

Section 1: 8-K (FY1516 8-K BEAUTY RECAST)

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act Of 1934

Date of Report (Date of earliest event reported)

October 26, 2015



THE PROCTER & GAMBLE COMPANY

(Exact name of registrant as specified in its charter)

Ohio	1-434	31-0411980
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)
One Procter & Gamble Plaza, Cincinnati, Ohio		45202
(Address of principal executive offices)		Zip Code
(513) 983-1100		45202
(Registrant's telephone number, including area code)		Zip Code

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 8.01 OTHER EVENTS

On July 9, 2015, The Procter & Gamble Company (the "Company" or "P&G") announced the signing of a definitive agreement with Coty, Inc. to divest four product categories, along with select hairstyling brands. The transaction includes P&G's global salon professional hair care and color, retail hair color, cosmetics and fine fragrance categories, along with select hair styling brands, all of which have historically been part of the Company's Beauty reportable segment (previously named Beauty, Hair and Personal Care). The Company expects to complete this transaction in the second half of calendar year 2016, pending regulatory approvals. In accordance with applicable accounting guidance for the disposal of long-lived assets, the results of the affected businesses are reported as discontinued operations beginning with fiscal year 2015-2016 reported results and, as such, are excluded from both continuing operations and segment results. Additionally, the balance sheet positions for the affected businesses as of September 30, 2015 are presented as held for sale in the Consolidated Balance Sheets.

The above changes are reflected in the consolidated financial statements and segment reporting beginning in the first quarter (July - September period) of fiscal year 2015-2016, starting with the Form 10-Q filed on October 23, 2015 for the three-month period ending September 30, 2015. Reporting changes for the above items have been reflected for all historical periods presented.

In this Form 8-K, the Company is providing revised Selected Financial Data, a revised Management's Discussion and Analysis ("MD&A") and consolidated financial statements and notes thereto for the years ended June 30, 2015, 2014 and 2013 to revise the disclosures for those periods to reflect the discontinued operations reporting for the affected Beauty businesses. The revised Selected Financial Data, MD&A and consolidated financial statements otherwise continue to speak as of the date of the filing of the Form 10-K for the fiscal year ended June 30, 2015 (the "2015 10-K") with the Securities and Exchange Commission ("SEC") and have not been updated for events or developments that occurred subsequent to such filing. For developments since the filing of the 2015 10-K, please refer to the Company's Form 10-Q for the quarter ended September 30, 2015 and the Company's Forms 8-K filed since August 7, 2015, the filing date of the 2015 10-K.

SIGNATURE

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

THE PROCTER & GAMBLE COMPANY

By /s/ SUSAN S. WHALEY

Susan S. Whaley
Assistant Secretary
October 26, 2015

EXHIBITS

99.1	Revised Selected Financial Data
99.2	Revised Management's Discussion and Analysis
99.3	Revised Consolidated Financial Statements and Accompanying Footnotes
99.4	Updated Report of the Independent Registered Public Accountant
99.5	Selected Financial Information & Non-GAAP Measures
23	Consent of Independent Registered Public Accounting Firm
101.INS (1)	XBRL Instance Document
101.SCH (1)	XBRL Taxonomy Extension Schema Document
101.CAL (1)	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF (1)	XBRL Taxonomy Definition Linkbase Document
101.LAB (1)	XBRL Taxonomy Extension Label Linkbase Document
101.PRE (1)	XBRL Taxonomy Extension Presentation Linkbase Document

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

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Section 2: EX-23.0 (EXHIBIT 23.0 CONSENT OF IND REG PUBLIC ACCTG FIRM)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following documents of our report dated August 7, 2015 (October 26, 2015 as to the effects of the Beauty Brands divestiture described in Note 13), relating to the consolidated financial statements of The Procter & Gamble Company and subsidiaries, appearing in this Current Report on Form 8-K of The Procter & Gamble Company and subsidiaries dated October 26, 2015.

1. Post-Effective Amendment No. 1 to Registration Statement No. 33-49289 on Form S-8 for The Procter & Gamble 1992 Stock Plan;
2. Registration Statement No. 33-47656 on Form S-8 for The Procter & Gamble International Stock Ownership Plan;
3. Registration Statement No. 33-50273 on Form S-8 for The Procter & Gamble Commercial Company Employees' Savings Plan;
4. Registration Statement No. 33-51469 on Form S-8 for The Procter & Gamble 1993 Non-Employee Directors' Stock Plan;
5. Registration Statement No. 333-05715 on Form S-8 for The Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan;
6. Post-Effective Amendment No. 2 to Registration Statement No. 33-59257 on Form S-3 for The Procter & Gamble Shareholder Investment Program;
7. Registration Statement No. 333-14381 on Form S-8 for Profit Sharing Retirement Plan of The Procter & Gamble Commercial Company;
8. Registration Statement No. 333-14397 on Form S-8 for Procter & Gamble Subsidiaries Savings Plan;
9. Registration Statement No. 333-21783 on Form S-8 for The Procter & Gamble 1992 Stock Plan (Belgian Version);
10. Registration Statement No. 333-37905 on Form S-8 for The Procter & Gamble Future Shares Plan;
11. Registration Statement No. 333-51213 on Form S-8 for Group Profit Sharing, Incentive, and Employer Contribution Plan (France);
12. Registration Statement No. 333-51219 on Form S-8 for Procter & Gamble Ireland Employees Share Ownership Plan;
13. Registration Statement No. 333-51221 on Form S-8 for Employee Stock Purchase Plan (Japan);
14. Registration Statement No. 333-51223 on Form S-8 for Savings and Thrift Plan (Saudi Arabia);
15. Registration Statement No. 333-34606 on Form S-8 for The Procter & Gamble Future Shares Plan;
16. Registration Statement No. 333-40264 on Form S-8 for Savings and Thrift Plan Saudi Arabia;
17. Registration Statement No. 333-44034 on Form S-8 for The Procter & Gamble International Stock Ownership Plan;
18. Registration Statement No. 333-47132 on Form S-8 for Employee Stock Purchase Plan (Japan);
19. Registration Statement No. 333-49764 on Form S-3 for The Procter & Gamble U.K. Share Investment Scheme;
20. Registration Statement No. 333-75030 on Form S-8 for The Procter & Gamble 2001 Stock and Incentive Compensation Plan;
21. Registration Statement No. 333-100561 on Form S-8 for The Procter & Gamble (U.K.) 1-4-1 Plan;
22. Registration Statement No. 333-108753 on Form S-8 for The Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan;
23. Registration Statement No. 333-108991 on Form S-8 for The Procter & Gamble 1992 Stock Plan (Belgian Version);
24. Registration Statement No. 333-108992 on Form S-8 for Savings and Thrift Plan (Saudi Arabia);
25. Registration Statement No. 333-108993 on Form S-8 for Employee Stock Purchase Plan (Japan);
26. Registration Statement No. 333-108994 on Form S-8 for Procter & Gamble Ireland Employees Share Plan;
27. Registration Statement No. 333-108995 on Form S-8 for Group Profit Sharing, Incentive, and Employer Contribution Plan (France);

28. Registration Statement No. 333-108997 on Form S-8 for The Procter & Gamble International Stock Ownership Plan;
29. Registration Statement No. 333-108998 on Form S-8 for The Procter & Gamble 1993 Non-Employee Directors' Stock Plan;
30. Registration Statement No. 333-108999 on Form S-8 for The Procter & Gamble 1992 Stock Plan;
31. Registration Statement No. 333-111304 on Form S-8 for The Procter & Gamble 2003 Non-Employee Directors' Stock Plan;
32. Registration Statement No. 333-111305 on Form S-8 for The Procter & Gamble U.K. Share Investment Scheme;
33. Amendment No. 1 to Registration Statement No. 333-113515 on Form S-3 for The Procter & Gamble Company Debt Securities and Warrants;
34. Amendment No. 3 to Registration Statement No. 333-123309 on Form S-4 for The Procter & Gamble Company;
35. Registration Statement No. 333-128859 on Form S-8 for certain employee benefit plans of The Gillette Company (2004 Long-Term Incentive Plan of The Gillette Company; 1971 Stock Option Plan of The Gillette Company; James M. Kilts Non-Statutory Stock Option Plan; The Gillette Company Employees' Savings Plan; The Gillette Company Supplemental Savings Plan; The Gillette Company Global Employee Stock Ownership Plan (GESOP));
36. Registration Statement No. 333-143801 on Form S-8 for The Procter & Gamble Savings Plan;
37. Registration Statement No. 333-145938 on Form S-3 for The Procter & Gamble Company and Procter & Gamble International Funding SCA;
38. Registration Statement No. 333-155046 on Form S-8 for Employee Stock Purchase Plan (Japan);
39. Registration Statement No. 333-156032 on Form S-3 for The Procter & Gamble U.K. Share Investment Scheme;
40. Registration Statement No. 333-156033 on Form S-3 for The Procter & Gamble Shareholder Investment Program;
41. Registration Statement No. 333-161725 on Form S-8 for The Procter & Gamble Savings Plan;
42. Registration Statement No. 333-161767 on Form S-3 for The Procter & Gamble Company and Procter & Gamble International Funding SCA;
43. Registration Statement No. 333-164612 on Form S-8 for The Procter & Gamble 2009 Stock and Incentive Compensation Plan;
44. Registration Statement No. 333-177760 on Form S-3 for The Procter & Gamble Shareholder Investment Program;
45. Registration Statement No. 333-177762 on Form S-3 for The Procter & Gamble Company and Procter & Gamble International Funding SCA;
46. Registration Statement No. 333-177878 on Form S-3 for The Procter & Gamble U.K. Share Investment Scheme;
47. Registration Statement No. 333-192841 on Form S-8 for The Procter & Gamble 1992 Stock Plan (Belgian Version);
48. Registration Statement No. 333-192867 on Form S-8 for The Procter & Gamble 2013 Non-Employee Directors' Stock Plan;
49. Registration Statement No. 333-199592 on Form S-8 for The Procter & Gamble 2014 Stock and Incentive Compensation Plan;
50. Registration Statement No. 333-199594 on Form S-3 for The Procter & Gamble Company and Procter & Gamble International Funding SCA;
51. Registration Statement No. 333-199595 on Form S-3 for The Procter & Gamble Shareholder Investment Program; and
52. Registration Statement No. 333-199613 on Form S-3 for The Procter & Gamble U.K. Share Investment Scheme.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio
October 26, 2015

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Section 3: EX-99.1 (EXHIBIT 99.1 REVISED SELECTED FINANCIAL DATA)

EXHIBIT (99.1) Revised Selected Financial Data

The information required by this item is incorporated by reference to Note 1 and Note 12 to our Consolidated Financial Statements.

Financial Summary (Unaudited)

Amounts in millions, except per share amounts	2015 ⁽²⁾	2014	2013	2012	2011	2010
Net sales	\$ 70,749	\$ 74,401	\$ 73,910	\$ 73,138	\$ 70,464	\$ 66,810
Gross profit	33,693	35,371	35,858	35,254	35,110	34,263
Operating income	11,049	13,910	13,051	12,495	13,849	14,001
Net earnings from continuing operations	8,287	10,658	10,346	8,864	10,509	9,635
Net earnings/(loss) from discontinued operations	(1,143)	1,127	1,056	2,040	1,418	3,211
Net earnings attributable to Procter & Gamble	7,036	11,643	11,312	10,756	11,797	12,736
Net earnings margin from continuing operations	11.7%	14.3%	14.0%	12.1%	14.9%	14.4%
Basic net earnings per common share: ⁽¹⁾						
Earnings from continuing operations	\$ 2.92	\$ 3.78	\$ 3.65	\$ 3.08	\$ 3.62	\$ 3.21
Earnings/(loss) from discontinued operations	(0.42)	0.41	0.39	0.74	0.50	1.11
Basic net earnings per common share	\$ 2.50	\$ 4.19	\$ 4.04	\$ 3.82	\$ 4.12	\$ 4.32
Diluted net earnings per common share: ⁽¹⁾						
Earnings from continuing operations	\$ 2.84	\$ 3.63	\$ 3.50	\$ 2.97	\$ 3.46	\$ 3.08
Earnings/(loss) from discontinued operations	(0.40)	0.38	0.36	0.69	0.47	1.03
Diluted net earnings per common share	\$ 2.44	\$ 4.01	\$ 3.86	\$ 3.66	\$ 3.93	\$ 4.11
Dividends per common share	\$ 2.59	\$ 2.45	\$ 2.29	\$ 2.14	\$ 1.97	\$ 1.80
Research and development expense	\$ 1,991	\$ 1,910	\$ 1,867	\$ 1,874	\$ 1,812	\$ 1,733
Advertising expense	7,180	7,867	8,188	7,839	7,713	7,060
Total assets	129,495	144,266	139,263	132,244	138,354	128,172
Capital expenditures	3,736	3,848	4,008	3,964	3,306	3,067
Long-term debt	18,327	19,807	19,111	21,080	22,033	21,360
Shareholders' equity	63,050	69,976	68,709	64,035	68,001	61,439

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

⁽²⁾ Our 2015 net sales were negatively impacted by approximately \$4.4 billion of unfavorable foreign exchange fluctuation compared to 2014. Net earnings attributable to Procter & Gamble in 2015 were negatively impacted by approximately \$1.4 billion due to foreign exchange, \$2.1 billion of non-cash impairment charges related to the Batteries business reported in discontinued operations and a \$2.1 billion Venezuelan deconsolidation charge. These impacts are discussed more fully in "Summary of 2015 Results" and "Results of Operations" of the MD&A (Exhibit 99.2).

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Section 4: EX-99.2 (EXHIBIT 99.2 REVISED MD&A)

EXHIBIT (99.2) Revised Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis

Forward-Looking Statements

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report, including, without limitation, in the following sections: "Management's Discussion and Analysis" and "Risk Factors." These forward-looking

and adjusted free cash flow productivity. Organic sales growth is net sales growth excluding the impacts of foreign exchange, acquisitions and divestitures. Core EPS is diluted net earnings per share from continuing operations excluding certain specified charges and gains. Free cash flow is operating cash flow less capital spending. Adjusted free cash flow is free cash flow excluding tax payments for the Pet Care divestiture. Adjusted free cash flow productivity is the ratio of adjusted free cash flow to net earnings excluding impairment charges on the Batteries business and the Venezuelan deconsolidation charge. We believe these measures provide our investors with additional information about our underlying results and trends, as well as insight to some of the metrics used to evaluate management. The explanation at the end of the MD&A provides more details on the use and

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 that are subject to risks and uncertainties which may cause actual results to differ materially from those expressed or implied in the forward-looking statements. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in the section titled “Economic Conditions and Uncertainties” and the section titled “Risk Factors” (Item 1A of Form 10-K). Forward-looking statements are made as of the date of this report, and we undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events or otherwise.

The following Management's Discussion and Analysis (MD&A) is intended to provide the reader with an understanding of P&G'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 2015 Results
- Economic Conditions and Uncertainties
- Results of Operations
- Segment Results
- Cash Flow, Financial Condition and Liquidity
- Significant Accounting Policies and Estimates
- Other Information

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

derivation of these measures.

Management also uses certain market share and market consumption estimates to evaluate performance relative to competition despite some limitations on the availability and comparability of share and consumption information. References to market share and market consumption in the MD&A are based on a combination of vendor-reported consumption and market size data, as well as internal estimates. All market share references represent the percentage of sales in dollar terms on a constant currency basis of our products, relative to all product sales in the category and are measured on an annual basis versus the prior 12-month period. References to competitive activity include promotional and product initiatives from our competitors.

OVERVIEW

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

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

ORGANIZATIONAL STRUCTURE

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

Global Business Units

Our Global Business Units (GBUs) are organized into four industry-based sectors, comprised of 1) Global Beauty, 2) Global Health and Grooming, 3) Global Fabric and Home Care and 4) Global Baby, Feminine and Family Care. Under U.S. GAAP, the GBUs underlying the four sectors are aggregated into five reportable segments: Beauty; Grooming; Health Care; Fabric Care and Home Care; and Baby, Feminine and Family Care. The GBUs are responsible for developing overall brand strategy, new product upgrades and innovations and marketing plans. The following provides additional detail on our reportable segments and the key product categories and brand composition within each segment.

Reportable Segment	% of Net Sales*	% of Net Earnings*	GBUs (Categories)	Billion Dollar Brands
Beauty	18%	20%	Skin and Personal Care (Antiperspirant and Deodorant, Personal Cleansing, Skin Care); Hair Care	Head & Shoulders, Olay, Pantene, SK-II
Grooming	10%	17%	Shave Care (Female Blades & Razors, Male Blades & Razors, Pre- and Post-Shave Products, Other Shave Care); Electronic Hair Removal	Fusion, Gillette, Mach3, Prestobarba
Health Care	11%	11%	Personal Health Care (Gastrointestinal, Rapid Diagnostics, Respiratory, Vitamins/Minerals/Supplements, Other Personal Health Care); Oral Care (Toothbrush, Toothpaste, Other Oral Care)	Crest, Oral-B, Vicks
Fabric Care and Home Care	32%	25%	Fabric Care (Laundry Additives, Fabric Enhancers, Laundry Detergents); Home Care (Air Care, Dish Care, P&G Professional, Surface Care)	Ariel, Dawn, Downy, Febreze, Gain, Tide
Baby, Feminine and Family Care	29%	27%	Baby Care (Baby Wipes, Diapers and Pants); Feminine Care (Adult Incontinence, Feminine Care); Family Care (Paper Towels, Tissues, Toilet Paper)	Always, Bounty, Charmin, Pampers

* Percent of net sales and net earnings from continuing operations for the year ended June 30, 2015 (excluding results held in Corporate).

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

In August 2014, the Company announced a plan to significantly streamline our product portfolio by divesting, discontinuing or consolidating about 100 non-strategic brands. The resulting portfolio of about 65 key brands will retain about 85% of sales and 95% of before-tax profit.

On July 9, 2015, the Company announced the signing of a definitive agreement with Coty, Inc. to divest four product categories, including 43 of its beauty brands to Coty Inc. Coty's offer was \$12.5 billion. The final value of the transaction will be determined at closing. Based on Coty's stock price and outstanding shares and equity grants as of the date of signing,

the value of the transaction was approximately \$15.0 billion. While the ultimate form of the transaction has not yet been decided, the Company's current preference is for a Reverse Morris Trust split-off transaction in which P&G shareholders could elect to participate in an exchange offer to exchange P&G shares for Coty shares.

The transaction includes P&G's global salon professional hair care and color, retail hair color, cosmetics and fine fragrance categories, along with select hair styling brands, all of which have historically been part of the Company's Beauty reportable segment (previously named Beauty, Hair and Personal Care) and had net sales of \$5.5 billion in fiscal year 2015. The Company expects to complete this transaction in the second half of calendar year 2016. The results of the affected beauty businesses are now presented as discontinued operations and, as such, are excluded from both continuing operations and segment results for all periods presented. Additionally, the affected Beauty businesses balance sheet positions as of June 30, 2015 and June 30, 2014 are presented as held for sale in the Consolidated Balance Sheets.

On November 13, 2014, the Company announced that it plans to divest the Batteries business via a split transaction with Berkshire Hathaway valued at \$2.9 billion, in which it will exchange a recapitalized Duracell Company for Berkshire Hathaway's shares of Procter & Gamble stock. The Company

had previously sold its controlling interest in a China-based batteries joint venture, which represented the balance of the Company's Batteries business, during the quarter ended December 31, 2014. The Company expects to complete the Duracell transaction in the beginning of calendar year 2016, pending necessary regulatory approvals. The Batteries business had historically been part of the Company's Fabric Care and Home Care reportable segment. The results of the Batteries business are now presented as discontinued operations and, as such, are excluded from both continuing operations and segment results for all periods presented. Additionally, the Batteries balance sheet positions as of June 30, 2015 are presented as held for sale in the Consolidated Balance Sheets.

During fiscal 2015, the Company completed the divestiture of its Pet Care business. The gain on the transaction was not material. The results of the Pet Care business are now presented as discontinued operations and, as such, are excluded from both continuing operations and segment results for all periods presented. Additionally, the Pet Care balance sheet positions as of June 30, 2014 are presented as held for sale in the Consolidated Balance Sheets.

With these transactions and other recently completed and announced minor brand divestitures, the Company will have substantially completed the strategic portfolio reshaping program with 93 out of approximately 100 brands having been sold, discontinued or consolidated.

Beauty: We are a global market leader in the beauty category. Most of the beauty markets in which we compete are highly fragmented with a large number of global and local competitors. We compete in beauty care and hair care. In beauty care, we offer a wide variety of products, ranging from deodorants to personal cleansing to skin care, such as our Olay brand, which is the top facial skin care brand in the world with over 8% global market share. In hair care, we compete in the retail channel. We are the global market leader in the retail hair care market with nearly 25% global market share primarily behind our Pantene and Head & Shoulders brands.

Grooming: We are the global market leader in the blades and razors market. Our global blades and razors market share is over 65%, primarily behind the Gillette franchise including Fusion, Mach3, Prestobarba and Venus. Our electronic hair removal devices, such as electric razors and epilators, are sold under the Braun brand in a number of markets around the world where we compete against both global and regional competitors. We hold over 20% of the male shavers market and nearly 50% of the female epilators market.

Health Care: We compete in oral care and personal health care. In oral care, there are several global competitors in the market and we have the number two market share position with approximately 20% global market share. In personal health care, we are a top ten competitor in a large, highly fragmented industry behind respiratory treatments (Vicks brand) and nonprescription heartburn medications (Prilosec OTC brand). Nearly all of our sales outside the U.S. in personal health care are generated through the PGT Healthcare partnership with Teva Pharmaceuticals Ltd.

Fabric Care and Home Care: This segment is comprised of a variety of fabric care products including laundry detergents, additives and fabric enhancers; and home care products including dishwashing liquids and detergents, surface cleaners and air fresheners. In fabric care, we generally have the number one or number two share position in the markets in which we compete and are the global market leader with approximately 30% global market share, primarily behind our Tide, Ariel and Downy brands. Our global home care market share is approximately 20% across the categories in which we compete.

Baby, Feminine and Family Care: In baby care, we compete mainly in diapers, pants and baby wipes with over 30% global market share. We are the number one or number two baby care competitor in most of the key markets in which we compete, primarily behind Pampers, the Company's largest brand, with annual net sales of approximately \$10 billion. We are the global market leader in the feminine care category with approximately 30% global market share, primarily behind Always. We have recently entered the adult incontinence category in certain markets, achieving nearly a 10% market share in those markets where we have entered. Our family care business is predominantly a North American business comprised largely of the Bounty paper towel and Charmin toilet paper brands. U.S. market shares are nearly 45% for Bounty and over 25% for Charmin.

Selling and Market Operations

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

Global Business Services

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

Corporate Functions

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

STRATEGIC FOCUS

We are focused on strategies that we believe are right for the long-term health of the Company with the objective of delivering total shareholder return in the top one-third of our peer group.

Our value creation progress is measured internally with the operating total shareholder return (O-TSR) model. Over time, O-TSR performance is highly correlated with market total shareholder returns. O-TSR is a balanced measure that requires

strong performance across the three primary drivers of value creation: sales growth, profit margin expansion and efficient utilization of assets to generate strong, reliable operating cash flow. We operationalize O-TSR deep within the Company by defining tight linkages between business activities and the key drivers of value creation, from strategic choices of global business units, brands and country teams down to individual employees' daily work plans.

The Company has recently undertaken an effort to focus and strengthen its business portfolio to compete in categories and brands that are structurally attractive and that play to P&G strengths. This will enable us to allocate resources to leading brands - marketed in the right set of countries, channels and customers - where the size of the prize and probability of winning is highest. When the major portion of this work is complete, we expect to compete in four industry-based sectors made up of approximately ten product categories and 65 leading brands.

