Section 1: 10-Q (FY1819 Q2 OND 10-Q)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the Quarterly Period Ended December 31, 2018

OR

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

For the transition period from _________ to _________

THE PROCTER & GAMBLE COMPANY

(Exact name of registrant as specified in its charter)

Ohio	**1-434**	**31-0411980**
(State of Incorporation)	*(Commission File Number)*	*(I.R.S. Employer Identification Number)*

One Procter & Gamble Plaza, Cincinnati, Ohio	**45202**
(Address of principal executive offices)	*(Zip Code)*

(513) 983-1100
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☑ No ☐

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

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

There were 2,501,579,709 shares of Common Stock outstanding as of December 31, 2018.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

	Three Months Ended December 31		Six Months Ended December 31	
Amounts in millions except per share amounts	2018	2017	2018	2017
NET SALES	**$ 17,438**	$ 17,395	**$ 34,128**	$ 34,048
Cost of products sold	**8,919**	8,709	**17,403**	16,978
Selling, general and administrative expense	**4,623**	4,767	**9,275**	9,503
OPERATING INCOME	**3,896**	3,919	**7,450**	7,567
Interest expense	**138**	122	**267**	237
Interest income	**63**	66	**116**	115
Other non-operating income, net	**95**	170	**557**	339
EARNINGS BEFORE INCOME TAXES	**3,916**	4,033	**7,856**	7,784
Income taxes	**700**	1,472	**1,429**	2,353
NET EARNINGS	**3,216**	2,561	**6,427**	5,431
Less: Net earnings attributable to noncontrolling interests	**22**	66	**34**	83
NET EARNINGS ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 3,194**	$ 2,495	**$ 6,393**	$ 5,348
NET EARNINGS PER SHARE [1]				
Basic	**$ 1.25**	$ 0.96	**$ 2.51**	$ 2.05
Diluted	**$ 1.22**	$ 0.93	**$ 2.44**	$ 2.00
DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	**2,623.0**	2,669.6	**2,617.6**	2,680.1

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

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

	Three Months Ended December 31		Six Months Ended December 31	
Amounts in millions	2018	2017	2018	2017
NET EARNINGS	**$ 3,216**	$ 2,561	**$ 6,427**	$ 5,431
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX				
Financial statement foreign currency translation	**(370)**	188	**(586)**	1,028
Unrealized gains/(losses) on hedges	**192**	(167)	**199**	(630)
Unrealized gains/(losses) on investment securities	**58**	(61)	**53**	(65)
Unrealized gains/(losses) on defined benefit retirement plans	**98**	161	**250**	128
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX	**(22)**	121	**(84)**	461
TOTAL COMPREHENSIVE INCOME	**3,194**	2,682	**6,343**	5,892
Less: Total comprehensive income attributable to noncontrolling interests	**23**	66	**31**	83
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 3,171**	$ 2,616	**$ 6,312**	$ 5,809

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

Amounts in millions			December 31, 2018	June 30, 2018
Assets				
CURRENT ASSETS				
Cash and cash equivalents			$ 3,696	$ 2,569
Available-for-sale investment securities			8,421	9,281
Accounts receivable			5,055	4,686
INVENTORIES				
Materials and supplies			1,524	1,335
Work in process			593	588
Finished goods			3,164	2,815
Total inventories			5,281	4,738
Prepaid expenses and other current assets			1,978	2,046
TOTAL CURRENT ASSETS			24,431	23,320
PROPERTY, PLANT AND EQUIPMENT, NET			20,822	20,600
GOODWILL			46,932	45,175
TRADEMARKS AND OTHER INTANGIBLE ASSETS, NET			25,947	23,902
OTHER NONCURRENT ASSETS			5,555	5,313
TOTAL ASSETS			$ 123,687	$ 118,310
Liabilities and Shareholders' Equity				
CURRENT LIABILITIES				
Accounts payable			$ 10,266	$ 10,344
Accrued and other liabilities			8,868	7,470
Debt due within one year			12,113	10,423
TOTAL CURRENT LIABILITIES			31,247	28,237
LONG-TERM DEBT			21,514	20,863
DEFERRED INCOME TAXES			6,872	6,163
OTHER NONCURRENT LIABILITIES			9,611	10,164
TOTAL LIABILITIES			69,244	65,427
SHAREHOLDERS' EQUITY				
Preferred stock			946	967
Common stock – shares issued –	December 2018	4,009.2		
	June 2018	4,009.2	4,009	4,009
Additional paid-in capital			63,679	63,846
Reserve for ESOP debt retirement			(1,178)	(1,204)
Accumulated other comprehensive income/(loss)			(15,156)	(14,749)
Treasury stock			(99,480)	(99,217)
Retained earnings			101,170	98,641
Noncontrolling interest			453	590
TOTAL SHAREHOLDERS' EQUITY			54,443	52,883
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			$ 123,687	$ 118,310

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

	Three Months Ended December 31, 2018									
	Common Stock									
Dollars in millions; shares in thousands	Shares	Amount	Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumu-lated Other Comp-rehensive Income/(Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Share-holders' Equity
BALANCE SEPTEMBER 30, 2018	2,491,408	$4,009	$951	$63,711	($1,177)	($15,133)	($99,956)	$99,831	$268	$52,504
Net earnings								3,194	22	3,216
Other comprehensive income/ (loss)						(23)			1	(22)
Dividends and dividend equivalents ($0.7172 per share):										
Common								(1,790)		(1,790)
Preferred, net of tax benefits								(65)		(65)
Treasury stock purchases	(8,647)						(751)			(751)
Employee stock plans	18,021			(73)			1,222			1,149
Preferred stock conversions	798		(5)	—			5			—
ESOP debt impacts					(1)			—		(1)
Noncontrolling interest, net				41					162	203
BALANCE DECEMBER 31, 2018	2,501,580	$4,009	$946	$63,679	($1,178)	($15,156)	($99,480)	$101,170	$453	$54,443

	Six Months Ended December 31, 2018									
	Common Stock									
Dollars in millions; shares in thousands	Shares	Amount	Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumu-lated Other Comp-rehensive Income/ (Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Share-holders' Equity
BALANCE JUNE 30, 2018	2,498,093	$4,009	$967	$63,846	($1,204)	($14,749)	($99,217)	$98,641	$590	$52,883
Impact of adoption of new accounting standards						(326)		(200)	(27)	(553)
Net earnings								6,393	34	6,427
Other comprehensive income/ (loss)						(81)			(3)	(84)
Dividends and dividend equivalents ($1.4344 per share):										
Common								(3,581)		(3,581)
Preferred, net of tax benefits								(131)		(131)
Treasury stock purchases	(24,337)						(2,003)			(2,003)
Employee stock plans	25,389			(53)			1,722			1,669
Preferred stock conversions	2,435		(21)	3			18			—
ESOP debt impacts					26			48		74
Noncontrolling interest, net				(117)					(141)	(258)
BALANCE DECEMBER 31, 2018	2,501,580	$4,009	$946	$63,679	($1,178)	($15,156)	($99,480)	$101,170	$453	$54,443

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (cont.)

	Three Months Ended December 31, 2017									
	Common Stock									
Dollars in millions; shares in thousands	Shares	Amount	Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumu-lated Other Comp-rehensive Income/(Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Share-holders' Equity
BALANCE SEPTEMBER 30, 2017	2,536,958	$4,009	$991	$63,705	($1,229)	($14,292)	($95,563)	$97,197	$597	$55,415
Net earnings								2,495	66	2,561
Other comprehensive income/(loss)						121			—	121
Dividends and dividend equivalents ($0.6896 per share):										
Common								(1,751)		(1,751)
Preferred, net of tax benefits								(62)		(62)
Treasury stock purchases	(19,409)						(1,751)			(1,751)
Employee stock plans	2,791			51			189			240
Preferred stock conversions	664		(5)	1			4			—
ESOP debt impacts					—			2		2
Noncontrolling interest, net									(54)	(54)
BALANCE DECEMBER 31, 2017	2,521,004	$4,009	$986	$63,757	($1,229)	($14,171)	($97,121)	$97,881	$609	$54,721

	Six Months Ended December 31, 2017									
	Common Stock									
Dollars in millions; shares in thousands	Shares	Amount	Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumu-lated Other Comp-rehensive Income/(Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Share-holders' Equity
BALANCE JUNE 30, 2017	2,553,297	$4,009	$1,006	$63,641	($1,249)	($14,632)	($93,715)	$96,124	$594	$55,778
Net earnings								5,348	83	5,431
Other comprehensive income/(loss)						461			—	461
Dividends and dividend equivalents ($1.3792 per share):										
Common								(3,512)		(3,512)
Preferred, net of tax benefits								(124)		(124)
Treasury stock purchases	(46,736)						(4,253)			(4,253)
Employee stock plans	12,239			113			830			943
Preferred stock conversions	2,204		(20)	3			17			—
ESOP debt impacts					20			45		65
Noncontrolling interest, net									(68)	(68)
BALANCE DECEMBER 31, 2017	2,521,004	$4,009	$986	$63,757	($1,229)	($14,171)	($97,121)	$97,881	$609	$54,721

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Amounts in millions	Six Months Ended December 31 2018	Six Months Ended December 31 2017
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	**$ 2,569**	$ 5,569
OPERATING ACTIVITIES		
Net earnings	**6,427**	5,431
Depreciation and amortization	**1,293**	1,368
Share-based compensation expense	**181**	157
Deferred income taxes	**37**	(2,008)
Gain on sale of assets	**(370)**	(158)
Changes in:		
Accounts receivable	**(398)**	(547)
Inventories	**(531)**	(457)
Accounts payable, accrued and other liabilities	**1,141**	857
Other operating assets and liabilities	**(370)**	2,524
Other	**164**	148
TOTAL OPERATING ACTIVITIES	**7,574**	7,315
INVESTING ACTIVITIES		
Capital expenditures	**(1,781)**	(1,900)
Proceeds from asset sales	**18**	201
Acquisitions, net of cash acquired	**(3,848)**	(101)
Purchases of short-term investments	**(158)**	(3,598)
Proceeds from sales and maturities of short-term investments	**1,117**	1,643
Change in other investments	**(58)**	50
TOTAL INVESTING ACTIVITIES	**(4,710)**	(3,705)
FINANCING ACTIVITIES		
Dividends to shareholders	**(3,703)**	(3,636)
Change in short-term debt	**1,206**	1,524
Additions to long-term debt	**2,368**	5,072
Reductions of long-term debt	**(978)**	(1,281)
Treasury stock purchases	**(2,003)**	(4,253)
Impact of stock options and other	**1,486**	698
TOTAL FINANCING ACTIVITIES	**(1,624)**	(1,876)
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**(113)**	129
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**1,127**	1,863
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	**$ 3,696**	$ 7,432

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

These statements should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2018 and the Form 8-K filed October 22, 2018 to update the Form 10-K to revise disclosures to reflect the adoption of the Financial Accounting Standards Board (FASB) ASU 2017-07 and 2016-18. For additional details on the impacts of adoption, see Note 2. In the opinion of management, the accompanying unaudited Consolidated Financial Statements of The Procter & Gamble Company and subsidiaries (the "Company," "Procter & Gamble," "P&G," "we" or "our") contain all adjustments necessary to present fairly the financial position, results of operations and cash flows for the interim periods reported. However, the results of operations included in such financial statements may not necessarily be indicative of annual results.

2. New Accounting Pronouncements and Policies and U.S. Tax Reform

On July 1, 2018, we adopted ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." This guidance outlines a single, comprehensive model of accounting for revenue from contracts with customers. We adopted the standard using the modified retrospective transition method, under which prior periods were not revised to reflect the impacts of the new standard. Our revenue is primarily generated from the sale of finished product to customers. Those sales predominantly contain a single delivery element and revenue is recognized at a single point in time when ownership, risks and rewards transfer. Accordingly, the timing of revenue recognition is not materially impacted by the new standard. Trade promotions, consisting primarily of customer pricing allowances, in-store merchandising funds, advertising and other promotional activities, and consumer coupons, are offered through various programs to customers and consumers. The adoption of the new standard impacts the accrual timing for certain portions of our customer and consumer promotional spending, which resulted in a cumulative adjustment to Retained earnings of $534, net of tax, on the date of adoption. The provisions of the new standard also impact the classification of certain payments to customers, moving an immaterial amount of such payments from expense to a deduction from net sales. Had this standard been effective and adopted during fiscal 2018, the impact would have been to reclassify $157 from Selling, General and Administrative expense (SG&A) to a reduction of Net sales for the six months ended December 31, 2017 and $309 for the year ended June 30, 2018, with no impact to operating profit. This guidance included practical expedients, none of which are material to our Consolidated Financial Statements. This new guidance does not have any other material impacts on our Consolidated Financial Statements, including financial disclosures.

On July 1, 2018, we adopted ASU 2017-07, "Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715)." This guidance requires an entity to disaggregate the current service cost component from the other components of net benefit costs in the face of the income statement. It requires the service cost component to be presented with other current compensation costs for the related employees in the operating section of the income statement, with other components of net benefit cost presented outside of income from operations. We adopted the standard retrospectively, using the practical expedient which allows entities to use information previously disclosed in their pension and other postretirement benefit plans footnote as the basis to apply the retrospective presentation requirements. As such, prior periods' results have been revised to report the other components of net defined benefit costs, previously reported in Cost of products sold and SG&A, in Other non-operating income, net.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows: Restricted Cash (Topic 230)." This guidance requires the Statement of Cash Flows to present changes in the total of cash, cash equivalents and restricted cash. Prior to the adoption of this ASU, the relevant accounting guidance did not require the Statement of Cash Flows to include changes in restricted cash. We adopted the standard retrospectively on July 1, 2018. We currently have no significant restricted cash balances. Historically, we had restricted cash balances and changes related to divestiture activity. Such balances were presented as Current assets held for sale on the balance sheets, with changes presented as Investing activities on the Statements of Cash Flow. In accordance with ASU 2016-08, such balances are now included in the beginning and ending balances of Cash, cash equivalents and restricted cash for all periods presented.

In February 2018, the FASB issued ASU 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (Topic 220)." This guidance permits companies to make an election to reclassify stranded tax effects from the recently enacted U.S. Tax Cuts and Jobs Act included in Accumulated other comprehensive income (AOCI) to Retained earnings. ASU 2018-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The Company elected to early adopt this guidance in the quarter ended September 30, 2018. The reclassification from the adoption of this standard resulted in an increase of $326 to Retained earnings and a decrease of $326 to AOCI.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity transfers of Assets other than Inventory." The standard eliminates the prohibition in ASC 740 against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. We have adopted this standard effective July 1, 2018 on a modified

retrospective basis. The adoption of ASU 2016-16 did not have a material impact on our Consolidated Financial Statements, including the cumulative effect adjustment required upon adoption.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." The standard requires lessees to recognize lease assets and lease liabilities on the balance sheet and requires expanded disclosures about leasing arrangements. In July 2018, the FASB issued ASU 2018-11, “Leases (Topic 842) Targeted Improvements”. The updated guidance provides an optional transition method, which allows for the application of the standard as of the adoption date with no restatement of prior period amounts. We plan to adopt the standard on July 1, 2019 under the optional transition method described above. We are currently in the process of implementing lease accounting software as well as assessing the impact that the new standard will have on our Consolidated Financial Statements, which will consist primarily of a balance sheet gross up of our operating leases to show equal and offsetting lease assets and lease liabilities.

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

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

U.S. Tax Reform

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

There are also certain transitional impacts of the U.S. Tax Act. As part of the transition to the new hybrid territorial tax system, the U.S. Tax Act imposed a one-time repatriation tax on deemed repatriation of historical earnings of foreign subsidiaries. In addition, the reduction of the U.S. corporate tax rate caused us to adjust our U.S. deferred tax assets and liabilities to the lower federal base rate of 21%. These transitional impacts resulted in a provisional net charge of $602 million for the fiscal year ended June 30, 2018, and $628 million for the three months ended December 31, 2017 (the quarter of enactment), comprised of an estimated repatriation tax charge of $3.8 billion (comprised of U.S. repatriation taxes and foreign withholding taxes) and an estimated net deferred tax benefit of $3.2 billion. We have finalized our assessment of the transitional impacts of the U.S. Tax Act, which did not have a significant impact on tax expense during the six months ended December 31, 2018. Any legislative changes, including the final Section 965 transition tax regulations issued on January 15, 2019, whose impact is currently being assessed due to the complexity and interdependency of the legislative provisions, as well as any other new or proposed Treasury regulations, which have yet to be issued, may result in additional income tax impacts which could be material in the period any such changes are enacted.

3. Segment Information

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

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

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

	% of Net sales by Business Unit [1]			
	Three Months Ended December 31		Six Months Ended December 31	
	2018	2017	2018	2017
Fabric Care	**22%**	21%	**22%**	22%
Baby Care	**12%**	13%	**12%**	13%
Home Care	**10%**	10%	**10%**	10%
Skin and Personal Care	**10%**	9%	**10%**	9%
Hair Care	**9%**	10%	**10%**	10%
Family Care	**9%**	8%	**9%**	8%
Oral Care	**9%**	9%	**8%**	8%
Shave Care	**7%**	8%	**8%**	8%
Feminine Care	**6%**	6%	**6%**	6%
All Other	**6%**	6%	**5%**	6%
Total	**100%**	100%	**100%**	100%

[1] % of Net sales by business unit excludes sales held in Corporate.

Following is a summary of reportable segment results:

		Three Months Ended December 31			Six Months Ended December 31		
		Net Sales	Earnings/(Loss) Before Income Taxes	Net Earnings/ (Loss)	Net Sales	Earnings/(Loss) Before Income Taxes	Net Earnings/ (Loss)
Beauty	**2018**	**$ 3,357**	**$ 964**	**$ 772**	**$ 6,646**	**$ 1,911**	**$ 1,531**
	2017	3,233	853	655	6,371	1,689	1,287
Grooming	**2018**	**1,617**	**448**	**378**	**3,179**	**865**	**718**
	2017	1,776	531	423	3,353	945	752
Health Care	**2018**	**2,220**	**669**	**520**	**4,065**	**1,109**	**852**
	2017	2,212	668	455	4,114	1,123	760
Fabric & Home Care	**2018**	**5,557**	**1,134**	**860**	**11,045**	**2,278**	**1,737**
	2017	5,434	1,101	714	10,817	2,280	1,483
Baby, Feminine & Family Care	**2018**	**4,558**	**930**	**707**	**8,948**	**1,832**	**1,399**
	2017	4,613	933	597	9,158	1,897	1,227
Corporate	**2018**	**129**	**(229)**	**(21)**	**245**	**(139)**	**190**
	2017	127	(53)	(283)	235	(150)	(78)
Total Company	**2018**	**$ 17,438**	**$ 3,916**	**$ 3,216**	**$ 34,128**	**$ 7,856**	**$ 6,427**
	2017	17,395	4,033	2,561	34,048	7,784	5,431

4. Goodwill and Other Intangible Assets

Goodwill is allocated by reportable segment as follows:

	Beauty	Grooming	Health Care	Fabric & Home Care	Baby, Feminine & Family Care	Total Company
Goodwill at June 30, 2018	$ 12,992	$ 19,820	$ 5,929	$ 1,865	$ 4,569	$ 45,175
Acquisitions and divestitures	132	—	1,955	6	—	2,093
Translation and other	(116)	(135)	(36)	(13)	(36)	(336)
Goodwill at December 31, 2018	**$ 13,008**	**$ 19,685**	**$ 7,848**	**$ 1,858**	**$ 4,533**	**$ 46,932**

Amounts in millions of dollars unless otherwise specified.

