

Consolidated Statements of Earnings

<u>Amounts in millions except per share amounts; Years ended June 30</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
NET SALES	\$ 66,832	\$ 65,058	\$ 65,299
Cost of products sold	34,268	32,535	32,909
Selling, general and administrative expense	18,853	18,568	18,949
OPERATING INCOME	13,711	13,955	13,441
Interest expense	506	465	579
Interest income	247	171	182
Other non-operating income/(expense), net	(126)	(404)	325
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	13,326	13,257	13,369
Income taxes on continuing operations	3,465	3,063	3,342
NET EARNINGS FROM CONTINUING OPERATIONS	9,861	10,194	10,027
NET EARNINGS FROM DISCONTINUED OPERATIONS	—	5,217	577
NET EARNINGS	9,861	15,411	10,604
Less: Net earnings attributable to noncontrolling interests	111	85	96
NET EARNINGS ATTRIBUTABLE TO PROCTER & GAMBLE	\$ 9,750	\$ 15,326	\$ 10,508
BASIC NET EARNINGS PER COMMON SHARE: ⁽¹⁾			
Earnings from continuing operations	\$ 3.75	\$ 3.79	\$ 3.59
Earnings from discontinued operations	—	2.01	0.21
BASIC NET EARNINGS PER COMMON SHARE	\$ 3.75	\$ 5.80	\$ 3.80
DILUTED NET EARNINGS PER COMMON SHARE: ⁽¹⁾			
Earnings from continuing operations	\$ 3.67	\$ 3.69	\$ 3.49
Earnings from discontinued operations	—	1.90	0.20
DILUTED NET EARNINGS PER COMMON SHARE	\$ 3.67	\$ 5.59	\$ 3.69
DIVIDENDS PER COMMON SHARE	\$ 2.79	\$ 2.70	\$ 2.66

⁽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; As of June 30</u>	<u>2018</u>	<u>2017</u>
Assets		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,569	\$ 5,569
Available-for-sale investment securities	9,281	9,568
Accounts receivable	4,686	4,594
INVENTORIES		
Materials and supplies	1,335	1,308
Work in process	588	529
Finished goods	2,815	2,787
Total inventories	4,738	4,624
Prepaid expenses and other current assets	2,046	2,139
TOTAL CURRENT ASSETS	23,320	26,494
PROPERTY, PLANT AND EQUIPMENT, NET	20,600	19,893
GOODWILL	45,175	44,699
TRADEMARKS AND OTHER INTANGIBLE ASSETS, NET	23,902	24,187
OTHER NONCURRENT ASSETS	5,313	5,133
TOTAL ASSETS	\$ 118,310	\$ 120,406
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES		
Accounts payable	\$ 10,344	\$ 9,632
Accrued and other liabilities	7,470	7,024
Debt due within one year	10,423	13,554
TOTAL CURRENT LIABILITIES	28,237	30,210
LONG-TERM DEBT	20,863	18,038
DEFERRED INCOME TAXES	6,163	8,126
OTHER NONCURRENT LIABILITIES	10,164	8,254
TOTAL LIABILITIES	65,427	64,628
SHAREHOLDERS' EQUITY		
Convertible Class A preferred stock, stated value \$1 per share (600 shares authorized)	967	1,006
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: 2018 - 4,009.2, 2017 - 4,009.2)	4,009	4,009
Additional paid-in capital	63,846	63,641
Reserve for ESOP debt retirement	(1,204)	(1,249)
Accumulated other comprehensive income/(loss)	(14,749)	(14,632)
Treasury stock, at cost (shares held: 2018 -1,511.2, 2017 - 1,455.9)	(99,217)	(93,715)
Retained earnings	98,641	96,124
Noncontrolling interest	590	594
TOTAL SHAREHOLDERS' EQUITY	52,883	55,778
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 118,310	\$ 120,406

Consolidated Statements of Cash Flows

Amounts in millions; Years ended June 30

	2018	2017	2016
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$ 5,569	\$ 7,102	\$ 6,836
OPERATING ACTIVITIES			
Net earnings	9,861	15,411	10,604
Depreciation and amortization	2,834	2,820	3,078
Loss on early extinguishment of debt	346	543	—
Share-based compensation expense	395	351	335
Deferred income taxes	(1,844)	(601)	(815)
Gain on sale of assets	(176)	(5,490)	(41)
Goodwill and intangible asset impairment charges	—	—	450
Change in accounts receivable	(177)	(322)	35
Change in inventories	(188)	71	116
Change in accounts payable, accrued and other liabilities	1,385	(149)	1,285
Change in other operating assets and liabilities	2,000	(43)	204
Other	431	162	184
TOTAL OPERATING ACTIVITIES	14,867	12,753	15,435
INVESTING ACTIVITIES			
Capital expenditures	(3,717)	(3,384)	(3,314)
Proceeds from asset sales	269	571	432
Acquisitions, net of cash acquired	(109)	(16)	(186)
Purchases of short-term investments	(3,909)	(4,843)	(2,815)
Proceeds from sales and maturities of short-term investments	3,928	1,488	1,354
Pre-divestiture addition of restricted cash related to the Beauty Brands divestiture	—	(874)	(996)
Cash transferred at closing related to the Beauty Brands divestiture	—	(475)	—
Release of restricted cash upon closing of the Beauty Brands divestiture	—	1,870	—
Cash transferred in Batteries divestiture	—	—	(143)
Change in other investments	27	(26)	93
TOTAL INVESTING ACTIVITIES	(3,511)	(5,689)	(5,575)
FINANCING ACTIVITIES			
Dividends to shareholders	(7,310)	(7,236)	(7,436)
Change in short-term debt	(3,437)	2,727	(418)
Additions to long-term debt	5,072	3,603	3,916
Reductions of long-term debt ⁽¹⁾	(2,873)	(4,931)	(2,213)
Treasury stock purchases	(7,004)	(5,204)	(4,004)
Treasury stock from cash infused in Batteries divestiture	—	—	(1,730)
Impact of stock options and other	1,177	2,473	2,672
TOTAL FINANCING ACTIVITIES	(14,375)	(8,568)	(9,213)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	19	(29)	(381)
CHANGE IN CASH AND CASH EQUIVALENTS	(3,000)	(1,533)	266
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,569	\$ 5,569	\$ 7,102

SUPPLEMENTAL DISCLOSURE

Cash payments for interest	\$ 529	\$ 518	\$ 569
Cash payment for income taxes	2,830	3,714	3,730
Divestiture of Batteries business in exchange for shares of P&G stock ⁽²⁾	—	—	4,213
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.⁽²⁾ Includes \$1,730 from cash infused into the Batteries business pursuant to the divestiture agreement (see Note 13).