Innovation has always been - and continues to be - P&G's lifeblood. To consistently win with consumers around the world across price tiers and preferences and to consistently win versus our best competitors, each P&G product category needs a full portfolio of innovation, including a mix of commercial programs, product improvements and game-changing innovations. We are also innovating to improve our category,

brand and market business models to better serve consumers and customers.

Productivity is a core strength for P&G, which creates flexibility to fund our growth efforts, offset cost challenges and/or improve operating margins. We have taken significant steps to accelerate productivity and savings across all elements of costs, including cost of goods sold, marketing expense and non-manufacturing overhead. These efforts are yielding significant benefits to our operating margin.

Finally, we are focused on improving execution and operating discipline in everything we do. Operating discipline and execution have always been - and must continue to be - core capabilities and competitive advantages for P&G.

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

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

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

SUMMARY OF 2015 RESULTS

<u>Amounts in millions, except per share amounts</u>	2015	Change vs. Prior Year	2014	Change vs. Prior Year	2013
Net sales	\$ 70,749	(5)%	\$ 74,401	1%	\$ 73,910
Operating income	11,049	(21)%	13,910	7%	13,051
Net earnings from continuing operations	8,287	(22)%	10,658	3%	10,346
Net earnings/(loss) from discontinued operations	(1,143)	(201)%	1,127	7%	1,056
Net earnings attributable to Procter & Gamble	7,036	(40)%	11,643	3%	11,312
Diluted net earnings per common share	2.44	(39)%	4.01	4%	3.86
Diluted net earnings per share from continuing operations	2.84	(22)%	3.63	4%	3.50
Core earnings per common share	3.76	(2)%	3.85	5%	3.65

- Net sales decreased 5% to \$70.7 billion including a negative 6% impact from foreign exchange.
 - Organic sales increased 2%.
 - Unit volume decreased 1%. Volume grew low single digits in Fabric Care and Home Care. Volume decreased low single digits in Baby, Feminine and Family Care, Grooming, Health Care and Beauty.
- Net earnings from continuing operations decreased \$2.4 billion or 22% due to a \$2.1 billion after tax charge related to the deconsolidation of our Venezuelan subsidiaries and the decline in net sales, partially offset by reduced selling, general and administrative expenses (SG&A). Foreign exchange impacts negatively affected net earnings by approximately 11%.
- Net earnings from discontinued operations decreased \$2.3 billion due primarily to impairment charges in our

Batteries business, which is included in discontinued operations due to the pending divestiture.

- Net earnings attributable to Procter & Gamble were \$7.0 billion, a decrease of \$4.6 billion or 40% versus the prior year period due primarily to the Venezuelan deconsolidation charge and impairment charges in our Batteries business.
- Diluted net earnings per share decreased 39% to \$2.44.
 - Diluted net earnings per share from continuing operations decreased 22% to \$2.84.
 - Core EPS decreased 2% to \$3.76.
- Cash flow from operating activities was \$14.6 billion.
 - Adjusted free cash flow was \$11.6 billion.
 - Adjusted free cash flow productivity was 102%.

ECONOMIC CONDITIONS AND UNCERTAINTIES

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

Global Economic Conditions. Current macroeconomic factors remain dynamic, and any causes of market size contraction, such as greater political unrest in the Middle East and Eastern Europe, further economic instability in the European Union, political instability in certain Latin American markets and economic slowdowns in Japan and China, could reduce our sales or erode our operating margin, in either case reducing our earnings.

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

Foreign Exchange. We have both translation and transaction exposure to the fluctuation of exchange rates. Translation exposures relate to exchange rate impacts of measuring income statements of foreign subsidiaries that do not use the U.S. dollar as their functional currency. Transaction exposures relate to 1) the impact from input costs that are denominated in a currency other than the local reporting currency and 2) the revaluation of transaction-related working capital balances denominated in currencies other than the functional currency. In 2015 and 2014, the U.S. dollar has strengthened versus a number of foreign currencies leading to lower sales and earnings from these foreign exchange impacts. Certain

countries experiencing significant exchange rate fluctuations, like Russia, Ukraine, Japan and Switzerland, have had, and could have, an additional significant impact on our sales, costs and earnings. Increased pricing in response to these fluctuations in foreign currency exchange rates may offset portions of the currency impacts, but could also have a negative impact on consumption of our products, which would affect our sales.

Government Policies. Our net earnings could be affected by changes in U.S. or foreign government tax policies. For example, the U.S. is considering corporate tax reform that may significantly impact the corporate tax rate and change the U.S. tax treatment of international earnings. Additionally, we attempt to carefully manage our debt and currency exposure in certain countries with currency exchange, import authorization and pricing controls, such as Argentina, China, Egypt, Greece, India, Nigeria, Ukraine and Venezuela. Changes in government policies in these areas might cause an increase or decrease in our sales, operating margin and net earnings. During fiscal 2015, the Company deconsolidated its Venezuelan subsidiaries due to evolving conditions that have resulted in an other-than-temporary lack of exchangeability between the Venezuelan bolivar and U.S. dollar and have restricted our ability to pay dividends and satisfy certain other obligations denominated in U.S. dollars.

RESULTS OF OPERATIONS

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

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

Overhead costs are also variable in nature, but on a relative basis, less so than marketing costs due to our ability to leverage our organization and systems infrastructures to support business growth. Accordingly, we generally experience more scale-related impacts for these costs.

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

Net Sales

Fiscal year 2015 compared with fiscal year 2014

Net sales decreased 5% to \$70.7 billion in 2015 on a 1% decrease in unit volume versus the prior year period. Volume grew low single digits in Fabric Care and Home Care. Volume decreased low single digits in Baby, Feminine and Family Care, Grooming, Health Care and Beauty. Volume increased low single digits in developed regions and declined low single digits in developing regions due, in part, to pricing actions to address foreign exchange devaluations. Unfavorable foreign

exchange reduced net sales by 6%, while higher pricing drove a 2% favorable impact on net sales. Favorable product mix impact of 1% was offset by acquisition and divestiture activity. Organic volume decreased 1% and organic sales grew 2% driven by higher pricing.

Fiscal year 2014 compared with fiscal year 2013

Net sales increased 1% to \$74.4 billion in 2014 on a 3% increase in unit volume versus the prior year period. Fabric Care and Home Care along with Baby, Feminine and Family Care volume grew mid-single digits. Beauty, Grooming and Health Care volume grew low single digits. Volume increased low single digits in developed regions and grew mid-single digits in developing regions. Unfavorable foreign exchange reduced net sales by 3%. Organic sales grew 3% driven by the unit volume increase. A 1% favorable impact from higher pricing was offset by a 1% impact from unfavorable geographic and product mix due to higher relative growth of developing regions, which have lower than average selling prices, and of lower priced product categories such as Fabric Care and Baby Care.

Operating Costs

Comparisons as a percentage of net sales: Years ended June 30	2015	Basis Point Change	2014	Basis Point Change	2013
Gross margin	47.6%	10	47.5%	(100)	48.5%
Selling, general and administrative expense	29.1%	30	28.8%	(160)	30.4%
Operating margin	15.6%	(310)	18.7%	100	17.7%
Earnings from continuing operations before income taxes	15.6%	(260)	18.2%	10	18.1%
Net earnings from continuing operations	11.7%	(260)	14.3%	30	14.0%
Net earnings attributable to Procter & Gamble	9.9%	(570)	15.6%	30	15.3%

Fiscal year 2015 compared with fiscal year 2014

Gross margin increased 10 basis points to 47.6% of net sales in 2015. Gross margin benefited from a 200 basis point impact from manufacturing cost savings and a 90 basis point benefit from higher pricing. These impacts were partially offset by a 110 basis point impact from unfavorable geographic and product mix, primarily from declines in the higher than average margin Beauty and Grooming segments as well as within the Fabric Care and Home Care and Grooming segments. Additional offsets include a 50 basis point impact from unfavorable foreign exchange, a 40 basis point impact from costs related to initiatives and capacity investments, a 30 basis point impact from higher restructuring costs and smaller impacts from lower volume scale and higher commodity costs.

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

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

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

Fiscal year 2014 compared with fiscal year 2013

Gross margin contracted 100 basis points to 47.5% of net sales in 2014. The decrease in gross margin was primarily driven by a 150 basis point impact from unfavorable geographic and product mix, a 50 basis point impact from higher commodity costs and a 90 basis point impact from unfavorable foreign exchange, partially offset by manufacturing cost savings of 190 basis points and a 40 basis point benefit from higher pricing. The unfavorable geographic and product mix was caused by disproportionate growth in developing regions and the Fabric Care and Home Care and Baby, Feminine and Family Care segments, which have lower gross margins than the Company average.

Total SG&A decreased 5% to \$21.5 billion in 2014 due to a reduction in marketing spending, overhead expense, impairment charges and restructuring costs. SG&A as a percentage of net sales decreased 160 basis points to 28.8%. Marketing spending as a percentage of net sales decreased 80 basis points primarily due to lower spending behind a focus on more efficient marketing support and scale benefits from increased net sales. Overhead spending decreased 50 basis points from productivity savings. Impairment charges were 40 basis points in 2013, but were zero in 2014. Lower restructuring spending drove 20 basis points of the decline. Charges for the 2014 foreign currency policy changes in Venezuela were comparable to the 2013 Venezuela devaluation impact.

During fiscal 2013, we incurred impairment charges of \$308 million (\$290 million after tax) related to the carrying value of goodwill in our Appliances business and the related Braun trade name intangible asset.

Non-Operating Items

Fiscal year 2015 compared with fiscal year 2014

Interest expense was \$626 million in 2015, a decrease of \$83 million versus the prior year due to lower average debt balances and a decrease in weighted average interest rates. Interest income was \$149 million in 2015, an increase of \$50 million versus the prior year due to an increase in cash, cash equivalents and investment securities. Other non-operating income, net, primarily includes divestiture gains and investment income. Other non-operating income increased \$231 million to \$440 million, primarily due to minor brand divestiture gains. In 2015, we had approximately \$340 million in minor brand divestiture gains, including Zest, Camay, Fekkai and Wash & Go hair care brands and Vaposteam. The prior year acquisition and divestiture activities included approximately \$150 million in divestiture gains, primarily related to the sale of our bleach businesses in Europe, IMEA and Latin America, our Pert hair care business in Latin America and MDVIP.

Fiscal year 2014 compared with fiscal year 2013

Interest expense increased 6% in 2014 to \$709 million, primarily due to an increase in average debt outstanding. Interest income was \$99 million in 2014, an increase of \$14 million versus the prior year due to an increase in cash, cash equivalents and investment securities. Other non-operating income, net, primarily includes divestiture gains and

investment income. Other non-operating income decreased \$731 million to \$209 million, primarily due to acquisition and divestiture impacts. In 2014, we had approximately \$150 million in divestiture gains, primarily related to the sale of our bleach businesses in Europe, IMEA and Latin America, our Pert hair care business in Latin America and MDVIP. The 2013 acquisition and divestiture activities included a \$631 million holding gain resulting from P&G's purchase of the balance of its Baby Care and Feminine Care joint venture in Iberia and an approximate \$250 million gain from the divestiture of our Italy bleach business.

Income Taxes

Fiscal year 2015 compared with fiscal year 2014

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

Fiscal year 2014 compared with fiscal year 2013

The effective tax rate on continuing operations decreased 170 basis points to 21.1% in 2014. The primary driver of this rate decline was approximately 320 basis points from the favorable geographic mix of earnings and approximately 60 basis points due to the non-deductibility of the 2013 impairment charges related to our Appliances business. These impacts were partially offset by a 50 basis point increase due to the Venezuela currency policy changes and devaluation discussed below (which decreased the prior year rate 20 basis points and increased the current year rate by 30 basis points), a 110 basis point increase due to the tax impacts of acquisition and divestiture activities (the gains from the purchase of the balance of the Baby Care and Feminine Care joint venture in Iberia and the sale of our Italy bleach business in 2013) and a 30 basis point increase due to the net impact of favorable discrete adjustments related to uncertain income tax positions. The net benefit 2014 was \$228 million, or 160 basis points, versus 190 basis points of net benefit in 2013.

Net Earnings

Fiscal year 2015 compared with fiscal year 2014

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

Net earnings from discontinued operations decreased \$2.3 billion in 2015 due primarily to \$2.1 billion of after tax

impairment charges in our Batteries business (see Note 2 to the Consolidated Financial Statements) and the absence of fiscal 2015 earnings from our divested Pet Care business. Net earnings attributable to Procter & Gamble decreased \$4.6 billion, or 40% to \$7.0 billion.

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

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

Fiscal year 2014 compared with fiscal year 2013

Net earnings from continuing operations increased \$312 million or 3% to \$10.7 billion in 2014 due to the increase in sales and a 30-basis point expansion in net earnings margin. The increase in net earnings margin was primarily driven by the decrease in SG&A as a percentage of net sales and the lower tax rate, partially offset by the gross margin contraction and the acquisition and divestiture-driven net reduction in other non-operating income, net.

Net earnings from discontinued operations increased \$71 million in 2014 due to lower restructuring costs in our affected Beauty businesses and stronger results in our Batteries business, partially offset by the ongoing impacts of prior year product recalls in Pet Care. Net earnings attributable to Procter & Gamble increased \$331 million, or 3% to \$11.6 billion.

Diluted net earnings per share from continuing operations increased 4% to \$3.63 primarily due to the increase in net earnings. Diluted net earnings per share from discontinued operations were \$0.38 due to the earnings of the affected Beauty businesses, Batteries and Pet Care. Diluted net earnings per share increased 4% to \$4.01.

Core EPS increased 5% to \$3.85 primarily due to increased net sales, a 30 basis point net earnings margin expansion and the reduction in shares outstanding. Core EPS represents diluted net earnings per share from continuing operations excluding charges from foreign exchange policy changes and the devaluation of the foreign exchange rates in Venezuela (see below), the 2013 holding gain on the purchase of the balance of our Iberian joint venture, the 2013 impairment of goodwill and indefinite-lived intangible assets and charges in both years for European legal matters and incremental restructuring related to our productivity and cost savings plan.

Venezuela Impacts

Effective June 30, 2015, the Company deconsolidated its local Venezuelan operations from our Consolidated Financial Statements. P&G has operated in Venezuela for over 65 years and remains committed to serving Venezuelan consumers with our leading brands and products to grow our business. We expect our operations in Venezuela will continue for the foreseeable future. We continue to work proactively with the Venezuelan official agencies to ensure we fully understand and remain compliant as the policies within which our Venezuelan subsidiaries operate evolve. We do not expect this change in accounting to directly affect the local operations of our Venezuelan subsidiaries.

There are a number of currency and other operating controls and restrictions in Venezuela, which have evolved over time and may continue to evolve in the future. These evolving conditions have resulted in an other-than-temporary lack of exchangeability between the Venezuelan bolivar and U.S. dollar and have restricted our Venezuelan operations' ability to pay dividends and satisfy certain other obligations denominated in U.S. dollars. For accounting purposes, this has resulted in a lack of control over our Venezuelan subsidiaries. Therefore, in accordance with the applicable accounting standards for consolidation, effective June 30, 2015, we deconsolidated our Venezuelan subsidiaries and began accounting for our investment in those subsidiaries using the cost method of accounting. This change resulted in a fourth quarter fiscal 2015 one-time before-tax charge of \$2.0 billion (\$2.1 billion after tax, or \$0.71 per share). In future periods, our financial results will only include sales of finished goods to our Venezuelan subsidiaries to the extent we receive payments from Venezuela (expected to be largely through the CENCOEX exchange market). Accordingly, we will no longer include the results of our Venezuelan subsidiaries' operations in future reporting periods (see Note 1 to the Consolidated Financial Statements). Our operations in Venezuela accounted for less than 2% of consolidated net sales and earnings from continuing operations (before the deconsolidation charge) during fiscal 2015.

Venezuela is a highly inflationary economy under U.S. GAAP. As a result, prior to deconsolidation, the U.S. dollar had been the functional currency for our subsidiaries in Venezuela. A number of changes have been initiated in the Venezuelan exchange rate system, including changes that resulted in devaluations to their currency. Prior to deconsolidation, currency remeasurement adjustments for non-dollar denominated monetary assets and liabilities held by our Venezuelan subsidiaries, along with any other transactional foreign exchange gains and losses, have been reflected in earnings, and totaled \$104 million, \$275 million and \$236 million on an after-tax basis in 2015, 2014 and 2013, respectively.

There are currently three official exchange rate mechanisms in Venezuela. The CENCOEX (National Center for External Commerce) exchange rate is 6.3 Venezuelan bolivares fuerte (VEF) per dollar and can be used for the importation of certain qualifying products and materials. SICAD (Complementary

System for Foreign Exchange Administration) is an auction-based exchange program applicable to foreign investment transactions and certain other qualifying imports of finished goods and materials. The rate available through SICAD was 10.6 VEF per dollar at June 30, 2014 and 12.8 VEF per dollar at June 30, 2015. A third exchange mechanism, referred to as SIMADI (Sistema Marginal de Divisas), is also an auction-based program recently trading at approximately 200 VEF per dollar.

Through December 31, 2013, Venezuela had only one officially established exchange rate for qualifying dividends and imported goods and services, the CENCOEX rate, previously CADIVI (Foreign Exchange Administrative Commission). Accordingly, through December 31, 2013, our results in Venezuela and all of our net monetary assets were measured at this exchange rate. On January 24, 2014, a number of announcements were made affecting currency exchange rate and other controls, including the introduction of the SICAD and SICAD II exchange rate mechanisms. In addition, based on local regulatory guidance, we had expected dividends to be executed under the SICAD rate. Accordingly, beginning in

January 2014, other than transactions flowing through CENCOEX, our historical operations and balance sheet positions were generally measured using the SICAD rate. In January 2015, additional announcements were made relating to currency exchange rate and other controls, including the elimination of the SICAD II exchange rate and the introduction of the SIMADI rate.

A significant portion of our imports have historically qualified for the CENCOEX rate. While we continue to import certain materials and products under this rate, payments for such qualifying imports have declined in recent years. At this time, there is considerable uncertainty as to how CENCOEX will operate in the future, including the nature and quantity of transactions that will continue to flow through CENCOEX. However, we believe a portion of our imports will continue to qualify for the preferential rate. We have had no recent access to the SICAD market for imports or dividends. To date, we have had limited access to the SIMADI market. Our plans and ability to access that market in the future is unclear.

SEGMENT RESULTS

Segment results reflect information on the same basis we use for internal management reporting and performance evaluation. The results of these reportable segments do not include certain non-business unit specific costs such as interest expense, investing activities and certain restructuring and asset impairment costs. These costs are reported in our Corporate segment and are included as part of our Corporate segment discussion. Additionally, as described in Note 12 to the Consolidated Financial Statements, we apply blended statutory tax rates in the segments. Eliminations to adjust segment results to arrive at our effective tax rate are included in Corporate. All references to net earnings throughout the discussion of segment results refer to net earnings from continuing operations.

Net Sales Change Drivers (2015 vs. 2014)

	Volume with Acquisitions & Divestitures	Volume Excluding Acquisitions & Divestitures	Foreign Exchange	Price	Mix	Other	Net Sales Growth
Beauty	(3)%	(2)%	(5)%	2%	0%	0%	(6)%
Grooming	(3)%	(3)%	(8)%	4%	0%	0%	(7)%
Health Care	(1)%	(1)%	(5)%	2%	3%	0%	(1)%
Fabric Care and Home Care	1%	1%	(6)%	1%	0%	(1)%	(5)%
Baby, Feminine and Family Care	(1)%	(1)%	(6)%	2%	2%	0%	(3)%
TOTAL COMPANY	(1)%	(1)%	(6)%	2%	1%	(1)%	(5)%

Net Sales Change Drivers (2014 vs. 2013)

	Volume with Acquisitions & Divestitures	Volume Excluding Acquisitions & Divestitures	Foreign Exchange	Price	Mix	Other	Net Sales Growth
Beauty	1%	1%	(3)%	1%	(1)%	(1)%	(3)%
Grooming	1%	1%	(3)%	4%	(2)%	0%	0%
Health Care	2%	2%	(1)%	1%	(1)%	0%	1%
Fabric Care and Home Care	4%	5%	(3)%	(1)%	0%	0%	0%
Baby, Feminine and Family Care	4%	3%	(3)%	1%	0%	0%	2%
TOTAL COMPANY	3%	3%	(3)%	1%	(1)%	1%	1%

Net sales percentage changes are approximations based on quantitative formulas that are consistently applied. Other includes the sales mix impact from acquisitions and divestitures and rounding impacts necessary to reconcile volume to net sales.

BEAUTY

(\$ millions)	2015	Change vs. 2014	2014	Change vs. 2013
Volume	N/A	(3)%	N/A	1%
Net sales	\$12,608	(6)%	\$13,401	(3)%
Net earnings	\$2,181	(5)%	\$2,300	13%
% of net sales	17.3%	10 bps	17.2%	240 bps

Fiscal year 2015 compared with fiscal year 2014

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

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

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

Fiscal year 2014 compared with fiscal year 2013

Beauty net sales decreased 3% to \$13.4 billion in 2014. Unit volume increased 1% versus the prior year period as overall market growth was partially offset by share declines from the impacts of competitive activity. Organic sales increased 1%. Unfavorable foreign exchange reduced net sales by 3%, unfavorable product mix reduced sales by 1% and minor brand divestitures had a modest negative impact. Global market share of the Beauty segment decreased 0.4 points. Volume increased low single digits in developing markets and was unchanged in developed markets.

- Volume in Hair Care increased low single digits. Volume in developing regions increased low single digits behind market growth, while volume in developed regions was unchanged. Global market share of the hair care category decreased half a point.
- Volume in Skin and Personal Care increased low single digits due to product and commercial innovation and market growth for personal cleansing and deodorants, partially offset by a decrease in facial skin care due to competitive activity. Global market share of the skin and personal care category decreased nearly half a point.

Net earnings increased 13% to \$2.3 billion due to a 240 basis point increase in net earnings margin. Net earnings margin increased due to a decrease in SG&A, a gain on a minor brand divestiture (Pert in Latin America) and, to a lesser extent, gross margin expansion. SG&A decreased primarily due to a reduction in marketing spending resulting from optimization efforts. Gross margin increased slightly due to manufacturing cost savings more than offsetting the impact of foreign exchange and negative geographic and product mix.

GROOMING

(\$ millions)	2015	Change vs. 2014	2014	Change vs. 2013
Volume	N/A	(3)%	N/A	1%
Net sales	\$7,441	(7)%	\$8,009	—%
Net earnings	\$1,787	(9)%	\$1,954	6%
% of net sales	24.0%	(40) bps	24.4%	150 bps

Fiscal year 2015 compared with fiscal year 2014

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

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

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

Fiscal year 2014 compared with fiscal year 2013

Grooming net sales were flat at \$8.0 billion in 2014 on a 1% increase in unit volume. Organic sales were up 3%. Price increases in Blades and Razors and Electronic Hair Removal contributed 4% to net sales growth. Unfavorable geographic and product mix reduced net sales by 2% due to disproportionate growth in developing regions and mid-tier products, both of which have lower than segment average selling prices. Unfavorable foreign exchange reduced net sales by 3%. Global market share of the Grooming segment

increased 0.2 points. Volume increased mid-single digits in developing regions partially offset by a low-single-digit decrease in developed regions.

- Shave Care volume increased low single digits due to a mid-single-digit growth in developing regions from innovation and market growth, partially offset by a low single-digit decrease in developed regions due to market contraction. Global market share of the blades and razors category was up slightly.
- Volume in Electronic Hair Removal decreased low single digits due to the sale of the Braun household appliances business. Organic volume increased mid-single digits driven by developing markets due to market growth, product innovation on men's shavers and shipments to build inventory to support initiatives and new distributors. Global market share of the electronic hair removal category was down less than half a point.

