

Financial Statements

Condensed Consolidated Statements of Earnings

Years ended June 30

Dollars in millions, except share and per share data

	2017	2016	2015
Net sales	\$ 5,973	\$ 5,761	\$ 5,655
Cost of products sold	3,302	3,163	3,190
Gross profit	2,671	2,598	2,465
Selling and administrative expenses	810	806	798
Advertising costs	599	587	523
Research and development costs	135	141	136
Interest expense	88	88	100
Other (income) expense, net	6	(7)	(13)
Earnings from continuing operations before income taxes	1,033	983	921
Income taxes on continuing operations	330	335	315
Earnings from continuing operations	703	648	606
Losses from discontinued operations, net of tax	(2)	—	(26)
Net earnings	\$ 701	\$ 648	\$ 580
Net earnings (losses) per share			
Basic			
Continuing operations	\$ 5.45	\$ 5.01	\$ 4.65
Discontinued operations	(0.02)	—	(0.20)
Basic net earnings per share	\$ 5.43	\$ 5.01	\$ 4.45
Diluted			
Continuing operations	\$ 5.35	\$ 4.92	\$ 4.57
Discontinued operations	(0.02)	—	(0.20)
Diluted net earnings per share	\$ 5.33	\$ 4.92	\$ 4.37
Weighted average shares outstanding (in thousands)			
Basic	128,953	129,472	130,310
Diluted	131,566	131,717	132,776

Financial Statements

Condensed Consolidated Balance Sheets

Years ended June 30

Dollars in millions, except share and per share data

2017 2016

ASSETS

Current assets

Cash and cash equivalents	\$ 418	\$ 401
Receivables, net	565	569
Inventories, net	459	443
Prepaid expenses and other current assets	72	72
Total current assets	1,514	1,485

Property, plant and equipment, net	931	906
Goodwill	1,196	1,197
Trademarks, net	654	657
Other intangible assets, net	68	78
Other assets	210	187
Total assets	\$ 4,573	\$ 4,510

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities

Notes and loans payable	\$ 404	\$ 523
Current maturities of long-term debt	400	—
Accounts payable and accrued liabilities	1,005	1,035
Income taxes payable	—	—
Total current liabilities	1,809	1,558

Long-term debt	1,391	1,789
Other liabilities	770	784
Deferred income taxes	61	82
Total liabilities	4,031	4,213

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, 2017 and 2016; and 129,014,172 and 129,355,263 shares outstanding as of June 30, 2017 and 2016, respectively	159	159
Additional paid-in capital	928	868
Retained earnings	2,440	2,163
Treasury shares, at cost: 29,727,289 and 29,386,198 shares as of June 30, 2017 and 2016, respectively	(2,442)	(2,323)
Accumulated other comprehensive net (losses) income	(543)	(570)
Stockholders' equity	542	297
Total liabilities and stockholders' equity	\$ 4,573	\$ 4,510

Financial Statements

Condensed Consolidated Statements of Cash Flows

Years ended June 30

Dollars in millions

	2017	2016	2015
Operating activities:			
Net earnings	\$ 701	\$ 648	\$ 580
Deduct: Losses from discontinued operations, net of tax	(2)	—	(26)
Earnings from continuing operations	703	648	606
Adjustments to reconcile earnings from continuing operations to net cash provided by continuing operations:			
Depreciation and amortization	163	165	169
Stock-based compensation	51	45	32
Deferred income taxes	(35)	5	(16)
Settlement of interest rate forward contracts	—	—	(25)
Other	36	1	(17)
Changes in:			
Receivables, net	(1)	(52)	6
Inventories, net	(19)	(45)	(25)
Prepaid expenses and other current assets	(5)	6	6
Accounts payable and accrued liabilities	(34)	57	93
Income taxes payable	12	(62)	29
Net cash provided by continuing operations	871	768	858
Net cash (used for) provided by discontinued operations	(3)	10	16
Net cash provided by operations	868	778	874
Investing activities:			
Capital expenditures	(231)	(172)	(125)
Business acquired, net of cash acquired	—	(290)	—
Other	26	32	19
Net cash used for investing activities	(205)	(430)	(106)
Financing activities:			
Notes and loans payable, net	125	426	(48)
Long-term debt borrowings, net of issuance costs	—	—	495
Long-term debt repayments	—	(300)	(575)
Treasury stock purchased	(183)	(254)	(434)
Cash dividends paid	(412)	(398)	(385)
Issuance of common stock for employee stock plans and other	75	210	251
Net cash used for financing activities	(645)	(316)	(696)
Effect of exchange rate changes on cash and cash equivalents	(1)	(13)	(19)
Net increase in cash and cash equivalents	17	19	53
Cash and cash equivalents:			
Beginning of year	401	382	329
End of year	\$ 418	\$ 401	\$ 382
Supplemental cash flow information:			
Interest paid	\$ 78	\$ 79	\$ 104
Income taxes paid, net of refunds	347	323	236
Noncash financing activities:			
Cash dividends declared and accrued, but not paid	108	104	99