



Barclays Global Consumer Conference

Benno Dorer
Chairman of the Board and
Chief Executive Officer

Safe Harbor

Except for historical information, matters discussed in this presentation, including statements about the success of the Company's future volume, sales, costs, cost savings, earnings, foreign currencies, and foreign currency exchange rates, cash flows, plans, objectives, expectations, growth or profitability, are forward-looking statements based on management's estimates, assumptions and projections. Important factors that could affect performance and cause results to differ materially from management's expectations are described in the Company's most recent Form 10-K filed with the SEC, as updated from time to time in the Company's SEC filings. Those factors include, but are not limited to, risks related to competition in the Company's markets; economic conditions and financial market volatility; the Company's ability to drive sales growth and increase market share; volatility and increases in commodity, energy and other costs; dependence on key customers; information technology security breaches or cyber attacks; government regulations; political, legal and tax risks; international operations, including price controls, foreign currency fluctuations, labor claims and labor unrest, potential harm and liabilities from use, storage and transportation of chlorine in certain markets and discontinuation of operations in Venezuela; risks relating to acquisitions, new ventures and divestitures; the success of the Company's business strategies and products; supply disruptions; product liability claims, labor claims and other legal proceedings; the Company's business reputation; environmental matters; the Company's ability to assert and defend its intellectual property rights; and the impacts of potential stockholder activism.

The Company may also use non-GAAP financial measures, which could differ from reported results using Generally Accepted Accounting Principles (GAAP). The most directly comparable GAAP financial measures and reconciliation to non-GAAP financial measures are set forth in the Appendix hereto, the Supplemental Schedules of the Company's quarterly financial results and in the Company's SEC filings, including its Form 10-K and its exhibits furnished to the SEC, which are posted at www.TheCloroxCompany.com in the Investors/Financial Information/Financial Results and SEC Filings sections, respectively.

Key Messages

- **Strategy 2020** is continuing to produce **strong shareholder returns**
- **FY17 Outlook** reflects **strong progress on Strategy Accelerators** in a **difficult macro economic environment**
- **Long-term investment case remains solid**

Advantaged Portfolio




Over 80% of Sales From #1 or #2 Share Brands

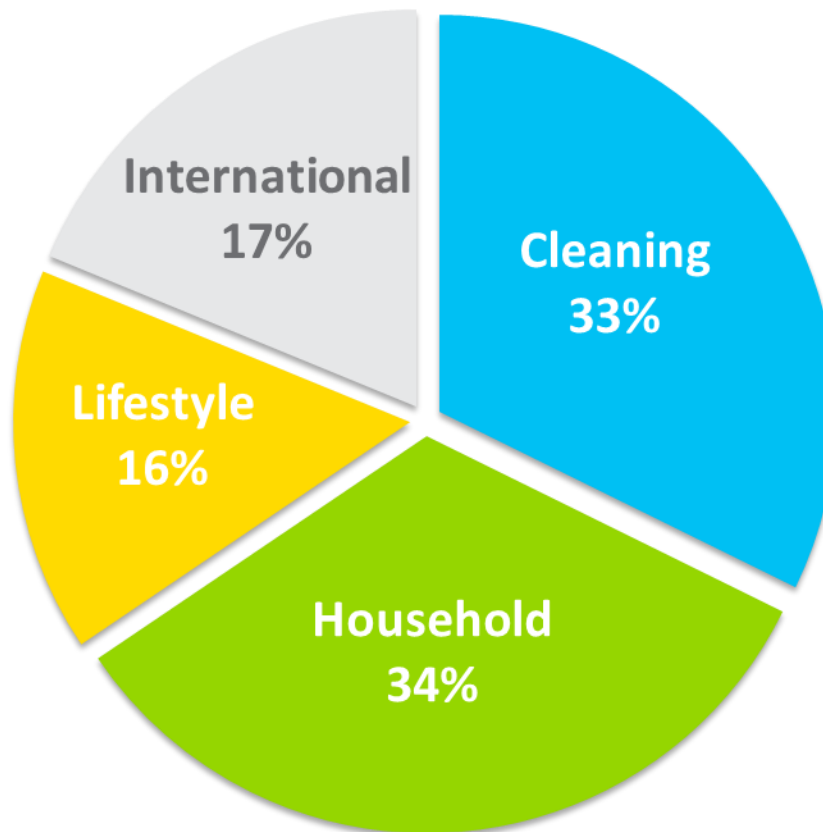
FY16 Company Sales: \$5.8B

International: 17%

Latin America	9%
Canada	3%
Australia / NZ	2%
Rest of World	3%

Lifestyle: 16%





 Hidden Valley	9%
 BURT'S BEES	4%
 BRITA	3%



Cleaning : 33%

 Pine-Sol	Home Care 18%
 CLOROX	Laundry 9%
 Commercial SOLUTIONS	Professional 6%

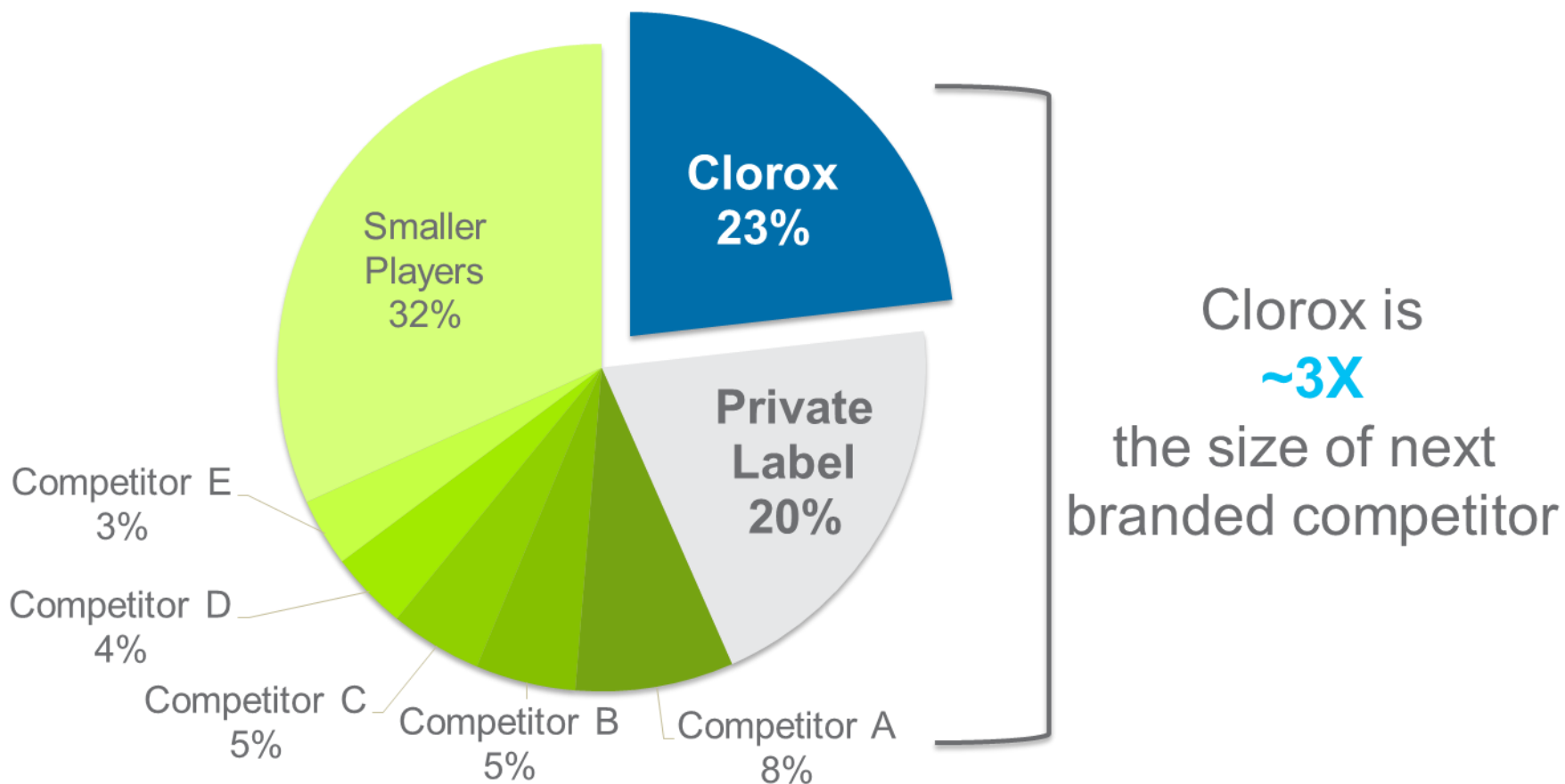
Household : 34%

 GLAD	15%
 KINGSFORD	11%
 Fresh Step	6%
 RenewLife DIGESTIVE WELLNESS. NATURALLY	2%*

Note: Renew Life 2% of Sales is based on FY16 Pro Forma Results

Advantaged Portfolio

Big Share Brands in Mid-Sized Categories



Source: IRI Infoscan Data - Total U.S. Multi-Outlet (Food/Drug/Mass + Walmart + Sam's + BJ's + Family Dollar + Dollar General + Fred's + DeCA.) for 52 weeks ending 6/19/2016

