

Edgar Filing: PROCTER & GAMBLE Co - Form 10-Q

PROCTER & GAMBLE Co

Form 10-Q

October 20, 2017

false--06-30Q120182017-09-300000080424YesLarge Accelerated FilerPROCTER & GAMBLE CoNoYesPG  
0000080424 2017-07-01 2017-09-30 0000080424 2017-09-30 0000080424 2016-07-01 2016-09-30 0000080424  
2017-06-30 0000080424 2016-06-30 0000080424 2016-09-30 0000080424 us-gaap:CorporateMember 2017-07-01  
2017-09-30 0000080424 pg:HealthCareSegmentMember 2016-07-01 2016-09-30 0000080424  
pg:GroomingSegmentMember 2017-07-01 2017-09-30 0000080424 pg:BeautySegmentMember 2016-07-01  
2016-09-30 0000080424 pg:GroomingSegmentMember 2016-07-01 2016-09-30 0000080424  
pg:BeautySegmentMember 2017-07-01 2017-09-30 0000080424 pg:BabyFeminineandFamilyCareSegmentMember  
2016-07-01 2016-09-30 0000080424 pg:FabricCareAndHomeCareSegmentMember 2016-07-01 2016-09-30  
0000080424 pg:BabyFeminineandFamilyCareSegmentMember 2017-07-01 2017-09-30 0000080424  
us-gaap:CorporateMember 2016-07-01 2016-09-30 0000080424 pg:HealthCareSegmentMember 2017-07-01  
2017-09-30 0000080424 pg:FabricCareAndHomeCareSegmentMember 2017-07-01 2017-09-30 0000080424  
pg:FabricCareAndHomeCareSegmentMember 2017-06-30 0000080424 pg:GroomingSegmentMember 2017-09-30  
0000080424 pg:GroomingSegmentMember 2017-06-30 0000080424 pg:HealthCareSegmentMember 2017-09-30  
0000080424 pg:HealthCareSegmentMember 2017-06-30 0000080424 pg:FabricCareAndHomeCareSegmentMember  
2017-09-30 0000080424 pg:BabyFeminineandFamilyCareSegmentMember 2017-09-30 0000080424  
pg:BabyFeminineandFamilyCareSegmentMember 2017-06-30 0000080424 pg:BeautySegmentMember 2017-09-30  
0000080424 pg:BeautySegmentMember 2017-06-30 0000080424 pg:ShaveCareMember 2017-09-30 0000080424  
us-gaap:IndefinitelivedIntangibleAssetsMember pg:GilletteMember 2017-09-30 0000080424  
us-gaap:GoodwillMember pg:A50bpsIncreaseDiscountRateMember pg:ShaveCareMember 2017-09-30 0000080424  
pg:A50bpsDecreaseLongTermGrowthMember us-gaap:IndefinitelivedIntangibleAssetsMember pg:GilletteMember  
2017-09-30 0000080424 pg:A50bpsIncreaseDiscountRateMember us-gaap:IndefinitelivedIntangibleAssetsMember  
pg:GilletteMember 2017-09-30 0000080424 us-gaap:GoodwillMember  
pg:A50bpsDecreaseLongTermGrowthMember pg:ShaveCareMember 2017-09-30 0000080424  
us-gaap:FiniteLivedIntangibleAssetsMember 2017-09-30 0000080424  
us-gaap:IndefinitelivedIntangibleAssetsMember 2017-09-30 0000080424 us-gaap:EmployeeStockOptionMember  
2017-07-01 2017-09-30 0000080424 us-gaap:EmployeeStockOptionMember 2016-07-01 2016-09-30 0000080424  
us-gaap:SegmentDiscontinuedOperationsMember 2017-07-01 2017-09-30 0000080424  
us-gaap:SegmentDiscontinuedOperationsMember 2016-07-01 2016-09-30 0000080424  
us-gaap:SegmentContinuingOperationsMember 2017-07-01 2017-09-30 0000080424  
us-gaap:SegmentContinuingOperationsMember 2016-07-01 2016-09-30 0000080424  
us-gaap:PensionPlansDefinedBenefitMember 2016-07-01 2016-09-30 0000080424  
us-gaap:OtherPostretirementBenefitPlansDefinedBenefitMember 2016-07-01 2016-09-30 0000080424  
us-gaap:OtherPostretirementBenefitPlansDefinedBenefitMember 2017-07-01 2017-09-30 0000080424  
us-gaap:PensionPlansDefinedBenefitMember 2017-07-01 2017-09-30 0000080424  
us-gaap:CorporateBondSecuritiesMember 2017-06-30 0000080424 us-gaap:USTreasuryAndGovernmentMember  
2017-09-30 0000080424 us-gaap:USTreasuryAndGovernmentMember 2017-06-30 0000080424  
us-gaap:FairValueHedgingMember us-gaap:UnderlyingOtherMember 2017-09-30 0000080424  
us-gaap:FairValueInputsLevel2Member 2017-09-30 0000080424 us-gaap:CorporateBondSecuritiesMember  
2017-09-30 0000080424 us-gaap:FairValueInputsLevel2Member 2017-06-30 0000080424  
us-gaap:FairValueHedgingMember us-gaap:UnderlyingOtherMember 2017-06-30 0000080424  
us-gaap:NetInvestmentHedgingMember 2016-07-01 2016-09-30 0000080424  
us-gaap:NetInvestmentHedgingMember 2017-07-01 2017-09-30 0000080424 us-gaap:InterestRateContractMember  
us-gaap:FairValueHedgingMember 2017-07-01 2017-09-30 0000080424 us-gaap:FairValueHedgingMember  
2016-07-01 2016-09-30 0000080424 us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember  
2016-07-01 2016-09-30 0000080424 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember  
2016-07-01 2016-09-30 0000080424 us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember  
2017-07-01 2017-09-30 0000080424 us-gaap:DebtMember us-gaap:FairValueHedgingMember 2016-07-01  
2016-09-30 0000080424 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember 2017-07-01

Edgar Filing: PROCTER & GAMBLE Co - Form 10-Q

2017-09-30 0000080424 us-gaap:DebtMember us-gaap:FairValueHedgingMember 2017-07-01 2017-09-30  
0000080424 us-gaap:FairValueHedgingMember 2017-07-01 2017-09-30 0000080424  
us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember 2016-07-01 2016-09-30 0000080424  
us-gaap:OtherInvestmentsMember 2017-09-30 0000080424 us-gaap:OtherInvestmentsMember 2017-06-30  
0000080424 us-gaap:NetInvestmentHedgingMember 2017-09-30 0000080424 us-gaap:InterestRateContractMember  
us-gaap:FairValueHedgingMember 2017-06-30 0000080424 us-gaap:InterestRateContractMember  
us-gaap:FairValueHedgingMember 2017-09-30 0000080424 us-gaap:NetInvestmentHedgingMember 2017-06-30  
0000080424 us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember 2017-09-30 0000080424  
us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember 2017-06-30 0000080424  
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember 2017-07-01 2017-09-30  
0000080424 us-gaap:ForeignCurrencyGainLossMember 2017-06-30 0000080424  
us-gaap:ForeignCurrencyGainLossMember 2017-07-01 2017-09-30 0000080424  
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2017-09-30 0000080424  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2017-09-30 0000080424  
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2017-07-01 2017-09-30  
0000080424 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember  
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2017-07-01 2017-09-30  
0000080424 us-gaap:ForeignCurrencyGainLossMember  
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember 2017-07-01 2017-09-30  
0000080424 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2017-07-01 2017-09-30 0000080424  
us-gaap:ForeignCurrencyGainLossMember 2017-09-30 0000080424  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2017-07-01 2017-09-30 0000080424  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2017-06-30 0000080424  
us-gaap:PensionPlansDefinedBenefitMember 2017-09-30 0000080424  
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2017-06-30 0000080424  
us-gaap:PensionPlansDefinedBenefitMember 2017-06-30 0000080424  
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember  
us-gaap:PensionPlansDefinedBenefitMember 2017-07-01 2017-09-30 0000080424  
us-gaap:CostOfGoodsSegmentMember 2017-07-01 2017-09-30 0000080424 us-gaap:ScenarioForecastMember  
2019-06-30 0000080424 pg:SellingGeneralAndAdministrativeExpenseMember 2017-07-01 2017-09-30 0000080424  
us-gaap:MinimumMember 2017-07-01 2017-09-30 0000080424 us-gaap:MaximumMember 2017-07-01 2017-09-30  
0000080424 pg:NonManufacturingOverheadPersonnelMember 2017-07-01 2017-09-30 0000080424  
us-gaap:EmployeeSeveranceMember 2017-07-01 2017-09-30 0000080424 us-gaap:EmployeeSeveranceMember  
2017-09-30 0000080424 pg:AssetRelatedCostsMember 2017-07-01 2017-09-30 0000080424  
us-gaap:EmployeeSeveranceMember 2017-06-30 0000080424 us-gaap:OtherRestructuringMember 2017-07-01  
2017-09-30 0000080424 us-gaap:OtherRestructuringMember 2017-06-30 0000080424 pg:AssetRelatedCostsMember  
2017-09-30 0000080424 pg:AssetRelatedCostsMember 2017-06-30 0000080424 us-gaap:OtherRestructuringMember  
2017-09-30 0000080424 pg:BeautyBrandsHeldforSaleMember 2016-10-01 0000080424  
pg:BeautyBrandsHeldforSaleMember 2016-10-01 2016-12-31 0000080424 pg:BeautyBrandsHeldforSaleMember  
2016-07-01 2016-09-30 pg:audit xbrli:pure pg:taxable\_jurisdiction iso4217:USD xbrli:shares iso4217:USD  
pg:employee xbrli:shares

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark one)

X

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Quarterly Period Ended September 30, 2017**

**OR**  
**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**THE PROCTER & GAMBLE COMPANY**

*(Exact name of registrant as specified in its charter)*

**Ohio**                      **1-434**                      **31-0411980**  
*(State of Incorporation) (Commission File Number) (I.R.S. Employer Identification Number)*  
**One Procter & Gamble Plaza, Cincinnati, Ohio 45202**  
*(Address of principal executive offices) (Zip Code)*  
**(513) 983-1100**  
*(Registrant's telephone number, including area code)*

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act).

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if smaller reporting company)   
Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

There were 2,536,958,080 shares of Common Stock outstanding as of September 30, 2017.

**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EARNINGS**

	Three Months Ended September 30	
	2017	2016
<u>Amounts in millions except per share amounts</u>		
<b>NET SALES</b>	<b>\$16,653</b>	\$16,518
Cost of products sold	<b>8,229</b>	8,102
Selling, general and administrative expense	<b>4,689</b>	4,645
<b>OPERATING INCOME</b>	<b>3,735</b>	3,771
Interest expense	<b>115</b>	131
Interest income	<b>49</b>	35
Other non-operating income, net	<b>82</b>	63
<b>EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	<b>3,751</b>	3,738
Income taxes on continuing operations	<b>881</b>	863
<b>NET EARNINGS FROM CONTINUING OPERATIONS</b>	<b>2,870</b>	2,875
<b>NET EARNINGS/(LOSS) FROM DISCONTINUED OPERATIONS</b>	<b>—</b>	(118 )
<b>NET EARNINGS</b>	<b>2,870</b>	2,757
Less: Net earnings attributable to noncontrolling interests	<b>17</b>	43
<b>NET EARNINGS ATTRIBUTABLE TO PROCTER &amp; GAMBLE</b>	<b>\$2,853</b>	\$2,714
<b>BASIC NET EARNINGS PER COMMON SHARE: <sup>(1)</sup></b>		
Earnings from continuing operations	<b>\$1.09</b>	\$1.03
Earnings/(loss) from discontinued operations	<b>—</b>	(0.04 )
<b>BASIC NET EARNINGS PER COMMON SHARE</b>	<b>1.09</b>	0.99
<b>DILUTED NET EARNINGS PER COMMON SHARE: <sup>(1)</sup></b>		
Earnings from continuing operations	<b>\$1.06</b>	\$1.00
Earnings/(loss) from discontinued operations	<b>—</b>	(0.04 )
<b>DILUTED NET EARNINGS PER COMMON SHARE</b>	<b>1.06</b>	0.96
<b>DIVIDENDS PER COMMON SHARE</b>	<b>\$0.6896</b>	\$0.6695
Diluted weighted average common shares outstanding	<b>2,690.6</b>	2,822.9

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

See accompanying Notes to Consolidated Financial Statements.

**THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)**

<u>Amounts in millions</u>	Three Months Ended	
	September 30	
	2017	2016
<b>NET EARNINGS</b>	<b>\$2,870</b>	<b>\$2,757</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX</b>		
Financial statement translation	<b>840</b>	(1 )
Unrealized gains/(losses) on hedges	<b>(463 )</b>	(115 )
Unrealized gains/(losses) on investment securities	<b>(4 )</b>	(13 )
Unrealized gains/(losses) on defined benefit retirement plans	<b>(33 )</b>	93
<b>TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX</b>	<b>340</b>	(36 )
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>3,210</b>	2,721
Less: Total comprehensive income attributable to noncontrolling interests	<b>17</b>	43
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PROCTER &amp; GAMBLE</b>	<b>\$3,193</b>	<b>\$2,678</b>

See accompanying Notes to Consolidated Financial Statements.

---

**THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

<u>Amounts in millions</u>	September 30, 2017	June 30, 2017
<b>Assets</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	<b>\$5,024</b>	\$5,569
Available-for-sale investment securities	<b>10,983</b>	9,568
Accounts receivable	<b>4,942</b>	4,594
<b>INVENTORIES</b>		
Materials and supplies	<b>1,344</b>	1,308
Work in process	<b>588</b>	529
Finished goods	<b>3,091</b>	2,787
Total inventories	<b>5,023</b>	4,624
Prepaid expenses and other current assets	<b>2,124</b>	2,139
<b>TOTAL CURRENT ASSETS</b>	<b>28,096</b>	26,494
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	<b>20,108</b>	19,893
<b>GOODWILL</b>	<b>45,189</b>	44,699
<b>TRADEMARKS AND OTHER INTANGIBLE ASSETS, NET</b>	<b>24,262</b>	24,187
<b>OTHER NONCURRENT ASSETS</b>	<b>5,196</b>	5,133
<b>TOTAL ASSETS</b>	<b>\$122,851</b>	\$120,406
<b>Liabilities and Shareholders' Equity</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	<b>\$9,458</b>	\$9,632
Accrued and other liabilities	<b>7,240</b>	7,024
Debt due within one year	<b>14,026</b>	13,554
<b>TOTAL CURRENT LIABILITIES</b>	<b>30,724</b>	30,210
<b>LONG-TERM DEBT</b>	<b>20,188</b>	18,038
<b>DEFERRED INCOME TAXES</b>	<b>8,481</b>	8,126
<b>OTHER NONCURRENT LIABILITIES</b>	<b>8,043</b>	8,254
<b>TOTAL LIABILITIES</b>	<b>67,436</b>	64,628
<b>SHAREHOLDERS' EQUITY</b>		
Preferred stock	<b>991</b>	1,006
Common stock – shares issued –	September 2017 4,009.2	
	June 2017 4,009.2	<b>4,009</b>
Additional paid-in capital	<b>63,705</b>	63,641
Reserve for ESOP debt retirement	<b>(1,229)</b>	(1,249)
Accumulated other comprehensive income/(loss)	<b>(14,292)</b>	(14,632)
Treasury stock	<b>(95,563)</b>	(93,715)
Retained earnings	<b>97,197</b>	96,124
Noncontrolling interest	<b>597</b>	594
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>55,415</b>	55,778
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$122,851</b>	\$120,406

See accompanying Notes to Consolidated Financial Statements.

**THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three Months Ended September 30	
<u>Amounts in millions</u>	2017	2016
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>\$5,569</b>	<b>\$7,102</b>
<b>OPERATING ACTIVITIES</b>		
Net earnings	2,870	2,757
Depreciation and amortization	692	728
Share-based compensation expense	84	44
Deferred income taxes	426	(177 )
Gain on sale of assets	(81 )	(75 )
Changes in:		
Accounts receivable	(304 )	(424 )
Inventories	(357 )	(287 )
Accounts payable, accrued and other liabilities	235	298
Other operating assets and liabilities	(30 )	135
Other	96	26
<b>TOTAL OPERATING ACTIVITIES</b>	<b>3,631</b>	<b>3,025</b>
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(1,132 )	(684 )
Proceeds from asset sales	120	183
Acquisitions, net of cash acquired	—	(14 )
Purchases of short-term investments	(1,942 )	(631 )
Proceeds from sales and maturities of short-term investments	388	243
Cash transferred related to the Beauty Brands divestiture	—	(348 )
Restricted cash related to the Beauty Brands business	—	(874 )
Change in other investments	32	4
<b>TOTAL INVESTING ACTIVITIES</b>	<b>(2,534 )</b>	<b>(2,121 )</b>
<b>FINANCING ACTIVITIES</b>		
Dividends to shareholders	(1,823 )	(1,851 )
Change in short-term debt	48	1,519
Additions to long-term debt	2,124	891
Reductions of long-term debt	(151 )	(1,001 )
Treasury stock purchases	(2,502 )	(1,002 )
Impact of stock options and other	580	937
<b>TOTAL FINANCING ACTIVITIES</b>	<b>(1,724 )</b>	<b>(507 )</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>82</b>	<b>(43 )</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(545 )</b>	<b>354</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$5,024</b>	<b>\$7,456</b>

See accompanying Notes to Consolidated Financial Statements.

## **THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **1. Basis of Presentation**

These statements should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2017. In the opinion of management, the accompanying unaudited Consolidated Financial Statements of The Procter & Gamble Company and subsidiaries (the "Company," "Procter & Gamble," "P&G," "we" or "our") contain all adjustments necessary to present fairly the financial position, results of operations and cash flows for the interim periods reported. However, the results of operations included in such financial statements may not necessarily be indicative of annual results.

#### **2. New Accounting Pronouncements and Policies**

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. We plan to adopt the standard on July 1, 2018. While we are currently assessing the impact of the new standard, our revenue is primarily generated from the sale of finished product to customers. Those sales predominantly contain a single delivery element and revenue is recognized at a single point in time when ownership, risks and rewards transfer. The timing of revenue recognition is not materially impacted by the new standard. The provisions of the new standard may impact the classification of certain payments to customers, moving an immaterial amount of such payments from expense to a deduction from net sales. The impact would reduce net sales by less than 1%. We are still assessing the impact on financial disclosures related to the new standard. We do not expect this new guidance to have any other material impacts on our Consolidated Financial Statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." The standard requires lessees to recognize lease assets and lease liabilities on the balance sheet and requires expanded disclosures about leasing arrangements. We plan to adopt the standard on July 1, 2019. We are currently assessing the impact that the new standard will have on our Consolidated Financial Statements, which will consist primarily of a balance sheet gross up of our operating leases to show equal and offsetting lease assets and lease liabilities.

In January 2017, the FASB issued ASU 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." The standard simplifies the accounting for goodwill impairment by requiring a goodwill impairment to be measured using a single step impairment model, whereby the impairment equals the difference between the carrying amount and the fair value of the specified reporting units in their entirety. This eliminates the second step of the current impairment model that requires companies to first estimate the fair value of all assets in a reporting unit and measure impairments based on those fair values and a residual measurement approach. It also specifies that any loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. We will adopt the standard no later than July 1, 2020. The impact of the new standard will be dependent on the specific facts and circumstances of future individual impairments, if any.

In March 2017, the FASB issued ASU 2017-07, "Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715)." This guidance requires an entity to disaggregate the current service cost component from the other components of net benefit costs in the face of the income statement. It requires the service cost component to be presented with other current compensation costs for the related employees in the operating section of the income statement, with other components of net benefit cost presented outside of income from operations. We currently classify all net periodic pension costs within operating costs (as part of Cost of products sold and Selling, general and administrative expense). We will adopt the standard retrospectively no later than July 1, 2018. The adoption of ASU 2017-07 is not expected to have a material impact on our Consolidated Financial Statements.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." This standard enables entities to better portray the economics of their risk management activities in the financial statements and enhances the transparency and understandability of hedge results through improved disclosures. The new standard is effective for us beginning July 1, 2019, with early adoption permitted. We elected to early adopt the new guidance in the first quarter of fiscal year 2018. The amended



presentation and disclosure guidance was applied on a prospective basis. The primary impact of adoption is the required disclosure changes. The adoption of the new standard did not have a material impact on our Consolidated Financial Statements, including the cumulative-effect adjustment required upon adoption.

No other new accounting pronouncement issued or effective during the fiscal year had, or is expected to have, a material impact on our Consolidated Financial Statements.

Amounts in millions of dollars unless otherwise specified.

---

### 3. Segment Information

As discussed in Note 11, the Company completed the divestiture of the Beauty Brands business on October 1, 2016. The Beauty Brands business is presented as discontinued operations and is excluded from segment results for the three months ended September 30, 2016.

Following is a summary of reportable segment results:

	Three Months Ended September 30		
	Net Sales	Earnings/(Loss) from Continuing Operations Before Income Taxes	Net Earnings from Continuing Operations
Beauty	<b>2017 \$3,138</b>	<b>\$ 836</b>	<b>\$ 632</b>
	2016 2,996	783	592
Grooming	<b>2017 1,577</b>	<b>414</b>	<b>329</b>
	2016 1,658	529	415
Health Care	<b>2017 1,902</b>	<b>455</b>	<b>305</b>
	2016 1,861	496	320
Fabric & Home Care	<b>2017 5,383</b>	<b>1,179</b>	<b>769</b>
	2016 5,302	1,129	728
Baby, Feminine & Family Care	<b>2017 4,545</b>	<b>964</b>	<b>630</b>
	2016 4,595	1,045	697
Corporate	<b>2017 108</b>	<b>(97)</b>	<b>) 205</b>
	2016 106	(244)	) 123
<b>Total Company</b>	<b>2017 \$16,653</b>	<b>\$ 3,751</b>	<b>\$ 2,870</b>
	2016 16,518	3,738	2,875

### 4. Goodwill and Other Intangible Assets

Goodwill is allocated by reportable segment as follows:

	Beauty	Grooming	Health Care	Fabric & Home Care	Baby, Feminine & Family Care	Total Company
Goodwill at June 30, 2017	\$12,791	\$19,627	\$5,878	\$1,857	\$4,546	\$44,699
Translation and other	173	195	58	14	50	490
<b>Goodwill at September 30, 2017</b>	<b>\$12,964</b>	<b>\$19,822</b>	<b>\$5,936</b>	<b>\$1,871</b>	<b>\$4,596</b>	<b>\$45,189</b>

Goodwill increased from June 30, 2017 due to currency translation.

