

Consolidated Statements of Earnings

Amounts in millions except per share amounts; Years ended June 30

	2019	2018	2017
NET SALES	\$ 67,684	\$ 66,832	\$ 65,058
Cost of products sold	34,768	34,432	32,638
Selling, general and administrative expense	19,084	19,037	18,654
Goodwill and indefinite lived intangibles impairment charges	8,345	—	—
OPERATING INCOME	5,487	13,363	13,766
Interest expense	509	506	465
Interest income	220	247	171
Other non-operating income/(expense), net	871	222	(215)
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	6,069	13,326	13,257
Income taxes on continuing operations	2,103	3,465	3,063
NET EARNINGS FROM CONTINUING OPERATIONS	3,966	9,861	10,194
NET EARNINGS FROM DISCONTINUED OPERATIONS	—	—	5,217
NET EARNINGS	3,966	9,861	15,411
Less: Net earnings attributable to noncontrolling interests	69	111	85
NET EARNINGS ATTRIBUTABLE TO PROCTER & GAMBLE	\$ 3,897	\$ 9,750	\$ 15,326
BASIC NET EARNINGS PER COMMON SHARE: ⁽¹⁾			
Earnings from continuing operations	\$ 1.45	\$ 3.75	\$ 3.79
Earnings from discontinued operations	—	—	2.01
BASIC NET EARNINGS PER COMMON SHARE	\$ 1.45	\$ 3.75	\$ 5.80
DILUTED NET EARNINGS PER COMMON SHARE: ⁽¹⁾			
Earnings from continuing operations	\$ 1.43	\$ 3.67	\$ 3.69
Earnings from discontinued operations	—	—	1.90
DILUTED NET EARNINGS PER COMMON SHARE	\$ 1.43	\$ 3.67	\$ 5.59

⁽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 Balance Sheets

Amounts in millions; As of June 30	2019	2018
Assets		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,239	\$ 2,569
Available-for-sale investment securities	6,048	9,281
Accounts receivable	4,951	4,686
INVENTORIES		
Materials and supplies	1,289	1,335
Work in process	612	588
Finished goods	3,116	2,815
Total inventories	5,017	4,738
Prepaid expenses and other current assets	2,218	2,046
TOTAL CURRENT ASSETS	22,473	23,320
PROPERTY, PLANT AND EQUIPMENT, NET	21,271	20,600
GOODWILL	40,273	45,175
TRADEMARKS AND OTHER INTANGIBLE ASSETS, NET	24,215	23,902
OTHER NONCURRENT ASSETS	6,863	5,313
TOTAL ASSETS	\$ 115,095	\$ 118,310
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES		
Accounts payable	\$ 11,260	\$ 10,344
Accrued and other liabilities	9,054	7,470
Debt due within one year	9,697	10,423
TOTAL CURRENT LIABILITIES	30,011	28,237
LONG-TERM DEBT	20,395	20,863
DEFERRED INCOME TAXES	6,899	6,163
OTHER NONCURRENT LIABILITIES	10,211	10,164
TOTAL LIABILITIES	67,516	65,427
SHAREHOLDERS' EQUITY		
Convertible Class A preferred stock, stated value \$1 per share (600 shares authorized)	928	967
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: 2019 - 4,009.2, 2018 - 4,009.2)	4,009	4,009
Additional paid-in capital	63,827	63,846
Reserve for ESOP debt retirement	(1,146)	(1,204)
Accumulated other comprehensive income/(loss)	(14,936)	(14,749)
Treasury stock, at cost (shares held: 2019 - 1,504.5, 2018 - 1,511.2)	(100,406)	(99,217)
Retained earnings	94,918	98,641
Noncontrolling interest	385	590
TOTAL SHAREHOLDERS' EQUITY	47,579	52,883
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 115,095	\$ 118,310