Advantaged Portfolio Supported by Consumer Megatrends

Health & Wellness

Sustainability

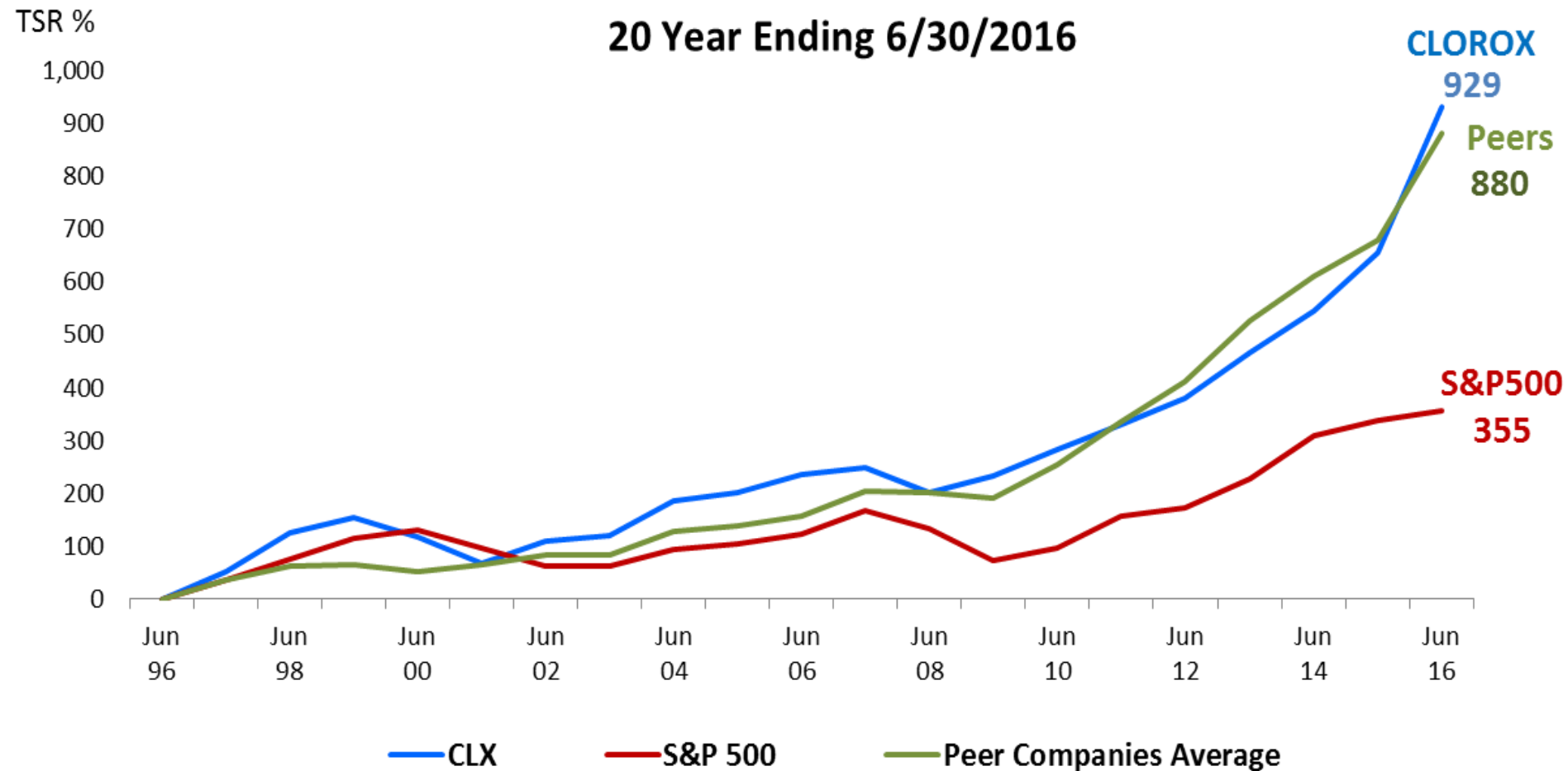
**MEGA
TRENDS**

Fragmentation

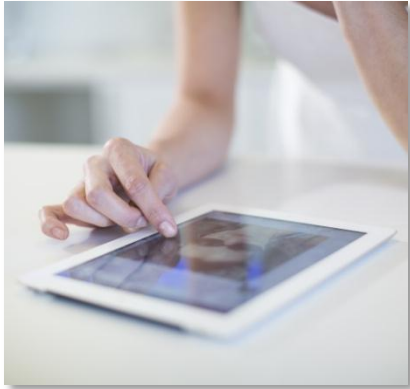
Affordability

Strong Long-Term Shareholder Return

**Total Shareholder Return
20 Year Ending 6/30/2016**



Leading Through Strategic Change in CPG



**Digital
Revolution**

**Consumer
Focus on
Value**

**Challenging
Retail
Environment**

**International
Macro
Headwinds**

Strategy Accelerators → Drive Profitable Growth

**Portfolio
Momentum**

3D Innovation

**3D Technology
Transformation**

Growth Culture

Strong Progress Across Strategy Accelerators

**Portfolio
Momentum**

New, Digital-Led
Creative Agency Partners

3D Innovation

Cutting Speed to Market
by 50%

**3D Technology
Transformation**

Investing Behind Growth
Brands to Accelerate Top-line

Growth Culture

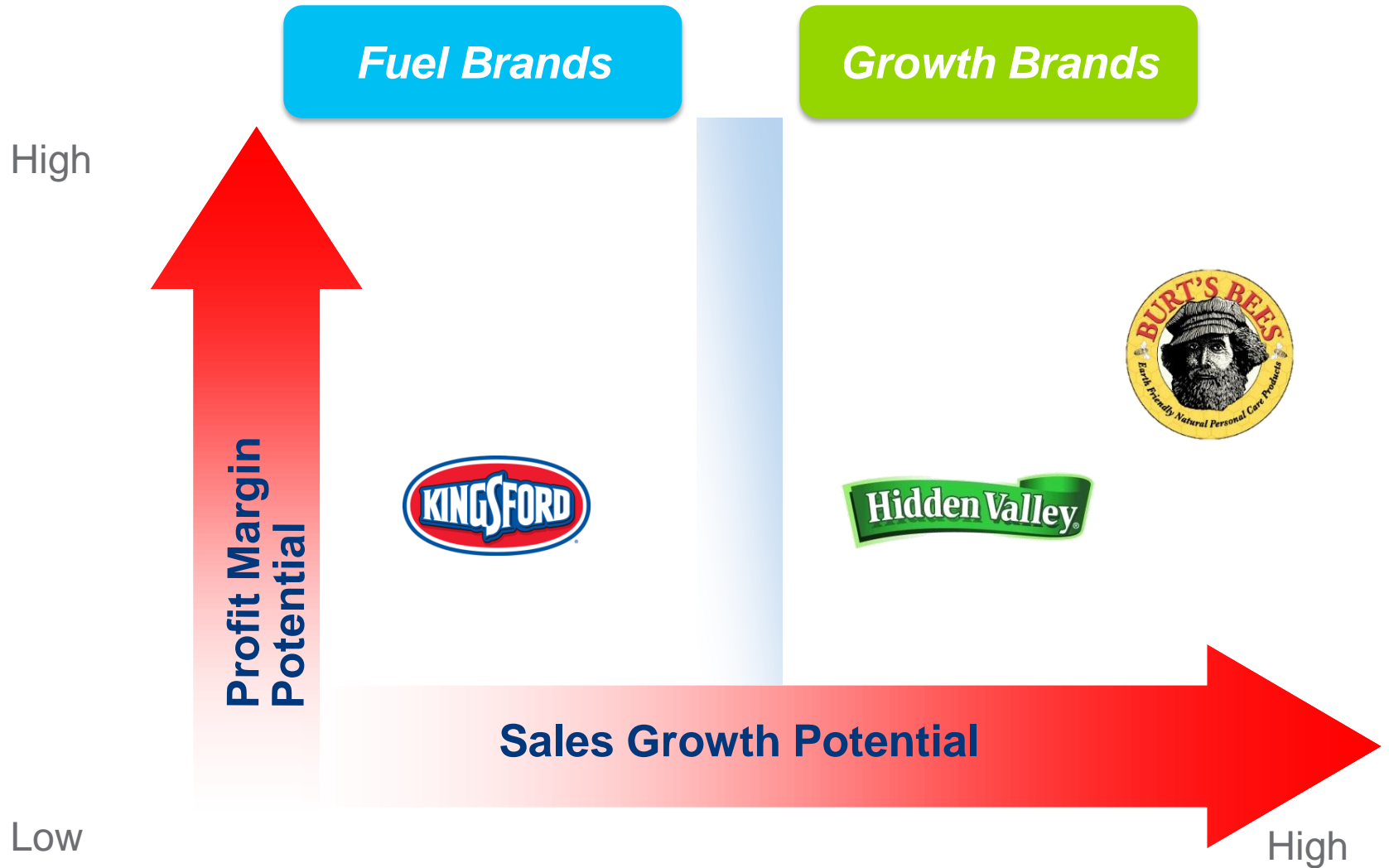
Record-High
Employee Engagement

Focus on Portfolio Momentum



Portfolio
Momentum

Portfolio Segmentation

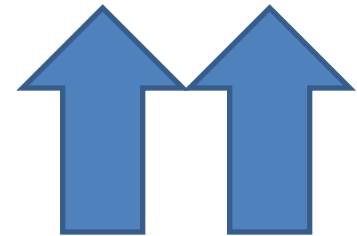
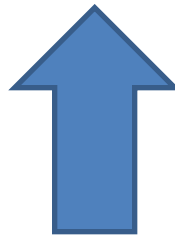


Investments Behind Growth Brands are Working

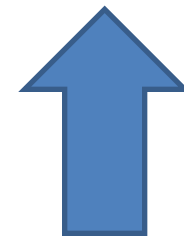
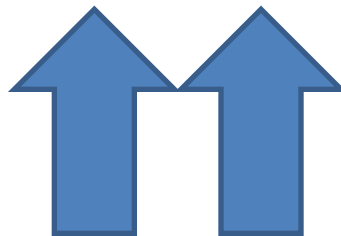
Fuel Brands

Growth Brands

FY16 Sales



FY16 Profit



Key: Double Arrows equals growth above Company average. Single arrow is growth below Company average.

Source: Clorox Internal. Domestic Only.

New Usage Occasions → Household Penetration

New Faces

New Demographic or Behavioral Group

New Spaces

Consumes Product in a New Way

New Places

New Channel or Location in Store



Burt's Bees: Growth With New Faces, Spaces & Places



**Drive
Trial & Awareness
on Core**



**Expand into
Adjacencies**



**International
Expansion**

New Places → Growth in Non-Traditional Channels

OLD NAVY

~\$10M

Annual Sales



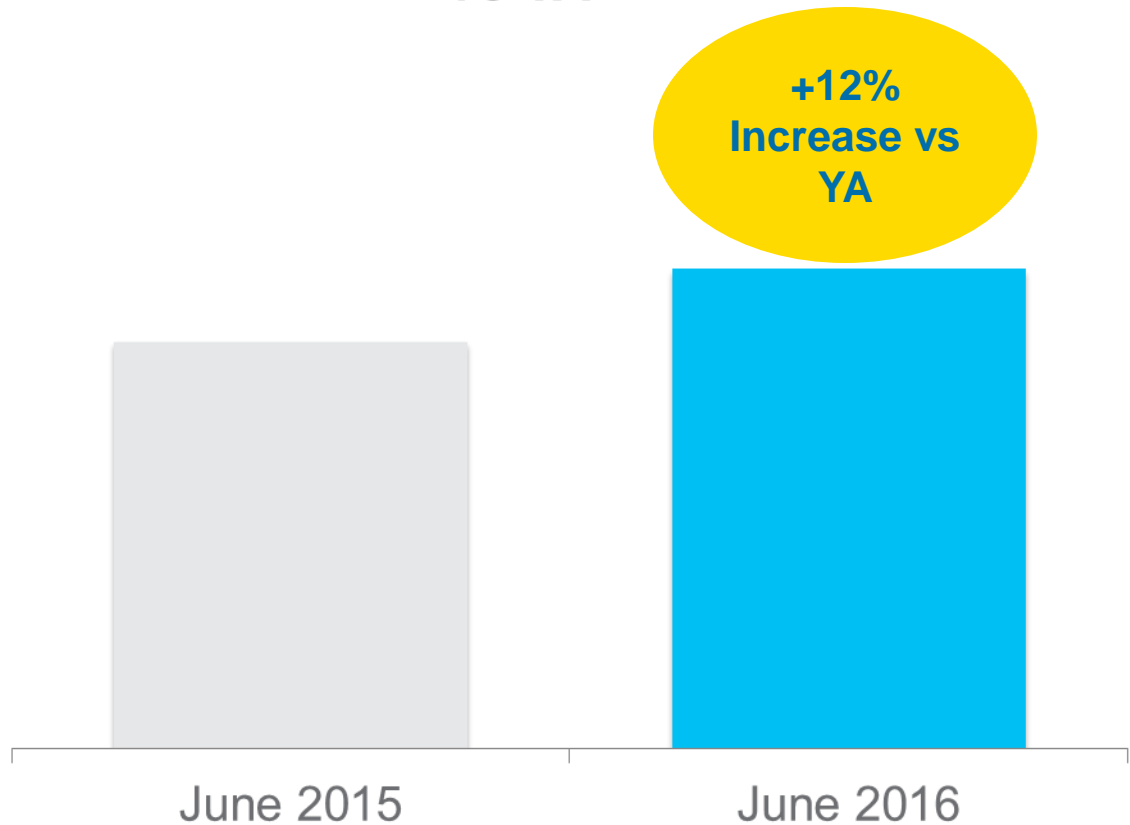
Distribution in
940 stores

Increasing Household Penetration



+11%
Sales vs YA

*% Household Penetration
vs YA*



Kingsford: Fuel With New Faces, Spaces & Places



Targeted
Demand Spend

Drive New Usage
Occasions

Expand Retail
Distribution

Margin Enhancement through Operational Excellence

Kingsford: Fuel With New Faces, Spaces & Places

6 in 10 More consumers plan to buy a Charcoal Grill in the next year than a Gas Grill

Americans are active grillers

+1.1 Share Points
Kingsford Charcoal



+9%
Household
Penetration vs FY15



United We Grill



Renew Life Acquisition



- Closed May 2, 2016
- Purchase Price – \$290M (2.5x Sales)
- Calendar 2015 Sales – about \$115M
- Leading brand in the natural channel



