

FINANCIAL STATEMENTS

Condensed Consolidated Statements of Earnings

Years ended June 30

Dollars in millions, except share and per share data

	2018	2017	2016
Net sales	\$ 6,124	\$ 5,973	\$ 5,761
Cost of products sold	3,449	3,302	3,163
Gross profit	2,675	2,671	2,598
Selling and administrative expenses	837	810	806
Advertising costs	570	599	587
Research and development costs	132	135	141
Interest expense	85	88	88
Other (income) expense, net	(3)	6	(7)
Earnings from continuing operations before income taxes	1,054	1,033	983
Income taxes on continuing operations	231	330	335
Earnings from continuing operations	823	703	648
Losses from discontinued operations, net of tax	—	(2)	—
Net earnings	\$ 823	\$ 701	\$ 648
Net earnings (losses) per share			
Basic			
Continuing operations	\$ 6.37	\$ 5.45	\$ 5.01
Discontinued operations	—	(0.02)	—
Basic net earnings per share	\$ 6.37	\$ 5.43	\$ 5.01
Diluted			
Continuing operations	\$ 6.26	\$ 5.35	\$ 4.92
Discontinued operations	—	(0.02)	—
Diluted net earnings per share	\$ 6.26	\$ 5.33	\$ 4.92
Weighted average shares outstanding (in thousands)			
Basic	129,293	128,953	129,472
Diluted	131,581	131,566	131,717

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Condensed Consolidated Balance Sheets

As of June 30

Dollars in millions, except share and per share data

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 131	\$ 418
Receivables, net	600	565
Inventories, net	506	459
Prepaid expenses and other current assets	74	72
Total current assets	1,311	1,514
Property, plant and equipment, net	996	931
Goodwill	1,602	1,196
Trademarks, net	795	654
Other intangible assets, net	134	68
Other assets	222	210
Total assets	\$ 5,060	\$ 4,573
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes and loans payable	\$ 199	\$ 404
Current maturities of long-term debt	—	400
Accounts payable and accrued liabilities	1,001	1,005
Total current liabilities	1,200	1,809
Long-term debt	2,284	1,391
Other liabilities	778	770
Deferred income taxes	72	61
Total liabilities	4,334	4,031
Commitments and contingencies		
Stockholders' equity		
Preferred stock: \$1.00 par value; 5,000,000 shares authorized; none issued or outstanding	—	—
Common stock: \$1.00 par value; 750,000,000 shares authorized; 158,741,461 shares issued as of June 30, 2018 and 2017; and 127,982,767 and 129,014,172 shares outstanding as of June 30, 2018 and 2017, respectively	159	159
Additional paid-in capital	975	928
Retained earnings	2,797	2,440
Treasury shares, at cost: 30,758,694 and 29,727,289 shares as of June 30, 2018 and 2017, respectively	(2,658)	(2,442)
Accumulated other comprehensive net (losses) income	(547)	(543)
Stockholders' equity	726	542
Total liabilities and stockholders' equity	\$ 5,060	\$ 4,573

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Condensed Consolidated Statements of Cash Flows

Years ended June 30

Dollars in millions

	2018	2017	2016
Operating activities:			
Net earnings	\$ 823	\$ 701	\$ 648
Deduct: Losses from discontinued operations, net of tax	—	(2)	—
Earnings from continuing operations	823	703	648
Adjustments to reconcile earnings from continuing operations to net cash provided by continuing operations:			
Depreciation and amortization	166	163	165
Stock-based compensation	53	51	45
Deferred income taxes	(23)	(35)	5
Other	43	36	1
Changes in:			
Receivables, net	(24)	(1)	(52)
Inventories, net	(21)	(19)	(45)
Prepaid expenses and other current assets	3	(5)	6
Accounts payable and accrued liabilities	(47)	(34)	57
Income taxes payable	1	12	(62)
Net cash provided by continuing operations	974	871	768
Net cash (used for) provided by discontinued operations	—	(3)	10
Net cash provided by operations	974	868	778
Investing activities:			
Capital expenditures	(194)	(231)	(172)
Businesses acquired, net of cash acquired	(681)	—	(290)
Other	16	26	32
Net cash used for investing activities	(859)	(205)	(430)
Financing activities:			
Notes and loans payable, net	(214)	(125)	426
Long-term debt borrowings, net of issuance costs	891	—	—
Long-term debt repayments	(400)	—	(300)
Treasury stock purchased	(271)	(183)	(254)
Cash dividends paid	(450)	(412)	(398)
Issuance of common stock for employee stock plans and other	45	75	210
Net cash used for financing activities	(399)	(645)	(316)
Effect of exchange rate changes on cash and cash equivalents	(3)	(1)	(13)
Net increase (decrease) in cash and cash equivalents	(287)	17	19
Cash and cash equivalents:			
Beginning of year	418	401	382
End of year	\$ 131	\$ 418	\$ 401
Supplemental cash flow information:			
Interest paid	\$ 75	\$ 78	\$ 79
Income taxes paid, net of refunds	245	347	323
Non-cash financing activities:			
Cash dividends declared and accrued, but not paid	123	108	104