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

<u>Dollars in millions; shares in thousands</u>	Common Stock		Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumu-lated Other Comprehensive Income/ (Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Shareholders' Equity
	Shares	Amount								
BALANCE JUNE 30, 2016	2,668,074	\$4,009	\$1,038	\$63,714	(\$1,290)	(\$15,907)	(\$82,176)	\$87,953	\$642	\$57,983
Net earnings								15,326	85	15,411
Other comprehensive income/(loss)						1,275				1,275
Dividends and dividend equivalents (\$2.6981 per share):										
Common								(6,989)		(6,989)
Preferred, net of tax benefits								(247)		(247)
Treasury stock purchases ⁽¹⁾	(164,866)						(14,625)			(14,625)
Employee stock plans	45,848			(77)			3,058			2,981
Preferred stock conversions	4,241		(32)	4			28			—
ESOP debt impacts					41			81		122
Noncontrolling interest, net									(133)	(133)
BALANCE JUNE 30, 2017	2,553,297	\$4,009	\$1,006	\$63,641	(\$1,249)	(\$14,632)	(\$93,715)	\$96,124	\$594	\$55,778
Net earnings								9,750	111	9,861
Other comprehensive income/(loss)						(117)			(2)	(119)
Dividends and dividend equivalents (\$2.7860 per share):										
Common								(7,057)		(7,057)
Preferred, net of tax benefits								(265)		(265)
Treasury stock purchases	(81,439)						(7,004)			(7,004)
Employee stock plans	21,655			199			1,469			1,668
Preferred stock conversions	4,580		(39)	6			33			—
ESOP debt impacts					45			89		134
Noncontrolling interest, net									(113)	(113)
BALANCE JUNE 30, 2018	2,498,093	\$4,009	\$967	\$63,846	(\$1,204)	(\$14,749)	(\$99,217)	\$98,641	\$590	\$52,883
Impact of adoption of new accounting standards						(326)		(200)	(27)	(553)
Net earnings								3,897	69	3,966
Other comprehensive income/(loss)						139			1	140
Dividends and dividend equivalents (\$2.8975 per share):										
Common								(7,256)		(7,256)
Preferred, net of tax benefits								(263)		(263)
Treasury stock purchases	(53,714)						(5,003)			(5,003)
Employee stock plans	55,734			93			3,781			3,874
Preferred stock conversions	4,638		(39)	6			33			—
ESOP debt impacts					58			99		157
Noncontrolling interest, net					(118)				(248)	(366)
BALANCE JUNE 30, 2019	2,504,751	\$4,009	\$928	\$63,827	(\$1,146)	(\$14,936)	(\$100,406)	\$94,918	\$385	\$47,579

⁽¹⁾ Includes \$9,421 of treasury shares received as part of the share exchange in the Beauty Brands transaction (see Note 13).

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Amounts in millions; Years ended June 30	2019	2018	2017
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	\$ 2,569	\$ 5,569	\$ 8,098
OPERATING ACTIVITIES			
Net earnings	3,966	9,861	15,411
Depreciation and amortization	2,824	2,834	2,820
Loss on early extinguishment of debt	—	346	543
Share-based compensation expense	515	395	351
Deferred income taxes	(411)	(1,844)	(601)
Gain on sale of assets	(678)	(176)	(5,490)
Goodwill and indefinite-lived intangible impairment charges	8,345	—	—
Change in accounts receivable	(276)	(177)	(322)
Change in inventories	(239)	(188)	71
Change in accounts payable, accrued and other liabilities	1,856	1,385	(149)
Change in other operating assets and liabilities	(973)	2,000	(43)
Other	313	431	162
TOTAL OPERATING ACTIVITIES	15,242	14,867	12,753
INVESTING ACTIVITIES			
Capital expenditures	(3,347)	(3,717)	(3,384)
Proceeds from asset sales	394	269	571
Acquisitions, net of cash acquired	(3,945)	(109)	(16)
Purchases of short-term investments	(158)	(3,909)	(4,843)
Proceeds from sales and maturities of short-term investments	3,628	3,928	1,488
Cash transferred at closing related to the Beauty Brands divestiture	—	—	(475)
Change in other investments	(62)	27	(26)
TOTAL INVESTING ACTIVITIES	(3,490)	(3,511)	(6,685)
FINANCING ACTIVITIES			
Dividends to shareholders	(7,498)	(7,310)	(7,236)
Change in short-term debt	(2,215)	(3,437)	2,727
Additions to long-term debt	2,367	5,072	3,603
Reductions of long-term debt (1)	(969)	(2,873)	(4,931)
Treasury stock purchases	(5,003)	(7,004)	(5,204)
Impact of stock options and other	3,324	1,177	2,473
TOTAL FINANCING ACTIVITIES	(9,994)	(14,375)	(8,568)
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(88)	19	(29)
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	1,670	(3,000)	(2,529)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	\$ 4,239	\$ 2,569	\$ 5,569

SUPPLEMENTAL DISCLOSURE

Cash payments for interest	\$ 497	\$ 529	\$ 518
Cash payment for income taxes	3,064	2,830	3,714
Divestiture of Beauty business in exchange for shares of P&G stock and assumption of debt			11,360

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

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

See accompanying Notes to Consolidated Financial Statements.