Probiotics: An Attractive Category



+15% expected category growth



Two-thirds of US consumers experience digestive health issues

50% of purchases are based on a Doctor recommendation



Renew Life: Strong Strategic Fit



**Health &
Wellness**

US Centric

**Clear Plan for
Value Creation**

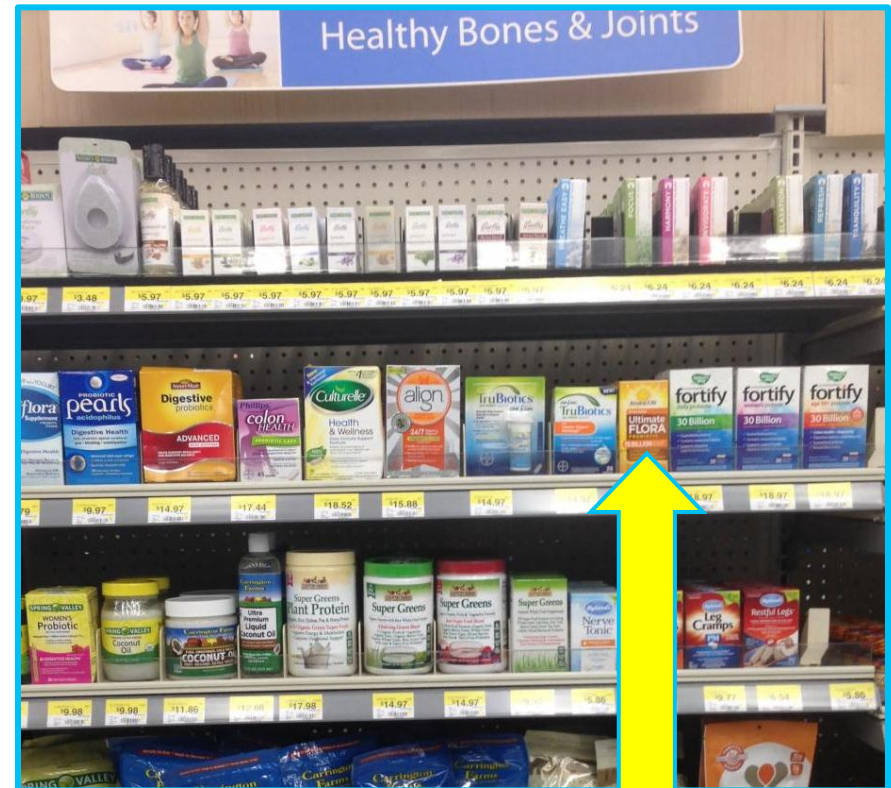
Opportunity to Grow Behind Core Capabilities

Natural Retailer



Category > 20% vs YA

Mass Retailer



Category > 15% vs YA

Focus on 3D Innovation



3D Innovation

Increased Investments in Profitable Growth



**Focus on Core:
Better Value**

**Increased
Demand
Investment**

**Investments in
Innovation**

Strong Product & Commercial Innovation



Glad with Clorox Antimicrobial



Clorox Clothes (International)



Burt's Natural Lipsticks



Clorox Wipes with Micro-Scrubbers



Fresh Step with Febreze



Stephen Curry Partnership



Disney Licensed Food Bags



Hidden Valley with Greek Yogurt

Expanding the Versatility of Ranch

Initial Launch – Q3 FY15

2.0 Expansion – Q3 FY16

12 Flavors plus 4 more in FY17



+4% Sales vs FY15
Total Salad Dressing

+0.6 Share Pts
Total Salad Dressing

Setting the Odor Control Gold Standard in Cat Litter

Initial Launch – Q3 FY16

Additional Innovation in FY17



+6%

Q4 Sales vs FY15

+0.4 Share Pts

Q4 vs FY15



New Faces & Places: Low Out Of Pocket (LOOP) Focus on Value



16oz
Bleach



9ct Wipes



5ct Glad with
Odorshield



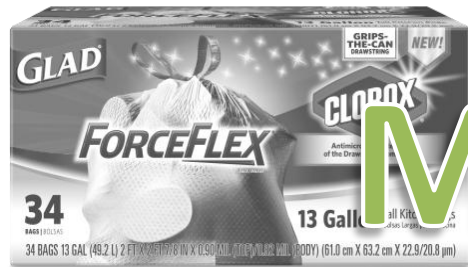
22ct Sandwich Bag

Coming Soon



9.75oz/10.75oz
Pine-Sol

Strong Product & Commercial Innovation



Glad with Clorox Antimicrobial



Clorox Clothes (International)



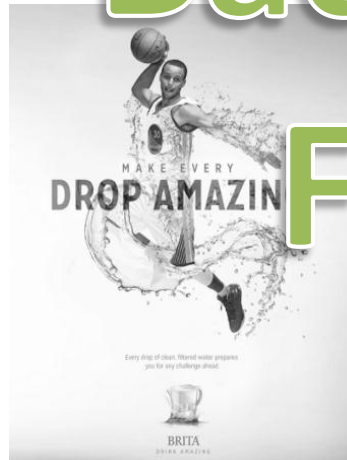
But's Natural Lipsticks



Clorox Wipes with Micro-Scrubbers



Fresh Step with Febreze



Stephen Curry Partnership



Disney Licensed Food Bags



Hidden Valley with Greek Yogurt

More to Come

Back Half

FY17

Focus on 3D Technology Transformation

**3D Technology
Transformation**

Leading the Industry in Digital Consumer Engagement

Driving Consumer Engagement



**More
Targeted**



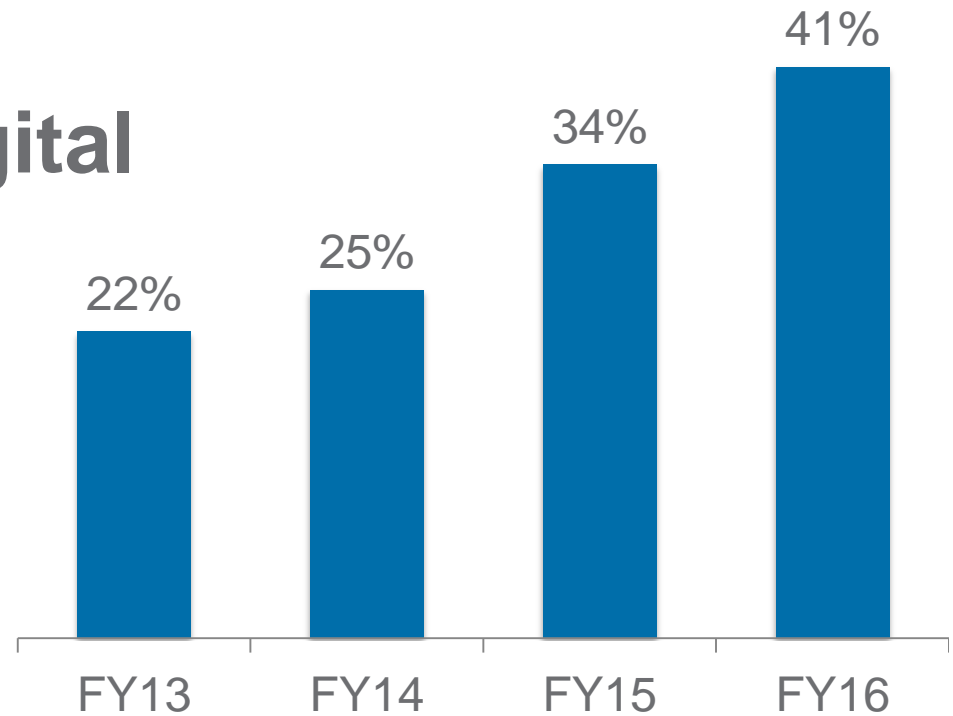
**More
Personal**



**More
Real-Time**

Accelerating Investments in Digital Media

Clorox now invests
more than 40%
of our media in digital



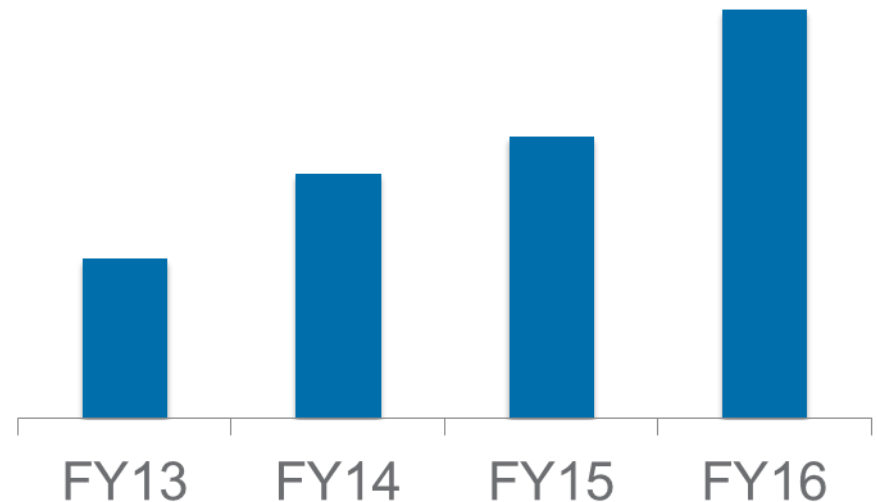
Strong Momentum in eCommerce

Walmart 

amazon.com[®] 

STAPLES[®] Advantage

~2x Sales Growth
(FY16 vs FY13)



We Leverage our Location for Innovative Partnerships

Google

ORACLE[®]
MARKETING
CLOUD

facebook.

BuzzFeed

bluekai



datalogix

Walmart.com

twitter

STAPLES Advantage

TARGET

amazon.com

Integral
Ad Science

CONVERSANT



TubeMogul

MOAT

Aol.
THE HUFFINGTON POST

VERVE
LOCAL PARTNERS



millennialmedia

MAGNETIC[™]

FY16 Strong Business Results...

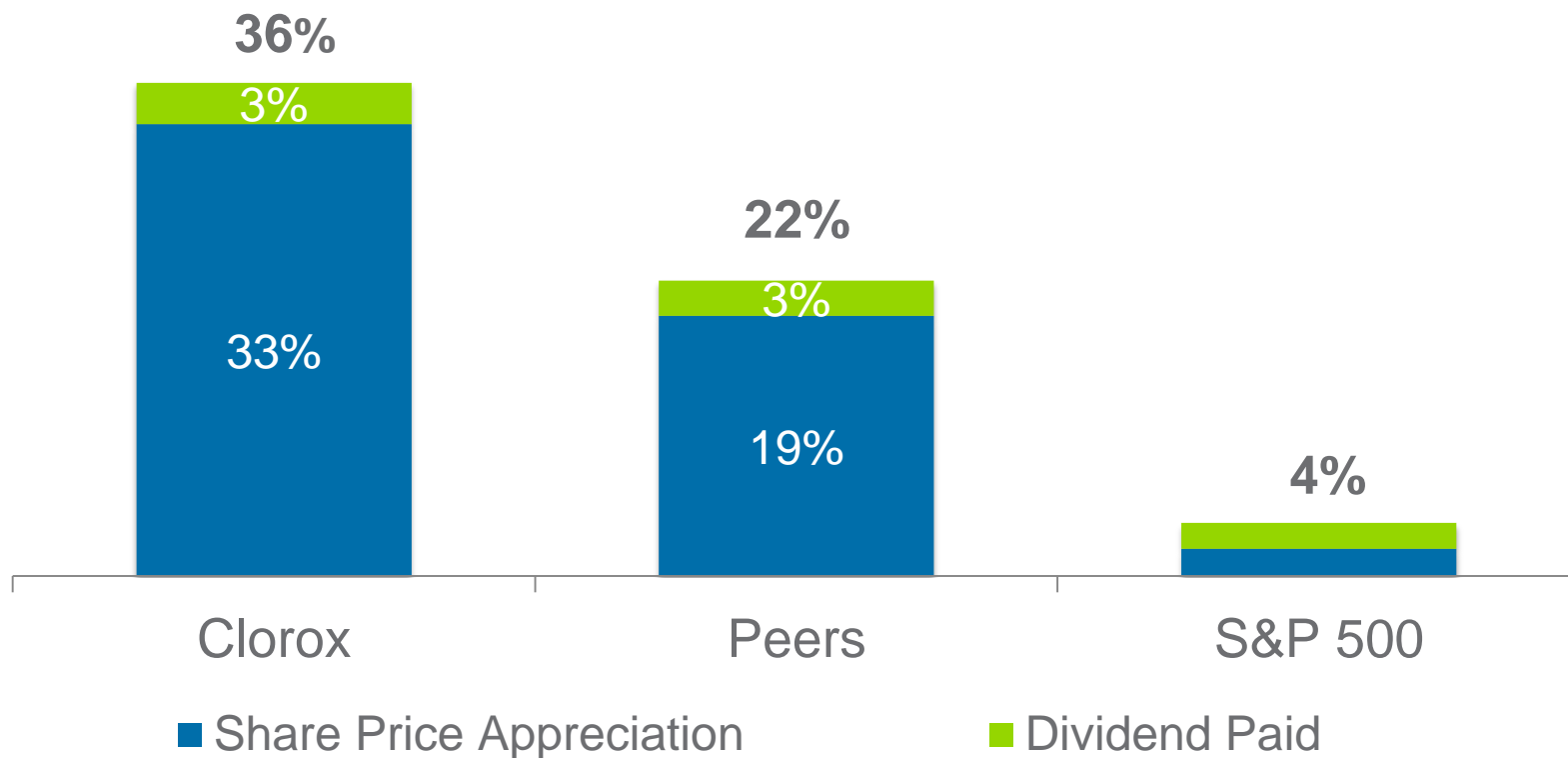
	<u>FY16</u>	<u>Vs. Year Ago</u>
Sales	\$5.8B	+2% (+5% FX Neutral)
EBIT Margin	18.5%	+50 bps
Diluted EPS (cont. ops)	\$4.92	+8%

EBIT (a non-GAAP measure) represents earnings from continuing operations before income taxes (a GAAP measure), excluding interest income & interest expense. EBIT margin is a measure of EBIT as a percentage of sales. See reconciliation on our website (<http://investors.thecloroxcompany.com/results.cfm?q=4>) and on slide 71.