Identifiable intangible assets at September 30, 2017 are comprised of:

	Gross Carrying Amount	Accumulated Amortization
Intangible assets with determinable lives	\$7,372	\$(4,956)
Intangible assets with indefinite lives	21,846	—
<b>Total identifiable intangible assets</b>	<b>\$29,218</b>	<b>\$(4,956)</b>

Intangible assets with determinable lives consist of brands, patents, technology and customer relationships. The intangible assets with indefinite lives consist of brands. The amortization expense of intangible assets for the three months ended September 30, 2017 and 2016 was \$77 and \$89, respectively.

Amounts in millions of dollars unless otherwise specified.

The test to evaluate goodwill for impairment is a two-step process. In the first step, we compare the fair value of the reporting unit to its carrying value. If the fair value of the reporting unit is less than its carrying value, we perform a second step to determine the implied fair value of the reporting unit's goodwill. The second step of the impairment analysis requires a valuation of a reporting unit's tangible and intangible assets and liabilities in a manner similar to the allocation of purchase price in a business combination. If the resulting implied fair value of the reporting unit's goodwill is less than its carrying value, that difference represents an impairment.

The business unit valuations used to test goodwill and intangible assets for impairment are dependent on a number of significant estimates and assumptions including macroeconomic conditions, overall category growth rates, competitive activities, cost containment, margin expansion and Company business plans. We believe these estimates and assumptions are reasonable. However, future changes in the judgments, assumptions and estimates that are used in our impairment testing for goodwill and indefinite-lived intangible assets, including discount and tax rates or future cash flow projections, could result in significantly different estimates of the fair values.

Most of our goodwill reporting units are comprised of a combination of legacy and acquired businesses and as a result have fair value cushions that, at a minimum, exceed two times their underlying carrying values. Certain of our goodwill reporting units, in particular Shave Care and Appliances, are comprised entirely of acquired businesses and as a result have fair value cushions that are not as high. Both of these wholly acquired reporting units have fair value cushions that currently exceed the underlying carrying values. However, the Shave Care cushion, as well as the related Gillette indefinite-lived intangible asset cushion, have been reduced to below 10% due in large part to an increased competitive market environment in the U.S., a deceleration of category growth caused by changing grooming habits and significant currency devaluations in a number of countries relative to the U.S. dollar that have occurred in recent years and resulted in reduced cash flow projections. As a result, this reporting unit and indefinite-lived intangible asset are more susceptible to impairment risk.

The most significant assumptions utilized in the determination of the estimated fair values of Shave Care reporting unit and the Gillette indefinite-lived intangible asset are the residual net sales growth rate and discount rate. The residual growth rate represents the expected rate at which the reporting unit and Gillette brand are expected to grow beyond the shorter term business planning period. The residual growth rate utilized in our fair value estimates is consistent with the reporting unit and brand operating plans, and approximates expected long term category market growth rates. The residual growth rate is dependent on overall market growth rates, the competitive environment, inflation, relative currency exchange rates and business activities that impact market share. As a result, residual growth rate could be adversely impacted by a sustained deceleration in category growth, grooming habit changes, devaluation of currencies against the U.S. dollar or an increased competitive environment. The discount rate, which is consistent with a weighted average cost of capital that is likely to be expected by a market participant, is based upon industry required rates of return, including consideration of both debt and equity components of the capital structure. Our discount rate may be impacted by adverse changes in the macroeconomic environment, volatility in the equity and debt markets or other country specific factors such as further devaluation of currencies against the U.S. dollar. While management can and has implemented strategies to address these events, significant changes in operating plans or adverse changes in the future could reduce the underlying cash flows used to estimate fair values and could result in a decline in fair value that could trigger future impairment charges of the business unit's goodwill and indefinite-lived intangibles. The carrying values of Shave Care goodwill and the Gillette indefinite-lived intangible asset as of September 30, 2017 are \$19.5 billion and \$15.7 billion, respectively.

The table below provides a sensitivity analysis for the Shave Care reporting unit and the Gillette indefinite lived intangible asset, utilizing reasonably possible changes in the assumptions for the residual growth rate and the discount rate, to demonstrate the potential impacts to the estimated fair values. The table below provides, in isolation, the estimated fair value impacts related to a 50 basis point decrease to our residual growth rate or a 50 basis point increase to our discount rate.

	% change in estimated fair value	
	+50 bps	-50 bps
	discount rate	long-term growth
Shave Care goodwill reporting unit	(10)%	(7)%

Gillette indefinite-lived intangible asset (10)% (7 )%

Amounts in millions of dollars unless otherwise specified.

---

## 5. Earnings Per Share

Basic net earnings per common share are calculated by dividing Net earnings attributable to Procter & Gamble, less preferred dividends (net of related tax benefits), by the weighted average number of common shares outstanding during the period. Diluted net earnings per common share are calculated on the basis of the weighted average number of common shares outstanding plus the dilutive effect of stock options and other stock-based awards and the assumed conversion of preferred stock.

Net earnings per share were as follows:

<b>CONSOLIDATED AMOUNTS</b>	<b>Three Months Ended September 30, 2017</b>			<b>Three Months Ended September 30, 2016</b>		
	<b>Continuing Operations</b>	<b>Discontinued Operations</b>	<b>Total</b>	<b>Continuing Operations</b>	<b>Discontinued Operations</b>	<b>Total</b>
<b>Net earnings/(loss)</b>	<b>\$2,870</b>	<b>\$ —</b>	<b>-\$2,870</b>	\$2,875	\$(118)	\$2,757
Net earnings attributable to noncontrolling interests	(17)	—	(17)	(43)	—	(43)
<b>Net earnings/(loss) attributable to P&amp;G (Diluted)</b>	<b>2,853</b>	<b>—</b>	<b>2,853</b>	2,832	(118)	2,714
Preferred dividends, net of tax benefit	(62)	—	(62)	(63)	—	(63)
<b>Net earnings/(loss) attributable to P&amp;G available to common shareholders (Basic)</b>	<b>\$2,791</b>	<b>\$ —</b>	<b>-\$2,791</b>	\$2,769	\$(118)	\$2,651

## SHARES IN MILLIONS

Basic weighted average common shares outstanding	<b>2,550.5</b>	<b>—</b>	<b>2,550.5</b>	2,674.7	2,674.7	2,674.7
Effect of dilutive securities						
Conversion of preferred shares <sup>(1)</sup>	<b>96.6</b>	<b>—</b>	<b>96.6</b>	101.0	101.0	101.0
Exercise of stock options and other unvested equity awards <sup>(2)</sup>	<b>43.5</b>	<b>—</b>	<b>43.5</b>	47.2	47.2	47.2
<b>Diluted weighted average common shares outstanding</b>	<b>2,690.6</b>	<b>—</b>	<b>2,690.6</b>	2,822.9	2,822.9	2,822.9

## PER SHARE AMOUNTS <sup>(3)</sup>

Basic net earnings/(loss) per common share	<b>\$1.09</b>	<b>\$ —</b>	<b>-\$1.09</b>	\$1.03	\$(0.04)	\$0.99
Diluted net earnings/(loss) per common share	<b>\$1.06</b>	<b>\$ —</b>	<b>-\$1.06</b>	\$1.00	\$(0.04)	\$0.96

Despite being included currently in Diluted net earnings per common share, the actual conversion to common stock

<sup>(1)</sup> occurs when the preferred shares are sold. Shares may only be sold after being allocated to the ESOP participants pursuant to the repayment of the ESOP's obligations through 2035.

<sup>(2)</sup> Weighted average outstanding stock options of approximately 20 million and 26 million for the three months ended September 30, 2017 and 2016, respectively, were not included in the Diluted net earnings per share calculation because the options were out of the money or to do so would have been antidilutive (i.e., the total proceeds upon exercise would have exceeded the market value of the underlying common shares).

<sup>(3)</sup> Basic net earnings per common share and Diluted net earnings per common share are calculated on Net earnings/(loss) attributable to Procter & Gamble.

## 6. Share-Based Compensation and Postretirement Benefits

The following table provides a summary of our share-based compensation expense and postretirement benefit costs:

	<b>Three Months Ended September 30</b>	
	<b>2017</b>	<b>2016</b>
Share-based compensation expense	<b>\$84</b>	\$44
Net periodic benefit cost for pension benefits <sup>(1)</sup>	<b>51</b>	96
Net periodic benefit cost/(credit) for other retiree benefits <sup>(1)</sup>	<b>(38)</b>	(19)

The components of the total net periodic benefit cost for both pension benefits and other retiree benefits for those interim periods, on an annualized basis, do not differ materially from the amounts disclosed in the Annual Report

<sup>(1)</sup> on Form 10-K for the fiscal year ended June 30, 2017, excluding the settlement, curtailment, and special termination costs related to the divestiture of the Beauty Brands business reported in Net earnings from discontinued operations.

Edgar Filing: PROCTER & GAMBLE Co - Form 10-Q

The disclosures above for both share-based compensation and postretirement benefits include amounts related to discontinued operations for the three months ended September 30, 2016, which were not material.

Amounts in millions of dollars unless otherwise specified.

---

## 7. Risk Management Activities and Fair Value Measurements

As a multinational company with diverse product offerings, we are exposed to market risks, such as changes in interest rates, currency exchange rates and commodity prices. There have been no significant changes in our risk management policies or activities during the three months ended September 30, 2017.

The Company has not changed its valuation techniques used in measuring the fair value of any financial assets and liabilities during the period. The Company recognizes transfers between levels within the fair value hierarchy, if any, at the end of each quarter. There were no transfers between levels during the periods presented. Also, there was no significant activity within the Level 3 assets and liabilities during the periods presented. There were no significant assets or liabilities that were remeasured at fair value on a non-recurring basis for the three months ended September 30, 2017.

The following table sets forth the Company's financial assets as of September 30, 2017 and June 30, 2017 that are measured at fair value on a recurring basis during the period:

	Fair Value Asset	
	September 30, 2017	June 30, 2017
<b>Investments</b>		
U.S. government securities	\$7,188	\$6,297
Corporate bond securities	3,795	3,271
Other investments	132	132
<b>Total</b>	<b>\$11,115</b>	<b>\$9,700</b>

Investment securities are presented in Available-for-sale investment securities and Other noncurrent assets. The amortized cost of U.S. government securities with maturities less than one year was \$2,646 as of September 30, 2017 and \$2,494 as of June 30, 2017. The amortized cost of U.S. government securities with maturities between one and five years was \$4,569 as of September 30, 2017 and \$3,824 as of June 30, 2017. The amortized cost of Corporate bond securities with maturities of less than a year was \$786 as of September 30, 2017 and \$730 as of June 30, 2017. The amortized cost of Corporate bond securities with maturities between one and five years was \$3,012 as of September 30, 2017 and \$2,547 as of June 30, 2017. The Company's investments measured at fair value are generally classified as Level 2 within the fair value hierarchy. There are no material investment balances classified as Level 1 or Level 3 within the fair value hierarchy, or using net asset value as a practical expedient. Fair values are generally estimated based upon quoted market prices for similar instruments.

The fair value of long-term debt was \$23,648 and \$21,396 as of September 30, 2017 and June 30, 2017, respectively. This includes the current portion (\$1,853 and \$1,694 as of September 30, 2017 and June 30, 2017, respectively) of debt instruments. Certain long-term debt is recorded at fair value. Certain long-term debt is not recorded at fair value on a recurring basis but is measured at fair value for disclosure purposes. Long-term debt with fair value of \$1,854 and \$1,716 as of September 30, 2017 and June 30, 2017, respectively, is classified as Level 2 within the fair value hierarchy. All remaining long-term debt is classified as Level 1 within the fair value hierarchy. Fair values are generally estimated based on quoted market prices for identical or similar instruments.

