

THE CLOROX COMPANY

FY20 Q3
Investor Presentation

SAFE HARBOR

Except for historical information, matters discussed in this presentation, including statements about the Company's future volume, sales, organic sales growth, costs, cost savings, earnings, earnings per share, diluted earnings per share, margins, foreign currencies, foreign currency exchange rates, tax rates, cash flows, plans, objectives, expectations, growth or profitability, are forward-looking statements based on management's estimates, beliefs, 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, the uncertainties relating to the impact of COVID-19 on the Company's business, operations, employees, financial condition and results of operations as well as risks related to competition in the Company's markets; impact of the changing retail environment, including the growth of alternative retail channels and business models, and changing consumer preferences; volatility and increases in commodity, energy, transportation and other costs; the Company's ability to drive sales growth and increase market share; dependence on key customers; information technology security breaches or cyber attacks; the Company's business reputation and the reputation of its brands and products; the impact of COVID-19 on the availability of, and efficiency of the supply, manufacturing and distribution systems for, the Company's products; risks relating to acquisitions, new ventures and divestitures; government regulations; political, legal and tax risks; changes in U.S. tax, immigration or trade policies, including tariffs, and economic and financial market conditions; international operations and international trade, including price controls, foreign currency fluctuations and devaluations and foreign currency exchange rate controls, labor claims and labor unrest, uncertainty regarding Brexit, and potential harm and liabilities from use, storage and transportation of chlorine in certain markets; the ability of the Company to innovate, to develop commercially successful products and to implement cost savings; product liability claims, labor claims and other legal proceedings; the success of the Company's business strategies; the venture agreement with P&G related to the Company's Glad® business; the Company's ability to attract and retain key personnel; supply disruptions; environmental matters, increased focus on sustainability issues, including those related to climate change; the Company's ability to assert and defend its intellectual property rights; and the impacts of potential stockholder activism.

NEAR TERM PRIORITIES

“Our hearts go out to everyone who has been affected by the COVID-19 pandemic. We’re privileged to be in a position to serve the public health during this time. The Clorox Company is fundamentally a health and wellness company at heart and guided by our most important value to Do the Right Thing”

-Benno Dorer Chair and CEO, The Clorox Company

In early January, The Clorox Company activated our response to increase supply to protect public health and we have pursued three priories since then:

- Protecting the health, safety and well-being of our employees
- Making cash and product contributions to support caregivers and other organizations providing coronavirus relief
- Maximizing supply to get our products where they are needed most

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LONG-TERM PLAYBOOK

CHOICEFUL AND DISCIPLINED

Leading brands
loved by consumers

Purposeful & targeted
in **where we play**

ECONOMIC PROFIT

Deeply rooted
discipline sustains
operational excellence

Good growth:
ESG integration as a
competitive advantage

CONTENTS

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DIVERSE, U.S.-CENTRIC PORTFOLIO
FY19 RESULTS



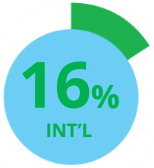
- 19% HOMECARE
- 9% LAUNDRY
- 6% PROFESSIONAL PRODUCTS



- 13% BAGS, WRAPS, CONTAINERS
- 8% CHARCOAL
- 7% CAT LITTER
- 2% DIGESTIVE HEALTH



- 9% FOOD PRODUCTS
- 5% NATURAL PERSONAL CARE
- 3% WATER FILTRATION
- 3% DIETARY SUPPLEMENTS



- AFRICA
- ASIA
- AUSTRALIA
- EUROPE
- NEW ZEALAND
- SOUTH AMERICA

$6.2B
NET SALES

25+
COUNTRY / TERRITORY OPERATIONS

8,800
EMPLOYEES

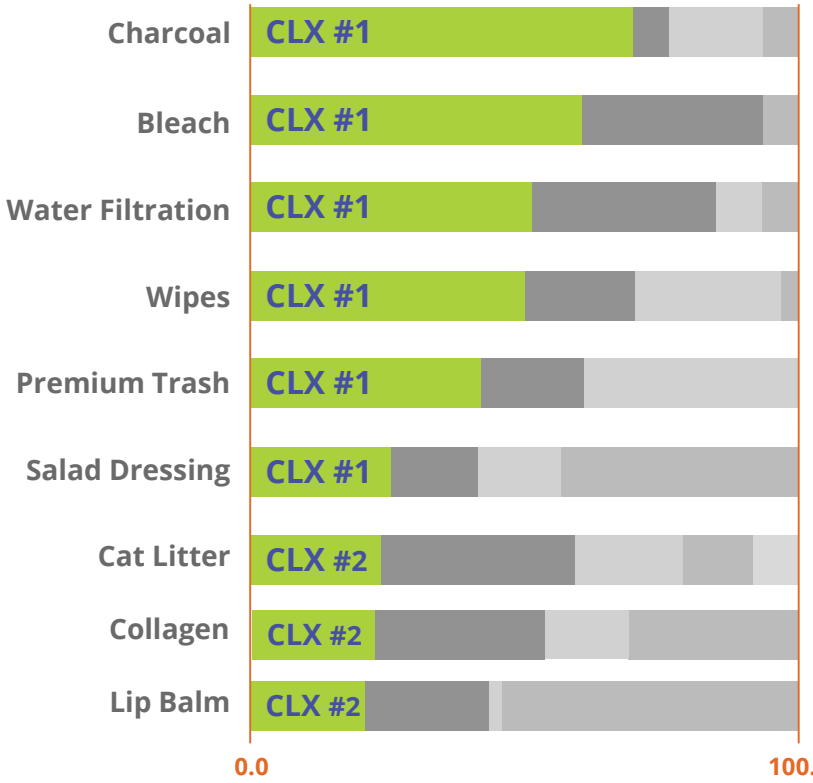
100+
MARKETS

LEADING BRANDS LOVED BY OUR CONSUMERS

- Nearly **80%** of our global portfolio from #1 and #2 share brands
- **Majority** of our portfolio has superior consumer value
- Our products are in **9 out 10** US homes



BIG SHARE BRANDS, MID-SIZED CATEGORIES



- Categories that are more **rational** with **less multi-nationals**
- Grow categories with deep **consumer insights** & **world-class capabilities**
- Drive sustainable and **profitable growth** for Clorox and our customers

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NOTE: Share position is dollar market share, IRI MULOP 52 weeks ending 6/30/19, Collagen: Natural (ex Whole Foods), MULO 52 weeks ending 6/16/2019.