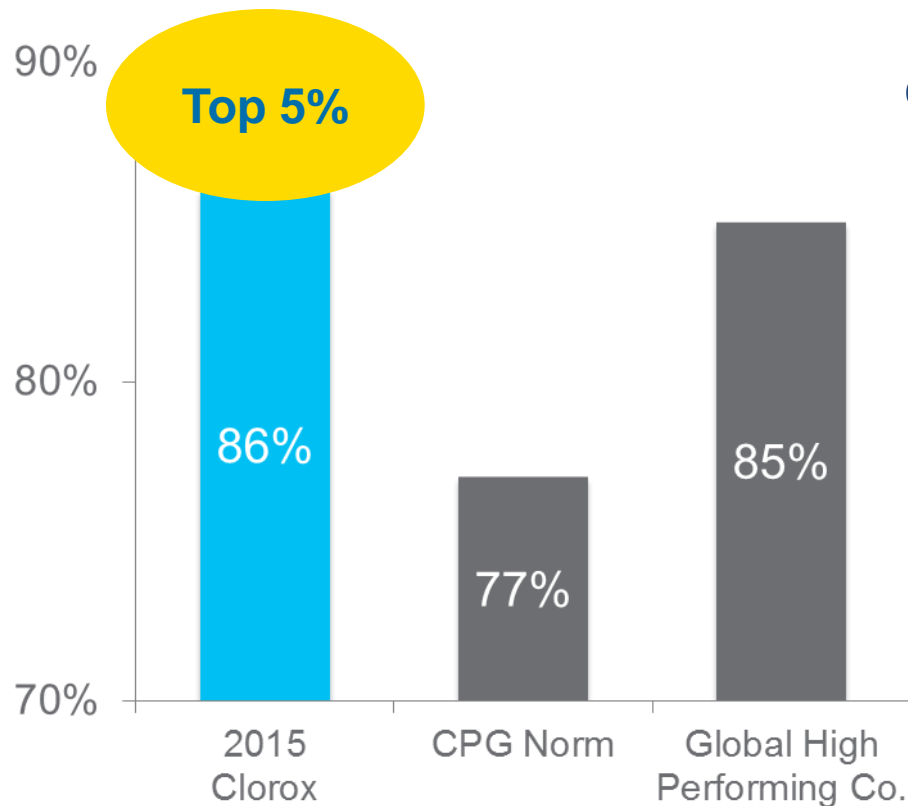
Recognized by Shareholders...

Total Shareholder Return

1 Year Ending 6/30/16



With a Highly Engaged Workforce



“I am empowered to make the decisions needed to do my job well.”

“Clorox has established a climate where one can challenge our traditional ways of doing things.”

“I understand how my work contributes to Clorox's strategy.”

CPG Norm: The Towers Watson global fast-moving consumer goods norm is based on responses from more than 126,346 employees from 61 global organizations.

Global High Performing Companies: The Towers Watson Global High Performance Norm is comprised of a weighted average of employee survey results. Companies qualify for the norm by meeting two criteria: (a) superior financial performance, defined by a net profit margin and/or return on invested capital that exceeds industry averages; and (b) superior human resource practices, defined by employee opinion scores near the top among the most financially successful companies surveyed by Towers Watson. This norm includes responses from over 145,000 employees at 28 global organizations.

Key Messages

- **Strategy 2020** is continuing to produce **strong shareholder returns**
- **FY17 Outlook** reflects **strong progress on Strategy Accelerators** in a **difficult macro economic environment**
- **Long-term investment case remains solid**



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Steve Robb
Chief Financial Officer

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Long-Term Growth Algorithm Remains Unchanged

U.S. Domestic

~80% of Clorox Sales
+2-4% annual growth

1.5 - 3.0 pts
company growth

International

~20% of Clorox Sales
+5-7% annual growth

1.0 - 1.5 pts
company growth

= +3 to +5pts
company
growth

Annual EBIT Margin Improvement: +25 to +50 bps

Annual Free Cash Flow: 10% to 12% of Sales

FY17 Outlook

Based on Aug 3rd Earnings Call

Sales
+2% to +4%

- Categories: about 1%
- Innovation: +3pts
- Renew Life: +2pts
- Mix/Other: about -1pt
- FX: -2pts

EBIT Margin
+25 to +50bps

- Gross Margin: about Flat
- Selling & Admin: <14% of Sales
- Advertising & Sales Promotion: about 10% of Sales

Diluted EPS
\$5.38 to \$5.58
(+9% to +13%)

- Tax rate: 30% to 31% including +\$0.25 to +\$0.30 of potential tax benefit from the adoption of (ASU) 2016-09 for stock-based compensation (actual tax impact from (ASU) 2016-09 to be determined)
- Excluding potential tax benefit, EPS range is \$5.13 to \$5.28

EBIT (a non-GAAP measure) represents earnings from continuing operations before income taxes (a GAAP measure), excluding interest income & interest expense. EBIT margin is a measure of EBIT as a percentage of sales.

EBIT Margin on Track with Long-Term Goals

- Expect EBIT Margin Expansion of +25bps to +50bps
- Gross Margin anticipated to be about Flat

**Deceleration of
Commodity
Benefits**

**Reduced Pricing
(Domestic)**

**Increased
Supply Chain
Investments**

- Continued reduction in SG&A to <14% of sales




International is a Key Component of our Portfolio

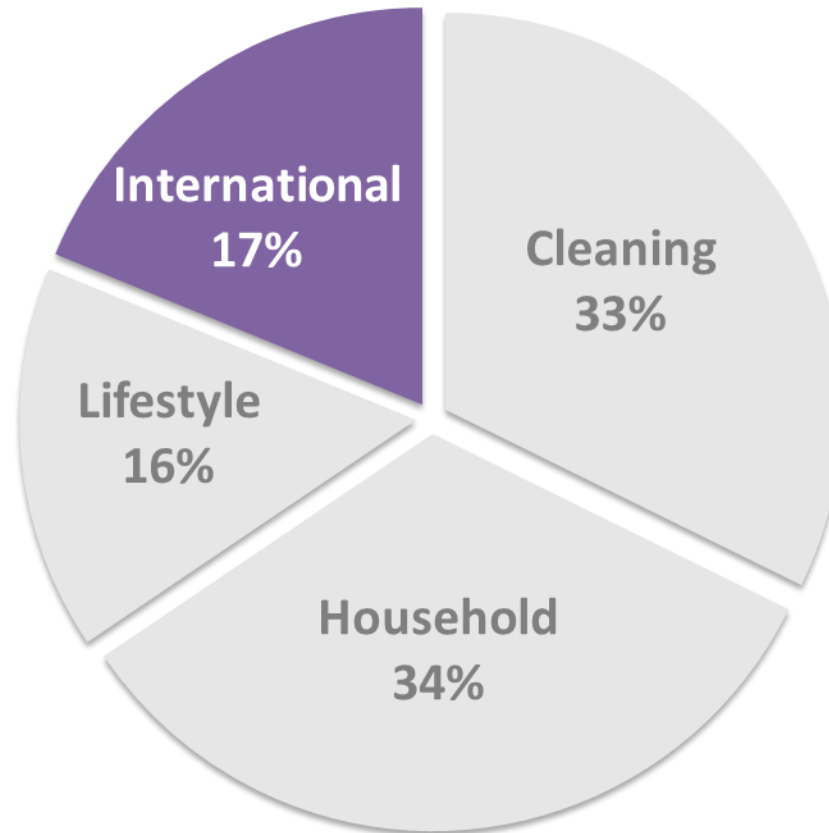
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International: 17%

