

Consolidated Statements of Earnings

<u>Amounts in millions except per share amounts; Years ended June 30</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
NET SALES	\$ 65,299	\$ 70,749	\$ 74,401
Cost of products sold	32,909	37,056	39,030
Selling, general and administrative expense	18,949	20,616	21,461
Venezuela deconsolidation charge	—	2,028	—
OPERATING INCOME	13,441	11,049	13,910
Interest expense	579	626	709
Interest income	182	149	99
Other non-operating income, net	325	440	209
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	13,369	11,012	13,509
Income taxes on continuing operations	3,342	2,725	2,851
NET EARNINGS FROM CONTINUING OPERATIONS	10,027	8,287	10,658
NET EARNINGS/(LOSS) FROM DISCONTINUED OPERATIONS	577	(1,143)	1,127
NET EARNINGS	10,604	7,144	11,785
Less: Net earnings attributable to noncontrolling interests	96	108	142
NET EARNINGS ATTRIBUTABLE TO PROCTER & GAMBLE	\$ 10,508	\$ 7,036	\$ 11,643
BASIC NET EARNINGS PER COMMON SHARE: ⁽¹⁾			
Earnings from continuing operations	\$ 3.59	\$ 2.92	\$ 3.78
Earnings/(loss) from discontinued operations	0.21	(0.42)	0.41
BASIC NET EARNINGS PER COMMON SHARE	\$ 3.80	\$ 2.50	\$ 4.19
DILUTED NET EARNINGS PER COMMON SHARE: ⁽¹⁾			
Earnings from continuing operations	\$ 3.49	\$ 2.84	\$ 3.63
Earnings/(loss) from discontinued operations	0.20	(0.40)	0.38
DILUTED NET EARNINGS PER COMMON SHARE	\$ 3.69	\$ 2.44	\$ 4.01
DIVIDENDS PER COMMON SHARE	\$ 2.66	\$ 2.59	\$ 2.45

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

Consolidated Balance Sheets

<u>Amounts in millions; Years ended June 30</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,102	\$ 6,836
Available-for-sale investment securities	6,246	4,767
Accounts receivable	4,373	4,568
INVENTORIES		
Materials and supplies	1,188	1,266
Work in process	563	525
Finished goods	2,965	3,188
Total inventories	4,716	4,979
Deferred income taxes	1,507	1,356
Prepaid expenses and other current assets	2,653	2,708
Current assets held for sale	7,185	4,432
TOTAL CURRENT ASSETS	33,782	29,646
PROPERTY, PLANT AND EQUIPMENT, NET	19,385	19,655
GOODWILL	44,350	44,622
TRADEMARKS AND OTHER INTANGIBLE ASSETS, NET	24,527	25,010
NONCURRENT ASSETS HELD FOR SALE	—	5,204
OTHER NONCURRENT ASSETS	5,092	5,358
TOTAL ASSETS	\$ 127,136	\$ 129,495
<u>Liabilities and Shareholders' Equity</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 9,325	\$ 8,138
Accrued and other liabilities	7,449	8,091
Current liabilities held for sale	2,343	1,543
Debt due within one year	11,653	12,018
TOTAL CURRENT LIABILITIES	30,770	29,790
LONG-TERM DEBT	18,945	18,327
DEFERRED INCOME TAXES	9,113	9,179
NONCURRENT LIABILITIES HELD FOR SALE	—	717
OTHER NONCURRENT LIABILITIES	10,325	8,432
TOTAL LIABILITIES	69,153	66,445
SHAREHOLDERS' EQUITY		
Convertible Class A preferred stock, stated value \$1 per share (600 shares authorized)	1,038	1,077
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: 2016 - 4,009.2, 2015 - 4,009.2)	4,009	4,009
Additional paid-in capital	63,714	63,852
Reserve for ESOP debt retirement	(1,290)	(1,320)
Accumulated other comprehensive income/(loss)	(15,907)	(12,780)
Treasury stock, at cost (shares held: 2016 - 1,341.2, 2015 - 1,294.7)	(82,176)	(77,226)
Retained earnings	87,953	84,807
Noncontrolling interest	642	631
TOTAL SHAREHOLDERS' EQUITY	57,983	63,050
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 127,136	\$ 129,495

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

<u>Amounts in millions; Years ended June 30</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$ 6,836	\$ 8,548	\$ 5,930
OPERATING ACTIVITIES			
Net earnings	10,604	7,144	11,785
Depreciation and amortization	3,078	3,134	3,141
Share-based compensation expense	335	337	360
Deferred income taxes	(815)	(803)	(44)
Gain on sale of businesses	(41)	(766)	(154)
Venezuela deconsolidation charge	—	2,028	—
Goodwill and intangible asset impairment charges	450	2,174	—
Change in accounts receivable	35	349	87
Change in inventories	116	313	8
Change in accounts payable, accrued and other liabilities	1,285	928	1
Change in other operating assets and liabilities	204	(976)	(1,557)
Other	184	746	331
TOTAL OPERATING ACTIVITIES	15,435	14,608	13,958
INVESTING ACTIVITIES			
Capital expenditures	(3,314)	(3,736)	(3,848)
Proceeds from asset sales	432	4,498	577
Cash related to deconsolidated Venezuela operations	—	(908)	—
Acquisitions, net of cash acquired	(186)	(137)	(24)
Purchases of short-term investments	(2,815)	(3,647)	(568)
Proceeds from sales of short-term investments	1,354	1,203	24
Cash transferred in Batteries divestiture	(143)	—	—
Restricted cash related to Beauty Brands divestiture	(996)	—	—
Change in other investments	93	(163)	(261)
TOTAL INVESTING ACTIVITIES	(5,575)	(2,890)	(4,100)
FINANCING ACTIVITIES			
Dividends to shareholders	(7,436)	(7,287)	(6,911)
Change in short-term debt	(418)	(2,580)	3,304
Additions to long-term debt	3,916	2,138	4,334
Reductions of long-term debt	(2,213)	(3,512)	(4,095)
Treasury stock purchases	(4,004)	(4,604)	(6,005)
Treasury stock from cash infused in Batteries divestiture	(1,730)	—	—
Impact of stock options and other	2,672	2,826	2,094
TOTAL FINANCING ACTIVITIES	(9,213)	(13,019)	(7,279)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(381)	(411)	39
CHANGE IN CASH AND CASH EQUIVALENTS	266	(1,712)	2,618
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 7,102	\$ 6,836	\$ 8,548
SUPPLEMENTAL DISCLOSURE			
Cash payments for:			
Interest	\$ 569	\$ 678	\$ 686
Income taxes	3,730	4,558	3,320
Divestiture of Batteries business in exchange for shares of P&G stock ⁽¹⁾	4,213	—	—

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

⁽¹⁾ Includes \$1,730 from cash infused into the Batteries business pursuant to the divestiture agreement (see Note 13).

See accompanying Notes to Consolidated Financial Statements.