The following table sets forth the notional amounts and fair values of qualifying and non-qualifying financial instruments used in hedging transactions as of September 30, 2017 and June 30, 2017:

	Notional Amount		Derivative Fair Value Asset/(Liability)	
	September 30, 2017	June 30, 2017	September 30, 2017	June 30, 2017
<b>Derivatives in Fair Value Hedging Relationships</b>				
Interest rate contracts <sup>(1)</sup>	\$4,612	\$4,552	\$175	\$178
<b>Derivatives in Net Investment Hedging Relationships</b>				
Foreign exchange contracts	\$8,749	\$6,102	\$(184)	\$(163)
<b>Derivatives Not Designated as Hedging Instruments</b>				
Foreign currency contracts	\$5,754	\$4,969	\$(68)	\$18

(1) The fair value of the derivative asset/liability directly offsets the cumulative amount of the fair value hedging adjustment included in the carrying amount of the underlying debt obligation. The carrying amount of the underlying debt obligation, net of the fair value adjustment, was \$4,764 as of September 30, 2017 and \$4,705 as of June 30, 2017, respectively.

All derivative assets are presented in Prepaid expenses and other current assets or Other noncurrent assets. All derivative liabilities are presented in Accrued and other liabilities or Other noncurrent liabilities. The total notional amount of contracts outstanding at the end of the period is indicative of the Company's derivative activity during the period. The increase in the notional balance

Amounts in millions of dollars unless otherwise specified.

---



of net investment hedges primarily reflects a movement into lower yielding foreign currency swaps. All of the Company's derivative assets and liabilities measured at fair value are classified as Level 2 within the fair value hierarchy.

	Amount of Gain/(Loss) Recognized in AOCI on Derivatives September 30, 2017 2017	
<b>Derivatives in Net Investment Hedging Relationships</b>		
Foreign exchange contracts	<b>\$(115)</b>	<b>\$(104)</b>

The amounts of gains and losses on qualifying and non-qualifying financial instruments used in hedging transactions for the three months ended September 30, 2017 and 2016 are as follows:

	Amount of Gain/(Loss) Reclassified from AOCI into Earnings Three Months Ended September 30 2017 2016	
<b>Derivatives in Cash Flow Hedging Relationships <sup>(1)</sup></b>		
Foreign currency contracts	—	(8 )

	Amount of Gain/(Loss) Recognized in Earnings Three Months Ended September 30 2017 2016	
<b>Derivatives in Fair Value Hedging Relationships <sup>(2)</sup></b>		
Interest rate contracts	<b>\$(3)</b>	<b>\$(28)</b>
Debt	<b>3</b>	<b>28</b>
<b>Total</b>	<b>\$—</b>	<b>\$—</b>

<b>Derivatives Not Designated as Hedging Instruments <sup>(3)</sup></b>		
Foreign currency contracts	<b>\$(1)</b>	<b>\$(8 )</b>

The gain or loss on cash flow hedging relationships is reclassified from AOCI into net income in the same period (1) during which the related item affects earnings. Such amounts related to foreign currency contracts are included in the Consolidated Statements of Earnings in Selling, general and administrative expense (SG&A).

(2) The gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are both recognized in the Consolidated Statements of Earnings in Interest expense.

The gain or loss on foreign currency contracts not designated as hedging instruments is included in the (3) Consolidated Statements of Earnings in SG&A. This gain or loss substantially offsets the foreign currency mark-to-market impact of the related exposure.

## 8. Accumulated Other Comprehensive Income/(Loss)

The table below presents the changes in Accumulated other comprehensive income/(loss) by component and the reclassifications out of Accumulated other comprehensive income/(loss):

Changes in Accumulated Other Comprehensive Income/(Loss) by Component				
Hedges	Investment Securities	Pension and Other	Financial Statement Translation	Total

Edgar Filing: PROCTER & GAMBLE Co - Form 10-Q

				<b>Retiree Benefits</b>		
Balance at June 30, 2017	(2,947)	(25)	)	(4,397)	(7,263)	) (14,632)
OCI before reclassifications <sup>(1)</sup>	(463)	) (2)	)	(97)	) 840	278
Amounts reclassified from AOCI <sup>(2)</sup>	—	(2)	)	64	—	62
Net current period OCI	(463)	) (4)	)	(33)	) 840	340
Balance at September 30, 2017	(3,410)	(29)	)	(4,430)	(6,423)	) (14,292)

- (1) Net of tax expense/(benefit) of \$(278), \$0 and \$(26) for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively.
- (2) Net of tax expense/(benefit) of \$0, \$0 and \$24 for gains/losses on hedges, investment securities and pension and other retiree benefit items, respectively.

Amounts in millions of dollars unless otherwise specified.

---

The below provides additional details on the amounts reclassified from AOCI into the Consolidated Statement of Earnings:

Hedges: see Note 7 for classification of gains and losses from hedges in the Consolidated Statements of Earnings.

Investment securities: amounts reclassified from AOCI into Other non-operating income, net.

Pension and other retiree benefits: amounts reclassified from AOCI into Cost of products sold and SG&A and included in the computation of net periodic pension costs.

### 9. Restructuring Program

The Company has historically incurred an ongoing annual level of restructuring-type activities to maintain a competitive cost structure, including manufacturing and workforce optimization. Before-tax costs incurred under the ongoing program have generally ranged from \$250 to \$500 annually.

In fiscal 2017, the Company announced specific elements of a multi-year productivity and cost savings plan to further reduce costs in the areas of supply chain, certain marketing activities and overhead expenses. During fiscal years 2018 and 2019, the Company expects to incur approximately \$1.2 billion in before-tax restructuring costs under the plan. This program is expected to result in meaningful incremental non-manufacturing enrollment reductions, along with further optimization of the supply chain and other manufacturing processes.

Restructuring costs incurred consist primarily of costs to separate employees, asset-related costs to exit facilities and other costs. For the three month period ended September 30, 2017, the Company incurred total restructuring charges of approximately \$157. Approximately \$39 of these charges were recorded in SG&A and \$118 of these charges were recorded in Cost of products sold. The following table presents restructuring activity for the three months ended September 30, 2017:

	Three Months Ended September 30, 2017				Accrual Balance September 30, 2017
	Accrual Balance June 30, 2017	Charges	Cash Spent	Charges Against Assets	
Separations	\$ 228	\$46	\$(34)	\$—	\$ 240
Asset-related costs	—	86	—	(86)	—
Other costs	49	25	(21)	—	53
<b>Total</b>	<b>\$ 277</b>	<b>\$157</b>	<b>\$(55)</b>	<b>\$(86)</b>	<b>\$ 293</b>

### Separation Costs

Employee separation charges for the three month period ended September 30, 2017 relate to severance packages for approximately 480 employees. These severance packages included approximately 140 non-manufacturing employees. The packages were predominantly voluntary and the amounts were calculated based on salary levels and past service periods. Severance costs related to voluntary separations are generally charged to earnings when the employee accepts the offer.

### Asset-Related Costs

Asset-related costs consist of both asset write-downs and accelerated depreciation. Asset write-downs relate to the establishment of a new fair value basis for assets held-for-sale or disposal. These assets were written down to the lower of their current carrying basis or amounts expected to be realized upon disposal, less minor disposal costs. Charges for accelerated depreciation relate to long-lived assets that will be taken out of service prior to the end of their normal service period. These assets relate primarily to manufacturing consolidations and technology standardizations. The asset-related charges will not have a significant impact on future depreciation charges.

### Other Costs

Other restructuring-type charges are incurred as a direct result of the restructuring program. Such charges primarily include asset removal and termination of contracts related to supply chain optimization.

Consistent with our historical policies for ongoing restructuring-type activities, the restructuring program charges are funded by and included within Corporate for both management and segment reporting. Accordingly, all of the charges under the program are included within the Corporate reportable segment. However, for informative purposes, the following table summarizes the total restructuring costs related to our reportable segments:

	Three Months Ended September 30, 2017
Beauty	\$ 20
Grooming	6
Health Care	4
Fabric & Home Care	30
Baby, Feminine & Family Care	51
Corporate <sup>(1)</sup>	46
<b>Total Company</b>	<b>\$ 157</b>

(1) Corporate includes costs related to allocated overheads, including charges related to our Sales and Market Operations, Global Business Services and Corporate Functions activities.

## 10. Commitments and Contingencies

### Litigation

The Company is subject to various legal proceedings and claims arising out of our business which cover a wide range of matters such as antitrust, trade and other governmental regulations, product liability, patent and trademark, advertising, contracts, environmental, labor and employment and tax. With respect to these and other litigation and claims, while considerable uncertainty exists, in the opinion of management and our counsel, the ultimate resolution of the various lawsuits and claims will not materially affect our financial position, results of operations or cash flows. We are also subject to contingencies pursuant to environmental laws and regulations that in the future may require us to take action to correct the effects on the environment of prior manufacturing and waste disposal practices. Based on currently available information, we do not believe the ultimate resolution of environmental remediation will materially affect our financial position, results of operations or cash flows.

### Income Tax Uncertainties

The Company is present in approximately 140 taxable jurisdictions and, at any point in time, has 50 – 60 jurisdictional audits underway at various stages of completion. We evaluate our tax positions and establish liabilities for uncertain tax positions that may be challenged by local authorities and may not be fully sustained, despite our belief that the underlying tax positions are fully supportable. Uncertain tax positions are reviewed on an ongoing basis and are adjusted in light of changing facts and circumstances, including progress of tax audits, developments in case law and closing of statutes of limitations. Such adjustments are reflected in the tax provision as appropriate. We have tax years open ranging from 2008 and forward. We are generally not able to reliably estimate the ultimate settlement amounts until the close of the audit. While we do not expect material changes, it is possible that the amount of unrecognized benefit with respect to our uncertain tax positions could increase or decrease within the next 12 months. At this time, we are not able to make a reasonable estimate of the range of impact on the balance of uncertain tax positions or the impact on the effective tax rate related to these items.

Additional information on the Commitments and Contingencies of the Company can be found in our Annual Report on Form 10-K for the year ended June 30, 2017.

## 11. Discontinued Operations

On October 1, 2016, the Company completed the divestiture of four product categories to Coty, Inc. (“Coty”). The divestiture included 41 of the Company's beauty brands (“Beauty Brands”), including the global salon professional hair care and color, retail hair color, cosmetics and a majority of the fine fragrance businesses, along with select hair styling brands. The form of the divestiture transaction was a Reverse Morris Trust split-off, in which P&G shareholders were given the election to exchange their P&G shares for shares of a new corporation that held the Beauty Brands (Galleria Co.), and then immediately exchange those shares for Coty shares. The value P&G received in the transaction was \$11.4 billion. The value was comprised of 105 million shares of common stock of the Company, which were tendered by shareholders of the Company and exchanged for the Galleria Co. shares, valued at approximately \$9.4 billion, and the assumption of \$1.9 billion of debt by Galleria Co. The shares tendered in the transaction were reflected as an addition to treasury stock and the cash received related to the debt assumed by Coty

was

Amounts in millions of dollars unless otherwise specified.

---

reflected as an investing activity in the Consolidated Statement of Cash Flows. The Company recorded an after-tax gain on the final transaction of \$5.3 billion, net of transaction and related costs.