Latin America	9%
Canada	3%
Australia / NZ	2%
Rest of World	3%

Lifestyle: 16%





	9%
	4%
	3%



Cleaning : 33%

	Home Care	18%
	Laundry	9%
	Professional	6%

Household : 34%

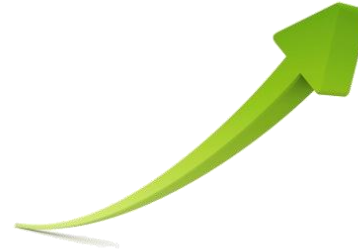
	15%
	11%
	6%
	2%*

Note: Renew Life 2% of Sales is based on FY16 Pro Forma Results

Why We Like International



Peru



**Leading
Brands**

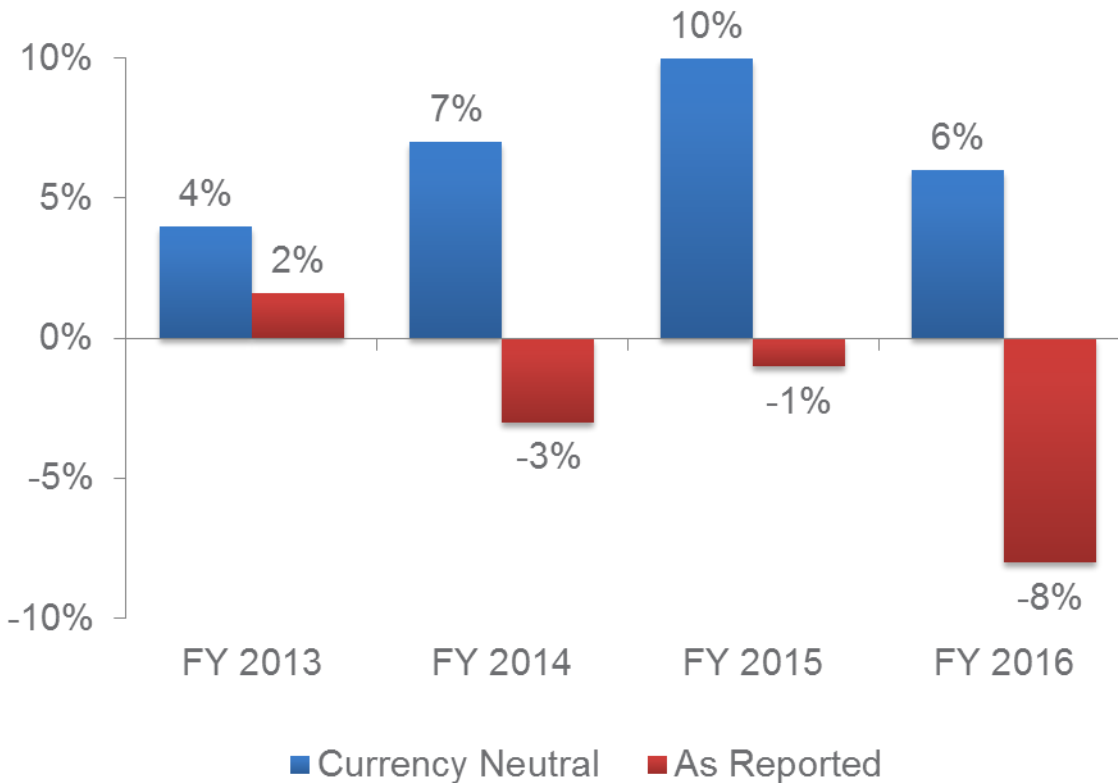
**Midsized
Countries**

**Faster
Category
Growth Rates**

**Strong
Operational
Performance**

Strong Growth in Local Currency, However FX Weighs

International Sales Growth



Exchange Rate vs YAGO

Argentina	-37%
Colombia	-17%
Mexico	-15%
Chile	-9%
Canada	-5%
Australia	-4%

International: “Go Lean” Approach



**Pricing
Maximization**

**Focus on
Cost Savings**

**Right-Size
Infrastructure**

**Optimize
Demand
Creation**

4 Pillars of Profitability

Strong Free Cash Flow

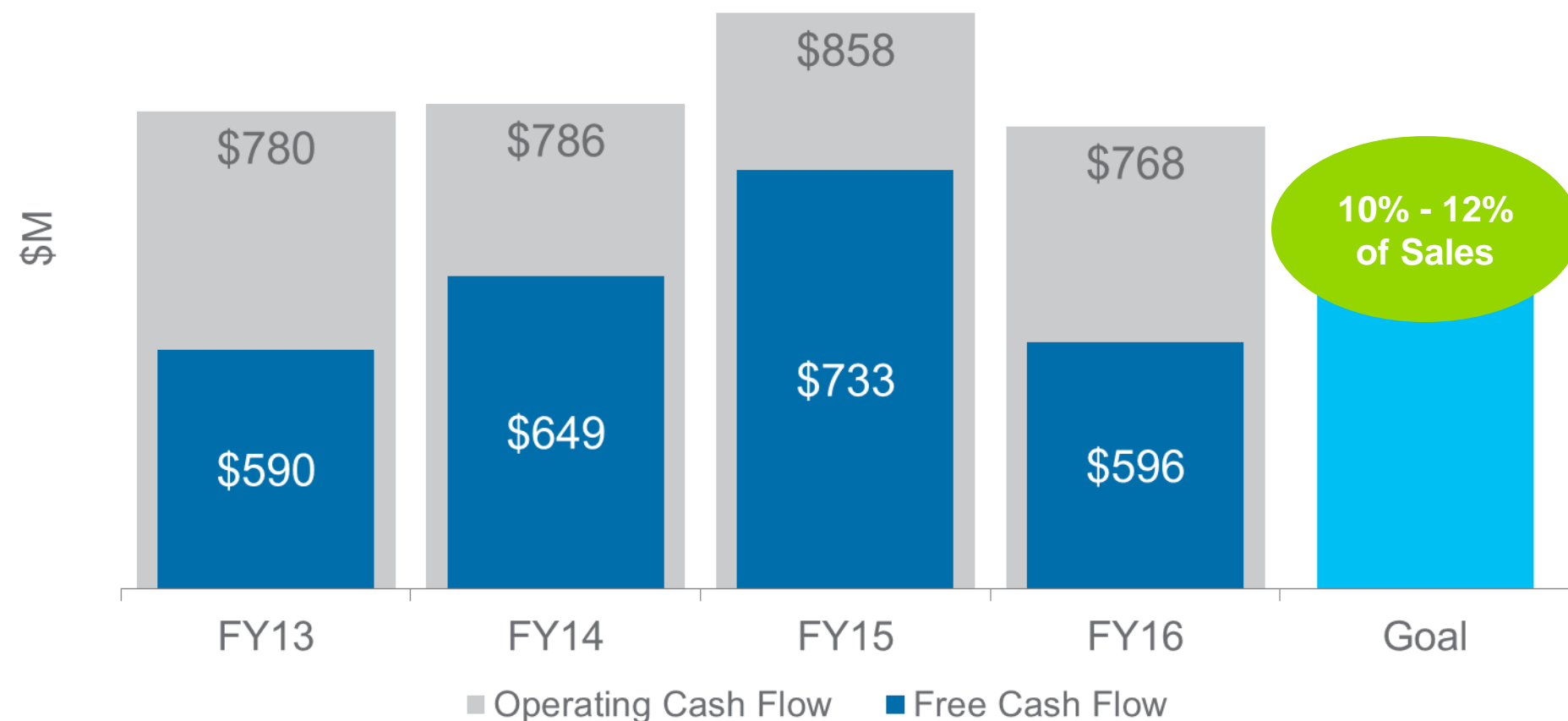
% of Sales

11%

12%

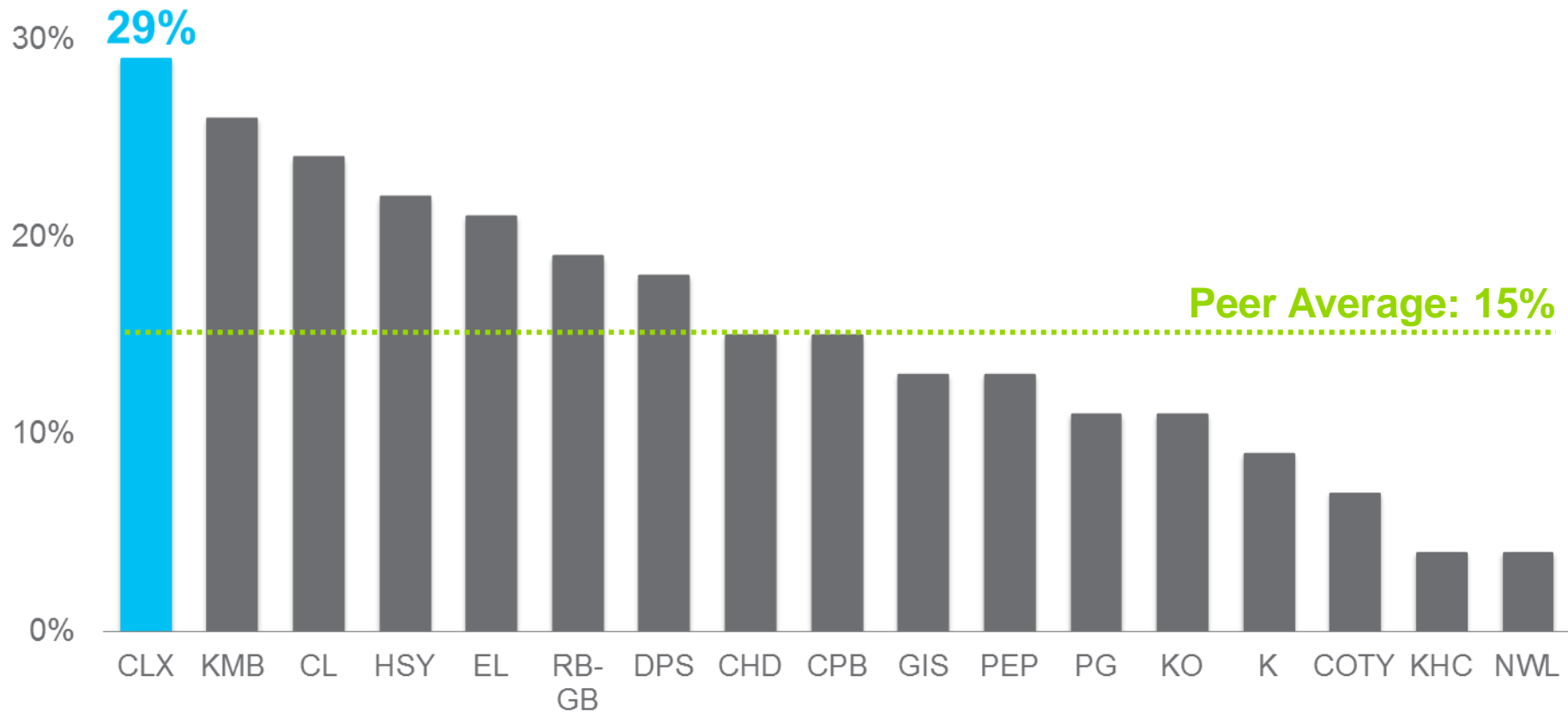
13%

10%



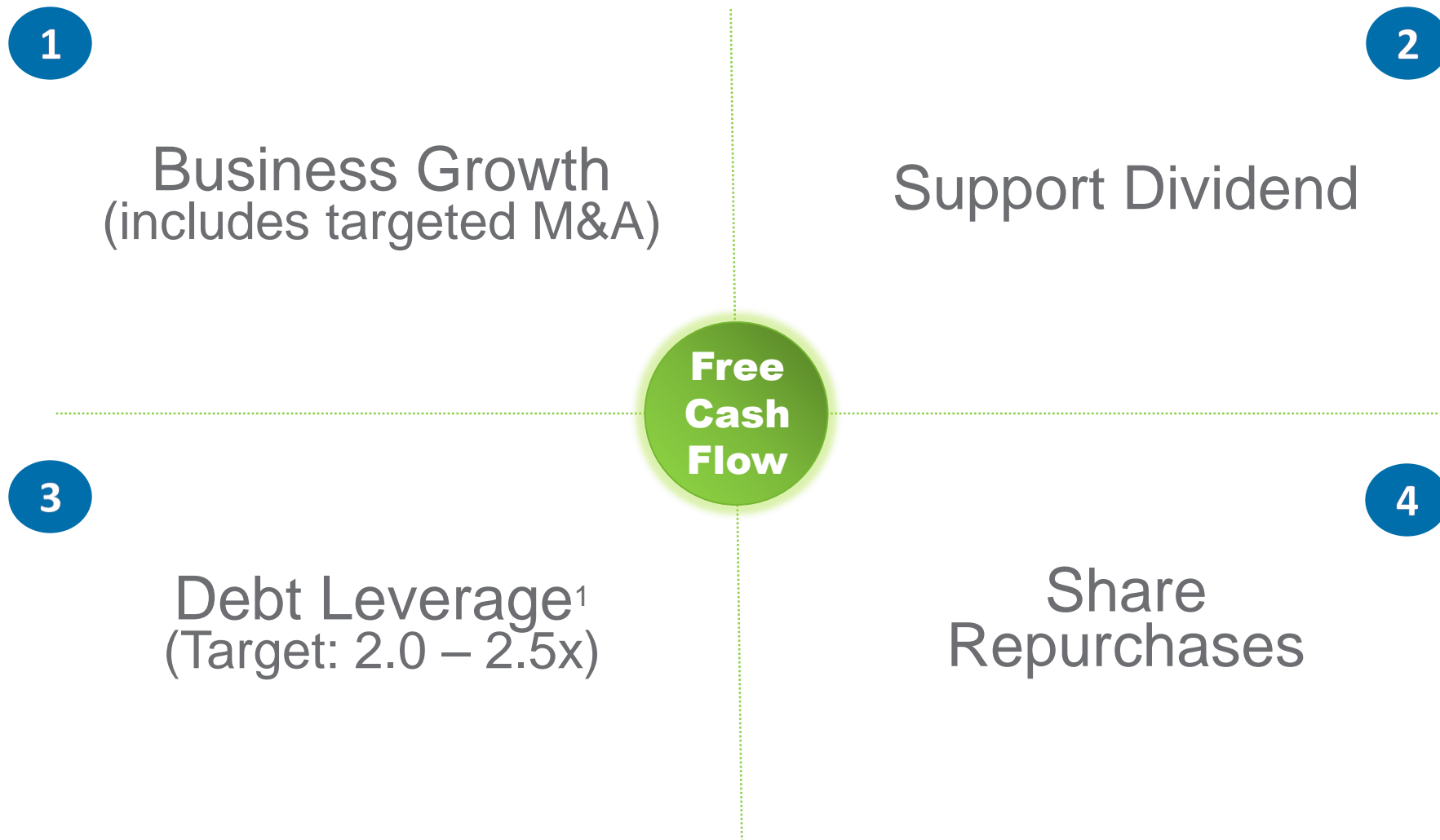
Free Cash Flow (a non-GAAP measure) represents Operating Cash Flow from Continuing Operations less Capital Expenditures. See reconciliation on our website (<http://investors.thecloroxcompany.com/results.cfm?q=4>) and on slide 73.

Top-Tier ROIC



Return on invested capital (ROIC), a non-GAAP measure, is calculated as earnings from continuing operations before income taxes and interest expense, computed on an after-tax basis as a percentage of average invested capital. Average invested capital represents a five quarter average of total assets less non-interest bearing liabilities. ROIC is a measure of how effectively the company allocates capital. Information on the Peer ROIC is based on publicly available Fiscal-end data (FactSet) as of 6/30/2016. See slide 74 for reconciliation.

