following provisions shall apply, subject to Section 19.A hereof and the Merger Agreement. In the case of a transaction that qualifies as both a Change of Control and a “covered transaction” as so defined, the vesting provisions of this Section 15.2 shall be applied whether or not there is an assumption or substitution under Section 15.1, but the provisions of this Section 15.2 relating to exercise or enjoyment of an Award following the Change of Control shall apply only to the extent the Award is continued (through assumption or substitution) in connection with the transaction.

- (a) All outstanding Options and SARs held by Participants which are not yet exercisable on the date such Change of Control first occurs shall become immediately exercisable and all the rights and benefits relating to such Options and SARs including, but not limited to, periods during which such Options and SARs may be exercised shall become fixed and not subject to change or revocation by the Company except as otherwise provided under Article 16;
- (b) In the event that, within two (2) years of a Change of Control, the employment of an employee Participant is terminated by the Company for any reason other than for Cause, or the employee Participant terminates employment for Good Reason, or the service as a Nonemployee Director is terminated, the applicable exercise period for all Options and SARs (including substituted or assumed Awards, if any, in the case of a Change of Control that is also subject to Section 15.1) held by him or her at termination of employment shall be the greater of (i) a period of two (2) years from the date of termination, and (ii) the post-termination exercise period otherwise applicable to the employee Participant pursuant to Section 5.8 or 6.7, as applicable, as prescribed by the Committee or set forth in the employee Participant’s Award Agreement; provided, however, that in no event shall any Option or SAR be exercisable beyond ten (10) years from its date of grant;
- (c) Any Period of Restriction and restrictions imposed on Restricted Stock or Restricted Stock Units shall lapse, and, any Shares subject to Restricted Stock Unit Awards shall be delivered on a basis that gives the holder of the Award a reasonable opportunity, as determined by the Committee, to participate as a stockholder in the Change of Control transaction;
- (d) The target payout opportunities attainable under all outstanding Awards subject to performance conditions shall be deemed to have been fully earned on the same basis as if targeted performance had been attained for the Performance Period;
 - (i) The vesting of all Awards denominated in Shares shall be accelerated as of the effective date of the Change of Control, and shall be paid out to Participants prior to the effective date of the Change of Control. The Committee has the authority to pay all or any portion of the value of the Shares in cash; and
 - (ii) Awards denominated in cash shall be paid to Participants in cash prior to the effective date of the Change of Control; and

- (e) Upon a Change of Control, unless otherwise specifically provided in a written agreement entered into between the Participant and the Company, all conditions for payment to which outstanding Cash-Based Awards and Other Stock-Based Awards may be subject will be deemed satisfied, and the Committee shall pay out all such Awards.

Article 16. Amendment, Modification, Suspension, and Termination

16.1 Amendment of the Plan or Awards. The Board of Directors or the Committee may, at any time and from time to time, alter, amend, modify, suspend, or terminate the Plan or any Award Agreement in whole or in part; provided, however, that, no amendment of the Plan shall be made without shareholder approval if shareholder approval is required by law, regulation, or stock exchange rule; and further provided no such amendment shall adversely affect the rights of any Participant (without his or her consent) under any Award theretofore granted or other contractual arrangements entered into before or after a “covered transaction” or Change of Control or deprive any Participant of any right or benefit which became operative in the event of a “covered transaction” or Change of Control.

16.2 Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. 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 3.4 hereof) 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 the Plan. The determination of the Committee as to the foregoing adjustments, if any, shall be conclusive and binding on Participants under the Plan. In the case of performance-based awards to a Covered Employee that are intended to be exempt under Section 162(m) of the Code, adjustments by the Committee shall be made consistent with Article 10 and only to the extent consistent with such exemption.

16.3 Replacement Awards. The Company may grant Awards under the Plan on terms differing from those provided for in the Plan where such Awards are granted in substitution for Awards held by employees of other corporations who concurrently become employees of the Company or a subsidiary as the result of a merger or consolidation of the employing corporation with the Company or subsidiary, or the acquisition by the Company or a subsidiary of property or stock of the employing corporation. The Committee may direct that the substitute Awards be granted on such terms and conditions as the Committee considers appropriate in the circumstances. Shares subject to a substitute or replacement Award granted pursuant to this Section 16.3, or subject to Awards assumed in connection with a transaction described in this Section 16.3, shall not count against the Share limitations described in Article 3, nor shall the Award limitations described in Article 3 apply to such substitute, replacement, or assumed Awards, in each case except as may otherwise be required to satisfy the ISO rules under Section 422 of the Code or other applicable legal or stock exchange requirements.

Article 17. Withholding

17.1 Tax Withholding. The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, such amounts as the Company determines are necessary or desirable to satisfy, or are required by law or regulation to be withheld, with respect to any taxable event arising as a result of this Plan.

17.2 Share Withholding. With respect to withholding required upon the exercise of Options or SARs, upon the lapse of restrictions on Restricted Stock and Restricted Stock Units, or upon the achievement of performance goals related to Performance Shares, or any other taxable event arising as a result of an Award granted hereunder, Participants may elect, subject to the approval of the Committee, to satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax that could be imposed on the transaction. All such elections shall be irrevocable, made in writing, and signed by the Participant, and shall be subject to any restrictions or limitations that the Committee deems appropriate.

Article 18. Successors

All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, its business or its assets whether by direct or indirect purchase, merger, consolidation, or otherwise.

Article 19. General Provisions

19.1 Forfeiture Events. The Committee may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of

certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but shall not be limited to, termination of employment for cause, termination of the Participant's provision of services to the Company and/or Subsidiary, violation of material Company and/or Subsidiary policies, breach of noncompetition, confidentiality, or other restrictive covenants that may apply to the Participant, or other conduct by the Participant that is detrimental to the business or reputation of the Company and/or its Subsidiaries.

19.2 Legend. The certificates for Shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer of such Shares.

19.3 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

19.4 Requirements of Law. The granting of Awards and the issuance of Shares under the 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.

19.5 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.

19.6 Investment Representations. The Committee may require any person receiving Shares pursuant to an Award under this Plan to represent and warrant in writing that the person is acquiring the Shares for investment and without any present intention to sell or distribute such Shares.

19.7 Employees Based Outside of the United States. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which the Company and/or its Subsidiaries operate or have Employees and/or Nonemployee Directors, the Committee shall have the power and authority, in addition to such power and authority it otherwise has under the Plan, to:

- (a) Determine which Subsidiaries shall be covered by the Plan;
- (b) Determine which Employees and/or Nonemployee Directors outside the United States are eligible to participate in the Plan;
- (c) Modify the terms and conditions of any Award granted to Employees and/or Nonemployee Directors, outside the United States to comply with applicable foreign laws;
- (d) Establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable. Any subplans and modifications to Plan terms and procedures established under this Section 19.7 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.

19.8 Uncertificated Shares. To the extent that the Plan provides for issuance of certificates to reflect the transfer of Shares, the transfer of such Shares may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange.

19.9 Unfunded Plan. Participants shall have no right, title, or interest whatsoever in or to any investments that the Company, and/or its Subsidiaries may make to aid it in meeting its obligations under the Plan. Nothing contained in the 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 person. To the extent that any person acquires a right to receive payments from the Company and/or its Subsidiaries under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company or a Subsidiary, as the case may be. All payments to be made hereunder shall be paid

from the general funds of the Company or a 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 the Plan. The Plan is not subject to ERISA.

19.10 No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the 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.

19.11 Retirement and Welfare Plans. Neither Awards made under the Plan nor Shares or cash paid pursuant to such Awards, except pursuant to Covered Employee Annual Incentive Awards, will 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 non-qualified) or welfare benefit plans unless such other plan expressly provides that such compensation shall be taken into account in computing a participant’s benefit.

19.12 Nonexclusivity of the Plan. The adoption of this Plan shall not be construed as creating any limitations on the power of the Board or Committee, or the Company or any Subsidiary, to adopt such other compensation arrangements as it may deem desirable in the case of any Participant.

19.13 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 other action which such entity deems to be necessary or appropriate.

19.14 Governing Law.

- (a) **Prior to Effective Time:** Except as to matters concerning the issuance of Shares or other matters of corporate governance, which shall be construed under the General Corporation Law of the State of Delaware, the Plan and each Award outstanding under it shall be governed by the laws of the Commonwealth of Massachusetts, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction. Recipients of an Award under the Plan are deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of Massachusetts, to resolve any and all issues that may arise out of or relate to the Plan or any Award.
- (b) **Upon and following Effective Time:** The Plan and each Award outstanding under it shall be governed by and construed in accordance with the laws of the State of Ohio, United States of America, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction. Recipients of an Award under the Plan are deemed to submit to the non-exclusive jurisdiction and venue of the federal or state courts of Ohio, and any other appropriate jurisdiction and venue, to resolve any and all issues that may arise out of or relate to the Plan or any Award.

19.15. Consent. Every Participant who receives or has received an Option, SAR, RSU, grant of Shares, or any other Award pursuant to the Plan shall be bound by the terms and provisions of the Plan and of the Option, SAR, RSU, Share, or other Award Agreement referable thereto, and the acceptance of any Option, SAR, RSU, Share, or other Award pursuant to the Plan shall constitute a binding agreement between the Participant and the Company and its subsidiaries and any successors in interest to any of them. Every Person who receives an Option, SAR, RSU, Share, or other Award from a Participant pursuant to the Plan shall, in addition to such terms and conditions as the Committee may require upon such grant, be bound by the terms and provisions of the Plan and of the Option, SAR, RSU, Share, or other Award Agreement referable thereto, and the acceptance of any Option, SAR, RSU, Share, or other Award by such Person shall constitute a binding agreement between such Person and the Company and its subsidiaries and any successors in interest to any of them.

Article 19A. Special Merger Provisions

19A.1 Acceleration of Certain Options. Except as provided in Section 19A.3, each Option outstanding under the Plan on January 27, 2005 (the “Accelerated Options”) shall be vested and fully exercisable effective immediately prior to the Effective Time as determined by the Authorized Officer.

19A.2 Special Merger Elections. Under procedures established by the Authorized Officer, each holder of an Accelerated Option may exercise such Accelerated Option immediately prior to the Effective Time, in whole or in part, and in respect thereof

shall be entitled to receive, at such holder's election, either (i) the Merger Shares or (ii) a cash payment equal to the product of (A) the excess (if any) of the per share value of the Merger Shares over the per share exercise price, multiplied by (B) the number of Shares with respect to which the Accelerated Option is exercised, in each case subject to applicable withholding taxes.

19A.3 Terms and Conditions of 2005 Options. Notwithstanding any provision in the Plan to the contrary, grants of 2005 Options under the Plan shall not relate to more than 11,500,000 Shares. Each 2005 Option shall be subject to such terms and conditions as the Committee may determine, subject to the provisions of the Plan as revised; *provided, however*, that (i) no 2005 Option shall be subject to accelerated vesting upon consummation of the Merger, but (ii) each 2005 Option shall become fully vested and exercisable following the consummation of the Merger in the event the employment of the employee Participant holder thereof is terminated by the Company or its affiliates other than for Cause, or such holder terminates employment for Good Reason or, in the case of a Participant eligible for retirement under the Company's benefit plans, for Retirement.

19A.4. Termination Following the Effective Time. Unless otherwise provided under the terms of an employment agreement with the Company or its subsidiaries, notwithstanding any other provision in the Plan, a termination of employment for Good Reason within two (2) years of the Effective Time shall be treated for purposes of Accelerated Options and 2005 Options as (A) a Special Separation or (B) in the case of a Participant eligible for retirement under the Company's benefit plans, as a Retirement.

19A.5 Post-Merger Conversion of Outstanding Accelerated Options and 2005 Options. Each Accelerated Option and 2005 Option outstanding at the Effective Time (together, "Gillette Stock Options") shall cease to represent a right to acquire Shares and, after the Effective Time, shall be deemed an option to acquire, on the same terms and conditions as were applicable under the Gillette Stock Option (but taking into account any applicable changes thereto provided for in this Plan as revised or by reason of the Merger Agreement), that number of shares of Parent Common Stock determined by multiplying the number of Shares subject to such Gillette Stock Option by the Exchange Ratio, rounded, if necessary, to the nearest whole share of Parent Common Stock, at a price per share (rounded to the nearest one-hundredth of a cent) equal to the per share exercise price specified in such Gillette Stock Option divided by the Exchange Ratio; *provided, however*, that in the case of any Gillette Stock Option to which Section 421 of the Code applies by reason of its qualification under Section 422 of the Code, the option price, the number of shares subject to such option and, except to the extent otherwise required by the Plan as revised, the terms and conditions of exercise of such option shall be determined in a manner consistent with the requirements of Section 424(a) of the Code.

19A.6. Provisions concerning Options to Nonemployee Directors. Options held by Nonemployee Directors of The Gillette Company immediately prior to the Effective Time must be exercised within the term of the original grant or within five (5) years from the Effective Time, whichever is shorter.

19A.7 Assumption of Gillette Stock Options and Certain Undertakings.

- (a) Subject to the terms of the Merger Agreement, on the Effective Time The Procter & Gamble Company shall assume the Plan (as revised herein) and each Gillette Stock Option. To the extent permitted by law but not in derogation of the provisions of this Article 19A, The Procter & Gamble Company shall take such reasonable steps as may be necessary to cause the Gillette Stock Options which qualified under Section 422 of Code as incentive stock options prior to the Effective Time to continue to qualify as incentive stock options of The Procter & Gamble Company after the Effective Time.
- (b) Not later than five (5) business days after the Effective Time, The Procter & Gamble Company shall file a registration statement on Form S-3 or Form S-8, as the case may be (or any successor or other appropriate forms), with respect to the shares of Parent Common Stock subject to such Gillette Stock Options and shall use commercially reasonable efforts to maintain the effectiveness of such registration statement or registration statements (and maintain the current status of the prospectus or prospectuses contained therein) for so long as such Options remain outstanding or for so long as such registration statement is required with respect to the Plan. The Procter & Gamble Company shall administer the Plan in a manner consistent with the exemptions provided by Rule 16b-3 promulgated under the Exchange Act.

Article 20. Definitions

Whenever used in the 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.

20.1 "Accelerated Options" has the meaning accorded such term in Article 19A.

20.2 “Annual Award Limit” or “Annual Award Limits” have the meaning set forth in Section 3.3.

20.3 “Authorized Officer” means each of (i) the Chairman, Chief Executive Officer and President, (ii) the Vice Chairman, (iii) the Senior Vice President, Finance, and Chief Financial Officer, (iv) the Senior Vice President, Strategy and Business Development, (v) the Senior Vice President and General Counsel, (vi) the Secretary and (vii) such other officers of the Company as any of the foregoing may designate in writing.

20.4 “Award” means, individually or collectively, a grant under this Plan of Cash-Based Awards, Nonqualified Stock Options, Incentive Stock Options, SARs, Restricted Stock, Restricted Stock Units, Performance Shares, or Other Stock-Based Awards, in each case subject to the terms of this Plan.

20.5 “Award Agreement” means an agreement entered into and executed by the Company and a Participant setting forth the terms and provisions applicable to an Award granted under this Plan.

20.6 “Board” or “Board of Directors” means the Board of Directors of the Company.

20.7 “Cash-Based Award” means an Award granted to a Participant as described in Section 9.1.

20.8 “Cause”: For the purposes of the Plan, unless otherwise provided under the terms of an employment agreement with the Company or any of its Subsidiaries, in which case the definition contained therein shall control, a discharge for “Cause” shall have occurred where a Participant is terminated because of:

- (a) The Participant's continued failure to perform substantially his or her duties with the Company or any of its Subsidiaries (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for performance is delivered to Participant by an officer or a senior manager of the Company or the Subsidiary which identifies the manner in which the Board or the elected officer or manager believes that Participant has not performed his or her duties;
- (b) The Participant's engaging in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company or the subsidiary; or
- (c) The Participant's conviction of a felony or a plea of nolo contendere by Participant with respect to a felony.

20.9 “Change of Control” means any of the following events:

- (a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then-outstanding shares of common stock of the Company (the “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 Paragraph (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries or (iv) any acquisition by any corporation pursuant to a transaction that complies with clauses (A), (B) and (C) of Paragraph (c) below;
- (b) Individuals who, as of December 16, 1999, constitute the Board of Directors (the “Board”) of the Company (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 date thereof whose election, or nomination for election by the Company's stockholders, 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 were 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, consolidation or sale or other disposition of all or substantially all of the assets of the Company (a “Business Combination”), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the

Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% 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, a corporation 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 the Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation 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 (C) at least a majority of the members of the board of directors of the corporation 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; or

(d) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

20.10 “Closing” means the closing of the Merger upon the terms and subject to the conditions set forth in Article 6 of the Merger Agreement.

20.11 “Code” means the U.S. Internal Revenue Code of 1986, as amended from time to time.

20.12 “Committee” means:

- (a) If describing rights, obligations, conditions, and/or circumstances prior to the Effective Time, the Compensation and Human Resources Committee of the Board of The Gillette Company.
- (b) If describing rights, obligations, conditions, and/or circumstances at or following the Effective Time, the Compensation & Leadership Development Committee (or its functional successor by another name) of The Procter & Gamble Company.

20.13 “Company” means:

- (a) If describing rights, obligations, conditions, and/or circumstances prior to the Effective Time, The Gillette Company, a Delaware corporation;
- (b) If describing rights, obligations, conditions, and/or circumstances at or following the Effective Time, The Procter & Gamble Company, an Ohio corporation.

20.14 “Company Stock Option Plans” means the Plan and the Prior Plan.

20.15 “Covered Employee” means a Participant who is a “covered employee,” as defined in Code Section 162(m) and the regulations promulgated under Code Section 162(m), or any successor statute.

20.16 “Effective Date” has the meaning set forth in Section 1.1.

20.17 “Effective Time” has the meaning accorded such term in the Merger Agreement.

20.18 “Employee” means any employee of the Company and/or Subsidiaries who was not employed by The Procter & Gamble Company or any of its subsidiaries prior to the Effective Time.

20.19 “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

20.20 “Exchange Ratio” has the meaning accorded such term in the Merger Agreement.

20.21 “Fair Market Value” or “FMV” means a price that is based on the opening, closing, actual, high, low, or average selling prices of a Share on the New York Stock Exchange on the applicable date, the preceding trading days, the next succeeding trading day, or an average of trading days, as determined by the Committee. In the case of any Option intended to qualify as an ISO, or an Option or SAR intended to satisfy the performance-based compensation exception requirements of Section 162(m) of the Code by reason of the special stock option/stock appreciation right rules under Section 162(m) of the Code, Fair Market Value (FMV) shall be determined on a basis that is consistent with such intent.

20.22 “Freestanding SAR” means an SAR that is granted independently of any Options, as described in Article 6.