Goodwill from current year acquisitions primarily reflects the acquisition of the over-the-counter (OTC) healthcare business of Merck KGaA (Merck OTC) in the Health Care reportable segment (see Note 11), along with other minor acquisitions in the Beauty and Fabric & Home Care reportable segments. Goodwill increases due to acquisitions was partially offset by the divestiture of the Teva portion of the PGT business in the Health Care reportable segment and currency translation.

Identifiable intangible assets at December 31, 2018 were comprised of:

	Gross Carrying Amount	Accumulated Amortization
Intangible assets with determinable lives	$ 8,580	$ (5,251)
Intangible assets with indefinite lives	22,618	—
Total identifiable intangible assets	**$ 31,198**	**$ (5,251)**

Intangible assets with determinable lives consist of brands, patents, technology and customer relationships. The intangible assets with indefinite lives consist of brands. The amortization expense of intangible assets for the three months ended December 31, 2018 and 2017 was $81 and $75, respectively. For the six months ended December 31, 2018 and 2017, the amortization expense of intangible assets was $154 and $152, respectively.

Goodwill and indefinite lived intangible assets are not amortized, but are tested annually for impairment. The test to evaluate goodwill for impairment is a two-step process. In the first step, we compare the fair value of the reporting unit to its carrying value. If the fair value of the reporting unit is less than its carrying value, we perform a second step to determine the implied fair value of the reporting unit's goodwill. The second step of the impairment analysis requires a valuation of a reporting unit's tangible and intangible assets and liabilities in a manner similar to the allocation of purchase price in a business combination. If the resulting implied fair value of the reporting unit's goodwill is less than its carrying value, that difference represents an impairment.

The business unit valuations used to test goodwill and intangible assets for impairment are dependent on a number of significant estimates and assumptions, including macroeconomic conditions, overall category growth rates, competitive activities, cost containment, margin expansion and Company business plans. We believe these estimates and assumptions are reasonable. However, future changes in the judgments, assumptions and estimates that are used in our impairment testing for goodwill and indefinite-lived intangible assets, including discount and tax rates or future cash flow projections, could result in significantly different estimates of the fair values. Our annual impairment testing for goodwill and indefinite lived intangible assets occurs during the 3 months ended December 31.

Most of our goodwill reporting units are comprised of a combination of legacy and acquired businesses and as a result have fair value cushions that, at a minimum, exceed two times their underlying carrying values. Certain of our goodwill reporting units, in particular Shave Care and Appliances, are comprised entirely of acquired businesses and as a result, have fair value cushions that are not as high. Both of these wholly acquired reporting units have fair value cushions that currently equal or exceed the underlying carrying values. However, the overall Shave Care goodwill cushion has been reduced in recent years, with the fair value in the current year being reduced to an amount that approximates the reporting unit's carrying value. The related Gillette indefinite-lived intangible asset cushion has also been reduced to below 5%. These reductions are due in large part to an increased competitive market environment in the U.S. and certain other markets, a deceleration of category growth caused by changing grooming habits and significant currency devaluations in a number of countries relative to the U.S. dollar, which collectively have resulted in reduced cash flow projections. The current year reduction in the fair value was primarily caused by further currency devaluations, along with competitive activities. As a result of these factors and the reduction in the fair values and related cushions, goodwill for the Shave Care reporting unit and the related indefinite-lived intangible asset are more susceptible to impairment risk.

The most significant assumptions utilized in the determination of the estimated fair values of Shave Care reporting unit and the Gillette indefinite-lived intangible asset are the net sales and earnings growth rates (including residual growth rates) and discount rate. The residual growth rate represents the expected rate at which the reporting unit and Gillette brand are expected to grow beyond the shorter-term business planning period. The residual growth rate utilized in our fair value estimates is consistent with the reporting unit and brand operating plans, and approximates expected long term category market growth rates. The residual growth rate is dependent on overall market growth rates, the competitive environment, inflation, relative currency exchange rates and business activities that impact market share. As a result, the residual growth rate could be adversely impacted by a sustained deceleration in category growth, grooming habit changes, devaluation of currencies against the U.S. dollar or an increased competitive environment. The discount rate, which is consistent with a weighted average cost of capital that is likely to be expected by a market participant, is based upon industry required rates of return, including consideration of both debt and equity components of the capital structure. Our discount rate may be impacted by adverse changes in the macroeconomic environment, volatility in the equity and debt markets or other country specific factors, such as further devaluation of currencies against the U.S. dollar. Spot rates as of the fair value measurement date are utilized in our fair value estimates for cash flows outside the U.S.

While management can and has implemented strategies to address these events, changes in operating plans or adverse changes in the future could reduce the underlying cash flows used to estimate fair values and could result in a decline in fair value that would trigger future impairment charges of the reporting unit's goodwill and indefinite-lived intangibles. As of December 31, 2018, the carrying values of Shave Care goodwill and the Gillette indefinite-lived intangible asset were $19.4 billion and $15.7 billion, respectively.

The table below provides a sensitivity analysis for the Shave Care reporting unit and the Gillette indefinite lived intangible asset, utilizing reasonably possible changes in the assumptions for the shorter term and residual growth rates and the discount rate, to demonstrate the potential impacts to the estimated fair values. The table below provides, in isolation, the estimated fair value impacts related to a 25 basis point increase to discount rate or a 25 basis point decrease to our shorter-term and residual growth rates, both of which would result in impairment charges.

	Approximate Percent Change in Estimated Fair Value	
	+25 bps Discount Rate	-25 bps Growth Rate
Shave Care goodwill reporting unit	(5)%	(6)%
Gillette indefinite-lived intangible asset	(5)%	(6)%

5. Earnings Per Share

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

Net earnings per share were as follows:

CONSOLIDATED AMOUNTS	Three Months Ended December 31		Six Months Ended December 31	
	2018	2017	2018	2017
Net earnings	**$ 3,216**	$ 2,561	**$ 6,427**	$ 5,431
Less: Net earnings attributable to noncontrolling interests	**22**	66	**34**	83
Net earnings attributable to P&G (Diluted)	**3,194**	2,495	**6,393**	5,348
Preferred dividends, net of tax	**(65)**	(62)	**(131)**	(124)
Net earnings attributable to P&G available to common shareholders (Basic)	**$ 3,129**	$ 2,433	**$ 6,262**	$ 5,224
SHARES IN MILLIONS				
Basic weighted average common shares outstanding	**2,499.7**	2,533.9	**2,497.8**	2,542.2
Add: Effect of dilutive securities				
Conversion of preferred shares [1]	**90.7**	95.5	**91.3**	96.0
Impact of stock options and other unvested equity awards [2]	**32.6**	40.2	**28.5**	41.9
Diluted weighted average common shares outstanding	**2,623.0**	2,669.6	**2,617.6**	2,680.1
NET EARNINGS PER SHARE [3]				
Basic	**$ 1.25**	$ 0.96	**$ 2.51**	$ 2.05
Diluted	**$ 1.22**	$ 0.93	**$ 2.44**	$ 2.00

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

(2) Weighted average outstanding stock options of approximately 23 million and 24 million for the three months ended December 31, 2018 and 2017, and approximately 35 million and 22 million for the six months ended December 31, 2018 and 2017 respectively, were not included in the Diluted net earnings per share calculation because the options were out of the money or to do so would have been antidilutive (i.e., the total proceeds upon exercise would have exceeded the market value of the underlying common shares).

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

6. Share-Based Compensation and Postretirement Benefits

The following table provides a summary of our share-based compensation expense and postretirement benefit costs:

	Three Months Ended December 31		Six Months Ended December 31	
	2018	**2017**	**2018**	**2017**
Share-based compensation expense	**$ 79**	$ 73	**$ 181**	$ 157
Net periodic benefit cost for pension benefits [1]	**36**	52	**64**	103
Net periodic benefit cost/(credit) for other retiree benefits [1]	**(42)**	(38)	**(83)**	(76)

[1] The components of the total net periodic benefit cost for both pension benefits and other retiree benefits for those interim periods, on an annualized basis, do not differ materially from the amounts disclosed in the Annual Report on Form 10-K for the fiscal year ended June 30, 2018, as revised by the Form 8-K filed October 22, 2018 to update the Form 10-K to revise disclosures to reflect the adoption of the Financial Accounting Standards Board (FASB) ASU 2017-07 and 2016-18.

7. Risk Management Activities and Fair Value Measurements

As a multinational company with diverse product offerings, we are exposed to market risks, such as changes in interest rates, currency exchange rates and commodity prices. There have been no significant changes in our risk management policies or activities during the six months ended December 31, 2018.

The Company has not changed its valuation techniques used in measuring the fair value of any financial assets and liabilities during the period. The Company recognizes transfers between levels within the fair value hierarchy, if any, at the end of each quarter. There were no transfers between levels during the periods presented. Also, there was no significant activity within the Level 3 assets and liabilities during the periods presented. There were no significant assets or liabilities that were remeasured at fair value on a non-recurring basis for the six months ended December 31, 2018.

The following table sets forth the Company's financial assets as of December 31, 2018 and June 30, 2018 that are measured at fair value on a recurring basis during the period:

	Fair Value Asset	
	December 31, 2018	**June 30, 2018**
Investments:		
U.S. government securities	**$ 5,177**	$ 5,544
Corporate bond securities	**3,244**	3,737
Other investments	**163**	141
Total	**$ 8,584**	$ 9,422

Investment securities are presented in Available-for-sale investment securities and Other noncurrent assets. The amortized cost of U.S. government securities with maturities less than one year was $1,601 as of December 31, 2018 and $2,003 as of June 30, 2018. The amortized cost of U.S. government securities with maturities between one and five years was $3,657 as of December 31, 2018 and $3,659 as of June 30, 2018. The amortized cost of Corporate bond securities with maturities of less than a year was $1,525 as of December 31, 2018 and $1,291 as of June 30, 2018. The amortized cost of Corporate bond securities with maturities between one and five years was $1,760 as of December 31, 2018 and $2,503 as of June 30, 2018. The Company's investments measured at fair value are generally classified as Level 2 within the fair value hierarchy. There are no material investment balances classified as Level 1 or Level 3 within the fair value hierarchy, or that used net asset value as a practical expedient. Fair values are generally estimated based upon quoted market prices for similar instruments.

The fair value of long-term debt was $24,602 and $23,402 as of December 31, 2018 and June 30, 2018, respectively. This includes the current portion of debt instruments ($2,301 and $1,769 as of December 31, 2018 and June 30, 2018, respectively). Certain long-term debt (debt tied to derivatives designated as a fair value hedge) is recorded at fair value. All other long-term debt is recorded at amortized cost, but is measured at fair value for disclosure purposes. We consider our debt to be Level 2 in the fair value hierarchy. Fair values are generally estimated based on quoted market prices for identical or similar instruments.

Disclosures about Financial Instruments

The notional amounts and fair values of financial instruments used in hedging transactions as of December 31, 2018 and June 30, 2018 are as follows:

	Notional Amount		Fair Value Asset		Fair Value (Liability)	
	December 31, 2018	June 30, 2018	December 31, 2018	June 30, 2018	December 31, 2018	June 30, 2018
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS						
Interest rate contracts	**$ 4,550**	$ 4,587	**$ 118**	$ 125	**$ (28)**	$ (53)
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS						
Foreign currency interest rate contracts	**$ 1,855**	$ 1,848	**$ 21**	$ 41	**$ (59)**	$ (75)
TOTAL DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS	**$ 6,405**	$ 6,435	**$ 139**	$ 166	**$ (87)**	$ (128)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS						
Foreign currency contracts	**$ 7,025**	$ 7,358	**$ 49**	$ 30	**$ (29)**	$ (56)
TOTAL DERIVATIVES AT FAIR VALUE	**$ 13,430**	$ 13,793	**$ 188**	$ 196	**$ (116)**	$ (184)

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

The fair value of the interest rate derivative asset/liability directly offsets the cumulative amount of the fair value hedging adjustment included in the carrying amount of the underlying debt obligation. The carrying amount of the underlying debt obligation, which includes the unamortized discount or premium and the fair value adjustment, was $4,623 and $4,639 as of December 31, 2018 and June 30, 2018, respectively. In addition to the foreign currency derivative contracts designated as net investment hedges, certain of our foreign currency denominated debt instruments are designated as net investment hedges. The carrying value of those debt instruments designated as net investment hedges, which includes the adjustment for the foreign currency transaction gain or loss on those instruments, was $17,092 and $15,012 as of December 31, 2018 and June 30, 2018, respectively. All of the Company's derivative assets and liabilities measured at fair value are classified as Level 2 within the fair value hierarchy.

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

	Amount of Gain/(Loss) Recognized in OCI on Derivatives			
	Three Months Ended December 31		Six Months Ended December 31	
	2018	2017	2018	2017
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS (1) (2)				
Foreign exchange contracts	**$ 23**	$ (89)	**$ 19**	$ (262)

(1) For the derivatives in net investment hedging relationships, the amount of gain/(loss) excluded from effectiveness testing, which was recognized in earnings, was $13 and $42 for the three months ended December 31, 2018 and 2017, respectively. The amount of gain/(loss) excluded from effectiveness testing was $27 and $73 for the six months ended December 31, 2018 and 2017, respectively.

(2) In addition to the foreign currency derivative contracts designated as net investment hedges, certain of our foreign currency denominated debt instruments are designated as net investment hedges. The amount of gain/(loss) recognized in AOCI for such instruments was $228 and $(176), for the three months ended December 31, 2018 and 2017, respectively. The amount of gain/(loss) recognized in AOCI for such instruments was $241 and $(745), for the six months ended December 31, 2018 and 2017, respectively.

	Amount of Gain/(Loss) Recognized in Earnings			
	Three Months Ended December 31		Six Months Ended December 31	
	2018	2017	2018	2017
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS				
Interest rate contracts	**$ 42**	$ (38)	**$ 18**	**$ (41)**
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS				
Foreign currency contracts	**$ (5)**	$ (1)	**$ (7)**	**$ (2)**

The gain/(loss) on the derivatives in fair value hedging relationships is fully offset by the mark-to-market impact of the related exposure. These are both recognized in the Consolidated Statements of Earnings in Interest Expense. The gain/(loss) on derivatives not designated as hedging instruments is substantially offset by the currency mark-to-market of the related exposure. These are both recognized in the Consolidated

Statements of Earnings in SG&A.

8. Accumulated Other Comprehensive Income/(Loss)

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

	Changes in Accumulated Other Comprehensive Income/(Loss) by Component				
	Hedges	Investment Securities	Pension and Other Retiree Benefits	Financial Statement Translation	Total AOCI
Balance at June 30, 2018	$ (3,246)	$ (173)	$ (4,058)	$ (7,272)	$ (14,749)
OCI before reclassifications [1]	199	54	149	(587)	(185)
Amounts reclassified from AOCI [2]	—	(1)	101	1	101
Net current period OCI	199	53	250	(586)	(84)
Reclassification to retained earnings in accordance with ASU 2018-02 [3]	(18)	—	(308)	—	(326)
Less: Other comprehensive income/(loss) attributable to non-controlling interests	—	—	—	(3)	(3)
Balance at December 31, 2018	**$ (3,065)**	**$ (120)**	**$ (4,116)**	**$ (7,855)**	**$ (15,156)**

(1) Net of tax expense/(benefit) of $61, $0 and $38 for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively.

(2) Net of tax expense/(benefit) of $0, $0 and $32 for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively.

(3) Adjustment made to early adopt ASU 2018-02: "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income," as discussed in Note 2.

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

- Investment securities: amounts reclassified from AOCI into Other non-operating income, net.
- Pension and other retiree benefits: amounts reclassified from AOCI into Other non-operating income, net and included in the computation of net periodic postretirement costs.
- Financial statement translation: amounts reclassified from AOCI into SG&A.

9. Restructuring Program

The Company has historically incurred an ongoing annual level of restructuring-type activities to maintain a competitive cost structure, including manufacturing and workforce optimization. Before-tax costs incurred under the ongoing program have generally ranged from $250 to $500 annually.

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

Restructuring costs incurred consist primarily of costs to separate employees, asset-related costs to exit facilities and other costs. For the three and six month periods ended December 31, 2018, the Company incurred total restructuring charges of $177 and $314, respectively. Of these charges incurred, $25 and $97 were recorded in SG&A and $143 and $207 were recorded in Cost of products sold, respectively. The remainder of these charges were recorded in Other non-operating income, net. The following table presents restructuring activity for the six months ended December 31, 2018:

	Reserve Balance June 30, 2018	Charges Previously Reported (Three Months Ended September 30, 2018)	Charges for the Three Months Ended December 31, 2018	Six Months Ended December 31, 2018		Reserve Balance December 31, 2018
				Cash Spent	Charges Against Assets	
Separations	$ 259	$ 53	$ 56	$ (115)	$ —	**$ 253**
Asset-related costs	—	28	22	—	(50)	**—**
Other costs	254	56	99	(180)	—	**229**
Total	**$ 513**	**$137**	**$ 177**	**$ (295)**	**$ (50)**	**$ 482**

Separation Costs

Employee separation charges for the three and six month periods ended December 31, 2018 relate to severance packages for approximately 500 employees and 970 employees, respectively. The packages were predominantly voluntary and the amounts were calculated based on salary levels and past service periods. Severance costs related to voluntary separations are generally charged to earnings when the employee accepts the offer.

Asset-Related Costs

Asset-related costs consist of both asset write-downs and accelerated depreciation. Asset write-downs relate to the establishment of a new fair

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

Other Costs

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

Consistent with our historical policies for ongoing restructuring-type activities, the restructuring program charges are funded by and included within Corporate for both management and segment reporting. Accordingly, all of the charges under the program are included within the Corporate reportable segment. However, for informative purposes, the following table summarizes the total restructuring costs related to our reportable segments:

	Three Months Ended December 31, 2018	Six Months Ended December 31, 2018
Beauty	$ 17	$ 27
Grooming	25	31
Health Care	4	12
Fabric & Home Care	18	31
Baby, Feminine & Family Care	70	91
Corporate [(1)]	43	122
Total Company	**$177**	**$ 314**

(1) Corporate includes costs related to allocated overheads, including charges related to our Sales and Market Operations, Global Business Services and Corporate Functions activities.

10. Commitments and Contingencies

Litigation

The Company is subject to various legal proceedings and claims arising out of our business which cover a wide range of matters such as antitrust, trade and other governmental regulations, product liability, patent and trademark, advertising, contracts, environmental, labor and employment and tax. With respect to these and other litigation and claims, while considerable uncertainty exists, in the opinion of management and our counsel, the ultimate resolution of the various lawsuits and claims will not materially affect our financial position, results of operations or cash flows.

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

Income Tax Uncertainties

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

Additional information on the Commitments and Contingencies of the Company can be found in our Annual Report on Form 10-K for the year ended June 30, 2018.

11. Merck Acquisition

On November 30, 2018, we completed our acquisition of the over the counter (OTC) healthcare business of Merck KGaA (Merck OTC) for $3.7 billion (based on exchange rates at the time of closing) in an all-cash transaction. This business primarily sells OTC consumer healthcare products, mainly in Europe, Latin America and Asia markets. The results of Merck OTC, which are not material to the Company, are reported in our consolidated financial statements beginning December 1, 2018. Total sales for Merck OTC's most recently completed fiscal year ended December 31, 2017 were approximately $1 billion.

The following table presents the preliminary allocation of purchase price related to the Merck OTC business as of the date of acquisition. The preliminary allocation of the purchase price is based on the best estimates of management and is subject to revision based on final determination of fair values of the assets and liabilities acquired, which will be completed as we complete our analysis of the underlying assets and acquired liabilities, such as pensions, litigation cases, environmental issues, and tax positions.

Amounts in Millions	November 30, 2018
Current assets	$ 393
Property, plant and equipment	122
Intangible assets	2,111
Goodwill	2,010
Other non-current assets	143
Total Assets Acquired	$ 4,779
Current liabilities	$ 233
Deferred income taxes	661
Non-current liabilities	60
Total Liabilities Acquired	$ 954
Noncontrolling Interest [(1)]	$ 169
Net Assets Acquired	$ 3,656

(1) Represents a 48% minority ownership interest in the Merck India company.