OPERATIONAL EXCELLENCE

Our leading brands, world-class capabilities and deeply rooted discipline drive **operational excellence**



STRONG FINANCIAL RESULTS

FY14 TO FY19 CAGR

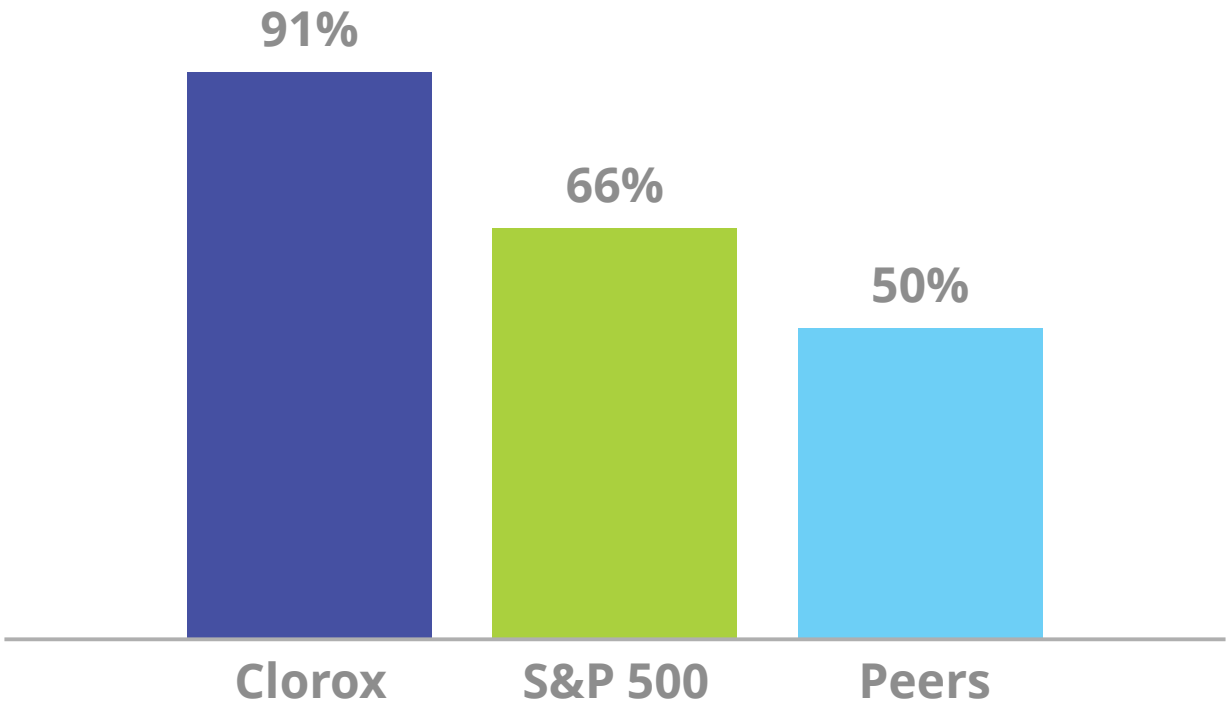


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 NOTE: CAGR refers to Compounded Annual Growth Rate. Earnings per share is from from continuing operation. EP refers to Economic Profit and reconciliation can be found in the appendix

STRONG SHAREHOLDER RETURNS

FY14 TO FY19



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SOURCE: FactSet, Total Share Return as of June 30, 2019. Peers consist of 16 companies: CHD, CL, COTY, CPB, DPS, EL, GIS, HSY, K, KHC, KMB, KO, RB-GB, NWL, PEP, and PG

STRONG VALUE FOR SOCIETY



PERFORMANCE

+3% Sales from innovation

+7.5% EP CAGR (FY14-19)

Top-third TSR (FY14-19)



PEOPLE

87% Employee engagement

Top-tier diversity

World-class safety



PRODUCTS

58% Products with sustainability improvements

92% Primary package recyclable



PLANET

20% reduction by 2020 on track:

- Waste to landfill
- Water
- GHG
- Energy



PURPOSE

$50M Product donations

$16M in employee volunteer hours

$27M in cash grants

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 NOTE: Purpose impact is tracked on a cumulative calendar year basis for CY13 - 18

STRONG RESULTS THE RIGHT WAY















IGNITE STRATEGY

Vision

Exceptional innovators who earn people's enduring loyalty

Objectives

Maximize economic profit

Good growth — profitable, sustainable, and responsible

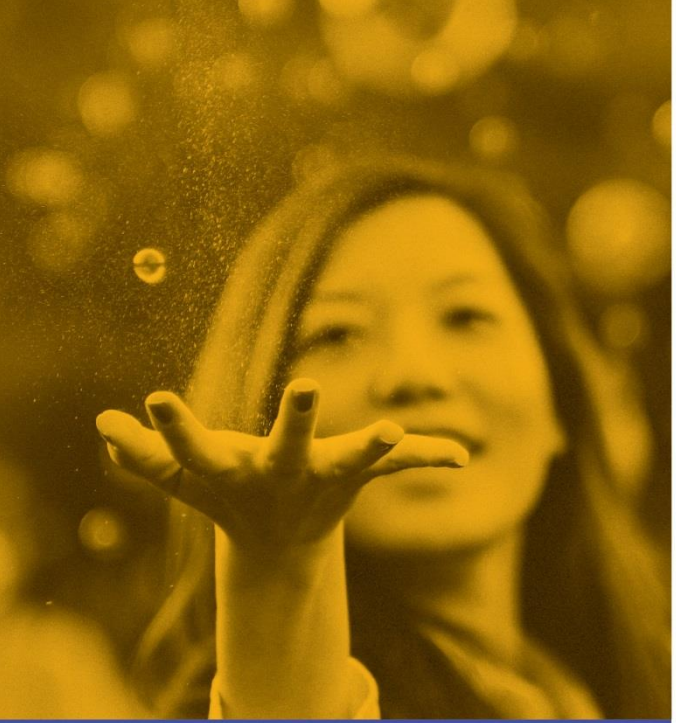
Strategy

Fuel growth in our brands

Innovate brand and shopping **experiences** of the future

Reimagine how we **work**

Evolve our **portfolio**



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Financial Update

FY20 OUTLOOK

	Q3 YTD Results	Full Year Outlook (As of May 1st Earnings Call)
Sales (vs year ago)	+3% (OSG +5%)	Up +4% to +6% (OSG +6% to +8%)
Diluted EPS (vs year ago)	$4.94 (+11%)	$6.70 to $6.90 (+6% to +9%)

Organic sales growth (OSG) is defined as GAAP net sales growth excluding the effect of foreign exchange rate changes and any acquisitions and divestitures. See reconciliation on pages 44-45
Management believes that the presentation of organic sales growth/(decrease) outlook is useful to investors because it excludes sales from any acquisitions and divestitures, which results in a comparison of sales only from the businesses that the company was operating and expect to operate throughout the relevant period, and the Company's estimate of the impact of foreign exchange rate changes, which are difficult to predict, and out of the control of the Company and management. However, organic sales growth outlook may not be the same as similar measures provided by other companies due to potential differences in methods of calculation and items being excluded. See reconciliation on slide 45-46