20.23 “Good Reason” means, for the purposes of the Plan, unless otherwise provided under the terms of an employment agreement with the Company or any of its Subsidiaries, in which case the definition contained therein shall control, an employee Participant terminating his or her employment as a direct result of:

- (a) The assignment to the Participant of any duties materially inconsistent in any respect with the Participant's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as in effect immediately prior to the Change of Control, or any other action by the Company or its Subsidiaries that results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and that is promptly remedied by the Company and/or the Subsidiary;
- (b) A decrease in the Participant's compensation, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and that is promptly remedied by the Company and/or the Subsidiary; or
- (c) The Company's or the Subsidiary's requiring the Participant to be based at any office or location other than (A) the office or where the Participant was based and performed services immediately prior to the Change of Control or (B) any other location less than 35 miles from such office, or the Company's or the Subsidiary's requiring the Participant to travel on business to a substantially greater extent than required immediately prior to the Change of Control.

20.24 “Grant Price” means the price established at the time of grant of a SAR pursuant to Article 6, used to determine whether there is any payment due upon exercise of the SAR.

20.25 “Incentive Stock Option” or “ISO” means an Option to purchase Shares granted under Article 5 to an Employee and that is designated as an Incentive Stock Option and that is intended to meet the requirements of Code Section 422, or any successor provision.

20.26 “Merger” means the consummation of the transactions contemplated by the Merger Agreement.

20.27 “Merger Agreement” means the Agreement and Plan of Merger dated as of January 27, 2005 among The Procter & Gamble Company, Aquarium Acquisition Corp. and The Gillette Company.

20.28 “Merger Shares” has the meaning accorded such term in the Merger Agreement.

20.29 “Nonemployee Director” has the same meaning set forth in Rule 16b-3 promulgated under the Exchange Act, or any successor definition adopted by the United States Securities and Exchange Commission.

20.30 “Nonqualified Stock Option” or “NQSO” means an Option that is intended not to be an ISO, or that otherwise does not meet the requirements of Code Section 422.

20.31 “Option” means an Incentive Stock Option or a Nonqualified Stock Option, as described in Article 5.

20.32 “Option Price” means the price at which a Share may be purchased by a Participant pursuant to an Option.

20.33 “Other Stock-Based Award” means an Award denominated in Shares that is not described in Articles 5, 6, 7, or 8.

20.34 “Parent” means The Procter & Gamble Company.

20.35 “Parent Common Stock” has the meaning accorded such term in the Merger Agreement.

20.36 “Participant” means any eligible person as set forth in Article 4 to whom an Award is granted.

20.37 “Performance-Based Compensation” means an Award that is intended to deliver compensation that satisfies the performance-based compensation exception requirements of Section 162(m) of the Code, other than any such Award that is an Option or an SAR and that satisfies such requirements by reason of the special stock option/stock appreciation right rules under Section 162(m).

20.38 “Performance Measures” means the performance measures listed in Article 10.

20.39 “Performance Period” means the period of time over which attainment of performance goals is to be measured.

20.40 “Performance Share” means an Award denominated in Shares under which vesting of the Award or the right to payment under the Award (and not merely the possible acceleration of vesting or payment) depends on the satisfaction of one or more performance goals.

20.41 “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), as provided in Article 7.

20.42 “Plan” means The Gillette Company 2004 Long-Term Incentive Plan as from time to time amended and in effect.

20.43 “Plan Year” means the calendar year (January 1 to December 31).

20.44 “Prior Plan” means the 1971 Stock Option Plan of The Gillette Company.

20.45 “Restricted Stock” means an Award of restricted Stock pursuant to Article 7.

20.46 “Restricted Stock Unit” means an Award pursuant to Article 7 under which the Participant is given a conditional right to receive Stock in the future.

20.47 “Retirement” means: (a) retirement in accordance with the provisions of any appropriate retirement plan of the Company or any of its subsidiaries; or (b) termination of employment under the total and permanent disability provision of any retirement or disability plan of the Company or any of its subsidiaries or any plan to which the Company or its subsidiaries contribute for purposes of the retirement or disability of Employees.

20.48 “Share” means a Share of common stock of the Company.

20.49 “Special Separation” means any termination of employment that occurs prior to the time a Participant is eligible to retire, except a termination for Cause or a voluntary resignation that is not initiated or encouraged by the Company.

20.50 “Stock Appreciation Right” or “SAR” means an Award pursuant to the terms of Article 6.

20.51 “Subsidiary” means any corporation or other entity, whether domestic or foreign, in which the Company has or obtains, directly or indirectly, a proprietary interest of more than fifty percent (50%) by reason of stock ownership or otherwise.

20.52 “Tandem SAR” means an SAR that is granted in connection with a related Option pursuant to Article 6, the exercise of which shall require forfeiture of the right to purchase a Share under the related Option (and when a Share is purchased under the Option, the Tandem SAR shall similarly be canceled).

20.53 “2005 Options” means each Option granted hereunder after January 27, 2005 and prior to the Effective Time.

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Section 9: EX-10.19 (SENIOR EXECUTIVE RECOUPMENT POLICY)

EXHIBIT (10-19)

Senior Executive Officer Recoupment Policy

SENIOR EXECUTIVE OFFICER
RECOUPMENT POLICY

Effective January 1, 2018

In the event of a significant restatement of financial results, the Compensation and Leadership Development Committee of the Board will review all cash-based and equity-based incentive compensation paid to Executive Officers on the basis of having met or exceeded specific performance targets or goals for performance periods after June 30, 2006 pursuant to the Short Term Achievement Reward (STAR) annual incentive program and/or the Performance Stock Plan (PSP), a long-term incentive program, or any successor programs or plans or other cash-based or equity-based incentive compensation plans approved by the Board or the Compensation and Leadership Development Committee (collectively, "Compensation"). Such Compensation is limited to awards received in the three-year period preceding the date on which the Company is required to prepare the accounting restatement.

If such Compensation would have been lower had it been calculated based on the restated results, the Compensation and Leadership Development Committee will, to the extent permitted by governing law, have the sole and absolute discretion and authority to seek to recoup for the benefit of the Company some or all such Compensation paid to some or all of the Executive Officers, regardless of the fault, misconduct or responsibility of any such executive officer in the restatement. For purposes of this policy, the term "significant restatement" means a restatement triggered by a material accounting error in previously issued financial statements, the term "Executive Officers" means the senior executive officers of the Company consisting of the Chief Executive, Vice-Chairs, Presidents, Global Function Heads, Senior Vice Presidents and equivalents who were in such positions at the time such Compensation deemed subject to recoupment was paid, and the term "Compensation" includes any amounts deferred pursuant to the terms of The Procter & Gamble Company Executive Deferred Compensation Plan.

This authority is in addition to the Compensation and Leadership Development Committee's authority under any applicable stock and incentive compensation plan to suspend or cancel any outstanding stock option, stock appreciation right, or restricted stock unit issued under the plans, and seek repayment of net proceeds of awards, if the Committee determines that the Participant has acted significantly contrary to the best interests of the Company or its affiliates or subsidiaries.

In addition, this does not affect the Company's ability to pursue any and all available legal rights and remedies under governing law.

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Section 10: EX-10.21 (THE P&G 2009 STOCK AND INCENTIVE COMPENSATION PLAN)

EXHIBIT (10-21)

**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 (Belgian Version),
The Gillette Company 2004 Long-Term Incentive Plan,
and The Gillette Company 1971 Stock Option Plan**

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 (BELGIAN VERSION),
THE GILLETTE COMPANY 2004 LONG-TERM INCENTIVE PLAN,
AND THE GILLETTE COMPANY 1971 STOCK OPTION PLAN

I. AUTHORITY FOR REGULATIONS

These regulations (the "Regulations") are adopted pursuant to Article B, Paragraph 1 of The Procter & Gamble 2009 Stock and Incentive Compensation Plan (the "2009 Plan"); Article B, Paragraph 1 of The Procter & Gamble 2001 Stock and Incentive Compensation Plan (the "2001 Plan"); Article B, Paragraph 4 of The Procter & Gamble 1992 Stock Plan (the "1992 Plan"); Article B, Paragraph 4 of The Procter & Gamble 1992 Stock Plan (Belgian Version) (the "Belgian Plan") (together, the "P&G Plans") and pursuant to Article 2.2 of The Gillette Company 2004 Long-Term Incentive Plan and Article 2(h) of The Gillette Company 1971 Stock Option Plan (together, the "Gillette Plans"). Unless context otherwise dictates, the P&G Plans and the Gillette Plans shall each be a "Plan" and collectively be the "Plans".

II. ADMINISTRATION - DUTIES

1. The Office of the Corporate Secretary of The Procter & Gamble Company (the "Company") shall act as Secretary of the Compensation and Leadership Development Committee (the "Committee") for all purposes of the Plans and shall be responsible for establishing and maintaining all necessary books and records to reflect clearly the actions of the Committee regarding the administration of the Plans. These duties may be performed by the Secretary in cooperation with the Treasurer of the Company and the chief financial officers of international subsidiaries and international branches of domestic subsidiaries, as appropriate.

2. In addition to the other duties specifically set forth in these Regulations, the Secretary and the Assistant Secretary designated by the Secretary for this purpose will assist the Committee in the administration of the Plans. The Secretary, the designated Assistant Secretary, the Chief Human Resources Officer and each member of the Committee are hereby authorized to execute documents on behalf of the Committee where the action recorded, implemented, or certified has been authorized by the Committee.

III. ADMINISTRATION - MEETINGS AND ACTIONS

1. The Committee shall meet on the call of any member of the Committee at the time and place specified in the call.

2. Notice of meetings shall be given to each member, normally at least one day before the meeting. Any meeting at which all members are present shall be a duly called meeting, whether or not notice was given.

3. A majority of the Committee shall constitute a quorum.

4. Committee actions require the approval of a majority of the Committee. Actions may also be taken without a meeting with the affirmative vote or approval of all members of the Committee, set forth in a writing signed by all such members.

5. Any action taken with respect to a Plan shall be effective if it complies with that Plan and these Regulations.

IV. SUSPENSION, TERMINATION AND WITHHOLDING OF STOCK OPTIONS, STOCK APPRECIATION RIGHTS OR OTHER AWARDS UNDER THE PLAN

1. Article F of the P&G Plans authorizes the Committee to cancel, rescind, suspend, withhold or otherwise limit or restrict any unexpired, unpaid or deferred awards, including any outstanding stock option, stock appreciation right, stock award, Restricted Stock Unit ("RSU") or other award at any time, if the participant is not in compliance with all terms and conditions governing the award. On February 14, 2006, the Board amended the 2001 Plan on a prospective basis to remove the requirement that such actions by the plan participant be taken "prior to termination of employment." The Committee hereby establishes the following procedures and delegates the following authority to assist it in the administration of this provision.

2. Actions that significantly contravene the Company's "Statement of Purpose, Values and Principles" ("PVP") will be considered to be "significantly contrary to the best interests of the Company." This standard also includes 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 subsidiary.

3. The Chief Human Resources Officer and the Chief Legal Officer are each hereby individually authorized to suspend on a conditional or temporary basis the outstanding stock options, stock appreciation rights, stock awards, RSUs or any other awards of any participant if the Chief Human Resources Officer or the Chief Legal Officer believes that such participant has engaged in action that violates the terms and conditions governing the award. If the participant is a Principal Officer of the Company, the Chief Executive Officer must concur with the decision to conditionally or temporarily suspend awards.

4. In order to permanently suspend, terminate, or otherwise restrict an award, within a reasonable time of any such conditional or temporary suspension, the Chief Human Resources Officer and the Chief Legal Officer must each concur that the participant has engaged in action that violates the terms and conditions governing the award. In a case involving a Principal Officer of the Company, the concurrence of the Chief Executive Officer is also required. If there is concurrence, the outstanding stock options, stock appreciation rights, stock awards, RSUs or other awards shall be immediately terminated without any further action. If they do not concur, the suspension shall be lifted.

5. For purposes of Article F, paragraph 3 of the 2009 Plan, the Chief Human Resources Officer and the Chief Legal Officer, along with the Chief Executive Officer if it involves a Principal Officer, must concur that the participant has engaged in action that violates the terms and conditions governing the award prior to exercising the repayment provisions of Article F, paragraph 3 of the 2009 Plan.

6. For any exercised but unpaid award, the Chief Human Resources Officer and the Chief Legal Officer of the Company are each hereby individually authorized to temporarily or conditionally withhold payment of such award if the Chief Human Resources Officer or the Chief Legal Officer believes that such participant has engaged in action that violates the terms and conditions governing the award. If the participant is a Principal Officer of the Company, the Chief Executive Officer must concur in the decision to withhold payment of awards.

7. In order to permanently withhold funds from any unpaid award, within a reasonable time of withholding payment of an award, the Chief Human Resources Officer and the Chief Legal Officer must each concur that the participant has engaged in action that violates the terms and conditions governing the award. In a case involving a Principal Officer of the Company, the concurrence of the Chief Executive Officer is also required. If there is concurrence, the funds will be repaid to the Company. If they do not all concur, the withholding shall be lifted.

8. All alleged violations of the terms and conditions governing an award by the Chief Human Resources Officer, Chief Legal Officer, or Chief Executive Officer shall be reviewed by the Committee. If the Committee determines a violation has occurred, the Committee may terminate the individual's outstanding stock options, stock appreciation rights, stock awards, RSUs or other awards or withhold payment of an award, and may exercise the repayment provision of Article F, paragraph 3 of the 2009 Plan.

9. No outstanding stock options or stock appreciation rights may be exercised, nor shall stock awards or RSUs be surrendered or delivered upon, while they are suspended.

V. AUTHORIZING, GRANTING AND VALUING OF STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

1. The Chief Executive Officer may submit to the Committee recommendations for grants to be made to participants pursuant to the Plans, except for grants to himself. Consistent with Article B of each P&G Plan and Article 2 of the Gillette Plans, however, the Committee shall have the sole authority to determine the manner in which and number of stock options and stock appreciation rights to be granted to such participants including the Chief Executive Officer. For purposes of these Regulations, "grant" refers to both an offer, which does not require a participant to make a cash payment in order to receive stock options or stock appreciation rights, and an offer, which does require such payment. No grant under a Gillette Plan shall be made to any individual who was employed by The Procter & Gamble Company or any of its subsidiaries before October 1, 2005.

2. The Secretary, Chief Human Resources Officer or their designate shall notify the recipients as soon as practicable after stock options and stock appreciation rights are granted by the Committee. Notification shall be provided in any manner deemed reasonable by the Secretary or Chief Human Resources Officer. If a recipient is an employee of an international subsidiary of the Company, or of an international branch of a domestic subsidiary of the Company, the employing subsidiary will also be notified regarding any grants of stock appreciation rights and may be a party to agreements for stock appreciation rights either with the Company or recipients.

3. The Committee may specify an appropriate time and manner for acceptance of each grant of stock options or stock appreciation rights. Any grant not accepted through the specified means within the period specified by the Committee at the time of the grant shall be considered to be canceled.
4. The Secretary shall inform the Treasurer of stock options and stock appreciation rights granted by the Committee.
5. For each grant of stock options or stock appreciation rights, the Committee authorizes the Chief Human Resources Officer to determine all the terms and provisions of the respective stock option or stock appreciation right, including setting the dates when each stock option or stock appreciation right may be exercised and waiving the provisions of Article F, Paragraph 1(a), 1(b) and 1(c) and Article G, Paragraph 9(a) and 9(b) of the 2009 Plan; Article F, Paragraph 1(a) and 1(b) and Article G, Paragraphs 4(a), 4(b) and 4(c) of the 2001 Plan; Article F, Paragraph 1(b) and Article G, Paragraph 4(a) of the 1992 Plan; and Article F, Paragraph 1(b) and Article G, Paragraphs 4(a) and 4(b) of the Belgian Plan; Articles 5.8(a), 5.8(b), and 5.8(c) and Articles 6.7(a), 6.7(b), and 6.7(c) and Articles 12.1A(b) and 12.1A(c) of The Gillette Company 2004 Long-Term Incentive Plan (the "2004 Plan").
6. The grant price of stock options and stock appreciation rights shall be the closing price for the Common Stock of the Company on the New York Stock Exchange on the day of the grant; provided that for all employees receiving the FR grant series (French locals and expatriate employees working in France), any grant made during a closed period, as described in Schedules D, E or F attached to these Regulations, shall have a grant price determined on the date following the end of the closed period.
7. For purposes of granting options under the 1992 Plan pursuant to a Scheme approved by the United Kingdom's Inland Revenue pursuant to Section 10 to the United Kingdom's Finance Act of 1984, the provisions set out in Schedule A attached to these Regulations shall apply.
8. The provisions set out in Schedule B attached to these Regulations as amended from time to time shall apply to all stock options granted in Australia.
9. For purposes of granting options under the 2001 Plan, pursuant to a sub-plan approved by the United Kingdom's Inland Revenue under Schedule 9 to the United Kingdom Income and Corporation Taxes Act of 1988, the provisions set out in Schedule C to these Regulations shall apply.
10. The provisions set out in Schedules D, E and F attached to these Regulations as amended from time to time shall apply to all stock options granted in France under the 1992 Plan, the 2001 Plan and the 2009 Plan, respectively.
11. The provisions set out in Schedule G attached to these Regulations as amended from time to time shall apply to all stock options granted to employees of Procter & Gamble Hygiene and Health Care Limited.
12. For purposes of granting options under the 2009 Plan, pursuant to a sub-plan approved by the United Kingdom's HM Revenue & Customs under Schedule 4 to the United Kingdom Income Tax (Earnings and Pensions) Act of 2003, the provisions set out in Schedule H to these Regulations shall apply.

VI. EXERCISE, SURRENDER, AND CANCELLATION OF STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

1. A participant's notice of exercise of any stock option or stock appreciation right under any Plan shall be in the form established by the office of the Company designated by the Treasurer as responsible for administration of grants under the Plans. Notice shall be given prior to the expiration of the stock option or stock appreciation right and shall include proof of all necessary payment by the participant (including option cost, administration cost, required tax withholding, commissions and fees) in United States funds or as otherwise permitted by Paragraph 3 of this Article VI. Delivery of notice of exercise of a stock option shall be made to the office of the Company designated by the Treasurer as responsible for administration of grants under the Plans. Delivery of notice of exercise of a stock appreciation right may be made to the office of the Company designated by the Treasurer as responsible for administration of grants under the Plans.
2. Upon exercise of any stock option or stock appreciation right, the office of the Company designated by the Treasurer as responsible for administration of grants under the Plans shall promptly provide the recipient with a summary of the transaction.
3. The Treasurer is hereby instructed to accept cash or unrestricted shares of Common Stock as payment for (i) all or part of the exercise price of a stock option; (ii) withholding or other applicable taxes of all kinds which may be due upon the exercise of a stock option; (iii) any commissions or fees associated with the exercise of a stock option; and (iv) any other costs borne by the Company in connection with the exercise of a stock option, provided that unrestricted shares of Common Stock will not be accepted where prohibited or made impractical by local laws or regulations. Depending on the exercise method, shares of Common

Stock will either be valued at the actual price received from the sale of the Common Stock on the open market or at the average of the high and low prices for the Company's Common Stock on the New York Stock Exchange on the day the stock option is exercised. In the event that the New York Stock Exchange is closed for business on the day upon which shares of the Company's Common Stock are to be valued for this purpose, the Treasurer shall value such shares on the immediately following business day of such Exchange on which day such stock is traded.