The acquisition resulted in $2.0 billion in goodwill, of which approximately $180 million is expected to be deductible for tax purposes. All of this goodwill was allocated to the Health Care Segment. The goodwill is primarily attributable to the assembled workforce and synergies we expect to generate by combining the Merck OTC business with the Company's existing personal health care business.

We have preliminarily estimated the fair value of Merck OTC's identifiable intangible assets as $2.1 billion. The preliminary allocation of identifiable intangible assets and their average useful lives is as follows:

Amounts in Millions	Estimated Fair Value	Avg Remaining Useful Life
Intangible Assets with Determinable Lives		
Brands	$ 701	14
Patents and technology	118	7
Customer relationships	346	20
Total	$ 1,165	15
Intangible Assets with Indefinite Lives		
Brands	946	
Total Intangible Assets	$ 2,111	

The majority of the intangible valuation relates to brand intangibles. Our preliminary assessment as to brand intangibles that have an indefinite life and those that have a definite life was based on a number of factors, including competitive environment, market share, brand history, product life cycles, operating plan and the macroeconomic environment of the countries in which the brands are sold. The indefinite-lived brand intangibles include Neurobion and Dolo Neurobion. The definite-lived brand intangibles primarily include regional or local brands. The definite-lived brand intangibles have estimated lives ranging from 10 to 20 years. The technology intangibles are related to R&D and manufacturing know-how; these intangibles have a 7 year estimated life. The customer relationships intangibles have a 20 year estimated life and reflect the historical and projected attrition rates for Merck OTC's relationships with health care professionals, retailers and distributors.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report, including without limitation, the following sections: "Management's Discussion and Analysis," "Risk Factors," and "Notes 4 and 10 to the Consolidated Financial Statements." These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions, which are subject to risks and uncertainties that may cause results to differ materially from those expressed or implied in the forward-looking statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events or otherwise.

Risks and uncertainties to which our forward-looking statements are subject include, without limitation: (1) the ability to successfully manage global financial risks, including foreign currency fluctuations, currency exchange or pricing controls and localized volatility; (2) the ability to successfully manage local, regional or global economic volatility, including reduced market growth rates, and to generate sufficient income and cash flow to allow the Company to affect the expected share repurchases and dividend payments; (3) the ability to manage disruptions in credit markets or changes to our credit rating; (4) the ability to maintain key manufacturing and supply arrangements (including execution of supply chain optimizations and sole supplier and sole manufacturing plant arrangements) and to manage disruption of business due to factors outside of our control, such as natural disasters and acts of war or terrorism; (5) the ability to successfully manage cost fluctuations and pressures, including prices of commodities and raw materials, and costs of labor, transportation, energy, pension and healthcare; (6) the ability to stay on the leading edge of innovation, obtain necessary intellectual property protections and successfully respond to changing consumer habits and technological advances attained by, and patents granted to, competitors; (7) the ability to compete with our local and global competitors in new and existing sales channels, including by successfully responding to competitive factors such as prices, promotional incentives and trade terms for products; (8) the ability to manage and maintain key customer relationships; (9) the ability to protect our reputation and brand equity by successfully managing real or perceived issues, including concerns about safety, quality, ingredients, efficacy or similar matters that may arise; (10) the ability to successfully manage the financial, legal, reputational and operational risk associated with third-party relationships, such as our suppliers, distributors, contractors and external business partners; (11) the ability to rely on and maintain key company and third party information technology systems, networks and services, and maintain the security and functionality of such systems, networks and services and the data contained therein; (12) the ability to successfully manage uncertainties related to changing political conditions (including the United Kingdom's decision to leave the European Union) and potential implications such as exchange rate fluctuations and market contraction; (13) the ability to successfully manage regulatory and legal requirements and matters (including, without limitation, those laws and regulations involving product liability, intellectual property, antitrust, data protection, tax, environmental, and accounting and financial reporting) and to resolve pending matters within current estimates; (14) the ability to manage changes in applicable tax laws and regulations including maintaining our intended tax treatment of divestiture transactions; (15) the ability to successfully manage our ongoing acquisition, divestiture and joint venture activities, in each case to achieve the Company's overall business strategy and financial objectives, without impacting the delivery of base business objectives; and (16) the ability to successfully achieve productivity improvements and cost savings and manage ongoing organizational changes, while successfully identifying, developing and retaining key employees, including in key growth markets where the availability of skilled or experienced employees may be limited. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from those projected herein, is included in the section titled "Economic Conditions and Uncertainties" and the section titled "Risk Factors" (Part II, Item 1A) of this Form 10-Q.

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

The MD&A is organized in the following sections:

- Overview
- Summary of Results – Six Months Ended December 31, 2018
- Economic Conditions and Uncertainties
- Results of Operations – Three and Six Months Ended December 31, 2018
- Business Segment Discussion – Three and Six Months Ended December 31, 2018
- Liquidity and Capital Resources
- Reconciliation of Measures Not Defined by U.S. GAAP

Throughout the MD&A, we refer to measures used by management to evaluate performance, including unit volume growth, net sales and net earnings. We also refer to a number of financial measures that are not defined under accounting principles generally accepted in the United States

of America (U.S. GAAP), including organic sales growth, core net earnings per share (Core EPS), adjusted free cash flow and adjusted free cash flow productivity. The explanation at the end of the MD&A provides the definition of these non-GAAP measures as well as details on the use and the derivation of these measures.

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

OVERVIEW

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

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

The table below provides detail on our reportable segments, including the product categories and brand composition within each segment.

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

(1) The Grooming product category is comprised of the Shave Care and Appliances Global Business Units.

The following table provides the percentage of net sales and net earnings by reportable business segment for the three and six months ended December 31, 2018 (excluding net sales and net earnings in Corporate):

	Three Months Ended December 31, 2018		Six Months Ended December 31, 2018	
	Net Sales	Net Earnings	Net Sales	Net Earnings
Beauty	20%	24%	20%	25%
Grooming	9%	12%	9%	11%
Health Care	13%	16%	12%	14%
Fabric & Home Care	32%	26%	33%	28%
Baby, Feminine & Family Care	26%	22%	26%	22%
Total Company	**100%**	**100%**	**100%**	**100%**

SUMMARY OF RESULTS

Following are highlights of results for the six months ended December 31, 2018 versus the six months ended December 31, 2017:

- Net sales were unchanged at $34.1 billion. Organic sales, which exclude the impacts of acquisitions and divestitures and foreign exchange, increased 4%. Organic sales increased 8% in Beauty, 5% in Health Care and Fabric & Home Care and 1% in Baby, Feminine & Family Care. Organic sales were unchanged in Grooming.
- Unit volume increased 2%, with organic volume up 3%. Volume increased mid-single digits in Fabric & Home Care, low single digits in Beauty, Health Care and Baby, Feminine & Family Care and was unchanged in Grooming. Excluding the impacts of the PGT Healthcare partnership dissolution and the Merck OTC acquisition, organic volume increased mid-single digits in Health Care.
- Net earnings were $6.4 billion, an increase of $996 million, or 18% versus the prior year due to a reduction in current year income tax expense

(due primarily to the ongoing impacts of the U.S. Tax Act), a current year gain on the dissolution of the PGT Healthcare partnership and base period charges related to the transitional impacts of the U.S. Tax Act.

- Diluted net earnings per share increased 22% to $2.44 due primarily to the increase in net earnings and a reduction in shares outstanding due to share repurchases.
- Net earnings attributable to Procter & Gamble increased $1.0 billion or 20% versus the prior year period to $6.4 billion.
- Core net earnings attributable to Procter & Gamble, which represents net earnings excluding the current period gain on the dissolution of the PGT Healthcare partnership, incremental restructuring charges in both periods and the base period charges related to the transitional impacts of the U.S. Tax Act, increased 1% to $6.2 billion. Core net earnings per share increased 4% to $2.36 due to the increase in Core net earnings and the reduction in shares outstanding.
- Operating cash flow was $7.6 billion. Adjusted free cash flow, which is operating cash flow less capital expenditures and certain other impacts, was $6.0 billion. Adjusted free cash flow productivity was 99%. Adjusted free cash flow and adjusted free cash flow productivity are defined in the section entitled "Reconciliation of Measures not defined by U.S. GAAP."

ECONOMIC CONDITIONS AND UNCERTAINTIES

Global Economic Conditions. Our products are sold in countries around the world including North America, Europe, Latin America, Asia and Africa with more than half our sales generated outside the United States. As such, we are exposed to and impacted by global macro-economic factors, U.S. and foreign government policies and foreign exchange fluctuations. Current macroeconomic factors remain dynamic, and any causes of market size contraction, such as reduced GDP in commodity-dependent economies, greater political unrest in the Middle East, Central & Eastern Europe and the Korean peninsula, economic uncertainty related to the execution of the United Kingdom's exit from the European Union, political instability in certain Latin American markets and overall economic slowdowns, could reduce our sales or erode our operating margin, in either case reducing our earnings.

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

Foreign Exchange. We have both translation and transaction exposure to the fluctuation of exchange rates. Translation exposures relate to exchange rate impacts of measuring income statements of foreign subsidiaries that do not use the U.S. dollar as their functional currency. Transaction exposures relate to 1) the impact from input costs that are denominated in a currency other than the local reporting currency and 2) the revaluation of transaction-related working capital balances denominated in currencies other than the functional currency. In four of the past five fiscal years, as well as the current year, the U.S. dollar has strengthened versus a number of foreign currencies leading to lower sales and earnings from these foreign exchange impacts. Certain countries experiencing significant exchange rate fluctuations, like Argentina, Russia, Turkey, Brazil, China and the United Kingdom have previously had, and could in the future have, a significant impact on our sales, costs and earnings. Increased pricing in response to certain fluctuations in foreign currency exchange rates may offset portions of the currency impacts but could also have a negative impact on consumption of our products, which would affect our sales and profits.

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

For information on risk factors that could impact our results, please refer to “Risk Factors” in Part I, Item 1A of the Company's Form 10-K for the fiscal year ended June 30, 2018.

RESULTS OF OPERATIONS – Three Months Ended December 31, 2018

The following discussion provides a review of results for the three months ended December 31, 2018 versus the three months ended December 31, 2017.

	Three Months Ended December 31		
Amounts in millions, except per share amounts	**2018**	**2017**	**% Chg**
Net sales	**$17,438**	$17,395	—%
Operating income	**3,896**	3,919	(1)%
Net earnings	**3,216**	2,561	26%
Net earnings attributable to Procter & Gamble	**3,194**	2,495	28%
Diluted net earnings per common share	**1.22**	0.93	31%
Core net earnings per common share	**1.25**	1.19	5%

COMPARISONS AS A PERCENTAGE OF NET SALES	Three Months Ended December 31		
	2018	2017	Basis Pt Chg
Gross profit	**48.9%**	49.9%	(100)
Selling, general & administrative expense	**26.5%**	27.4%	(90)
Operating income	**22.3%**	22.5%	(20)
Earnings before income taxes	**22.5%**	23.2%	(70)
Net earnings	**18.4%**	14.7%	370
Net earnings attributable to Procter & Gamble	**18.3%**	14.3%	400

Net Sales

Net sales for the quarter were unchanged versus the previous period at $17.4 billion including a 4% negative impact from foreign exchange. Unit volume increased 2%. Pricing was a 1% favorable impact to net sales. Mix was a 1% positive impact to net sales, driven by disproportionate growth of the premium Skin Care category (behind the SK-II brand) and developed regions, all of which have higher than company average selling prices. Volume increased mid-single digits in Fabric & Home Care and increased low single digits in Beauty, Health Care and Baby, Feminine & Family Care. Volume decreased mid-single digits in Grooming. Excluding the impacts of the PGT Healthcare partnership dissolution and Merck OTC acquisition, Health Care organic volume increased mid-single digits. Excluding the impact of minor acquisitions and divestitures, Beauty organic volume was unchanged. Volume increased low single digits in developed regions and was unchanged in developing regions. Excluding the impact of minor brand divestitures, organic volume in developing regions increased low single digits. Organic sales increased 4% on a 2% increase in organic volume.

	Net Sales Change Drivers 2018 vs. 2017 (Three Months Ended December 31) [1]						
	Volume with Acquisitions & Divestitures	Volume Excluding Acquisitions & Divestitures	Foreign Exchange	Price	Mix	Other [2]	Net Sales Growth
Beauty	1%	—%	(4)%	2%	5%	—%	4%
Grooming	(4)%	(4)%	(5)%	1%	—%	(1)%	(9)%
Health Care	3%	4%	(3)%	1%	—%	(1)%	—%
Fabric & Home Care	4%	4%	(3)%	1%	1%	(1)%	2%
Baby, Feminine & Family Care	1%	1%	(4)%	1%	1%	—%	(1)%
Total Company	**2%**	**2%**	**(4)%**	**1%**	**1%**	**—%**	**—%**

[1] Net sales percentage changes are approximations based on quantitative formulas that are consistently applied.

[2] Other includes the sales mix impact from acquisitions and divestitures, the impact from the July 1, 2018 adoption of new accounting standards for "Revenue from Contracts with Customers" and rounding impacts necessary to reconcile volume to net sales.

Operating Costs

Gross margin decreased 100 basis points to 48.9% of net sales for the quarter. Gross margin benefited from 150 basis points of gross manufacturing cost savings projects (120 basis points net of product and packaging reinvestments) and 50 basis points of positive pricing impacts. This was offset by:

- a 90 basis point decline due to higher commodity costs,
- a 120 basis point decline from unfavorable product mix (primarily within segments due to the growth of lower margin products forms in certain categories and due to the disproportionate growth of the Fabric Care category which has lower than company-average margins) and other impacts and
- a 60 basis point decline from unfavorable foreign exchange

Total SG&A spending decreased 3% to $4.6 billion due to decreases in marketing spending costs. SG&A as a percentage of net sales decreased 90 basis points to 26.5%. Reductions in marketing spending as a percentage of net sales were partially offset by an increase in overhead costs as a percentage of net sales. Marketing spending as a percentage of net sales decreased 130 basis points due to the positive scale impacts of the organic net sales increase, savings in agency compensation, production costs and advertising spending, and the impact of adopting the new standard on "Revenue from Contracts with Customers" which prospectively reclassified certain customer spending from marketing (SG&A) expense to a reduction of net sales. Overhead costs as a percentage of net sales increased 30 basis points as the fixed cost leverage of increased volume and productivity savings were more than offset by inflation, Merck OTC transition related spending and other costs. Other net operating costs as a percentage of net sales increased 10 basis points. Productivity-driven cost savings delivered 60 basis points of benefit in SG&A.

Non-Operating Expenses and Income

Interest expense was $138 million for the quarter, an increase of $16 million versus the prior year period due to an increase in debt and in weighted average interest rates. Interest income was $63 million for the quarter, a marginal decrease versus the prior year period. Other non-operating income was $95 million, a decrease of $75 million versus the prior year period primarily due to the impact of minor brand divestiture gains in the base period.

Income Taxes

For the three months ended December 31, 2018 the effective tax rate decreased 1,860 basis points versus the prior year period to 17.9% due to:

- a 1,550 basis-point reduction due to prior year transitional impacts from the U.S. Tax Act,
- a 410 basis-point reduction from the on-going impacts of U.S. Tax reform. The lower blended U.S. federal tax rate on current year earnings was partially offset by the impact of recording a year-to-date (6 month) impact in December 2017 upon passage of the tax reform.
- a 150 basis-point reduction from excess tax benefits from share-based compensation (170 basis points in the current year versus 20 basis points in the prior year),
- a 90 basis-point reduction from discrete impacts related to uncertain tax positions (90 basis points in the current year versus 0 basis points in the prior year),
- a 340 basis-point increase from unfavorable impacts from geographic mix of earnings.

Net Earnings

Net earnings increased $655 million or 26% to $3.2 billion for the quarter. The tax rate reduction discussed above drove a $772 million increase in net earnings. This tax benefit and the decrease in SG&A spending were partially offset by the decrease in gross margin, all of which are discussed above. Foreign exchange had a negative impact of $229 million on net earnings for the quarter, including both transactional charges and translational impacts from converting earnings from foreign subsidiaries to U.S. dollars. Net earnings attributable to Procter & Gamble increased $699 million or 28% to $3.2 billion for the quarter. Diluted net earnings per share increased 31% to $1.22. The difference between the change in net earnings and diluted net earnings per share was due to a reduction in the number of shares outstanding. Core net earnings per share increased 5% to $1.25. Core net earnings per share represents diluted net earnings per share excluding the transitional impacts from the U.S. Tax Act in the base period and incremental restructuring charges in both periods related to our productivity and cost savings plans.

RESULTS OF OPERATIONS – Six Months Ended December 31, 2018

The following discussion provides a review of results for the six months ended December 31, 2018 versus the six months ended December 31, 2017.

	Six Months Ended December 31		
Amounts in millions, except per share amounts	**2018**	**2017**	**% Chg**
Net sales	**$34,128**	$34,048	—%
Operating income	**7,450**	7,567	(2)%
Net earnings	**6,427**	5,431	18%
Net earnings attributable to Procter & Gamble	**6,393**	5,348	20%
Diluted net earnings per common share	**2.44**	2.00	22%
Core net earnings per common share	**$2.36**	$2.28	4%

	Six Months Ended December 31		
COMPARISONS AS A PERCENTAGE OF NET SALES	**2018**	**2017**	**Basis Pt Chg**
Gross profit	**49.0%**	50.1%	(110)
Selling, general & administrative expense	**27.2%**	27.9%	(70)
Operating income	**21.8%**	22.2%	(40)
Earnings before income taxes	**23.0%**	22.9%	10
Net earnings	**18.8%**	16.0%	280
Net earnings attributable to Procter & Gamble	**18.7%**	15.7%	300

Net Sales

Net sales for the six months ended December 31, 2018 were unchanged at $34.1 billion including a 3% negative impact from foreign exchange. Unit volume increased 2%. Mix was a 1% positive impact to net sales, driven by disproportionate organic growth of the Skin and Personal Care and Personal Health Care categories and developed regions, all of which have higher than company average selling prices. Volume increased mid-single digits in Fabric & Home Care and increased low single digits in Beauty, Health Care and Baby, Feminine & Family Care. Volume was unchanged in Grooming. Excluding the impacts of the PGT Healthcare partnership dissolution and Merck OTC acquisition, Health Care organic volume increased mid-single digits. Volume increased mid-single digits in developed regions and low single digits in developing regions. Organic sales increased 4% on a 3% increase in organic volume.

	Net Sales Change Drivers 2018 vs. 2017 (Six Months Ended December 31) [1]						
	Volume with Acquisitions & Divestitures	**Volume Excluding Acquisitions & Divestitures**	**Foreign Exchange**	**Price**	**Mix**	**Other [2]**	**Net Sales Growth**
Beauty	2%	2%	(4)%	2%	4%	—%	4%
Grooming	—%	—%	(5)%	1%	(1)%	—%	(5)%
Health Care	2%	4%	(2)%	1%	(1)%	(1)%	(1)%
Fabric & Home Care	4%	5%	(2)%	—%	—%	—%	2%
Baby, Feminine & Family Care	1%	1%	(3)%	—%	—%	—%	(2)%
Total Company	**2%**	**3%**	**(3)%**	**—%**	**1%**	**—%**	**—%**

[1] Net sales percentage changes are approximations based on quantitative formulas that are consistently applied.

(2) Other includes the sales mix impact from acquisitions and divestitures, the impact from the July 1, 2018 adoption of new accounting standards for "Revenue from Contracts with Customers" and rounding impacts necessary to reconcile volume to net sales.