Use of Cash Priorities



1

Business Growth
(includes targeted M&A)

2

Support Dividend

Free
Cash
Flow

3

Debt Leverage¹
(Target: 2.0 – 2.5x)

4

Share
Repurchases

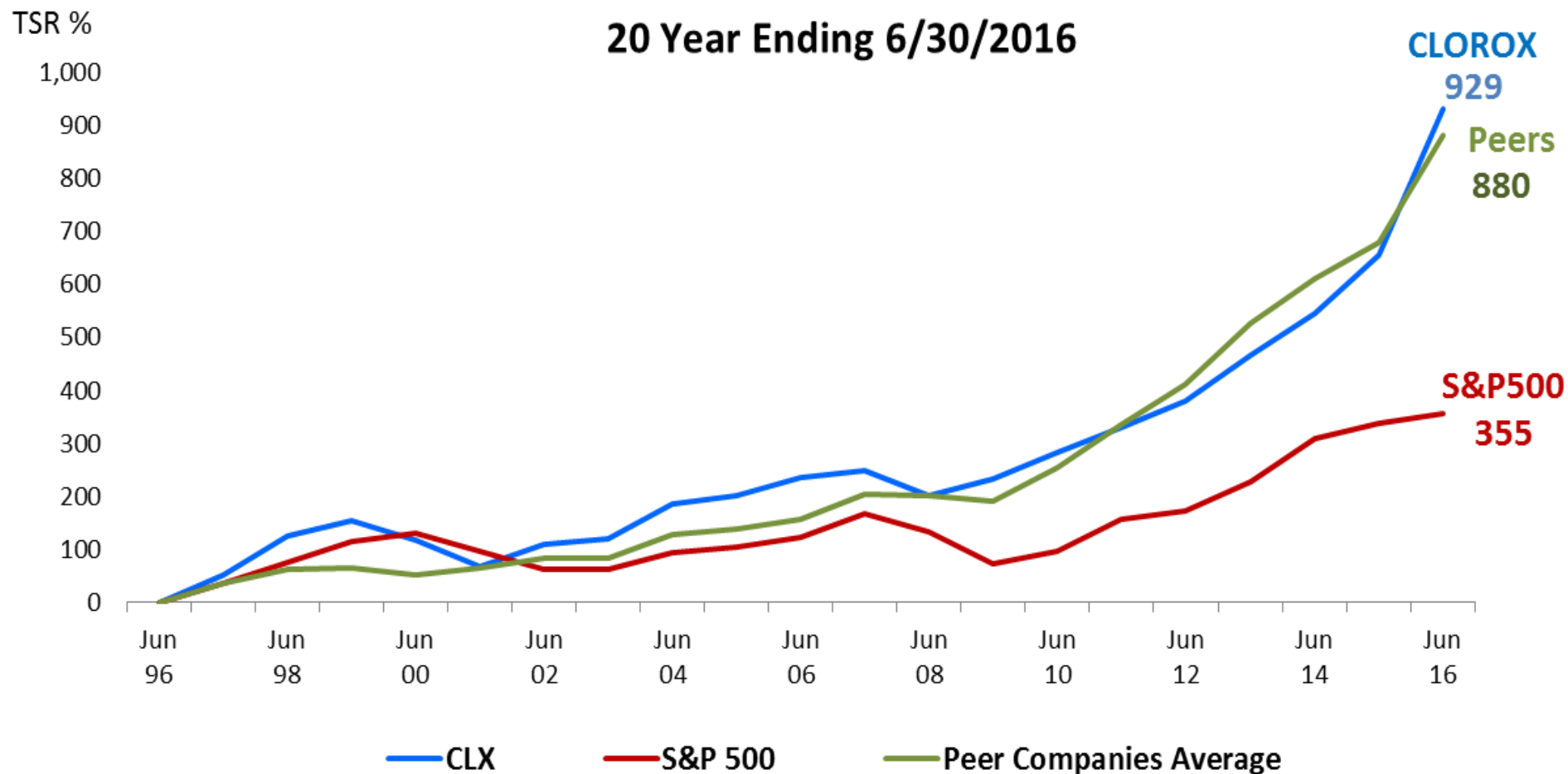
1. Debt Leverage = Gross Debt / EBITDA

M&A Criteria

- Target areas with tailwinds in categories, countries, and channels
 - Categories: Health & Wellness, Food Enhancers, and Natural Personal Care
 - Countries: US-Centric, with possible International expansion
 - Channels: Current retail and professional markets
- Strong fit with Clorox strategy and capabilities
- #1 (or strong #2) position in a defensible niche of a growing, sustainable category
- Accretive margin to the company average
- Dry Powder available
 - Transaction Size: Targeting companies/brands/technologies with \$50M to \$250M in sales (“bolt-on”)
 - Gross Debt/EBITA is 1.9x (low end of targeted range of 2.0x to 2.5x)

Strong Long-Term Shareholder Return

**Total Shareholder Return
20 Year Ending 6/30/2016**



Areas We Are Watching Carefully



**Consumer &
Economy**



**Foreign
Exchange
Headwinds**



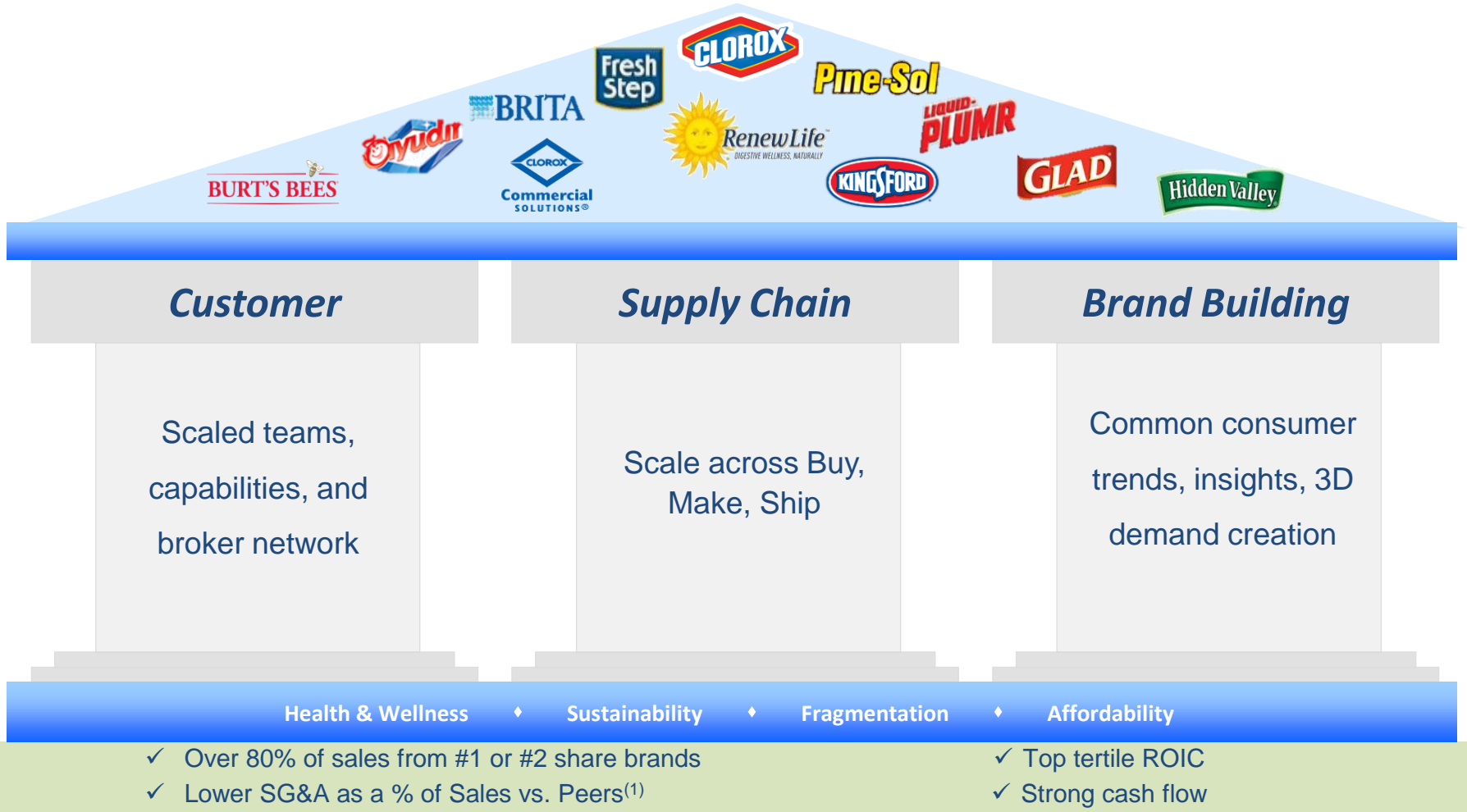
**Tax Rate
Uncertainty and
Volatility from
(ASU) Adoption**

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Appendix

Advantaged Portfolio Supported by Consumer Megatrends



(1) As of June 30th, 2016, Clorox's S&A/Sales was ~14% vs. peer average of 21%. This number does not include R&D or marketing expenses and excludes peers that do not disclose S&A separately from SG&A in their reported financial statements (Kimberly-Clark, Reckitt-Benckiser). Peer group consists of CHD, CL, PG, NWL, CPB, GIS, HSY, K, KHC, DPS, KO, PEP, COTY, EL, KMB, RB-GB.

Strategic Continuity: 2020 Strategy

Mission

- We make everyday life better, every day

Objectives

- Maximize economic profit across categories, channels, and countries
- Big-share brands in midsized categories and countries

Strategy

- Engage our people as business owners
- Increase brand investment behind superior value and more targeted 3D plans
- Keep the core healthy and grow into new categories, channels, and existing countries
- Reduce waste in work, products, and supply chain to fund growth

Broad-based Approach to Innovation

KEEP THE CORE HEALTHY

GROW MARKET SHARE



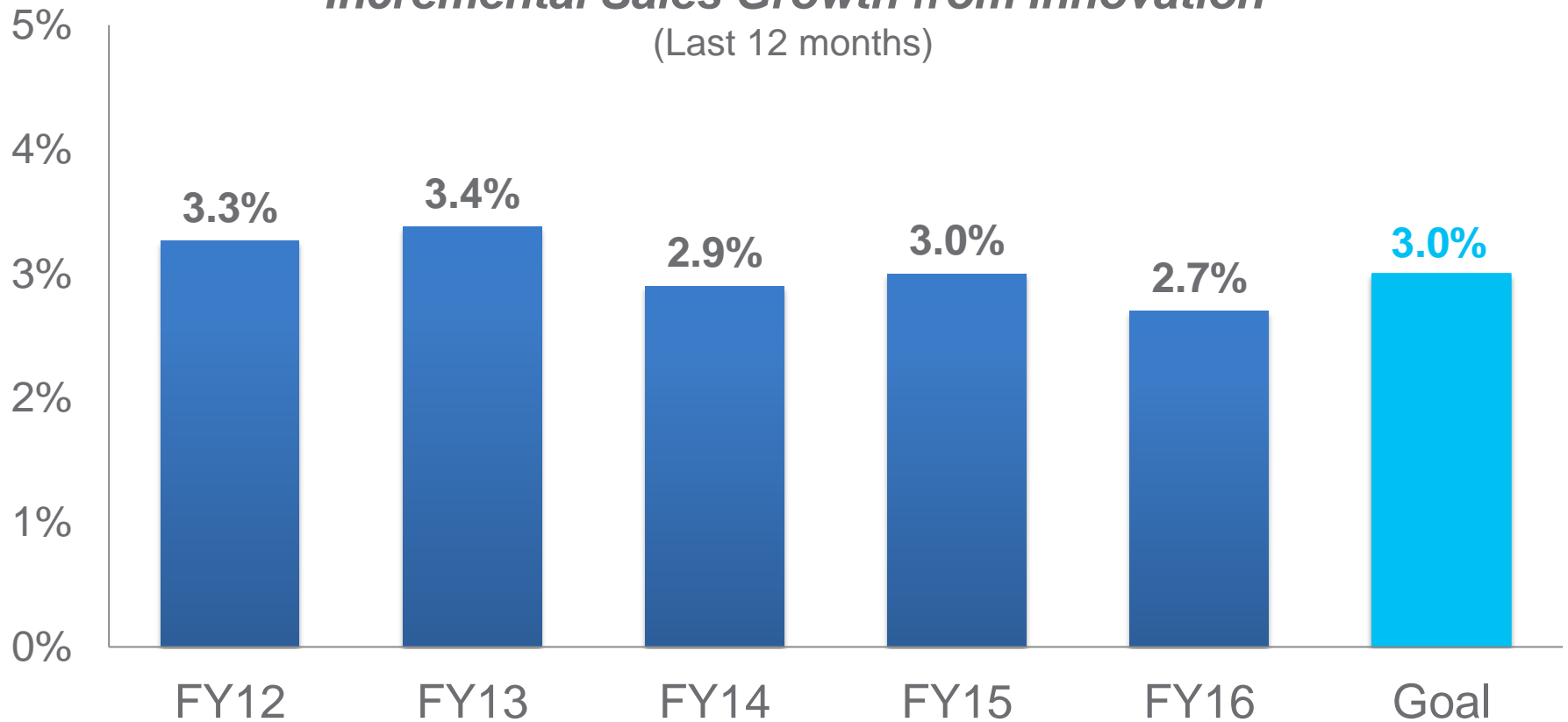
EXPAND MARGIN

ACCELERATE GROWTH

*Cost-o-vation is a term used at Clorox that describes innovation that improves product performance at a reduced cost.