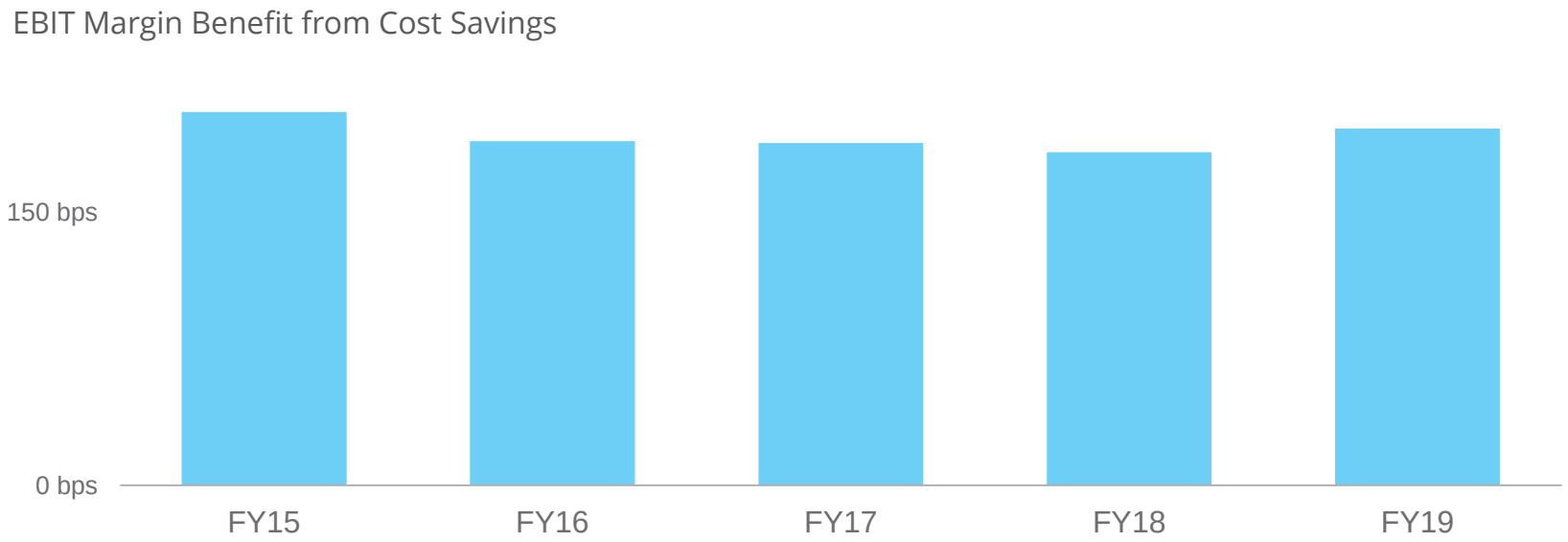
IGNITE STRATEGY FINANCIAL GOALS

		Annual Goals
Sales growth	US (~85% of Clorox sales)	+2% to 4%
	International (~15% of Clorox sales)	+1% to 4%
	Total company	+2% to 4%
EBIT margin improvement		+25 to 50 bps
Free cash flow % of sales		11% to 13%

EBIT (a non-GAAP measure) represents before income taxes (a GAAP measure), excluding interest income & interest expense.
EBIT margin is a measure of EBIT as a percentage of sales.
Free Cash Flow (a non-GAAP measure) represents Net Cash provided by Continuing Operations less Capital Expenditures.
See reconciliation in the supplemental financial schedules located at: https://investors.thecloroxcompany.com/investors/financial-information/quarterly-results/default.aspx

STRONG TRACK RECORD OF COST SAVINGS

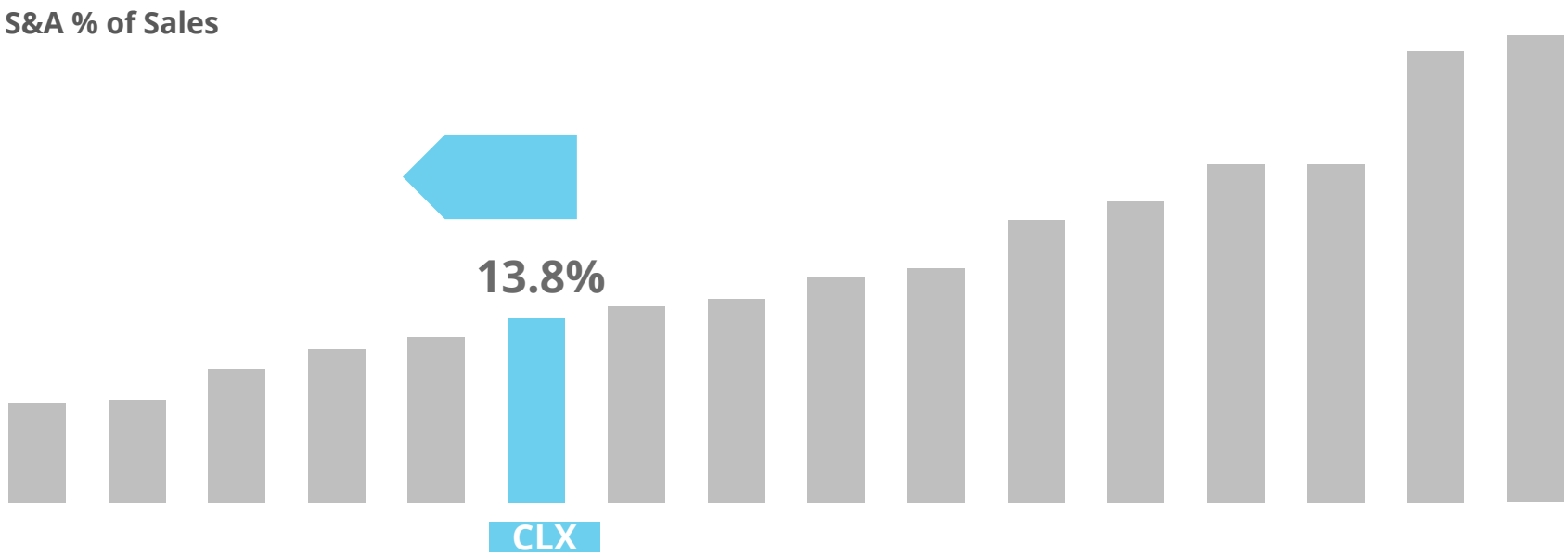
RAISING COST SAVINGS TARGET FROM +150BPS TO +175BPS



EBIT (a non-GAAP measure) represents earnings before income taxes (a GAAP measure), excluding interest income & interest expense. EBIT margin is a measure of EBIT as a percentage of net sales. See reconciliation in the supplemental financial schedules located at: https://investors.thecloroxcompany.com/investors/financial-information/quarterly-results/default.aspx

MORE OPPORTUNITY TO DRIVE S&A PRODUCTIVITY

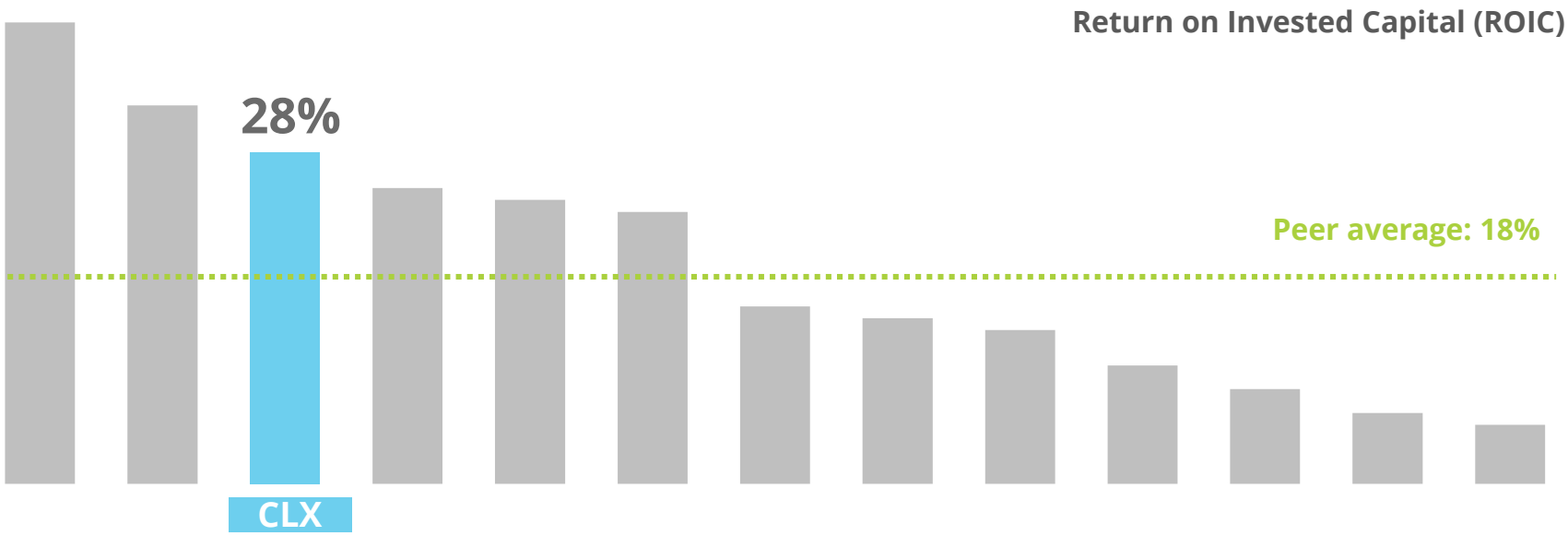
REIMAGINING HOW WE WORK TO CREATE FUEL FOR GROWTH