Operating Costs

Gross margin decreased 110 basis points to 49.0% of net sales for the six months ended December 31, 2018. Gross margin benefited from 130 basis points of gross manufacturing cost savings projects (100 basis points net of product and packaging reinvestments) and 20 basis points of positive pricing impacts. This was offset by:

- a 100 basis point decline due to higher commodity costs,
- a 70 basis point decline from unfavorable product mix (primarily within segments due to the growth of lower margin products forms and club channels in certain categories and due to the disproportionate growth of the Fabric Care category which has lower than company-average margins) and other impacts and
- a 60 basis point decline from unfavorable foreign exchange

Total SG&A spending decreased 2% to $9.3 billion primarily due to decreases in marketing spending costs. SG&A as a percentage of net sales decreased 70 basis points to 27.2%. Reduction in marketing spending as a percentage of net sales was partially offset by an increase in other net operating costs as a percentage of net sales. Overhead costs as a percentage of net sales was unchanged as productivity savings and fixed cost leverage of increased volume, were offset by an increase in inflation and other costs. Marketing spending as a percentage of net sales decreased 110 basis points due to the positive scale impacts of the organic net sales increase, savings in agency compensation, production costs and advertising spending, and the impact of adopting the new standard on "Revenue from Contracts with Customers" which prospectively reclassified certain customer spending from marketing (SG&A) expense to a reduction of net sales. Other net operating costs as a percentage of net sales increased approximately 50 basis points primarily due to an increase in foreign exchange transactional charges. Productivity-driven cost savings delivered 70 basis points of benefit in SG&A.

Non-Operating Expenses and Income

Interest expense was $267 million for the six months ended December 31, 2018, an increase of $30 million versus the prior year period due to an increase in debt and in weighted average interest rates. Interest income was $116 million for the six months ended December 31, 2018, a marginal increase versus the prior year period. Other non-operating income was $557 million, an increase of $218 million versus the prior year period primarily due to the $355 million before-tax gain from the dissolution of the PGT Healthcare partnership, partially offset by the impact of minor brand divestiture gains in the base period.

Income Taxes

For the six months ended December 31, 2018 the effective tax rate decreased 1,200 basis points versus the prior year period to 18.2% due to:

- an 810 basis-point reduction due to prior year transitional impacts from the U.S. Tax Act,
- a 490 basis-point reduction from the impact of the lower blended U.S. federal tax rate on current year earnings versus the prior year rate,
- an 80 basis-point reduction from the tax impact of the gain on the dissolution of the PGT Healthcare partnership,
- a 40 basis-point reduction from excess tax benefits from share-based compensation (110 basis points in the current year versus 70 basis points in the prior year),
- a 20 basis-point reduction from discrete impacts related to uncertain tax positions (20 basis points in the current year versus 0 basis points in the prior year),
- a 240 basis-point increase from unfavorable impacts from geographic mix of earnings.

Net Earnings

Net earnings increased $996 million or 18% to $6.4 billion for the fiscal year to date period. The tax rate reduction discussed above drove a $924 million increase in net earnings. This tax benefit along with the current period gain on the dissolution of the PGT Healthcare partnership and decrease in SG&A spending were partially offset by the decrease in gross margin, all of which are discussed above. Foreign exchange had a $484 million negative impact on net earnings for the fiscal year to date period, including both transactional charges and translational impacts from converting earnings from foreign subsidiaries to U.S. dollars. Net earnings attributable to Procter & Gamble increased $1 billion or 20% to $6.4 billion. Diluted net earnings per share increased 22% to $2.44. The difference between the change in net earnings and diluted net earnings per share was due to a reduction in the number of shares outstanding. Core net earnings per share increased 4% to $2.36. Core net earnings per share represents diluted net earnings per share excluding the current period gain on the dissolution of the PGT Healthcare partnership, incremental restructuring charges in both periods related to our productivity and cost savings plans and the base period charges related to the transitional impacts of the U.S. Tax Act.

BUSINESS SEGMENT DISCUSSION – Three and Six Months Ended December 31, 2018

The following discussion provides a review of results by reportable business segment. Analysis of the results for the three and six months periods ended December 31, 2018 is provided based on a comparison to the same three and six months periods ended December 31, 2017. The primary financial measures used to evaluate segment performance are net sales and net earnings. The

table below provides supplemental information on net sales and net earnings by reportable business segment for the three and six months ended December 31, 2018 versus the comparable prior year period (dollar amounts in millions):

	Three Months Ended December 31, 2018					
	Net Sales	% Change Versus Year Ago	Earnings/(Loss) Before Income Taxes	% Change Versus Year Ago	Net Earnings/(Loss)	% Change Versus Year Ago
Beauty	$ 3,357	4 %	$ 964	13 %	$ 772	18 %
Grooming	1,617	(9)%	448	(16)%	378	(11)%
Health Care	2,220	— %	669	— %	520	14 %
Fabric & Home Care	5,557	2 %	1,134	3 %	860	20 %
Baby, Feminine & Family Care	4,558	(1)%	930	— %	707	18 %
Corporate	129	2 %	(229)	N/A	(21)	N/A
Total Company	**$ 17,438**	**— %**	**$ 3,916**	**(3)%**	**$ 3,216**	**26 %**

	Six Months Ended December 31, 2018					
	Net Sales	% Change Versus Year Ago	Earnings/(Loss) Before Income Taxes	% Change Versus Year Ago	Net Earnings/(Loss)	% Change Versus Year Ago
Beauty	$ 6,646	4 %	$ 1,911	13 %	$ 1,531	19 %
Grooming	3,179	(5)%	865	(8)%	718	(5)%
Health Care	4,065	(1)%	1,109	(1)%	852	12 %
Fabric & Home Care	11,045	2 %	2,278	— %	1,737	17 %
Baby, Feminine & Family Care	8,948	(2)%	1,832	(3)%	1,399	14 %
Corporate	245	4 %	(139)	N/A	190	N/A
Total Company	**$ 34,128**	**— %**	**$ 7,856**	**1 %**	**$ 6,427**	**18 %**

Beauty

Three months ended December 31, 2018 compared with three months ended December 31, 2017

Beauty net sales increased 4% to $3.4 billion during the second fiscal quarter on a 1% increase in unit volume. Favorable product mix added 5% to net sales due to the disproportionate growth of the super-premium SK-II and Olay Skin Care brands, which have higher than segment average selling prices. Higher pricing increased net sales by 2%. Unfavorable foreign exchange impacts reduced net sales by 4%. Organic sales increased 8% on flat organic volume. Global market share of the Beauty segment increased 0.1 points. Volume increased low single digits in developed and developing regions. Excluding the impact of minor brand acquisitions, volume decreased low single digits in developed regions.

- Volume in Hair Care was unchanged. Developed market volume was unchanged. Volume in developing regions decreased low single digits. Excluding the impact of minor brand divestitures, volume in developing markets was unchanged. Global market share of the Hair Care category was unchanged.
- Volume in Skin and Personal Care increased mid-single digits. Excluding the impact of minor brand acquisitions, organic volume increased low single digits. Volume increased low single digits in developed regions. Excluding the impact of minor brand acquisitions, developed regions volume declined low single digits due to price increases in the current period and higher retail inventory to support new product launches in the base period. Volume increased high single digits in developing regions due to premium innovation and increased marketing spending. Global market share of the Skin and Personal Care category increased slightly.

Net earnings increased 18% to $772 million due to the increase in net sales and a 280 basis-point increase in net earnings margin. The net earnings margin increased due to a decrease in SG&A as a percentage of net sales, an increase in gross margin and a reduction in U.S. income tax rates resulting from the U.S. Tax Act. The gross margin increase was primarily driven by manufacturing cost savings and the benefit of increased pricing. The reduction in SG&A as a percentage of sales was primarily driven by the positive scale impacts of the net sales increase and the impacts of adopting the new accounting standard on "Revenue from Contracts with Customers."

Six months ended December 31, 2018 compared with six months ended December 31, 2017

Beauty fiscal year to date net sales increased 4% to $6.6 billion on a 2% increase in unit volume. Favorable product mix added 4% to net sales due to the disproportionate growth of the super-premium SK-II and Olay Skin Care brands, which have higher than segment average selling prices. Higher pricing increased net sales by 2%. Unfavorable foreign exchange impacts reduced net sales by 4%. Organic sales increased 8%. Global market share of the Beauty segment was unchanged. Volume increased low

single digits in developed and developing regions. Excluding the impact of minor brand acquisitions, developed regions volume was unchanged.

- Volume in Hair Care increased low single digits. Developed market volume was unchanged. Volume in developing regions increased low single digits due to market growth and product innovation. Global market share of the Hair Care category was unchanged.
- Volume in Skin and Personal Care increased mid-single digits. Developed regions volume increased low single digits. Excluding the impact of minor brand acquisitions, developed regions volume was unchanged. Volume increased high single digits in developing regions due to premium innovation, increased marketing spending and market growth. Global market share of the Skin and Personal Care category was unchanged.

Net earnings increased 19% to $1.5 billion due to the increase in net sales and a 280 basis-point increase in net earnings margin. The net earnings margin increased primarily due to a decrease in SG&A as a percentage of net sales, an increase in gross margin and a reduction in U.S. income tax rates resulting from the U.S. Tax Act. Gross margin increase was primarily driven by manufacturing cost savings and the benefit of increased pricing. The reduction in SG&A as a percentage of sales was primarily driven by the fixed cost leverage of increased volume and the impacts of adopting the new accounting standard on "Revenue from Contracts with Customers."

Grooming

Three months ended December 31, 2018 compared with three months ended December 31, 2017

Grooming net sales decreased 9% to $1.6 billion during the second fiscal quarter on a 4% decrease in unit volume. Foreign exchange had a 5% unfavorable impact on net sales. Pricing had a positive 1% impact on net sales due to devaluation related price increases in certain markets. Organic sales decreased 3%. Global market share of the Grooming segment decreased 0.5 points. Volume decreased low single digits in developed regions and decreased mid-single digits in developing regions.

- Shave Care volume decreased mid-single digits. Developed regions volume decreased low single digits due to competitive activity. Developing regions volume decreased mid-single digits due to devaluation related price increases and competitive activity. Global market share of the Shave Care category was unchanged.
- Volume in Appliances was unchanged. Volume decreased low single digits in developed regions due to competitive activity and lower trade inventories in certain countries. Volume increased low single digits in developing regions due to market growth. Global market share of the Appliances category decreased slightly.

Net earnings decreased 11% to $378 million primarily due to the reduction in net sales and a 40 basis-point decrease in net earnings margin. Net earnings margin decreased primarily due to a reduction in gross margin, partially offset by a reduction in U.S. income tax rates and a reduction in SG&A as a percentage of net sales. Gross margin declined due to the negative impact of unfavorable mix (due to the disproportionate growth of disposable razors and large count packs which have lower than segment average margins) and unfavorable foreign exchange impacts, partially offset by manufacturing cost savings. SG&A as a percentage of net sales decreased due to reductions in both overhead costs and marketing spending and the impacts from adoption of the new accounting standard on "Revenue from Contracts with Customers."

Six months ended December 31, 2018 compared with six months ended December 31, 2017

Grooming fiscal year to date net sales decreased 5% to $3.2 billion on unit volume that was unchanged. Foreign exchange had a 5% unfavorable impact on net sales. Pricing had a positive 1% impact on net sales due to devaluation related price increases in certain markets. Negative mix reduced net sales by 1% due to the growth of lower tier products and club channels which have lower than segment average selling prices. Organic sales were unchanged. Global market share of the Grooming segment decreased 0.6 points. Volume increased low single digits in developed regions and declined low single digits in developing regions.

- Shave Care volume was unchanged. Developed regions volume increased low single digits due to increased competitiveness following price reductions in prior quarters and an increase in consumer promotions. Developing regions volume decreased low single digits following devaluation related price increases and competitive activity. Global market share of the Shave Care category was unchanged.
- Volume in Appliances increased low single digits. Volume increased low single digits in both developed and developing regions due to market growth. Global market share of the Appliances category decreased nearly half a point.

Net earnings decreased 5% to $718 million due to the reduction in net sales partially offset by a 20 basis-point increase in net earnings margin. Net earnings margin increased primarily due to a reduction in SG&A as a percentage of net sales and a reduction in U.S. income tax rates, partially offset by a decrease in gross margin. Gross margin declined due to the negative impact of unfavorable mix (due to the disproportionate growth of disposable razors and large count packs which have lower than segment average margins), unfavorable foreign exchange impacts and commodity cost increases. SG&A as a percentage of net sales decreased due to reductions in both overhead costs and marketing spending and the impacts from adoption of the new accounting standard on "Revenue from Contracts with Customers."

Health Care

Three months ended December 31, 2018 compared with three months ended December 31, 2017

Health Care net sales was unchanged at $2.2 billion during the second fiscal quarter on a 3% increase in unit volume. Excluding the impact of the dissolution of the PGT Healthcare partnership and the Merck OTC consumer healthcare acquisition, organic volume increased 4%. Unfavorable foreign exchange impacts decreased net sales by 3%. Higher pricing increased net sales by 1%. Organic sales increased 5%. Global market share of the Health Care segment increased 0.5 points. Volume increased low single digits in developed regions and increased high single digits in developing regions. Excluding the impact of the dissolution of the PGT Healthcare partnership and the Merck OTC consumer healthcare acquisition, organic volume increased mid-single digits in both developed and developing regions.

- Oral Care volume increased mid-single digits. Volume increased mid-single digits in developed regions due to premium paste and power toothbrush innovation. Volume in developing regions increased mid-single digits due to innovation and base period trade inventory reductions. Global market share of the Oral Care category increased less than half a point.
- Volume in Personal Health Care was unchanged. Excluding the impact of the PGT Healthcare partnership dissolution and the Merck OTC consumer healthcare acquisition, organic volume increased low single digits. Developed regions volume decreased high single digits, while organic volume grew low single digits due to product innovation. Volume in developing regions increased double digits and mid-single digits on an organic basis, due to innovation and market growth. Global market share of the Personal Health Care category increased more than half a point.

Net earnings increased 14% to $520 million, primarily due to a 290 basis point increase in net earnings margin. Net earnings margin increased due to a reduction in SG&A as a percentage of sales and a decrease in U.S. income tax rates, partially offset by a reduction in gross margin. Gross margin decreased driven by unfavorable mix due to the disproportionate growth of developing markets and the net impacts of acquisitions and divestitures in personal health care. SG&A as a percentage of net sales decreased primarily due to a reduction in marketing spending and the impacts from adoption of the new accounting standard on "Revenue from Contracts with Customers", partially offset by an increase in overhead costs due to the net impacts of personal health care acquisitions and divestitures.

Six months ended December 31, 2018 compared with six months ended December 31, 2017

Health Care fiscal year to date net sales decreased 1% to $4.1 billion on a 2% increase in unit volume. Excluding the impact of the dissolution of the PGT Healthcare partnership and the Merck OTC consumer healthcare acquisition, organic volume increased 4%. Unfavorable foreign exchange impacts decreased net sales by 2%. Higher pricing increased net sales by 1%. Unfavorable mix impacts reduced net sales by 1% due to the disproportionate growth of developing regions. Organic sales increased 5%. Global market share of the Health Care segment increased 0.4 points. Volume increased low single digits in developed regions and increased mid-single digits in developing regions. Excluding the impact of the dissolution of the PGT Healthcare partnership and the Merck OTC consumer healthcare acquisition, organic volume increased mid-single digits in both developed and developing regions.

- Oral Care volume increased low single digits. Volume increased mid-single digits in developed regions due to premium paste and power toothbrush innovation and lower pricing in the form of increased promotional spending. Volume in developing regions increased low single digits due to innovation and trade inventory reduction in the base period. Global market share of the Oral Care category increased less than half a point.
- Volume in Personal Health Care decreased low single digits. Excluding the impact of the PGT Healthcare partnership dissolution and Merck OTC consumer healthcare acquisition, organic volume increased high single digits. Developed regions volume decreased mid-single digits, while organic volume grew low single digits due to product innovation. Volume in developing regions increased high single digits and double digits on an organic basis, due to innovation and market growth. Global market share of the Personal Health Care category increased more than half a point.

Net earnings increased 12% to $852 million, as the reduction in net sales was more than offset by a 250 basis point increase in net earnings margin. Net earnings margin increased due to a reduction in SG&A as a percentage of sales and a decrease in U.S. income tax rates, partially offset by a reduction in gross margin. Gross margin decreased driven by unfavorable mix, due to the disproportionate growth of developing markets and the net impacts of acquisitions and divestitures in personal health care and other manufacturing cost increases. SG&A as a percentage of net sales decreased primarily due to a reduction in marketing spending and the impacts from adoption of the new accounting standard on "Revenue from Contracts with Customers", partially offset by an increase in overhead costs due to the net impacts of personal health care acquisitions and divestitures.

Fabric & Home Care

Three months ended December 31, 2018 compared with three months ended December 31, 2017

Fabric & Home Care net sales increased 2% to $5.6 billion during the second fiscal quarter on a 4% increase in unit volume. Unfavorable foreign exchange impacts reduced net sales by 3%. Positive mix impacts increased net sales by 1% due to the disproportionate growth of premium products and higher pricing increased net sales by 1%. Organic sales increased 6%. Global

market share of the Fabric & Home Care segment increased 0.6 points. Volume increased mid-single digits in developed regions and increased low single digits in developing regions. Excluding the impact of minor brand divestitures, developing regions volume increased mid-single digits.

- Fabric Care volume increased mid-single digits. Volume in developed regions grew mid-single digits due to product innovation and lower pricing in the form of increased promotional spending. Volume in developing regions increased mid-single digits driven by product innovation. Global market share of the Fabric Care category increased slightly.
- Home Care volume increased low single digits. Volume in developed regions increased low single digits due to product innovation and market growth. Volume in developing regions decreased mid-single digits. Excluding the impact of minor brand divestitures, volume in developing regions decreased low single digits following devaluation related price increases. Global market share of the Home Care category increased more than a point.

Net earnings increased 20% to $860 million due to the increase in net sales and a 230 basis point increase in net earnings margin. The net earnings margin increase was primarily due to a reduction in SG&A as a percentage of sales and a decrease in U.S. income tax rates partially offset by a reduction in gross margin. Gross margin decreased due to negative product mix impacts (driven by disproportionate growth of product forms with lower than segment-average margins) and an increase in commodity costs, partially offset by manufacturing cost savings. SG&A as a percentage of net sales was down due to reduction in overhead costs and marketing spending driven by productivity savings, fixed cost leverage of increased volume and the impacts from adoption of the new accounting standard on "Revenue from Contracts with Customers."

Six months ended December 31, 2018 compared with six months ended December 31, 2017

Fabric & Home Care fiscal year to date net sales increased 2% to $11.0 billion on a 4% increase in unit volume. Unfavorable foreign exchange impacts reduced net sales by 2%. Pricing and mix had no impact on net sales. Organic sales increased 5% on a 5% increase in organic volume. Global market share of the Fabric & Home Care segment increased 0.5 points. Volume increased mid-single digits in developed regions and increased low single digits in developing regions. Excluding the impact of minor brand divestitures, volume in developing regions grew mid-single digits.

- Fabric Care volume increased mid-single digits. Volume in developed regions grew mid-single digits due to product innovation and lower pricing in the form of increased promotional spending. Volume in developing regions increased low single digits. Excluding the impact of minor brand divestitures, developing regions volume increased mid-single digits driven by product innovation and market growth. Global market share of the Fabric Care category increased nearly half a point.
- Home Care volume increased mid-single digits. Volume in developed regions increased mid-single digits due to product innovation and market growth. Volume in developing regions decreased low single digits due to devaluation related price increases and category contraction in certain markets. Global market share of the Home Care category increased less than a point.