In accordance with applicable accounting guidance for the disposal of long-lived assets, the results of the Beauty Brands business are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for the three months ended September 30, 2016. The Beauty Brands were historically part of the Company's Beauty reportable segment.

The following is selected financial information underlying the Net earnings/(loss) from discontinued operations for the Beauty Brands:

	<b>Three Months Ended September 30 2016</b>
Net sales	\$ 1,159
Cost of products sold	450
Selling, general and administrative expense	783
Interest expense	14
Other non-operating income/(loss), net	16
Earnings/(loss) from discontinued operations before income taxes	\$(72 )
Income taxes on discontinued operations	46
<b>Net earnings/(loss) from discontinued operations</b>	<b>\$(118 )</b>

The Beauty Brands incurred transition costs of \$167, after-tax, for the three months ended September 30, 2016, included in the above table.

The following is selected financial information related to cash flows from discontinued operations for the Beauty Brands:

	<b>Three Months Ended September 30 2016</b>
<b>NON-CASH OPERATING ITEMS</b>	
Depreciation and amortization	\$ 24
Before tax gain on sale of business	13
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Capital expenditures	\$ 38

Amounts in millions of dollars unless otherwise specified.

---

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Forward-Looking Statements**

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

Forward-looking statements may appear throughout this report, including without limitation, the following sections:

"Management's Discussion and Analysis," "Risk Factors," and "Notes 4 and 10 to the Consolidated Financial Statements."

These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely" similar expressions. Forward-looking statements are based on current expectations and assumptions, which are subject to risks and uncertainties that may cause results to differ materially from those expressed or implied in the forward-looking statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events or otherwise.

Risks and uncertainties to which our forward-looking statements are subject include, without limitation: (1) the ability to successfully manage global financial risks, including foreign currency fluctuations, currency exchange or pricing controls and localized volatility; (2) the ability to successfully manage local, regional or global economic volatility, including reduced market growth rates, and to generate sufficient income and cash flow to allow the Company to affect the expected share repurchases and dividend payments; (3) the ability to manage disruptions in credit markets or changes to our credit rating; (4) the ability to maintain key manufacturing and supply arrangements (including execution of supply chain optimizations and sole supplier and sole manufacturing plant arrangements) and to manage disruption of business due to factors outside of our control, such as natural disasters and acts of war or terrorism; (5) the ability to successfully manage cost fluctuations and pressures, including prices of commodities and raw materials, and costs of labor, transportation, energy, pension and health care; (6) the ability to stay on the leading edge of innovation, obtain necessary intellectual property protections and successfully respond to changing consumer habits and technological advances attained by, and patents granted to, competitors; (7) the ability to compete with our local and global competitors in new and existing sales channels, including by successfully responding to competitive factors such as prices, promotional incentives and trade terms for products; (8) the ability to manage and maintain key customer relationships; (9) the ability to protect our reputation and brand equity by successfully managing real or perceived issues, including concerns about safety, quality, ingredients, efficacy or similar matters that may arise; (10) the ability to successfully manage the financial, legal, reputational and operational risk associated with third party relationships, such as our suppliers, distributors, contractors and external business partners; (11) the ability to rely on and maintain key company and third party information technology systems, networks and services, and maintain the security and functionality of such systems, networks and services and the data contained therein; (12) the ability to successfully manage uncertainties related to changing political conditions (including the United Kingdom's decision to leave the European Union) and potential implications such as exchange rate fluctuations and market contraction; (13) the ability to successfully manage regulatory and legal requirements and matters (including, without limitation, those laws and regulations involving product liability, intellectual property, antitrust, privacy, tax, environmental, and accounting and financial reporting) and to resolve pending matters within current estimates; (14) the ability to manage changes in applicable tax laws and regulations, including maintaining our intended tax treatment of divestiture transactions; (15) the ability to successfully manage our ongoing acquisition, divestiture and joint venture activities, in each case to achieve the Company's overall business strategy and financial objectives, without impacting the delivery of base business objectives; and (16) the ability to successfully achieve productivity improvements and cost savings and manage ongoing organizational changes, while successfully identifying, developing and retaining key employees, including in key growth markets where the availability of skilled or experienced employees may be limited. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from those projected herein, is included in the section titled "Economic Conditions and Uncertainties" and the section titled "Risk Factors" (Part II, Item 1A of this Form 10-Q).

The purpose of Management's Discussion and Analysis (MD&A) is to provide an understanding of Procter & Gamble's financial condition, results of operations and cash flows by focusing on changes in certain key measures

from year to year. The MD&A is provided as a supplement to, and should be read in conjunction with, our Consolidated Financial Statements and accompanying notes. The MD&A is organized in the following sections:

Overview

Summary of Results – Three Months Ended September 30, 2017

Economic Conditions and Uncertainties

Results of Operations – Three Months Ended September 30, 2017

Business Segment Discussion – Three Months Ended September 30, 2017

Liquidity and Capital Resources

Reconciliation of Measures Not Defined by U.S. GAAP

Throughout the MD&A, we refer to measures used by management to evaluate performance, including unit volume growth, net sales and net earnings. We also refer to a number of financial measures that are not defined under accounting principles generally accepted in the United States of America (U.S. GAAP), including organic sales growth, core net earnings per share (Core EPS), free cash flow and free cash flow productivity. The explanation at the end of the MD&A provides the definition of these non-GAAP measures as well as details on the use and the derivation of these measures.

Management also uses certain market share and market consumption estimates to evaluate performance relative to competition despite some limitations on the availability and comparability of share and consumption information. References to market share and market consumption in the MD&A are based on a combination of vendor-reported consumption and market size data, as well as internal estimates. All market share references represent the percentage of sales in dollar terms on a constant currency basis of our products, relative to all product sales in the category.

**OVERVIEW**

P&G is a global leader in fast-moving consumer goods, focused on providing branded consumer packaged goods of superior quality and value to our consumers around the world. Our products are sold in more than 180 countries and territories primarily through mass merchandisers, grocery stores, membership club stores, drug stores, department stores, distributors, baby stores, specialty beauty stores, e-commerce, high-frequency stores and pharmacies. We have on-the-ground operations in approximately 70 countries.

Our market environment is highly competitive with global, regional and local competitors. In many of the markets and industry segments in which we sell our products, we compete against other branded products as well as retailers' private-label brands. Additionally, many of the product segments in which we compete are differentiated by price tiers (referred to as super-premium, premium, mid-tier and value-tier products). We are well positioned in the industry segments and markets in which we operate, often holding a leadership or significant market share position.

The table below provides detail on our reportable segments, including the product categories and brand composition within each segment.

Reportable Segments	Product Categories (Sub-Categories)	Major Brands
Beauty	Hair Care ( <i>Conditioner, Shampoo, Styling Aids, Treatments</i> )	Head & Shoulders, Pantene, Rejoice
	Skin and Personal Care ( <i>Antiperspirant and Deodorant, Personal Cleansing, Skin Care</i> )	Olay, Old Spice, Safeguard, SK-II
Grooming	Grooming <sup>(1)</sup> ( <i>Shave Care - Female Blades &amp; Razors, Male Blades &amp; Razors, Pre- and Post-Shave Products, Other Shave Care; Appliances</i> )	Braun, Fusion, Gillette, Mach3, Prestobarba, Venus
	Oral Care ( <i>Toothbrushes, Toothpaste, Other Oral Care</i> )	Crest, Oral-B
Health Care	Personal Health Care ( <i>Gastrointestinal, Rapid Diagnostics, Respiratory, Vitamins/Minerals/Supplements, Other Personal Health Care</i> )	Prilosec, Vicks
Fabric & Home Care	Fabric Care ( <i>Fabric Enhancers, Laundry Additives, Laundry Detergents</i> )	Ariel, Downy, Gain, Tide
	Home Care ( <i>Air Care, Dish Care, P&amp;G Professional, Surface Care</i> )	Cascade, Dawn, Febreze, Mr. Clean, Swiffer
Baby, Feminine & Family Care	Baby Care ( <i>Baby Wipes, Diapers and Pants</i> )	Luvs, Pampers
	Feminine Care ( <i>Adult Incontinence, Feminine Care</i> )	Always, Tampax



Family Care (*Paper Towels, Tissues, Toilet Paper*)

Bounty, Charmin

(1) The Grooming product category is comprised of the Shave Care and Appliances Global Business Units.

The following table provides the percentage of net sales and net earnings by reportable business segment for the three months ended September 30, 2017 (excluding net sales and net earnings in Corporate):

	Three Months Ended September 30	
	Net Sales	Net Earnings
Beauty	19%	24%
Grooming	10%	12%
Health Care	11%	11%
Fabric & Home Care	33%	29%
Baby, Feminine & Family Care	27%	24%
<b>Total Company</b>	<b>100%</b>	<b>100%</b>

### **SUMMARY OF RESULTS**

Following are highlights of results for the three months ended September 30, 2017 versus the three months ended September 30, 2016:

Net sales increased 1% to \$16.7 billion. Organic sales, which exclude the impacts of acquisitions and divestitures and foreign exchange, also increased 1%. Organic sales increased 5% in Beauty, 1% in Health Care and 2% in Fabric & Home Care. Organic sales declined 1% in Baby, Feminine & Family Care and 6% in Grooming.

Unit volume increased 1%, with organic volume also up 1%. Volume increased low single digits in Fabric & Home Care, was unchanged in Beauty and Health Care and decreased low single digits in Baby, Feminine & Family Care and Grooming segments. Excluding the impacts of minor brand divestitures, organic volume increased low single digits in Health Care and was unchanged in Baby, Feminine & Family Care.

Net earnings from continuing operations were \$2.9 billion, unchanged versus the prior year period. A decrease in operating income due primarily to lower gross margin, was offset by an increase in non operating income, primarily due to an increase in gains from minor brand divestitures, an increase in interest income and a reduction in interest expense.

Diluted net earnings per share from continuing operations increased 6% to \$1.06 due primarily to reduced shares outstanding.

Net earnings attributable to Procter & Gamble increased 5% versus the prior year period to \$2.9 billion. The base period included a loss from discontinued operations.

Core net earnings attributable to Procter & Gamble, which excludes incremental restructuring charges, increased 1% to \$2.9 billion. Core net earnings per share increased 6% to \$1.09 due to the increase in core net earnings and the reduction in shares outstanding.

Operating cash flow was \$3.6 billion. Free cash flow, which is operating cash flow less capital expenditures, was \$2.5 billion. Free cash flow productivity, which is the ratio of free cash flow to net earnings, was 87%.

### **ECONOMIC CONDITIONS AND UNCERTAINTIES**

**Global Economic Conditions.** Current macroeconomic factors remain dynamic, and any causes of market size contraction, such as reduced GDP in commodity-dependent economies, greater political unrest in the Middle East and Central & Eastern Europe, further economic instability in the European Union, political instability in certain Latin American markets, further economic slowdowns in Japan and China and changes to international trade agreements in North America and elsewhere, could reduce our sales or erode our operating margin, in either case reducing our earnings.

**Changes in Costs.** Our costs are subject to fluctuations, particularly due to changes in commodity prices and our own productivity efforts. We have significant exposures to certain commodities, in particular certain oil-derived materials like resins, and volatility in the market price of these commodity input materials has a direct impact on our costs. If we are unable to manage commodity fluctuations through pricing actions, cost savings projects and sourcing decisions as well as through consistent productivity improvements, it may adversely impact our gross margin, operating margin and net earnings. Sales could also be adversely impacted following pricing actions if there is a negative impact on consumption of our products. We strive to implement, achieve and sustain cost improvement plans, including outsourcing projects, supply chain optimization and general overhead and workforce optimization. As discussed later

in this MD&A, we initiated certain non-manufacturing overhead reduction projects along with manufacturing and other supply chain cost improvement projects in 2012. In fiscal 2016, we announced an additional multi-year cost reduction program. This program is expected to result in meaningful non-manufacturing enrollment reductions and other savings. If we are not successful in executing and sustaining these changes, there could be a negative impact on our operating margin and net earnings.