In jurisdictions where local law permits, participants exercising stock options by means of the cashless option program using an endorsed broker, the exercise payment may be made by the endorsed broker three business days following the delivery of the notice of exercise. Further, in such cases, any taxes due shall be calculated on the basis of the actual sale price received by the endorsed broker for the Company's Common Stock on the date of exercise.

4. The Treasurer, to the extent it is deemed appropriate by the Treasurer, is hereby authorized to utilize either authorized but unissued shares or treasury shares for issuance upon the exercise of a stock option or a stock appreciation right being redeemed by the Company. However, the Treasurer shall use only authorized but unissued shares in a country where authorized but unissued shares are required by law. Pursuant to this paragraph, the Treasurer shall use only authorized but unissued shares for grants made in Italy from January 1, 1998 through January 15, 2000.

5. Redemption of a stock appreciation right may be in Common Stock, cash or a combination thereof. A stock appreciation right shall be valued at the average of the high and low prices of the Company's Common Stock on the New York Stock Exchange on the day the stock appreciation right is redeemed. In the event that the New York Stock Exchange is closed for business on the day upon which shares of the Company's Common Stock are to be valued for this purpose, the Treasurer shall value such shares on the immediately preceding business day of such Exchange on which day such stock was traded.

Upon receipt of a redemption request, the Treasurer or the chief financial officer of the employing or other appropriate international subsidiary or international branch of a domestic subsidiary shall cause the appropriate payment to be paid, either in cash, Common Stock or a combination thereof unless local laws or regulations prohibit or make impractical payment in Common Stock. Cash payments made to participants employed by international subsidiaries or international branches of domestic subsidiaries shall be made in local currency at the official exchange rate for this type of transaction prevailing at the time of exercise. Shares of Common Stock to be delivered to participants employed by international subsidiaries or international branches of domestic subsidiaries shall be shares which the appropriate subsidiary has acquired for the purposes of the Plan, paying therefor the then prevailing market price. The subsidiary shall bear all of the cost of acquiring and transferring such shares to such employee, including any applicable documentary and transfer taxes but excluding any individual personal tax liability resulting to the employee therefrom.

6. Stock options and stock appreciation rights may be surrendered for cancellation before exercise by notice delivered in the form established by the office of the Company designated by the Treasurer as responsible for administration of grants under the Plans. Acceptance of such surrender for cancellation before exercise shall not constitute waiver of the participant's obligations under Article F of the P&G Plans or Article 12 of the 2004 Plan.

7. Whenever a participant in receipt of a nonstatutory stock option is transferred to an employing subsidiary company, or retires to residence, in a location or country in which the purchase, receipt and/or holding of a stock option is prohibited by law or regulation, such nonstatutory stock option shall automatically, without further action by the participant or the Committee, be redeemable while in such location or country as if it were a stock appreciation right, subject to all of the other terms and conditions of the original option including exercise price. Redemption of stock appreciation rights, including both such nonstatutory stock options redeemable as stock appreciation rights and stock appreciation rights originally issued as such, in such a location or country shall be entirely in cash, notwithstanding any other term, condition or regulation of this Committee to the contrary.

8. To the extent that unrestricted shares of Common Stock are authorized to be accepted as payment for all or part of the exercise price of a stock option, the unrestricted shares must have been held for at least six months by the participant. The use of the newly acquired shares from the option exercise as payment of withholding or other applicable taxes that may be due upon exercise of the option is permissible, provided that local laws and regulations permit such payments.

9. Pursuant to Article B, Paragraph 2 of the 2009 Plan; Article B, Paragraph 2 of the 2001 Plan; Article B, Paragraph 3 of the 1992 Plan and the Belgian Plan; and Article 2.2(a) of the 2004 Plan, the Committee hereby waives the provisions of Article F, Paragraph 1(a) of the P&G Plans and Article 12.1A(a) of the 2004 Plan (requiring certification by the recipient at the time of exercise that the recipient intends to remain in the employ of the Company or one of its subsidiaries for at least one (1) year); *provided that* the participant shall be given the opportunity to certify intent to comply with this requirement and, if the participant refuses to so certify, a principal officer or an employee of the Company or any of its subsidiaries who has the title of Vice President is informed of the participant's refusal and the participant has certified at the time of exercise no intent to engage in any activity that would violate the non-compete provisions of Article F, Paragraph 1(b) of the P&G Plans or Article 12.1A(b) of the 2004 Plan.

10. The Treasurer or Chief Human Resources Officer with Treasurer concurrence, to the extent it is deemed appropriate by the Treasurer, is hereby authorized to establish such terms and conditions regarding exercise of any stock option as are required or advisable to accommodate for differences in local law, tax policy or custom, including but not limited to, requiring that Participants: (i) hold shares acquired upon exercise of any stock option for a specified period of time; (ii) hold shares acquired upon exercise of any stock option outside of the Participant's jurisdiction of residence; or (iii) immediately repatriate proceeds from the sale of shares or dividends on shares to their local jurisdiction.

VII. AUTHORIZING AND GRANTING RESTRICTED OR UNRESTRICTED STOCK OR RESTRICTED STOCK UNITS

1. The Chief Executive Officer may submit to the Committee recommendations for awards of unrestricted or restricted Common Stock or RSUs to be made to Participants pursuant to the Plans, except for awards to himself. Consistent with Article I of the P&G Plans and Article 2.2 of the 2004 Plan, however, the Committee shall have the sole authority to determine the manner in which and number of shares of Common Stock or RSUs to be awarded to such participants, including the Chief Executive Officer.

2. Any conditions or restrictions on the award of any shares of Common Stock or RSUs beyond those contained in the Plans or these Regulations shall be determined by the Committee and set forth in the Statement of Conditions and Restrictions or Statement of Terms and Conditions. Such additional conditions or restrictions may vary from time to time and from participant to participant.

3. The Secretary or Chief Human Resources Officer shall inform the Treasurer of the award of restricted shares of Common Stock or RSUs in payment of additional remuneration. The transfer and delivery will be made as soon as practicable after such award by the Committee. The shares awarded shall be valued at the closing price for the Common Stock of the Company on the New York Stock Exchange on the day of the transfer to the participant.

4. The Treasurer may accept as payment of withholding or other applicable taxes of all kinds, which may be due upon the lapsing of restrictions on Restricted Stock or Restricted Stock Units, cash or shares of Common Stock of the Company upon which restrictions are lapsing. Depending on the settlement method, shares of Common Stock will be valued at either the actual price received from the sale of the Common Stock on the open market or the average of the high and low prices for such stock on the New York Stock Exchange on the date the tax payment is otherwise due. In the event that the New York Stock Exchange is closed to business on the day upon which shares of the Company's Common Stock are to be valued for this purpose, the Treasurer shall value such shares on the immediately preceding business day of such Exchange on which day such stock was traded.

5. Shares of Common Stock awarded or issued following redemption of RSUs under the Plans may be authorized but unissued shares, treasury shares or shares acquired for purposes of the Plans.

6. For purposes of determining ERISA Supplement (known as "PST Restoration"), International Retirement Plan and Supplemental Credit awards of restricted stock, the shares or RSUs awarded shall be valued at the average of the high and low prices for Common Stock of the Company on the New York Stock Exchange on the last five business days in June.

7. The Treasurer will transfer shares under the Plans to participants subject to restrictions as authorized by the Committee. Any certificates for shares delivered for this purpose will carry a legend legally sufficient to prohibit their sale or other disposition except in accordance with the terms of the form of Statement of Conditions and Restrictions or Statement of Terms and Conditions. Alternately, except as otherwise requested by the participant, the Treasurer may cause to be maintained a special restricted stock account for each participant without delivery of certificates for shares of restricted stock, with any such account maintained in such manner as will prevent sale or other disposition except in accordance with the terms of the applicable form of Statement of Conditions and Restrictions or Statement of Terms and Conditions.

8. Restricted shares evidenced by certificates may be surrendered to the Treasurer upon the lapse of the restrictions and certificates free of any legend for a like number of shares will be issued. Upon lapse of restrictions on restricted stock not evidenced by certificates, certificates free of restrictive legend representing such shares shall be automatically issued, without request therefor.

9. If, upon action by the Committee or pursuant to a Plan, a participant is required to sell any or all of the restricted shares to the Company pursuant to a form of Statement of Conditions and Restrictions or Statement of Terms and Conditions, the Treasurer will make such purchase for the Company at the purchase price stated in the form subject to any adjustment called for in the form or take such other action as is required.

10. In case of a triggering event under Article K of the 2009 Plan; Article K of the 2001 Plan; Article J of the 1992 Plan or the Belgian Plan; Article 3.4 of the 2004 Plan; and Article 9 of The Gillette Company 1971 Stock Option Plan (the "1971 Plan")

the appropriate number of such new or additional or different shares or securities will be issued by the Treasurer with the applicable restrictive legend to recipients holding restricted shares, in accordance with each form of Statement of Conditions and Restrictions or Statement of Terms and Conditions.

VIII. WAIVER, EXTENSION AND INTERPRETATION

1. The Committee's authority to waive restrictions and conditions included in the form of Statement of Conditions and Restrictions or Statement of Terms and Conditions relating to any award shall be exercised sparingly. The authority shall be exercised only in the case of hardship which in the sole judgment of the Committee justifies such action. Under no circumstances will the convenience or preference of the participant be sufficient.

2. Upon request of any holder of shares subject to restrictions which would lapse upon retirement, the Treasurer is authorized to agree on behalf of the Company and the Committee to extend such restrictions so as to provide for the expiration (1) on a date not later than December 15 of the year of retirement; (2) on January 15 of the year following retirement; (3) on January 15 in the second year following retirement; or (4) in five or ten annual installments beginning on January 15 of the year following retirement. Any such request must be made and agreed to prior to January 1 of the expected year of retirement and shall be granted only on condition that the employee making the request agrees not to engage in competitive employment (as defined in Article F of the P&G Plans or Article 12.1A(b) of the 2004 Plan) following retirement until expiration of the restrictions, without first obtaining written permission from the Company.

3. Upon the request of any employee whose compensation is subject to the jurisdiction of this Committee who has received awards of additional remuneration specified as to be paid in the form of deferred cash payable at retirement with interest, the Treasurer is authorized to agree on behalf of the Company and the Committee to make payment of any such deferred cash balances with interest owed to such a retiring employee in accordance with the Executive Deferred Compensation Plan and granted only on condition that the employee making the request agrees not to engage in competitive employment (as defined in Article F of the P&G Plans and Article 12.1A(b) of the 2004 Plan) following retirement until receipt of final payment, without first obtaining written permission from the Company.

4. Determination by the Committee as to the interpretation of the terms and provisions of the Plans shall be conclusive on all interested parties.

IX. CHIEF EXECUTIVE AWARDS

1. The Chief Executive Officer has the authority to grant a limited number of RSUs under the Plans to key employees who have demonstrated sustained superior performance or have key skills and experience, subject to such conditions or restrictions as determined by this Committee.

2. The number of grants that may be awarded by the Chief Executive Officer in any calendar year period shall not exceed twenty-five and no individual award may have a value greater than the lesser of \$1,500,000 or three times the grantee's base salary.

3. The number of shares or units authorized to be granted under Paragraph 1 of this Article IX shall be subject to appropriate adjustments in the case of a triggering event under Article K of the 2009 Plan; Article K of the 2001 Plan; Article J of the 1992 Plan and the Belgian Plan; Article 3.4 of the 2004 Plan; or Article 9 of The Gillette Company 1971 Stock Option Plan.

4. The Committee shall receive an annual report of all grants under this Article IX.

X. TRANSITIONAL PROVISIONS FOR ASSUMPTION OF THE GILLETTE PLANS PURSUANT TO THE MERGER BETWEEN THE COMPANY AND THE GILLETTE COMPANY

The termination for "Good Reason" of or by an employee of the Company or its subsidiaries who was employed by The Gillette Company or its subsidiaries before the effective time of the merger with the Company shall be treated as a Special Separation or Retirement according to the provisions of Section 19A.4 of the 2004 Plan and Section 14.3 of the 1971 Plan. "Good Reason" is defined in Section 20.23 of the 2004 Plan and Section 6(c)(4)(d) of the 1971 Plan.

The Chief Human Resources Officer is hereby authorized to assess and conclude whether an employee's termination furnishes "Good Reason" for purposes of these provisions. In addition, the Chief Human Resources Officer is further authorized to delegate to appropriate Company employees who, in the opinion of the Chief Human Resources Officer, possess the requisite expertise, the authority to (i) develop a process for gathering facts and circumstances surrounding an employee's termination for purposes of these provisions, which process shall include a deadline for submitting any claim for Good Reason, after which time such claims

are barred, and (ii) based on such facts and circumstances, assess and conclude whether such employee's termination furnishes "Good Reason" for purposes of these provisions. The determination of Good Reason by the Chief Human Resources Officer or his/her designee(s) shall be conclusive.

Subject to the terms of the Gillette Plans, the Committee reserves the authority to modify the timing, nature, methods for exercise, and/or timing for delivery of proceeds for those equity grants subject to operation of Section 19A.4 of the 2004 Plan and Section 14.3 of the 1971 Plan (including, without limitation, recession of such grants for fair compensation) if it reasonably concludes that such modification is required by any provision of the American Jobs Creation Act of 2004 (such as Section 409A), as revised, or by any other governing law or regulation affecting executive compensation.

XI. MISCELLANEOUS

1. The Secretary shall promptly notify the affected holders of any outstanding stock options, stock appreciation rights, stock awards, RSUs or other awards of any material amendment of any Plan. If consent of the participant is required to any amendment that affects outstanding stock options and/or stock appreciation rights, failure of the participant to give consent within sixty days of the date of notice by means specified in the notice shall be deemed to mean that said participant does not consent to said amendment.
2. The requirements of Article F, Paragraph 1(b) of the P&G Plans and Article 12.1A(b) of the 2004 Plan are hereby waived as a condition of any outstanding stock option or stock appreciation right held by an employee on assignment in France, for the duration of such assignment but not thereafter.
3. The names of persons to whom stock options or stock appreciation rights have been granted or to whom shares or RSUs have been awarded under the Plans, and the number of shares covered thereby, shall not be open to inspection unless authorized by the Committee or the Secretary.
4. The Secretary shall report at each meeting of the Committee at which awards or grants are to be considered the total number of shares available for award or grant under each of the Plans.
5. In the absence of the Treasurer of the Company or of a subsidiary, an Assistant Treasurer of the appropriate Company is hereby authorized to perform the duties and have the powers of the Treasurer. In addition, the Treasurer is authorized to delegate to an appropriate manager reporting to the Treasurer the authority to acquire, transfer and deliver shares for the purposes of the Plans.
6. In the absence of the Secretary, the Office of the Corporate Secretary is hereby authorized to perform the duties and have the powers of the Secretary.
7. Signature by the Secretary or Chief Human Resources Officer on agreement letters for stock options, stock appreciation rights, stock awards, RSUs or other award agreements may be by facsimile.
8. These Regulations may be amended at any time by action of the Committee.

XII. RECOGNITION SHARES PROGRAM

1. For the period July 1 to June 30 each year, stock options or stock appreciation rights totaling up to 500,000 shares may be granted to Participants as set forth in this Article XII.
2. Each grant under this Recognition Shares Program shall be for 100 shares of Procter & Gamble Common Stock with such terms and conditions as determined by the Chief Human Resources Officer or such Chief Human Resources Officer's delegate.
3. The Chief Human Resources Officer or such Officer's delegates shall determine from time to time those Participants who should receive stock options or stock appreciation rights under the Recognition Shares Program.
4. All stock options and stock appreciation rights granted under the Recognition Shares Program shall have a maximum life of no more than ten (10) years from the date of grant and shall not be exercisable within five (5) years from their date of grant, except in the case of death of the Participant.

5. For all grants made pursuant to this program, the Committee waives each of the following provisions:

- **Intent to Remain with Company for 1 Year** (Article F, Paragraph 1(a))
- **Non-Compete** (Article F, Paragraph 1(b))
- **6 Month Rule** ((Article G, Paragraph 9(a)(2) of the 2009 Plan) and (Article G, Paragraph 4(a)(2) of the 2001 Plan), beginning with the word “that” and ending with the word “granted”)
- **5 Year Term for Special Separation** (Article G Paragraph 4(c) of the 2001 Plan)

6. For all grants made pursuant to this program, the Committee also adopts the following provision in lieu of Article G, Paragraph 5 of the 2001 Plan:

“In the case of death of a Participant, a cash payment equal to the Spread Value of the Award, as of the date of the Participant's death, shall be paid as soon as administratively practicable to the Participant's estate. If the Participant is located in Italy, the outstanding Award granted to such Participant shall be (i) immediately canceled if the death occurs prior to the fifth anniversary of the Grant Date, or (ii) exercisable by the executors, administrators or heirs of the deceased Participant only for six (6) months following such death if the death occurs on or after the fifth anniversary of the Grant Date.”

7. For **only those grants made pursuant to this program**, if a Participant's employment is terminated on or after the fifth anniversary of the grant date, for any reason other than death, disability, Retirement or Special Separation, the stock options or stock appreciation rights granted herein shall be exercisable for thirty (30) calendar days following such termination, and only to the extent they were exercisable on the date of termination, except as may otherwise be determined by the Committee, provided that they cannot be exercised more than ten (10) years after the grant date.

Originally adopted February 26, 1993 and amended and restated October 9, 2001

Article V, paragraphs 7 and 9 amended; Schedule C amended September 10, 2002

Reference to The Procter & Gamble 1983 Stock Plan deleted; Article VI, paragraph 3 amended and Schedule F amended December 10, 2002

Article IX, paragraphs 1 and 3 amended March 11, 2003.

Article IX, paragraph 1 amended June 10, 2003. Article V., paragraph 12 and Schedule G added August 8, 2003.

Schedule B amended September 8, 2003.

Adjusted for stock split effective May 21, 2004.

Amended to reflect assumption of Gillette plans, December 13, 2005

Article IV amended to reflect changes in Plan to “actions taken significantly contrary to best interests”, April 30, 2006

Amended to reflect change to grant price to “closing price for the Common Stock on the day of the grant”, February, 2007.

Amended to reflect changes in French law regarding holding requirements and addition of Recognition Shares, August, 2007

Article IX paragraph 1 and 2 amended December 11, 2007 for a change in number of CEO grants per year.