Net earnings increased 17% to $1.7 billion due to the increase in net sales and a 200 basis point increase in net earnings margin. Net earnings margin increase was primarily due to a reduction in SG&A as a percentage of sales and a decrease in U.S. income tax rates partially offset by a reduction in gross margin. Gross margin decreased due to negative product mix impacts (driven by disproportionate growth of product forms with lower than segment-average margins) and an increase in commodity costs, partially offset by manufacturing cost savings. SG&A as a percentage of net sales was down due to reduction in overhead costs and marketing spending driven by productivity savings, fixed cost leverage of increased volume and the impacts from adoption of the new accounting standard on "Revenue from Contracts with Customers."

Baby, Feminine & Family Care

Three months ended December 31, 2018 compared with three months ended December 31, 2017

Baby, Feminine & Family Care net sales decreased 1% to $4.6 billion during the second fiscal quarter on a 1% increase in unit volume. Unfavorable foreign exchange impacts decreased net sales by 4%. Higher pricing increased net sales by 1%. Favorable mix increased sales by 1% due to the disproportionate growth of developed regions which have higher than segment average prices. Organic sales increased 3%. Global market share of the Baby, Feminine & Family Care segment increased 0.3 points. Volume increased low single digits in developed regions. Volume in developing regions decreased low single digits.

- Volume in Baby Care decreased mid-single digits. Volume in developed regions declined low single digits due to competitive activity. Volume in developing regions declined high single digits due to competitive activity, volume declines following devaluation related price increases and category contraction in certain markets. Global market share of the Baby Care category decreased nearly half a point.
- Volume in Feminine Care increased mid-single digits. Volume in developed regions increased low single digits due to product innovation and adult incontinence category growth. Volume increased mid-single digits in developing regions. Excluding the impact of minor brand divestitures, volume in developing regions increased high single digits driven by innovation. Global market share of the Feminine Care category increased less than half a point.

- Volume in Family Care, which is predominantly a North American business, increased mid-single digits driven by product innovation and distribution gains. In the U.S., all-outlet share of the Family Care category increased more than a point.

Net earnings increased 18% to $707 million as the reduction in net sales was more than offset by a 260 basis point increase in net earnings margin. Net earnings margin increased primarily due to a decrease in U.S. income tax rates and a reduction in SG&A as a percentage of net sales, partially offset by a reduction in gross margin. Gross margin decreased primarily due to an increase in commodity costs and unfavorable foreign exchange impacts, partially offset by manufacturing cost savings projects. SG&A as a percentage of net sales decreased due to reduced marketing spending and overhead costs, driven by productivity savings and the impacts from adoption of the new accounting standard on "Revenue from Contracts with Customers."

Six months ended December 31, 2018 compared with six months ended December 31, 2017

Baby, Feminine & Family Care fiscal year to date net sales decreased 2% to $8.9 billion on a 1% increase in unit volume. Unfavorable foreign exchange impacts decreased net sales by 3%. Pricing and mix had no impact to net sales. Organic sales increased 1%. Global market share of the Baby, Feminine & Family Care segment increased 0.1 points. Volume increased low single digits in developed regions. Volume in developing regions decreased mid-single digits. Excluding the impact of minor brand divestitures, volume in developing regions decreased low single digits.

- Volume in Baby Care decreased mid-single digits. Volume in developed regions declined low single digits due to competitive pricing activity. Volume in developing regions declined high single digits due to competitive activity, volume declines following devaluation related price increases and category contraction in certain markets. Global market share of the Baby Care category decreased more than half a point.
- Volume in Feminine Care increased mid-single digits. Volume in developed regions increased low single digits due to product innovation and adult incontinence category growth. Volume increased mid-single digits in developing regions driven by innovation and lower pricing in the form of increased promotional spending. Global market share of the Feminine Care category increased less than half a point.
- Volume in Family Care, which is predominantly a North American business, increased mid-single digits driven by product innovation and distribution gains. In the U.S., all-outlet share of the Family Care category increased a point.

Net earnings increased 14% to $1.4 billion as the reduction in net sales was more than offset by a 220 basis point increase in net earnings margin. Net earnings margin increased primarily due to a decrease in U.S. income tax rates and a reduction in SG&A as a percentage of net sales, partially offset by a reduction in gross margin. Gross margin decreased primarily due to an increase in commodity costs and unfavorable foreign exchange impacts, partially offset by manufacturing cost savings projects. SG&A as a percentage of net sales decreased due to reduced marketing spending and overhead costs, driven by productivity savings and the impacts from adoption of the new accounting standard on "Revenue from Contracts with Customers."

Corporate

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

Corporate net sales increased $2 million to $129 million for the quarter ended December 31, 2018 and increased $10 million to $245 million for the fiscal year to date. Corporate net earnings increased $262 million in the quarter primarily due to a reduction in income tax expense of $446 million, partially offset by the impact of minor brand divestiture gains in the base period and higher unallocated SG&A costs in the current year. The reduction in income tax expense was driven by the base period charges for the transitional impacts of the U.S. Tax Act, partially offset by the impact of the allocation methodology of the lower U.S. tax rates (in the prior year the net benefit was held in Corporate, whereas the lower rates are included in the reporting segments in the current year). Fiscal year to date Corporate net earnings increased $268 million due to a $270 million reduction in income tax expense (driven by the same factors impacting the quarter ended December 31, 2018) and higher current year divestiture gains (driven by the current year gain on the dissolution of the PGT healthcare partnership), partially offset by higher current year foreign exchange transactional charges (discussed earlier in the Results of Operations section) and higher unallocated SG&A costs in the current year.

Restructuring Program to deliver Productivity and Cost Savings

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

The current productivity and cost savings plan will further reduce costs in the areas of supply chain, certain marketing activities and overhead expenses. As part of this plan, the Company incurred $1.1 billion in total before-tax restructuring costs in fiscal 2018, with an additional amount of approximately $0.8 billion expected in fiscal 2019. This program is expected to result in additional enrollment reductions, along with further optimization of the supply chain and other manufacturing processes. Consistent with our historical policies for ongoing restructuring-type activities, the resulting charges are funded by and included within Corporate for segment reporting.

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

Refer to Note 9 in the Notes to the Consolidated Financial Statements for more details on the restructuring program.

LIQUIDITY & CAPITAL RESOURCES

Operating Activities

We generated $7.6 billion of cash from operating activities fiscal year to date, an increase of approximately $0.3 billion versus the prior year. Net earnings, adjusted for non-cash items (depreciation and amortization, share-based compensation expense, deferred income taxes, and gain on sale of assets), generated $7.6 billion of operating cash flow. Working capital and other impacts had no net impact on operating cash flow in the period. Accounts receivable increased, using $398 million of cash due to sales growth and to a lesser extent, the timing of collections at quarter-end due to the holidays. Inventory consumed $531 million of cash primarily due to product initiatives and business growth. Accounts payable, accrued and other liabilities increased, generating $1.1 billion of cash primarily driven by an increase in payables to support the increase in inventory, increased marketing accruals based on timing of spending and extended payment terms with our suppliers. All other operating assets and liabilities used $370 million of cash, driven primarily by payments of the current year portion of taxes due related to the U.S. Tax Act.

Investing Activities

Cash used by investing activities was $4.7 billion fiscal year to date. Capital expenditures were $1.8 billion, or 5.2% of net sales. Acquisition activity used $3.8 billion of cash, primarily related to the Merck OTC acquisition. We used $158 million for purchases of short-term investments. These uses were partially offset by $1.1 billion of cash generated from sales and maturities of short-term investments.

Financing Activities

Our financing activities consumed net cash of $1.6 billion fiscal year to date. We used $2.0 billion for treasury stock purchases and $3.7 billion for dividends. Cash generated from the net effect of debt issuances and payments was $2.6 billion. Cash from the exercise of stock options and other impacts generated $1.5 billion of cash.

As of December 31, 2018, our current liabilities exceeded current assets by $6.8 billion. We have short- and long-term debt to meet our financing needs. We anticipate being able to support our short-term liquidity and operating needs largely through cash generated from operations. We have strong short- and long-term debt ratings that have enabled and should continue to enable us to refinance our debt as it becomes due at favorable rates in commercial paper and bond markets. In addition, we have agreements with a diverse group of financial institutions that, if needed, should provide sufficient credit funding to meet short-term financing requirements.

RECONCILIATION OF MEASURES NOT DEFINED BY U.S. GAAP

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

Organic sales growth: Organic sales growth is a non-GAAP measure of sales growth excluding the impacts of acquisitions and divestitures, the impact from the July 1, 2018 adoption of new accounting standards for "Revenue from Contracts with Customers" and foreign exchange from year-over-year comparisons. The impact of the adoption of the new accounting standard for Revenue from Contracts with Customers is driven by the prospective reclassification of certain customer spending from marketing (SG&A) expense to a reduction of Net sales. We believe this measure provides investors with a supplemental understanding of underlying sales trends by providing sales growth on a consistent basis. This measure is used in assessing achievement of management goals for at-risk compensation.

Adjusted free cash flow: Adjusted free cash flow is defined as operating cash flow less capital spending and excluding payments for the transitional tax resulting from the comprehensive U.S. legislation commonly referred to as the Tax Cuts and Jobs Act enacted in December 2017 (the U.S. Tax Act). Adjusted free cash flow represents the cash that the Company is able to generate after taking into account planned maintenance and asset expansion. Management views adjusted free cash flow as an important measure because it is one factor used in determining the amount of cash available for dividends, share repurchases, acquisitions and other discretionary investments.

Adjusted free cash flow productivity: Adjusted free cash flow productivity is defined as the ratio of adjusted free cash flow to net earnings excluding the gain on dissolution of the PGT Healthcare partnership, which is non-recurring and not considered indicative of underlying cash flow

performance. Management views adjusted free cash flow productivity as a useful measure to help investors understand P&G's ability to generate cash. Adjusted free cash flow productivity is used by management in making operating decisions, allocating financial resources and for budget planning purposes. This measure is also used in assessing the achievement of management goals for at-risk compensation. The Company's long-term target is to generate annual adjusted free cash flow productivity at or above 90 percent.

Core EPS: Core earnings per share, or Core EPS, is a measure of the Company's diluted net earnings per share adjusted as indicated. Management views this non-GAAP measure as a useful supplemental measure of Company performance over time. This measure is also used when evaluating senior management in determining their at-risk compensation.

The Core earnings measures included in the following reconciliation tables refer to the equivalent GAAP measures adjusted as applicable for the following items:

Incremental Restructuring: The Company has had and continues to have an ongoing level of restructuring activities. Such activities have resulted in ongoing annual restructuring related charges of approximately $250 - $500 million before tax. In 2012, the Company began a $10 billion strategic productivity and cost savings initiative that included incremental restructuring activities. In 2017, we communicated details of an additional multi-year productivity and cost savings plan. This results in incremental restructuring charges to accelerate productivity efforts and cost savings. The adjustment to Core earnings includes only the restructuring costs above what we believe are the normal recurring level of restructuring costs.

Transitional Impact of U.S. Tax Reform: As discussed in Note 2 to the Consolidated Financial Statements, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act") in December 2017. This resulted in a net charge of $628 million for the quarter ended December 31, 2017, comprised of an estimated repatriation tax charge of $3.8 billion and a net deferred tax benefit of $3.2 billion. The adjustment to core earnings only includes this transitional impact. It does not include the ongoing impacts of the lower U.S. statutory rate on current year earnings.

Gain on Dissolution of PGT Healthcare Partnership: The Company finalized the dissolution of our PGT Healthcare partnership, a venture between the Company and Teva Pharmaceuticals Industries, Ltd. (Teva) in the OTC consumer healthcare business, in the quarter ended September 30, 2018. The transaction was accounted for as a sale of the Teva portion of the PGT business; the Company recognized an after-tax gain on the dissolution of $353 million.

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

Organic sales growth:

Three Months Ended December 31, 2018	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other [1]	Organic Sales Growth
Beauty	4%	4%	—%	8%
Grooming	(9)%	5%	1%	(3)%
Health Care	—%	3%	2%	5%
Fabric & Home Care	2%	3%	1%	6%
Baby, Feminine & Family Care	(1)%	4%	—%	3%
Total Company	**—%**	**4%**	**—%**	**4%**

Six Months Ended December 31, 2018	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other [1]	Organic Sales Growth
Beauty	4%	4%	—%	8%
Grooming	(5)%	5%	—%	—%
Health Care	(1)%	2%	4%	5%
Fabric & Home Care	2%	2%	1%	5%
Baby, Feminine & Family Care	(2)%	3%	—%	1%
Total Company	**—%**	**3%**	**1%**	**4%**

[1] Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures, the impact from the July 1, 2018 adoption of new accounting standards for "Revenue from Contracts with Customers" and rounding impacts necessary to reconcile net sales to organic sales.

Adjusted free cash flow (dollar amounts in millions):

Fiscal Year-to-Date, December 31, 2018			
Operating Cash Flow	Capital Spending	U.S. Tax Act Payments	Adjusted Free Cash Flow
$7,574	**$(1,781)**	**$235**	**$6,028**

Adjusted free cash flow productivity (dollar amounts in millions):

Fiscal Year-to-Date, December 31, 2018

Adjusted Free Cash Flow	Net Earnings	Gain on Dissolution of PGT Partnership	Adjusted Net Earnings	Adjusted Free Cash Flow Productivity
$6,028	**$6,427**	**$(353)**	**$6,074**	**99%**

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

Three Months Ended December 31, 2018	AS REPORTED (GAAP)	INCREMENTAL RESTRUCTURING	ROUNDING	NON-GAAP (CORE)
COST OF PRODUCTS SOLD	$ 8,919	$ (123)	$ —	$ 8,796
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE	4,623	38	(1)	4,660
OPERATING INCOME	3,896	85	1	3,982
INCOME TAX	700	17	(2)	715
NET EARNINGS ATTRIBUTABLE TO P&G	3,194	77	1	3,272
				Core EPS
DILUTED NET EARNINGS PER COMMON SHARE [(1)]	$ 1.22	$ 0.03	$ —	$ 1.25

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

CHANGE VERSUS YEAR AGO	
CORE EPS	5%

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

Three Months Ended December 31, 2017	AS REPORTED (GAAP)	INCREMENTAL RESTRUCTURING	TRANSITIONAL IMPACTS OF U.S. TAX REFORM	ROUNDING	NON-GAAP (CORE)
COST OF PRODUCTS SOLD	$ 8,709	$ (86)	$ —	$ 1	$ 8,624
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE	4,767	19	—	(1)	4,785
OPERATING INCOME	3,919	67	—	—	3,986
INCOME TAX	1,472	21	(628)	—	865
NET EARNINGS ATTRIBUTABLE TO P&G	2,495	51	628	—	3,174
					Core EPS
DILUTED NET EARNINGS PER COMMON SHARE [(1)]	$ 0.93	$ 0.02	$ 0.24	$ —	$ 1.19

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

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

Six Months Ended December 31, 2018

	AS REPORTED (GAAP)	INCREMENTAL RESTRUCTURING	GAIN ON DISSOLUTION OF PGT PARTNERSHIP	ROUNDING	NON-GAAP (CORE)
COST OF PRODUCTS SOLD	$ 17,403	$ (169)	$ —	$ —	$ 17,234
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE	9,275	10	—	—	9,285
OPERATING INCOME	7,450	159	—	—	7,609
INCOME TAX	1,429	23	(2)	(1)	1,449
NET EARNINGS ATTRIBUTABLE TO P&G	6,393	146	(353)	1	6,187
					Core EPS:
DILUTED NET EARNINGS PER COMMON SHARE [1]	$ 2.44	$ 0.06	$ (0.14)	$ —	$ 2.36

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

CHANGE VERSUS YEAR AGO	
CORE EPS	4%

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

Six Months Ended December 31, 2017

	AS REPORTED (GAAP)	INCREMENTAL RESTRUCTURING	TRANSITIONAL IMPACTS OF U.S. TAX REFORM	ROUNDING	NON-GAAP (CORE)
COST OF PRODUCTS SOLD	$ 16,978	$ (186)	$ —	$ 1	$ 16,793
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE	9,503	26	—	(1)	9,528
OPERATING INCOME	7,567	160	—	—	7,727
INCOME TAX	2,353	41	(628)	—	1,766
NET EARNINGS ATTRIBUTABLE TO P&G	5,348	126	628	—	6,102
					Core EPS:
DILUTED NET EARNINGS PER COMMON SHARE [1]	$ 2.00	$ 0.05	$ 0.23	$ —	$ 2.28

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the Company's exposure to market risk since June 30, 2018. Additional information can be found in Note 7 - Risk Management Activities and Fair Value Measurements of the Consolidated Financial Statements.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's Chairman of the Board, President and Chief Executive Officer, David S. Taylor, and the Company's Vice Chairman and Chief Financial Officer, Jon R. Moeller, performed an evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 ("Exchange Act")) as of the end of the period covered by this report. Messrs. Taylor and Moeller have concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) accumulated and communicated to our management, including Messrs. Taylor and Moeller, to allow their timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the Company's fiscal quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

For information on risk factors, please refer to "Risk Factors" in Part I, Item 1A of the Company's Form 10-K for the year ended June 30, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased [1]	Average Price Paid per Share [2]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [3]	Approximate Dollar Value of Shares That May Yet Be Purchased Under Our Share Repurchase Program
10/01/2018 - 10/31/2018	5,384,600	$83.57	5,384,600	[3]
11/01/2018 - 11/30/2018	3,259,875	$92.03	3,259,875	[3]
12/01/2018 - 12/31/2018	—	—	—	[3]
Total	**8,644,475**	**$86.76**	**8,644,475**	

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

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

(3) On January 23, 2019, the Company stated that in fiscal year 2019 the Company expects to reduce outstanding shares through direct share repurchases at a value of up to $5 billion, notwithstanding any purchases under the Company's compensation and benefit plans. Purchases may be made in the open market and/or private transactions and purchases may be increased, decreased or discontinued at any time without prior notice. The share repurchases are authorized pursuant to a resolution issued by the Company's Board of Directors and are expected to be financed by a combination of operating cash flows and issuance of long-term and short-term debt.