**Foreign Exchange.** We have both translation and transaction exposure to the fluctuation of exchange rates.

Translation exposures relate to exchange rate impacts of measuring income statements of foreign subsidiaries that do not use the U.S. dollar as their functional currency. Transaction exposures relate to 1) the impact from input costs that are denominated in a currency other than the local reporting currency and 2) the revaluation of transaction-related working capital balances denominated in currencies other than the functional currency. Over the prior four fiscal years, the U.S. dollar had strengthened versus a number of foreign currencies leading to lower sales and earnings from these foreign exchange impacts. Certain countries experiencing significant exchange rate fluctuations, like Argentina, Egypt, Nigeria, and the United Kingdom have previously had, and could in the future have, a significant impact on our sales, costs and earnings. Increased pricing in response to these fluctuations in foreign currency exchange rates may offset portions of the currency impacts but could also have a negative impact on consumption of our products, which would affect our sales.

**Government Policies.** Our net earnings could be affected by changes in U.S. or foreign government tax policies. For example, the U.S. is considering corporate tax reform that may significantly impact the corporate tax rate and change the U.S. tax treatment of international earnings. The potential impact of such a change, if ultimately enacted, is uncertain. Additionally, we attempt to carefully manage our debt and currency exposure in certain countries with currency exchange, import authorization and pricing controls, such as Nigeria and Ukraine. Changes in government policies in these areas might cause an increase or decrease in our sales, operating margin and net earnings. For information on risk factors that could impact our results, please refer to Part I, Item 1A "Risk Factors" in the Company's Form 10-K for the fiscal year ended June 30, 2017.

### **RESULTS OF OPERATIONS – Three Months Ended September 30, 2017**

The following discussion provides a review of results for the three months ended September 30, 2017 versus the three months ended September 30, 2016.

<u>Amounts in millions, except per share amounts</u>	Three Months Ended September 30		
	2017	2016	% Chg
Net sales	<b>\$16,653</b>	\$16,518	1%
Operating income	<b>3,735</b>	3,771	(1)%
Net earnings from continuing operations	<b>2,870</b>	2,875	—%
Net earnings/(loss) from discontinued operations	—	(118)	N/A
Net earnings attributable to Procter & Gamble	<b>2,853</b>	2,714	5%
Diluted net earnings per common share	<b>1.06</b>	0.96	10%
Diluted net earnings per share from continuing operations	<b>1.06</b>	1.00	6%
Core net earnings per common share	<b>1.09</b>	1.03	6%

<u>COMPARISONS AS A % OF NET SALES</u>	Three Months Ended September 30		
	2017	2016	Basis Pt Chg
Gross profit	<b>50.6%</b>	51.0%	(40)
Selling, general & administrative expense	<b>28.2%</b>	28.1%	10
Operating income	<b>22.4%</b>	22.8%	(40)
Earnings from continuing operations before income taxes	<b>22.5%</b>	22.6%	(10)
Net earnings from continuing operations	<b>17.2%</b>	17.4%	(20)
Net earnings attributable to Procter & Gamble	<b>17.1%</b>	16.4%	70

#### **Net Sales**

Net sales for the quarter increased 1% to \$16.7 billion. Unit volume increased 1%. Foreign exchange, pricing and mix had no net impact on consolidated net sales. Volume increased low single digits in Fabric & Home Care and was unchanged in Beauty and Health Care. Volume decreased low single digits in Grooming and Baby, Feminine & Family Care. Excluding minor brand divestitures, Baby, Feminine & Family Care volume was unchanged and Health

Care increased low single digits. Volume increased low single digits in developed regions and was unchanged in developing regions. Excluding the impact of minor brand divestitures, volume increased low single digits in developing regions. Organic sales increased 1% driven by a 1% increase in organic volume.

—%	—%	—%	1%	4%	—%	5%
(1)%	(1)%	1%	(3)%	(2)%	—%	(5)%
—%	1%	1%	1%	—%	—%	2%
2%	2%	—%	—%	—%	—%	2%
(1)%	—%	—%	(1)%	—%	1%	(1)%
1%	1%	—%	—%	—%	—%	1%

\* Net sales percentage changes are approximations based on quantitative formulas that are consistently appl

### Operating Costs

Gross margin decreased 40 basis points to 50.6% of net sales for the quarter. Gross margin benefited 150 basis points from manufacturing cost savings projects (130 basis points net of product and packaging reinvestments). This impact was offset by:

- a 70 basis point decline due to higher commodity costs,
- a 50 basis point decline from unfavorable product mix (primarily within segments due to disproportionate growth of lower margin products and between segments caused by the disproportionate net sales growth in Fabric & Home Care, which has lower than company-average gross margin),
- a 30 basis point impact from unfavorable foreign exchange and
- a 20 basis point decline from lower restructuring costs and other impacts.

Total SG&A spending increased 1% to \$4.7 billion due to increases in marketing and overhead spending, partially offset by reduction in other operating expense, primarily from lower foreign exchange transactional charges. SG&A as a percentage of net sales increased 10 basis points to 28.2%. A 70 basis point increase in overhead expenses was partially offset by a reduction in other operating expense. Overhead costs as a percent of net sales increased due to wage inflation, investments and other impacts. Marketing spending as a percent of net sales was unchanged as investments in advertising and other marketing activities were offset by reductions in agency compensation and production costs. Productivity-driven cost savings delivered 40 basis points of benefit in SG&A.

### Non-Operating Expenses and Income

Interest expense was \$115 million for the quarter, a decrease of \$16 million versus the prior year period, due to a decrease in weighted average interest rates. Interest income was \$49 million for the quarter, an increase of \$14 million versus the prior year period due to an increase in interest-bearing cash and cash equivalents balances. Other non-operating income was \$82 million, an increase of \$19 million due to an increase in gains from minor brand divestitures.

### Income Taxes on Continuing Operations

The effective tax rate on continuing operations increased 40 basis points to 23.5% versus the prior year period. Lower excess tax benefits associated with share-based payments (110 basis points in the current year versus 310 in the prior year) were partially offset by favorable impacts from geographic mix of earnings due to a higher proportion of earnings outside of the US.

### Net Earnings from Continuing Operations

Net earnings from continuing operations were unchanged at \$2.9 billion for the quarter as an increase in net sales and non-operating income were offset by the decrease in gross margin, increase in SG&A as a percent of net sales and increase in effective tax rate, all of which are discussed above. Foreign exchange impacts had a nominal effect on net earnings for the quarter, considering both transactional charges and translational impacts from converting earnings from foreign subsidiaries to U.S. dollars. Diluted net earnings per share from continuing operations increased 6% to \$1.06 due primarily to a reduction in the number of weighted average shares outstanding.

**Discontinued Operations**

Net earnings from discontinued operations were zero in the current period versus a loss of \$118 million in the prior year period. The base period result was driven primarily by the transition costs associated with the sale of the Beauty Brands, which closed on October 1, 2016 (see Note 11 to the Consolidated Financial Statements).

**Net Earnings**

Net earnings attributable to Procter & Gamble increased \$0.1 billion or 5% to \$2.9 billion for the quarter. The increase was due to the improvement in discontinued operations. Diluted net earnings per share increased 10% to \$1.06. The difference between the increase in net earnings and the increase in the related earnings per share was due to the reduction in weighted average shares outstanding. Core net earnings per share increased 6% to \$1.09. Core net earnings per share represents diluted net earnings per share from continuing operations excluding incremental restructuring charges related to our productivity and cost savings plans.

**BUSINESS SEGMENT DISCUSSION – Three Months Ended September 30, 2017**

The following discussion provides a review of results by reportable business segment. Analyses of the results for the three month period ended September 30, 2017 are provided based on a comparison to the same three month period ended September 30, 2016. The primary financial measures used to evaluate segment performance are net sales and net earnings from continuing operations. The table below provides supplemental information on net sales and net earnings from continuing operations by reportable business segment for the three months ended September 30, 2017 versus the comparable prior year periods (dollar amounts in millions):

	Three Months Ended September 30, 2017					
	Net Sales	% Change Versus Year Ago	Earnings/(Loss) from Continuing Operations Before Income Taxes	% Change Versus Year Ago	Net Earnings from Continuing Operations	% Change Versus Year Ago
Beauty	\$3,138	5 %	\$ 836	7 %	\$ 632	7 %
Grooming	1,577	(5 )%	414	(22 )%	329	(21 )%
Health Care	1,902	2 %	455	(8 )%	305	(5 )%
Fabric & Home Care	5,383	2 %	1,179	4 %	769	6 %
Baby, Feminine & Family Care	4,545	(1 )%	964	(8 )%	630	(10 )%
Corporate	108	2 %	(97 )	N/A	205	N/A
<b>Total Company</b>	<b>\$16,653</b>	<b>1 %</b>	<b>\$ 3,751</b>	<b>— %</b>	<b>\$ 2,870</b>	<b>— %</b>

**Beauty**

*Three months ended September 30, 2017 compared with three months ended September 30, 2016*

Beauty net sales increased 5% to \$3.1 billion during the first fiscal quarter on unit volume that was unchanged. Price increases added 1% to net sales while favorable product mix added 4%, due to premium innovation and the disproportionate growth of the super-premium SK-II brand, which has higher than average selling prices. Organic sales increased 5%. Global market share of the Beauty segment decreased 0.2 points. Volume decreased low single digits in developed regions and increased low single digits in developing regions.

Volume in Hair Care was unchanged. Developed market volume decreased low single digits due to lower promotional activity at certain customers and following increased pricing. Volume in developing regions was unchanged as increases from product innovation offset decreases following increased pricing. Global market share of the Hair Care category was unchanged.

Volume in Skin and Personal Care was unchanged. Volume decreased low single digits in developed regions following increased pricing. Volume increased low single digits in developing regions due to product innovation and increased marketing. Global market share of the Skin and Personal Care category decreased slightly.

Net earnings increased 7% to \$632 million due to the increase in net sales and a 40 basis point increase in net earnings margin. The net earnings margin increased primarily due to a decrease in SG&A as a percentage of net sales. SG&A as a percentage of net sales decreased due to a decrease in marketing spending as a percent of net sales. Gross margin decreased slightly as higher commodity costs and capacity investments were only partially offset by productivity savings and the benefit of higher pricing.



### Grooming

*Three months ended September 30, 2017 compared with three months ended September 30, 2016*

Grooming net sales decreased 5% to \$1.6 billion during the first fiscal quarter on a 1% decrease in unit volume. Price reductions in Shave Care reduced net sales by 3%. Unfavorable product mix reduced net sales by 2% driven by the disproportionate decline of certain developed markets, partially offset by the growth of Appliances, which has higher than segment-average selling prices. Organic sales decreased 6%. Global market share of the Grooming segment decreased 0.8 points. Volume decreased low single digits in developed and developing regions.

Shave Care volume decreased low single digits in both developed and developing regions due to competitive activity, and lower distribution in certain markets. Global market share of the Shave Care category decreased less than a point.

Volume in Appliances increased double digits in both developed and developing regions due to product innovation.