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S&A % of Sales as of latest fiscal year end for CLX as of December 31, 2019. Peers consist of 16 companies: CHD, CL, COTY, CPB, , EL, GIS, HSY, K, KHC, KMB, KO, RB-GB, NWL, PEP, and PG

RELENTLESS FOCUS ON ECONOMIC PROFIT DRIVES TOP-TIER ROIC

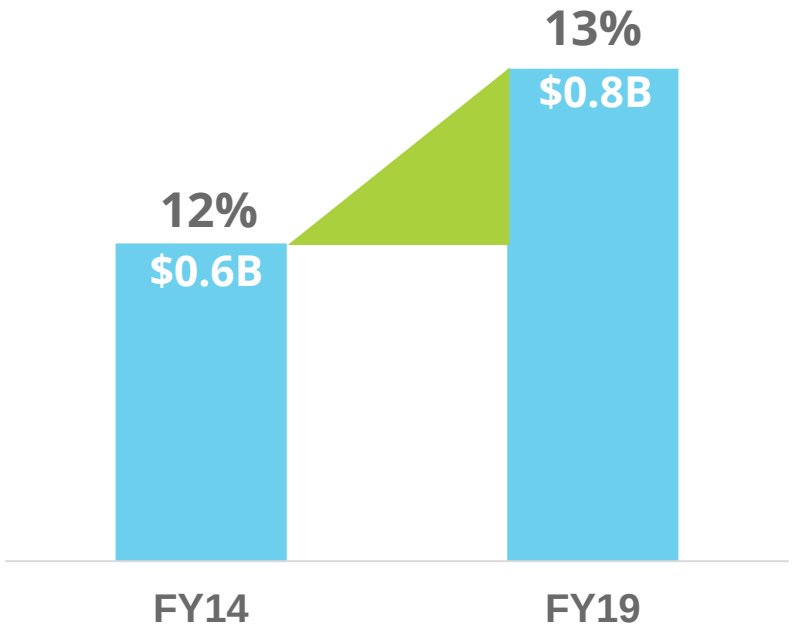


ROIC as of Fiscal Year Ending June 30, 2019

Return on invested capital (ROIC), a non-GAAP measure, is calculated as earnings from continuing operations before income taxes (a GAAP measure) 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 latest publically available fiscal-end data from FactSet . Data pulled on 7/31/19. See reconciliation on 64 and 65. Peers consist of 16 companies: CHD, CL, COTY, CPB, KDP, EL, GIS, HSY, K, KHC, KMB, KO, RB-GB, NWL, PEP, and PG

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DELIVERED STRONG FREE CASH FLOW

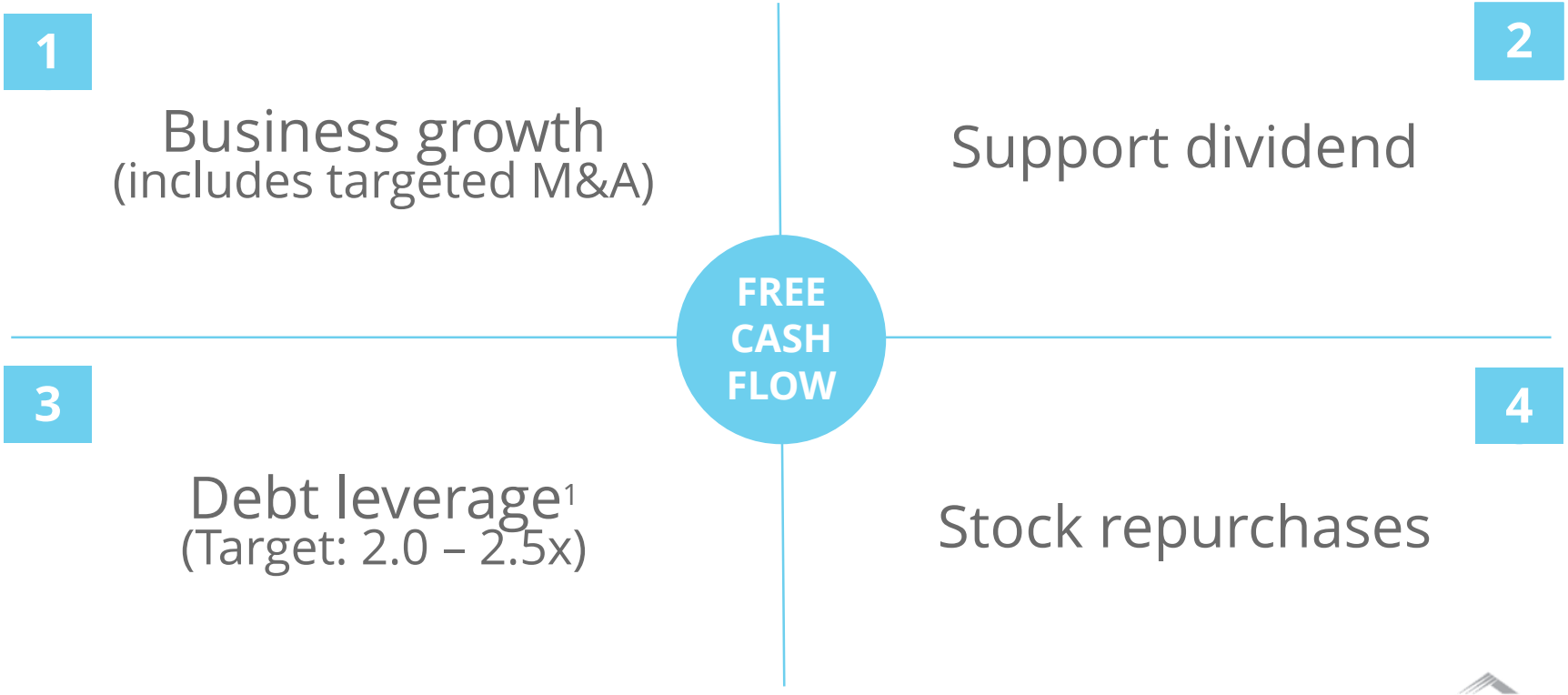


- Company generates **consistent strong free cash flow**
- Increased annual free cash flow by **+20% since FY14**
- Raised our annual goal to **11% to 13% of net sales**

*Adjusted to reflect the retrospective adoption of Accounting Standards Update No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash," effective July 1, 2018\
Free Cash Flow (a non-GAAP measure) represents Net Cash from Continuing Operations less Capital Expenditures.
See reconciliation in the supplemental financial schedules located at: https://investors.thecloroxcompany.com/investors/financial-information/quarterly-results/default.aspx