Net earnings increased 6% to \$2.0 billion due to a 150 basis-point increase in net earnings margin. Net earnings margin increased primarily due to a reduction in SG&A spending which was driven by a decrease in marketing spending. Gross margin increased slightly as the benefits of pricing and manufacturing cost savings more than offset the negative impacts of foreign exchange and geographic and product mix.

HEALTH CARE

(\$ millions)	2015	Change vs. 2014	2014	Change vs. 2013
Volume	N/A	(1)%	N/A	2%
Net sales	\$7,713	(1)%	\$7,798	1%
Net earnings	\$1,167	8%	\$1,083	(1)%
% of net sales	15.1%	120 bps	13.9%	(30) bps

Fiscal year 2015 compared with fiscal year 2014

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

- Oral Care volume decreased low single digits as a mid-single-digit decline in developing regions due to competitive activity and following increased pricing was partially offset by a low single-digit increase in developed regions from product innovation. Global market share of the oral care category was flat.
- Volume in Personal Health Care decreased low single digits due to a low single-digit decrease in developed regions from competitive activity. Volume in developing markets was unchanged. Global market share of the personal health care category was down about a point.

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

Fiscal year 2014 compared with fiscal year 2013

Health Care net sales increased 1% to \$7.8 billion in 2014 on a 2% increase in unit volume. Organic sales increased 2%. Price increases across the businesses contributed 1% to net sales growth. Disproportionate growth in developing regions drove unfavorable geographic mix reducing net sales by 1%. Unfavorable foreign exchange reduced net sales by 1%. Global market share of the Health Care segment increased 0.2 points. Volume increased low single digits in both developed and developing regions.

- Oral Care volume increased low single digits due to a mid-single-digit increase in developing regions behind geographic market expansion and market growth and a low single-digit increase in developed regions from innovation. Global market share of the oral care category increased less than half a point.
- Volume in Personal Health Care decreased low single digits due to a weak cough and cold season which was only partially offset by innovation and market expansion.

Net earnings decreased 1% to \$1.1 billion as the increase in net sales was more than offset by a 30-basis point decrease in net earnings margin. Net earnings margin decreased due to gross margin contraction, partially offset by lower overheads. Gross margin decreased due to the impact of foreign exchange and negative geographic and product mix, partially offset by manufacturing cost savings and pricing.

FABRIC CARE AND HOME CARE

(\$ millions)	2015	Change vs. 2014	2014	Change vs. 2013
Volume	N/A	1%	N/A	4%
Net sales	\$22,274	(5)%	\$23,506	—%
Net earnings	\$2,634	(5)%	\$2,770	(2)%
% of net sales	11.8%	-	11.8%	(30) bps

Fiscal year 2015 compared with fiscal year 2014

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

- Fabric Care volume increased low single digits due to low single-digit growth in developed regions behind market growth and product innovation. Volume was unchanged

in developing regions. Global market share of the fabric care category was flat.

- Home Care volume was unchanged as decreases due to competitive activity, mainly in developed markets, were offset by increases from product innovation and expanded distribution. Global market share of the home care category was down nearly half a point.

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

Fiscal year 2014 compared with fiscal year 2013

Fabric Care and Home Care net sales were unchanged at \$23.5 billion in 2014 on a 4% increase in unit volume. Organic sales were up 4%. Unfavorable foreign exchange reduced net sales by 3%. Reduced pricing decreased net sales by 1%. Global market share of the Fabric Care and Home Care segment increased 0.1 points. Volume increased high single digits in developing regions and low single digits in developed regions.

- Fabric Care volume increased mid-single digits driven by a high single-digit volume increase in developing regions behind market growth and innovation, and a low single-digit increase in developed regions due to product innovation. Global market share of the fabric care category was flat.
- Home Care volume increased mid-single digits driven by a high single-digit increase in developing markets from distribution expansion and market growth, and from a low single digit increase in developed regions due to product innovation. Global market share of the home care category was up less than half a point.

Net earnings decreased 2% to \$2.8 billion due to a 30-basis point decrease in net earnings margin. Net earnings margin decreased due to gross margin contraction partially offset by a decrease in SG&A as a percentage of sales. Gross margin decreased due to unfavorable geographic and product mix and the impact of foreign exchange, which was partially offset by manufacturing cost savings. SG&A as a percentage of net sales decreased due to marketing and overhead efficiencies.

BABY, FEMININE AND FAMILY CARE

(\$ millions)	2015	Change vs. 2014	2014	Change vs. 2013
Volume	N/A	(1)%	N/A	4%
Net sales	\$20,247	(3)%	\$20,950	2%
Net earnings	\$2,938	—%	\$2,940	(4)%
% of net sales	14.5%	50 bps	14.0%	(90) bps

Fiscal year 2015 compared with fiscal year 2014

Baby, Feminine and Family Care net sales were down 3% to \$20.2 billion in 2015 on a 1% decline in unit volume. Organic sales were up 3%. Price increases, primarily in Baby Care, increased net sales by 2%. Favorable geographic mix from

higher developed market volume in both Feminine Care and Baby Care and from product mix in Feminine Care increased net sales by 2%. Unfavorable foreign exchange reduced net sales by 6%. Global market share of the Baby, Feminine and Family Care segment decreased 0.6 points. Volume increased low single digits in developed regions and decreased high single digits in developing regions.

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

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

Fiscal year 2014 compared with fiscal year 2013

Baby, Feminine and Family Care net sales increased 2% to \$21.0 billion in 2014 on 4% volume growth. Organic sales were up 4% on 3% organic volume growth. Price increases primarily in Baby Care increased net sales by 1%. Unfavorable foreign exchange reduced net sales by 3%. Global market share of the Baby, Feminine and Family Care segment decreased 0.3 points. Volume increased low single digits in developed regions and mid-single digits in developing regions.

- Volume in Baby Care increased mid-single digits due to a mid-single-digit increase in developing regions, from market growth and product innovation and a mid-single-digit increase in developed regions due to the buyout of our joint venture partner in Iberia and product innovation in North America, partially offset by competitive activity. Global market share of the baby care category decreased slightly.
- Volume in Feminine Care increased mid-single digits due to a mid-single-digit increase in developed regions, from the buyout of our joint venture partner in Iberia and innovation, and a low single-digit increase in developing regions from market growth and innovation. Organic volume was up low single digits. Global market share of

the feminine care category decreased less than half a point.

- Volume in Family Care increased low single digits due to product innovation on Charmin and Bounty and lower pricing, partially offset by competitive activity. In the U.S., all-outlet share of the family care category decreased less than half point.

Net earnings decreased 4% to \$2.9 billion as the increase in net sales was more than offset by a 90-basis point decrease in net earnings margin. Net earnings margin decreased primarily due to gross margin contraction. Gross margin decreased due to the impact of foreign exchange, higher commodity cost and unfavorable product and geographic mix from disproportionate growth in developing regions and mid-tier products, both of which have lower gross margins than the segment average, partially offset by manufacturing cost savings and pricing.

CORPORATE

(\$ millions)	2015	Change vs. 2014	2014	Change vs. 2013
Net sales	\$466	(37)%	\$737	31%
Net earnings	\$(2,420)	N/A	\$(389)	N/A

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

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

Net sales in Corporate increased by \$175 million in 2014. Corporate net earnings from continuing operations improved by \$118 million in 2014, primarily due to reduced net after-tax goodwill and intangible asset impairment charges (which totaled \$290 million in 2013 but were zero in 2014), lower 2014 restructuring and overhead spending and lower overall Company effective tax rate, partially offset by the holding gain in 2013 from the buyout of our Iberian joint venture partner. Additional discussion of the items impacting net earnings in Corporate are included in the Results of Operations section.

Productivity and Cost Savings Plan

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

As part of this plan, the Company expects to incur in excess of \$5.0 billion in before-tax restructuring costs over a six-year period (from fiscal 2012 through fiscal 2017). Approximately 78% of the costs have been incurred through the end of fiscal 2015. Savings generated from the restructuring costs are difficult to estimate, given the nature of the activities, the corollary benefits achieved (e.g., enrollment reduction achieved via normal attrition), the timing of the execution and the degree of reinvestment. Overall, these costs and other non-manufacturing enrollment reductions are expected to deliver approximately \$3.0 billion in annual before-tax gross savings. The cumulative before-tax savings realized through 2015 were approximately \$2.1 billion.

Restructuring accruals of \$389 million as of June 30, 2015 are classified as current liabilities. Approximately 70% of the restructuring charges incurred during fiscal 2015 either have been or will be settled with cash. Consistent with our historical policies for ongoing restructuring-type activities, the resulting charges are funded by and included within Corporate for segment reporting.

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

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

CASH FLOW, FINANCIAL CONDITION AND LIQUIDITY

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

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

Operating Cash Flow

Fiscal year 2015 compared with fiscal year 2014

Operating cash flow was \$14.6 billion in 2015, a 5% increase from the prior year. Operating cash flows resulted primarily from net earnings, adjusted for non-cash items (depreciation and amortization, stock-based compensation, deferred income taxes, impairment charges, gains on sale of businesses and the Venezuela deconsolidation charge) and a decrease in working capital, partially offset by the impact of other operating assets and liabilities. Reduced accounts receivable generated \$349 million of cash due to changes in customer terms and improved collection results. The number of days sales outstanding decreased 5 days due to foreign exchange impacts and improvements in collection results and customer terms. Lower inventory generated \$313 million of cash mainly due to supply chain optimizations and lower commodity costs. Inventory days on hand decreased 7 days due to foreign exchange impacts, supply chain optimizations and lower commodity costs. Accounts payable, accrued and other liabilities increased, generating \$928 million in operating cash flow primarily driven by extended payment terms. Other operating assets and liabilities utilized \$976 million of cash primarily to eliminate the deferred tax impacts associated with the Pet Care divestiture.

Fiscal year 2014 compared with fiscal year 2013

Operating cash flow was \$14.0 billion in 2014, a 6% decrease from the prior year, which was primarily driven by a \$1.0 billion discretionary contribution into a foreign pension plan. Operating cash flows resulted primarily from net earnings, adjusted for non-cash items (depreciation and amortization, stock-based compensation, deferred income taxes and gains on sale of businesses) partially offset by the impact of other operating assets and liabilities. Working capital changes did not have a significant impact on operating cash flow in 2014. Reduced accounts receivable generated \$87 million of cash primarily due to improved collection results. Accounts receivable days sales outstanding were unchanged. Inventory changes did not significantly impact operating cash flow as inventory management improvement efforts offset inventory needed to support product initiatives and build stock to support capacity expansions and manufacturing sourcing changes. Inventory days on hand decreased by 5 days primarily due to inventory management improvement efforts. Accounts payable, accrued and other liabilities also did not significantly impact operating cash flow. Other operating assets and liabilities utilized \$1.6 billion of cash, primarily driven by \$1.0 billion of cash used for a discretionary contribution into a foreign pension plan.

Adjusted Free Cash Flow. We view adjusted free cash flow as an important measure because it is a factor impacting the amount of cash available for dividends, share repurchases, acquisitions and other discretionary investment. It is defined as operating cash flow less capital expenditures and excluding certain divestiture impacts (tax payments in the current year for the Pet Care divestiture) and is one of the measures used

to evaluate senior management and determine their at-risk compensation.

Fiscal year 2015 compared with fiscal year 2014

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

Fiscal year 2014 compared with fiscal year 2013

Adjusted free cash flow was \$10.1 billion in 2014, a decrease of 7% versus the prior year. The decrease was driven by the decrease in operating cash flows, which was primarily due to a \$1.0 billion discretionary contribution into a foreign pension plan. Adjusted free cash flow productivity, defined as the ratio of adjusted free cash flow to net earnings excluding impairment charges from divested businesses, was 86% in 2014.

Investing Cash Flow

Fiscal year 2015 compared with fiscal year 2014

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

Fiscal year 2014 compared with fiscal year 2013

Net investing activities consumed \$4.1 billion in cash in 2014 mainly due to capital spending and cash paid for investments in available-for-sale securities, partially offset by asset sales.

Capital Spending. We manage capital spending to support our business growth plans and have cost controls to deliver our cash generation targets. Capital expenditures, primarily to support capacity expansion, innovation and cost efficiencies, were \$3.7 billion in 2015 and \$3.8 billion in 2014. Capital spending as a percentage of net sales increased 10 basis points to 4.9% in 2015. Capital spending as a percentage of net sales in 2014 decreased 10 basis points versus 2013 to 4.8%.

Acquisitions. Acquisition activity was not material in 2015 or 2014.

Proceeds from Divestitures and Other Asset Sales. Proceeds from asset sales in 2015 contributed \$4.5 billion in cash, primarily from the sale of our Pet Care business, the sale of our Chinese battery venture, and other minor brand divestitures. Proceeds from asset sales contributed \$577 million in cash in 2014 mainly due to minor brand divestiture activities, including MDVIP, the Pert business in Latin America and the bleach business in Europe, IMEA and Latin America.

Financing Cash Flow

Dividend Payments. Our first discretionary use of cash is dividend payments. Dividends per common share increased 6% to \$2.59 per share in 2015. Total dividend payments to common and preferred shareholders were \$7.3 billion in 2015

and \$6.9 billion in 2014. In April 2015, the Board of Directors declared an increase in our quarterly dividend from \$0.6436 to \$0.6629 per share on Common Stock and Series A and B ESOP Convertible Class A Preferred Stock. This represents a 3% increase compared to the prior quarterly dividend and is the 59th consecutive year that our dividend has increased. We have paid a dividend for 125 years, every year since our incorporation in 1890.

Long-Term and Short-Term Debt. We maintain debt levels we consider appropriate after evaluating a number of factors, including cash flow expectations, cash requirements for ongoing operations, investment and financing plans (including acquisitions and share repurchase activities) and the overall cost of capital. Total debt was \$30.3 billion as of June 30, 2015 and \$35.4 billion as of June 30, 2014. Our total debt decreased in 2015 mainly due to debt maturities, partially offset by debt issuances.

Treasury Purchases. Total share repurchases were \$4.6 billion in 2015 and \$6.0 billion in 2014.

Liquidity

At June 30, 2015, our current liabilities exceeded current assets by \$144 million (\$3.0 billion, excluding current assets and current liabilities of the Batteries and affected Beauty businesses held for sale), largely due to short-term borrowings under our commercial paper program. We anticipate being able to support our short-term liquidity and operating needs largely through cash generated from operations. The Company regularly assesses its cash needs and the available sources to fund these needs. As of June 30, 2015, \$11.0 billion of the Company's cash, cash equivalents and marketable securities is held off-shore by foreign subsidiaries. Amounts held by foreign subsidiaries are generally subject to U.S. income taxation on repatriation to the U.S. We do not expect restrictions or taxes on repatriation of cash held outside of the U.S. to have a material effect on our overall liquidity, financial condition or the results of operations for the foreseeable future.

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

On June 30, 2015, our short-term credit ratings were P-1 (Moody's) and A-1+ (Standard & Poor's), while our long-term credit ratings are Aa3 (Moody's) and AA- (Standard & Poor's) all with a stable outlook.

We maintain bank credit facilities to support our ongoing commercial paper program. The current facility is an \$11.0 billion facility split between a \$7.0 billion five-year facility and a \$4.0 billion 364-day facility, which expire in August 2018 and July 2016, respectively. The 364-day facility can be extended for certain periods of time as specified in the terms

of the credit agreement. These facilities are currently undrawn and we anticipate that they will remain largely undrawn for the foreseeable future. These credit facilities do not have cross-default or ratings triggers, nor do they have material adverse events clauses, except at the time of signing. In addition to these credit facilities, we have an automatically effective registration statement on Form S-3 filed with the SEC that is available for registered offerings of short- or long-term debt securities. For additional details on debt see Note 4.

Guarantees and Other Off-Balance Sheet Arrangements

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

Contractual Commitments

The following table provides information on the amount and payable date of our contractual commitments as of June 30, 2015.

<u>Amounts in millions</u>	Total	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
RECORDED LIABILITIES					
Total debt	\$ 30,185	\$ 11,985	\$ 3,403	\$ 4,276	\$ 10,521
Capital leases	52	20	23	7	2
Uncertain tax positions ⁽¹⁾	445	445	—	—	—
OTHER					
Interest payments relating to long-term debt	6,925	699	1,277	1,017	3,932
Operating leases ⁽²⁾	1,617	249	435	371	562
Minimum pension funding ⁽³⁾	656	215	441	—	—
Purchase obligations ⁽⁴⁾	1,507	586	449	242	230
TOTAL CONTRACTUAL COMMITMENTS	\$ 41,387	\$ 14,199	\$ 6,028	\$ 5,913	\$ 15,247

⁽¹⁾ As of June 30, 2015, the Company's Consolidated Balance Sheet reflects a liability for uncertain tax positions of \$1.5 billion, including \$366 million of interest and penalties. Due to the high degree of uncertainty regarding the timing of future cash outflows of liabilities for uncertain tax positions beyond one year, a reasonable estimate of the period of cash settlement beyond twelve months from the balance sheet date of June 30, 2015, cannot be made.

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

⁽³⁾ Represents future pension payments to comply with local funding requirements. These future pension payments assume the Company continues to meet its future statutory funding requirements. Considering the current economic environment in which the Company operates, the Company believes its cash flows are adequate to meet the future statutory funding requirements. The projected payments beyond fiscal year 2018 are not currently determinable.

⁽⁴⁾ Primarily reflects future contractual payments under various take-or-pay arrangements entered into as part of the normal course of business. Commitments made under take-or-pay obligations represent future purchases in line with expected usage to obtain favorable pricing. This includes service contracts for information technology, human resources management and facilities management activities that have been outsourced. While the amounts listed represent contractual obligations, we do not believe it is likely that the full contractual amount would be paid if the underlying contracts were canceled prior to maturity. In such cases, we generally are able to negotiate new contracts or cancellation penalties, resulting in a reduced payment. The amounts do not include other contractual purchase obligations that are not take-or-pay arrangements. Such contractual purchase obligations are primarily purchase orders at fair value that are part of normal operations and are reflected in historical operating cash flow trends. We do not believe such purchase obligations will adversely affect our liquidity position.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

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

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

Income Taxes

Our annual tax rate is determined based on our income, statutory tax rates and the tax impacts of items treated differently for tax purposes than for financial reporting purposes. Also inherent in determining our annual tax rate are judgments and assumptions regarding the recoverability of

certain deferred tax balances, primarily net operating loss and other carryforwards, and our ability to uphold certain tax positions.

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

We operate in multiple jurisdictions with complex tax policy and regulatory environments. In certain of these jurisdictions, we may take tax positions that management believes are supportable, but are potentially subject to successful challenge by the applicable taxing authority. These interpretational differences with the respective governmental taxing authorities can be impacted by the local economic and fiscal environment. We evaluate our tax positions and establish liabilities in accordance with the applicable accounting guidance on uncertainty in income taxes. We review these tax uncertainties in light of changing facts and circumstances, such as the

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

Because there are a number of estimates and assumptions inherent in calculating the various components of our tax provision, certain changes or future events such as changes in tax legislation, geographic mix of earnings, completion of tax audits or earnings repatriation plans could have an impact on those estimates and our effective tax rate. For additional details on the Company's income taxes, see Note 10 to the Consolidated Financial Statements.

Employee Benefits

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

The expected return on plan assets assumption impacts our defined benefit expense, since many of our defined benefit pension plans and our primary OPEB plan are partially funded. The process for setting the expected rates of return is described in Note 9 to the Consolidated Financial Statements. For 2015, the average return on assets assumptions for pension plan assets and OPEB assets was 7.2% and 8.3%, respectively. A change in the rate of return of 100 basis points for both pension and OPEB assets would impact annual after-tax benefit expense by approximately \$101 million.

Since pension and OPEB liabilities are measured on a discounted basis, the discount rate impacts our plan obligations and expenses. Discount rates used for our U.S. defined benefit pension and OPEB plans are based on a yield curve constructed from a portfolio of high quality bonds for which the timing and amount of cash outflows approximate the estimated payouts of the plan. For our international plans, the discount rates are

set by benchmarking against investment grade corporate bonds rated AA or better. The average discount rate on the defined benefit pension plans and OPEB plans of 3.1% and 4.5%, respectively, represents a weighted average of local rates in countries where such plans exist. A 100-basis point change in the pension discount rate would impact annual after-tax defined benefit pension expense by approximately \$195 million. A change in the OPEB discount rate of 100 basis points would impact annual after-tax OPEB expense by approximately \$60 million. For additional details on our defined benefit pension and OPEB plans, see Note 9 to the Consolidated Financial Statements.

Goodwill and Intangible Assets

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

We typically use an income method to estimate the fair value of intangible assets, which is based on forecasts of the expected future cash flows attributable to the respective assets. Significant estimates and assumptions inherent in the valuations reflect a consideration of other marketplace participants, and include the amount and timing of future cash flows (including expected growth rates and profitability), the underlying product or technology life cycles, economic barriers to entry, a brand's relative market position and the discount rate applied to the cash flows. Unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions.

Determining the useful life of an intangible asset also requires judgment. Certain brand intangible assets are expected to have indefinite lives based on their history and our plans to continue to support and build the acquired brands. Other acquired intangible assets (e.g., certain trademarks or brands, customer relationships, patents and technologies) are expected to have determinable useful lives. Our assessment as to brands that have an indefinite life and those that have a determinable life is based on a number of factors including competitive environment, market share, brand history, underlying product life cycles, operating plans and the macroeconomic environment of the countries in which the brands are sold. Our estimates of the useful lives of determinable-lived intangible assets are primarily based on these same factors. All of our acquired technology and customer-related intangible assets are expected to have determinable useful lives.

The costs of determinable-lived intangible assets are amortized to expense over their estimated lives. The value of indefinite-lived intangible assets and residual goodwill is not amortized, but is tested at least annually for impairment. Our impairment testing for goodwill is performed separately from our impairment testing of indefinite-lived intangible assets. We

test goodwill for impairment by reviewing the book value compared to the fair value at the reporting unit level. We test individual indefinite-lived intangible assets by comparing the book values of each asset to the estimated fair value. We determine the fair value of our reporting units and indefinite-lived intangible assets based on the income approach. Under the income approach, we calculate the fair value of our reporting units and indefinite-lived intangible assets based on the present value of estimated future cash flows. Considerable management judgment is necessary to evaluate the impact of operating and macroeconomic changes and to estimate future cash flows to measure fair value. Assumptions used in our impairment evaluations, such as forecasted growth rates and cost of capital, are consistent with internal projections and operating plans. We believe such assumptions and estimates are also comparable to those that would be used by other marketplace participants.

With the exception of our Appliances and Batteries businesses, all of our reporting units have fair values that significantly exceed recorded values. 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. In addition, any potential change in the strategic plans for these businesses due to the refocusing of our business portfolio could impact these judgments, assumptions and estimates, in turn, impacting our fair value. A significant reduction in the estimated fair values could result in impairment charges that could materially affect the financial statements in any given year. The recorded value of goodwill and intangible assets from recently impaired businesses and recently acquired businesses are derived from more recent business operating plans and macroeconomic environmental conditions and therefore are more susceptible to an adverse change that could require an impairment charge.

Prior to 2013, our Appliances reporting unit incurred an impairment charge to reduce the goodwill carrying amount to its estimated fair value. During 2013, the estimated fair value of our Appliances reporting unit declined further, below the carrying amount resulting from the prior impairment. Therefore, we recorded an additional non-cash before and after-tax impairment charge of \$259 million in fiscal 2013. Additionally, our 2013 impairment testing for Appliances indicated a decline in the fair value of our Braun trade name intangible asset below its carrying value. This resulted in a non-cash, before-tax impairment charge of \$49 million (\$31 million after-tax) to reduce the carrying amount of this asset to its estimated fair value. The impairment of the Appliances business in fiscal 2013 was due to the devaluation of currency in Japan, a key country that generates a significant portion of the earnings of the Appliances business, relative to the currencies in which the underlying net assets are recorded.