Item 6. Exhibits

3-1	Amended Articles of Incorporation (as amended by shareholders at the annual meeting on October 11, 2011 and consolidated by the Board of Directors on April 8, 2016) (Incorporated by reference to Exhibit (3-1) of the Company's Form 10-K for the year ended June 30, 2016)
3-2	Regulations (as approved by the Board of Directors on April 8, 2016, pursuant to authority granted by shareholders at the annual meeting on October 13, 2009) (Incorporated by reference to Exhibit (3-2) of the Company's Form 10-K for the year ended June 30, 2016)
4-1	Indenture, dated as of September 3, 2009, between the Company and Deutsche Bank Trust Company Americas, as Trustee (Incorporated by reference to Exhibit (4-1) of the Company Annual Report on Form 10-K for the year ended June 30, 2015)
10-1	The Procter & Gamble Performance Stock Program Summary * +
10-2	Summary of the Company's Long-Term Incentive Program * +
10-3	Company's Form of Separation Agreement and Release * +
31.1	Rule 13a-14(a)/15d-14(a) Certification – Chief Executive Officer +
31.2	Rule 13a-14(a)/15d-14(a) Certification – Chief Financial Officer +
32.1	Section 1350 Certifications – Chief Executive Officer +
32.2	Section 1350 Certifications – Chief Financial Officer +
101.INS [(1)]	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH [(1)]	XBRL Taxonomy Extension Schema Document
101.CAL [(1)]	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF [(1)]	XBRL Taxonomy Definition Linkbase Document
101.LAB [(1)]	XBRL Taxonomy Extension Label Linkbase Document
101.PRE [(1)]	XBRL Taxonomy Extension Presentation Linkbase Document

* Compensatory plan or arrangement

\+ Filed herewith

[(1)] Pursuant to Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 or 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

THE PROCTER & GAMBLE COMPANY

January 23, 2019	/s/ VALARIE L. SHEPPARD
Date	(Valarie L. Sheppard) Senior Vice President, Comptroller and Treasurer

EXHIBIT INDEX

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 Form 10-K for the year ended June 30, 2016)
3-2	Regulations (as approved by the Board of Directors on April 8, 2016, pursuant to authority granted by shareholders at the annual meeting on October 13, 2009) (Incorporated by reference to Exhibit (3-2) of the Company's Form 10-K for the year ended June 30, 2016)
4-1	Indenture, dated as of September 3, 2009, between the Company and Deutsche Bank Trust Company Americas, as Trustee (Incorporated by reference to Exhibit (4-1) of the Company Annual Report on Form 10-K for the year ended June 30, 2015)
10-1	The Procter & Gamble Performance Stock Program Summary +
10-2	Summary of the Company's Long-Term Incentive Program +
10-3	Company's Form of Separation Agreement and Release +
31.1	Rule 13a-14(a)/15d-14(a) Certification – Chief Executive Officer +
31.2	Rule 13a-14(a)/15d-14(a) Certification – Chief Financial Officer +
32.1	Section 1350 Certifications – Chief Executive Officer +
32.2	Section 1350 Certifications – Chief Financial Officer +
101.INS [(1)]	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH [(1)]	XBRL Taxonomy Extension Schema Document
101.CAL [(1)]	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF [(1)]	XBRL Taxonomy Definition Linkbase Document
101.LAB [(1)]	XBRL Taxonomy Extension Label Linkbase Document
101.PRE [(1)]	XBRL Taxonomy Extension Presentation Linkbase Document

+ Filed herewith

[(1)] Pursuant to Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 or 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

(Back To Top)

Section 2: EX-10.1 (THE PROCTER & GAMBLE PERFORMANCE STOCK PROGRAM SUMMARY)

EXHIBIT (10-1)

Summary of the Company's Performance Stock Program

PERFORMANCE STOCK PROGRAM SUMMARY
(Effective July 1, 2018)

The Performance Stock Program ("PSP") is a part of The Procter & Gamble Company's (the "Company") long-term incentive ("LTI") compensation and is designed to provide additional focus on key Company measures for top executives with senior management responsibility for total Company results. Awards granted under the PSP ("PSP Awards") are made pursuant to authority delegated to the Compensation & Leadership Development Committee (the "C&LD Committee") by the Board of Directors for determining compensation for the Company's principal officers and for making awards under the Procter & Gamble 2014 Stock and Incentive Compensation Plan (the "2014 Plan") or any successor stock plan approved in accordance with applicable listing standards. PSP Awards are Performance-Based Compensation (as defined in Article 15 of the 2014 Plan).

I. ELIGIBILITY

The Chairman of the Board and/or Chief Executive Officer and those active executives at Band 6 or above as of October 1 prior to the grant date and recommended by management are eligible to participate ("Participants"). In special circumstances such as for acquisitions or experienced hires, the CHRO may authorize participation for Band 6 or above employees who are not active as of October 1 but are active employees as of the grant date.

II. OVERVIEW

A significant portion of the Band 6 and above compensation is delivered through two long-term incentive programs tied to Company performance: PSP and the Long-term Incentive Program.

Total long-term incentive compensation targets are based on relevant competitive market data considering the median total long-term compensation of comparable positions, regressed for revenue size. The C&LD Committee establishes the Peer Group and sets compensation targets for all Principal Officers including the CEO. The CEO approves compensation targets for non-Principal Officers (generally Band 6 managers).

The C&LD Committee determines the long-term incentive award for the CEO. The CEO recommends all other Principal Officer awards to the C&LD Committee based on benchmarked long-term compensation targets, adjusted for business results and individual contributions attributable to each executive and including that individual's leadership skills. The C&LD Committee retains full authority to accept, modify, or reject these recommendations. The CEO approves awards for participants who are not Principal Officers based on long-term compensation targets, business results and individual contributions. Long-term incentive awards can be up to 50% above or 50% below the benchmarked target. In exceptional cases, no award will be made. After total LTI award size is determined then approximately half of each Band 7 manager's long-term compensation is allocated to PSP via an Initial PSU Grant (as defined below). The remaining portion is a Long-term Incentive Program Grant. Approximately 25% of each Band 6 manager's total LTI is allocated to PSP with the remainder awarded under the Long-term Incentive Program.

PSP rewards Participants for Company performance against certain three-year performance goals in categories established by the C&LD Committee. The C&LD Committee sets these performance goals for each three-year period that begins on July 1 and ends on June 30 three years later ("Performance Period"). In the first year of each Performance Period, the C&LD Committee grants Performance Stock Units ("PSUs") to Participants that will vest at the end of the Performance Period based on the Company's performance relative to the pre-established performance goals ("Initial PSU Grant"). The number of PSUs that vest at the end of the Performance Period depends on the Company's performance against the pre-established performance goals. Vested PSUs, including dividend equivalents, are converted into shares of the Company's common stock ("Common Stock") delivered to

the applicable Participant within 60 days following the end of the Performance Period, or such later date as may be elected by the Participant in accordance with Section 409A of the Internal Revenue Code ("Section 409A").

III. PERFORMANCE CATEGORIES

The PSP Award is based on the Company's performance in each of the following categories (each a "Performance Category") and weighted as indicated:

- Organic sales growth (percentile rank in the competitive peer group)* - 30%
- Constant currency core before-tax operating profit growth - 20%
- Core earnings per share (EPS) growth - 30%
- Adjusted free cash flow productivity - 20%

Awards will be further adjusted based on the three-year relative total shareholder return (R-TSR) of P&G compared to the competitive peer group*. Awards will be adjusted for top quartile performance using a 125% multiplier to increase awards, and reduced for bottom quartile performance using a 75% multiplier.
** Competitive peer group is defined in the PSP Accounting Guidelines.*

Within the first 90 days of each Performance Period, the C&LD Committee sets three-year performance goals ("Performance Goals") for each Performance Category for such Performance Period and establishes a sliding scale to measure the Company's performance against each Performance Goal in each Performance Category. The C&LD Committee uses the sliding scale to establish a payout factor between 0% and 200% for each Performance Category (a "Sales Factor", "Profit Factor", "EPS Factor" and "Cash Flow Factor", collectively, "Performance Factors").

In all cases, the C&LD Committee retains the discretion to include or exclude certain of the Performance Categories for purposes of determining the PSP Award. The C&LD Committee may reduce or eliminate any payment if it determines that such payout is inconsistent with long-term shareholders' interests or incongruous with the overall performance of the company.

PSP awards will have the following terms unless otherwise approved by the C&LD Committee:

IV. THE INITIAL PSU GRANT

The C&LD Committee has the sole discretion to establish the target award ("PSP Target") for each Participant serving as a Principal Officer. The CEO establishes the PSP Targets for participants who are not Principal Officers. The PSP Target will be a cash amount and will be the basis for the Initial PSU Grant. The C&LD Committee will make the Initial PSU Grant on the last business date in February ("Grant Date") following the beginning of each Performance Period. If the New York Stock Exchange is closed on the day of the grant, then the C&LD will establish a grant date as soon as practical subsequent to the date previously specified for such award. The Initial PSU Grant will set forth a target and maximum number of PSUs. The target number of PSUs will be determined by dividing the PSP Target by the expense value of one PSU using the same methodology by which the Company expenses PSUs, rounding to the nearest whole unit.

The Initial PSU Grant maximum will be two times the Initial PSU Grant.

V. PSU VESTING AND PAYMENT

After the Performance Period is complete, the C&LD Committee will establish the Payout Factors for each of the Performance Categories based on the Company's results versus the pre-established Performance Goals. The number of PSUs that vest will be determined by multiplying the Performance Factors by their respective weightings, summing up the results, then applying the R-TSR multiplier if applicable. The final result will be rounded up or down to the nearest full percentage. The resulting percentage will be applied to the number of PSUs in the Initial PSU Grant target, including dividends that would have accumulated since the initial PSU grant on the vested units, rounding up to the nearest whole share. The number of PSUs that vest may be equal to, above or

below the Initial PSU Grant target depending on the Company's performance in the Performance Categories, but in no event more than the Initial PSU Grant maximum. Vested PSUs are converted into shares of Common Stock delivered to the applicable Participant within 60 days following the end of the Performance Period, or such later date as may be elected by the Participant if applicable and in accordance with Section 409A.

Participants at Band 7 and above may elect to defer delivery of the Common Stock by electing to receive Restricted Stock Units. PSP RSUs will have the following terms unless otherwise approved by the Committee at grant:

> VESTING AND SETTLEMENT: PSP RSUs will be vested on the grant date with a settlement date at least one year following the original PSU delivery date (as elected by the Participant), are eligible for dividend equivalents, and can be further deferred in accordance with Section 409A. These RSUs will be paid on their Original Settlement Date or the Agreed Settlement Date, except in the case of death. In the case of death (except in France and the UK), payment will be made by the later of the end of the calendar year or two and a half months following the date of death. For awards granted in France or the UK, the consequences of death are determined by the local plan supplement, if applicable.

VI. SEPARATION FROM THE COMPANY (Defined terms shall have the meaning designated in the 2014 Plan or related award documents)

If the Participant's Termination of Employment occurs for any reason before the Vest Date, except for the reasons listed below, the Award will be forfeited. Participants must remain in compliance with the terms and conditions set forth in the 2014 Plan, including those in Article 6.

- Termination on Account of Death (except in France and the UK). The Award is immediately vested and will become deliverable on the Settlement Date or Agreed Settlement Date, whichever is applicable.
- Termination on Account of Death for awards granted in France or the UK. The consequences of death are determined by the local plan supplement, if applicable.
- Termination on Account of Retirement or Disability after June 30th of the fiscal year in which this Award was granted. PSUs are retained and will be delivered on the Settlement Date.
- Termination pursuant to a Written Separation Agreement that provides for retention of the Award, after June 30th of the fiscal year in which this Award was granted. PSUs are retained and will be delivered on the Settlement Date.
- Termination in connection with a divestiture or separation of any of the Company's businesses, as determined by the Company's Chief Human Resources Officer. PSUs are retained and will be delivered on the Settlement Date.

VII. CHANGE IN CONTROL

Notwithstanding the foregoing, if there is a Change in Control that meets the requirements of a change in control event under Section 409A, all outstanding PSP Awards will vest at 100% of the Initial PSU Grant target (or 100% of the PSP Target if the Change in Control occurs prior to the Initial PSU Grant) including dividends that would have accumulated since the initial PSU grant on the vested units, and shall be paid in shares of Common Stock at the time of such Change in Control. If there is a Change in Control event that does not meet the requirements of a change in control event under Section 409A, all outstanding PSP Awards will be settled according to the terms and conditions set forth herein, without the application Article 17 of the 2014 Plan. "Change in Control" shall have the same meaning as defined in the 2014 Plan or any successor stock plan approved in accordance with applicable listing standards.

VIII. GENERAL TERMS AND CONDITIONS

It shall be understood that the PSP does not give to any officer or employee any contract rights, express or implied, against any Company for any PSP Award, or for compensation in addition to the salary paid to him or her, or any right to question the action of the Board of Directors or the C&LD Committee.

Each PSP Award made to an individual at Band 7 and above is subject to the Senior Executive Recoupment Policy adopted by the C&LD Committee in December 2006.

To the extent applicable, it is intended that the PSP comply with the provisions of Section 409A. The PSP will be administered and interpreted in a manner consistent with this intent. Neither a Participant nor any of a Participant's creditors or beneficiaries will have the right to subject any deferred compensation (within the meaning of Section 409A) payable under the PSP to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to a Participant under the PSP may not be reduced by, or offset against, any amount owing by a Participant to the Company.

This program document may be amended at any time by the C&LD Committee

(Back To Top)

Section 3: EX-10.2 (SUMMARY OF THE COMPANY'S LONG-TERM INCENTIVE PROGRAM)

EXHIBIT (10-2)

Summary of the Company's Long-Term Incentive Program

LONG-TERM INCENTIVE PROGRAM

(Effective July 1, 2018)

The Long-Term Incentive Program ("LTI Program") is part of The Procter & Gamble Company's (the "Company") long-term incentive compensation and is designed to increase employee ownership and focus employees on the long-term success of the Company. Awards granted under the LTI Program ("LTI Awards") are made pursuant to authority delegated to the Compensation & Leadership Development Committee (the "Committee") by the Board of Directors for determining compensation for the Company's principal officers and for making awards under The Procter & Gamble 2014 Stock and Incentive Compensation Plan (the "2014 Plan") or any successor stock plan approved in accordance with applicable listing standards.

I. ELIGIBILITY

Active employees at Band 4 and above as of October 1 prior to grant date are included in the Plan, as well as a select percent of Band 3 employees. In special circumstances such as for acquisitions or experienced hires, the CHRO may authorize grants for employees who are not active as of October 1 but are employees as of the grant date. Employees recommended by management and approved by the Committee or Committee's delegate are eligible to participate ("Participants").

II. OVERVIEW

The LTI Program motivates leaders to achieve results in the long term by driving ownership behavior through the awarding of stock options, stock appreciation rights (SARs), and restricted stock units (RSUs). Participants at Band 4 and above may be provided a choice of a mix of stock options and RSUs, except for the CEO, whose grant form is solely determined by the Committee. The choice must be made before the end of the calendar year preceding the award date. Band 3 participants receive awards in the form of stock options, RSUs, or a mix as authorized by the CEO prior to grant date. Exceptions may exist in some countries where stock options and/or RSUs are not locally allowed or effective as a compensation vehicle.

III. AWARD DETERMINATION

Market target grant values by Job Band are based on competitive market data from peer companies and analysis of global long-term incentive practices.

- CEO - The market analysis is reviewed and a final award value for the CEO is determined solely by the Committee.
- Principal Officers - Market target grant values for Principal Officers are authorized by the Committee. Final awards for Principal Officers are recommended by the CEO and approved directly by the Committee.
- Band 4-6 - The CEO authorizes market target grant values by band below Band 7. Individual employee award targets are determined based on the employee's home country and job band. The final award values for Band 4-6 may be further adjusted by Business Unit leaders for individual performance. Final award amounts for employees Band 4-6 are approved by the CEO as delegated by the Committee. Awards for low performers are reduced or eliminated.
- Band 3 - The CEO authorizes market grant values, award mix, and participation rates at Band 3. The Business Unit leaders select the Band 3 participants within their organizations. The final award values for Band 3 are set based on home country and approved by the CEO as authorized by the Committee.

The number of stock options or SARs awarded to each employee will be determined on grant date using the same methodology by which the Company expenses stock options. The number of RSUs awarded will be determined based on the price of P&G stock on grant date.

The option price or grant price used for any LTI Award will be the closing price for a share of Common Stock on the New York Stock Exchange on the day of the grant, or such higher price as may be specified in the French

Addendum of the Regulations (the "Grant Price"). If the New York Stock Exchange is closed on the day of the grant, then the date of the Award will be the first day of trading of the Company's stock subsequent to the date previously specified for such award.

LTI Awards will be granted on the last business day of February each year. Employees who did not receive the appropriate award on this date due to an administrative or data error will receive their appropriate LTI Award on the last business day prior to May 10 each year.

If applicable, Participants must accept their awards according to the terms of the Award Letter or the Award will not be granted.

IV. VESTING AND SETTLEMENT

Stock options and SARs vest three years following the grant date. They expire ten years after the grant date. RSUs have a vest date and settlement date three years following the grant date, are eligible for dividend equivalents, and cannot be deferred in accordance with Internal Revenue Code 409A unless otherwise determined by the Committee at grant.

V. SEPARATION FROM THE COMPANY (Defined terms shall have the meaning designated in the 2014 Plan or related award documents)

If the Participant's Termination of Employment occurs for any reason before the Expiration Date and prior to exercising the Award for stock options and SARs, or before the Vest Date for RSUs, except for the reasons listed below, the Award will be forfeited. Participants must remain in compliance with the terms and conditions set forth in the 2014 Plan, including those in Article 6.

- Termination on Account of Death (except in France and the UK). The Vest Date for stock options and SARs becomes the date of death and the Award remains exercisable until the Expiration Date. For RSUs, the Award will be fully vested and payment will be made by the later of the end of the calendar year or two and a half months following the date of death.

- Termination on Account of Death for awards granted in France or the UK. The consequences of death are determined by the local plan supplement, if applicable.

- Termination on Account of Retirement or Disability after June 30th of the fiscal year in which this Award was granted. Stock options and SARs are retained and will be exercisable on the Vest Date and will expire on the Expiration Date. RSUs are retained and will be delivered on the Settlement Date.

- Termination pursuant to a Written Separation Agreement that provides for retention of the Award, after June 30th of the fiscal year in which this Award was granted. Stock options and SARS are retained and will become exercisable on the Vest Date and will expire on the Expiration Date. RSUs are retained and will be delivered on the Settlement Date.

- Termination in connection with a divestiture or separation of any of the Company's businesses, as determined by the Company's Chief Human Resource's Officer. All outstanding Stock options and SARs are retained and will become exercisable on the Vest Date and will expire on the Expiration Date. All outstanding RSUs are retained and will be delivered on the Settlement Date.

VI. CHANGE IN CONTROL

If there is a Change in Control, the provisions of Article 17 of the 2014 Plan will apply.

VII. GENERAL TERMS AND CONDITIONS

It shall be understood that the LTI Program does not give to any employee any contract rights, express or implied, against the Company for any LTI Award, or for compensation in addition to the salary paid to him or her.

This program document may be amended at any time by the Committee.

(Back To Top)

Section 4: EX-10.3 (COMPANY'S FORM OF SEPARATION AGREEMENT & RELEASE)

EXHIBIT (10-3)

Company’s Form of Separation Agreement & Release

SEPARATION AGREEMENT AND RELEASE

To: «Employee_Name»
Date: «Actual_Offer_Date»

«Company» (“P&G”) is willing to provide you with certain assistance in connection with your employment separation from the Company. The following, which is subject to your approval, sets forth our proposed agreement to do so. Your receipt of the benefits described below is conditioned upon your accepting, and abiding by, the terms of this Agreement.

Last Day of Employment:	Your last day of employment will be **«Exit_Date»,** referred to as your “Last Day of Employment.” Unless otherwise noted below, your pay and benefits will cease as of your Last Day of Employment.
Separation Payment:	As soon as administratively practical after your Last Day of Employment, P&G will provide you with a Separation Payment of **«Total_Amount»,** less legally required withholdings and deductions. In no event will payment be made before expiration of the seven-day revocation period discussed below or later than the March 15th of the year following the year which includes your last day of employment. Amounts you owe to P&G as of your Last Day of Employment, including, but not limited to, wage and/or benefit overpayments and unpaid loans, will also be deducted from the Separation Payment.
Payment for Unvested PST:	If you are not fully-vested in the Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan (“PST”) as of your Last Day of Employment, as soon as administratively practical after your Last Day of Employment, but no later than the March 15th of the year following the year which includes your Last Day of Employment, you will receive a lump sum payment in an amount substantially equivalent to the non-vested credits in your account in the PST.
STAR Awards:	As of your Last Day of Employment, if you were otherwise eligible for a STAR award and you worked at least 28 days (4 calendar weeks) during that fiscal year, you will receive a pro-rated STAR award for that fiscal year. Your STAR award will be pro-rated by dividing the number of calendar days during the fiscal year from July 1 through your Last Day of Employment by 365. Your STAR award will be paid in cash in the September (but no later than September 15th) immediately following the end of the fiscal year in which you terminate.