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DISCIPLINED USES OF CASH

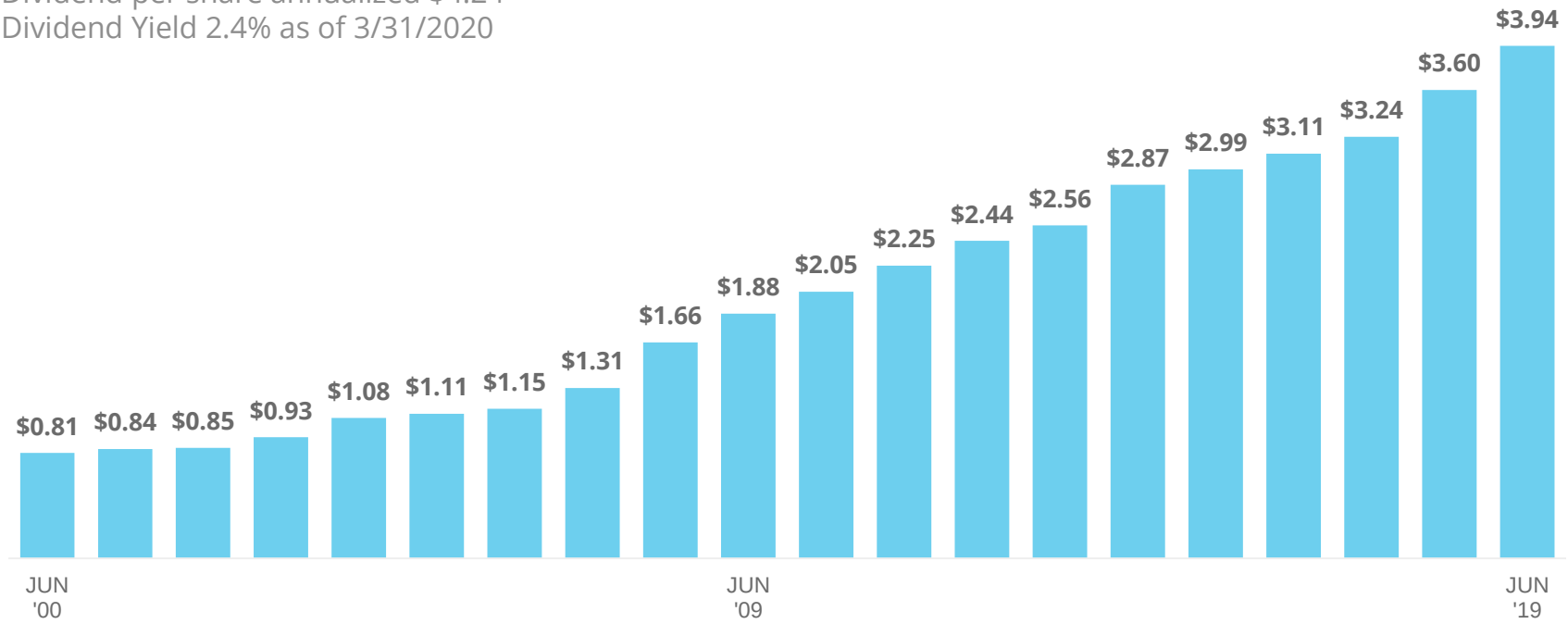


1. Debt Leverage = Gross Debt / EBITDA. EBITDA is a non-GAAP measure. See reconciliation in the supplemental financial schedules located at: https://investors.thecloroxcompany.com/investors/financial-information/quarterly-results/default.aspx

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LONG TRACK RECORD OF DIVIDEND GROWTH

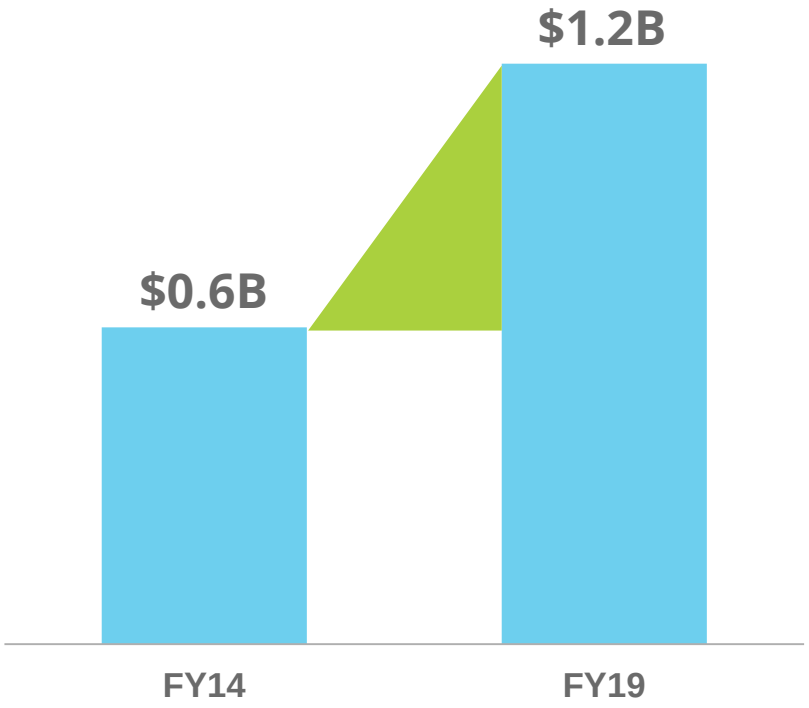
Dividend per share annualized $4.24
Dividend Yield 2.4% as of 3/31/2020



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SOURCE: FactSet

STRONG CASH RETURNED TO SHAREHOLDERS



- **~2X increase** in annual cash returned to shareholders
- Initiated up to **$2B repurchase** program in May 2018
- **+60% growth** in FY19 on top of +21% growth in FY18

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*Cash returned to stock holders is defined as cash dividends paid plus treasury stock purchased as outlined in the statements of cash flows

LONG-TERM INVESTMENT CASE REMAINS SOLID

Investing behind leading brands to grow categories and share

- Increasing expected value from innovation
- Healthy category and brand building investments, including digital/E-Commerce