As of June 30, 2015, the Appliances business has remaining goodwill of \$299 million and remaining intangible assets of \$706 million. As a result of the impairments, the estimated fair value of our Appliances business slightly exceeds its

respective carrying value. Our 2015 valuation of the Appliances business has it returning to sales and earnings growth rates consistent with our long-term business plans. However, the currency in Japan has continued to devalue relative to the currencies in which the related assets are recorded, reducing the fair value cushion in the Appliances business to approximately 5%.

During 2015, we determined that the estimated fair value of our Batteries reporting unit was less than its carrying amount, resulting in a series of impairment charges. The underlying fair value assessment was initially triggered by an agreement in September 2014 to sell the China-based battery joint venture and a related decision to pursue options to exit the remainder of the Batteries business. The results of our annual goodwill impairment testing during fiscal 2014 had indicated a decline in the fair value of the Batteries reporting unit due to lower long-term market growth assumptions in certain key geographies. At that time, the estimated fair value of the Batteries business continued to exceed its underlying carrying value, but the fair value cushion had been reduced to about 5%. The agreement to sell the China-based battery joint venture was at a transaction value that was below the earnings multiple implied from the prior valuation of our Batteries business, which effectively eliminated our fair value cushion. As a result, the remaining business unit cash flows no longer supported the remaining carrying amount of the Batteries business. Due largely to these factors, we recorded an initial non-cash, before and after-tax impairment charge of \$863 million to reduce the carrying amount of goodwill for the Batteries business unit to its estimated fair value. These same factors resulted in a decline in the fair value of our Duracell trade name intangible asset below its carrying value. This resulted in a non-cash, before-tax impairment charge of \$110 million (\$69 million after tax) to reduce the carrying amount of this asset to its estimated fair value.

In November 2014, the Company reached an agreement to divest the remaining Batteries business via a split transaction in which the Company will exchange a recapitalized Duracell Company for Berkshire Hathaway's (BH) shares of P&G stock (see Note 13). Based on the terms of the agreement and the value of BH's shares of P&G stock at the agreement date, and changes thereto through June 30, 2015, the Company recorded additional non-cash, before and after-tax impairment charges totaling \$1.2 billion. All of the fiscal 2015 impairment charges in the Batteries business are included as part of discontinued operations.

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

considered the structure and value of the divestiture agreement with BH in the impairment testing for Batteries. If the value of BH's shares of the Company declines further before the transaction closing dates, we may need to record additional non-cash impairment charges as part of discontinued operations in the future.

See Note 2 to our Consolidated Financial Statements for additional discussion on goodwill and intangible asset impairment testing results.

New Accounting Pronouncements

Refer to Note 1 to the Consolidated Financial Statements for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of June 30, 2015.

OTHER INFORMATION

Hedging and Derivative Financial Instruments

As a multinational company with diverse product offerings, we are exposed to market risks, such as changes in interest rates, currency exchange rates and commodity prices. We evaluate exposures on a centralized basis to take advantage of natural exposure correlation and netting. Except within financing operations, we leverage the Company's diversified portfolio of exposures as a natural hedge and prioritize operational hedging activities over financial market instruments. To the extent we choose to further manage volatility associated with the net exposures, we enter into various financial transactions which we account for using the applicable accounting guidance for derivative instruments and hedging activities. These financial transactions are governed by our policies covering acceptable counterparty exposure, instrument types and other hedging practices. Note 5 to the Consolidated Financial Statements includes a detailed discussion of our accounting policies for derivative instruments.

Derivative positions are monitored using techniques including market valuation, sensitivity analysis and value-at-risk modeling. The tests for interest rate, currency rate and commodity derivative positions discussed below are based on the CorporateManager™ value-at-risk model using a one-year horizon and a 95% confidence level. The model incorporates the impact of correlation (the degree to which exposures move together over time) and diversification (from holding multiple currency, commodity and interest rate instruments) and assumes that financial returns are normally distributed. Estimates of volatility and correlations of market factors are drawn from the RiskMetrics™ dataset as of June 30, 2015. In cases where data is unavailable in RiskMetrics™, a reasonable proxy is included.

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

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

Based on our interest rate exposure as of and during the year ended June 30, 2015, including derivative and other instruments sensitive to interest rates, we believe a near-term change in interest rates, at a 95% confidence level based on historical interest rate movements, would not materially affect our financial statements.

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

Based on our currency rate exposure on derivative and other instruments as of and during the year ended June 30, 2015, we believe, at a 95% confidence level based on historical currency rate movements, the impact of a near-term change in currency rates would not materially affect our financial statements.

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

As of and during the years ended June 30, 2015 and June 30, 2014, we did not have any commodity hedging activity.

Measures Not Defined By U.S. GAAP

Our discussion of financial results includes several "non-GAAP" financial measures. We believe these measures provide our investors with additional information about our underlying results and trends, as well as insight to some of the metrics used to evaluate management. When used in the MD&A, we have provided the comparable U.S. GAAP measure in the discussion. These measures include:

Organic Sales Growth. Organic sales growth is a non-GAAP measure of sales growth excluding the impacts of acquisitions, divestitures and foreign exchange from year-over-year comparisons. We believe this provides investors with a more complete understanding of underlying sales trends by providing sales growth on a consistent basis. Organic sales is also one of the measures used to evaluate senior management and is a factor in determining their at-risk compensation.

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

Year ended June 30, 2015	Net Sales Growth	Foreign Exchange Impact	Acquisition/Divestiture Impact*	Organic Sales Growth
Beauty	(6)%	5%	1 %	0%
Grooming	(7)%	8%	0 %	1%
Health Care	(1)%	5%	0 %	4%
Fabric Care and Home Care	(5)%	6%	1 %	2%
Baby, Feminine and Family Care	(3)%	6%	0 %	3%
TOTAL COMPANY	(5)%	6%	1 %	2%

Year ended June 30, 2014	Net Sales Growth	Foreign Exchange Impact	Acquisition/Divestiture Impact*	Organic Sales Growth
Beauty	(3)%	3%	1 %	1%
Grooming	0 %	3%	0 %	3%
Health Care	1 %	1%	0 %	2%
Fabric Care and Home Care	0 %	3%	1 %	4%
Baby, Feminine and Family Care	2 %	3%	(1)%	4%
TOTAL COMPANY	1 %	3%	(1)%	3%

* Acquisition/Divestiture Impact includes rounding impacts necessary to reconcile net sales to organic sales.

Core EPS. This is a measure of the Company's diluted net earnings per share from continuing operations excluding certain items that are not judged to be part of the Company's sustainable results or trends. This includes:

- charges in each period presented for 1) incremental restructuring due to increased focus on productivity and cost savings, 2) the impacts from foreign exchange policy changes and the devaluations of the official foreign currency exchange rate in Venezuela, and 3) for certain European legal matters;
- a holding gain in 2013 on the purchase of the balance of our Iberian joint venture;
- impairment charges in 2013 for goodwill and indefinite-lived intangible assets; and
- a charge in 2015 for the Venezuelan deconsolidation.

We do not view these items to be part of our sustainable results. We believe the Core EPS measure provides an important perspective of underlying business trends and results and provides a more comparable measure of year-on-year earnings per share growth. Core EPS is also one of the measures used to evaluate senior management and is a factor in determining their at-risk compensation.

The table below provides a reconciliation of reported diluted net earnings per share from continuing operations to Core EPS:

Years ended June 30	2015	2014	2013
Diluted net earnings per share - continuing operations	\$2.84	\$3.63	\$3.50
Incremental restructuring charges	0.17	0.11	0.14
Venezuela balance sheet devaluation impacts	0.04	0.09	0.08
Charges for European legal matters	0.01	0.02	0.05
Gain on purchase of balance of Iberian JV	—	—	(0.21)
Impairment charges	—	—	0.10
Venezuelan deconsolidation	0.71	—	—
Rounding	(0.01)	—	(0.01)
CORE EPS	\$3.76	\$3.85	\$3.65
Core EPS Growth	(2)%	5%	6%

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

Adjusted Free Cash Flow. Adjusted free cash flow is defined as operating cash flow less capital expenditures and excluding certain divestiture impacts (tax payments in the current year for the Pet Care divestiture). We view adjusted free cash flow as an important measure because it is one factor in determining the amount of cash available for dividends, share repurchases, acquisitions and other discretionary investments. Adjusted free cash flow is also one of the measures used to evaluate senior management and is a factor in determining their at-risk compensation. The following table provides a numerical reconciliation of adjusted free cash flow (\$ millions):

	Operating Cash Flow	Capital Spending	Free Cash Flow	Cash Tax Payment - Pet Care Sale	Adjusted Free Cash Flow
2015	\$ 14,608	\$ (3,736)	\$ 10,872	\$ 729	\$ 11,601
2014	13,958	(3,848)	10,110	—	10,110
2013	14,873	(4,008)	10,865	—	10,865

Adjusted Free Cash Flow Productivity. Adjusted free cash flow productivity is defined as the ratio of adjusted free cash flow to net earnings excluding impairment charges on the Batteries business and the Venezuelan deconsolidation charge. Adjusted free cash flow productivity is also one of the measures used to evaluate senior management and is a factor in determining their at-risk compensation.

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

	Net Earnings	Impairment & Decon- solidation Charges	Net Earnings Excluding Impairment & Deconsolidation Charges	Adjusted Free Cash Flow	Adjusted Free Cash Flow Productivity
2015	\$ 7,144	\$ 4,187	\$ 11,331	\$ 11,601	102%
2014	11,785	—	11,785	10,110	86%
2013	11,402	—	11,402	10,865	95%

Section 5: EX-99.3 (EXHIBIT 99.3 REVISED CONSOL FINANCIAL STMTS AND FOOTNOTES)

EXHIBIT (99.3) Revised Consolidated Financial Statements and Accompanying Footnotes

Consolidated Statements of Earnings

<u>Amounts in millions except per share amounts; Years ended June 30</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
NET SALES	\$ 70,749	\$ 74,401	\$ 73,910
Cost of products sold	37,056	39,030	38,052
Selling, general and administrative expense	20,616	21,461	22,499
Goodwill and indefinite-lived intangible asset impairment charges	—	—	308
Venezuela deconsolidation charge	2,028	—	—
OPERATING INCOME	11,049	13,910	13,051
Interest expense	626	709	668
Interest income	149	99	85
Other non-operating income, net	440	209	940
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	11,012	13,509	13,408
Income taxes on continuing operations	2,725	2,851	3,062
NET EARNINGS FROM CONTINUING OPERATIONS	8,287	10,658	10,346
NET EARNINGS/(LOSS) FROM DISCONTINUED OPERATIONS	(1,143)	1,127	1,056
NET EARNINGS	7,144	11,785	11,402
Less: Net earnings attributable to noncontrolling interests	108	142	90
NET EARNINGS ATTRIBUTABLE TO PROCTER & GAMBLE	\$ 7,036	\$ 11,643	\$ 11,312
BASIC NET EARNINGS PER COMMON SHARE: ⁽¹⁾			
Earnings from continuing operations	\$ 2.92	\$ 3.78	\$ 3.65
Earnings/(loss) from discontinued operations	(0.42)	0.41	0.39
BASIC NET EARNINGS PER COMMON SHARE	\$ 2.50	\$ 4.19	\$ 4.04
DILUTED NET EARNINGS PER COMMON SHARE: ⁽¹⁾			
Earnings from continuing operations	\$ 2.84	\$ 3.63	\$ 3.50
Earnings/(loss) from discontinued operations	(0.40)	0.38	0.36
DILUTED NET EARNINGS PER COMMON SHARE	2.44	4.01	3.86
DIVIDENDS PER COMMON SHARE	\$ 2.59	\$ 2.45	\$ 2.29

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

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

<u>Amounts in millions; Years ended June 30</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
NET EARNINGS	\$ 7,144	\$ 11,785	\$ 11,402
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX			
Financial statement translation	(7,220)	1,044	710
Unrealized gains/(losses) on hedges (net of \$739, \$(209) and \$92 tax, respectively)	1,234	(347)	144
Unrealized gains/(losses) on investment securities (net of \$0, \$(4) and \$(5) tax, respectively)	24	9	(24)
Unrealized gains/(losses) on defined benefit retirement plans (net of \$328, \$(356) and \$637 tax, respectively)	844	(869)	1,004
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX	(5,118)	(163)	1,834
TOTAL COMPREHENSIVE INCOME	2,026	11,622	13,236
Less: Total comprehensive income attributable to noncontrolling interests	108	150	94
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PROCTER & GAMBLE	\$ 1,918	\$ 11,472	\$ 13,142

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

<u>Amounts in millions; Years ended June 30</u>	2015	2014
Assets		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,836	\$ 8,548
Available-for-sale investment securities	4,767	2,128
Accounts receivable	4,568	6,034
INVENTORIES		
Materials and supplies	1,266	1,599
Work in process	525	656
Finished goods	3,188	3,951
Total inventories	4,979	6,206
Deferred income taxes	1,356	1,092
Prepaid expenses and other current assets	2,708	3,664
Current assets held for sale	4,432	3,945
TOTAL CURRENT ASSETS	29,646	31,617
PROPERTY, PLANT AND EQUIPMENT, NET	19,655	21,607
GOODWILL	44,622	50,729
TRADEMARKS AND OTHER INTANGIBLE ASSETS, NET	25,010	28,729
NONCURRENT ASSETS HELD FOR SALE	5,204	5,811
OTHER NONCURRENT ASSETS	5,358	5,773
TOTAL ASSETS	\$ 129,495	\$ 144,266
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES		
Accounts payable	\$ 8,138	\$ 8,348
Accrued and other liabilities	8,091	8,734
Current liabilities held for sale	1,543	1,044
Debt due within one year	12,018	15,600
TOTAL CURRENT LIABILITIES	29,790	33,726
LONG-TERM DEBT	18,327	19,807
DEFERRED INCOME TAXES	9,179	9,889
NONCURRENT LIABILITIES HELD FOR SALE	717	727
OTHER NONCURRENT LIABILITIES	8,432	10,141
TOTAL LIABILITIES	66,445	74,290
SHAREHOLDERS' EQUITY		
Convertible Class A preferred stock, stated value \$1 per share (600 shares authorized)	1,077	1,111
Non-Voting Class B preferred stock, stated value \$1 per share (200 shares authorized)	—	—
Common stock, stated value \$1 per share (10,000 shares authorized; shares issued: 2015 - 4,009.2, 2014 - 4,009.2)	4,009	4,009
Additional paid-in capital	63,852	63,911
Reserve for ESOP debt retirement	(1,320)	(1,340)
Accumulated other comprehensive income/(loss)	(12,780)	(7,662)
Treasury stock, at cost (shares held: 2015 - 1,294.7, 2014 - 1,298.4)	(77,226)	(75,805)
Retained earnings	84,807	84,990
Noncontrolling interest	631	762
TOTAL SHAREHOLDERS' EQUITY	63,050	69,976
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 129,495	\$ 144,266

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

<u>Dollars in millions:</u> <u>Shares in thousands</u>	Common Shares Outstanding	Common Stock	Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumu- lated Other Comp- rehensive Income/ (Loss)	Treasury Stock	Retained Earnings	Non- controlling Interest	Total
BALANCE JUNE 30, 2012	2,748,033	\$ 4,008	\$ 1,195	\$ 63,181	\$ (1,357)	\$ (9,333)	\$ (69,604)	\$ 75,349	\$ 596	\$ 64,035
Net earnings								11,312	90	11,402
Other comprehensive income						1,834				1,834
Dividends to shareholders:										
Common								(6,275)		(6,275)
Preferred, net of tax benefits								(244)		(244)
Treasury purchases	(84,234)						(5,986)			(5,986)
Employee plan issuances	70,923	1		352			3,573			3,926
Preferred stock conversions	7,605		(58)	7			51			—
ESOP debt impacts					5			55		60
Noncontrolling interest, net				(2)					(41)	(43)
BALANCE JUNE 30, 2013	2,742,327	\$ 4,009	\$ 1,137	\$ 63,538	\$ (1,352)	\$ (7,499)	\$ (71,966)	\$ 80,197	\$ 645	\$ 68,709
Net earnings								11,643	142	11,785
Other comprehensive loss						(163)				(163)
Dividends to shareholders:										
Common								(6,658)		(6,658)
Preferred, net of tax benefits								(253)		(253)
Treasury purchases	(74,987)						(6,005)			(6,005)
Employee plan issuances	40,288			364			2,144			2,508
Preferred stock conversions	3,178		(26)	4			22			—
ESOP debt impacts					12			61		73
Noncontrolling interest, net				5					(25)	(20)
BALANCE JUNE 30, 2014	2,710,806	\$ 4,009	\$ 1,111	\$ 63,911	\$ (1,340)	\$ (7,662)	\$ (75,805)	\$ 84,990	\$ 762	\$ 69,976
Net earnings								7,036	108	7,144
Other comprehensive loss						(5,118)				(5,118)
Dividends to shareholders:										
Common								(7,028)		(7,028)
Preferred, net of tax benefits								(259)		(259)
Treasury purchases	(54,670)						(4,604)			(4,604)
Employee plan issuances	54,100			156			3,153			3,309
Preferred stock conversions	4,335		(34)	4			30			—
ESOP debt impacts					20			68		88
Noncontrolling interest, net				(219)					(239)	(458)
BALANCE JUNE 30, 2015	2,714,571	\$ 4,009	\$ 1,077	\$ 63,852	\$ (1,320)	\$ (12,780)	\$ (77,226)	\$ 84,807	\$ 631	\$ 63,050

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Amounts in millions; Years ended June 30	2015	2014	2013
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$ 8,548	\$ 5,930	\$ 4,436
OPERATING ACTIVITIES			
Net earnings	7,144	11,785	11,402
Depreciation and amortization	3,134	3,141	2,982
Share-based compensation expense	337	360	346
Deferred income taxes	(803)	(44)	(307)
Gain on sale and purchase of businesses	(766)	(154)	(916)
Venezuela deconsolidation charge	2,028	—	—
Goodwill and indefinite-lived intangible asset impairment charges	2,174	—	308
Change in accounts receivable	349	87	(415)
Change in inventories	313	8	(225)
Change in accounts payable, accrued and other liabilities	928	1	1,253
Change in other operating assets and liabilities	(976)	(1,557)	68
Other	746	331	377
TOTAL OPERATING ACTIVITIES	14,608	13,958	14,873
INVESTING ACTIVITIES			
Capital expenditures	(3,736)	(3,848)	(4,008)
Proceeds from asset sales	4,498	577	567
Cash related to deconsolidated Venezuela operations	(908)	—	—
Acquisitions, net of cash acquired	(137)	(24)	(1,145)
Purchases of short-term investments	(3,647)	(568)	(1,605)
Proceeds from sales of short-term investments	1,203	24	—
Change in other investments	(163)	(261)	(121)
TOTAL INVESTING ACTIVITIES	(2,890)	(4,100)	(6,312)
FINANCING ACTIVITIES			
Dividends to shareholders	(7,287)	(6,911)	(6,519)
Change in short-term debt	(2,580)	3,304	3,406
Additions to long-term debt	2,138	4,334	2,331
Reductions of long-term debt	(3,512)	(4,095)	(3,752)
Treasury stock purchases	(4,604)	(6,005)	(5,986)
Impact of stock options and other	2,826	2,094	3,449
TOTAL FINANCING ACTIVITIES	(13,019)	(7,279)	(7,071)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(411)	39	4
CHANGE IN CASH AND CASH EQUIVALENTS	(1,712)	2,618	1,494
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 6,836	\$ 8,548	\$ 5,930

SUPPLEMENTAL DISCLOSURE

Cash payments for:

Interest	\$ 678	\$ 686	\$ 683
Income taxes	4,558	3,320	3,780

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

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Basis of Presentation

The Consolidated Financial Statements include the Company and its controlled subsidiaries. Intercompany transactions are eliminated. Prior year amounts have been reclassified to conform with current year presentation for amounts related to discontinued operations (see Note 13) and segment reporting (see Note 12).

Prior to June 30, 2015, we included the results of our Venezuelan operations in our Consolidated Financial Statements using the consolidation method of accounting. The Company's Venezuelan earnings and cash flows are reflected in the historical Consolidated Financial Statements using a combination of the official exchange rates, with imports of certain essential finished goods reflected at the CENCOEX rate of 6.30 bolivars per U.S. dollar and the remaining business, primarily related to our on-the-ground manufacturing and other business activities, reflected at the SICAD rate, which generally operated in a range of approximately 12 to 13 bolivars per U.S. dollar. Evolving conditions in Venezuela, including currency exchange regulations, other operating controls and restrictions, reduced access to dollars through official currency exchange markets and local market dynamics, have resulted in an other-than-temporary lack of exchangeability between the Venezuelan bolivar and U.S. dollar, and have restricted our Venezuelan operations' ability to pay dividends and satisfy certain other obligations denominated in U.S. dollars.

While we continue to have access to dollars through the CENCOEX market for certain finished goods and raw materials imports, the currency and other controls in Venezuela have significantly limited our ability to realize the benefits from earnings of the Company's on-the-ground Venezuelan operations and to access the resulting liquidity provided by those operations. We expect that this condition will continue for the foreseeable future. For accounting purposes, this lack of exchangeability and evolving conditions has resulted in a lack of control over our Venezuelan subsidiaries. Therefore, in accordance with the applicable accounting standards for consolidation, we deconsolidated our Venezuelan subsidiaries and began accounting for our investment in those subsidiaries using the cost method of accounting.

This change, which we made effective June 30, 2015, resulted in a fourth quarter fiscal 2015 one-time after-tax charge of \$2.1

billion. This charge included the write-off of our investment in our Venezuelan subsidiaries, foreign currency translation losses of \$255 previously recorded in accumulated other comprehensive income and the write-off of certain intercompany receivables due from Venezuela subsidiaries, which was triggered by the decision to deconsolidate those subsidiaries. Our Venezuelan operations' cash balance of \$908 at June 30, 2015 (previously measured using a combination of CENCOEX and SICAD exchange rates), is no longer reported in Cash and cash equivalents.

In future periods, our financial results will only include sales of finished goods to our Venezuelan subsidiaries to the extent we receive cash payments from those subsidiaries (expected to be largely through the CENCOEX exchange market). Accordingly, we will not include the results of our on-the-ground Venezuelan subsidiaries. Any dividends from our Venezuelan subsidiaries will be recorded as operating income upon receipt of the cash.

Use of Estimates

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

Revenue Recognition

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

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

allowances is recorded as a reduction of sales in the same period the revenue is recognized.

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

Cost of Products Sold

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

Selling, General and Administrative Expense

Selling, general and administrative expense (SG&A) is primarily comprised of marketing expenses, selling expenses, research and development costs, administrative and other indirect overhead costs, depreciation and amortization expense on non-manufacturing assets and other miscellaneous operating items. Research and development costs are charged to expense as incurred and were \$2.0 billion in 2015 and \$1.9 billion in 2014 and 2013 (reported in Net earnings from continuing operations). Advertising costs, charged to expense as incurred, include worldwide television, print, radio, internet and in-store advertising expenses and were \$7.2 billion in 2015, \$7.9 billion in 2014 and \$8.2 billion in 2013 (reported in Net earnings from continuing operations). Non-advertising related components of the Company's total marketing spending include costs associated with consumer promotions, product sampling and sales aids, which are included in SG&A, as well as coupons and customer trade funds, which are recorded as reductions to net sales.