Equity Awards (including Recognition Shares):	Your separation will be treated as a Special Separation for purposes of any outstanding equity awards granted under the Procter & Gamble 2009 Stock and Incentive Compensation Plan, the Procter & Gamble 2001 Stock and Incentive Compensation Plan, the Procter & Gamble 1992 Stock Plan, or the Gillette Company 2004 Long-Term Incentive Plan and as a result the awards will be retained subject to the original terms and conditions of the awards. Awards granted under the Procter & Gamble 2014 Stock & Incentive Compensation Plan are retained subject to the terms and conditions of the Awards. This agreement does not alter the rights and obligations that you may have under the Procter & Gamble 2014 Stock & Incentive compensation Plan, the Procter & Gamble 2009 Stock and Incentive Compensation Plan, the Procter & Gamble 2001 Stock and Incentive Plan, the Procter & Gamble 1992 Stock Plan, and the Gillette Company 2004 Long-Term Incentive Plan.
Current Health, Dental, and Life Insurance Benefits:	If you are enrolled in P&G's active health (including medical, prescription drug, and EAP coverage), active dental, and company-paid life insurance coverage, that coverage will continue under the same terms until **«Benefits_End_Date»**. **Note:** Any life insurance coverage other than company-paid life insurance coverage will not continue during this time. When your extended coverage ends, you may be entitled to continue your health and dental coverage under COBRA. If you are entitled to COBRA continuation coverage, you will receive a notice of your right to elect COBRA.
Retiree Medical and Dental Benefits:	If you were eligible for P&G retiree healthcare coverage on your Last Day of Employment, you will be eligible to enroll in P&G's retiree medical and dental insurance coverage. You are eligible for P&G retiree healthcare coverage if you satisfy the regular retiree eligibility rules (i.e., you are a Regular Retiree) as of your Last Day of Employment. Under the terms of this Agreement, you also are eligible for P&G retiree healthcare coverage as a Special Retiree by satisfying the Rule of 70 as of your Last Day of Employment. You satisfy the Rule of 70 when your full years of age plus your full years of service equal 70. Special rules apply to Gillette Heritage Employees with regard to retiree medical eligibility and the retiree medical cost sharing under the retiree medical plan. If you are a Gillette Heritage Employee, you will receive a separate handout on your retiree medical eligibility. If you are eligible for P&G's retiree healthcare coverage as either a Regular Retiree or a Special Retiree as of your Last Day of Employment, you should contact P&G Employee Care before your extension of coverage ends to request retiree healthcare enrollment information. For details regarding the terms and conditions of your retiree health coverage, please refer to and review the summary plan descriptions, available at PGOneLife and Career **Important Note:** If you become employed by a direct competitor of P&G (as determined by P&G's Chief Human Resources Officer) in an officer and/or director capacity, you will not be eligible for coverage under P&G's retiree healthcare coverage as long as you remain employed by such competitor. If you have questions, please contact P&G Employee Care at 1-833-441-4357.

Outplacement Services:	P&G's outplacement supplier, Right Management Consultants, will provide services to assist you in managing your transition to a new future, based on your interest. Services include pre-decision counseling, career transition programs, and job development opportunities. Right Management Consultants will also assist you in preparing for your job search, including résumé preparation, cover letters, other written materials and interview and networking training. After accepting this Agreement, and after obtaining your manager's approval, you may begin utilizing outplacement services on a limited basis prior to your Last Day of Employment, consistent with the needs of the business and your responsibilities to complete and/or transition your work. Note that you must begin utilizing outplacement services within 45 days of your Last Day of Employment to be eligible for this benefit.
Retraining:	You are eligible for reimbursement (up to $5,000) for the cost of tuition, registration and laboratory fees for courses taken at accredited colleges and universities, or at 2-year colleges, trade schools, or vocational schools approved by appropriate accrediting boards. Correspondence courses which result in credit towards diplomas, degrees, etc. may be acceptable if offered by eligible non-profit institutions. You must have courses approved in advance and submit proof of payment of covered fees and proof (such as a transcript) that the courses were completed successfully. Courses that are recreational in nature, such as golf lessons, will not be approved. All expenses for retraining must be incurred within twenty-four (24) months of your Last Day of Employment. The retraining reimbursement benefit is administered by Right Management Consultants.
No Consideration Without Executing this Agreement:	You affirm that you understand and agree that you would not receive the separation payment and/or benefits specified in this Agreement without executing this Agreement and fulfilling the promises contained in it. Except as provided in this Agreement or under the terms and conditions of an applicable benefit plan or policy sponsored by P&G, you shall not be due any payments or benefits from P&G in connection with the termination of your employment.
Continued Employment Through Your Last Day of Employment:	You agree to perform your work and responsibilities as an employee in a satisfactory manner up to and including your Last Day of Employment, including compliance with all provisions of this "Separation Agreement and Release." If P&G determines that you have engaged in serious misconduct during your employment, you understand and agree that P&G may terminate your employment immediately and will not provide, nor will it be obligated to provide, you with the Separation payment, medical benefits, outplacement, retraining and other benefits described above. If you have already received any such pay or benefits, you agree to repay them to P&G upon demand.
Nonadmission of Wrongdoing:	You affirm that you understand and agree that neither this Agreement nor the furnishing of the consideration for this Agreement, including the Separation Payment, shall be deemed or construed at any time for any purpose as an admission by P&G of wrongdoing or evidence of any liability or unlawful conduct of any kind.

	In consideration of the Separation Payment and other benefits provided above to which you would not have been entitled under any existing P&G Policy, you release P&G from any and all claims you have against P&G. The term "P&G" includes «Company» and any of its present, former and future owners, parents, affiliates and subsidiaries, and its and their directors, officers, shareholders, employees, agents, servants, representatives, predecessors, successors and assigns and their employee benefit plans and programs and their administrators and fiduciaries. This release applies to claims about which you now know or may later discover, and includes but is not limited to: (1) claims arising under the Age Discrimination in Employment Act, 29 U.S.C. § 621, et seq.; (2) claims arising out of or relating in any way to your employment with P&G or the conclusion of that employment; (3) claims arising under any federal, state and local employment discrimination laws, regulations or ordinances or other orders that relate to the employment relationship and/or employee benefits; and (4) any other federal, state or local law, rule, regulation or ordinance, public policy, contract, tort or common law. This release does not apply to claims that may arise after the date you accept this Agreement or that may not be released under applicable law. You are not waiving any rights you may have to: (a) your own vested accrued employee benefits under the P&G health, welfare, or retirement benefit plans as of the Last Day of Employment; (b) benefits and/or the right to seek benefits under applicable workers' compensation and/or unemployment compensation statutes; (c) pursue claims which by law cannot be waived by signing this Agreement; (d) enforce this Agreement; and/or (e) challenge the validity of this Agreement. You agree that the decision that your last day of employment would be on the Last Day of Employment was made prior to your accepting and executing this Agreement, and you agree that you are releasing any claim in connection with the separation of your employment. If any claim is not subject to release, to the extent permitted by law, you agree that you waive any right or ability to be a class or collective action representative or to otherwise participate in any putative or certified class, collective or multi-party action or proceeding based on such a claim in which P&G is a party. Governmental Agencies: Nothing in this Agreement prohibits or prevents you from filing a charge with or participating, testifying, or assisting in any investigation, hearing, or other proceeding before the U.S. Equal Employment Opportunity Commission, the National Labor Relations Board or a similar agency enforcing federal, state or local anti-discrimination laws. However, to the maximum extent permitted by law, you agree that if such an administrative claim is made to such an anti-discrimination agency, you shall not be entitled to recover any individual monetary relief or other individual remedies. Nothing in this Agreement, including but not limited to the "*Release of Claims - Including Age Discrimination and Employment Claims*" and the "*Confidential, Proprietary, Trade Secret Information & Period of Non-Competition*" sections of this Agreement, prohibits you from: (1) reporting possible violations of federal law or regulations, including any possible securities laws violations, to any governmental agency or entity, including but not limited to the U.S. Department of Justice, the U.S. Securities and Exchange Commission, the U.S. Congress, or any agency Inspector General; (2) making any other disclosures that are protected under the whistleblower provisions of federal law or regulations; or (3)

Release of Claims - Including Age Discrimination and Employment Claims:	otherwise fully participating in any federal whistleblower programs, including but not limited to any such programs managed by the U.S. Securities and Exchange Commission and/or the Occupational Safety and Health Administration. You understand you do not need the prior authorization from the Company to make any such reports or disclosures, and you are not required to notify the Company that you have made such reports or disclosures. Moreover, nothing in this Agreement prohibits or prevents you from receiving individual monetary awards or other individual relief by virtue of participating in such federal whistleblower programs.

Subject to the "Governmental Agencies" portion of the "*Release of Claims - Including Age Discrimination and Employment Claims"* above, you agree that you will not use or share any confidential, proprietary or trade secret information about any aspect of P&G's business with any non-P&G employee or business entity at any time in the future. You further agree that you will not obtain or have in your possession any confidential, proprietary or trade secret information on or after your last day of employment. Confidential, proprietary or trade secret information includes, but is not limited to, marketing and advertising plans, pricing information, upstream plans, specific areas of research and development, project work, product formulation, processing methods, assignments of individual employees, testing and evaluation procedures, cost figures, construction plans, and special techniques or methods of any kind.

Notwithstanding the requirements of confidentiality contained in this section, the federal Defend Trade Secrets Act of 2016 immunizes you against criminal and civil liability under federal or state trade secret laws for your disclosure of trade secrets that is made i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law; ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; or iii) to your attorney for use in a lawsuit alleging retaliation for reporting a suspected violation of law, provided that any document containing the trade secret is filed under seal and you do not otherwise disclose the trade secret, except pursuant to court order.

Additional non-compete obligation for management employees only: You understand and agree that, unless you have prior written consent from P&G, you will not engage in any activity or provide any services for a period of three (3) years following your Last Day of Employment in connection with the manufacture, development, advertising, promotion or sale of any product which is the same as, similar to, or competitive with any products of P&G or its subsidiaries (including both existing products as well as products in development which are known to you, as a consequence of your employment with P&G):

> With respect to which your work has been directly concerned at any time during the two (2) years preceding your Last Day of Employment; or
> With respect to which during that period of time you, as a consequence of your job performance and duties, acquired knowledge of trade secrets or other confidential information of P&G.

For the purposes of this section, it shall be conclusively presumed that you have knowledge or information to which you were directly exposed through the actual receipt of memos or documents containing such information or through actual attendance at meetings at which such information was discussed or disclosed. The provisions of this section are not in lieu of, but are in addition to, your continuing obligation to not use or disclose P&G's trade secrets and confidential information known to you until any particular trade secret or confidential information becomes generally known (through no fault of yours). Information regarding products in development, in test market or being marketed or promoted in a discrete geographic region, which information P&G is considering for a broader use, shall not be deemed generally known until such broader use is actually commercially implemented. Also, "generally known" means known throughout the domestic United States industry or, if you have job responsibilities outside of the United States, the appropriate foreign country or countries' industry.

Confidential, Proprietary, Trade Secret Information & Period of Non-Competition:	If any restriction in this section is found by any court of competent jurisdiction or arbitrator to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it will be modified and interpreted to extend only over the maximum period of time, range of activities or geographic area so that it may be enforceable. If you are a participant in the 2009 Stock and Incentive Compensation Plan, the 2001 Stock and Incentive Compensation Plan, or the 1992 Stock Plan, you are also bound by the terms of Article F - Restrictions & Covenants of those plans, which are incorporated herein by reference. If you are a participant in the 2014 Stock & Incentive Compensation Plan, you are also bound by the terms of Article 6 - Restrictions and Covenants of this plan which are incorporated herein by reference.

Acknowledgements and Affirmations:	Subject to the "Governmental Agencies" portion of the "*Release of Claims - Including Age Discrimination and Employment Claims"* above, you affirm that you have not filed, caused to be filed, or presently are a party to any claim against P&G. You affirm that you have been paid and/or have received all compensation, wages, bonuses, commissions, and/or benefits which are due and payable as of the date you sign this Agreement. To the extent that you are required to report hours worked, you affirm that you have reported all hours worked as of the date you sign this Agreement. You affirm that you have been granted any leave to which you were entitled under the Family and Medical Leave Act or related state or local leave or disability accommodation laws. You further affirm that you have no known workplace injuries or occupational diseases that have not been reported.
Assignment of Intellectual Property:	You will promptly and fully disclose, transfer and assign to P&G all inventions and any other intellectual property (collectively "Intellectual Property") made or conceived by you during your employment with P&G. You agree to fully cooperate in executing any papers required for establishing or protecting the Intellectual Property and for establishing P&G's ownership, even if such cooperation is necessary after your Last Day of Employment.
Return of P&G Property:	You agree that on or before your Last Day of Employment, you will return to P&G in good condition all of its equipment, materials and information that were in your possession, custody or control (including, but not limited to, computers, files, documents, credit cards, keys and identification badges). You further agree that you will provide your manager with all passwords to P&G electronic communication and data systems before your Last Day of Employment. You further agree that on or before your Last Day of Employment, you will return or if directed to do so by your immediate manager, delete (i.e., destroy all copies of) any and all P&G confidential, proprietary or trade secret information you have maintained in your possession, custody, or control in paper, electronic and/or digital formats, including but not limited to, any such confidential, proprietary, or trade secret information (e.g., files, documents, etc.) that you may have electronically or digitally processed or stored on P&G-issued or on personally-owned or maintained digital devices and/or service accounts. Such digital devices and/or service accounts may include, but are not limited to desktop and laptop computers, notebooks, tablets, iPads, mobile phones, smartphones, personal digital assistants (PDAs), USB and flash drives, external hard drives, CDs, DVDs, and/or external file processing or storage provided by cloud service providers such as box.net, dropbox, Google docs, etc.
Ethics Compliance:	Subject to the "Governmental Agencies" portion of the "*Release of Claims - Including Age Discrimination and Employment Claims"* above, you agree that you provided P&G all information known to you regarding any violations of the Procter & Gamble Worldwide Business Conduct Manual and/or any other violations of P&G policy or the law.

Agreement to Arbitrate Disputes:	Resolving any future differences we may have in the courts can take a long time and be expensive. You and P&G therefore agree that the only remedy for all disputes that are not released by this Agreement or that arise out of your employment with or separation from P&G, or any aspect of this Agreement, will be to submit any such disputes (with the exception noted at the end of this section) to final and binding arbitration in accordance with the National Rules for Resolution of Employment Disputes of the American Arbitration Association then in effect. You and P&G agree that the aggrieved party must send written notice of any claim to the other party by certified mail, return receipt requested. Written notice for P&G will be sent to: Secretary, One Procter & Gamble Plaza, Cincinnati, OH 45202, and to you at the most current address shown for you in P&G's records. The arbitrator will apply Ohio law. At your written request, P&G will reimburse you for all fees and costs charged by the American Arbitration Association and its arbitrator to the extent they exceed the applicable fees and costs that would have been charged by a court of competent jurisdiction had your claim been filed in court. There is one exception to this section. P&G may seek injunctive relief in any court of competent jurisdiction if it has reason to believe that you have violated or are about to violate (1) the terms of the "Confidential, Proprietary, Trade Secret Information & Period of Non-Competition" section above, or (2) if you are a participant in the 2009 Stock and Incentive Compensation Plan, the 2001 Stock and Incentive Compensation Plan, or the 1992 Stock Plan, the terms of Article F - Restrictions & Covenants of those plans or (3) if you are a participant in the 2014 Stock and Incentive Compensation Plan, the terms of Article 6 - Restrictions & Covenants of that plan.
Severability:	If any court of competent jurisdiction or arbitrator should later find that any portion of this Agreement is invalid, that invalidity will not affect the enforceability of any other portion of this Agreement.
Employment References:	You understand that P&G's historical policy is to not provide employment references to prospective employers. However, P&G is willing to waive that policy in your case on the following basis: You authorize your manager or human resources representative to provide an employment reference upon written or verbal request. In return, you release any claim against P&G and will not bring a lawsuit in court against P&G based upon that employment reference (or lack thereof). You agree that you will refer all reference inquiries to your manager or human resources representative only. You further understand that all disputes regarding employment references or the lack thereof must be resolved through the arbitration process described above.
No Reliance:	This Agreement sets forth the entire agreement between you and P&G and fully supersedes any prior agreements or understanding between the parties except that if you are a participant in the 2009 Stock and Incentive Compensation Plan, the 2001 Stock and Incentive Compensation Plan, or the 1992 Stock Plan, the terms of Article F - Restrictions & Covenants of those plans remain in full force and effect and are incorporated herein by reference and if you are a participant in the 2014 Stock Plan, the terms of Article 6 - Restrictions & Covenants of the plan remain in full force and are in effect and are incorporated herein by reference. In deciding to accept this Agreement, you agree that you have not relied upon any statements or promises by P&G, its managers, agents or employees, other than those set forth in this Agreement. No other promises or agreements concerning the matters described in this Agreement shall be binding unless in a subsequent document signed by these parties.
Your Attorney:	You acknowledge that you have been and hereby are advised to consult with legal counsel before accepting this Agreement and have either done so or have voluntarily declined to do so.

Timing for Acceptance or Revocation:	You have forty-five (45) calendar days in which to consider this Agreement in which you waive important rights, including those under the Age Discrimination in Employment Act of 1967. If you choose to sign this Agreement, please do so by indicating your acceptance of this Agreement with your electronic signature in P&G's electronic system. We advise you to consult with an attorney of your choosing prior to signing this Agreement. Further, you may within seven (7) calendar days following the date you accept this Agreement, cancel and terminate the Agreement by giving written notice of your intention to revoke the Agreement to your immediate manager, and by returning to P&G any remuneration or benefits that have been advanced to you in anticipation of your not revoking your Agreement and to which you are not entitled. If notice of your revocation is mailed, it must be postmarked within seven (7) calendar days after you sign this Agreement. You agree that any modifications, material or otherwise, made to this Agreement, do not restart or affect in any manner the original up to forty-five (45) calendar day consideration period.

The benefits described in this Agreement and pursuant to the summary plan description for the Procter & Gamble Basic Separation Program for U.S. Employees (see embedded document below), are the special benefits you will receive by signing this Agreement. To the extent this Agreement describes benefits under other benefit plans and policies sponsored by P&G, these special benefits are also described in the summary plan descriptions for those plans. As such, nothing in this Agreement amends or changes the terms of any P&G-sponsored employee benefit plan or policy.

[Embedded SPD, reproduced below]

After your Last Day of Employment, you will no longer be an active P&G employee, which may affect your coverage under those plans and policies. For example, plans may require that you enroll in Medicare to be eligible for coverage. For more information on how not being an active P&G employee may affect your coverage, please refer to and review the summary plan descriptions for each plan.

Procter & Gamble
Basic Separation Program for
U.S. Employees

Summary Plan Description

July 1, 2016

INTRODUCTION

The Procter & Gamble Company ("Company" or "P&G") sponsors The Procter & Gamble Insured-Unfunded Welfare Plan ("Plan"), which includes the Procter & Gamble Basic Separation Program for U.S. Employees ("Program"). Under the Program, the Company provides certain eligible employees with financial support and other benefits upon termination of employment with the Company.

This summary plan description ("SPD") provides the specific terms and conditions of the Program's benefits. You should read this SPD carefully as it gives you a detailed description of the Program, how it works, what benefits it provides, how those benefits may be obtained, and how those benefits may be lost. If this SPD does not answer your questions or if you need further information, contact the Associate Director, NA Employee Relations Manager, The Procter & Gamble Company, P&G Plaza, TN-3, Cincinnati, OH 45202, [email] [phone number].

You may examine the SPD during regular business hours at the Plan Administrator's office and obtain a copy of the SPD by written request to the Plan Administrator. You may be charged a fee to cover copying costs.