Fueled by cost savings and admin productivity

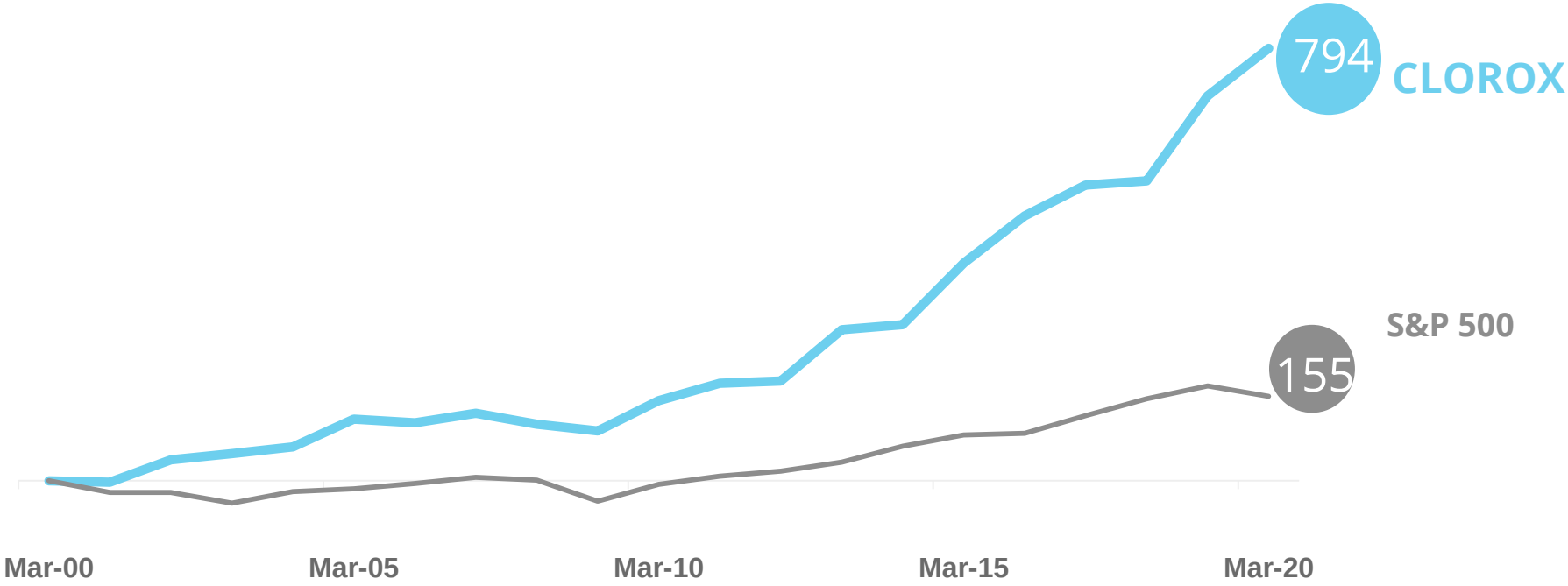
- Pursuing margin accretive innovation
- Leaning into cost savings through enhanced margin management
- Transforming how we work

Strong cash flow generation

- Financial capacity to invest for the long-term
- Announced +10% dividend increase May 2019, on top of +14% in Feb 2018
- $2B open market stock purchase program initiated in May 2018

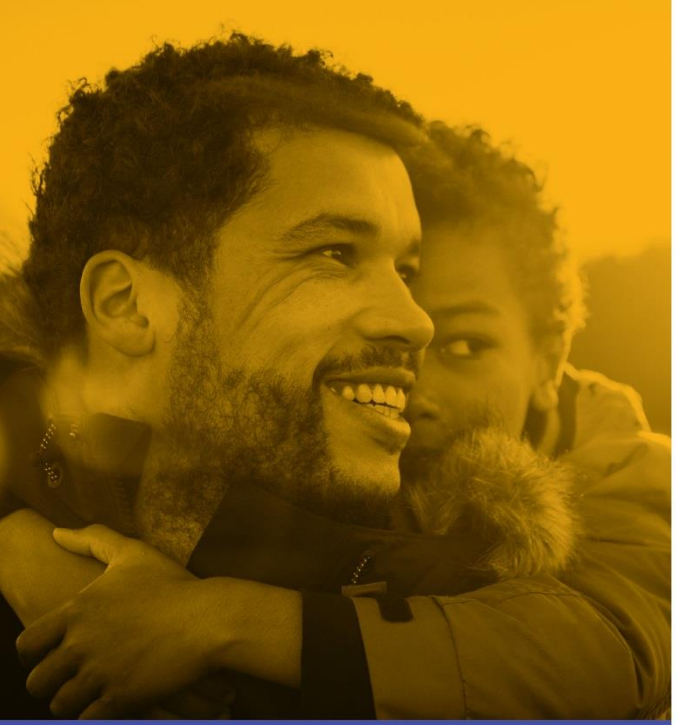
LONG TRACK RECORD OF DELIVERING VALUE

TOTAL SHAREHOLDER RETURN 20 YEAR (as of 3/31/2020)



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SOURCE: FactSet, 20 Year Total Share Return as of March 31, 2020.



THE CLOROX COMPANY

IGNITE Strategy

INNOVATING WHERE WE HAVE ADVANTAGE



IGNITE STRATEGY

Vision

Exceptional innovators who earn people's enduring loyalty

Objectives

Maximize economic profit

Good growth — profitable, sustainable, and responsible

Strategy

Fuel growth in our brands

Innovate brand and shopping **experiences** of the future

Reimagine how we **work**

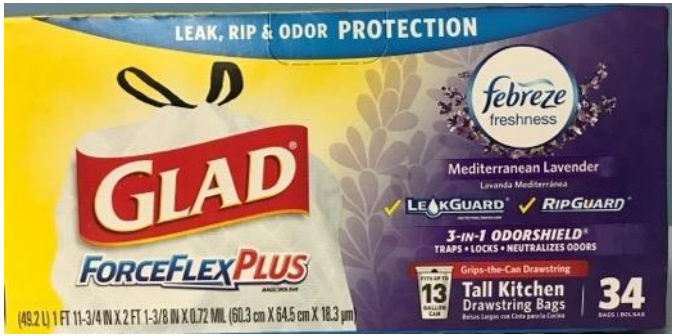
Evolve our **portfolio**

IGNITE STRATEGY CHOICE

Fuel Growth

- Increase cost savings target to +175bps
- Widening the cost savings funnel, leveraging
  - Digital
  - Integrated design
  - Sustainability

SUSTAINABILITY UNLOCKS COST SAVINGS



From: **CARTON**



To: **WRAP**

IGNITE STRATEGY CHOICE

Innovate Experiences

- Purpose-driven, personalized brands
- Frictionless shopping with retailers
- Bigger, stickier innovation platforms

DRIVING BIGGER, STICKIER PLATFORMS

- Bigger ideas
- Wider net
- Longer focus













IGNITE STRATEGY CHOICE

Reimagine Work

- Inclusive
- Digital
- Fast

INVESTING IN DIGITAL CAPABILITIES

BRAND BUILDING - DATA, ANALYTICS & HUMAN INSIGHT



- Data science expertise
- Predictive analytics
- Data-savvy marketers

IGNITE STRATEGY CHOICE

Evolve Portfolio

- Grow the core
- Accelerate International profitable growth
- M&A criteria largely unchanged

ACCELERATE CORE WITH MEGATRENDS



Accelerating

the Core

IGNITE STRATEGY INTEGRATED CHOICES



IGNITE STRATEGY ESG LEADERSHIP AREAS

PLANET	Plastic and other waste reduction; science-based climate action
PRODUCTS	Responsible product stewardship; enhance industry best practices
PEOPLE	Enhance people's lives through choices that promote well-being
GOVERNANCE	Executive compensation tied to ESG goals