Other Non-Operating Income, Net

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

Currency Translation

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

Cash Flow Presentation

The Consolidated Statements of Cash Flows are prepared using the indirect method, which reconciles net earnings to cash flow

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

Investments

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

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

Inventory Valuation

Inventories are valued at the lower of cost or market value. Product-related inventories are primarily maintained on the first-in, first-out method. Minor amounts of product inventories, including certain cosmetics and commodities, are maintained on the last-in, first-out method. The cost of spare part inventories is maintained using the average-cost method.

Property, Plant and Equipment

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

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

impairment assessment may be performed on the recoverability of the carrying amounts.

Goodwill and Other Intangible Assets

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

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

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

For additional details on goodwill and intangible assets see Note 2.

Fair Values of Financial Instruments

Certain financial instruments are required to be recorded at fair value. Changes in assumptions or estimation methods could affect the fair value estimates; however, we do not believe any such changes would have a material impact on our financial condition, results of operations or cash flows. Other financial instruments, including cash equivalents, certain investments and short-term debt, are recorded at cost, which approximates fair value. The fair values of long-term debt and financial instruments are disclosed in Note 5.

New Accounting Pronouncements and Policies

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

On July 1, 2015, the Company adopted ASU 2014-08, "Reporting Discontinued Operations and Disclosures of Components of an Entity". The guidance included new reporting and disclosure requirements for discontinued operations. For additional details on discontinued operations, see Note 13.

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

NOTE 2

GOODWILL AND INTANGIBLE ASSETS

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

	Beauty	Grooming	Health Care	Fabric Care and Home Care	Baby, Feminine and Family Care	Corporate	Total Company
GOODWILL at JUNE 30, 2013 - Gross	\$ 13,759	\$ 21,775	\$ 6,185	\$ 1,973	\$ 4,828	\$ 4,922	\$ 53,442
Accumulated impairment losses at June 30, 2013	—	(1,158)	—	—	—	—	(1,158)
GOODWILL at JUNE 30, 2013 - Net	13,759	20,617	6,185	1,973	4,828	4,922	52,284
Acquisitions and divestitures	—	—	—	(3)	—	(2,445)	(2,448)
Goodwill impairment charges	—	—	—	—	—	—	—
Translation and other	306	322	95	11	82	77	893
GOODWILL at JUNE 30, 2014 - Gross	14,065	22,097	6,280	1,981	4,910	2,554	51,887
Accumulated impairment losses at June 30, 2014	—	(1,158)	—	—	—	—	(1,158)
GOODWILL at JUNE 30, 2014 - Net	14,065	20,939	6,280	1,981	4,910	2,554	50,729
Acquisitions and divestitures	(136)	—	(6)	(3)	—	(449)	(594)
Goodwill impairment charges	—	—	—	—	—	(2,064)	(2,064)
Translation and other	(1,225)	(1,320)	(398)	(104)	(361)	(41)	(3,449)
GOODWILL at JUNE 30, 2015 - Gross	12,704	20,777	5,876	1,874	4,549	2,064	47,844
Accumulated impairment losses at June 30, 2015	—	(1,158)	—	—	—	(2,064)	(3,222)
GOODWILL at JUNE 30, 2015 - Net	\$ 12,704	\$ 19,619	\$ 5,876	\$ 1,874	\$ 4,549	\$ —	\$ 44,622

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

On July 9, 2015, the Company announced the signing of a definitive agreement to divest four product categories, comprised of 43 of its beauty brands (“Beauty Brands”), which will be merged with Coty, Inc. The transaction includes the global salon professional hair care and color, retail hair color, cosmetics and fine fragrance businesses, along with select hair styling brands (see Note 13). The Beauty Brands had historically been part of the Company's Beauty reportable segment (previously named Beauty, Hair and Personal Care). In accordance with applicable accounting guidance for the disposal of long-lived assets, the results of the Beauty Brands are presented as discontinued operations. As a result, the goodwill attributable to the Beauty Brands as of June 30, 2015, 2014 and 2013 is excluded from the preceding table and is reported in Noncurrent assets held for sale in the Consolidated Balance Sheets.

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

In November 2014, the Company reached an agreement to divest the Batteries business via a split transaction in which the Company will exchange a recapitalized Duracell Company for Berkshire Hathaway's (BH) shares of P&G stock (see Note 13). Based on the terms of the agreement and the value of BH's shares of P&G stock as of the transaction date and changes thereto through June 30, 2015, the Company recorded additional non-cash, before and after-tax impairment charges totaling \$1.2 billion. All of the fiscal 2015 impairment charges in the Batteries business are included as part of discontinued operations. The Batteries goodwill is included in Corporate in the preceding table as of June 30, 2013 and 2014. The remaining Batteries goodwill at June 30, 2015 is excluded from the preceding table and is reported in current assets held for sale in the Consolidated Balance Sheet. The remaining change in goodwill during fiscal 2015 was primarily due to currency translation across all reportable segments.

On July 31, 2014, the Company completed the divestiture of its Pet Care operations in North America, Latin America and other selected countries. In December 2014, the Company completed the divestiture of its Pet Care operations in the other

markets, primarily the European union countries. The Pet Care business was accounted for as a discontinued operation as of June 30, 2014. As a result, the Pet Care goodwill is included in Corporate in the preceding table as of June 30, 2013. Pet Care goodwill and intangible assets at June 30, 2014 were reported in assets held for sale in accordance with the accounting principles for discontinued operations. The remaining change in goodwill during fiscal 2014 was primarily due to currency translation across all reportable segments.

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

The goodwill and intangible asset valuations are dependent on a number of significant estimates and assumptions, including macroeconomic conditions, overall category growth rates, competitive activities, cost containment and margin expansion and Company business plans. We believe these estimates and assumptions are reasonable and are comparable to those that would be used by other marketplace participants. However, actual events and results could differ substantially from those used in our valuations. To the extent such factors result in a failure to achieve the level of projected cash flows used to estimate fair value, we may need to record additional non-cash impairment charges in the future. We also considered the structure and value of the divestiture agreement with BH in the impairment testing for Batteries. If the value of BH's shares of the Company declines further before the transaction closing date, we may need to record additional non-cash impairment charges as part of discontinued operations in the future.

Identifiable intangible assets were comprised of:

<u>Years ended</u> <u>June 30</u>	<u>2015</u>		<u>2014</u>	
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
INTANGIBLE ASSETS WITH DETERMINABLE LIVES				
Brands	\$ 3,039	\$ (1,721)	\$ 3,372	\$ (1,672)
Patents and technology	\$ 2,619	\$ (2,028)	\$ 2,839	\$ (2,072)
Customer relationships	\$ 1,395	\$ (464)	\$ 1,732	\$ (543)
Other	\$ 252	\$ (123)	\$ 287	\$ (128)
TOTAL	\$ 7,305	\$ (4,336)	\$ 8,230	\$ (4,415)
INTANGIBLE ASSETS WITH INDEFINITE LIVES				
Brands	\$ 22,041		\$ 24,914	
TOTAL	\$ 29,346	\$ (4,336)	\$ 33,144	\$ (4,415)

Due to the divestiture of the Beauty Brands, Batteries and Pet Care businesses, intangible assets specific to these businesses are reported in assets held for sale in accordance with the accounting principles for assets held for sale as of June 30, 2015 and 2014 (see Note 13).

Amortization expense of intangible assets, including amortization of assets classified as discontinued operations, was as follows:

<u>Years ended June 30</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Intangible asset amortization	\$ 457	\$ 514	\$ 528

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

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

Years ending June 30	2016	2017	2018	2019	2020
Estimated amortization expense	\$ 388	\$ 316	\$ 291	\$ 273	\$ 246

These estimates do not reflect the impact of future foreign exchange rate changes.

NOTE 3

SUPPLEMENTAL FINANCIAL INFORMATION

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

Years ended June 30	2015	2014
PROPERTY, PLANT AND EQUIPMENT		
Buildings	\$ 6,949	\$ 7,733
Machinery and equipment	29,420	31,361
Land	763	855
Construction in progress	2,931	3,048
TOTAL PROPERTY, PLANT AND EQUIPMENT	40,063	42,997
Accumulated depreciation	(20,408)	(21,390)
PROPERTY, PLANT AND EQUIPMENT, NET	\$ 19,655	\$ 21,607

Selected components of current and noncurrent liabilities were as follows:

Years ended June 30	2015	2014
ACCRUED AND OTHER LIABILITIES - CURRENT		
Marketing and promotion	\$ 2,798	\$ 3,176
Compensation expenses	1,390	1,575
Restructuring reserves	389	381
Taxes payable	845	711
Legal and environmental	205	395
Other	2,464	2,496
TOTAL	\$ 8,091	\$ 8,734
OTHER NONCURRENT LIABILITIES		
Pension benefits	\$ 5,247	\$ 5,622
Other postretirement benefits	1,414	1,906
Uncertain tax positions	1,016	1,843
Other	755	770
TOTAL	\$ 8,432	\$ 10,141

RESTRUCTURING PROGRAM

The Company has historically incurred an ongoing annual level of restructuring-type activities to maintain a competitive cost structure, including manufacturing and workforce optimization. Before-tax costs incurred under the ongoing program have generally ranged from \$250 to \$500 annually. In fiscal 2012, the Company initiated an incremental restructuring program as part of a productivity and cost savings

plan to reduce costs in the areas of supply chain, research and development, marketing and overheads. The productivity and cost savings plan was designed to accelerate cost reductions by streamlining management decision making, manufacturing and other work processes in order to help fund the Company's growth strategy.

The Company expects to incur in excess of \$5 billion in before-tax restructuring costs over a six year period (from fiscal 2012 through fiscal 2017), including costs incurred as part of the ongoing and incremental restructuring program. Through the end of fiscal 2015, we have incurred \$3.9 billion of the total expected restructuring charges under the program. The program includes a non-manufacturing overhead enrollment reduction target of approximately 25% - 30% through fiscal 2017. This has been updated from the previous non-manufacturing overhead enrollment reduction target of approximately 16% - 22% through fiscal 2016, which we expect to exceed. Through fiscal 2015, the Company has reduced non-manufacturing enrollment by approximately 12,600, or approximately 21% (22% as of July 1, 2015). The reductions are enabled by the elimination of duplicate work, simplification through the use of technology and optimization of various functional and business organizations and the Company's global footprint. In addition, the plan includes integration of newly acquired companies and the optimization of the supply chain and other manufacturing processes.

Restructuring costs incurred consist primarily of costs to separate employees, asset-related costs to exit facilities and other costs as outlined below. The Company incurred total restructuring costs of approximately \$1,068 and \$806 for the years ended June 30, 2015 and 2014, respectively. Approximately \$338 and \$324 of these charges were recorded in SG&A, approximately \$614 and \$396 were recorded in Cost of products sold and the remainder of \$116 and \$86 were classified as discontinued operations for the years ended June 30, 2015 and 2014, respectively. Since the inception of this restructuring program, the Company has incurred charges of approximately \$3.9 billion. Approximately \$2.0 billion of these charges were related to separations, \$954 were asset-related and \$944 were related to other restructuring-type costs.

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

The following table presents restructuring activity for the years ended June 30, 2015 and 2014, including businesses classified as discontinued operations:

<u>Amounts in millions</u>	<u>Separations</u>	<u>Asset-Related Costs</u>	<u>Other</u>	<u>Total</u>
RESERVE JUNE 30, 2013	\$ 296	\$ —	\$ 27	\$ 323
Charges	378	179	249	806
Cash spent	(321)	—	(248)	(569)
Charges against assets	—	(179)	—	(179)
RESERVE JUNE 30, 2014	353	—	28	381
Charges	516	289	263	1,068
Cash spent	(507)	—	(264)	(771)
Charges against assets	—	(289)	—	(289)
RESERVE JUNE 30, 2015	\$ 362	\$ —	\$ 27	\$ 389

Separation Costs

Employee separation charges for the years ended June 30, 2015 and 2014 related to severance packages for approximately 4,820 and 2,730 employees, respectively. For the years ended June 30, 2015 and 2014, these severance packages included approximately 2,340 and 1,640 non-manufacturing employees, respectively. These separations were primarily in North America and Western Europe. 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. Since its inception, the restructuring program has incurred separation charges related to approximately 14,300 employees, of which approximately 8,620 are non-manufacturing overhead personnel.

Asset-Related Costs

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

Other Costs

Other restructuring-type charges are incurred as a direct result of the restructuring program. Such charges primarily include employee relocation related to separations and office consolidations, termination of contracts related to supply chain

redesign and the cost to change internal systems and processes to support the underlying organizational changes.

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

<u>Years ended June 30</u>	<u>2015</u>	<u>2014</u>
Beauty	\$ 63	\$ 46
Grooming	57	20
Health Care	32	10
Fabric Care and Home Care	197	119
Baby, Feminine and Family Care	192	155
Corporate ⁽¹⁾	527	456
Total Company	\$ 1,068	\$ 806

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

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

NOTE 4**SHORT-TERM AND LONG-TERM DEBT**

Years ended June 30	2015	2014
DEBT DUE WITHIN ONE YEAR		
Current portion of long-term debt	\$ 2,772	\$ 4,307
Commercial paper	8,807	10,818
Other	439	475
TOTAL	\$ 12,018	\$ 15,600
Short-term weighted average interest rates	0.3%	0.7%

(1) Short-term weighted average interest rates include the effects of interest rate swaps discussed in Note 5.

Years ended June 30	2015	2014
LONG-TERM DEBT		
3.15% USD note due September 2015	500	500
1.80% USD note due November 2015	1,000	1,000
4.85% USD note due December 2015	700	700
1.45% USD note due August 2016	1,000	1,000
0.75% USD note due November 2016	500	500
Floating rate USD note due November 2016	500	500
5.13% EUR note due October 2017	1,231	1,501
1.60% USD note due November 2018	1,000	1,000
4.70% USD note due February 2019	1,250	1,250
1.90% USD note due November 2019	550	—
0.28% JPY note due May 2020	818	—
4.13% EUR note due December 2020	671	819
9.36% ESOP debentures due 2015-2021	572	640
(1) 2.00% EUR note due November 2021	839	1,023
2.30% USD note due February 2022	1,000	1,000
2.00% EUR note due August 2022	1,119	1,365
3.10% USD note due August 2023	1,000	1,000
4.88% EUR note due May 2027	1,119	1,365
6.25% GBP note due January 2030	786	851
5.50% USD note due February 2034	500	500
5.80% USD note due August 2034	600	600
5.55% USD note due March 2037	1,400	1,400
Capital lease obligations	52	83
All other long-term debt	2,392	5,517
Current portion of long-term debt	(2,772)	(4,307)
TOTAL	\$18,327	\$19,807

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

(1) Debt issued by the ESOP is guaranteed by the Company and must be recorded as debt of the Company, as discussed in Note 9.

(2) Long-term weighted average interest rates include the effects of interest rate swaps discussed in Note 5.

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

Years ending June 30	2016	2017	2018	2019	2020
Debt maturities	\$2,772	\$2,094	\$1,330	\$2,353	\$1,929

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

NOTE 5**RISK MANAGEMENT ACTIVITIES AND FAIR VALUE MEASUREMENTS**

As a multinational company with diverse product offerings, we are exposed to market risks, such as changes in interest rates, currency exchange rates and commodity prices. We evaluate exposures on a centralized basis to take advantage of natural exposure correlation and netting. To the extent we choose to manage volatility associated with the net exposures, we enter into various financial transactions that we account for using the applicable accounting guidance for derivative instruments and hedging activities. These financial transactions are governed by our policies covering acceptable counterparty exposure, instrument types and other hedging practices.

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

Credit Risk Management

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

Substantially all of the Company's financial instruments used in hedging transactions are governed by industry standard netting and collateral agreements with counterparties. If the Company's credit rating were to fall below the levels stipulated in the agreements, the counterparties could demand either collateralization or termination of the arrangements. The aggregate fair value of the instruments covered by these contractual features that are in a net liability position as of June 30, 2015, was not material. The Company has not been required to post collateral as a result of these contractual features.

Interest Rate Risk Management

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

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

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

Foreign Currency Risk Management

We manufacture and sell our products and finance operations in a number of countries throughout the world. As a result, we are exposed to movements in foreign currency exchange rates.

To manage the exchange rate risk primarily associated with the financing of our operations, we have historically used a combination of forward contracts, options and currency swaps. As of June 30, 2015, we had currency swaps with original maturities up to five years, which are intended to offset the effect of exchange rate fluctuations on intercompany loans denominated in foreign currencies. These swaps are accounted for as cash flow hedges. The effective portion of the changes in fair value of these instruments is reported in OCI and reclassified into SG&A and interest expense in the same period or periods during which the related hedged transactions affect earnings. The ineffective portion, which was not material for any year presented, was immediately recognized in SG&A.

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

Net Investment Hedging

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

Commodity Risk Management

Certain raw materials used in our products or production processes are subject to price volatility caused by weather, supply conditions, political and economic variables and other unpredictable factors. To manage the volatility related to anticipated purchases of certain of these materials, we have historically, on a limited basis, used futures and options with maturities generally less than one year and swap contracts with maturities up to five years. As of and during the years ended June 30, 2015 and 2014, we did not have any commodity hedging activity.

Insurance

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

Fair Value Hierarchy

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

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

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

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

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

The following table sets forth the Company's financial assets and liabilities as of June 30, 2015 and 2014 that were measured at fair value on a recurring basis during the period, segregated by level within the fair value hierarchy:

Years ended June 30	Level 1		Level 2		Level 3		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
ASSETS RECORDED AT FAIR VALUE								
Investments:								
U.S. government securities	\$ —	\$ —	\$ 3,495	\$ 1,631	\$ —	\$ —	\$ 3,495	\$ 1,631
Corporate bond securities	—	—	1,272	497	—	—	1,272	497
Other investments	6	6	—	—	24	24	30	30
Derivatives relating to:								
Foreign currency hedges	—	—	312	187	—	—	312	187
Other foreign currency instruments (1)	—	—	13	24	—	—	13	24
Interest rates	—	—	172	197	—	—	172	197
Net investment hedges	—	—	96	49	—	—	96	49
TOTAL ASSETS RECORDED AT FAIR VALUE ⁽²⁾	\$ 6	\$ 6	\$ 5,360	\$ 2,585	\$ 24	\$ 24	\$ 5,390	\$ 2,615
LIABILITIES RECORDED AT FAIR VALUE								
Derivatives relating to:								
Other foreign currency instruments (1)	\$ —	\$ —	\$ 68	\$ 66	\$ —	\$ —	\$ 68	\$ 66
Interest rates	—	—	13	29	—	—	13	29
Net investment hedges	—	—	1	1	—	—	1	1
TOTAL LIABILITIES RECORDED AT FAIR VALUE ⁽³⁾	\$ —	\$ —	\$ 82	\$ 96	\$ —	\$ —	\$ 82	\$ 96
FAIR VALUE OF LONG-TERM DEBT ⁽⁴⁾	\$ 20,947	\$ 24,747	\$ 2,180	\$ 1,678	\$ —	\$ —	\$ 23,127	\$ 26,425

⁽¹⁾ Other foreign currency instruments are comprised of foreign currency financial instruments that do not qualify as hedges.

⁽²⁾ All derivative assets are presented in Prepaid expenses and other current assets and Other noncurrent assets. Investment securities are presented in Available-for-sale investment securities and Other noncurrent assets. The amortized cost of the U.S. government securities with maturities less than one year was \$700 and \$0 as of June 30, 2015 and 2014, respectively. The amortized cost of the U.S. government securities with maturities between one and five years was \$2,789 and \$1,649 as of June 30, 2015 and 2014, respectively. The amortized cost of Corporate bond securities with maturities of less than a year was \$221 and \$39 as of June 30, 2015 and 2014, respectively. The amortized cost of Corporate bond securities with maturities between one and five years was \$1,052 and \$458 as of June 30, 2015 and 2014, respectively. Fair values are generally estimated based upon quoted market prices for similar instruments.

⁽³⁾ All derivative liabilities are presented in Accrued and other liabilities or Other noncurrent liabilities.

⁽⁴⁾ Long-term debt includes the current portion (\$2,776 and \$4,400 as of June 30, 2015 and 2014, respectively) of debt instruments. Certain long-term debt is recorded at fair value. Certain long-term debt is not recorded at fair value on a recurring basis, but is measured at fair value for disclosure purposes. Fair values are generally estimated based on quoted market prices for identical or similar instruments.

The Company recognizes transfers between levels within the fair value hierarchy, if any, at the end of each quarter. There were no transfers between levels during the periods presented. In addition, there was no significant activity within the Level 3 assets and liabilities during the periods presented. Except for the impairment charges related to our Batteries business (see Note 2), there were no significant assets or liabilities that were re-measured at fair value on a non-recurring basis during the years ended June 30, 2015 and 2014.

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

Disclosures about Derivative Instruments

The notional amounts and fair values of qualifying and non-qualifying financial instruments used in hedging transactions as of June 30, 2015 and 2014 are as follows:

	Notional Amount		Fair Value Asset/ (Liability)	
	2015	2014	2015	2014
Years ended June 30				
DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS				
Foreign currency contracts	\$ 951	\$ 951	\$ 312	\$ 187
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS				
Interest rate contracts	\$ 7,208	\$ 9,738	\$ 159	\$ 168
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS				
Net investment hedges	\$ 537	\$ 831	\$ 95	\$ 48
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS				
Foreign currency contracts	\$ 6,610	\$ 12,111	\$ (55)	\$ (42)

The total notional amount of contracts outstanding at the end of the period is indicative of the level of the Company's derivative activity during the period. The change in the notional balance of foreign currency contracts not designated as hedging instruments during the period reflects changes in the level of intercompany financing activity.

	Amount of Gain/(Loss) Recognized in AOCI on Derivatives (Effective Portion)	
	2015	2014
Years ended June 30		
DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS		
Interest rate contracts	\$ (1)	\$ 3
Foreign currency contracts	5	14
TOTAL	\$ 4	\$ 17
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS		
Net investment hedges	\$ 60	\$ 30

During the next 12 months, the amount of the June 30, 2015, AOCI balance that will be reclassified to earnings is expected to be immaterial. The amounts of gains and losses included in earnings from qualifying and non-qualifying financial instruments used in hedging transactions for the years ended June 30, 2015 and 2014 were as follows:

	Amount of Gain/(Loss) Reclassified from AOCI into Earnings	
	2015	2014
Years ended June 30		
DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS		
Interest rate contracts	\$ 6	\$ 6
Foreign currency contracts	152	38
TOTAL	\$ 158	\$ 44

	Amount of Gain/(Loss) Recognized in Earnings	
	2015	2014
Years ended June 30		
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS		
Interest rate contracts	\$ (9)	\$ 36
Debt	9	(37)
TOTAL	\$ —	\$ (1)
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS		
Net investment hedges	\$ (1)	\$ —
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS		
Foreign currency contracts ⁽¹⁾	\$ (987)	\$ 123

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

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

NOTE 6

ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

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

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

	Hedges	Investment Securities	Pension and Other Retiree Benefits	Financial Statement Translation	Total
BALANCE at JUNE 30, 2013	\$ (3,529)	\$ (27)	\$ (4,296)	\$ 353	\$ (7,499)
OCI before reclassifications ⁽¹⁾	(305)	20	(1,113)	1,044	(354)
Amounts reclassified from AOCI ^{(2) (5)}	(42)	(11)	244	—	191
Net current period OCI	(347)	9	(869)	1,044	(163)
BALANCE at JUNE 30, 2014	(3,876)	(18)	(5,165)	1,397	(7,662)
OCI before reclassifications ⁽³⁾	1,390	26	563	(7,475)	(5,496)
Amounts reclassified from AOCI ^{(4) (5) (6)}	(156)	(2)	281	255	378
Net current period OCI	1,234	24	844	(7,220)	(5,118)
BALANCE at JUNE 30, 2015	\$ (2,642)	\$ 6	\$ (4,321)	\$ (5,823)	\$ (12,780)

⁽¹⁾ Net of tax (benefit)/expense of \$(207), \$3 and \$(450) for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively, for the period ended June 30, 2014.