Innovation is Delivering Growth

Incremental Sales Growth from Innovation
(Last 12 months)



Cost Savings: Key Component of 2020 Strategy

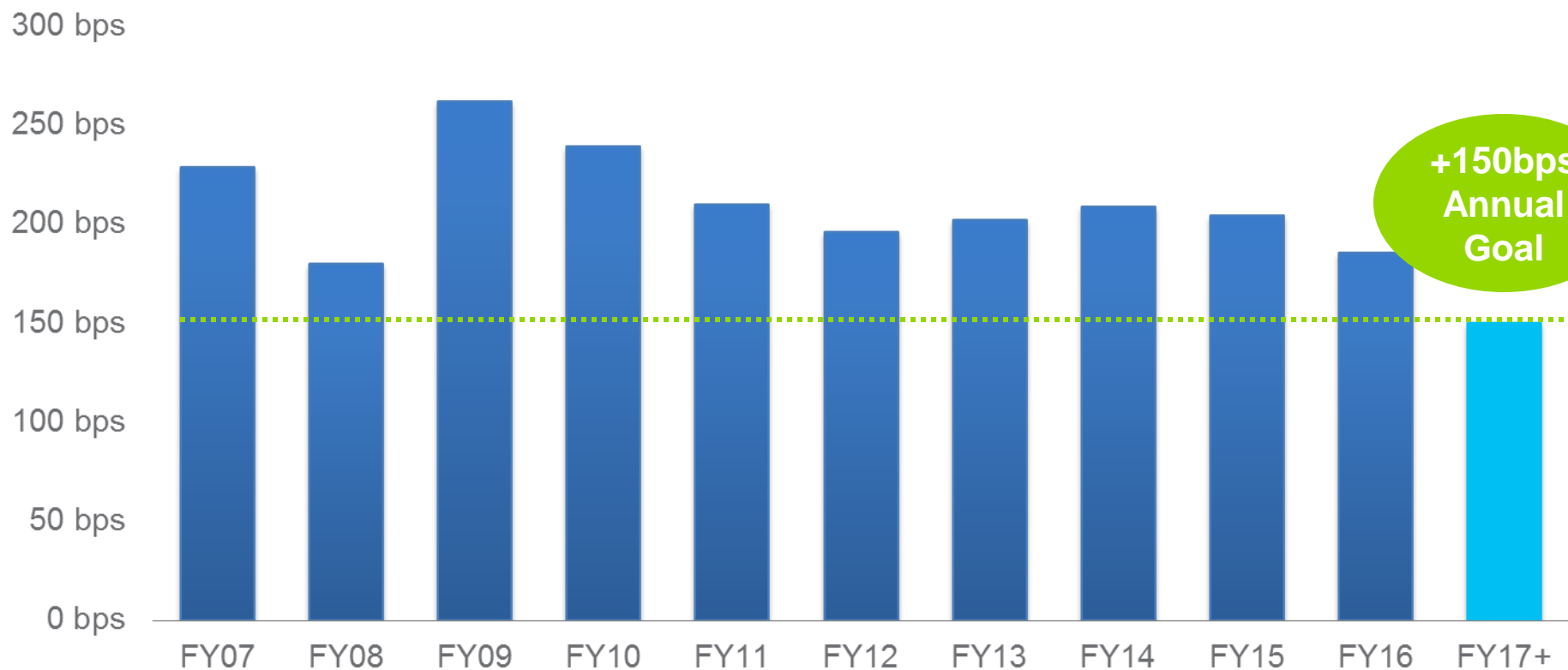


Strategy

- Engage our people as business owners
- Increase brand investment behind superior value and more targeted 3D plans
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- **Reduce waste in work, products, and supply chain to fund growth**

Cost Savings Continue to Deliver

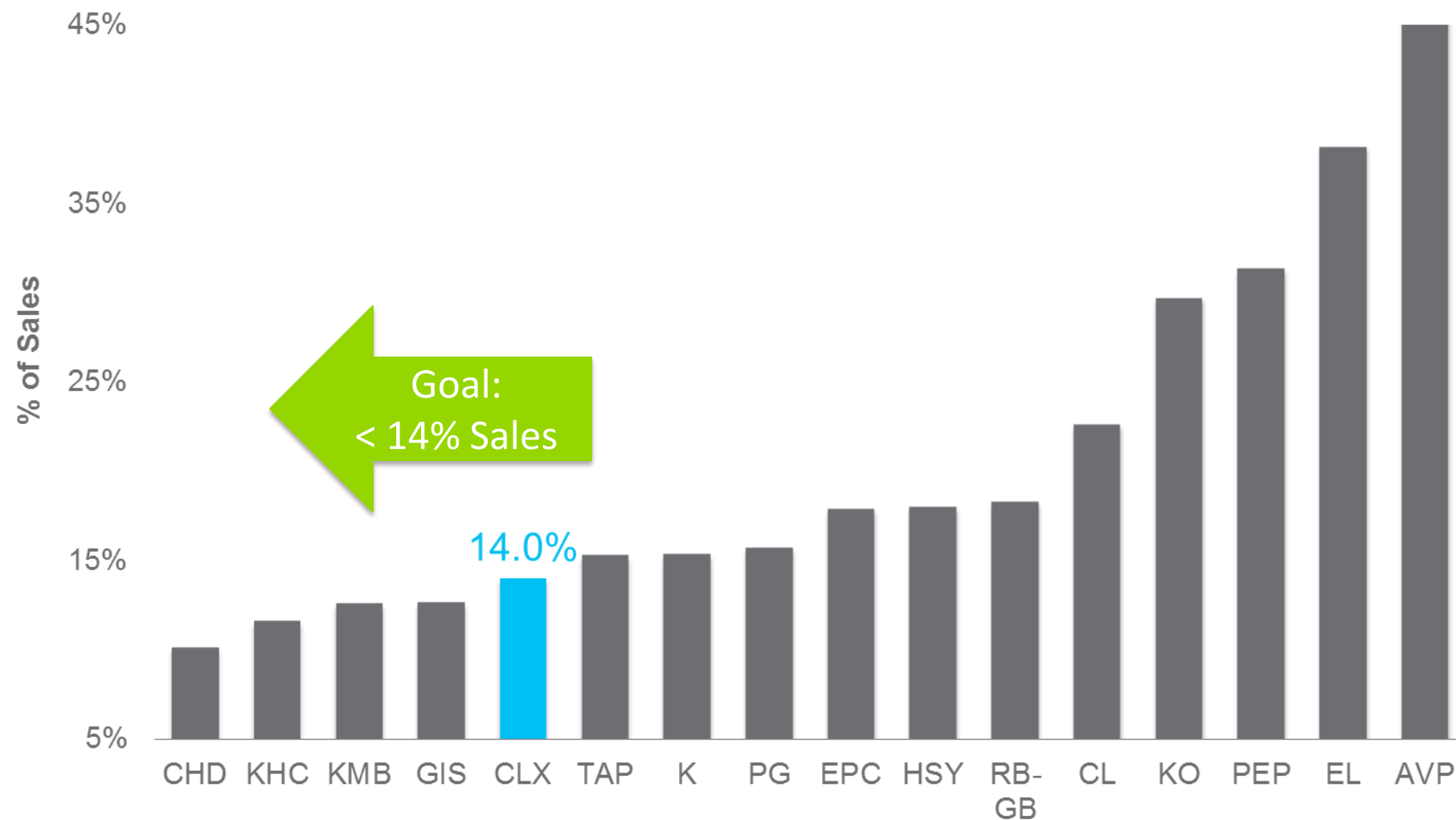
EBIT Margin Benefit from Cost Savings



**+150bps
Annual
Goal**

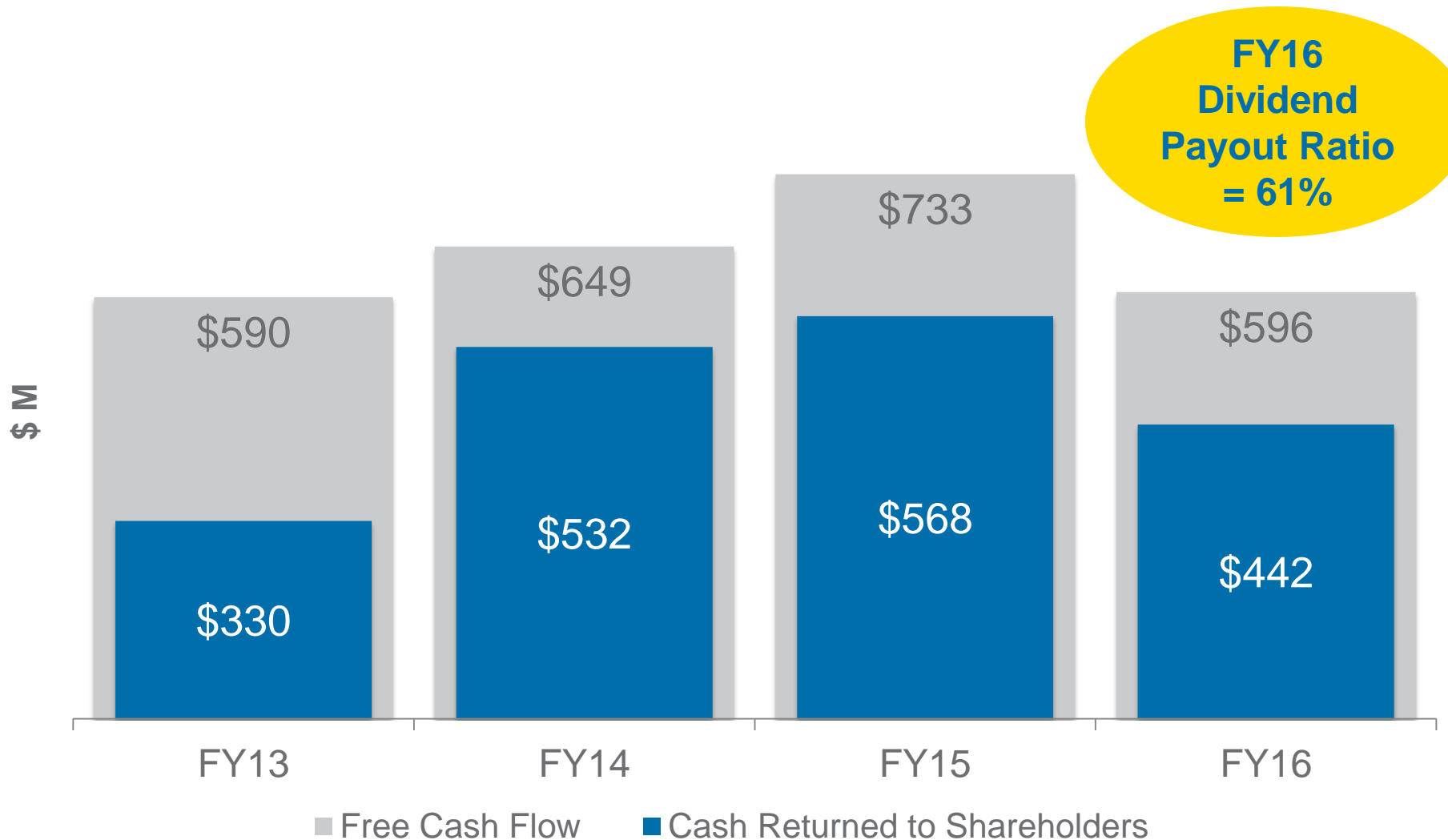
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Opportunities Exist Within SG&A