BASIC INFORMATION

Plan Name: The Procter & Gamble Basic Separation Program for U.S. Employees ("Basic U.S. Separation Program," "Basic Separation Program," "Program," or "Plan") is a component of the Procter & Gamble Insured-Unfunded Welfare Plan ("Insured-Unfunded Plan").

Effective Date: July 1, 2016

Plan Sponsor: The Procter & Gamble Company, P&G Plaza, Cincinnati, OH 45202

Employer/Sponsor Tax ID: 31-0411980

Plan Number: 556

Plan Year: For purposes of operating the Insured-Unfunded Plan, the plan year is January 1 through December 31. For purposes of financial reporting (i.e., Form 5500 filing), the plan year is July 1 through June 30

Plan Type: The Basic Separation Program provides severance benefits to eligible employees of the Company (and its subsidiaries). The Insured-Unfunded Plan also provides other employee benefits, the terms of which are described in separate summary plan descriptions.

Plan Administrator: The Procter & Gamble U.S. Business Services Company, c/o U.S. Benefits Manager, P&G Plaza, TE-3, Cincinnati, OH 45202, [phone number].

Claims Administrator: The Company's Director of Global Employee Relations (or appropriate delegate) handles initial claims for separation benefits under the Basic Separation Program. The Policy Committee handles appeals.

Plan Administration Type: The Plan Administrator, Employee Relations, and the Policy Committee share responsibility for administering the Basic Separation Program. Other benefits under the Plan (not described in this booklet) are provided through a combination of contract administration, insurer administration, and self-administration.

Plan Funding: The Company provides from its general assets 100% of the funding for the benefits under the Basic Separation Program.

Agent for Legal Service of Process: CT Corporation System, 1300 East 9th Street, Cleveland, OH 44114. Legal

service of process may also be served on the Plan Administrator.

ELIGIBILITY, PARTICIPATION & BENEFITS

Who is Eligible? An individual is eligible for benefits under the Program if the individual is an employee of the Company who is based in the United States. For purposes of the Program, the United States means only the 50 states and the District of Columbia (but not territories of the United States, such as Puerto Rico). An employee is "based" in the United States if the employee's home country (as designated by the Company) is the United States, including an employee who is on an expatriate assignment outside the United States.

What triggers an employee's right to Separation Benefits? An employee of the Company who is otherwise eligible for separation benefits under the Program becomes entitled to such benefits if the Company, acting through its Chief Human Resources Officer or appropriate delegate, and the employee enter into a Negotiated Separation Agreement and the employee signs it. Employees may sign a Negotiated Separation Agreement via electronic signature through the Global Separation System. *IMPORTANT NOTE*: Only the Company can initiate the process of entering a Negotiated Separation Agreement. If the Company wants to provide an employee with an incentive to leave the Company earlier than the employee planned, the Company may choose to initiate the process by offering the employee a Negotiated Separation Agreement.

What is a Negotiated Separation Agreement? For purposes of the Program, a Negotiated Separation Agreement is an agreement between the Company and an employee that provides the terms of an employee's termination of employment from the Company and must include (1) a Release of Claims; (2) a Last Day of Employment agreed to by the Company; and (3) all other necessary provisions in accordance with the Program. A Negotiated Separation Agreement may include some of the benefits listed in Appendix A, all of which are in addition to the normal benefits an employee would already be entitled to upon separation from the Company. For more information on how separating from the Company impacts your benefits, refer to the applicable summary plan descriptions and policies for such benefits.

IMPORTANT NOTE: *Except for certain limited situations involving extenuating circumstances,* the Company will not enter a Negotiated Separation Agreement with an individual who is no longer an employee of the Company.

What if an employee refuses to sign (or signs and later revokes) the Release of Claims? If an employee refuses to sign (or signs and later revokes) the Release of Claims, the employee will be disqualified from receiving any benefits under the Program, to the extent permitted by law and the terms of the Program.

If an employee signs a Negotiated Separation Agreement, when does his or her employment with the Company end? If an employee signs a Negotiated Separation Agreement with the Company, his or her employment with the Company ends at the conclusion of the Last Day of Employment specified in the Negotiated Separation Agreement.

If an employee signs a Negotiated Separation Agreement, when does participation in the Program begin? If an employee signs a Negotiated Separation Agreement with the Company, his or her participation in the Program begins on the day he or she signs the agreement. However, certain Program benefits will not be provided until after an employee's Last Day of Employment.

If an employee signs a Negotiated Separation Agreement, what impact will it have on his or her Company sponsored employee benefits? Except to the extent otherwise described in this document and/or an applicable Negotiated Separation Agreement, the employee benefits for an employee who separates from the Company under the terms of a Negotiated Separation Agreement are impacted in the same manner as other separations from the Company. For example, if an employee signs a Negotiated Separation Agreement, in addition to the normal benefits he or she would otherwise be entitled to after terminating employment, the employee will also be entitled to the benefits specified in the Negotiated Separation Agreement. For more information on how separating from the

Company impacts your benefits, refer to the applicable summary plan descriptions and policies.

IMPORTANT CONSIDERATIONS: Signing a Negotiated Separation Agreement may have a significant impact on your benefits. For example, if you (or your spouse or dependents) are eligible for Medicare, after your Last Day of Employment, P&G medical coverage will be treated as secondary to Medicare, even if you are not enrolled in Medicare. This means that P&G's medical coverage will cover expenses only after Medicare has covered its share of the expenses. If you (or your spouse or dependents) are not enrolled in Medicare, P&G's medical coverage will determine what portion of the expense Medicare would have covered when determining the portion that P&G's medical coverage will pay. This is just one example of how your benefits may be affected by signing a Negotiated Separation Agreement. Therefore, you are encouraged to consult with your family, as well as your legal and financial advisors, before you sign a Negotiated Separation Agreement.

How can an employee who is otherwise eligible for benefits under the Program lose his or her eligibility for such benefits? An employee who is otherwise eligible for benefits under the Program will lose his or her eligibility for such benefits if he or she:

☐ Unilaterally and voluntarily resigns from the Company;[1]

☐ Is terminated from the Company for cause;[2] or

☐ Fails to comply with the terms of the Negotiated Separation Agreement, including, but not limited to, failing to (a) continue working through the Last Day of Employment without prior written approval from the Company, (b) continue to perform all the required duties of the employee's position and complete all required reporting and other documentation associated with such position, as determined by the employee's manager, through the Last Day of Employment, (c) comply with the terms of the non-compete provisions, or (d) return all Company property.

1 If you unilaterally and voluntarily resign from the Company, you will not be eligible for benefits under the Program. For purposes of the Program, if you unilaterally and voluntarily submit an Intent to Retire, the Company will consider such submission to be a unilateral and voluntary resignation.
2 "Cause" means the participant's (a) conviction or plea of guilty, nolo contendere, or no contest, to a felony; (b) willful misconduct; (c) violation of a material written Company policy; or (d) willful and continued failure or refusal to substantially perform essential job functions.

To the extent an employee has received any benefits under this Program and later loses his or eligibility for benefits under this Program, the employee may be required to repay the value of such benefits received.

NON-ASSIGNABILITY OF PLAN BENEFITS

No benefits under this Program may be assigned or transferred by you or any other person entitled to benefits. If any person attempts to assign, sell, or otherwise transfer any benefits under the Program, the Plan Administrator may terminate that person's interest in the benefit and dispose of that interest for the benefit of such person or such person's dependents as it sees fit.

CLAIMS PROCEDURES

The Claims Administrator determines the right of any person to benefits under the Program. If you do not receive a benefit to which you believe you are entitled under the Program, you may file a written claim for benefits with the Claims Administrator. Claims should be sent to: Claims Administrator, Basic Separation Program, The Procter & Gamble Company, c/o Global Employee Relations, P&G Plaza, TN-3, Cincinnati, OH 45202.

The Claims Administrator will process your claim and notify you in writing of its decision within a reasonable time, normally within 90 days after you submitted your written claim. When the Claims Administrator requires additional time (up to an additional 90 days) to process your claim because of special circumstances, it may obtain an extension by notifying you within the initial 90-day period that a decision on the claim will be delayed and when a decision can be expected. If your claim is denied, you will receive a written explanation of the specific findings

and conclusions on which the denial is based.

If you do not agree with the Claims Administrator's decision, you or your authorized representative may appeal the decision to the Policy Committee. Your appeal must be submitted in writing within 60 days after you receive the initial claim decision. Appeals should be sent to: Policy Committee, Basic Separation Program, The Procter & Gamble Company, c/o Corporate Secretary's Office, P&G Plaza, C9-159, Cincinnati, OH 45202.

The Policy Committee will review the decision and issue a final written decision, normally within 60 days after the receipt of your appeal, specifying the reasons for its decision. If special circumstances require an extension, the Policy Committee may obtain such an extension by notifying you within the initial 60-day period that the decision on review of the denied claim will be delayed (for up to an additional 60 days), and why and when a decision can be expected.

The claim and appeal procedures are available to any employee or beneficiary who wishes to submit a claim for benefits or request an appeal. To the extent permitted by law, the Policy Committee's decision on appeal is final, binding, and conclusive as to any fact or interpretation of the Program.

A claim or action to recover benefits, clarify rights under the Program or Plan, or enforce rights under the Program or Plan (collectively, "Action") may not be filed in any court or other forum[3] until these claim procedures have been exhausted with respect to such Action. No Action may be filed in any court or other forum if more than two (2) years has passed since the earlier of (a) the date the first benefit payment was actually made, (b) the date the first benefit payment was allegedly due, (c) for a reimbursement claim, the date on which the expense was incurred, or (d) the date the Plan, the Program, the Company, the Claims Administrator, or the Policy Committee first denied the alleged obligation to provide such benefits. A denial described in (d) above may be made by way of a direct communication with you or a more general oral or written communication related to benefits payable under the Program (such as this summary plan description). If at the end of the two (2) year period described above, the Claims Procedures described above are pending, the deadline for filing an Action will be extended to the date that is 60 calendar days after the final denial (including a deemed denial) by the Policy Committee.

3 If a Negotiated Separation Agreement includes a provision that requires the employee (or former employee) to settle all disputes arising from the Negotiated Separation Agreement through arbitration, then such employee (or former employee) is limited to pursuing such Action in accordance with the terms of such provision (including, but not limited to, whether such arbitration is final and binding).

FUTURE OF THE PROGRAM

Consistent with the terms of the Plan, the Company intends to continue the benefits under this Program indefinitely. However, the Company reserves the right to amend, modify, suspend, or terminate the Program to any extent and in any manner that it may deem advisable at any time or times. Any such action shall be taken by the Board of Directors, or its appropriate delegate, through a formal written statement or through formal action at a Board of Directors meeting.

DEFINITIONS

Last Day of Employment. The Last Day of Employment means the date specified in a Negotiated Separation Agreement as the employee's last day being employed by the Company. The date must be a date to which the Company has agreed and which will be the last day the employee is employed with the Company. If an employee dies after executing a Negotiated Separation Agreement, but before the Last Day of Employment, such employee's Last Day of Employment shall be considered the employee's date of death. All Negotiated Separation Agreements must have a specified Last Day of Employment.

Release of Claims ("Release"). A Release of Claims means a provision in a Negotiated Separation Agreement in which the employee releases legal and other claims against the Company. All Negotiated Separation Agreements must include a Release, which will be in a form approved by the Company. By executing a Negotiated Separation Agreement, an employee also executes and agrees to the terms of the Release therein. Each Release becomes

effective in accordance with its terms.

Regular Retiree. A Regular Retiree means a former employee of the Company who was, on his or her Last Day of Employment, (1) at least 55 years old with his or her full years of age plus full Years of Service equal to at least 75, or (2) at least 60 years old with at least 10 full Years of Service. Regular Retirees are eligible to enroll in retiree medical and dental coverage under The Procter & Gamble Retiree Welfare Benefits Plan ("Retiree Plan"), subject to the terms and conditions of the Retiree Plan, including any amendments to the Retiree Plan. Regular Retirees are automatically enrolled in retiree life insurance benefits under the Retiree Plan when their basic life insurance benefits terminate.

Special Retiree. A Special Retiree means a former employee of the Company who executed a Negotiated Separation Agreement and satisfied the Rule of 70 on his or her Last Day of Employment. The Rule of 70 is satisfied if an employee's full years of age plus full Years of Service equal at least 70. Special Retirees are eligible to enroll in retiree medical and dental coverage under The Procter & Gamble Retiree Welfare Benefits Plan ("Retiree Plan"), subject to the terms and conditions of the Retiree Plan, including any amendments to the Retiree Plan. Special Retirees are automatically enrolled in retiree life insurance benefits under the Retiree Plan when their basic life insurance benefits terminate.

Special Separation. Special Separation means a former employee of the Company who executed a Negotiated Separation Agreement and was neither a Regular Retiree nor a Special Retiree on his or her Last Day of Employment.

Years of Service. Years of Service means an employee's adjusted years of service with the Company, as determined by the Company.

YOUR RIGHTS UNDER ERISA

As a participant in the Plan, you are entitled to certain rights and protection under the Employee Retirement Income Security Act of 1974 ("ERISA"). ERISA provides that all Plan participants shall be entitled to:

☐ Examine without charge, at the Plan Administrator's office and at other specified locations, such as work sites, all documents governing the Plan.

☐ Obtain a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor, which is available at the Public Disclosure Room of the Employee Benefits Security Administration.

☐ Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including insurance contracts and collective bargaining agreements, copies of the latest annual report (Form 5500 Series) and an updated Summary Plan Description. The Plan Administrator may make a reasonable charge for the copies.

☐ Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so responsibly and in the interest of you and other Plan participants and beneficiaries. No one, including your employer, your union or any other person, may terminate your employment or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to

obtain copies of documents relating to the decision without charge and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you make a written request for a copy of Plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator.

If you have a claim for benefits that is denied or ignored, in whole or in part, you may file suit in a state or federal court. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a medical child support order, you may file suit in federal court. If it should happen that the Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S.
Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Your Questions

If you have questions about your Plan, you should contact the Plan Administrator. If you have questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor (listed in your local telephone directory), or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, NW, Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

APPENDIX A:
SEPARATION BENEFITS

The benefits described in this Appendix A are the separation benefits available under the Program. Whether and to what extent you are entitled to any of the benefits below is solely within the Company's discretion, subject to the limitations described below.

SEPARATION PAYMENT	If the Company offers you Separation Payment as part of your Negotiated Separation Agreement, the amount of the Separation Payment will be specified in the terms of your Negotiated Separation Agreement, but shall not exceed the percentage of your Annual Base Pay provided below, based on your full Years of Service. Years of Service % Annual Base Pay 0-2 25.00% 3-4 33.33% 5-9 54.17% 10-14 75.00% 15-19 95.83% 20+ 100.00% Separation Payments are payable in one lump sum, less tax withholding, and are issued as soon as administratively practical (typically, four to six weeks) *after your Last Day of Employment*. Separation Payments are not considered "compensation" for purposes of determining any benefits provided under any pension, savings, or other benefit plan sponsored by the Company.
PAYMENT FOR UNVESTED PST	If you are not fully-vested in the Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan ("PST") as of your Last Day of Employment, as soon as administratively practical after your Last Day of Employment, but no later than the March 15th of the year following the year which includes your Last Day of Employment, you will receive a lump sum payment in an amount substantially equivalent to the non-vested credits in your account in the PST.
EXTENSION OF MEDICAL, DENTAL, AND BASIC LIFE COVERAGE	If you are enrolled in medical, dental, or basic life insurance benefits on your Last Day of Employment, such benefits will be extended through the end of the month in which the Last Day of Employment occurs. If the Company offers you a further extension of these benefits as part of your Negotiated Separation Agreement, the extension period will begin on the day *after your Last Day of Employment* and last for the number of months specified in the terms of your Negotiated Separation Agreement, but such period shall not exceed the number of months provided below, based on your full Years of Service. Years of Service # Months 0-2 3 3-4 4 5-9 6 10-14 9 15+ 12 If the Company offers you a further extension of benefits, you are required to continue paying for those benefits at the same rate you paid while you were employed, but on an after-tax basis. **COBRA:** When your medical and dental benefits terminate after your Last Day of Employment (either at the end of that month or, if provided, at the end of your extension of benefits period) you may be eligible for continuation coverage under COBRA, which generally requires a greater premium payment for coverage. If you are a Regular Retiree or Special Retiree, in addition to COBRA, you will be eligible to enroll in retiree medical, dental, and life insurance coverage under The Procter & Gamble Retiree Welfare Benefits Plan. For more information, see definitions of Regular Retiree and Special Retiree. **Surviving Spouse/Domestic Partner & Dependents:** If you die during an extension of benefits period and your spouse/domestic partner and other dependents were enrolled in P&G medical or dental coverage at the time of your death, they may continue such coverage for 12 months after your death at the same rate on an after-tax basis. This 12-month continuation period begins on the first of the month following the month in which your death occurs. If you are Regular Retiree or Special Retiree, after the 12-month extension of benefits period, your spouse/domestic partner is eligible to enroll in the National Surviving Spouse Program for medical and dental coverage under The Procter & Gamble Retiree Welfare Benefits Plan.
OUTPLACEMENT	Outplacement assistance (including pre-decision counseling, career transition programs, and job development services) is available for up to two years after your Last Day of Employment.
TRAINING	You are eligible to receive reimbursement for the cost of tuition and registration/lab fees at accredited institutions, for up to $5,000 or two years after your Last Day of Employment, whichever comes first. All courses must be approved by Right Management Consultants who administers the benefit.

(Back To Top)

Section 5: EX-31.1 (EXHIBIT 31.1 RULE 13A-14(A)/15D-14(A) CERTIFICATION CHIEF EXECUTIVE OFFICER)

EXHIBIT 31.1

Rule 13a-14(a)/15d-14(a) Certifications

I, David S. Taylor, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of The Procter & Gamble Company;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DAVID S. TAYLOR

(David S. Taylor)

Chairman of the Board, President and Chief Executive Officer

January 23, 2019

Date

(Back To Top)

Section 6: EX-31.2 (EXHIBIT 31.1 RULE 13A-14(A)/15D-14(A) CERTIFICATION CHIEF FINANCIAL OFFICER)

EXHIBIT 31.2

Rule 13a-14(a)/15d-14(a) Certifications

I, Jon R. Moeller, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of The Procter & Gamble Company;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JON R. MOELLER

(Jon R. Moeller)
Vice Chairman and Chief Financial Officer

January 23, 2019

Date

(Back To Top)

Section 7: EX-32.1 (SECTION 1350 CERTIFICATION CHIEF EXECUTIVE OFFICER)

EXHIBIT 32.1

Section 1350 Certifications

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of The Procter & Gamble Company (the “Company”) certifies to his knowledge that:

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended December 31, 2018 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in that Form 10-Q fairly presents, in all material respects, the financial conditions and results of operations of the Company.

/s/ DAVID S. TAYLOR

(David S. Taylor)

Chairman of the Board, President and Chief Executive Officer

January 23, 2019

Date

A signed original of this written statement required by Section 906 has been provided to The Procter & Gamble Company and will be retained by The Procter & Gamble Company and furnished to the Securities and Exchange Commission or its staff upon request.

(Back To Top)

Section 8: EX-32.2 (SECTION 1350 CERTIFICATION-CHIEF FINANCIAL OFFICER)

EXHIBIT 32.2

Section 1350 Certifications

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of The Procter & Gamble Company (the “Company”) certifies to his knowledge that:

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended December 31, 2018 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in that Form 10-Q fairly presents, in all material respects, the financial conditions and results of operations of the Company.

/s/ JON R. MOELLER

(Jon R. Moeller)

Vice Chairman and Chief Financial Officer

January 23, 2019

Date

A signed original of this written statement required by Section 906 has been provided to The Procter & Gamble Company and will be retained by The Procter & Gamble Company and furnished to the Securities and Exchange Commission or its staff upon request.

(Back To Top)