Global market share of the Appliances category increased more than two points.

Net earnings decreased 21% to \$329 million due to the reduction in net sales and a 420 basis point decrease in net earnings margin. Net earnings margin decreased due to a reduction in gross margin and an increase in SG&A as a percent of net sales. Gross margin decreased as the negative impact of lower pricing and unfavorable geographic mix was only partially offset by the benefit of cost savings projects. SG&A as a percent of net sales increased due to an increase in both overhead and marketing spending along with the negative scale impacts of the reduction in net sales.

### Health Care

*Three months ended September 30, 2017 compared with three months ended September 30, 2016*

Health Care net sales increased 2% to \$1.9 billion during the first fiscal quarter on unit volume that was unchanged. Favorable foreign exchange increased net sales by 1% and price increases contributed 1% to net sales. Organic sales increased 1% on organic volume that increased 1%. Global market share of the Health Care segment decreased 0.3 points. Volume decreased low single digits in developed regions and increased low single digits in developing regions.

Oral Care volume increased low single digits. Volume increased low single digits in both developed and developing regions driven by market growth, product innovation and marketing investments. Global market share of the Oral Care category decreased nearly half a point.

Volume in Personal Health Care decreased low single digits. Volume decreased mid-single digits in developed regions due to relatively lower levels of product innovation versus year ago. Volume was unchanged in developing regions. Organic volume increased low single digits in developing regions due to increased distribution. Global market share of the Personal Health Care category was unchanged.

Net earnings decreased 5% to \$305 million as the increase in net sales was more than offset by a 110 basis point decrease in net earnings margin. Net earnings margin declined primarily due to a reduction in non-operating income driven by a base period gain from minor brand divestitures. Gross margin increased primarily due to manufacturing cost savings. This was largely offset by an increase in SG&A as a percentage of net sales due to increased marketing and overhead spending.

### Fabric & Home Care

*Three months ended September 30, 2017 compared with three months ended September 30, 2016*

Fabric & Home Care net sales increased 2% to \$5.4 billion for the first fiscal quarter on a 2% increase in unit volume. Organic sales also increased 2%. Global market share of the Fabric & Home Care segment decreased 0.1 points.

Volume increased low single digits in developed and developing regions.

Fabric Care volume increased low single digits. Developed regions grew mid-single digits driven by product innovation. Developing regions grew low single digits due to product innovation and market growth. Global market share of the Fabric Care category was unchanged.

Home Care volume was unchanged. Developed market volume declined low single digits due to hand dishwashing market contraction. Developing regions increased mid-single digits due to product innovation and marketing investments. Global market share of the Home Care category was unchanged.

Net earnings increased 6% to \$769 million due to a 60 basis-point increase in net earnings margin and the increase in net sales. Net earnings margin increased primarily due to an increase in non operating income from gains on minor brand divestitures in the current period. SG&A as a percentage of net sales was unchanged. Gross margin increased slightly due to manufacturing cost savings partially offset by unfavorable foreign exchange and unfavorable product

mix (due to an increase in the proportion of product forms and larger package sizes with lower than segment-average margins).

---

### Baby, Feminine & Family Care

*Three months ended September 30, 2017 compared with three months ended September 30, 2016*

Baby, Feminine & Family Care net sales decreased 1% to \$4.5 billion during the first fiscal quarter on a 1% decrease in unit volume. Organic volume, which excludes the impact of minor brand divestitures, was unchanged. Lower pricing reduced net sales by 1%. Organic sales decreased 1%. Global market share of the Baby, Feminine & Family Care segment decreased 0.4 points. Volume was unchanged in developed regions and decreased low single digits in developing regions.

Volume in Baby Care decreased mid-single digits. Developed regions declined low single digits due to competitive activities. Developing regions declined high single digits due to volume decline following increased pricing, competitive activity and reduction in trade inventories. Global market share of the Baby Care category decreased more than a point.

Volume in Feminine Care decreased low single digits. Organic volume, which excludes the impact of minor brand divestitures, increased low single digits. Organic volume decreased low single digits in developed regions due to competitive activity. Volume increased mid-single digits in developing regions due to product innovation and market growth. Global market share of the Feminine Care category was unchanged.

Volume in Family Care, which is predominantly a North American business, increased mid-single digits driven by product innovation, distribution gains and increased marketing activities. In the U.S., all-outlet share of the Family Care category increased more than a point.

Net earnings decreased 10% to \$630 million due to a 130 basis-point decrease in net earnings margin and the reduction in net sales. Net earnings margin decreased primarily due to a decline in gross margin. Gross margin decreased due to an increase in commodity costs and unfavorable product mix (from an increase in product forms and larger package sizes with lower than segment-average margins), partially offset by manufacturing cost savings. SG&A as a percentage of net sales was unchanged.

### Corporate

Corporate includes certain operating and non-operating activities not allocated to specific business segments. These include: the incidental businesses managed at the corporate level; financing and investing activities; other general corporate items; the gains and losses related to certain divested brands and categories; certain restructuring-type activities to maintain a competitive cost structure, including manufacturing and workforce optimization; and certain significant asset impairment charges. Corporate also includes reconciling items to adjust the accounting policies used in the segments to U.S. GAAP. The most significant reconciling item includes income taxes to adjust from blended statutory rates that are reflected in the segments to the overall Company effective tax rate.

Corporate net sales increased 2% to \$108 million during the first fiscal quarter. Corporate net earnings from continuing operations improved by \$82 million in the first fiscal quarter. Corporate net earnings increased due to gains on minor brand divestitures and a reduction in foreign exchange transactional charges, partially offset by reduced current year excess tax benefits associated with share-based payments. Additional discussion of these items is included in the Results of Operations section.

### **Productivity and Cost Savings Plan**

In 2012, the Company initiated a productivity and cost savings plan to reduce costs and better leverage scale in the areas of supply chain, research and development, marketing and overheads. The plan was designed to accelerate cost reductions by streamlining management decision making, manufacturing and other work processes to fund the Company's growth strategy. In 2016, the Company communicated additional multi-year productivity and cost savings targets. In 2017, the Company communicated specific elements of the productivity and cost savings targets.

The additional productivity and cost savings plan will further reduce costs in the areas of supply chain, certain marketing activities and overhead expenses. As part of this plan, the Company expects to incur approximately \$1.2 billion in total before-tax restructuring costs in fiscal 2018 and 2019. This program is expected to result in meaningful non-manufacturing enrollment reductions, along with further optimization of the supply chain and other manufacturing processes.

Consistent with our historical policies for ongoing restructuring-type activities, the resulting charges are funded by and included within Corporate for segment reporting.



In addition to our restructuring programs, we have additional ongoing savings efforts in our supply chain, marketing and overhead areas that yield additional benefits to our operating margins.

Refer to Note 9 in the Notes to the Consolidated Financial Statements for more details on the restructuring program.

---

## **LIQUIDITY & CAPITAL RESOURCES**

### **Operating Activities**

We generated \$3.6 billion of cash from operating activities fiscal year to date, an increase of \$0.6 billion versus the prior year. Net earnings, adjusted for non-cash items (depreciation and amortization, share-based compensation expense, deferred income taxes, and gain on sale of assets), generated \$4.0 billion of operating cash flow. Working capital and other impacts used \$0.4 billion of cash in the period. Accounts receivable used \$304 million of cash due to the timing of quarter-end (which fell on a weekend, resulting in fewer days collection) and to a lesser extent, the extension of customer payment terms for seasonal products. Inventory consumed \$357 million of cash primarily due to product initiatives and seasonal inventory builds in certain GBUs. Accounts payable, accrued and other liabilities generated \$235 million of cash primarily driven by extended payment terms with our suppliers. All other operating assets and liabilities used \$30 million of cash.

### **Investing Activities**

Cash used by investing activities was \$2.5 billion fiscal year to date. Capital expenditures were \$1.1 billion, or 6.8% of net sales. We generated \$120 million of cash from proceeds from asset sales, primarily from plant sales and minor brand divestitures. We used \$1.9 billion for purchases of short-term investments, partially offset by \$388 million of cash generated from sales and maturities of short-term investments.

### **Financing Activities**

Our financing activities consumed net cash of \$1.7 billion fiscal year to date. We used \$2.5 billion for treasury stock purchases and \$1.8 billion for dividends. Cash generated from the net effect of debt issuances and payments was \$2.0 billion. Cash from the exercise of stock options and other impacts generated \$580 million of cash.

As of September 30, 2017, our current liabilities exceeded current assets by \$2.6 billion. We have short- and long-term debt to meet our financing needs. We anticipate being able to support our short-term liquidity and operating needs largely through cash generated from operations. We have strong short- and long-term debt ratings that have enabled and should continue to enable us to refinance our debt as it becomes due at favorable rates in commercial paper and bond markets. In addition, we have agreements with a diverse group of financial institutions that, if needed, should provide sufficient credit funding to meet short-term financing requirements.

## **RECONCILIATION OF MEASURES NOT DEFINED BY U.S. GAAP**

In accordance with the SEC's Regulation G, the following provides definitions of the non-GAAP measures and the reconciliation to the most closely related GAAP measure. We believe that these measures provide useful perspective on underlying business trends (i.e., trends excluding non-recurring or unusual items) and results and provide a supplemental measure of year-on-year results. The non-GAAP measures described below are used by management in making operating decisions, allocating financial resources and for business strategy purposes. These measures may be useful to investors as they provide supplemental information about business performance and provide investors a view of our business results through the eyes of management. These measures are also used to evaluate senior management and are a factor in determining their at-risk compensation. These non-GAAP measures are not intended to be considered by the user in place of the related GAAP measure, but rather as supplemental information to our business results. These non-GAAP measures may not be the same as similar measures used by other companies due to possible differences in method and in the items or events being adjusted.

The Core earnings measures included in the following reconciliation tables refer to the equivalent GAAP measures adjusted as applicable for the following items:

**Incremental restructuring:** The Company has had and continues to have an ongoing level of restructuring activities. Such activities have resulted in ongoing annual restructuring related charges of approximately \$250 - \$500 million before tax. In 2012, Procter & Gamble began a \$10 billion strategic productivity and cost savings initiative that includes incremental restructuring activities. In 2016, the Company communicated additional multi-year productivity and cost savings targets. This results in incremental restructuring charges to accelerate productivity efforts and cost savings. The adjustment to Core earnings includes only the restructuring costs above what we believe are the normal recurring level of restructuring costs.

We do not view these items to be part of our sustainable results and their exclusion from Core earnings measures provides a more comparable measure of year-on-year results. These items are also excluded when evaluating senior management in determining their at-risk compensation.

**Organic sales growth:** Organic sales growth is a non-GAAP measure of sales growth excluding the impacts of acquisitions, divestitures, the impact from India Goods and Services Tax changes (which were effective on July 1, 2017) and foreign exchange from year-over-year comparisons. Management believes this measure provides investors with a supplemental understanding of underlying sales trends by providing sales growth on a consistent basis.

**Free cash flow:** Free cash flow is defined as operating cash flow less capital spending. Free cash flow represents the cash that the Company is able to generate after taking into account planned maintenance and asset expansion. Management views free cash flow as an important measure because it is one factor used in determining the amount of cash available for dividends and discretionary investment.

**Free cash flow productivity:** Free cash flow productivity is defined as the ratio of free cash flow to net earnings. Management views free cash flow productivity as a useful measure to help investors understand P&G's ability to generate cash. Free cash flow productivity is used by management in making operating decisions, allocating financial resources and for budget planning purposes. The Company's long-term target is to generate annual free cash flow productivity at or above 90 percent.