PURSUING BOLD 2030 ENVIRONMENTAL GOALS



50% Reduction
in virgin packaging



Science-based targets
on green gas emission across
our operations & value chain

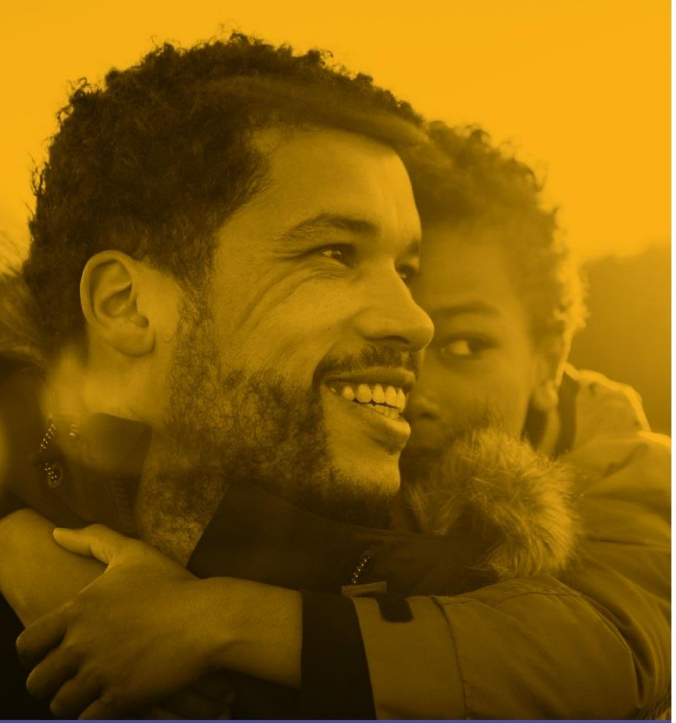


100% Recyclable, reusable
or compostable packaging
by 2025



100% Renewable electricity
in US & Canada by 2021

Comprehensive IGNITE ESG Goals can be founds at our website:
https://www.thecloroxcompany.com/who-we-are/ignite-strategy/about-ignite-esg/



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Appendix

KEY CREDIT METRICS

$ in B	FY14	FY15	FY16	FY17	FY18	FY19
EBITDA	$1.1	$1.2	$1.2	$1.3	$1.3	$1.3
Total Debt / EBITDA	2.0x	1.8x	1.9x	1.7x	1.9x	2.1x
EBITDA Interest Coverage	9.5x	11.3x	11.9x	14.0x	14.8x	15.3x
EBIT / Interest	8.0x	9.6x	10.2x	12.1x	12.7x	13.3x
Free Cash Flow / Debt	25%	28%	33%	26%	29%	31%
FCF after Dividends / Debt	10%	12%	16%	9%	10%	13%
FCF as % of sales	10%	12%	13%	10%	11%	13%
FCF after Dividends as % of Sales	4%	5%	6%	3%	4%	5%
Long Term Credit Ratings	BBB+ /Baa1	BBB+ /Baa1	BBB+ /Baa1	A- / Baa1	A-/Baa1	A-/Baa1
CP Ratings	A-2/P-2	A-2/P-2	A-2/P-2	A-2/P-2	A-2/P-2	A-2/P-2

Note: EBIT, EBITDA, FCF are Non-GAAP measures with reconciliations available in the supplemental financial schedules located at: https://investors.thecloroxcompany.com/investors/financial-information/quarterly-results/default.aspx

GROSS MARGIN RECONCILIATION

The table below provides details on the drivers of gross margin change versus the prior year.

Driver	Gross Margin Change vs. Prior Year (basis points)							
	FY19					FY20		
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3
Cost Savings	+130	+140	+170	+150	+150	+180	+150	+150
Price Changes	+90	+220	+240	+220	+190	+120	+100	+90
Market Movement (commodities)	-130	-120	-50	+20	-60	+30	+60	+60
Manufacturing & Logistics	-280	-190	-190	-90	-190	-50	-80	-50
All other [1,2,3,4]	+40	+20	-110	-190	-70	-220	-190	+80
Change vs prior year	**-150**	**+70**	**+60**	**+110**	**+20**	**+60**	**+40**	**+330**
Gross Margin (%)	*43.4%*	*43.7%*	*43.4%*	*45.1%*	*43.9%*	*44.0%*	*44.1%*	*46.7%*

(1) In Q3 of fiscal year 2019, "All other" includes about -70bps of negative impact from foreign exchange.
(2) In Q4 of fiscal year 2019, "All other" includes about -150bps of negative impact from higher trade promotion spending.
(3) In Q1 of fiscal year 2020, "All other" includes about -180bps of negative impact from higher trade promotion spending.
(4) In Q2 of fiscal year 2020, "All other" includes about -90bps of negative impact from higher trade promotion spending.

REPORTABLE SEGMENTS (UNAUDITED)

Dollars in Millions

	Net sales Three Months Ended			Earnings (losses) before income taxes Three Months Ended		
	3/31/2020	3/31/2019	% Change[1]	3/31/2020	3/31/2019	% Change[1]
Cleaning	$ 671	$ 508	32%	$ 231	$ 135	71%
Household	500	489	2%	107	93	15%
Lifestyle	339	309	10%	66	51	29%
International	273	245	11%	36	24	50%
Corporate	-	-	-	(143)	(63)	127%
Total	$ 1,783	$ 1,551	15%	$ 297	$ 240	24%

	Net sales Nine Months Ended			Earnings (losses) before income taxes Nine Months Ended		
	3/31/2020	3/31/2019	% Change[1]	3/31/2020	3/31/2019	% Change[1]
Cleaning	$ 1,734	$ 1,579	10%	$ 556	$ 450	24%
Household	1,241	1,324	-6%	169	198	-15%
Lifestyle	1,008	953	6%	221	191	16%
International	755	731	3%	106	77	38%
Corporate	-	-	-	(262)	(184)	42%
Total	$ 4,738	$ 4,587	3%	$ 790	$ 732	8%

[1] Percentages based on rounded numbers.

NET SALES DRIVERS

Three Months Ended March 31, 2020 Percentage change versus the year-ago period							
	Reported (GAAP) Net Sales Growth/ (Decrease)	Reported Volume	Acquisitions & Divestitures	Foreign Exchange Impact	Price Mix and Other [1]	Organic Net Sales Growth/ (Decrease) (Non-GAAP) [2]	Organic Volume [3]
Cleaning	32%	34%	—%	—%	(2%)	32%	34%
Household	2	5	—	—	(3)	2	5
Lifestyle	10	7	—	—	3	10	7
International	11	16	—	(11)	6	22	16
Total	**15%**	**18%**	**—%**	**(2%)**	**(1%)**	**17%**	**18%**

Nine Months Ended March 31, 2020 Percentage change versus the year-ago period							
	Reported (GAAP) Net Sales Growth/ (Decrease)	Reported Volume	Acquisitions & Divestitures	Foreign Exchange Impact	Price Mix and Other [1]	Organic Net Sales Growth/ (Decrease) (Non-GAAP) [2]	Organic Volume [3]
Cleaning	10%	12%	—%	—%	(2%)	10%	12%
Household	(6)	(2)	—	—	(4)	(6)	(2)
Lifestyle	6	5	—	—	1	6	5
International	3	6	—	(9)	6	12	6
Total	**3%**	**6%**	**—%**	**(2%)**	**(1%)**	**5%**	**6%**

(1) This represents the net impact on net sales growth/ (decrease) from pricing action, mix and other factors.
(2) Organic sales growth/ (decrease) is defined as net sales growth/ (decrease) excluding the effect of any acquisitions and divestitures and foreign exchange rate changes. See "Non-GAAP Financial Information" below for reconciliation of organic sales growth to net sales growth/ (decrease), the most directly comparable GAAP financial information.
(3) Organic volume represents volume excluding the effect of any acquisitions and divestitures.

Non-GAAP Financial Information

Management believes that the presentation of organic sales growth / (decrease) is useful to investors because it excludes sales from any acquisitions and divestitures, which results in a comparison of sales only from the businesses that the company was operating throughout the relevant periods, and the impact of foreign exchange rate changes, which are out of the control of the company and management. However, organic sales growth / (decrease) may not be the same as similar measures provided by other companies due to potential differences in methods of calculation and items being excluded.