Amended to reflect the adoption of the 2009 Plan and the addition of sub-plans F and H (2009 France Sub-plan and 2009 UK Sub-plan) December 2009

Amended to allow for RSU settlements to use the actual price received in the sale on the open market or the average of the high and low price on the settlement day for the value of the Common Stock depending on the settlement method February 2011

Amended Schedule F France subplan Article F, Section 1 for consistent treatment of options at death October 2011

Amended Article IV for clarification of award suspension authority and process December 2012

Amended Article VI.3 to value shares using the following trading day in the event the stock exchange is down December 2012

SCHEDULE A

THE PROCTER & GAMBLE UNITED KINGDOM SHARE OPTION SCHEME

For the purpose of granting options after February 25, 1993 under a scheme approved by the United Kingdom Inland Revenue under Schedule 9 to the United Kingdom Income and Corporation Taxes Act 1988 ("Schedule 9"), the terms of The Procter & Gamble 1992 Stock Plan as approved by Company shareholders on October 13, 1992 ("the Plan") shall with the following restrictions constitute The Procter & Gamble United Kingdom Share Option Scheme ("the Scheme"):

1. No options may be granted under the Scheme to a person who is not a full-time director or a qualifying employee (as defined in Paragraph 27(4) of Schedule 9) of the Company or such of the companies under the control of the Company as the Committee may nominate from time to time within the meaning of Paragraph 27 of Schedule 9 (and a person shall be treated as a full-time director of a company if he is obliged to devote to the performance of the duties of his office or employment with the company [or with the company and any other participating company] not less than 25 hours a week).
2. No options may be granted under the Scheme to, or exercised by, a person who is not eligible to participate by virtue of Paragraph 8 of Schedule 9.
3. No person shall obtain rights under the Scheme in excess of the limit provided by Paragraph 28 of Schedule 9.
4. The shares in respect of which options are granted under the Scheme must satisfy Paragraphs 10 to 14 of Schedule 9.
5. Article G Paragraphs 5 and 6 of the Plan shall apply as if for the words "at any time prior to the expiration date of the stock options or stock appreciation rights" there were substituted the words "within one (1) year of the date of the death of the employee". A Personal Representative shall not be able to exercise an option if the option holder was at the time of death unable to exercise the option by virtue of 2 above.
6. The second sentence of Article F, Paragraph 2 of the Plan shall not apply to options granted under this Scheme.
7. Where the provisions of Article G, Paragraph 4(a) of the Plan have been waived, the option holder shall be notified in writing at the time of grant.
8. The second sentence of Article H of the Plan shall not apply to options granted under this Scheme. The exercise price in respect of options granted under this Scheme must be paid in cash.
9. No adjustment under Article J of the Plan shall be made to options granted under this Scheme without the prior agreement of the United Kingdom Inland Revenue.
10. The Committee may not exercise its discretion to permit an option granted under the Scheme to be surrendered in accordance with Article G Paragraph 9 of the Plan.
11. The grant price of options shall be the average of the high and low prices for the Common Stock of the Company on the New York Stock Exchange on the day of the grant.
12. No stock appreciation rights may be granted under the Scheme.
13. Within 30 days after an option under the Scheme has been exercised by any person, the Company shall issue to him/her the number of shares in respect of which the option has been exercised (subject to the Company obtaining any approval or consent required under any regulation or enactment).
14. No alteration to the terms of the Scheme made at a time when the Scheme is approved by the United Kingdom Inland Revenue shall be effective until such alteration has been approved by the Inland Revenue.
15. The exercise of an option granted prior to the date of any alteration to the terms of the Scheme, by application of that alteration to the option holder, shall not be treated as an exercise of an option under the Scheme. In such case none of the above restrictions to the Plan shall apply and the option holder will be liable for a United Kingdom Income Tax charge at the time of exercise.

SCHEDULE B

AUSTRALIA ADDENDUM

1. **Purpose**

This Addendum (the "Australian Addendum") to The Procter & Gamble 2009 Stock and Incentive Compensation Plan is hereby adopted to set forth certain rules which, together with the provisions of the U.S. Plan (which are modified by this addendum in certain respects to ensure compliance with the Class Order (see below)), shall govern the operation of the Plan with respect to Australian-resident employees of P&G and its Australian subsidiaries. The Plan is intended to comply with the provisions of the Corporations Act 2001, ASIC Policy Statement 49 and Class Order 03/184 (the "Class Order").

2. **Definitions**

Except as set out below, capitalized terms used herein shall have the meaning ascribed to them in the U.S. Plan. In the event of any conflict between these provisions and the U.S. Plan, these provisions shall prevail.

For the purposes of this Australian Addendum:

"ASIC" means the Australian Securities & Investments Commission;

"Associated Body Corporate" means (as determined in accordance with the Corporations Act 2001):

- (a) a body corporate that is a related body corporate of the Company;
- (b) a body corporate that has voting power in the Company of not less than 20%; or
- (c) a body corporate in which the Company has voting power of not less than 20%;

"Australian Subsidiaries" means Procter & Gamble Australia Pte. Ltd. and Procter & Gamble Manufacturing Pte. Ltd.;

"Common Stock" means the common stock, without par value, of the Company;

"Company" means The Procter & Gamble Company;

"Option" means an option to acquire, by way of issue, a share of Common Stock of the Company;

"Plan" means the U.S. Plan as modified for implementation in Australia by the Australian Addendum;

"U.S. Plan" means The Procter & Gamble 2009 Stock and Incentive Compensation Plan; and

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

3. **Forms of Awards**

Only shares of Common Stock and Options shall be awarded or offered under the Plan in Australia. Options must be granted at no monetary cost.

4. **Employees**

In Australia, the Plan must be extended only to persons who at the time of the offer are full or part-time employees of the Company or an Australian Subsidiary.

5. **No Contribution Plan or Trust**

An offer of shares of Common Stock or Options under the Plan must not involve a contribution plan or any offer, issue or sale being made through a trust.

6. Form of Offer

6.1 Any offer made in Australia to participate in the Plan must be included in a document ("Offer Document") which sets out the terms of the offer and which must include or be accompanied by a copy of the Plan, or a summary of the Plan. Where a summary only is provided with the offer, the Offer Document must include an undertaking that during the period (the "offer period") during which a Participant may exercise Options acquired under the Plan, the Company or its Australian subsidiary will, within a reasonable period of the Participant so requesting, provide the Participant without charge with a copy of the Plan.

6.2 The Company must take reasonable steps to ensure that any Participant to whom an offer is made is given a copy of the Offer Document.

6.3 Further, the Offer Document must include a statement to the effect that any advice given by the person in connection with the offer is general advice only, and that Participants should consider obtaining their own financial product advice from an independent person who is licensed by ASIC to give such advice.

7. Australian Dollar Equivalent of Option Price at Offer Date

The Offer Document must specify the Australian dollar equivalent of the exercise price of the Options the subject of the Offer Document ("Option Price") as at the date of the offer.

8. Updated Pricing Information

The Offer Document must include an undertaking that, and an explanation of the way in which the Company will, during the offer period and within a reasonable period of a Participant so requesting, make available to the Participant the following information:

- (i) the Australian dollar equivalent of the current market price of a share of Common Stock, as at the date of the Participant's request; and
- (ii) the Australian dollar equivalent of the Option Price, as at the date of the Participant's request.

For the purposes of this clause, the current market price of a share of Common Stock shall be taken as the final price published by the New York Stock Exchange for the previous trading day.

9. Exchange Rate for Australia Dollar Equivalent of a Price

For the purposes of clauses 7 and 8, the Australian dollar equivalent of the Option Price and current market price of shares of Common Stock shall be calculated by reference to the Australian/U.S. dollar exchange rate published by an Australian bank (the "Bank") no earlier than the business day before the day to which the price relates.

10. Loan or Financial Assistance

If the Company or any Australian Subsidiary offers a Participant any loan or other financial assistance for the purpose of acquiring the Common Stock to which the offer relates, the Offer Document must disclose the conditions, obligations and risks associated with such loan or financial assistance.

11. Restriction on Capital Raising: 5% limit

In the case of any offer that will involve the issue of shares of Common Stock including as a result of an exercise of an Option, the number of shares of Common Stock that are the subject of the offer under the Plan, or to be received on exercise of an Option when aggregated with:

- (a) the number of shares of Common Stock in the same class which would be issued were each outstanding offer of shares of Common Stock or Option to acquire unissued shares of Common Stock under the Plan or any other employee share scheme of the Company, accepted or exercised (as the case may be); and
- (b) the number of shares of Common Stock in the same class issued during the previous five years pursuant to the Plan or any other employee share scheme extended only to employees or directors of the Company or of any Associated Body Corporate of the Company; but disregarding any offer made, or option acquired or shares of Common Stock issued by way or as a result of:

- (c) an offer to a person situated at the time of receipt of the offer outside Australia;
- (d) an offer that was an excluded offer or invitation within the meaning of the Corporations Law as it stood prior to 13 March 2000;
- (e) an offer that did not require disclosure to investors because of section 708 of the Corporations Act 2001;
- (f) an offer that did not require the giving of a Product Disclosure Statement because of section 1012D of the Corporations Act 2001; or
- (g) an offer made under a disclosure document or a Product Disclosure Statement, must not exceed 5% of the total number of issued shares in that class of shares of the Company as at the time of the offer or invitation.

12. Lodgment of Offer Document with the ASIC

A copy of the Offer Document (which need not contain details of the offer particular to the offeree such as the identity or entitlement of that offeree) and each accompanying document must be provided to ASIC not later than 7 days after the provision of that material to the Participant.

13. Compliance with Undertakings

The Company or an Australian Subsidiary must comply with any undertaking required to be made in the Offer Document by reason of the Class Order, including the undertaking to provide pricing information upon request.

SCHEDULE C

**RULES OF THE PROCTER & GAMBLE 2002
INLAND REVENUE APPROVED SUB-PLAN FOR THE
UNITED KINGDOM**

1. General

This schedule to the Procter & Gamble 2001 Stock and Incentive Compensation Plan (“the Plan”) sets out the rules of the Procter & Gamble 2002 Inland Revenue Approved Sub-Plan for the United Kingdom (“the Sub-Plan”).

2. Establishment of Sub-Plan

The Procter & Gamble Company (“the Company”) has established the Sub-Plan under Article B, Paragraph 2 of the Plan, which authorises the Committee to establish sub-plans to the Plan.

3. Purpose of the Sub-Plan

The purpose of the Sub-Plan is to enable the grant to, and subsequent exercise by, employees and directors in the United Kingdom, on a tax favoured basis, of options to acquire Shares under the Plan.

4. Inland Revenue approval of Sub-Plan

The Sub-Plan is intended to be approved by the Inland Revenue under Schedule 9 to ICTA 1988.

5. Rules of Sub-Plan

The rules of the Plan, in their present form and as amended from time to time, shall, with the modifications set out in this schedule, form the rules of the Sub-Plan. In the event of any conflict between the rules of the Plan and this schedule, the schedule shall prevail.

6. Relationship of Sub-Plan to Plan

The Sub-Plan shall form part of the Plan and not a separate and independent plan.

7. Interpretation

In the Sub-Plan, unless the context otherwise requires, the following words and expressions have the following meanings:

Acquiring Company	a company which obtains Control of the Company in the circumstances referred to in rule 25;
Approval Date	the date on which the Sub-Plan is approved by the Inland Revenue under Schedule 9 to ICTA 1988;
Associated Company	the meaning given to that expression by section 187(2) of ICTA 1988;
Close Company	the meaning given to that expression by section 414 of, and paragraph 8 of Schedule 9 to, ICTA 1988;
Committee	the compensation committee of the Board of Directors of the Company or such other committee as may be designated by the Board of Directors of the Company to administer the Plan;
Consortium	the meaning given to that word by section 187(7) of ICTA 1988;
Control	the meaning given to that word by section 840 of ICTA 1988 and “Controlled” shall be construed accordingly;
Date of Grant	the date on which an Option is granted to an Eligible Employee in accordance with the Articles of the Plan;

Eligible Employee	<p>an individual who falls within Article C of the Plan and who is:</p> <p>an employee (other than a director) of the Company or a company participating in the Sub-Plan; or</p> <p>a director of the Company or a company participating in the Sub-Plan who is contracted to work at least 25 hours per week for the Company and its subsidiaries or any of them (exclusive of meal breaks)</p> <p>and who, in either case, is not a non-executive director of a company participating in the Sub-Plan and does not have at the Date of Grant of an Option, and has not had during the preceding twelve months, a Material Interest in a Close Company which is the Company or a company which has Control of the Company or a member of a Consortium which owns the Company;</p>
ICTA 1988	the Income and Corporation Taxes Act 1988;
Inland Revenue	the UK Board of Inland Revenue;
Market Value	<p>notwithstanding Article F, Paragraph 7 of the Plan,</p> <p>(a) in the case of an Option granted under the Sub Plan:</p> <p>(i) if at the relevant time the Shares are listed on the New York Stock Exchange the closing price of a Share on the Date of Grant (as quoted in the Wall Street Journal) or, if there were no trades on that day, on the dealing day immediately preceding the Date of Grant;</p> <p>(ii) if paragraph (i) above does not apply, the market value of a Share as determined in accordance with Part VIII of the Taxation of Chargeable Gains Act 1992 and agreed in advance with Inland Revenue Shares Valuation on the Date of Grant or such earlier date or dates (not being more than thirty days before the Date of Grant) as may be agreed with the Board of Inland Revenue;</p> <p>(b) in the case of an option granted under any other share option scheme, the market value of a Share determined under the rules of such scheme for the purpose of the grant of the option;</p>
Material Interest	the meaning given to that expression by section 187(3) of ICTA 1988;
New Option	an option granted by way of exchange under rule 25.1;
New Shares	the shares subject to a New Option referred to in rule 25.1;
Option	a right to acquire Shares granted under the Sub-Plan;
Option Holder	an individual who holds an Option or, where the context permits, his legal personal representatives;
Ordinary Share Capital	the meaning given to that expression by section 832(1) of ICTA 1988; and
Shares	common stock of the Company as defined in Article A of the Plan.

In this schedule, unless the context otherwise requires:

- words and expressions not defined above have the same meanings as are given to them in the Plan;
- a reference to a rule is a reference to a rule in this schedule;
- the singular includes the plural and vice-versa and the masculine includes the feminine; and
- a reference to a statutory provision is a reference to a United Kingdom statutory provision and includes any statutory modification, amendment or re-enactment thereof.

8. Companies Participating in Sub-Plan

Notwithstanding Article L, Paragraph 3 of the Plan, the companies participating in the Sub-Plan shall be the Company and any company Controlled by the Company which has been nominated by the Company to participate in the Sub-Plan. All subsidiaries of the Company that are controlled by the Company at any time from the Approved Date through the termination of the Sub-Plan are hereby nominated for participation in the Sub-Plan for the time in which they are controlled by the Company.

9. Shares Used in Sub-Plan

The Shares shall form part of the Ordinary Share Capital of the Company and shall at all times comply with the requirements of paragraphs 10 to 14 of Schedule 9 to ICTA 1988.

10. Grant of Options

An Option shall be granted under and subject to the rules of the Plan as modified by this schedule.

11. Identification of Options

An Option agreement issued in respect of an Option shall expressly state that it is issued in respect of an Option. An option which is not so identified shall not constitute an Option.

12. Contents of Option Agreement

An Option agreement issued in respect of an Option shall state:

- that it is issued in respect of an Option;
- the date of grant of the Option;
- the number of Shares subject to the Option;
- the exercise price under the Option;
- any performance target or other condition imposed on the exercise of the Option;
- the date(s) on which the Option will ordinarily become exercisable;
- whether the Committee has waived any, and if so which, of the provisions of Article G, Paragraph 4(a), 4(b) and 4(c) of the Plan in relation to the Option; and
- any conditions imposed by the Committee in lieu of those set out in Article G, Paragraphs 4, 5 and 6 of the Plan in relation to the Option. Any such conditions will not take effect in relation to the Option until they have been approved by the Inland Revenue.

13. Earliest Date for Grant of Options

An Option may not be granted earlier than the Approval Date.

14. Persons to Whom Options May be Granted

An Option may not be granted to an individual who is not an Eligible Employee at the Date of Grant.

15. Options Non Transferable

Notwithstanding Article G, Paragraph 6 of the Plan, an Option shall be personal to the Eligible Employee to whom it is granted and, subject to rule 24, shall not be capable of being transferred, charged or otherwise alienated and shall lapse immediately if the Option Holder purports to transfer, charge or otherwise alienate the Option.

16. Limit on Number of Shares Placed Under Option Under Sub-Plan

For the avoidance of doubt, Shares placed under Option under the Sub-Plan shall be taken into account for the purpose of Article D, Paragraph 1 of the Plan.

17. Inland Revenue Limit (£30,000)

An Option may not be granted to an Eligible Employee if the result of granting the Option would be that the aggregate Market Value of the shares subject to all outstanding options granted to him under the Sub-Plan or any other share option scheme established by the Company or an Associated Company and approved by the Board of Inland Revenue under Schedule 9 to ICTA 1988 (other than a savings related share option scheme) would exceed sterling £30,000 or such other limit as may from time to time be specified in paragraph 28 of Schedule 9 to ICTA 1988. For this purpose, the United Kingdom sterling equivalent of the Market Value of a share on any day shall be determined by taking the spot sterling/US dollar exchange rate for that day as shown in the Financial Times. If the grant of an Option would otherwise cause the limit in this rule 17 to be exceeded, it shall take effect as the grant of an Option under the Sub-Plan over the highest number of Shares which does not cause the limit to be exceeded together with the grant of an option under the Plan over the balance of the Shares.

18. Exercise Price Under Options

Notwithstanding Article F, Paragraph 7 of the Plan, the amount payable per Share on the exercise of an Option shall not be less than the Market Value of a Share on the Date of Grant and shall be stated on the Date of Grant.

19. Performance Target or Other Condition Imposed on Exercise of Options

Any performance target or other condition imposed on the exercise of an Option under Article J of the Plan shall be:

19.1 objective;

19.2 such that, once satisfied, the exercises of the Option is not subject to the discretion of any person; and

19.3 stated on the Date of Grant.

If an event occurs as a result of which the Committee considers that a performance target or other condition imposed on the exercise of an Option is no longer appropriate and substitutes, varies or waives under Article J of the Plan the performance target or condition, such substitution, variation or waiver shall:

19.4 be reasonable in the circumstances; and

19.5 except in the case of waiver produce a fairer measure of performance and not be materially more difficult to satisfy.

20. Latest Date for Exercise of Options

An Option may not be exercised more than ten years after the Date of Grant and to the extent not so exercised by that time the Option shall lapse immediately.