⁽²⁾ Net of tax (benefit)/expense of \$(2), \$(7), and \$94 for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively, for the period ended June 30, 2014.

⁽³⁾ Net of tax (benefit)/expense of \$741, \$1, and \$219 for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively, for the period ended June 30, 2015.

⁽⁴⁾ Net of tax (benefit)/expense of \$(2), \$(1), and \$109 for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively, for the period ended June 30, 2015.

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

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

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

NOTE 7**EARNINGS PER SHARE**

Net earnings attributable to Procter & Gamble less preferred dividends (net of related tax benefits) are divided by the weighted average number of common shares outstanding during the year to calculate basic net earnings per common share. Diluted net earnings per common share are calculated to give effect to stock options and other stock-based awards (see Note 8) and assume conversion of preferred stock (see Note 9).

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

Years ended June 30	2015			2014			2013		
	Continuing Operations	Dis-continued Operations	Total	Continuing Operations	Dis-continued Operations	Total	Continuing Operations	Dis-continued Operations	Total
CONSOLIDATED AMOUNTS									
Net earnings/(loss)	\$ 8,287	\$ (1,143)	\$ 7,144	\$ 10,658	\$ 1,127	\$ 11,785	\$ 10,346	\$ 1,056	\$ 11,402
Net earnings attributable to noncontrolling interests	(98)	(10)	(108)	(120)	(22)	(142)	(92)	2	(90)
Net earnings/(loss) attributable to P&G (Diluted)	8,189	(1,153)	7,036	10,538	1,105	11,643	10,254	1,058	11,312
Preferred dividends, net of tax	(259)	—	(259)	(253)	—	(253)	(244)	—	(244)
Net earnings/(loss) attributable to P&G available to common shareholders (Basic)	\$ 7,930	\$ (1,153)	\$ 6,777	\$ 10,285	\$ 1,105	\$ 11,390	\$ 10,010	\$ 1,058	\$ 11,068
SHARES IN MILLIONS									
Basic weighted average common shares outstanding	2,711.7	2,711.7	2,711.7	2,719.8	2,719.8	2,719.8	2,742.9	2,742.9	2,742.9
Effect of dilutive securities									
Conversion of preferred shares ⁽¹⁾	108.6	108.6	108.6	112.3	112.3	112.3	116.8	116.8	116.8
Exercise of stock options and other unvested equity awards ⁽²⁾	63.3	63.3	63.3	72.6	72.6	72.6	70.9	70.9	70.9
Diluted weighted average common shares outstanding	2,883.6	2,883.6	2,883.6	2,904.7	2,904.7	2,904.7	2,930.6	2,930.6	2,930.6
PER SHARE AMOUNTS									
Basic net earnings/(loss) per common share⁽³⁾	\$ 2.92	\$ (0.42)	\$ 2.50	\$ 3.78	\$ 0.41	\$ 4.19	\$ 3.65	\$ 0.39	\$ 4.04
Diluted net earnings/(loss) per common share⁽³⁾	\$ 2.84	\$ (0.40)	\$ 2.44	\$ 3.63	\$ 0.38	\$ 4.01	\$ 3.50	\$ 0.36	\$ 3.86

⁽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⁾ Approximately 8 million in 2015, 9 million in 2014 and 12 million in 2013 of the Company's outstanding stock options were not included in the Diluted net earnings per share calculation because the options were out of the money or to do so would have been antidilutive (i.e., the total proceeds upon exercise would have exceeded the market value of the underlying common shares).

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

NOTE 8**STOCK-BASED COMPENSATION**

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

three years and have a 10-year life. The key manager stock option awards granted from July 1998 through August 2002 vested after three years and have a 15-year life. Key managers can elect to receive up to the entire value of their option award in RSUs. Key manager RSUs vest and are settled in shares of common stock five years from the grant date. The awards provided to the Company's directors are in the form of restricted stock and RSUs. In addition to our key manager and director grants, we make other minor stock option and RSU

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

grants to employees for which the terms are not substantially different than key manager awards.

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

A total of 185 million shares of common stock were authorized for issuance under stock-based compensation plan approved by shareholders in 2014. The number of shares available for award under the 2014 plan includes the shares previously authorized but not awarded under the shareholder approved plans in 2003 and 2009. A total of 156 million shares remain available for grant under the 2014 plan. The disclosures below include stock-based compensation related to discontinued operations, which is not material in any period presented.

Total stock-based compensation expense for stock option grants was \$223, \$246 and \$249 for 2015, 2014 and 2013, respectively. Total compensation expense for restricted stock, RSUs and PSUs was \$114, \$114 and \$97 in 2015, 2014 and 2013, respectively. The total income tax benefit recognized in the income statement for stock options, restricted stock, RSUs and PSUs was \$109, \$127 and \$96 in 2015, 2014 and 2013, respectively.

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

Years ended June 30	2015		2014		2013	
Interest rate	0.1 -	2.1%	0.1 -	2.8%	0.2 -	2.0%
Weighted average interest rate		2.0%		2.5%		1.8%
Dividend yield		3.1%		3.1%		2.9%
Expected volatility	11 -	15%	15 -	17%	14 -	15%
Weighted average volatility		15%		16%		15%
Expected life in years		8.3		8.2		8.9

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

A summary of options, RSUs and PSUs outstanding under the plans as of June 30, 2015 and activity during the year then ended is presented below:

Options	Options (in thousands)	Weighted Avg. Exercise Price	Weighted Avg. Contractual Life in Years	Aggregate Intrinsic Value
Outstanding, beginning of year	291,626	\$ 59.74		
Granted	23,066	84.97		
Exercised	(53,294)	50.60		
Canceled	(1,106)	70.46		
OUTSTANDING, END OF YEAR	260,292	\$ 63.74	4.9	\$ 3,971
EXERCISABLE	188,959	\$ 57.68	3.4	\$ 3,895

The weighted average grant-date fair value of options granted was \$9.38, \$10.01 and \$8.19 per share in 2015, 2014 and 2013, respectively. The total intrinsic value of options exercised was \$1,814, \$1,152 and \$1,759 in 2015, 2014 and 2013, respectively. The total grant-date fair value of options that vested during 2015, 2014 and 2013 was \$241, \$319 and \$352, respectively. At June 30, 2015, there was \$205 of compensation cost that has not yet been recognized related to stock option grants. That cost is expected to be recognized over a remaining weighted average period of 1.9 years. Cash received from options exercised was \$2,631, \$1,938 and \$3,294 in 2015, 2014 and 2013, respectively. The actual tax benefit realized for the tax deductions from option exercises totaled \$519, \$338 and \$575 in 2015, 2014 and 2013, respectively.

Other stock-based awards	RSUs		PSUs	
	Units (in thousands)	Weighted-Average Grant-Date Fair Value	Units (in thousands)	Weighted-Average Grant-Date Fair Value
Non-vested at July 1, 2014	4,902	\$ 61.74	1,883	\$ 66.53
Granted	1,451	69.25	575	77.47
Vested	(1,212)	59.22	(1,251)	63.96
Forfeited	(133)	64.74	(19)	69.82
Non-vested at June 30, 2015	5,008	\$ 64.78	1,188	\$ 74.48

At June 30, 2015, there was \$197 of compensation cost that has not yet been recognized related to restricted stock, RSUs and PSUs. That cost is expected to be recognized over a remaining weighted average period of 2.9 years. The total fair value of shares vested was \$79, \$95 and \$51 in 2015, 2014 and 2013, respectively.

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

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

NOTE 9**POSTRETIREMENT BENEFITS AND EMPLOYEE STOCK OWNERSHIP PLAN**

We offer various postretirement benefits to our employees.

Defined Contribution Retirement Plans

We have defined contribution plans which cover the majority of our U.S. employees, as well as employees in certain other countries. These plans are fully funded. We generally make contributions to participants' accounts based on individual base salaries and years of service. Total global defined contribution expense was \$305, \$311 and \$314 in 2015, 2014 and 2013, respectively.

The primary U.S. defined contribution plan (the U.S. DC plan) comprises the majority of the expense for the Company's defined contribution plans. For the U.S. DC plan, the contribution rate is set annually. Total contributions for this plan approximated 14% of total participants' annual wages and salaries in 2015 and 15% in 2014 and 2013.

We maintain The Procter & Gamble Profit Sharing Trust (Trust) and Employee Stock Ownership Plan (ESOP) to

provide a portion of the funding for the U.S. DC plan and other retiree benefits (described below). Operating details of the ESOP are provided at the end of this Note. The fair value of the ESOP Series A shares allocated to participants reduces our cash contribution required to fund the U.S. DC plan.

Defined Benefit Retirement Plans and Other Retiree Benefits

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

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

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

Years ended June 30	Pension Benefits ⁽¹⁾		Other Retiree Benefits ⁽²⁾	
	2015	2014	2015	2014
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year ⁽³⁾	\$ 17,053	\$ 14,514	\$ 5,505	\$ 5,289
Service cost	317	298	156	149
Interest cost	545	590	240	256
Participants' contributions	19	20	71	72
Amendments	17	4	(325)	(5)
Actuarial loss/(gain)	524	1,365	(399)	(46)
Acquisitions	7	—	—	—
Special termination benefits	11	5	23	9
Currency translation and other	(1,908)	797	(134)	20
Benefit payments	(634)	(540)	(233)	(239)
BENEFIT OBLIGATION AT END OF YEAR ⁽³⁾	\$ 15,951	\$ 17,053	\$ 4,904	\$ 5,505
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	\$ 11,098	\$ 8,561	\$ 3,574	\$ 3,553
Actual return on plan assets	1,016	964	10	124
Employer contributions	262	1,549	18	31
Participants' contributions	19	20	71	72
Currency translation and other	(1,156)	544	(6)	—
ESOP debt impacts ⁽⁴⁾	—	—	36	33
Benefit payments	(634)	(540)	(233)	(239)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	\$ 10,605	\$ 11,098	\$ 3,470	\$ 3,574
Reclassification of net obligation to held for sale liabilities	336	362	—	—
FUNDED STATUS	\$ (5,010)	\$ (5,593)	\$ (1,434)	\$ (1,931)

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

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

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

⁽⁴⁾ Represents the net impact of ESOP debt service requirements, which is netted against plan assets for other retiree benefits.

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

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

Years ended June 30	Pension Benefits		Other Retiree Benefits	
	2015	2014	2015	2014
CLASSIFICATION OF NET AMOUNT RECOGNIZED				
Noncurrent assets	\$ 276	\$ 69	\$ —	\$ —
Current liabilities	(39)	(40)	(20)	(25)
Noncurrent liabilities	(5,247)	(5,622)	(1,414)	(1,906)
NET AMOUNT RECOGNIZED	\$ (5,010)	\$ (5,593)	\$ (1,434)	\$ (1,931)
AMOUNTS RECOGNIZED IN ACCUMULATED OTHER COMPREHENSIVE INCOME (AOCI)				
Net actuarial loss	\$ 4,488	\$ 5,169	\$ 1,731	\$ 1,871
Prior service cost/(credit)	300	344	(346)	(39)
NET AMOUNTS RECOGNIZED IN AOCI	\$ 4,788	\$ 5,513	\$ 1,385	\$ 1,832

The accumulated benefit obligation for all defined benefit pension plans was \$14,239 and \$14,949 as of June 30, 2015 and 2014, respectively. Pension plans with accumulated benefit obligations in excess of plan assets and plans with projected benefit obligations in excess of plan assets consisted of the following:

Years ended June 30	Accumulated Benefit Obligation Exceeds the Fair Value of Plan Assets		Projected Benefit Obligation Exceeds the Fair Value of Plan Assets	
	2015	2014	2015	2014
Projected benefit obligation	\$ 13,411	\$ 14,229	\$ 14,057	\$ 15,325
Accumulated benefit obligation	11,918	12,406	12,419	13,279
Fair value of plan assets	7,931	8,353	8,435	9,301

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

Years ended June 30	Pension Benefits			Other Retiree Benefits		
	2015	2014	2013	2015	2014	2013
AMOUNTS RECOGNIZED IN NET PERIODIC BENEFIT COST						
Service cost	\$ 317	\$ 298	\$ 300	\$ 156	\$ 149	\$ 190
Interest cost	545	590	560	240	256	260
Expected return on plan assets	(732)	(701)	(587)	(406)	(385)	(382)
Prior service cost/(credit) amortization	30	26	18	(20)	(20)	(20)
Net actuarial loss amortization	275	214	213	105	118	199
Special termination benefits	11	5	39	23	9	18
Curtailments, settlements and other	—	—	4	—	—	—
GROSS BENEFIT COST	446	432	547	98	127	265
Dividends on ESOP preferred stock	—	—	—	(58)	(64)	(70)
NET PERIODIC BENEFIT COST/(CREDIT)	\$ 446	\$ 432	\$ 547	\$ 40	\$ 63	\$ 195
CHANGE IN PLAN ASSETS AND BENEFIT OBLIGATIONS RECOGNIZED IN AOCI						
Net actuarial loss/(gain) - current year	\$ 240	\$ 1,102		\$ (3)	\$ 215	
Prior service cost/(credit) - current year	17	4		(325)	(5)	
Amortization of net actuarial loss	(275)	(214)		(105)	(118)	
Amortization of prior service (cost)/credit	(30)	(26)		20	20	
Currency translation and other	(677)	245		(34)	2	
TOTAL CHANGE IN AOCI	(725)	1,111		(447)	114	
NET AMOUNTS RECOGNIZED IN PERIODIC BENEFIT COST AND AOCI	\$ (279)	\$ 1,543		\$ (407)	\$ 177	

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

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

Amounts expected to be amortized from AOCI into net periodic benefit cost during the year ending June 30, 2016, are as follows:

	<u>Pension Benefits</u>	<u>Other Retiree Benefits</u>
Net actuarial loss	\$ 270	\$ 78
Prior service cost/(credit)	30	(52)

Assumptions. We determine our actuarial assumptions on an annual basis. These assumptions are weighted to reflect each country that may have an impact on the cost of providing retirement benefits. As of June 30, 2015, we updated our assumptions for revised mortality projections for the measurement of U.S. retirement benefit obligations that reflect longevity improvements of plan participants, resulting in an increase to future pension expense and to our benefit obligation. The weighted average assumptions used to determine benefit obligations recorded on the Consolidated Balance Sheets as of June 30, were as follows: ⁽¹⁾

	<u>Pension Benefits</u>		<u>Other Retiree Benefits</u>	
	2015	2014	2015	2014
Discount rate	3.1%	3.5%	4.5%	4.4%
Rate of compensation increase	3.1%	3.2%	N/A	N/A
Health care cost trend rates assumed for next year	N/A	N/A	6.8%	6.8%
Rate to which the health care cost trend rate is assumed to decline (ultimate trend rate)	N/A	N/A	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	N/A	N/A	2021	2021

⁽¹⁾ Determined as of end of year.

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

<u>Years ended June 30</u>	<u>Pension Benefits</u>			<u>Other Retiree Benefits</u>		
	2015	2014	2013	2015	2014	2013
Discount rate	3.5%	4.0%	4.2%	4.4%	4.8%	4.3%
Expected return on plan assets	7.2%	7.2%	7.3%	8.3%	8.3%	8.3%
Rate of compensation increase	3.2%	3.2%	3.3%	N/A	N/A	N/A

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

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

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

	<u>One-Percentage Point Increase</u>	<u>One-Percentage Point Decrease</u>
Effect on the total service and interest cost components	\$ 81	\$ (62)
Effect on the accumulated postretirement benefit obligation	824	(642)

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

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

Our target asset allocation for the year ended June 30, 2015, and actual asset allocation by asset category as of June 30, 2015 and 2014, were as follows:

Asset Category	Target Asset Allocation		Actual Asset Allocation at June 30					
	Pension Benefits	Other Retiree Benefits	Pension Benefits				Other Retiree Benefits	
			2015	2014	2015	2014	2015	2014
Cash	2%	2%	2%	1%	1%	1%	1%	
Debt securities	51%	3%	50%	51%	5%	6%	6%	
Equity securities	47%	95%	48%	48%	94%	93%	93%	
TOTAL	100%	100%	100%	100%	100%	100%	100%	

The following tables set forth the fair value of the Company's plan assets as of June 30, 2015 and 2014 segregated by level within the fair value hierarchy (refer to Note 5 for further discussion on the fair value hierarchy and fair value principles). Common collective funds are valued using the net asset value reported by the managers of the funds and as supported by the unit prices of actual purchase and sale transactions. Company stock listed as Level 2 in the hierarchy represents preferred shares which are valued based on the value of Company common stock. The majority of our Level 3 pension assets are insurance contracts. Their fair values are based on their cash equivalent or models that project future cash flows and discount the future amounts to a present value using market-based observable inputs, including credit risk and interest rate curves.

Years ended June 30	Pension Benefits							
	Level 1		Level 2		Level 3		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
ASSETS AT FAIR VALUE								
Cash and cash equivalents	\$ 154	\$ 79	\$ 112	\$ —	\$ —	\$ —	\$ 266	\$ 79
Collective fund - equity	—	—	5,054	5,336	—	—	5,054	5,336
Collective fund - fixed income	—	—	5,162	5,539	—	—	5,162	5,539
Other	4	5	—	—	119	139	123	144
TOTAL ASSETS AT FAIR VALUE	\$ 158	\$ 84	\$ 10,328	\$ 10,875	\$ 119	\$ 139	\$ 10,605	\$ 11,098

Years ended June 30	Other Retiree Benefits							
	Level 1		Level 2		Level 3		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
ASSETS AT FAIR VALUE								
Cash and cash equivalents	\$ 36	\$ 30	\$ —	\$ —	\$ —	\$ —	\$ 36	\$ 30
Company stock	—	—	3,239	3,304	—	—	3,239	3,304
Common collective fund - equity	—	—	17	18	—	—	17	18
Common collective fund - fixed income	—	—	178	217	—	—	178	217
Other	—	—	—	—	—	5	—	5
TOTAL ASSETS AT FAIR VALUE	\$ 36	\$ 30	\$ 3,434	\$ 3,539	\$ —	\$ 5	\$ 3,470	\$ 3,574

There was no significant activity within the Level 3 pension and other retiree benefits plan assets during the years presented.

Cash Flows. Management's best estimate of cash requirements and discretionary contributions for the defined benefit retirement plans and other retiree benefit plans for the year ending June 30, 2016, is \$215 and \$34, respectively. For the defined benefit retirement plans, this is comprised of \$96 in expected benefit payments from the Company directly to participants of unfunded plans and \$119 of expected contributions to funded plans. For other retiree benefit plans, this is comprised of \$27 in expected benefit payments from the Company directly to participants of unfunded plans and \$7 of

expected contributions to funded plans. Expected contributions are dependent on many variables, including the variability of the market value of the plan assets as compared to the benefit obligation and other market or regulatory conditions. In addition, we take into consideration our business investment opportunities and resulting cash requirements. Accordingly, actual funding may differ significantly from current estimates.

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

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

<u>Years ending June 30</u>	<u>Pension Benefits</u>	<u>Other Retiree Benefits</u>
EXPECTED BENEFIT PAYMENTS		
2016	\$ 533	\$ 182
2017	542	196
2018	560	210
2019	572	223
2020	587	235
2021 - 2025	3,403	1,334

Employee Stock Ownership Plan

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

The ESOP borrowed \$1.0 billion in 1989 and the proceeds were used to purchase Series A ESOP Convertible Class A Preferred Stock to fund a portion of the U.S. DC plan. Principal and interest requirements of the borrowing were paid by the Trust from dividends on the preferred shares and from advances provided by the Company. The original borrowing of \$1.0 billion has been repaid in full, and advances from the Company of \$86 remain outstanding at June 30, 2015. Each share is convertible at the option of the holder into one share of the Company's common stock. The dividend for the current year was equal to the common stock dividend of \$2.59 per share. The liquidation value is \$6.82 per share.

In 1991, the ESOP borrowed an additional \$1.0 billion. The proceeds were used to purchase Series B ESOP Convertible Class A Preferred Stock to fund a portion of retiree health care benefits. These shares, net of the ESOP's debt, are considered plan assets of the other retiree benefits plan discussed above. Debt service requirements are funded by preferred stock dividends, cash contributions and advances provided by the Company, of which \$662 is outstanding at June 30, 2015. Each share is convertible at the option of the holder into one share of the Company's common stock. The dividend for the current year was equal to the common stock dividend of \$2.59 per share. The liquidation value is \$12.96 per share.

Our ESOP accounting practices are consistent with current ESOP accounting guidance, including the permissible continuation of certain provisions from prior accounting guidance. ESOP debt, which is guaranteed by the Company, is recorded as debt (see Note 4) with an offset to the reserve for ESOP debt retirement, which is presented within shareholders' equity. Advances to the ESOP by the Company are recorded as an increase in the reserve for ESOP debt retirement. Interest incurred on the ESOP debt is recorded as interest expense. Dividends on all preferred shares, net of related tax benefits, are charged to retained earnings.

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

<u>Shares in thousands</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Allocated	42,044	44,465	45,535
Unallocated	7,228	8,474	9,843
TOTAL SERIES A	49,272	52,939	55,378
Allocated	23,074	22,085	21,278
Unallocated	34,096	35,753	37,300
TOTAL SERIES B	57,170	57,838	58,578

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

NOTE 10

INCOME TAXES

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

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

<u>Years ended June 30</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
United States	\$ 8,496	\$ 8,513	\$ 7,736
International	2,516	4,996	5,672
TOTAL	\$ 11,012	\$ 13,509	\$ 13,408

Income taxes on continuing operations consisted of the following:

<u>Years ended June 30</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
CURRENT TAX EXPENSE			
U.S. federal	\$ 2,127	\$ 1,399	\$ 1,629
International	1,142	1,252	1,452
U.S. state and local	252	237	278
	3,521	2,888	3,359
DEFERRED TAX EXPENSE			
U.S. federal	(607)	145	187
International and other	(189)	(182)	(484)
	(796)	(37)	(297)
TOTAL TAX EXPENSE	\$ 2,725	\$ 2,851	\$ 3,062

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

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

<u>Years ended June 30</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
U.S. federal statutory income tax rate	35.0 %	35.0 %	35.0 %
Country mix impacts of foreign operations	(14.0) %	(10.8) %	(7.4) %
Changes in uncertain tax positions	(0.9) %	(1.7) %	(2.0) %
Impairment adjustments	— %	— %	0.7 %
Holding gain on joint venture buy-out	— %	— %	(1.5) %
Venezuela deconsolidation charge	6.6 %	— %	— %
Other	(2.0) %	(1.4) %	(2.0) %
EFFECTIVE INCOME TAX RATE	24.7 %	21.1 %	22.8 %

Changes in uncertain tax positions represent changes in our net liability related to prior year tax positions. Country mix impacts of foreign operations includes the effects of foreign subsidiaries' earnings taxed at rates other than the U.S. statutory rate, the U.S. tax impacts of non-U.S. earnings repatriation and any net impacts of intercompany transactions.

Tax costs charged to shareholders' equity totaled \$634 for the year ended June 30, 2015. This primarily relates to the tax effects of net investment hedges and the impact of certain adjustments to pension obligations recorded in stockholders' equity, partially offset by excess tax benefits from the exercise of stock options. Tax benefits to shareholders' equity totaled \$716 for the year ended June 30, 2014. This primarily relates to the tax effects of net investment hedges, excess tax benefits from the exercise of stock options and the impacts of certain adjustments to pension and other retiree benefit obligations recorded in shareholders' equity.

