PROCTER & GAMBLE Co
Form 10-Q
April 23, 2019

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 March 31, 2019
OR
o 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 þ No o
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).
Yes þ No o
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	þ	Accelerated filer	¨
Non-accelerated filer	¨	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 o No þ
There were 2,508,329,764 shares of Common Stock outstanding as of March 31, 2019.

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

	Three Months Ended March 31		Nine Months Ended March 31	
Amounts in millions except per share amounts	2019	2018	2019	2018
NET SALES	$16,462	$16,281	$50,590	$50,329
Cost of products sold	8,427	8,384	25,830	25,362
Selling, general and administrative expense	4,806	4,688	14,081	14,191
OPERATING INCOME	3,229	3,209	10,679	10,776
Interest expense	131	133	398	370
Interest income	52	69	168	184
Other non-operating income, net	128	108	685	447
EARNINGS BEFORE INCOME TAXES	3,278	3,253	11,134	11,037
Income taxes	502	713	1,931	3,066
NET EARNINGS	2,776	2,540	9,203	7,971
Less: Net earnings attributable to noncontrolling interests	31	29	65	112
NET EARNINGS ATTRIBUTABLE TO PROCTER & GAMBLE	$2,745	$2,511	$9,138	$7,859
NET EARNINGS PER SHARE (1)				
Basic	$1.07	$0.97	$3.58	$3.02
Diluted	$1.04	$0.95	$3.48	$2.94
DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	2,637.7	2,645.6	2,624.3	2,668.6

(1) 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)

	Three Months Ended March 31		Nine Months Ended March 31	
Amounts in millions	2019	2018	2019	2018
NET EARNINGS	$2,776	$2,540	$9,203	$7,971
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX				
Financial statement foreign currency translation	(127)	925	(713)	1,953
Unrealized gains/(losses) on hedges	200	(558)	399	(1,188)
Unrealized gains/(losses) on investment securities	54	(70)	107	(135)
Unrealized gains/(losses) on defined benefit retirement plans	64	(17)	314	111
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX	191	280	107	741
TOTAL COMPREHENSIVE INCOME	2,967	2,820	9,310	8,712
Less: Total comprehensive income attributable to noncontrolling interests	34	29	65	112
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PROCTER & GAMBLE	$2,933	$2,791	$9,245	$8,600

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

Amounts in millions			March 31, 2019	June 30, 2018
Assets				
CURRENT ASSETS				
Cash and cash equivalents			$2,738	$2,569
Available-for-sale investment securities			7,085	9,281
Accounts receivable			5,198	4,686
INVENTORIES				
Materials and supplies			1,415	1,335
Work in process			617	588
Finished goods			3,326	2,815
Total inventories			5,358	4,738
Prepaid expenses and other current assets			1,933	2,046
TOTAL CURRENT ASSETS			22,312	23,320
PROPERTY, PLANT AND EQUIPMENT, NET			20,993	20,600
GOODWILL			46,753	45,175
TRADEMARKS AND OTHER INTANGIBLE ASSETS, NET			25,836	23,902
OTHER NONCURRENT ASSETS			5,779	5,313
TOTAL ASSETS			$121,673	$118,310
Liabilities and Shareholders' Equity				
CURRENT LIABILITIES				
Accounts payable			$10,207	$10,344
Accrued and other liabilities			9,252	7,470
Debt due within one year			8,911	10,423
TOTAL CURRENT LIABILITIES			28,370	28,237
LONG-TERM DEBT			21,359	20,863
DEFERRED INCOME TAXES			6,951	6,163
OTHER NONCURRENT LIABILITIES			9,441	10,164
TOTAL LIABILITIES			66,121	65,427
SHAREHOLDERS’ EQUITY				
Preferred stock			933	967
Common stock – shares issued –	March 2019	4,009.2		
	June 2018	4,009.2	4,009	4,009
Additional paid-in capital			63,624	63,846
Reserve for ESOP debt retirement			(1,145)	(1,204)
Accumulated other comprehensive income/(loss)			(14,968)	(14,749)
Treasury stock			(99,484)	(99,217)
Retained earnings			102,103	98,641
Noncontrolling interest			480	590
TOTAL SHAREHOLDERS’ EQUITY			55,552	52,883
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY			$121,673	$118,310

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

Three Months Ended March 31, 2019

Dollars in millions; shares in thousands	Common Stock Shares	Common Stock Amount	Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumu-lated Other Comp-rehensive Income/(Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Share-holders' Equity
BALANCE DECEMBER 31, 2018	2,501,580	$4,009	$946	$63,679	($1,178)	($15,156)	($99,480)	$101,170	$453	$54,443
Net earnings								2,745	31	2,776
Other comprehensive income/(loss)						188			3	191
Dividends and dividend equivalents ($0.7172 per share):										
Common								(1,799)		(1,799)
Preferred, net of tax benefits								(64)		(64)
Treasury stock purchases	(12,945)						(1,250)			(1,250)
Employee stock plans	18,197			(57)			1,235			1,178
Preferred stock conversions	1,498		(13)	2			11			—
ESOP debt impacts					33			51		84
Noncontrolling interest, net				—					(7)	(7)
BALANCE MARCH 31, 2019	2,508,330	$4,009	$933	$63,624	($1,145)	($14,968)	($99,484)	$102,103	$480	$55,552