21. Material Interest

An Option may not be exercised if the Option Holder then has, or has had within the preceding twelve months, a Material Interest in a Close Company which is the Company or which is a company which has Control of the Company or which is a member of a Consortium which owns the Company.

22. Payment for Shares on Exercise of Options

The amount due on the exercise of an Option shall be paid in cash or by cheque or banker's draft and may be paid out of funds provided to the Option Holder on loan by a bank, broker or other person. Notwithstanding Article H of the Plan, the amount may not be paid by the transfer to the Company of Shares or any other shares or securities, and the Company must not charge an administrative fee for the exercise of an Option. The date of exercise of an Option shall be the date on which the Company receives the amount due on the exercise of the Option.

23. Issue or Transfer of Shares on Exercise of Options

The Company shall, as soon as reasonably practicable and in any event not later than thirty days after the date of exercise of an Option, issue or transfer to the Option Holder, or procure the issue or transfer to the Option Holder of, the number of Shares

specified in the notice of exercise, subject only to compliance by the Option Holder with the rules of the Sub-Plan and to any delay necessary to complete or obtain:

23.1 the listing of the Shares on any stock exchange on which Shares are then listed; or

23.2 such registration or other qualification of the Shares under any applicable law, rule or regulation as the Company determines is necessary or desirable.

24. Death of Option Holder

Subject to rules 20 and 21, if an Option Holder dies before the tenth anniversary of the Date of Grant, his personal representatives shall be entitled to exercise his Options at any time during the twelve month period following his death. If not so exercised, the Options shall lapse immediately.

25. Change in Control of Company

25.1 Exchange of Options

If a company ("Acquiring Company") obtains Control of the Company as a result of making:

25.1.1 a general offer to acquire the whole of the issued Ordinary Share Capital of the Company which is made on a condition such that if it is satisfied the person making the offer will have Control of the Company; or

25.1.2 a general offer to acquire all the shares in the Company of the same class as the Shares an Option Holder may, at any time during the period set out in rule 25.2, by agreement with the Acquiring Company, release his Option in consideration of the grant to him of a new option ("New Option") which is equivalent to the Option but which relates to shares ("New Shares") in:

25.1.3 the Acquiring Company;

25.1.4 a company which has Control of the Acquiring Company; or

25.1.5 a company which either is, or has Control of, a company which is a member of a Consortium which owns either the Acquiring Company or a company having Control of the Acquiring Company.

25.2 Period Allowed for Exchange of Options

The period referred to in rule 25.1 is the period of six months beginning with the time when the person making the offer has obtained Control of the Company and any condition subject to which the offer is made has been satisfied.

25.3 Meaning of "Equivalent"

The New Option shall not be regarded for the purpose of this rule 25 as equivalent to the Option unless:

25.3.1 the New Shares satisfy the conditions in paragraphs 10 to 14 of Schedule 9 to ICTA 1988; and

25.3.2 save for any performance target or other condition imposed on the exercise of the Option, the New Option will be exercisable in the same manner as the Option and subject to the provisions of the Sub-Plan as it had effect immediately before the release of the Option; and

25.3.3 the total market value, immediately before the release of the Option, of the Shares which were subject to the Option is equal to the total market value, immediately after the grant of the New Option, of the New Shares subject to the New Option (market value being determined for this purpose in accordance with Part VIII of the Taxation of Chargeable Gains Act 1992); and

25.3.4 the total amount payable by the Option Holder for the acquisition of the New Shares under the New Option is equal to the total amount that would have been payable by the Option Holder for the acquisition of the Shares under the Option.

25.4 Date of Grant of New Option

The date of grant of the New Option shall be deemed to be the same as the Date of Grant of the Option.

25.5 Application of Sub-Plan to New Option

In the application of the Sub-Plan to the New Option, where appropriate, references to “Company” and “Shares” shall be read as if they were references to the company to whose shares the New Option relates and the New Shares, respectively.

26. Rights Attaching to Shares Issued on Exercise of Options

Notwithstanding Article B, Paragraph 2 of the Plan, all Shares issued in respect of the exercise of an Option shall, as to any voting, dividend, transfer and other rights, including those arising on a liquidation of the Company, rank equally in all respects and as one class with the shares of the same class in issue at the date of such issue save as regards any rights attaching to such shares by reference to a record date prior to the date of such issue.

27. Amendment of Sub-Plan

Notwithstanding Article L of the Plan, no amendment of the Sub-Plan, whether taking the form of an amendment of the Plan or this schedule, shall take effect until it has been approved by the Inland Revenue.

28. Adjustment of Options

Notwithstanding Article K of the Plan, any adjustment of an Option:

28.1 shall not be made unless the adjustment is permitted pursuant to paragraph 29 of Schedule 9 to ICTA 1988; and

28.2 shall not take effect until it has been approved by the Inland Revenue.

29. Tax and Social Security Withholding

An Option may not be exercised unless the Option Holder has beforehand made provision for the payment or withholding of any taxes and social security required to be withheld in accordance with the applicable law of any jurisdiction in respect of the exercise of the Option, or the receipt of the Shares.

30. Exercise of Discretion by Committee

In exercising any discretion which it may have under the Sub-Plan, the Committee shall act fairly and reasonably. The Committee's authority under Article F, Paragraph 2 of the Plan shall not apply to Options granted under the Sub-Plan.

31. Disapplication of Certain Provisions of Plan

The provisions of the Plan dealing with:

- incentive stock options qualifying under section 422 of the US Internal Revenue Code of 1986, as amended;
- stock appreciation rights;
- unrestricted or restricted stock awards; and
- performance awards which are not stock options shall not form part of, and no such rights may be granted under, the Sub-Plan.

SCHEDULE D

FRANCE

Article A. Introduction

The Board of Directors of The Procter & Gamble Company (the “Company”) has established a 1992 Stock Plan (the “U.S. Plan”) for the benefit of certain employees of the Company and its subsidiary companies, including its French subsidiaries, (the “Subsidiary”) of which the Company holds directly or indirectly at least 50% of the share capital. Article B of the U.S. Plan specifically authorizes the Compensation Committee (or other committee) (the “Committee”) designated by the Board of Directors (the “Board”), to adopt procedures and forms relating to the U.S. Plan as it deems advisable with respect to foreign participants. The Committee, therefore, intends to establish a sub-plan for France of the U.S. Plan for the purpose of granting Options which may qualify for the favorable tax and social security treatment in France applicable to Options granted under Sections L. 225-177 to L. 225-186 of the French Commercial Code as amended to qualifying employees who are resident in France for French tax purposes (the “Optionees”). The terms of the U.S. Plan, as subsequently amended and as set out in Appendix 1 hereto, shall, subject to the modifications in the following rules, constitute the Stock Plan for Employees in France (the “French Plan”).

Under the French Plan, the Optionees will be granted only Options as defined under Article B hereunder. In no case will grants under the French Plan include any other substitute awards, e.g. stock appreciation rights or restricted stock.

Article B. Definitions

Capitalized terms used but not defined in the French Plan shall have the same meanings as set forth in the U.S. Plan.

In addition, the term “Option” shall have the following meaning:

- A. Purchase Options, that are rights to acquire Common Stock repurchased by the Company prior to the vesting of said Options; or
- B. Subscription Options, that are rights to subscribe newly issued Common Stock.

The term “Closed Period” means specific periods as set forth by section L. 225-177 of the French Commercial Code as amended during which French qualifying Options cannot be granted.

Notwithstanding any provisions in the U.S. Plan, the term “Grant Date” shall be the date on which the Board or the Committee both (a) designates the Optionee and (b) specifies the terms and conditions of the Option including the number of shares and the method of determining the Option Price.

The term “Effective Grant Date” shall be the date on which the Option is effectively granted, *i.e.*, the date on which the condition precedent of the expiration of a Closed Period applicable to the Option, if any, is satisfied. Such condition precedent shall be satisfied when the Board, Committee or other authorized body shall determine that the granting of Options is no longer prevented under a Closed Period. If the Grant Date does not occur within a Closed Period, the “Effective Grant Date” shall be the same day as the “Grant Date”.

The term “Vesting Date” shall mean the date on which an Optionee's right to all or a portion of an Option granted under the French Plan becomes non-forfeitable.

Article C. Entitlement to Participate

Any individual who at the Effective Grant Date of the Option under the French Plan is either an employee of the Subsidiary as defined by French law or who is a corporate officer of the Subsidiary, shall be eligible to receive Options under the French Plan provided that he or she also satisfies the eligibility conditions of the U.S. Plan. Options may not be issued to directors of the Subsidiary, other than managing directors (Président du Conseil d'Administration, Directeur Général, Directeur Général Délégué, Membre du Directoire, Gérant de sociétés par actions), unless the director is an employee of the Subsidiary as defined by French law.

Article D. Conditions of the Option

Notwithstanding any provision in the U.S. Plan to the contrary, the terms and conditions of any Options granted under the French Plan shall not be modified after the Effective Grant Date except as provided under Article G or H below or unless otherwise authorized by French law.

Notwithstanding any provision in the U.S. Plan to the contrary and since Common Stock of the Company is traded on a regulated securities market, no Options may be granted to eligible Optionees in France during specific Closed Periods as set forth by section L. 225-177 of the French Commercial Code as amended to the extent such Closed Periods are applicable to the Options.

1. Vesting and Exercisability

The Options will vest and be exercisable pursuant to the terms and conditions set forth in the U.S. Plan and the French Plan and any stock option agreement or notice. As such, no Option can be exercised before the Vesting Date. However, in the case of death of an Optionee, outstanding Options shall be immediately vested and exercisable under the conditions set forth in Article F of the French Plan.

The Vesting of Options may be accelerated in accordance with the Change in Control provisions of the U.S. Plan noted in the Article H below.

Specific provisions apply in the event of termination of employment/service and death as provided in Article F below.

2. Option Price

The method of determining the option price payable pursuant to Options issued hereunder ("Option Price") shall be fixed by the Committee on the Grant Date. If Options are considered granted on the Effective Grant Date, the Option price will be determined in accordance with the method set forth by the Committee on the Grant Date. In no event shall the Option Price per share be less than the greater of:

- a. with respect to Purchase Options over Common Stock, the higher of either 80% of the average opening price of such Common Stock during the 20 days of quotation immediately preceding the Effective Grant Date or 80% of the average purchase price paid for such Common Stock by the Company;
- b. with respect to Subscription Options over the Common Stock, 80% of the average opening price of such Common Stock during the 20 days of quotation immediately preceding the Effective Grant Date; and
- c. the minimum Option Price permitted under the U.S. Plan.

3. Payment of the Option Price

Notwithstanding any provisions in the U.S. Plan to the contrary, upon exercise of an Option, the full Option Price will be paid either in cash, by check or by credit transfer, exclusive of any other method of payment. Under a cashless exercise program, the Optionee may give irrevocable instructions to a stockbroker to properly deliver the Option Price to the Company. Notwithstanding any provisions in the U.S. Plan to the contrary, no delivery of previously owned shares having a fair market value on the date of delivery equal to the aggregate Option Price exercise price of the shares may be used as consideration for exercising the Options.

Furthermore, notwithstanding any provisions in the U.S. Plan to the contrary, shares owed to the Optionee upon exercise may not be withheld in order to meet the tax and/or social security contributions which might be due at the time of exercise or sale of the underlying shares. However, upon sale of the underlying shares, the Company and/or the Subsidiary shall have the right to withhold, or request any third party to withhold, from the proceeds to be paid to the Optionee the sums corresponding to any social security contributions due at exercise or sale by the Optionee. If such amounts are due and are not withheld, the Optionee agrees to submit the amount due to the Subsidiary by means of check, cash or credit transfer.

The Shares acquired upon exercise of an Option will be recorded in an account in the name of the shareholder with a broker or in such other manner as the Company may otherwise determine in order to ensure compliance with applicable law.

Article E. Non-transferability of Options

Notwithstanding any provision in the U.S. Plan to the contrary and except in the case of death, Options cannot be transferred to any third party. In addition, the Options are only exercisable by the Optionee during the lifetime of the Optionee.

Article F. Death

In the event of the death of an Optionee, any outstanding Options on date of death shall become immediately vested and exercisable. The Optionee's heirs may exercise the Option within six months following the death, but any Option which remains unexercised shall expire six months following the date of the Optionee's death.

Article G. Changes In Capitalization

Notwithstanding any provisions of the U.S. Plan to the contrary, adjustments to the Option Price and/or the number of shares subject to an Option issued hereunder shall be made to preclude the dilution or enlargement of benefits under the Option only in the event of one or more of the transactions listed below by the Company. Furthermore, even upon occurrence of one or more of the transactions listed below, no adjustment to the kind of shares to be granted shall be made (*i.e.*, only shares of Common Stock shall be granted to Optionees). The transactions are as follows:

1. an issuance of new shares for cash consideration reserved to the Company's existing shareholders;
2. an issuance of convertible or exchangeable bonds reserved to the Company's existing shareholders;
3. a capitalization of retained earnings, profits, or issuance premiums;
4. a distribution of reserves by payment in cash or shares;
5. a cancellation of shares in order to absorb losses; and
6. the repurchase of its own shares by a listed company at a price higher than the stock quotation price in the open market.

Article H. Change in Control

In the event that a significant decrease in the value of Options granted to the Optionee occurs or is likely to occur as a result of a Change of Control of the Company or a liquidation, reorganization, merger, consolidation or amalgamation with another company in which the Company is not the surviving company, the Committee may, accordingly to the provisions of the U.S. Plan, in its discretion, authorize immediate vesting and exercise of Options before the date on which any Change of Control, liquidation, reorganization, merger, consolidation or amalgamation becomes effective.

Article I. No Surrender of Options

Notwithstanding the provisions of the U.S. Plan, Optionees may not surrender Options in lieu of exercise for cash.

Article J. No Conversion

Notwithstanding the provisions of the U.S. Plan, Optionees may not convert cash compensation into Options.

Article K. Interpretation

In the event of any conflict between the provisions of the present French Plan and the U.S. Plan, the provisions of the French Plan shall control for any grants made thereunder to Optionees.

Article L. Employment Rights

The adoption of this French Plan shall not confer upon the Optionees any employment rights and shall not be construed as a part of the Optionee's employment contracts. Article F.1(b) of the U.S. Plan does not apply to Optionees in France.

Article M. Adoption

The French Plan was originally adopted on February 22, 1999, and amended and restated on October 9, 2001.

SCHEDULE E

FRANCE

Article A. Introduction

The Board of Directors of The Procter & Gamble Company (the “Company”) has established a 2001 Stock and Incentive Compensation Plan (the “U.S. Plans”) for the benefit of certain employees of the Company and its subsidiary companies, including its French subsidiaries, (the “Subsidiary”) of which the Company holds directly or indirectly at least 50% of the share capital. Article B of the U.S. Plan specifically authorizes the Compensation Committee (or other committee) (the “Committee”) designated by the Board of Directors (the “Board”) to adopt procedures and forms relating to the U.S. Plan as it deems advisable with respect to foreign participants. The Board, therefore, intends to establish a sub-plan for France of the U.S. Plan for the purpose of granting Options which may qualify for the favorable tax and social security treatment in France applicable to Options granted under Sections L. 225-177 to L. 225-186 of the French Commercial Code as amended to qualifying employees who are resident in France for French tax purposes (the “Optionees”). The terms of the U.S. Plan, as subsequently amended and as set out in Appendix 1 hereto, shall, subject to the modifications in the following rules, constitute the Stock and Incentive Compensation Plan for Employees in France (the “French Plan”).

Under the French Plan, the Optionees will be granted only Options as defined under Article B hereunder. In no case will grants under the French Plan include any other substitute awards, *e.g.*, stock appreciation rights and restricted stock.

Article B. Definitions

Capitalized terms used but not defined in the French Plan shall have the same meanings as set forth in the U.S. Plan.

In addition, the term “Option” shall have the following meaning:

- A. Purchase Options, that are rights to acquire Common Stock repurchased by the Company prior to the vesting of said Options; or
- B. Subscription Options, that are rights to subscribe newly issued Common Stock.

The term “Closed Period” means specific periods as set forth by section L. 225-177 of the French Commercial Code as amended during which French qualifying Options cannot be granted.

Notwithstanding any provisions in the U.S. Plan, the term “Grant Date” shall be the date on which the Board or the Committee both (a) designates the Optionee and (b) specifies the terms and conditions of the Option including the number of shares and the method of determining the Option Price.

The term “Effective Grant Date” shall be the date on which the Option is effectively granted, *i.e.*, the date on which the condition precedent of the expiration of a Closed Period applicable to the Option, if any, is satisfied. Such condition precedent shall be satisfied when the Board, Committee or other authorized body shall determine that the granting of Options is no longer prevented under a Closed Period. If the Grant Date does not occur within a Closed Period, the “Effective Grant Date” shall be the same day as the “Grant Date”.

The term “Vesting Date” shall mean the date on which an Optionee's right to all or a portion of an Option granted under the French Plan becomes non-forfeitable.

Article C. Entitlement to Participate

Any individual who at the Effective Grant Date of the Option under the French Plan is either an employee of the Subsidiary as defined by French law or who is a corporate officer of the Subsidiary, shall be eligible to receive Options under the French Plan provided that he or she also satisfies the eligibility conditions of the U.S. Plan. Options may not be issued under the French Plan to employees or officers owning more than ten percent (10%) of the Company's share capital or to individuals other than employees and corporate officers of the Subsidiary. Options may not be issued to directors of the Subsidiary, other than managing directors (Président du Conseil d'Administration, Directeur Général, Directeur Général Délégué, Membre du Directoire, Gérant de sociétés par actions), the director is an employee of the Subsidiary as defined by French law.

Article D. Conditions of the Option

Notwithstanding any provision in the U.S. Plan to the contrary, the terms and conditions of any Options granted under the French Plan shall not be modified after the Effective Grant Date, except as provided under Article G or H below or unless otherwise authorized by French law.

Notwithstanding any provision in the U.S. Plan to the contrary and since Common Stock of the Company is traded on a regulated securities market, no Option may be granted to eligible Optionees in France during specific Closed Periods as set forth by section L. 225-177 of the French Commercial Code as amended to the extent such Closed Periods are applicable to the Options.

1. Vesting and Exercisability

The Options will vest and be exercisable pursuant to the terms and conditions set forth in the U.S. Plan and the French Plan and any stock option agreement or notice. As such, no Option can be exercised before the Vesting Date. However, in the case of death of an Optionee, outstanding Options shall be immediately vested and exercisable under the conditions set forth in Article F of the French Plan.

The Vesting of Options may be accelerated in accordance with the Change in Control provisions of the U.S. Plan noted in Article H below.

Specific provisions apply in the event of termination of employment/service and death as provided in Article F below.