We have undistributed earnings of foreign subsidiaries of approximately \$45.0 billion at June 30, 2015, for which deferred taxes have not been provided. Such earnings are considered indefinitely invested in the foreign subsidiaries. If such earnings were repatriated, additional tax expense may result. However, the calculation of the amount of deferred U.S. income tax on these earnings is not practicable because of the large number of assumptions necessary to compute the tax.

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

<u>Years ended June 30</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
BEGINNING OF YEAR	\$ 1,437	\$ 1,600	\$ 1,773
Increases in tax positions for prior years	87	146	162
Decreases in tax positions for prior years	(146)	(296)	(225)
Increases in tax positions for current year	118	142	188
Settlements with taxing authorities	(250)	(135)	(195)
Lapse in statute of limitations	(27)	(33)	(98)
Currency translation	(123)	13	(5)
END OF YEAR	\$ 1,096	\$ 1,437	\$ 1,600

Included in the total liability for uncertain tax positions at June 30, 2015, is \$510 that, depending on the ultimate resolution, could impact the effective tax rate in future periods.

The Company is present in approximately 140 taxable jurisdictions and, at any point in time, has 60-70 jurisdictional audits underway at various stages of completion. We evaluate our tax positions and establish liabilities for uncertain tax positions that may be challenged by local authorities and may not be fully sustained, despite our belief that the underlying tax positions are fully supportable. Uncertain tax positions are reviewed on an ongoing basis and are adjusted in light of changing facts and circumstances, including progress of tax audits, developments in case law and closing of statute of limitations. Such adjustments are reflected in the tax provision as appropriate. We have tax years open ranging from 2002 and forward. We are generally not able to reliably estimate the ultimate settlement amounts until the close of the audit. Based on information currently available, we anticipate that over the next 12 month period, audit activity could be completed related to uncertain tax positions in multiple jurisdictions for which we have accrued existing liabilities of approximately \$445, including interest and penalties.

Accounting pronouncements require that, without discretion, we recognize the additional accrual of any possible related interest and penalties relating to the underlying uncertain tax position in income tax expense, unless the Company qualifies for a specific exception. As of June 30, 2015, 2014 and 2013, we had accrued interest of \$347, \$411 and \$413 and accrued penalties of \$19, \$32 and \$34, respectively, which are not included in the above table. During the fiscal years ended June 30, 2015, 2014 and 2013, we recognized \$15, \$(6) and \$24 in interest benefit/(expense) and \$13, \$2 and \$32 in penalties benefit, respectively. The net benefits recognized resulted primarily from the favorable resolution of tax positions for prior years.

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

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

<u>Years ended June 30</u>	<u>2015</u>	<u>2014</u>
DEFERRED TAX ASSETS		
Pension and postretirement benefits	\$ 1,739	\$ 1,938
Loss and other carryforwards	1,014	1,211
Stock-based compensation	949	1,060
Advance payments	281	—
Accrued marketing and promotion	266	258
Unrealized loss on financial and foreign exchange transactions	183	352
Fixed assets	139	115
Inventory	49	35
Accrued interest and taxes	48	66
Goodwill and other intangible assets	25	49
Other	814	809
Valuation allowances	(324)	(384)
TOTAL	\$ 5,183	\$ 5,509

DEFERRED TAX LIABILITIES		
Goodwill and other intangible assets	\$ 9,530	\$ 10,764
Fixed assets	1,590	1,665
Unrealized gain on financial and foreign exchange transactions	353	43
Other	149	101
TOTAL	\$ 11,622	\$ 12,573

Net operating loss carryforwards were \$3.1 billion and \$3.6 billion at June 30, 2015 and 2014, respectively. If unused, \$1.2 billion will expire between 2015 and 2034. The remainder, totaling \$1.9 billion at June 30, 2015, may be carried forward indefinitely.

NOTE 11

COMMITMENTS AND CONTINGENCIES

Guarantees

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

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

Off-Balance Sheet Arrangements

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

Purchase Commitments and Operating Leases

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

<u>Years ending June 30</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Thereafter</u>
Purchase obligations	\$ 586	\$ 280	\$ 169	\$ 132	\$ 110	\$ 230

Such amounts represent future purchases in line with expected usage to obtain favorable pricing. This includes purchase commitments related to service contracts for information technology, human resources management and facilities management activities that have been outsourced to third-party suppliers. Due to the proprietary nature of many of our materials and processes, certain supply contracts contain penalty provisions for early termination. We do not expect to incur penalty payments under these provisions that would materially affect our financial position, results of operations or cash flows.

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

<u>Years ending June 30</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Thereafter</u>
Operating leases	\$ 249	\$ 225	\$ 210	\$ 194	\$ 177	\$ 562

Litigation

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

As previously disclosed, the Company has had a number of antitrust matters in Europe. These matters involve a number of other consumer products companies and/or retail customers. Several regulatory authorities in Europe have issued separate decisions pursuant to their investigations alleging that the Company, along with several other companies, engaged in violations of competition laws in those countries. Many of these matters have concluded and the fines have been paid. For ongoing matters, the Company has accrued liabilities for competition law violations from these European cases totaling \$38 as of June 30, 2015. While the ultimate resolution of ongoing matters for which we have accrued liabilities may result in fines or costs in excess of the amounts reserved, it is difficult to estimate such amounts at this time. Currently, however, we do not expect any such incremental losses to materially impact our financial statements in the periods in which they are accrued and paid, respectively.

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

With respect to 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 have a material effect on our financial position, results of operations or cash flows.

NOTE 12

SEGMENT INFORMATION

Our Global Business Units (GBUs) are organized into four industry-based sectors, comprised of 1) Global Beauty, 2) Global Health and Grooming, 3) Global Fabric and Home Care and 4) Global Baby, Feminine and Family Care. The Company completed the divestiture of its Pet Care business during the current fiscal year. On November 13, 2014, the Company announced that it plans to divest the Batteries business via a transaction with Berkshire Hathaway. The Company expects to complete the Batteries transaction in the beginning of calendar year 2016, pending necessary regulatory approvals. On July 9, 2015, the Company announced the signing of a definitive agreement to divest four product categories, comprised of 43 of its beauty brands (“Beauty Brands”), which will be merged with Coty, Inc. The transaction includes the global salon professional hair care and color, retail hair color, cosmetics and fine fragrance businesses, along with select hair styling brands and is expected to close by the end of calendar year 2016, pending regulatory approvals. The Batteries business and Beauty Brands are reported as discontinued operations for all periods presented (see Note 13).

Under U.S. GAAP, the remaining GBUs underlying the four sectors are aggregated into five reportable segments: 1) Beauty, 2) Grooming, 3) Health Care, 4) Fabric Care and Home Care and 5) Baby, Feminine and Family Care. Our five reportable segments are comprised of:

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

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

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

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

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

% of Sales by Business Unit*

Years ended June 30	2015	2014	2013
Fabric Care	22%	22%	22%
Baby Care	15%	15%	14%
Hair Care	11%	11%	11%
Shave Care	9%	10%	10%
Home Care	9%	9%	9%
Family Care	8%	7%	8%
Oral Care	8%	7%	7%
Feminine Care	6%	6%	6%
Skin and Personal Care	7%	7%	8%
All Other	5%	6%	5%
TOTAL	100%	100%	100%

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

The Company had net sales in the U.S. of \$26.8 billion, \$26.7 billion and \$26.6 billion for the years ended June 30, 2015, 2014 and 2013, respectively. Long-lived assets in the U.S. totaled \$8.3 billion and \$8.6 billion as of June 30, 2015 and 2014, respectively. Long-lived assets consists of property, plant and equipment. No other country's net sales or long-lived assets exceed 10% of the Company totals.

Our largest customer, Wal-Mart Stores, Inc. and its affiliates, accounted for approximately 14% of consolidated net sales in 2015, 2014 and 2013.

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

Global Segment Results		Net Sales	Earnings/ (Loss) from Continuing Operations	Net Earnings/ (Loss) from Continuing Operations	Depreciation and Amortization	Total Assets	Capital Expenditures
			Before Income Taxes				
BEAUTY	2015	\$ 12,608	\$ 2,895	\$ 2,181	\$ 247	\$ 4,699	\$ 411
	2014	13,401	3,020	2,300	256	5,260	376
	2013	13,754	2,717	2,042	239	5,240	439
GROOMING	2015	7,441	2,374	1,787	540	23,090	372
	2014	8,009	2,589	1,954	576	23,767	369
	2013	8,038	2,458	1,837	603	23,971	378
HEALTH CARE	2015	7,713	1,700	1,167	202	5,212	218
	2014	7,798	1,597	1,083	199	5,879	253
	2013	7,684	1,582	1,093	191	5,933	248
FABRIC CARE AND HOME CARE	2015	22,274	4,059	2,634	547	7,155	986
	2014	23,506	4,264	2,770	539	7,938	1,057
	2013	23,393	4,378	2,834	544	7,658	985
BABY, FEMININE AND FAMILY CARE	2015	20,247	4,317	2,938	924	10,109	1,337
	2014	20,950	4,310	2,940	908	10,946	1,317
	2013	20,479	4,507	3,047	837	10,926	1,560
CORPORATE ⁽¹⁾	2015	466	(4,333)	(2,420)	674	79,230	412
	2014	737	(2,271)	(389)	663	90,476	476
	2013	562	(2,234)	(507)	568	85,535	398
TOTAL COMPANY	2015	\$ 70,749	\$ 11,012	\$ 8,287	\$ 3,134	\$ 129,495	\$ 3,736
	2014	74,401	13,509	10,658	3,141	144,266	3,848
	2013	73,910	13,408	10,346	2,982	139,263	4,008

⁽¹⁾ The Corporate reportable segment includes depreciation and amortization, total assets and capital expenditures of the Pet Care business prior to its divestiture during fiscal year 2015 and of the Batteries and Beauty Brands businesses.

NOTE 13

DISCONTINUED OPERATIONS

On July 9, 2015, the Company announced the signing of a definitive agreement to divest four product categories, comprised of 43 of its beauty brands (“Beauty Brands”), which will be merged with Coty, Inc. (“Coty”). While the ultimate form of the transaction has not yet been decided, the Company’s current preference is for a Reverse Morris Trust split-off transaction in which P&G shareholders could elect to participate in an exchange offer to exchange P&G shares for Coty shares. The transaction includes the global salon professional hair care and color, retail hair color, cosmetics and fine fragrance businesses, along with select hair styling brands. The Company expects to close the transaction in the second half of calendar year 2016, pending regulatory approvals.

Coty’s offer for the Beauty Brands, which was accepted by the Company, was \$12.5 billion. While the final value of the transaction will be determined at closing based on Coty’s stock price and outstanding shares and equity grants as of the date of signing, the value of the transaction was approximately \$15.0 billion as of the date of the transaction. The value is

comprised of approximately 413 million shares, or 52% of the diluted equity of the newly combined company, valued at approximately \$13.1 billion and the assumption of debt of \$1.9 billion by the entity holding the Beauty Brands immediately prior to close of the transaction. The assumed debt is expected to vary between \$3.9 billion and \$1.9 billion, depending on a \$22.06 to \$27.06 per share collar of Coty’s stock based on the trading price prior to the close of the transaction, but will be subject to other contractual valuation adjustments.

The Beauty Brands had historically been part of the Company’s Beauty reportable segment. In accordance with applicable accounting guidance for the disposal of long-lived assets, the results of the Beauty Brands are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented. Additionally, the Beauty Brands’ balance sheet positions as of June 30, 2015 and June 30, 2014 are presented as assets and liabilities held for sale in the Consolidated Balance Sheets.

During the quarter ended December 31, 2014, the Company divested its interest in a China-based battery joint venture, resulting in proceeds of approximately \$560. In November

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

2014, the Company reached an agreement to divest the remainder of its Batteries business to Berkshire Hathaway (BH) via a split transaction, in which the Company will exchange a recapitalized Duracell Company for BH's shares of P&G stock. As of the date the transaction was signed, BH's shares were valued at approximately \$4.7 billion. As of June 30, 2015, this value has declined to approximately \$4.1 billion. The Company expects to contribute approximately \$1.8 billion in cash to the Duracell Company in the pre-transaction recapitalization, subject to final working capital adjustments. The Company recorded goodwill and indefinite-lived asset impairment charges during the fiscal year ended June 30, 2015 which reflected the total estimated proceeds from the divestiture transactions (see Note 2). Since the number of shares of P&G stock the Company will receive in the Batteries transaction is fixed, the total value to be received in the transaction will be based on the Company's share price as of the closing date, which is expected to occur in the beginning of calendar 2016. Accordingly, any further increase or decrease in the Company's share price before the closing date will ultimately be reflected in Net earnings from discontinued operations as a gain or loss.

The Batteries business had historically been part of the Company's Fabric Care and Home Care reportable segment. In accordance with applicable accounting guidance for the disposal of long-lived assets, the results of the Batteries business are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented. Additionally, the Batteries balance sheet positions as of June 30, 2015 are

presented as assets and liabilities held for sale in the Consolidated Balance Sheets.

On July 31, 2014, the Company completed the divestiture of its Pet Care operations in North America, Latin America, and other selected countries to Mars, Incorporated (Mars) for \$2.9 billion in an all-cash transaction. Under the terms of the agreement, Mars acquired our branded pet care products, our manufacturing sites in the United States and the majority of the employees working in the Pet Care business. The agreement included an option for Mars to acquire the Pet Care business in several additional countries, which were substantially completed as of June 30, 2015. The European Union countries were not included in the agreement with Mars. In December 2014, the Company completed the divestiture of its Pet Care operations in Western Europe to Spectrum Brands in an all-cash transaction. Under the terms of the agreement, Spectrum Brands acquired our branded pet care products, our manufacturing site in the Netherlands, and the majority of the employees working in the Western Europe Pet Care business. The one-time after-tax impact of these transactions is not material.

The Pet Care business had historically been part of the Company's Health Care reportable segment. In accordance with applicable accounting guidance for the disposal of long-lived assets, the results of the Pet Care business are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented. Additionally, the Pet Care balance sheet positions as of June 30, 2014 are presented as assets and liabilities held for sale in the Consolidated Balance Sheets.

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

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

Amounts in millions; Years ended June 30	2015		2014		2013	
Beauty Brands	\$	643	\$	660	\$	607
Batteries		(1,835)		389		348
Pet Care		49		78		101
Net earnings/(loss) from discontinued operations	\$	(1,143)	\$	1,127	\$	1,056

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

Amounts in millions; As of June 30	2015			2014		
	Beauty Brands	Batteries	Total	Beauty Brands	Pet Care	Total
Current assets held for sale	\$ 922	\$ 3,510	\$ 4,432	\$ 1,096	\$ 2,849	\$ 3,945
Noncurrent assets held for sale	5,204	—	5,204	5,811	—	5,811
Total assets held for sale	\$ 6,126	\$ 3,510	\$ 9,636	\$ 6,907	\$ 2,849	\$ 9,756
Current liabilities held for sale	\$ 356	\$ 1,187	\$ 1,543	\$ 384	\$ 660	\$ 1,044
Noncurrent liabilities held for sale	717	—	717	727	—	727
Total liabilities held for sale	\$ 1,073	\$ 1,187	\$ 2,260	\$ 1,111	\$ 660	\$ 1,771

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

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

<u>Amounts in millions; Years ended June 30</u>	Beauty Brands		
	2015	2014	2013
Net Sales	\$ 5,530	\$ 6,109	\$ 6,206
Cost of products sold	1,820	1,980	1,939
Selling, general and administrative expense	2,969	3,299	3,501
Interest expense	—	1	(1)
Interest income	2	2	3
Other non-operating income/(loss), net	91	(3)	1
Earnings on discontinued operations before income taxes	\$ 834	\$ 828	\$ 771
Income taxes on discontinued operations	191	168	164
Net earnings from discontinued operations	\$ 643	\$ 660	\$ 607

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

<u>Amounts in millions; Years ended June 30</u>	Beauty Brands		
	2015	2014	2013
SIGNIFICANT NON-CASH OPERATING ITEMS			
Depreciation and amortization	\$ 125	\$ 127	\$ 127
(Gain)/loss on sale and/or purchase of businesses	\$ (86)	\$ —	\$ —
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	\$ (106)	\$ (108)	\$ (102)

The major components of assets and liabilities of the Beauty Brands held for sale were as follows:

<u>Amounts in millions; As of June 30</u>	Beauty Brands	
	2015	2014
Cash	\$ 9	\$ 10
Accounts receivable	293	352
Inventories	476	553
Prepaid expenses and other assets	144	181
Total current assets held for sale	\$ 922	\$ 1,096
Property, plant and equipment, net	613	697
Goodwill and intangible assets, net	4,513	5,089
Other noncurrent assets	78	25
Total noncurrent assets held for sale	\$ 5,204	\$ 5,811
Total assets held for sale	\$ 6,126	\$ 6,907
Accounts payable	\$ 118	\$ 113
Accrued and other liabilities	238	271
Total current liabilities held for sale	\$ 356	\$ 384
Noncurrent deferred tax liabilities	352	329
Other noncurrent liabilities	365	398
Total noncurrent liabilities held for sale	\$ 717	\$ 727
Total liabilities held for sale	\$ 1,073	\$ 1,111

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

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

		Net Sales	Earnings Before Impairment Charges and Income Taxes	Impairment Charges	Income Tax Expense	Gain on Sale Before Income Taxes	Income Tax Expense on Sales	Net Earnings/(Loss) from Discontinued Operations
Batteries	2015	\$ 2,226	\$ 479	\$ (2,174)	\$ (140)	\$ —	\$ —	\$ (1,835)
	2014	2,552	548	—	(159)	—	—	389
	2013	2,465	513	—	(165)	—	—	348
Pet Care	2015	251	—	—	(4)	195	(142)	49
	2014	1,475	130	—	(52)	—	—	78
	2013	1,586	151	—	(50)	—	—	101
Total	2015	\$ 2,477	\$ 479	\$ (2,174)	\$ (144)	\$ 195	\$ (142)	\$ (1,786)
	2014	4,027	678	—	(211)	—	—	467
	2013	4,051	664	—	(215)	—	—	449

The major components of current assets and current liabilities of the Batteries and Pet Care businesses held for sale were as follows:

	Batteries		Pet Care	
	2015		2014	
Amounts in millions; As of June 30				
Cash	\$	25	\$	—
Accounts receivable		245		—
Inventories		304		122
Prepaid expenses and other assets		28		14
Property, plant and equipment, net		496		441
Goodwill and intangible assets, net		2,389		2,258
Other noncurrent assets		23		14
Total current assets held for sale	\$	3,510	\$	2,849
Accounts payable	\$	195	\$	63
Accrued and other liabilities		194		13
Long-term debt		18		—
Noncurrent deferred tax liabilities		780		584
Total current liabilities held for sale	\$	1,187	\$	660

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

NOTE 14

QUARTERLY RESULTS (UNAUDITED)

<u>Quarters Ended</u>		<u>Sep 30</u>	<u>Dec 31</u>	<u>Mar 31</u>	<u>Jun 30</u>	<u>Total Year</u>
NET SALES	2014-2015	\$ 18,771	\$ 18,495	\$ 16,930	\$ 16,553	\$ 70,749
	2013-2014	18,756	19,299	18,231	18,115	74,401
OPERATING INCOME ⁽¹⁾	2014-2015	3,633	3,579	3,025	812	11,049
	2013-2014	3,826	3,892	3,172	3,020	13,910
GROSS MARGIN	2014-2015	48.1%	48.3%	47.3%	46.6%	47.6%
	2013-2014	48.1%	48.6%	47.4%	46.0%	47.5%
NET EARNINGS:						
Net earnings from continuing operations ⁽¹⁾	2014-2015	\$ 2,716	\$ 2,674	\$ 2,401	\$ 496	\$ 8,287
	2013-2014	2,824	2,955	2,429	2,450	10,658
Net earnings/(loss) from discontinued operations	2014-2015	(696)	(276)	(213)	42	(1,143)
	2013-2014	233	517	207	170	1,127
Net earnings attributable to Procter & Gamble	2014-2015	1,990	2,372	2,153	521	7,036
	2013-2014	3,027	3,428	2,609	2,579	11,643
DILUTED NET EARNINGS PER COMMON SHARE: ⁽²⁾						
Earnings from continuing operations	2014-2015	\$ 0.93	\$ 0.92	\$ 0.82	\$ 0.17	\$ 2.84
	2013-2014	0.96	1.00	0.83	0.83	3.63
Earnings/(loss) from discontinued operations	2014-2015	(0.24)	(0.10)	(0.07)	0.01	(0.40)
	2013-2014	0.08	0.18	0.07	0.06	0.38
Net earnings	2014-2015	0.69	0.82	0.75	0.18	2.44
	2013-2014	1.04	1.18	0.90	0.89	4.01

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

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

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

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Section 6: EX-99.4 (EXHIBIT 99.4 UPDATED RPT OF IND REG PUBLIC ACCOUNTANT)

EXHIBIT (99.4) Updated Report of the Independent Registered Public Accountant

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying Consolidated Balance Sheets of The Procter & Gamble Company and subsidiaries (the "Company") as of June 30, 2015 and 2014, and the related Consolidated Statements of Earnings, Comprehensive Income, Shareholders' Equity, and Cash Flows for each of the three years in the period ended June 30, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such Consolidated Financial Statements present fairly, in all material respects, the financial position of The Procter & Gamble Company and subsidiaries at June 30, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2015, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of June 30, 2015, based on the criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 7, 2015, not included herein, expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ *Deloitte & Touche LLP*

Cincinnati, Ohio

August 7, 2015 (October 26, 2015 as to the effects of the Beauty Brands divestiture described in Note 13)

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Section 7: EX-99.5 (EXHIBIT 99.5 SELECTED FINANCIAL INFO AND NON-GAAP MEASURES)

EXHIBIT (99.5) Selected Financial Information & Non-GAAP Measures, Revised for Beauty Discontinued Operations

The following tables provide selected non-GAAP financial information revised for the impact of accounting for the affected Beauty Brands as discontinued operations. In accordance with the SEC's Regulation G, definitions of the non-GAAP measures presented with the selected revised financial information are provided below and the reconciliation to the most closely related revised GAAP measure are provided within the following tables.

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

- charge in 2015 related to the deconsolidation of our Venezuelan subsidiaries;
- charges for incremental restructuring due to increased focus on productivity and cost savings;
- charges for balance sheet impacts from the devaluation of the foreign currency exchange rate in Venezuela prior to deconsolidation; and
- charges for certain European legal matters.

We do not view these items to be part of our sustainable results. We believe that these Core measures provide an important perspective of underlying business trends and results and provide a more comparable measure of year-on-year earnings per share growth. Core EPS is also one of the measures used to evaluate senior management and is a factor in determining their at-risk compensation.

Core EPS and Currency-neutral Core EPS: Core EPS is a measure of the Company's revised diluted net earnings per share from continuing operations adjusted as indicated.

Currency-neutral Core EPS is a measure of the Company's Core EPS excluding the incremental current year impact of foreign exchange. We believe the Currency-neutral Core EPS measure provides a more comparable view of year-on-year earnings per share growth. The tables below provide a reconciliation of revised diluted net earnings per share to Core EPS and of Core EPS to Currency-neutral Core EPS.

Core Operating Profit Margin: This is a measure of the Company's revised operating margin adjusted for items as indicated.

Core Gross Margin: This is a measure of the Company's revised gross margin adjusted for items as indicated.

Core Selling, General and Administrative Expense (SG&A) as a percentage of sales: This is a measure of the Company's revised SG&A as a percentage of sales adjusted for items as indicated.