SG&A % of Sales as of Latest Fiscal Year End
CLX as of June 30th, 2016

Nearly \$2B Returned to Shareholders in the Last 4 Years



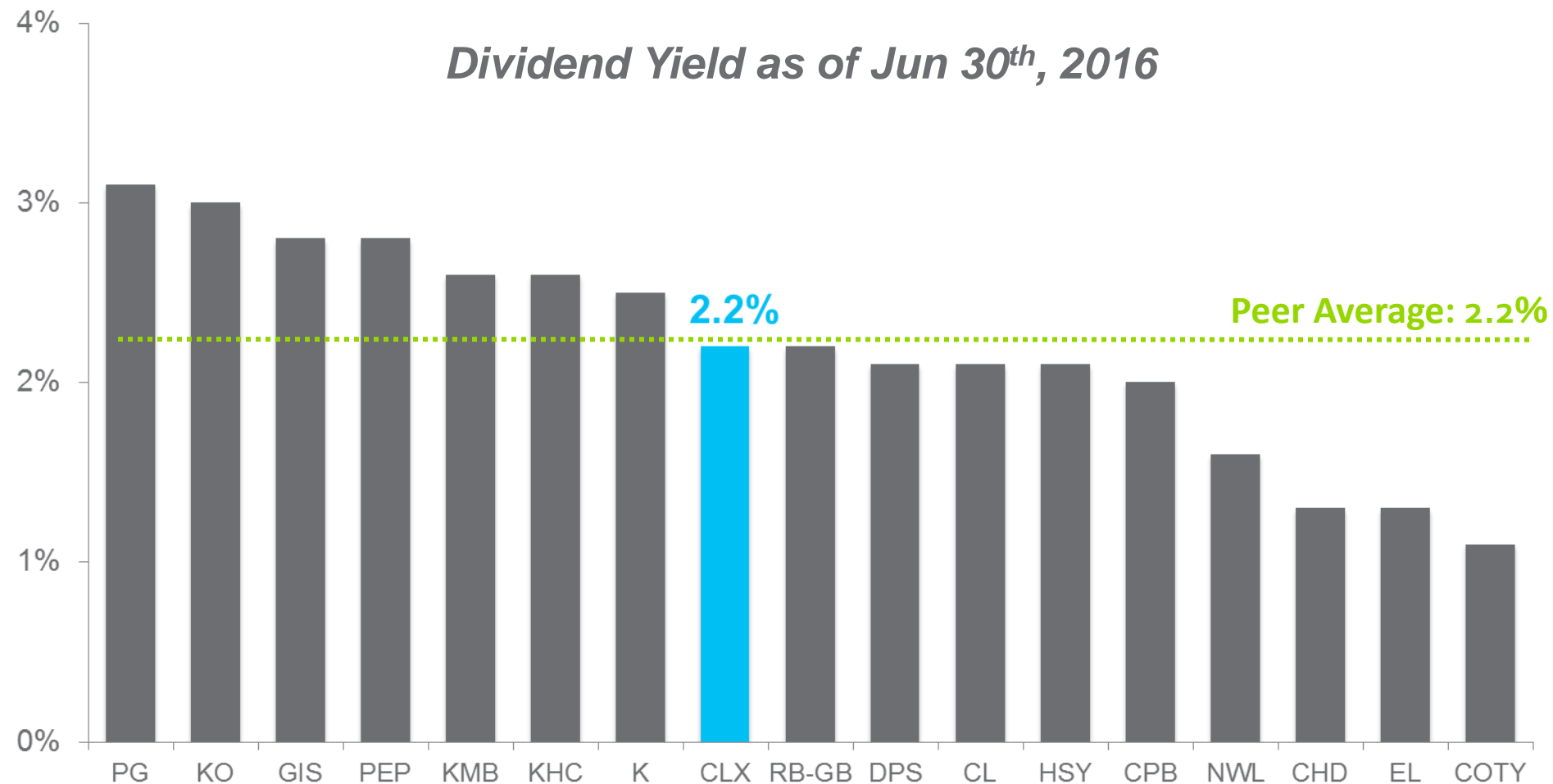
**FY16
Dividend
Payout Ratio
= 61%**

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Healthy Dividend Growth...

Dividends Have Increased Each Year Since 1977

Dividend Yield as of Jun 30th, 2016



Strong Shareholder Return, The Right Way



WE SUPPORT



epa.gov/saferchoice

Sales Growth Reconciliation

	Q4 Fiscal 2016	Q4 Fiscal 2015	Full Year Fiscal 2016	Full Year Fiscal 2015
Total Sales Growth – GAAP	2.8%	4.0%	1.9%	2.6%
Less: Foreign exchange	-2.3%	-2.0%	-2.7%	-2.1%
Currency Neutral Sales Growth - Non-GAAP	5.1%	6.0%	4.6%	4.7%

Gross Margin Reconciliation

Driver	Gross Margin Change vs. Prior Year (basis points)									
	FY15					FY16				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Cost Savings	+120	+130	+170	+160	+140	+140	+130	+120	+110	+130
Price Changes	+90	+100	+140	+110	+110	+110	+110	+100	+60	+90
Market Movement (commodities)	-40	-90	-	+100	-	+100	+180	+180	+90	+140
Manufacturing & Logistics	-170	-90	-120	-80	-110	-120	-150	-150	-120	-140
All other ⁽¹⁾	-70	-40	-80	-20	-50	-10	-60	-40	-160	-70
Change vs prior year	-70	+10	+110	+270	+90	+220	+210	+210	-20	+150
Gross Margin (%)	42.8%	42.5%	43.2%	45.6%	43.6%	45.0%	44.6%	45.3%	45.4%	45.1%

(1) In Q4 of fiscal year 2016, "All other" includes about -60bps of unfavorable mix, -50bps related to acquisition of the Renew Life business in May 2016 primarily due to one-time integration costs, and -40bps of higher trade promotion spending.

Reportable Segments (unaudited)

	Net sales		
	Three Months Ended		
	6/30/2016	6/30/2015	% Change ⁽¹⁾
Cleaning	\$ 493	\$ 465	6%
Household	609	580	5%
Lifestyle	254	245	4%
International	244	267	-9%
Corporate	-	-	0%
Total	<u>\$ 1,600</u>	<u>\$ 1,557</u>	<u>3%</u>

	Net sales		
	Twelve Months Ended		
	6/30/2016	6/30/2015	% Change ⁽¹⁾
Cleaning	\$ 1,912	\$ 1,824	5%
Household	1,862	1,794	4%
Lifestyle	990	950	4%
International	997	1,087	-8%
Corporate	-	-	0%
Total	<u>\$ 5,761</u>	<u>\$ 5,655</u>	<u>2%</u>

	Earnings (losses) from continuing operations before income taxes		
	Three Months Ended		
	6/30/2016	6/30/2015	% Change ⁽¹⁾
	\$ 117	\$ 114	3%
	166	170	-2%
	50	57	-12%
	1	12	-92%
	(82)	(64)	28%
Total	<u>\$ 252</u>	<u>\$ 289</u>	<u>-13%</u>

	Earnings (losses) from continuing operations before income taxes		
	Twelve Months Ended		
	6/30/2016	6/30/2015	% Change ⁽¹⁾
	\$ 511	\$ 445	15%
	428	375	14%
	251	257	-2%
	66	79	-16%
	(273)	(235)	16%
Total	<u>\$ 983</u>	<u>\$ 921</u>	<u>7%</u>

(1) Percentages based on rounded numbers.

EBIT and EBITDA Reconciliation (unaudited)

	FY 2015					FY 2016				
	Q1 9/30/14	Q2 12/31/14	Q3 3/31/15	Q4 6/30/15	FY 6/30/15	Q1 9/30/15	Q2 12/31/15	Q3 3/31/16	Q4 6/30/16	FY 6/30/16
Earnings from continuing operations before income taxes	\$218	\$197	\$217	\$289	\$921	\$264	\$230	\$237	\$ 252	\$ 983
Interest income	-\$1	-\$1	-\$1	-\$1	-\$4	-\$1	-\$2	-\$1	-\$1	-\$5
Interest expense	\$26	\$26	\$25	\$23	\$100	\$23	\$22	\$22	\$21	\$88
EBIT ⁽¹⁾⁽³⁾	\$243	\$222	\$241	\$311	\$1,017	\$286	\$250	\$258	\$272	\$1,066
<i>EBIT margin ⁽¹⁾⁽³⁾</i>	18.0%	16.5%	17.2%	20.0%	18.0%	20.6%	18.6%	18.1%	17.0%	18.5%
Depreciation and amortization	\$43	\$42	\$41	\$43	\$169	\$41	\$41	\$40	\$43	\$165
EBITDA ⁽²⁾⁽³⁾	\$286	\$264	\$282	\$354	\$1,186	\$327	\$291	\$298	\$315	\$1,231
<i>EBITDA margin ⁽²⁾⁽³⁾</i>	21.2%	19.6%	20.1%	22.7%	21.0%	23.5%	21.6%	20.9%	19.7%	21.4%
Net sales	\$1,352	\$1,345	\$1,401	\$1,557	\$5,655	\$1,390	\$1,345	\$1,426	\$ 1,600	\$ 5,761
Total debt ⁽⁴⁾	\$2,224	\$2,672	\$2,166	\$2,191	\$2,191	\$2,227	\$2,296	\$2,228	\$2,320	\$2,320
Debt to EBITDA ⁽³⁾⁽⁵⁾	1.9	2.3	1.9	1.8	1.8	1.8	1.8	1.8	1.9	1.9

EBIT and EBITDA Reconciliation (unaudited)

- (1) EBIT (a non-GAAP measure) represents earnings from continuing operations before income taxes (a GAAP measure), excluding interest income and interest expense, as reported above. EBIT margin is the ratio of EBIT to net sales.
- (2) EBITDA (a non-GAAP measure) represents earnings from continuing operations before income taxes (a GAAP measure), excluding interest income, interest expense, depreciation and amortization, as reported above. EBITDA margin is the ratio of EBITDA to net sales.
- (3) In accordance with the SEC's Regulation G, this schedule provides the definition of certain non-GAAP measures and the reconciliation to the most closely related GAAP measure. Management believes the presentation of EBIT, EBIT margin, EBITDA, EBITDA margin and debt to EBITDA provides additional useful information to investors about current trends in the business.
- (4) Total debt represents the sum of notes and loans payable, current maturities of long-term debt, and long-term debt.
- (5) Debt to EBITDA (a non-GAAP measure) represents total debt divided by EBITDA for the trailing four quarters.

Free Cash Flow (FCF) Reconciliation

	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013
Net cash provided by continuing operations – GAAP	\$768	\$858	\$786	\$780
Less: Capital expenditures	\$172	\$125	\$137	\$190
Free cash flow – non-GAAP ⁽¹⁾	\$596	\$733	\$649	\$590

(1) In accordance with the SEC's Regulation G, this schedule provides the definition of certain non-GAAP measures and the reconciliation to the most closely related GAAP measure. Management uses free cash flow and free cash flow as a percent of sales to help assess the cash generation ability of the business and funds available for investing activities, such as acquisitions, investing in the business to drive growth, and financing activities, including debt payments, dividend payments and share repurchases. Free cash flow does not represent cash available only for discretionary expenditures, since the Company has mandatory debt service requirements and other contractual and non-discretionary expenditures. In addition, free cash flow may not be the same as similar measures provided by other companies due to potential differences in methods of calculation and items being excluded.

Return on Invested Capital (ROIC) Reconciliation

Dollars in millions and all calculations based on rounded numbers

	<u>FY16</u>
Earnings from continuing operations before income taxes	\$ 983
Interest expense	<u>88</u>
Earnings from continuing operations before income taxes and interest expense	<u>\$ 1,071</u>
Income taxes on earnings from continuing operations before income taxes and interest expense ⁽²⁾	<u>\$ (365)</u>
Adjusted after-tax profit	\$ 706
Average invested capital ⁽³⁾	<u>\$ 2,457</u>
Return on invested capital ⁽¹⁾	<u>29%</u>

- (1) In accordance with SEC's Regulation G, this schedule provides the definition of a non-GAAP measure and the reconciliation to the most closely related GAAP measure. Return on invested capital (ROIC), a non-GAAP measure, is calculated as earnings from continuing operations before income taxes and interest expense, computed on an after-tax basis as a percentage of average invested capital. Management believes ROIC provides additional information to investors about current trends in the business. ROIC is a measure of how effectively the company allocates capital.
- (2) The tax rate applied is the effective tax rate on continuing operations, which was 34.1%.
- (3) Average invested capital represents a five quarter average of total assets less non-interest bearing liabilities.

(Amounts shown below are five quarter averages)

	<u>FY16</u>
Total assets	\$ 4,247
Less: non-interest bearing liabilities	<u>(1,790)</u>
Average invested capital	<u>\$ 2,457</u>