2. Option Price

The method of determining the option price payable pursuant to Options issued hereunder shall be fixed by the Committee on the date the Option is granted ("Option Price"). If Options are considered granted on the Effective Grant Date, the Option price will be determined in accordance with the method set forth by the Board on the Grant Date. In no event shall the Option Price per share be less than the greater of:

- a. with respect to Purchase Options over Common Stock, the higher of either 80% of the average opening price of such Common Stock during the 20 days of quotation immediately preceding the Effective Grant Date or 80% of the average purchase price paid for such Common Stock by the Company;
- b. with respect to Subscription Options over the Common Stock, 80% of the average opening price of such Common Stock during the 20 days of quotation immediately preceding the Effective Grant Date; and
- c. the minimum Option Price permitted under the U.S. Plan.

3. Payment of the Option Price

Notwithstanding any provisions in the U.S. Plan to the contrary, upon exercise of an Option, the full Option Price will be paid either in cash, by check or by credit transfer, exclusive of any other method of payment. Under a cashless exercise program, the Optionee may give irrevocable instructions to a stockbroker to properly deliver the Option Price to the Company. Notwithstanding any provisions in the U.S. Plan to the contrary, no delivery of previously owned shares having a fair market value on the date of delivery equal to the aggregate Option Price of the shares may be used as consideration for exercising the Options.

Furthermore, notwithstanding any provisions in the U.S. Plan to the contrary, shares owed to the Optionee upon exercise may not be withheld in order to meet the tax and/or social security contributions which might be due at the time of exercise or sale of the underlying shares. However, upon sale of the underlying shares, the Company and/or the Subsidiary shall have the right to withhold, or request any third party to withhold, from the proceeds to be paid to the Optionee the sums corresponding to any social security contributions due at exercise or sale by the Optionee. If such amounts are due and are not withheld, the Optionee agrees to submit the amount due to the Subsidiary by means of check, cash or credit transfer.

The shares acquired upon exercise of an Option will be recorded in an account in the name of the shareholder with a broker or in such other manner as the Company may otherwise determine in order to ensure compliance with applicable law.

4. Mandatory Holding Period

A specific holding period for the Common Stock or a restriction on the exercise of Options may be specified for Optionees in France who serve as managing directors under French law (“mandataires sociaux”). French law defines the following positions as mandataires sociaux: Président du Conseil d'Administration, Directeur Général, Directeur Général Délégué, Membre du Directoire, Gérant de Sociétés par actions.

Article E. Non-Transferability of Options

Notwithstanding any provision in the U.S. Plan to the contrary and except in the case of death, Options cannot be transferred to any third party. In addition, the Options are only exercisable by the Optionee during the lifetime of the Optionee.

Article F. Death

In the event of the death of an Optionee, any outstanding Options on date of death shall become immediately vested and exercisable. The Optionee's heirs may exercise the Option within six months following the death, but any Option which remains unexercised shall expire six months following the date of the Optionee's death.

Article G. Changes in Capitalization

Notwithstanding any provisions of the U.S. Plan to the contrary, adjustments to the Option Price and/or the number of shares subject to an Option issued hereunder shall be made to preclude the dilution or enlargement of benefits under the Option only in the event of one or more of the transactions listed below by the Company. Furthermore, even upon occurrence of one or more of the transactions listed below, no adjustment to the kind of shares to be granted shall be made (*i.e.*, only shares of Common Stock shall be granted to Optionees). The transactions are as follows:

1. an issuance of new shares for cash consideration reserved to the Company's existing shareholders;
2. an issuance of convertible or exchangeable bonds reserved to the Company's existing shareholders;
3. a capitalization of retained earnings, profits, or issuance premiums;
4. a distribution of reserves by payment in cash or shares;
5. a cancellation of shares in order to absorb losses; and
6. the repurchase of its own shares by a listed company at a price higher than the stock quotation price in the open market.

Article H. Change in Control

In the event that a significant decrease in the value of Options granted to the Optionee occurs or is likely to occur as a result of a Change of Control of the Company or a liquidation, reorganization, merger, consolidation or amalgamation with another company in which the Company is not the surviving company, the Committee may, accordingly to the provisions of the U.S. Plan, in its discretion, authorize immediate vesting and exercise of Options before the date on which any Change of Control, liquidation, reorganization, merger, consolidation or amalgamation becomes effective.

Article I. No Surrender of Options

Notwithstanding the provisions of the U.S. Plan, Optionees may not surrender Options in lieu of exercise for cash.

Article J. No Conversion

Notwithstanding the provisions of the U.S. Plan, Optionees may not convert cash compensation into Options.

Article K. Interpretation

In the event of any conflict between the provisions of the present French Plan and the U.S. Plan, the provisions of the French Plan shall control for any grants made thereunder to Optionees.

Article L. Employment Rights

The adoption of this French Plan shall not confer upon the Optionees any employment rights and shall not be construed as a part of the Optionee's employment contracts. Article F.1(b) of the U.S. Plan does not apply to Optionees in France.

Article M. Adoption

The French Plan is effective as of October 9, 2001.

2009 Plan

SCHEDULE F

FRANCE

Article A. Introduction

The Board of Directors of The Procter & Gamble Company (the “Company”) has established a 2009 Stock and Incentive Compensation Plan (the “U.S. Plan”) for the benefit of certain employees of the Company and its subsidiary companies, including its French subsidiaries, (the “Subsidiary”) of which the Company holds directly or indirectly at least 10% of the share capital. Article B of the U.S. Plan specifically authorizes the Compensation Committee (or other committee) (the “Committee”) designated by the Board of Directors (the “Board”) to adopt procedures and forms relating to the U.S. Plan as it deems advisable with respect to foreign participants. The Board, therefore, intends to establish a sub-plan for France of the U.S. Plan for the purpose of granting Options which may qualify for the favorable tax and social security treatment in France applicable to Options granted under Sections L. 225-177 to L. 225-186-1 of the French Commercial Code as amended to qualifying employees under the U.S. Plan who are resident in France for French tax purposes (the “Optionees”). The terms of the U.S. Plan, as subsequently amended and as set out in Appendix 1 hereto, shall, subject to the modifications in the following rules, constitute the Rules of the 2009 Stock and Incentive Compensation Plan for Employees in France (the “French Plan”).

Under the French Plan, the Optionees will be granted only Options as defined under Article B hereunder. In no case will grants under the French Plan include any other substitute awards, *e.g.*, stock appreciation rights and restricted stock.

Article B. Definitions

Capitalized terms used but not defined in the French Plan shall have the same meanings as set forth in the U.S. Plan.

In addition, the term “Option” shall have the following meaning:

- A. Purchase Options, that are rights to acquire Common Stock repurchased by the Company prior to the vesting of said Options; or
- B. Subscription Options, that are rights to subscribe newly issued Common Stock.

The term “Closed Period” means specific periods as set forth by section L. 225-177 of the French Commercial Code as amended during which French qualifying Options cannot be granted.

Notwithstanding any provisions in the U.S. Plan, the term “Grant Date” shall be the date on which the Board or the Committee both (a) designates the Optionee and (b) specifies the terms and conditions of the Option including the number of shares and the method of determining the Option Price.

The term “Effective Grant Date” shall be the date on which the Option is effectively granted, *i.e.*, the date on which the condition precedent of the expiration of a Closed Period applicable to the Option, if any, is satisfied. Such condition precedent shall be satisfied when the Board, Committee or other authorized body shall determine that the granting of Options is no longer prevented under a Closed Period. If the Grant Date does not occur within a Closed Period, the “Effective Grant Date” shall be the same day as the “Grant Date”.

The term “Vesting Date” shall mean the date on which an Optionee's right to all or a portion of an Option granted under the French Plan becomes non-forfeitable.

The term “Disability” is defined in accordance with categories 2 and 3 under Section L. 341-4 of the French Social Security Code, as amended, and subject to the fulfillment of related conditions.

The term “Forced Retirement” shall mean forced retirement as determined under Section L. 1237-5 of the French Labor Code, as amended, and subject to the fulfillment of related conditions.

Article C. Entitlement to Participate

Any individual who at the Effective Grant Date of the Option under the French Plan is either employed under the terms and conditions of an employment contract ("*contrat de travail*") with the Subsidiary or is a corporate officer of the Subsidiary, shall be eligible to receive Options under the French Plan provided that he or she also satisfies the eligibility conditions of the U.S. Plan. Options may not be issued under the French Plan to employees or officers owning more than ten percent (10%) of the Company's share capital or to individuals other than employees and corporate officers of the Subsidiary. Options may not be issued to directors of the Subsidiary, other than managing directors (Président du Conseil d'Administration, Directeur Général, Directeur Général Délégué, Membre du Directoire, Gérant de sociétés par actions), unless the director is an employee of the Subsidiary as defined by French law.

Article D. Conditions of the Option

To ensure the qualified status of Options under the French Plan, the terms and conditions of any Options granted under the French Plan shall not be modified after the Effective Grant Date, unless otherwise authorized by French law.

Notwithstanding any provision in the U.S. Plan to the contrary and since Common Stock of the Company is traded on a regulated securities market, no Option may be granted to eligible Optionees in France during specific Closed Periods as set forth by section L. 225-177 of the French Commercial Code as amended to the extent such Closed Periods are applicable to the Options.

1. Vesting and Exercisability of Options and Holding of Common Stock

The Options will vest and be exercisable pursuant to the terms and conditions set forth in the U.S. Plan and the French Plan and any stock option agreement or notice. As such, no Option can be exercised before the Vesting Date. However, in the case of death of an Optionee, outstanding Options shall be immediately vested and exercisable under the conditions set forth in Article F of the French Plan.

The vesting of Options may be accelerated in accordance with the Change in Control provisions of the U.S. Plan as noted in Article H below.

Notwithstanding any provision in the U.S. Plan, the Optionee will not be permitted to sell or transfer shares of Common Stock acquired upon exercise of an Option before the expiration of the applicable holding period for French qualifying Options set forth by Section 163 bis C of the French Tax Code, as amended, except as provided in this French Plan or as otherwise in keeping with French law. The holding period for French-qualified Options is currently four years from the Grant Date. To prevent the Optionee from selling or transferring the shares of Common Stock subject to the Option before the expiration of the applicable holding period, the Committee may, in its discretion, restrict the vesting and/or exercisability of the Option and/or the sale of shares of Common Stock until the expiration of the applicable holding period, as set forth in the stock option agreement to be delivered to each Optionee. However, the Optionee may be permitted to vest in or exercise the Option or transfer the shares of Common Stock subject to the Option before the expiration of the applicable holding period in the cases of dismissal, Forced Retirement, Disability or death, as defined in Section 91 ter of Exhibit II to the French Tax Code, as amended, but only as set forth in the stock option agreement to be delivered to the Optionee. In any case, the restriction of the sale of the shares of Common Stock cannot exceed three years as from the effective date of the exercise of the Options.

Specific provisions apply in the event of termination of employment/service and death as provided in Article F below.

2. Option Price

The method of determining the option price payable pursuant to Options issued hereunder shall be fixed by the Committee on the date the Option is granted ("Option Price"). If Options are considered granted on the Effective Grant Date, the Option price will be determined in accordance with the method set forth by the Committee on the Grant Date. In no event shall the Option Price per share be less than the greater of:

- a. with respect to Purchase Options over Common Stock, the higher of either 80% of the average opening price of such Common Stock during the 20 days of quotation immediately preceding the Effective Grant Date or 80% of the average purchase price paid for such Common Stock by the Company;
- b. with respect to Subscription Options over the Common Stock, 80% of the average opening price of such Common Stock during the 20 days of quotation immediately preceding the Effective Grant Date; and

c. the minimum Option Price permitted under the U.S. Plan.

3. Payment of the Option Price

Notwithstanding any provisions in the U.S. Plan to the contrary, upon exercise of an Option, the full Option Price will be paid either in cash, by check or by credit transfer, exclusive of any other method of payment. Under a cashless exercise program, the Optionee may give irrevocable instructions to a stockbroker to properly deliver the Option Price to the Company. Notwithstanding any provisions in the U.S. Plan to the contrary, no delivery of previously owned shares having a fair market value on the date of delivery equal to the aggregate Option Price of the shares may be used as consideration for exercising the Options.

Furthermore, notwithstanding any provisions in the U.S. Plan to the contrary, shares owed to the Optionee upon exercise may not be withheld in order to meet the tax and/or social security contributions which might be due at the time of exercise or sale of the underlying shares. However, upon sale of the underlying shares, the Company and/or the Subsidiary shall have the right to withhold, or request any third party to withhold, from the proceeds to be paid to the Optionee the sums corresponding to any social security contributions due at exercise or sale by the Optionee. If such amounts are due and are not withheld, the Optionee agrees to submit the amount due to the Subsidiary by means of check, cash or credit transfer.

The shares acquired upon exercise of an Option will be recorded in an account in the name of the shareholder with a broker or in such other manner as the Company may otherwise determine in order to ensure compliance with applicable law.

4. Mandatory Holding Period

To the extent applicable to French-qualified Options granted by the Company, A specific holding period for the Common Stock or a restriction on the exercise of Options may be specified for Optionees in France who serve as managing directors under French law (“mandataires sociaux”). French law defines the following positions as mandataires sociaux: Président du Conseil d'Administration, Directeur Général, Directeur Général Délégué, Membre du Directoire, Gérant de Sociétés par actions.

Article E. Non-Transferability of Options

Notwithstanding any provision in the U.S. Plan to the contrary and except in the case of death, Options cannot be transferred to any third party. In addition, the Options are only exercisable by the Optionee during the lifetime of the Optionee.

Article F. Termination of Employment/Service

1. Death

In the event of the death of an Optionee, any outstanding Options on date of death shall become immediately vested and exercisable. The Optionee's heirs may exercise the Option within six months following the death, but any Option which remains unexercised shall expire six months following the date of the Optionee's death.

2. Disability

In the event of the Disability of a French Optionee, the French Optionee shall not be subject to the restriction on the sale of shares of Common Stock set forth in Article D.1 above.

3. Forced Retirement or Dismissal

In the event of the Forced Retirement (as defined in Article B) or dismissal of a Optionee, as defined by Section 91-ter of Exhibit II to the French Tax Code as construed by the French tax and social security circulars and subject to the fulfillment of related conditions, his or her Option will benefit from the favorable treatment of French qualified Options upon sale of his or her shares of Common Stock, even if the compulsory holding period is not met, but only if the Option was exercised at least three (3) months prior to the effective date of the retirement or the delivery of the relevant dismissal notice to the Optionee, as defined by French law and as construed by competent French courts.

4. Other Reasons

In the event of a termination of employment for reasons other than death, the Option shall be exercisable as set forth in the stock option agreement entered into with the Optionee.

Article G. Changes In Capitalization

To ensure the qualified status of Options under the French Plan, adjustments to the Option Price and/or the number of shares subject to an Option issued hereunder shall be made to preclude the dilution or enlargement of benefits under the Option only in the event of a transaction involving the Company listed under Section L. 225-181 of the French Commercial Code, as amended, a repurchase of Common Stock by the Company at a price higher than the stock quotation price on the open market, and according to the provisions of Section L. 228-99 of the French Commercial Code, as amended, as well as according to specific decrees.. Furthermore, even upon occurrence of a transaction involving the Company listed under Section L. 225-181 of the French Commercial Code, as amended, a repurchase of Common Stock by the Company at a price higher than the stock quotation price on the open market, and according to the provisions of Section L. 228-99 of the French Commercial Code, as amended, as well as according to specific decrees, no adjustment to the kind of shares to be granted shall be made (*i.e.*, only shares of Common Stock shall be granted to Optionees) to preserve the qualified status of the Option. In the event of an adjustment to the Option Price and/or the number of shares of Common Stock subject to an Option issued hereunder, other than as described in this Article G, the Options may not qualify for favorable income tax and social security treatment under French law.

Article H. Change in Control

In the event that a significant decrease in the value of Options granted to the Optionee occurs or is likely to occur as a result of a Change of Control of the Company or a liquidation, reorganization, merger, consolidation or amalgamation with another company in which the Company is not the surviving company, the Committee may, accordingly to the provisions of the U.S. Plan, in its discretion, authorize immediate vesting and exercise of Options before the date on which any Change of Control, liquidation, reorganization, merger, consolidation or amalgamation becomes effective. If this occurs, the Options may not qualify for favorable income tax and social security treatment under French law.

Article I. Disqualification of French-Qualified Options

If the Options are otherwise modified or adjusted in a manner in keeping with the terms of the U.S. Plan or as mandated as a matter of law and the modification or adjustment is contrary to the terms and conditions of this French Plan, the Options may no longer qualify as French-qualified options. The Company does not undertake nor is it required to maintain the French-qualified status of the Options, and the Optionees understand, acknowledge and agree that it will be their responsibility to bear any additional income taxes and/or social security contributions that may be payable as a result of the disqualification of the French-qualified Options.

If the Options no longer qualify as French-qualified options, the Committee may, provided it is authorized to do so under the U.S. Plan, lift, shorten or terminate certain restrictions applicable to the vesting of the Options, the exercisability of the Options, or the sale of the shares of Common Stock which may have been imposed under this French Plan or in the stock option agreement delivered to the Optionees.

Article J. Term of the Option

The term of the Option will be no greater than nine (9) years and six (6) months after the Grant Date. The specific term will be specified in the applicable stock option agreement. This term can be extended only in the event of the death of the Optionee.

Article K. No Surrender of Options

Notwithstanding the provisions of the U.S. Plan, Optionees may not surrender Options in lieu of exercise for cash.

Article L. No Conversion

Notwithstanding the provisions of the U.S. Plan, Optionees may not convert cash compensation into Options.

Article M. Interpretation

In the event of any conflict between the provisions of the present French Plan and the U.S. Plan, the provisions of the French Plan shall control for any grants made thereunder to Optionees.

It is intended that Options granted under the French Plan shall qualify for the favorable tax and social security treatment applicable to stock options granted under Sections L. 225-177 to L. 225-186-1 of the French Commercial Code, as amended, and in accordance with the relevant provisions set forth by French tax and social security laws and the French tax and social security administrations, but there are no undertakings to maintain this status. The terms of the French Plan shall be interpreted accordingly and in accordance

with the relevant provisions set forth by French tax and social security laws, the French tax and social security administrations, any relevant Guidelines published by French tax and social security administrations and are subject to the fulfillment of legal, tax and reporting obligations, if any.

Article N. Employment Rights

The adoption of this French Plan shall not confer upon the Optionees any employment rights and shall not be construed as a part of the Optionee's employment contracts. Articles F.1(b), F.1(c) and F.3 of the U.S. Plan do not apply to Optionees in France.

Article O. Amendments

Subject to the terms of the U.S. Plan, the Committee reserves the right to amend or terminate the French Plan at any time. Such amendments would only apply to future grants and would not be retroactive.

Article P. Adoption

The French Plan is effective as of December 8, 2009.