Core Tax Rate: This is a measure of the Company's revised tax rate on continuing operations adjusted for items as indicated.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES

(Amounts in Millions Except Per Share Amounts)

Selected Financial Information & Non-GAAP Measures, Revised for Beauty Brands Discontinued Operations

Fiscal Year Ended June 30, 2015

	AS REVISED (GAAP)	DISCONTINUED OPERATIONS	INCREMENTAL RESTRUCTURING	VENEZUELA B/S REMEASUREMENT & DEVALUATION	VENEZUELA DECONSOLIDATION	CHARGES FOR EUROPEAN LEGAL MATTERS	ROUNDING	NON- GAAP (CORE*)
NET SALES	70,749	—	—	—	—	—	—	70,749
COST OF PRODUCTS SOLD	37,056	—	(518)	—	—	—	(1)	36,537
GROSS PROFIT	33,693	—	518	—	—	—	1	34,212
SELLING, GENERAL, & ADMINISTRATIVE EXPENSE	20,616	—	(103)	(138)	—	(28)	1	20,348
VENEZUELA DECONSOLIDATION CHARGE	2,028	—	—	—	(2,028)	—	—	—
OPERATING INCOME	11,049	—	621	138	2,028	28	—	13,864
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAX	11,012	—	621	138	2,028	28	—	13,827
INCOME TAX ON CONTINUING OPERATIONS	2,725	—	145	34	(24)	—	(1)	2,879
NET EARNINGS FROM CONTINUING OPERATIONS	8,287	—	476	104	2,052	28	1	10,948
NET EARNINGS/(LOSS) FROM DISCONTINUED OPERATIONS	(1,143)	1,143	—	—	—	—	—	—
NET EARNINGS ATTRIBUTABLE TO NON-CONTROLLING INTEREST	108	(10)	—	—	—	—	—	98
NET EARNINGS ATTRIBUTABLE TO P&G	7,036	1,153	476	104	2,052	28	1	10,850
GROSS MARGIN	47.6%	—%	0.7 %	— %	— %	—%	0.1%	48.4%
SELLING, GENERAL & ADMINISTRATIVE EXPENSE AS A % OF NET SALES	29.1%	—%	(0.1)%	(0.2)%	— %	—%	—%	28.8%
OPERATING PROFIT MARGIN	15.6%	—%	0.9 %	0.2 %	2.9 %	—%	—%	19.6%
EFFECTIVE TAX RATE	24.7%	—%	0.1 %	— %	(4.0)%	—%	—%	20.8%
DILUTED NET EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS**	2.84	—	0.17	0.04	0.71	0.01	(0.01)	3.76
					LESS: CURRENCY IMPACT TO EARNINGS			(0.52)
					CURRENCY-NEUTRAL CORE EPS			4.28

FY 15 CHANGE VERSUS YEAR AGO

CORE GROSS MARGIN	50	BPS
CORE SELLING GENRAL & ADMINISTRATIVE EXPENSE AS A % OF NET SALES	60	BPS
CORE OPERATING PROFIT MARGIN	(10)	BPS
CORE EFFECTIVE TAX RATE	10	BPS
CORE EPS	(2)%	
CURRENCY-NEUTRAL CORE EPS	11%	

*Core excludes incremental restructuring charges, certain legal reserves, Venezuela deconsolidation charge, and balance sheet remeasurement impact from Venezuela.

**Diluted net earnings per common share from continuing operations are calculated on net earnings attributable to Procter & Gamble.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
(Amounts in Millions Except Per Share Amounts)
Selected Financial Information & Non-GAAP Measures, Revised for Beauty Brands Discontinued Operations

Fiscal Year Ended June 30, 2014

	AS REVISED (GAAP)	DISCONTINUED OPERATIONS	INCREMENTAL RESTRUCTURING	VENEZUELA B/S REMEASUREMENT & DEVALUATION	VENEZUELA DECONSOLIDATION	CHARGES FOR EUROPEAN LEGAL MATTERS	ROUNDING	NON- GAAP (CORE*)
NET SALES	74,401	—	—	—	—	—	—	74,401
COST OF PRODUCTS SOLD	39,030	—	(300)	—	—	—	(1)	38,729
GROSS PROFIT	35,371	—	300	—	—	—	1	35,672
SELLING, GENERAL, & ADMINISTRATIVE EXPENSE	21,461	—	(88)	(298)	—	(63)	—	21,012
VENEZUELA DECONSOLIDATION CHARGE	—	—	—	—	—	—	—	—
OPERATING INCOME	13,910	—	388	298	—	63	1	14,660
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAX	13,509	—	388	298	—	63	—	14,258
INCOME TAX ON CONTINUING OPERATIONS	2,851	—	76	23	—	—	(1)	2,949
NET EARNINGS FROM CONTINUING OPERATIONS	10,658	—	312	275	—	63	1	11,309
NET EARNINGS FROM DISCONTINUED OPERATIONS	1,127	(1,127)	—	—	—	—	—	—
NET EARNINGS ATTRIBUTABLE TO NON-CONTROLLING INTEREST	142	(22)	—	—	—	—	—	120
NET EARNINGS ATTRIBUTABLE TO P&G	11,643	(1,105)	312	275	—	63	1	11,189
GROSS MARGIN	47.5%	—%	0.4 %	— %	—%	— %	—%	47.9%
SELLING, GENERAL & ADMINISTRATIVE EXPENSE AS A % OF NET SALES	28.8%	—%	(0.1)%	(0.4)%	—%	(0.1)%	—%	28.2%
OPERATING PROFIT MARGIN	18.7%	—%	0.5 %	0.4 %	—%	0.1 %	—%	19.7%
EFFECTIVE TAX RATE	21.1%	—%	— %	(0.3)%	—%	(0.1)%	—%	20.7%
								CORE EPS:
DILUTED NET EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS**	3.63	—	0.11	0.09	—	0.02	—	3.85

*Core excludes incremental restructuring charges, certain legal reserves, Venezuela deconsolidation charge, and balance sheet remeasurement impact from Venezuela.

**Diluted net earnings per common share from continuing operations are calculated on net earnings attributable to Procter & Gamble.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES

(Amounts in Millions Except Per Share Amounts)

Selected Financial Information & Non-GAAP Measures, Revised for Beauty Brands Discontinued Operations

Three Months Ended June 30, 2015

	AS REVISED (GAAP)	DISCONTINUED OPERATIONS	INCREMENTAL RESTRUCTURING	VENEZUELA B/S REMEASUREMENT & DEVALUATION	VENEZUELA DECONSOLIDATION	CHARGES FOR EUROPEAN LEGAL MATTERS	ROUNDING	NON- GAAP (CORE*)
NET SALES	16,553	—	—	—	—	—	—	16,553
COST OF PRODUCTS SOLD	8,837	—	(199)	—	—	—	—	8,638
GROSS PROFIT	7,716	—	199	—	—	—	—	7,915
SELLING, GENERAL, & ADMINISTRATIVE EXPENSE	4,876	—	(37)	—	—	16	—	4,855
VENEZUELA DECONSOLIDATION CHARGE	2,028	—	—	—	(2,028)	—	—	—
OPERATING INCOME	812	—	236	—	2,028	(16)	—	3,060
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAX	1,065	—	236	—	2,028	(16)	1	3,314
INCOME TAX ON CONTINUING OPERATIONS	569	—	63	—	(24)	—	1	609
NET EARNINGS FROM CONTINUING OPERATIONS	496	—	173	—	2,052	(16)	—	2,705
NET EARNINGS FROM DISCONTINUED OPERATIONS	42	(42)	—	—	—	—	—	—
NET EARNINGS ATTRIBUTABLE TO NON- CONTROLLING INTEREST	17	(2)	—	—	—	—	—	15
NET EARNINGS ATTRIBUTABLE TO P&G	521	(40)	173	—	2,052	(16)	—	2,690
GROSS MARGIN	46.6%	—%	1.2 %	—%	— %	— %	— %	47.8%
SELLING, GENERAL & ADMINISTRATIVE EXPENSE AS A % OF NET SALES	29.5%	—%	(0.2)%	—%	— %	0.1 %	(0.1)%	29.3%
OPERATING PROFIT MARGIN	4.9%	—%	1.4 %	—%	12.3 %	(0.1)%	— %	18.5%
EFFECTIVE TAX RATE	53.4%	—%	0.6 %	—%	(35.8)%	0.1 %	0.1 %	18.4%
								CORE EPS:
DILUTED NET EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS**	0.17	—	0.06	—	0.71	(0.01)	—	0.93
					LESS: CURRENCY IMPACT TO EARNINGS			(0.13)
					CURRENCY-NEUTRAL CORE EPS			1.06

FY 15 CHANGE VERSUS YEAR AGO

CORE GROSS MARGIN	130	BPS
CORE SELLING GENRAL & ADMINISTRATIVE EXPENSE AS A % OF NET SALES	40	BPS
CORE OPERATING PROFIT MARGIN	80	BPS
CORE EFFECTIVE TAX RATE	(10)	BPS
CORE EPS	4%	

CURRENCY-NEUTRAL CORE EPS

19%

*Core excludes incremental restructuring charges, certain legal reserves, Venezuela deconsolidation charge, and balance sheet remeasurement impact from Venezuela.

**Diluted net earnings per common share from continuing operations are calculated on net earnings attributable to Procter & Gamble.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES

(Amounts in Millions Except Per Share Amounts)

Selected Financial Information & Non-GAAP Measures, Revised for Beauty Brands Discontinued Operations

Three Months Ended June 30, 2014

	AS REVISED (GAAP)	DISCONTINUED OPERATIONS	INCREMENTAL RESTRUCTURING	VENEZUELA B/S REMEASUREMENT & DEVALUATION	VENEZUELA DECONSOLIDATION	CHARGES FOR EUROPEAN LEGAL MATTERS	ROUNDING	NON- GAAP (CORE*)
NET SALES	18,115	—	—	—	—	—	—	18,115
COST OF PRODUCTS SOLD	9,785	—	(100)	—	—	—	—	9,685
GROSS PROFIT	8,330	—	100	—	—	—	—	8,430
SELLING, GENERAL, & ADMINISTRATIVE EXPENSE	5,310	—	(27)	—	—	(55)	—	5,228
VENEZUELA DECONSOLIDATION CHARGE	—	—	—	—	—	—	—	—
OPERATING INCOME	3,020	—	127	—	—	55	—	3,202
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAX	3,009	—	127	—	—	55	—	3,191
INCOME TAX ON CONTINUING OPERATIONS	559	—	30	—	—	—	—	589
NET EARNINGS FROM CONTINUING OPERATIONS	2,450	—	97	—	—	55	—	2,602
NET EARNINGS FROM DISCONTINUED OPERATIONS	170	(170)	—	—	—	—	—	—
NET EARNINGS ATTRIBUTABLE TO NON-CONTROLLING INTEREST	41	(7)	—	—	—	—	—	34
NET EARNINGS ATTRIBUTABLE TO P&G	2,579	(163)	97	—	—	55	—	2,568
GROSS MARGIN	46.0%	—%	0.6 %	—%	—%	—%	(0.1)%	46.5%
SELLING, GENERAL & ADMINISTRATIVE EXPENSE AS A % OF NET SALES	29.3%	—%	(0.1)%	—%	—%	(0.3)%	—%	28.9%
OPERATING PROFIT MARGIN	16.7%	—%	0.7 %	—%	—%	0.3 %	—%	17.7%
EFFECTIVE TAX RATE	18.6%	—%	0.2 %	—%	—%	(0.3)%	—%	18.5%
DILUTED NET EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS**	0.83	—	0.03	—	—	0.02	0.01	CORE EPS: 0.89

*Core excludes incremental restructuring charges, certain legal reserves, Venezuela deconsolidation charge, and balance sheet remeasurement impact from Venezuela.

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THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES

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	AS REVISED (GAAP)	DISCONTINUED OPERATIONS	INCREMENTAL RESTRUCTURING	VENEZUELA B/S REMEASUREMENT & DEVALUATION	VENEZUELA DECONSOLIDATION	CHARGES FOR EUROPEAN LEGAL MATTERS	ROUNDING	NON- GAAP (CORE*)
NET SALES	16,930	—	—	—	—	—	—	16,930
COST OF PRODUCTS SOLD	8,927	—	(156)	—	—	—	—	8,771
GROSS PROFIT	8,003	—	156	—	—	—	—	8,159
SELLING, GENERAL, & ADMINISTRATIVE EXPENSE	4,978	—	(73)	—	—	(5)	—	4,900
OPERATING INCOME	3,025	—	229	—	—	5	—	3,259
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAX	2,968	—	229	—	—	5	—	3,202
INCOME TAX ON CONTINUING OPERATIONS	567	—	49	—	—	—	(1)	615
NET EARNINGS FROM CONTINUING OPERATIONS	2,401	—	180	—	—	5	1	2,587
NET EARNINGS/ (LOSS) FROM DISCONTINUED OPERATIONS	(213)	213	—	—	—	—	—	—
NET EARNINGS ATTRIBUTABLE TO NON-CONTROLLING INTEREST	35	(1)	—	—	—	—	—	34
NET EARNINGS ATTRIBUTABLE TO P&G	2,153	214	180	—	—	5	1	2,553
GROSS MARGIN	47.3%	—%	0.9 %	—%	—%	—%	—%	48.2%
SELLING, GENERAL & ADMINISTRATIVE EXPENSE AS A % OF NET SALES	29.4%	—%	(0.4)%	—%	—%	—%	(0.1)%	28.9%
OPERATING PROFIT MARGIN	17.9%	—%	1.4 %	—%	—%	—%	(0.1)%	19.2%
EFFECTIVE TAX RATE	19.1%	—%	0.2 %	—%	—%	—%	(0.1)%	19.2%
DILUTED NET EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS**	0.82	—	0.06	—	—	—	0.01	0.89
						LESS: CURRENCY IMPACT TO EARNINGS		(0.18)
						CURRENCY-NEUTRAL CORE EPS		1.07

FY 15 CHANGE VERSUS YEAR AGO

CORE GROSS MARGIN	30	BPS
CORE SELLING GENRAL & ADMINISTRATIVE EXPENSE AS A % OF NET SALES	70	BPS
CORE OPERATING PROFIT MARGIN	(50)	BPS
CORE EFFECTIVE TAX RATE	20	BPS
CORE EPS	(7)%	
CURRENCY-NEUTRAL CORE EPS	11%	

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NET SALES	18,231	—	—	—	—	—	—	18,231
COST OF PRODUCTS SOLD	9,584	—	(87)	—	—	—	(1)	9,496
GROSS PROFIT	8,647	—	87	—	—	—	1	8,735
SELLING, GENERAL, & ADMINISTRATIVE EXPENSE	5,475	—	(39)	(298)	—	—	1	5,139
OPERATING INCOME	3,172	—	126	298	—	—	—	3,596
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAX	3,042	—	126	298	—	—	(1)	3,465
INCOME TAX ON CONTINUING OPERATIONS	613	—	23	23	—	—	(1)	658
NET EARNINGS FROM CONTINUING OPERATIONS	2,429	—	103	275	—	—	—	2,807
NET EARNINGS FROM DISCONTINUED OPERATIONS	207	(207)	—	—	—	—	—	—
NET EARNINGS ATTRIBUTABLE TO NON-CONTROLLING INTEREST	27	(5)	—	—	—	—	—	22
NET EARNINGS ATTRIBUTABLE TO P&G	2,609	(202)	103	275	—	—	—	2,785
GROSS MARGIN	47.4%	—%	0.5 %	— %	—%	—%	— %	47.9%
SELLING, GENERAL & ADMINISTRATIVE EXPENSE AS A % OF NET SALES	30.0%	—%	(0.2)%	(1.6)%	—%	—%	— %	28.2%
OPERATING PROFIT MARGIN	17.4%	—%	0.7 %	1.6 %	—%	—%	— %	19.7%
EFFECTIVE TAX RATE	20.2%	—%	— %	(1.1)%	—%	—%	(0.1)%	19.0%
DILUTED NET EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS**	0.83	—	0.04	0.10	—	—	(0.01)	0.96

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	AS REVISED (GAAP)	DISCONTINUED OPERATIONS	INCREMENTAL RESTRUCTURING	VENEZUELA B/S REMEASUREMENT & DEVALUATION	VENEZUELA DECONSOLIDATION	CHARGES FOR EUROPEAN LEGAL MATTERS	ROUNDING	NON- GAAP (CORE*)
NET SALES	18,495	—	—	—	—	—	—	18,495
COST OF PRODUCTS SOLD	9,558	—	(72)	—	—	—	(1)	9,485
GROSS PROFIT	8,937	—	72	—	—	—	1	9,010
SELLING, GENERAL, & ADMINISTRATIVE EXPENSE	5,358	—	(2)	—	—	(39)	—	5,317
OPERATING INCOME	3,579	—	74	—	—	39	1	3,693
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAX	3,472	—	74	—	—	39	(1)	3,584
INCOME TAX ON CONTINUING OPERATIONS	798	—	18	—	—	—	(1)	815
NET EARNINGS FROM CONTINUING OPERATIONS	2,674	—	56	—	—	39	—	2,769
NET EARNINGS/ (LOSS) FROM DISCONTINUED OPERATIONS	(276)	276	—	—	—	—	—	—
NET EARNINGS ATTRIBUTABLE TO NON-CONTROLLING INTEREST	26	(2)	—	—	—	—	—	24
NET EARNINGS ATTRIBUTABLE TO P&G	2,372	278	56	—	—	39	—	2,745
GROSS MARGIN	48.3%	—%	0.4%	—%	—%	—%	—%	48.7%
SELLING, GENERAL & ADMINISTRATIVE EXPENSE AS A % OF NET SALES	29.0%	—%	—%	—%	—%	(0.2)%	(0.1)%	28.7%
OPERATING PROFIT MARGIN	19.4%	—%	0.4%	—%	—%	0.2%	—%	20.0%
EFFECTIVE TAX RATE	23.0%	—%	—%	—%	—%	(0.3)%	—%	22.7%
								CORE EPS:
DILUTED NET EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS**	0.92	—	0.02	—	—	0.01	—	0.95
						LESS: CURRENCY IMPACT TO EARNINGS		(0.15)
						CURRENCY-NEUTRAL CORE EPS		1.10

FY 15 CHANGE VERSUS YEAR AGO

CORE GROSS MARGIN	(10)	BPS
CORE SELLING GENRAL & ADMINISTRATIVE EXPENSE AS A % OF NET SALES	50	BPS
CORE OPERATING PROFIT MARGIN	(60)	BPS
CORE EFFECTIVE TAX RATE	130	BPS
CORE EPS	(8)%	
CURRENCY-NEUTRAL CORE EPS	7%	

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NET SALES	19,299	—	—	—	—	—	—	19,299
COST OF PRODUCTS SOLD	9,924	—	(51)	—	—	—	—	9,873
GROSS PROFIT	9,375	—	51	—	—	—	—	9,426
SELLING, GENERAL, & ADMINISTRATIVE EXPENSE	5,483	—	(23)	—	—	(8)	(1)	5,451
OPERATING INCOME	3,892	—	74	—	—	8	1	3,975
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAX	3,770	—	74	—	—	8	1	3,853
INCOME TAX ON CONTINUING OPERATIONS	815	—	10	—	—	—	—	825
NET EARNINGS FROM CONTINUING OPERATIONS	2,955	—	64	—	—	8	1	3,028
NET EARNINGS FROM DISCONTINUED OPERATIONS	517	(517)	—	—	—	—	—	—
NET EARNINGS ATTRIBUTABLE TO NON-CONTROLLING INTEREST	44	(5)	—	—	—	—	—	39
NET EARNINGS ATTRIBUTABLE TO P&G	3,428	(512)	64	—	—	8	1	2,989
GROSS MARGIN	48.6%	—%	0.3 %	—%	—%	—%	(0.1)%	48.8%
SELLING, GENERAL & ADMINISTRATIVE EXPENSE AS A % OF NET SALES	28.4%	—%	(0.1)%	—%	—%	—%	(0.1)%	28.2%
OPERATING PROFIT MARGIN	20.2%	—%	0.4 %	—%	—%	—%	—%	20.6%
EFFECTIVE TAX RATE	21.6%	—%	(0.2)%	—%	—%	—%	—%	21.4%
								CORE EPS:
DILUTED NET EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS**	1.00	—	0.02	—	—	—	0.01	1.03

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NET SALES	18,771	—	—	—	—	—	—	18,771
COST OF PRODUCTS SOLD	9,734	—	(91)	—	—	—	—	9,643
GROSS PROFIT	9,037	—	91	—	—	—	—	9,128
SELLING, GENERAL, & ADMINISTRATIVE EXPENSE	5,404	—	9	(138)	—	—	1	5,276
OPERATING INCOME	3,633	—	82	138	—	—	(1)	3,852
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAX	3,507	—	82	138	—	—	—	3,727
INCOME TAX ON CONTINUING OPERATIONS	791	—	15	34	—	—	—	840
NET EARNINGS FROM CONTINUING OPERATIONS	2,716	—	67	104	—	—	—	2,887
NET EARNINGS/ (LOSS) FROM DISCONTINUED OPERATIONS	(696)	696	—	—	—	—	—	—
NET EARNINGS ATTRIBUTABLE TO NON-CONTROLLING INTEREST	30	(5)	—	—	—	—	—	25
NET EARNINGS ATTRIBUTABLE TO P&G	1,990	701	67	104	—	—	—	2,862
GROSS MARGIN	48.1%	—%	0.5 %	— %	—%	—%	—%	48.6%
SELLING, GENERAL & ADMINISTRATIVE EXPENSE AS A % OF NET SALES	28.8%	—%	— %	(0.7)%	—%	—%	—%	28.1%
OPERATING PROFIT MARGIN	19.4%	—%	0.4 %	0.7 %	—%	—%	—%	20.5%
EFFECTIVE TAX RATE	22.6%	—%	(0.1)%	0.1 %	—%	—%	(0.1)%	22.5%
DILUTED NET EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS**	0.93	—	0.02	0.04	—	—	—	0.99
								CORE EPS:
								(0.07)
								1.06

FY 15 CHANGE VERSUS YEAR AGO

CORE GROSS MARGIN	20	BPS
CORE SELLING GENRAL & ADMINISTRATIVE EXPENSE AS A % OF NET SALES	40	BPS
CORE OPERATING PROFIT MARGIN	(20)	BPS
CORE EFFECTIVE TAX RATE	(90)	BPS
CORE EPS	2%	
CURRENCY-NEUTRAL CORE EPS	9%	

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NET SALES	18,756	—	—	—	—	—	—	18,756
COST OF PRODUCTS SOLD	9,737	—	(62)	—	—	—	—	9,675
GROSS PROFIT	9,019	—	62	—	—	—	—	9,081
SELLING, GENERAL, & ADMINISTRATIVE EXPENSE	5,193	—	1	—	—	—	—	5,194
OPERATING INCOME	3,826	—	61	—	—	—	—	3,887
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAX	3,688	—	61	—	—	—	—	3,749
INCOME TAX ON CONTINUING OPERATIONS	864	—	13	—	—	—	—	877
NET EARNINGS FROM CONTINUING OPERATIONS	2,824	—	48	—	—	—	—	2,872
NET EARNINGS FROM DISCONTINUED OPERATIONS	233	(233)	—	—	—	—	—	—
NET EARNINGS ATTRIBUTABLE TO NON-CONTROLLING INTEREST	30	(5)	—	—	—	—	—	25
NET EARNINGS ATTRIBUTABLE TO P&G	3,027	(228)	48	—	—	—	—	2,847
GROSS MARGIN	48.1%	—%	0.3%	—%	—%	—%	—%	48.4%
SELLING, GENERAL & ADMINISTRATIVE EXPENSE AS A % OF NET SALES	27.7%	—%	—%	—%	—%	—%	—%	27.7%
OPERATING PROFIT MARGIN	20.4%	—%	0.3%	—%	—%	—%	—%	20.7%
EFFECTIVE TAX RATE	23.4%	—%	—%	—%	—%	—%	—%	23.4%
DILUTED NET EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS**	0.96	—	0.02	—	—	—	(0.01)	0.97

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