ORGANIC SALES RECONCILIATION

Reconciliation of organic sales growth/(decrease) (non-GAAP) to net sales growth/(decrease) (GAAP), the most comparable GAAP measure:

	Three Months Ended March 31, 2020 Percentage change versus the year-ago period				
	Cleaning	Household	Lifestyle	International	Total
Net sales growth / (decrease) (GAAP)	32%	2%	10%	11%	15%
Add: Foreign Exchange	—	—	—	11	2
Add/(Subtract): Divestitures/Acquisitions	—	—	—	—	—
Organic sales growth / (decrease) (non-GAAP)	32%	2%	10%	22%	17%

	Nine Months Ended March 31, 2020 Percentage change versus the year-ago period				
	Cleaning	Household	Lifestyle	International	Total
Net sales growth / (decrease) (GAAP)	10%	(6%)	6%	3%	3%
Add: Foreign Exchange	—	—	—	9	2
Add/(Subtract): Divestitures/Acquisitions	—	—	—	—	—
Organic sales growth / (decrease) (non-GAAP)	10%	(6%)	6%	12%	5%

RETURN ON INVESTED CAPITAL RECONCILIATION

	FY19
Earnings from continuing operations before income taxes (GAAP measure)	**$ 1,024**
Interest expense	97
Earnings from continuing operations before income taxes and interest expense	**$ 1,121**
Income taxes on earnings from continuing operations before income taxes and interest expense [2]	$ (222)
Adjusted after-tax profit	**$ 899**
Average invested capital [3]	**$ 3,269**
Return on invested capital [1]	**28%**

(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. ROIC should not be considered in isolation or as a substitute for the comparable GAAP measures and should be read in connection with the company's consolidated financial statements presented in accordance with GAAP.

(2) The tax rate applied is the effective tax rate on continuing operations, which was 31.9%.

(3) Average invested capital represents a five quarter average of total assets less non-interest bearing liabilities.

RETURN ON INVESTED CAPITAL RECONCILIATION

Dollars in millions and all calculations based on rounded numbers

(Amounts shown below are five quarter averages)	FY19
Total assets	$ 5,094
Less: non-interest bearing liabilities	(1,825)
Average invested capital	**$ 3,269**

THE CLOROX COMPANY

CASH RETURNED TO STOCKHOLDERS RECONCILIATION

Cash returned to stockholders is defined as cash dividends paid plus treasury stock purchased as outlined in the statement of cash flows

Dollars in millions

	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Treasury stock purchased*	$ 661	$ 271	$ 183	$ 254	$ 434
Cash dividends paid*	$ 490	$ 450	$ 412	$ 398	$ 385
Cash returned to stockholders	$ 1,151	$ 721	$ 595	$ 652	$ 819

* As shown on Statements of Cash Flows

ECONOMIC PROFIT RECONCILIATION

THE CLOROX COMPANY
RECONCILIATION OF ECONOMIC PROFIT (UNAUDITED) [1]
Dollars in millions

	FY19	FY18	FY17	FY16	FY15	FY14
Earnings from continuing operations before income taxes	**$ 1,024**	**$ 1,054**	**$ 1,033**	**$ 983**	**$ 921**	**$ 884**
Add back:						
Noncash U.S. GAAP restructuring and intangible asset impairment char	2	2	4	9	1	3
Interest expense	97	85	88	88	100	103
Earnings from continuing operations before income taxes, noncash U.S. GAAP restructuring and intangible asset impairment charges, and interest expense	$ 1,123	$ 1,141	$ 1,125	$ 1,080	$ 1,022	$ 990
Less: Income taxes on earnings from continuing operations before income taxes, noncash U.S. GAAP restructuring and intangible asset impairment charges and interest expense[2]	222	249	359	368	350	342
Adjusted after tax profit	**$ 901**	**$ 892**	**$ 766**	**$ 712**	**$ 672**	**$ 648**
Average capital employed[3]	3,231	2,977	2,680	2,463	2,385	2,486
Capital charge[4]	**291**	**268**	**241**	**222**	**214**	**224**
Economic profit[1] (Adjusted after tax profit less capital charge)	**$ 610**	**$ 624**	**$ 525**	**$ 490**	**$ 458**	**$ 424**

ECONOMIC PROFIT RECONCILIATION: FOOTNOTES

- (1) Economic profit (EP) is defined by the Company as earnings from continuing operations before income taxes, excluding non-cash U.S. GAAP restructuring and intangible asset impairment charges, and interest expense; less income taxes (calculated utilizing the Company's effective tax rate), and less a capital charge (calculated as average capital employed multiplied by a cost of capital rate). EP is a key financial metric that the Company's management uses to evaluate business performance and allocate resources, and is a component in determining employee incentive compensation. The Company's management believes EP provides additional perspective to investors about financial returns generated by the business and represents profit generated over and above the cost of capital used by the business to generate that profit. The aggregate EP for FY14 to FY19 is $3.131 billion.

- (2) The tax rate applied is the effective tax rate on earnings from continuing operations, which was 19.8%, 21.8%, 31.9%, 34.1%, 34.2% and 34.6% in fiscal years 2019, 2018, 2017, 2016, 2015 and 2014, respectively.

- (3) Total capital employed represents total assets less non-interest bearing liabilities. Adjusted capital employed represents total capital employed adjusted to add back current year after tax noncash U.S. GAAP restructuring and intangible asset impairment charges. Average capital employed is the average of adjusted capital employed for the current year and total capital employed for the prior year, based on year-end balances. See below for details of the average capital employed calculation:

ECONOMIC PROFIT RECONCILIATION: AVERAGE CAPITAL DEPLOYED

	FY19	FY18	FY17	FY16	FY15	FY14
Total assets[5]	$ 5,116	$ 5,060	$ 4,573	$ 4,510	$ 4,154	$ 4,251
Less:						
Accounts payable and accrued liabilities [6]	1,033	1,000	1,002	1,032	976	912
Income taxes payable	9	-	-	-	31	8
Other liabilities [6]	774	778	770	784	745	768
Deferred income taxes	50	72	61	82	95	103
Non-interest bearing liabilities	1,866	1,850	1,833	1,898	1,847	1,791
Total capital employed	**3,250**	**3,210**	**2,740**	**2,612**	**2,307**	**2,460**
After tax noncash U.S. GAAP restructuring and intangible asset impairment costs	1	1	2	6	1	2
Adjusted capital employed	**$ 3,251**	**$ 3,211**	**$ 2,742**	**$ 2,618**	**$ 2,308**	**$ 2,462**
Average capital employed	**$ 3,231**	**$ 2,977**	**$ 2,680**	**$ 2,463**	**$ 2,385**	**$ 2,486**

ECONOMIC PROFIT RECONCILIATION: FOOTNOTES

- (4) Capital charge represents average capital employed multiplied by a cost of capital, which was 9% for all fiscal years presented. The calculation of capital charge includes the impact of rounding numbers.

- (5) Amounts for fiscal years 2016, 2015 and 2014 have been retrospectively adjusted to conform to the current year presentation of debt issuance costs required by Accounting Standards Update No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs."

- (6) Accounts payable and accrued liabilities were combined into one financial statement line as of June 30, 2016. The change has been retrospectively applied to fiscal years 2015 and 2014. Accounts payable and accrued liabilities and Other liabilities are adjusted to exclude interest-bearing liabilities.