SCHEDULE G

PROCTER & GAMBLE HYGIENE AND HEALTH CARE LIMITED

THE PROCTER & GAMBLE 2009 STOCK AND INCENTIVE COMPENSATION PLAN

INDIA PLAN

Procter & Gamble Hygiene and Health Care Limited (“the Indian Company”) is a subsidiary of The Procter & Gamble Company (“the Holding Company”).

The Holding Company is a company incorporated under the laws of the United States of America, having its registered office at 1 Procter & Gamble Plaza, Cincinnati, Ohio 45202-3315 and is listed on the New York Stock Exchange.

The Holding Company had formulated The Procter & Gamble 2009 Stock and Incentive Compensation Plan (“Global Plan”) for its employees and the employees of its subsidiaries. A copy of the same is enclosed marked Annexure 'A'.

Paragraph 2. of Article B of the Global Plan empowers the Compensation and Leadership Development Committee (“Committee”) to provide for special terms for any Stock Options granted to Participants of its subsidiaries outside of the United States of America in order to fairly accommodate for differences in local law, tax policy or custom and to approve such supplements to or amendments, restatements or alternative versions of the Global Plan as may be considered necessary or appropriate for such purposes.

In pursuance thereof, the Indian Company has formulated The Procter & Gamble 2009 Stock and Incentive Compensation Plan - India Plan (“India Plan”), which shall apply to employees of the Indian Company (“Participants”).

The India Plan is a part of the Global Plan as applicable to the employees of the Indian Company, and the terms and conditions of the Global Plan shall apply in relation hereto, except where there is an express provision in the India Plan to the contrary.

1. Definitions

1.1 The “Stock Options” granted under the scheme will represent a right (and not an obligation) granted to an employee to apply for Shares at a pre-determined price.

1.2 The “Shares” allotted on exercise of Stock Options shall mean the equity shares of the Holding Company.

1.3 The term “Promoter” means:

- (a) the person or persons who are in over-all control of the company;
- (b) the person or persons who are instrumental in the formation of the company or a program pursuant to which the shares were offered to the public;
- (c) the persons or persons named in the offer document for listing of the company as promoter(s).

Provided that a director or officer of the company, if he is acting as such only in his professional capacity will not be deemed to be a Promoter. Explanation: Where a promoter of a company is a body corporate, the Promoter of that body corporate shall also be deemed to be a promoter of the company.

1.4 The term “Promoter Group” means:

- (a) an immediate relative of the Promoter (i.e. spouse of that person, or any parent, brother, sister or child of the person or of the spouse);
- (b) persons whose shareholding is aggregated for the purpose of disclosing in the offer document for listing as “shareholding of the promoter group”.

1.5 The term “Relative” means immediate relative namely spouse, parent, brother, sister or child of the person or the spouse.

2. The India Plan

The Participants of the India Plan are eligible only for grant of Stock Options to purchase Shares of the Holding Company (including Stock Options under a Performance Award), and not for grant of stock appreciation rights or award of a portion of the Participant's remuneration in shares.

The Plan is accordingly an "Employees Stock Option Scheme" as contemplated by the Guidelines regarding Employees' Stock Option Plan or Scheme issued by the Central Board of Direct Taxes vide Notification No. 323/2001 dated 11.10.2001.

The Participants of the India Plan are only eligible for "Exercise and Sell Option" i.e. they shall exercise their option to purchase the Shares of the Holding Company and concurrently sell the Shares. The transaction would accordingly not involve any remittance from India.

The India Plan is accordingly in the nature of a Cashless Employees Stock Option Scheme as envisaged by the Foreign Exchange Management (Transfer or issue of any foreign security) Regulations, 2000 issued by the Reserve Bank of India.

3. Total number of Shares to be issued to the Participants

The aggregate number of Shares that may be awarded is detailed in Article D of the Global Plan. The maximum number of Shares that can be awarded under the Global Plan is 160,000,000.

Out of the above Shares, the maximum aggregate number of Shares available for award under the India Plan is 10,000,000 Shares.

4. The class of employees entitled to participate

In accordance with Article C of the Global Plan, the Committee shall select as Participants those employees of the Holding Company and its subsidiaries who, in the opinion of the Committee, have demonstrated a capacity for contributing in a substantial manner to the success of such companies.

5. The pricing formula for allotment of Shares and price at which such Shares are offered

The exercise price for Stock Options shall be the fair market value of the Shares on the date of the grant.

The fair market value of the Shares shall be determined based on the closing price for Shares on the New York Stock Exchange on the grant date.

6. The number of Shares, which would be issued to any employee or classes of employees and the basis of such award, if any

The maximum aggregate number of Shares available for award to the Participants under the India Plan is as under:

Band 3	4,000,000 Shares
Band 4	2,000,000 Shares
Band 5	2,000,000 Shares
Band 6	<u>2,000,000 Shares</u>
Total	<u>10,000,000 Shares</u>

The various Bands mentioned above refer to the various levels of employees in the hierarchy of the organization structure.

The basis of the award shall be the performance of the Participants, as determined by the Committee.

7. The period by and the manner in which the approval of shareholders would be obtained

The Holding Company has obtained the approval of its shareholders for issue of its Shares under the Global Plan. A copy of the shareholders' resolution in this regard is enclosed in Annexure 'B'.

A copy of Resolution of Board of Directors of the Indian Company, adopting the Global Plan, is enclosed in Annexure 'C'.

8. Lock-in period

No Stock Options are exercisable within three one years from their date of grant, except in the case of the death of the Participant.

9. Non-transferability of Shares

The conditions relating to non-transferability of Shares are detailed in Article G of the Global Plan, which are applicable to the India Plan as well.

10. Conditions

The conditions contained in this India Plan shall not be changed after it comes into effect.

11. Compliance with regulatory provisions

The India Plan shall be subject to all applicable laws, rules, regulations, and notifications and to such approvals by any governmental agencies as may be required under Indian law. The grant of Stock Options shall entitle the Indian Company to require the Participants to comply with such requirements of law as may be necessary in the opinion of the Indian Company.

12. Non-eligible Employees

An employee of the Indian Company, who is a Promoter or belongs to the Promoter Group or a director of the Indian Company who either by himself or through his Relative or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the Holding Company or Indian Company shall not be eligible for grant of Stock Options.

13. Grant of Stock Option

In pursuance of paragraph 2 of Article L of the Global Plan, the Stock Option granted to employees of the Indian Company to purchase Shares of the Holding Company, including the Stock Options granted prior to 1 March 2003 under the Global Plan, shall be deemed to be granted under the India Plan.

14. Effective and termination dates

The India Plan will be effective from the 8 December 2009 and would terminate on the date indicated in Article O of the Global Plan.

SCHEDULE H

RULES OF THE PROCTER & GAMBLE 2010 HM REVENUE & CUSTOMS APPROVED SUB-PLAN FOR THE UNITED KINGDOM

1. General

This schedule to the Procter & Gamble 2009 Stock and Incentive Compensation Plan (“the Plan”) sets out the rules of the Procter & Gamble 2010 HM Revenue & Customs Approved Sub-Plan for the United Kingdom (“the Sub-Plan”).

2. Establishment of Sub-Plan

The Procter & Gamble Company (“the Company”) has established the Sub-Plan under Article B, Paragraph 2 of the Plan, which authorises the Committee to establish sub-plans to the Plan.

3. Purpose of the Sub-Plan

The purpose of the Sub-Plan is to enable the grant to, and subsequent exercise by, employees and directors in the United Kingdom, on a tax favoured basis, of options to acquire Shares under the Plan within the provisions of Schedule 4.

4. HM Revenue & Customs Approval of Sub-Plan

The Sub-Plan is intended to be approved by HM Revenue & Customs under Schedule 4.

5. Rules of Sub-Plan

The rules of the Plan, in their present form and as amended from time to time, shall, with the modifications set out in this schedule, form the rules of the Sub-Plan. In the event of any conflict between the rules of the Plan and this Sub-Plan, the Sub-Plan shall prevail.

6. Relationship of Sub-Plan to Plan

The Sub-Plan shall form part of the Plan and not a separate and independent plan.

7. Interpretation

In this Sub-Plan, unless the context otherwise requires, the following words and expressions have the following meanings:

Acquiring Company	a company which obtains Control of the Company in the circumstances referred to in rule 28;
Approval Date	the date on which the Sub-Plan is approved by HM Revenue & Customs under Schedule 4;
Associated Company	the meaning given to that expression by paragraph 35(1) of Schedule 4;
Close Company	the meaning given to that expression by section 989 of ITA 2007, and paragraph 9(4) of Schedule 4;
Committee	the Compensation & Leadership Development Committee of the Board or such other committee as may be designated by the Board to administer the Plan;
Consortium	the meaning given to that word by paragraph 36(2) of Schedule 4;

Constituent Company	means the Company or a company which is: a Subsidiary or a Jointly Owned Company where neither it nor any company Controlled by it is a constituent company under the provisions of paragraph 34(4) in any other CSOP scheme as that term is defined in paragraph 2 of Schedule 4;
Control	the meaning given to that word by section 719 of ITEPA 2003 and “Controlled” shall be construed accordingly;
Date of Grant	the date on which an Option is granted to an Eligible Employee in accordance with the Articles of the Plan;
Eligible Employee	an individual who falls within the provisions of Article C of the Plan and who is: an employee (other than a director) of a Constituent Company; or a director of a Constituent Company who is contracted to work at least 25 hours per week for the Company and its subsidiaries or any of them (exclusive of meal breaks) and who, in either case,: is not eligible solely by reason that he is a non-executive director of a Constituent Company; has earnings in respect of his office or employment which are (or would be if there were any) general earnings to which section 15, 22 or 26 of ITEPA 2003 applies; and does not have at the Date of Grant of an Option, and has not had during the preceding twelve months, a Material Interest in a Close Company which is the Company or a company which has Control of the Company or a member of a Consortium which owns the Company;
ITA 2007	means the Income Tax Act 2007;
ITEPA 2003	means the Income Tax (Earnings and Pensions) Act 2003;
Key Feature	means a provision of the Plan or Sub-Plan which is necessary in order to meet the requirements of Schedule 4;
Market Value	notwithstanding Article G, Paragraph 3 of the Plan, (a) in the case of an Option granted under the Sub Plan: (i) if at the relevant time the Shares are listed on the New York Stock Exchange the average of the highest and lowest sale prices of a Share on the Date of Grant (as quoted in the <i>Wall Street Journal</i>) or, if there were no trades on that day, on the dealing day immediately preceding the Date of Grant; (ii) if paragraph (i) above does not apply, the market value of a Share as determined in accordance with Part VIII of the Taxation of Chargeable Gains Act 1992 and agreed in advance with HM Revenue & Customs Shares Valuation on the Date of Grant or such earlier date or dates (not being more than thirty days before the Date of Grant) as may be agreed with HM Revenue & Customs; (b) in the case of an option granted under any other share option scheme, the market value of a Share shall be determined under the rules of such scheme for the purpose of the grant of the option;
Material Interest	the meaning given to that expression by paragraphs 9 to 14 of Schedule 4;
New Option	an option granted by way of exchange under rule 28.1;
New Shares	the shares subject to a New Option as set out in rule 28;
Option	a right to acquire Shares granted under the Sub-Plan;
Option Holder	an individual who holds an Option or, where the context permits, his legal personal representatives;
Schedule 4	means Schedule 4 to ITEPA 2003;
Shares	common stock of the Company as defined in Article A of the Plan; and

Subsidiary	means a company which is a subsidiary of the Company within the meaning of section 1159 of the Companies Act 2006 over which the Company has Control.
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In this Sub-Plan, unless the context otherwise requires:

- words and expressions not defined above have the same meanings as are given to them in the Plan;
- the contents and rule headings are inserted for ease of reference only and do not affect their interpretation;
- a reference to a rule is a reference to a rule in this Sub-Plan;
- the singular includes the plural and vice-versa and the masculine includes the feminine; and
- a reference to a statutory provision is a reference to a United Kingdom statutory provision and includes any statutory modification, amendment or re-enactment thereof.

8. Companies Participating in Sub-Plan

Notwithstanding Article L, Paragraph 3 of the Plan, the companies participating in the Sub-Plan shall be the Company and any Constituent Company which has been nominated by the Company to participate in the Sub-Plan.

9. Shares Used in Sub-Plan

The Shares shall form part of the ordinary share capital of the Company and shall at all times comply with the requirements of paragraphs 16 to 20 of Schedule 4.

10. Grant of Options

An Option shall be granted under and subject to the rules of the Plan as modified by this Sub-Plan.

11. Identification of Options

An Option agreement issued in respect of an Option shall expressly state that it is issued in respect of an Option. An option which is not so identified shall not constitute an Option.

12. Contents of Option Agreement

An Option agreement issued in respect of an Option shall state:

- that it is issued in respect of an Option;
- the date of grant of the Option;
- the number of Shares subject to the Option [or how that number may be calculated];
- the exercise price under the Option [or the method by which the exercise price will be determined];
- any performance target or other condition imposed on the exercise of the Option;
- the date(s) on which the Option will ordinarily become exercisable;
- whether the Committee has waived any, and if so which, of the provisions of Article G, Paragraph 9a) and 9(b) of the Plan in relation to the Option; and
- any conditions imposed by the Committee under Article B in lieu of those set out in Article G, Paragraphs 7, 8, 9 and 11 of the Plan in relation to the Option. Any such conditions will not take effect in relation to the Option until they have been approved by HM Revenue & Customs.

13. **Earliest Date for Grant of Options**

An Option may not be granted earlier than the Approval Date.

14. **Persons to Whom Options May be Granted**

An Option may not be granted to an individual who is not an Eligible Employee at the Date of Grant.

15. **Options Non Transferable**

Notwithstanding Article G, Paragraphs, 7 and 8 of the Plan, an Option shall be personal to the Eligible Employee to whom it is granted and, subject to rule 26, shall not be capable of being transferred, charged or otherwise alienated and shall lapse immediately if the Option Holder purports to transfer, charge or otherwise alienate the Option.

16. **Limit on Number of Shares Placed Under Option Under Sub-Plan**

For the avoidance of doubt, Shares placed under Option under the Sub-Plan shall be taken into account for the purpose of Article D, Paragraph 1 of the Plan.

17. **HM Revenue & Customs Limit (£30,000)**

An Option may not be granted to an Eligible Employee if the result of granting the Option would be that the aggregate Market Value of the shares subject to all outstanding options granted to him under the Sub-Plan or any other share option scheme established by the Company or an Associated Company and approved by HM Revenue & Customs under Schedule 4) would exceed sterling £30,000 or such other limit as may from time to time be specified in paragraph 6 of Schedule 4.

18. **Foreign Currency Options**

For the purpose of the limit contained in rule 17, the United Kingdom sterling equivalent of the Market Value of a share on any day shall be determined by taking the spot sterling/US dollar exchange rate for that day as shown in the Financial Times.

19. **Scaling Down**

If the grant of an Option would otherwise cause the limit in rule 17 to be exceeded, it shall take effect as the grant of an Option under the Sub-Plan over the highest number of Shares which does not cause the limit to be exceeded. If more than one Option is granted on the same Date of Grant, the number of Shares which would otherwise be subject to each Option shall be reduced *pro rata*.

20. **Exercise Price Under Options**

Notwithstanding Article G, Paragraph 3 of the Plan, the amount payable per Share on the exercise of an Option shall not be manifestly less than the Market Value of a Share on the Date of Grant.

21. **Performance target or other condition imposed on exercise of Option**

Any performance target or other condition imposed on the exercise of an Option under Article B or Article J of the Plan shall be:

21.1 objective;

21.2 capable of being fulfilled within the period of ten years from the Date of Grant;

21.3 such that, once satisfied, the exercise of the Option is not subject to the discretion of any person; and

21.4 stated in the Option agreement.

If an event occurs as a result of which the Committee considers that a performance target or other condition imposed on the exercise of an Option is no longer appropriate and substitutes, varies or waives under Article J of the Plan the performance target or condition, such substitution, variation or waiver shall:

21.5 be reasonable in the circumstances; and

21.6 except in the case of waiver produces a fairer measure of performance and is not materially more nor less difficult to satisfy.

22. Latest Date for Exercise of Options

An Option may not be exercised more than ten years after the Date of Grant and to the extent not so exercised by that time the Option shall lapse immediately.

23. Material Interest

An Option may not be exercised if the Option Holder then has, or has had within the preceding twelve months, a Material Interest in a Close Company which is the Company or which is a company which has Control of the Company or which is a member of a Consortium which owns the Company.

24. Payment for Shares on Exercise of Options

The amount due on the exercise of an Option shall be paid in cash or by cheque or banker's draft and may be paid out of funds provided to the Option Holder on loan by a bank, broker or other person. Notwithstanding Article H, the payment may not be in the form of relinquishing a portion of the Option or paid by the transfer to the Company of Shares or any other shares or securities, and in any circumstance the Company must not charge an administrative fee for the exercise of an Option. The date of exercise of an Option shall be the date on which the Company receives the amount due on the exercise of the Option under this rule 24, together with any payment or documentation required under rule 32.

25. Issue or Transfer of Shares on Exercise of Options

The Company shall, as soon as reasonably practicable and in any event not later than thirty days after the date of exercise of an Option, issue or transfer to the Option Holder, or procure the issue or transfer to the Option Holder of, the number of Shares specified in the notice of exercise, subject only to compliance by the Option Holder with the rules of the Sub-Plan and to any delay necessary to complete or obtain:

25.1 the listing of the Shares on any stock exchange on which Shares are then listed; or

25.2 such registration or other qualification of the Shares under any applicable law, rule or regulation as the Company determines is necessary or desirable.

26. Death of Option Holder

Subject to rules 22 and 23, if an Option Holder dies before the tenth anniversary of the Date of Grant, his personal representatives shall be entitled to exercise his Options at any time during the twelve month period following his death. If not so exercised, the Options shall lapse immediately.

27. Retirement of Option Holder

For the purpose of this Sub-Plan, notwithstanding Article L paragraph 6 shall be the attaining of the definition of Retirement specified age of 55 years of age.

28. Change in Control of Company

28.1 Exchange of Options

Should a Change of Control occur within the terms of Article L paragraph 4 of the Plan then only if a company ("Acquiring Company") obtains Control of the Company as a result of making:

28.1.1 a general offer to acquire the whole of the issued ordinary share capital of the Company which is made on a condition such that if it is satisfied the person making the offer will have Control of the Company;

28.1.2 a general offer to acquire all the shares in the Company of the same class as the Shares;

28.1.3 a compromise or arrangement sanctioned by the court under Section 899 of the Companies Act 2006 or other local legislation which HMRC agrees is equivalent; or

28.1.4 an Acquiring Company becomes bound or entitled to acquire Shares under Sections 979 to 982 of the Companies Act 2006 or other local legislation which HMRC agrees is equivalent;

may an Option Holder, at any time during the period set out in rule 28.2, by agreement with the Acquiring Company, release his Option in consideration of the grant to him of a new option (“New Option”) which is equivalent to the Option but which relates to shares (“New Shares”) in:

1. the Acquiring Company;
2. a company which has Control of the Acquiring Company; or
3. a company which either is, or has Control of, a company which is a member of a Consortium which owns either the Acquiring Company or a company having Control of the Acquiring Company.