**Core EPS:** Core earnings per share, or Core EPS, is a measure of the Company's diluted net earnings per share from continuing operations adjusted as indicated. Management views this non-GAAP measure as a useful supplemental measure of Company performance over time.

**Organic sales growth:**

<b>Three Months Ended September 30, 2017</b>	<b>Net Sales Growth</b>	<b>Foreign Exchange Impact</b>	<b>Acquisition/Divestiture Impact*</b>	<b>Organic Sales Growth</b>
Beauty	5%	—%	—%	5%
Grooming	(5)%	(1)%	—%	(6)%
Health Care	2%	(1)%	—%	1%
Fabric & Home Care	2%	—%	—%	2%
Baby, Feminine & Family Care	(1)%	—%	—%	(1)%
<b>Total Company</b>	<b>1%</b>	<b>—%</b>	<b>—%</b>	<b>1%</b>

\* Acquisition/Divestiture Impact includes both the volume and mix impact of acquisitions and divestitures and also includes the impact of India Goods and Services Tax changes and rounding impacts necessary to reconcile net sales to organic sales.

**Free cash flow (dollar amounts in millions):**

Fiscal Year-to-Date, September 30, 2017

<b>Operating Cash Flow</b>	<b>Capital Spending</b>	<b>Free Cash Flow</b>
<b>\$3,631</b>	<b>\$(1,132)</b>	<b>\$2,499</b>

**Free cash flow productivity (dollar amounts in millions):**

Fiscal Year-to-Date, September 30, 2017

<b>Free Cash Flow</b>	<b>Net Earnings</b>	<b>Free Cash Flow Productivity</b>
<b>\$2,499</b>	<b>\$2,870</b>	<b>87%</b>

## THE PROCTER &amp; GAMBLE COMPANY AND SUBSIDIARIES

(Amounts in Millions Except Per Share Amounts)

Reconciliation of Non-GAAP Measures

Three Months Ended September 30, 2017

	AS REPORTED (GAAP)	INCREMENTAL RESTRUCTURING	ROUNDING	NON-GAAP (CORE)
<b>COST OF PRODUCTS SOLD</b>	8,229	(100 )	—	8,129
<b>SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE</b>	4,689	5	—	4,694
<b>OPERATING INCOME</b>	3,735	95	—	3,830
<b>INCOME TAX ON CONTINUING OPERATIONS</b>	881	20	—	901
<b>NET EARNINGS ATTRIBUTABLE TO P&amp;G</b>	2,853	75	—	2,928
				<b>Core</b>
				<b>EPS</b>
<b>DILUTED NET EARNINGS PER COMMON SHARE*</b>	1.06	0.03	—	1.09

\* Diluted net earnings per share are calculated on Net earnings attributable to Procter &amp; Gamble.

**CHANGE VERSUS YEAR AGO**

CORE EPS 6%

## THE PROCTER &amp; GAMBLE COMPANY AND SUBSIDIARIES

(Amounts in Millions Except Per Share Amounts)

Reconciliation of Non-GAAP Measures

Three Months Ended September 30, 2016

	AS REPORTED (GAAP)	DISCONTINUED OPERATIONS	INCREMENTAL RESTRUCTURING	ROUNDING	NON-GAAP (CORE)
<b>COST OF PRODUCTS SOLD</b>	8,102	—	(111 )	—	7,991
<b>SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE</b>	4,645	—	23	(1 )	4,667
<b>OPERATING INCOME</b>	3,771	—	88	1	3,860
<b>INCOME TAX ON CONTINUING OPERATIONS</b>	863	—	15	1	879
<b>NET EARNINGS ATTRIBUTABLE TO P&amp;G</b>	2,714	118	73	—	2,905
					<b>Core</b>
					<b>EPS:</b>
<b>DILUTED NET EARNINGS PER COMMON SHARE*</b>	0.96	0.04	0.03	—	1.03

\* Diluted net earnings per share are calculated on Net earnings attributable to Procter &amp; Gamble.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes in the Company's exposure to market risk since June 30, 2017. Additional information can be found in Note 7 - Risk Management Activities and Fair Value Measurements of the Consolidated Financial Statements.

**Item 4. Controls and Procedures****Evaluation of Disclosure Controls and Procedures**

The Company's Chairman of the Board, President and Chief Executive Officer, David S. Taylor, and the Company's Vice Chairman and Chief Financial Officer, Jon R. Moeller, performed an evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 ("Exchange Act")) as of the end of the period covered by this report. Messrs. Taylor and Moeller have concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) accumulated and communicated to our management, including Messrs. Taylor and Moeller, to allow their timely decisions regarding required disclosure.

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the Company's fiscal quarter ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

On July 18, 2017, the Pennsylvania Department of Environmental Protection ("DEP") informed the Mehoopany Plant, a manufacturing site owned by The Procter & Gamble Paper Products Company, by telephone that the DEP intends to seek a potential penalty of \$339,000 for alleged non-compliance with permit requirements for continuous emissions monitoring system quality assurance and emission limit exceedances. The site disputes the potential penalty amount and has initiated discussion with the DEP regarding this matter.

The Company is subject, from time to time, to certain other legal proceedings and claims arising out of our business, which cover a wide range of matters, including antitrust and trade regulation, product liability, advertising, contracts, environmental issues, patent and trademark matters, labor and employment matters and tax.

**Item 1A. Risk Factors**

For information on Risk Factors, please refer to Part I, Item 1A "Risk Factors" in the Company's Form 10-K for the fiscal year ended June 30, 2017.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds****ISSUER PURCHASES OF EQUITY SECURITIES**

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share <sup>(2)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(3)</sup>	Approximate Dollar Value of Shares That May Yet Be Purchased Under Our Share Repurchase Program
7/01/2017 - 7/31/2017	8,343,614	\$87.73	5,690,332 <sup>(3)</sup>	
8/01/2017 - 8/31/2017	10,879,865	\$91.91	10,879,865 <sup>(3)</sup>	
9/01/2017 - 9/30/2017	10,736,922	\$93.14	10,736,922 <sup>(3)</sup>	
<b>Total</b>	<b>29,960,401</b>	<b>\$91.19</b>	<b>27,307,119</b>	

All transactions were made in the open market with large financial institutions. This table excludes shares withheld from employees to satisfy

<sup>(1)</sup> minimum tax withholding requirements on option exercises and other equity-based transactions. The Company administers cashless exercises through an independent third party and does not repurchase stock in connection with cashless exercises.

<sup>(2)</sup> Average price paid per share for open market transactions is calculated on a settlement basis and excludes commission.

## Edgar Filing: PROCTER & GAMBLE Co - Form 10-Q

On July 27, 2017, the Company stated that in fiscal year 2018 the Company expects to reduce outstanding shares through direct share repurchases at a value of approximately \$4 to \$7 billion, notwithstanding any purchases under the Company's compensation and benefit plans. Purchases may be made in the open market and/or private transactions and purchases may be increased, decreased or discontinued at any time without prior notice. The share repurchases are authorized pursuant to a resolution issued by the Company's Board of Directors and are expected to be financed by a combination of operating cash flows and issuance of long-term and short-term debt.

---

**Item 6. Exhibits**

- 3-1 Amended Articles of Incorporation (as amended by shareholders at the annual meeting on October 11, 2011 and consolidated by the Board of Directors on April 8, 2016) (Incorporated by reference to Exhibit (3-1) of the Company's Form 10-K for the year ended June 30, 2016)
- 3-2 Regulations (as approved by the Board of Directors on April 8, 2016, pursuant to authority granted by shareholders at the annual meeting on October 13, 2009) (Incorporated by reference to Exhibit (3-2) of the Company's Form 10-K for the year ended June 30, 2016)
- 4-1 Indenture, dated as of September 3, 2009, between the Company and Deutsche Bank Trust Company Americas, as Trustee (Incorporated by reference to Exhibit (4-1) of the Company Annual Report on Form 10-K for the year ended June 30, 2015)
- 10-1 The Procter & Gamble Performance Stock Program Summary \* +
- 10-2 The Procter & Gamble Performance Stock Program - Related Correspondence and Terms and Conditions \* +
- 10-3 Summary of the Company's Short Term Achievement Reward Program \* +
- 10-4 Company's Form of Separation Letter & Release \* +
- 12 Computation of Ratio of Earnings to Fixed Charges
- 31.1 Rule 13a-14(a)/15d-14(a) Certification – Chief Executive Officer
- 31.2 Rule 13a-14(a)/15d-14(a) Certification – Chief Financial Officer
- 32.1 Section 1350 Certifications – Chief Executive Officer
- 32.2 Section 1350 Certifications – Chief Financial Officer
- 101.INS  
(1) XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH  
(1) XBRL Taxonomy Extension Schema Document
- 101.CAL  
(1) XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF  
(1) XBRL Taxonomy Definition Linkbase Document
- 101.LAB  
(1) XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE  
(1) XBRL Taxonomy Extension Presentation Linkbase Document

\* Compensatory plan or arrangement

+ Filed herewith

(1 ) XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

---



Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

THE PROCTER & GAMBLE COMPANY

October 20, 2017 /s/ VALARIE L. SHEPPARD  
Date (Valarie L. Sheppard)  
Senior Vice President, Comptroller and Treasurer

---

EXHIBIT INDEX

**Exhibit**

<u>3-1</u>	<u>Amended Articles of Incorporation (as amended by shareholders at the annual meeting on October 11, 2011 and consolidated by the Board of Directors on April 8, 2016) (Incorporated by reference to Exhibit (3-1) of the Company's Form 10-K for the year ended June 30, 2016)</u>
<u>3-2</u>	<u>Regulations (as approved by the Board of Directors on April 8, 2016, pursuant to authority granted by shareholders at the annual meeting on October 13, 2009) (Incorporated by reference to Exhibit (3-2) of the Company's Form 10-K for the year ended June 30, 2016)</u>
<u>4-1</u>	<u>Indenture, dated as of September 3, 2009, between the Company and Deutsche Bank Trust Company Americas, as Trustee (Incorporated by reference to Exhibit (4-1) of the Company Annual Report on Form 10-K for the year ended June 30, 2015)</u>
<u>10-1</u>	<u>The Procter &amp; Gamble Performance Stock Program Summary +</u>
<u>10-2</u>	<u>The Procter &amp; Gamble Performance Stock Program - Related Correspondence and Terms and Conditions +</u>
<u>10-3</u>	<u>Summary of the Company's Short Term Achievement Reward Program +</u>
<u>10-4</u>	<u>Company's Form of Separation Letter &amp; Release +</u>
<u>12</u>	<u>Computation of Ratio of Earnings to Fixed Charges</u>
<u>31.1</u>	<u>Rule 13a-14(a)/15d-14(a) Certification – Chief Executive Officer</u>
<u>31.2</u>	<u>Rule 13a-14(a)/15d-14(a) Certification – Chief Financial Officer</u>
<u>32.1</u>	<u>Section 1350 Certifications – Chief Executive Officer</u>
<u>32.2</u>	<u>Section 1350 Certifications – Chief Financial Officer</u>
101.INS (1)	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH (1)	XBRL Taxonomy Extension Schema Document
101.CAL (1)	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF (1)	XBRL Taxonomy Definition Linkbase Document
101.LAB (1)	XBRL Taxonomy Extension Label Linkbase Document
101.PRE (1)	XBRL Taxonomy Extension Presentation Linkbase Document

+ Filed herewith

(1 ) XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.