28.2 Period Allowed for Exchange of Options

The period referred to in rule 28.1 is the period of six months beginning with the time when the person making the offer has obtained Control of the Company and any condition subject to which the offer is made has been satisfied.

28.3 Meaning of “Equivalent”

The New Option shall not be regarded for the purpose of this rule 28 as equivalent to the Option unless:

28.3.1 the New Shares satisfy the conditions in paragraphs 16 to 20 of Schedule 4; and

28.3.2 save for any performance target or other condition imposed on the exercise of the Option, the New Option will be exercisable in the same manner as the Option and subject to the provisions of the Sub-Plan as it had effect immediately before the release of the Option; and

28.3.3 the total market value, immediately before the release of the Option, of the Shares which were subject to the Option is equal to the total market value, immediately after the grant of the New Option, of the New Shares subject to the New Option (market value being determined for this purpose in accordance with Part VIII of the Taxation of Chargeable Gains Act 1992); and

28.3.4 the total amount payable by the Option Holder for the acquisition of the New Shares under the New Option is equal to the total amount that would have been payable by the Option Holder for the acquisition of the Shares under the Option.

28.4 Date of Grant of New Options

The date of grant of the New Option shall be deemed to be the same as the Date of Grant of the Option.

28.5 Application of Sub-Plan to New Option

In the application of the Sub-Plan to the New Option, where appropriate, references to “Company” and “Shares” shall be read as if they were references to the company to whose shares the New Option relates and the New Shares, respectively, (save that in the definition of “Committee” the reference to “Company” shall be read as if it were a reference to the Procter & Gamble Company).

29. Rights Attaching to Shares Issued on Exercise of Options

Notwithstanding the provisions of Article B, Paragraph 2 of the Plan, which grant the Committee authority to determine the conditions and restrictions, if any, applying to shares of Common Stock acquired through the exercise of an option, all Shares issued in respect of the exercise of an Option shall, as to any voting, dividend, transfer and other rights, including those arising on a liquidation of the Company, rank equally in all respects and as one class with the shares of the same class in issue at the date of such issue save as regards any rights attaching to such shares by reference to a record date prior to the date of such issue.

30. **Amendment of Sub-Plan**

Notwithstanding Article L of the Plan, no amendment to a Key Feature of the Sub-Plan, whether taking the form of an amendment of the Plan or this Sub-Plan, shall take effect until it has been approved by the HM Revenue & Customs.

31. **Adjustment of Options**

Notwithstanding Articles G Paragraph 13 and K of the Plan, to the extent that any adjustment of an Option is permitted under these Articles it:

31.1 shall not be made unless the adjustment is permitted pursuant to paragraph 22 of Schedule 4; and

31.2 shall not take effect until it has been approved by HM Revenue & Customs.

32. **Tax and Social Security Withholding**

An Option may not be exercised unless the Option Holder has beforehand made provision for the payment or withholding of any taxes and social security required to be withheld in accordance with the applicable law of any jurisdiction in respect of the exercise of the Option, or the receipt of the Shares. Notwithstanding the provisions of Article H which permit different arrangements to be made to satisfy the payment in respect of any taxes and social security required to be withheld, the payment may not be in the form of relinquishing a portion of the Option or paid by the transfer to the Company of Shares or any other shares or securities, unless this is the Shares by virtue of the exercise of the Option and only then if the procedure has been agreed by HMRC in advance as not resulting in the imposition of unacceptable restrictions (under Schedule 4) on the shares. The Option Holder may, by agreement with the Company, enter into some other arrangement to ensure that such amount is available (whether by authorising the sale of some or all of the Shares subject to his Option and the payment to the Company, or where appropriate the Option Holder's employing company of the requisite amount out of the proceeds of sale or otherwise). Where this is the case the Option shall not be treated as exercised until the Company determines that such arrangements are satisfactory to it.

33. **Transfer of Employer's NIC**

The Committee may, at its discretion, impose requirements for the payment by the Option Holder of all or any part of the Employer's NIC which may arise as a result of the exercise of his Option. Such requirements shall be specified on the Date of Grant and shall be a condition of exercise of the Option, provided that the Committee (acting fairly and reasonably) may waive these requirements. They may include in particular, but not by way of limitation, a determination that the Option may not be exercised unless the Option Holder has beforehand paid to the Company (or the company which employs the Option Holder, if different) an amount sufficient to discharge all or any part of the Employer's NIC. Alternatively, the Option Holder may, by agreement with the Company or the employing company (as the case may be), enter into some other arrangement to ensure that such amount is available to them or it (whether by authorising the sale of some or all of the Shares subject to his Option and the payment to the Company or the employing company (as the case may be) of the requisite amount out of the proceeds of sale or otherwise). Where this is the case the Option shall not be treated as exercised until the Company or the employing company (as the case may be) determine that such arrangements are satisfactory to it.

34. **Disapplication of Certain Provisions of Plan**

Article F paragraphs 2, 3 and 5 shall not apply for the purpose of this Sub-Plan. In addition the provisions of the Plan dealing with:

- incentive stock options qualifying under section 422 of the US Internal Revenue Code of 1986, as amended;
- stock appreciation rights;
- unrestricted or restricted stock awards;
- performance awards which are not stock options;
- the cash cancellation of share options including those contained with Article L paragraph 4(b)(ii); and
- the granting of share options in tandem with stock appreciation rights and the subsequent cancellation of share options

shall not form part of, and no such rights may be granted under, this Sub-Plan.

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Section 11: EX-12 (COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES)

EXHIBIT (12)**The Procter & Gamble Company and Subsidiaries****Computation of Ratio of Earnings to Fixed Charges**

<u>Amounts in millions</u>	Years ended June 30				
	2018	2017	2016	2015	2014
EARNINGS, AS DEFINED					
Earnings from operations before income taxes after eliminating undistributed earnings of equity method investees	\$ 13,285	\$ 13,233	\$ 13,356	\$ 11,009	\$ 13,492
Fixed charges (excluding capitalized interest)	676	640	778	842	928
TOTAL EARNINGS, AS DEFINED	\$ 13,961	\$ 13,873	\$ 14,134	\$ 11,851	\$ 14,420
FIXED CHARGES, AS DEFINED					
Interest expense (including capitalized interest)	\$ 560	\$ 521	\$ 634	\$ 693	\$ 789
1/3 of rental expense	111	118	144	166	174
TOTAL FIXED CHARGES, AS DEFINED	\$ 671	\$ 639	\$ 778	\$ 859	\$ 963
RATIO OF EARNINGS TO FIXED CHARGES	20.8x	21.7x	18.2x	13.8x	15.0x

[\(Back To Top\)](#)**Section 12: EX-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, 2018.

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
Celtic Insurance Company, Inc.	Vermont
Compania Procter & Gamble Mexico, S. de R.L. de C.V.	Mexico
Corporativo Procter & Gamble, S. de R.L. de C.V.	Mexico
Cosmetic Products 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 SARLAU	Morocco
Fater Portugal Unipessoal Lda	Portugal
Fater S.p.A.	Italy
Fater Temizlik Urunleri Ltd STI	Turkey
Fountain Square Music Publishing Co., Inc.	Ohio
FPG Oleochemicals Sdn. Bhd.	Malaysia
Gillette (China) Ltd.	China
Gillette (Shanghai) Ltd.	China
Gillette Aesop Ltd.	U.K.
Gillette Australia Pty. Ltd.	Australia
Gillette Commercial Operations North America	Massachusetts
Gillette del Uruguay, S.A.	Uruguay
Gillette Diversified Operations Pvt. Ltd.	India
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 Pakistan Limited	Pakistan
Gillette Poland International Sp. z.o.o.	Poland
Gillette Poland S.A.	Poland
Gillette U.K. Limited	U.K.
Giorgio Beverly Hills, Inc.	Delaware

Hyginett KFT	Hungary
iMFLUX Inc.	Delaware
Industries Marocaines Modernes SA	Morocco
Laboratorios Vicks, S.L.U.	Spain
Liberty Street Music Publishing Company, Inc.	Ohio
Limited Liability Company 'Procter & Gamble Trading Ukraine'	Ukraine
LLC "Procter & Gamble Novomoskovsk"	Russia
LLC "Procter & Gamble Distributorskaya Compania"	Russia
LLC "Procter & Gamble Ukraine"	Ukraine
Modern Industries Company - Dammam	Saudi Arabia
Modern Products Company – Jeddah	Saudi Arabia
New Chapter Canada Inc.	Canada
New Chapter, Inc.	Delaware
Olay LLC	Puerto Rico
Oral-B Laboratories	Delaware
P&G Distribution East Africa Limited	Kenya
P&G Distribution Morocco SAS	Morocco
P&G Hair Care Holding, Inc.	Delaware
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 Northeast Asia Pte. Ltd.	Singapore
P&G Prestige Godo Kaisha	Japan
P&G South African Trading (Pty.) Ltd.	South Africa
PGT Health Care (Zhejiang) Limited	China
PGT Healthcare LLP	Delaware
Phase II Holdings Corporation	Philippines
Principle Forsaking AB	Sweden
PPI ZAO	Russia
Procter & Gamble (Chengdu) Ltd.	China
Procter & Gamble (China) Ltd.	China
Procter & Gamble (China) Sales Co., Ltd.	China
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 (Guangzhou) Technology Innovation Co., 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 Administration 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 Australia Proprietary Limited	Australia
Procter & Gamble Azerbaijan Services LLC	Azerbaijan

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 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 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 Deuttschland GmbH	Germany
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 Exportadora e Importadora Ltda.	Brazil
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 Ghana Trading Limited	Ghana
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 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, 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 Guatemala, Limitada	Guatemala
Procter & Gamble Interamericas de Panama, S. de R.L.	Panama
Procter & Gamble International Operations Pte. Ltd.	Singapore
Procter & Gamble International Operations SA	Switzerland
Procter & Gamble International S.a.r.l.	Luxembourg
Procter & Gamble Investment Company (UK) Ltd.	U.K.
Procter & Gamble Investment Holding B.V.	Netherlands
Procter & Gamble Italia, S.p.A.	Italy
Procter & Gamble Japan K.K.	Japan
Procter & Gamble Kazakhstan Distribution LLP	Kazakhstan
Procter & Gamble Kazakhstan LLP	Kazakhstan
Procter & Gamble Korea S&D Co.	Korea
Procter & Gamble Korea, Inc.	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 Services" LLC	Russia
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 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 Mexico Inc.	Delaware
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 Product Supply (U.K.) Limited	U.K.
Procter & Gamble Production GmbH	Germany
Procter & Gamble Productions, Inc.	Ohio
Procter & Gamble Productos de Consumo, S.L.U.	Spain
Procter & Gamble Retail Services BVBA	Belguim
Procter & Gamble Retail Services SARL	Switzerland
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 Service GmbH	Germany
Procter & Gamble Services (Switzerland) SA	Switzerland
Procter & Gamble Services Company N.V.	Belgium
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 Sanayii A.S.	Turkey
Procter & Gamble UK	U.K.
Procter & Gamble UK Group Holdings Ltd	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
Progam Realty & Development Corporation	Philippines
PT Procter & Gamble Home Products Indonesia	Indonesia
PT Procter & Gamble Operations Indonesia	Indonesia
Redmond Products, Inc.	Minnesota
Richardson-Vicks Real Estate Inc.	Ohio
Riverfront Music Publishing Co., Inc.	Ohio
Rosemount LLC	Delaware
Series Acquisition B.V.	Netherlands
Shulton, Inc.	New Jersey
Snowberry IP Limited	New Zealand

SPD Development Company Limited	U.K.
SPD Swiss Precision Diagnostics GmbH	Switzerland
Sunflower Distributing LLC	Delaware
Surfac S.R.L.	Peru
Sycamore Productions, Inc.	Ohio
Tambrands Inc.	Delaware
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 LLC	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
US CD LLC	Delaware
Vidal Sassoon (Shanghai) Academy	China
Vidal Sassoon Co.	Ohio
WEBA Betriebsrenten-Verwaltungsgesellschaft mbH	Germany
Zenlen, Inc.	Delaware

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Section 13: EX-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 7, 2018, relating to the consolidated financial statements of The Procter & Gamble Company, 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, 2018:

1. Post-Effective Amendment No. 1 to Registration Statement No. 33-49289 on Form S-8 for The Procter & Gamble 1992 Stock Plan;
2. Registration Statement No. 33-47656 on Form S-8 for The Procter & Gamble International Stock Ownership Plan;
3. Registration Statement No. 33-50273 on Form S-8 for The Procter & Gamble Commercial Company Employees' Savings Plan;
4. Registration Statement No. 33-51469 on Form S-8 for The Procter & Gamble 1993 Non-Employee Directors' Stock Plan;
5. Registration Statement No. 333-14381 on Form S-8 for Profit Sharing Retirement Plan of The Procter & Gamble Commercial Company;
6. Registration Statement No. 333-21783 on Form S-8 for The Procter & Gamble 1992 Stock Plan (Belgian Version);
7. Registration Statement No. 333-37905 on Form S-8 for The Procter & Gamble Future Shares Plan;
8. Registration Statement No. 333-51213 on Form S-8 for Group Profit Sharing, Incentive and Employer Contribution Plan (France);
9. Registration Statement No. 333-51219 on Form S-8 for Procter & Gamble Ireland Employees Share Ownership Plan;
10. Registration Statement No. 333-51221 on Form S-8 for Employee Stock Purchase Plan (Japan);
11. Registration Statement No. 333-34606 on Form S-8 for The Procter & Gamble Future Shares Plan;
12. Registration Statement No. 333-44034 on Form S-8 for Procter & Gamble International Stock Ownership Plan;
13. Registration Statement No. 333-47132 on Form S-8 for Employee Stock Purchase Plan (Japan);
14. Registration Statement No. 333-75030 on Form S-8 for The Procter & Gamble 2001 Stock and Incentive Compensation Plan;
15. Registration Statement No. 333-100561 on Form S-8 for The Procter & Gamble (U.K.) 1-4-1 Plan;
16. Registration Statement No. 333-108991 on Form S-8 for The Procter & Gamble 1992 Stock Plan (Belgian Version);
17. Registration Statement No. 333-108993 on Form S-8 for Employee Stock Purchase Plan (Japan);
18. Registration Statement No. 333-108994 on Form S-8 for Procter & Gamble Ireland Employees Share Plan;
19. Registration Statement No. 333-108995 on Form S-8 for Group Profit Sharing, Incentive and Employer Contribution Plan (France);
20. Registration Statement No. 333-108997 on Form S-8 for Procter & Gamble International Stock Ownership Plan;
21. Registration Statement No. 333-108998 on Form S-8 for The Procter & Gamble 1993 Non-Employee Directors' Stock Plan;
22. Registration Statement No. 333-108999 on Form S-8 for The Procter & Gamble 1992 Stock Plan;
23. Registration Statement No. 333-111304 on Form S-8 for The Procter & Gamble 2003 Non-Employee Directors' Stock Plan;
24. Amendment No. 1 to Registration Statement No. 333-113515 on Form S-3 for The Procter & Gamble Company Debt Securities and Warrants;
25. Amendment No. 3 to Registration Statement No. 333-123309 on Form S-4 for The Procter & Gamble Company;
26. Registration Statement No. 333-128859 on Form S-8 for certain employee benefit plans of The Gillette Company (2004 Long-Term Incentive Plan of The Gillette Company; 1971 Stock Option Plan of The Gillette Company; James M. Kilts Non-Statutory Stock Option Plan; The Gillette Company

- Employees' Savings Plan; The Gillette Company Supplemental Savings Plan; The Gillette Company Global Employee Stock Ownership Plan (GESOP));
27. Registration Statement No. 333-143801 on Form S-8 for The Procter & Gamble Savings Plan;
 28. Registration Statement No. 333-155046 on Form S-8 for Employee Stock Purchase Plan (Japan);
 29. Registration Statement No. 333-161725 on Form S-8 for The Procter & Gamble Savings Plan;
 30. Registration Statement No. 333-164612 on Form S-8 for The Procter & Gamble 2009 Stock and Incentive Compensation Plan;
 31. Registration Statement No. 333-192841 on Form S-8 for The Procter & Gamble 1992 Stock Plan (Belgian Version);
 32. Registration Statement No. 333-199592 on Form S-8 for The Procter & Gamble 2014 Stock and Incentive Compensation Plan;
 33. Registration Statement No. 333-208407 on Form S-8 for The Profit Sharing Retirement Plan of The Procter & Gamble Commercial Company;
 34. Registration Statement No. 333-208408 on Form S-8 for Procter & Gamble Ireland Employees Share Plan;
 35. Registration Statement No. 333-208409 on Form S-8 for Procter & Gamble International Stock Ownership Plan;
 36. Registration Statement No. 333-208410 on Form S-8 for The Procter & Gamble (U.K.) 1-4-1 Plan;
 37. Registration Statement No. 333-208411 on Form S-8 for The Procter & Gamble Commercial Company Employees' Savings Plan;
 38. Registration Statement No. 333-208412 on Form S-8 for Group Profit Sharing, Incentive and Employer Contribution Plan (France);
 39. Registration Statement No. 333-221035 on Form S-3 for Debt Securities 2017 Registration;
 40. Registration Statement No. 333-221037 on Form S-3 for The Procter & Gamble Company Direct Stock Purchase Plan 2017; and
 41. Registration Statement No. 333-221038 on Form S-3 for The Procter & Gamble U.K. Share Investment Scheme.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio
August 7, 2018

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Section 14: EX-31 (RULE 13A-14(A)/15D-14(A) CERTIFICATIONS)

EXHIBIT (31)

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 7, 2018
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)
Vice Chairman and Chief Financial Officer

August 7, 2018
Date

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Section 15: EX-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, 2018 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in that Form 10-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 7, 2018
Date

A signed original of this written statement required by Section 906 has been provided to The Procter & Gamble Company and will be retained by The Procter & Gamble Company and furnished to the Securities and Exchange Commission or its staff upon request.

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, 2018 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in that Form 10-K fairly presents, in all material respects, the financial conditions and results of operations of the Company.

/s/ JON R. MOELLER

(Jon R. Moeller)
Vice Chairman and Chief Financial Officer

August 7, 2018
Date

A signed original of this written statement required by Section 906 has been provided to The Procter & Gamble Company and will be retained by The Procter & Gamble Company and furnished to the Securities and Exchange Commission or its staff upon request.

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Section 16: EX-99.1 (SUMMARY OF DIRECTORS AND OFFICERS INSURANCE PROGRAM)

EXHIBIT (99-1)

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, 2017 to June 30, 2018 were \$300 million.

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