Nine Months Ended March 31, 2019

Dollars in millions; shares in thousands	Common Stock Shares	Common Stock Amount	Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumu-lated Other Comp-rehensive Income/(Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Share-holders' Equity
BALANCE JUNE 30, 2018	2,498,093	$4,009	$967	$63,846	($1,204)	($14,749)	($99,217)	$98,641	$590	$52,883
Impact of adoption of new accounting standards						(326)		(200)	(27)	(553)
Net earnings								9,138	65	9,203
Other comprehensive income/(loss)						107			—	107
Dividends and dividend										

equivalents ($2.1516 per share):										
Common								(5,380)		(5,380)
Preferred, net of tax benefits								(195)		(195)
Treasury stock purchases	(37,282)						(3,253)			(3,253)
Employee stock plans	43,586			(110)			2,957			2,847
Preferred stock conversions	3,933		(34)	5			29			—
ESOP debt impacts					59			99		158
Noncontrolling interest, net				(117)					(148)	(265)
BALANCE MARCH 31, 2019	2,508,330	$4,009	$933	$63,624	($1,145)	($14,968)	($99,484)	$102,103	$480	$55,552

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (cont.)

Three Months Ended March 31, 2018

Dollars in millions; shares in thousands	Common Stock Shares	Common Stock Amount	Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumu-lated Other Comp-rehensive Income/(Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Share-holders' Equity
BALANCE DECEMBER 31, 2017	2,521,004	$4,009	$986	$63,757	($1,229)	($14,171)	($97,121)	$97,881	$609	$54,721
Net earnings								2,511	29	2,540
Other comprehensive income/(loss)						280			—	280
Dividends and dividend equivalents ($0.6896 per share):										
Common								(1,739)		(1,739)
Preferred, net of tax benefits								(74)		(74)
Treasury stock purchases	(16,506)						(1,381)			(1,381)
Employee stock plans	8,509			(42)			578			536
Preferred stock conversions	1,592		(14)	2			12			—
ESOP debt impacts					26			44		70
Noncontrolling interest, net									(7)	(7)
BALANCE MARCH 31, 2018	2,514,599	$4,009	$972	$63,717	($1,203)	($13,891)	($97,912)	$98,623	$631	$54,946

Nine Months Ended March 31, 2018

Dollars in millions; shares in thousands	Common Stock Shares	Common Stock Amount	Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumu-lated Other Comp-rehensive Income/(Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Share-holders' Equity
BALANCE JUNE 30, 2017	2,553,297	$4,009	$1,006	$63,641	($1,249)	($14,632)	($93,715)	$96,124	$594	$55,778
Net earnings								7,859	112	7,971
Other comprehensive income/(loss)						741			—	741
Dividends and dividend equivalents ($2.0688 per share):										

Common								(5,251)		(5,251)
Preferred, net of tax benefits								(198)		(198)
Treasury stock purchases	(63,242)						(5,634)			(5,634)
Employee stock plans	20,748			71			1,408			1,479
Preferred stock conversions	3,796		(34)	5			29			—
ESOP debt impacts					46			89		135
Noncontrolling interest, net									(75)	(75)
BALANCE MARCH 31, 2018	2,514,599	$4,009	$972	$63,717	($1,203)	($13,891)	($97,912)	$98,623	$631	$54,946

See accompanying Notes to Consolidated Financial Statements.

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

	Nine Months Ended March 31	
Amounts in millions	2019	2018
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	$2,569	$5,569
OPERATING ACTIVITIES		
Net earnings	9,203	7,971
Depreciation and amortization	2,004	2,084
Share-based compensation expense	299	249
Deferred income taxes	(24)	(1,826)
Gain on sale of assets	(370)	(187)
Changes in:		
Accounts receivable	(549)	(450)
Inventories	(601)	(457)
Accounts payable, accrued and other liabilities	1,441	752
Other operating assets and liabilities	(537)	2,331
Other	225	201
TOTAL OPERATING ACTIVITIES	11,091	10,668
INVESTING ACTIVITIES		
Capital expenditures	(2,533)	(2,810)
Proceeds from asset sales	22	246
Acquisitions, net of cash acquired	(3,943)	(108)
Purchases of short-term investments	(159)	(3,770)
Proceeds from sales and maturities of short-term investments	2,535	2,790
Change in other investments	(59)	44
TOTAL INVESTING ACTIVITIES	(4,137)	(3,608)
FINANCING ACTIVITIES		
Dividends to shareholders	(5,561)	(5,449)
Change in short-term debt	(1,832)	(1,259)
Additions to long-term debt	2,368	5,072
Reductions of long-term debt	(1,002)	(1,402)
Treasury stock purchases	(3,253)	(5,634)
Impact of stock options and other	2,590	1,158
TOTAL FINANCING ACTIVITIES	(6,690)	(7,514)
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(95)	211
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	169	(243)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	$2,738	$5,326

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, 2018 and the Form 8-K filed October 22, 2018 to update the Form 10-K to revise disclosures to reflect the adoption of the Financial Accounting Standards Board (FASB) ASU 2017-07 and 2016-18. For additional details on the impacts of adoption, see Note 2. 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 and U.S. Tax Reform

On July 1, 2018, we adopted ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." This guidance outlines a single, comprehensive model of accounting for revenue from contracts with customers. We adopted the standard using the modified retrospective transition method, under which prior periods were not revised to reflect the impacts 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. Accordingly, the timing of revenue recognition is not materially impacted by the new standard. Trade promotions, consisting primarily of customer pricing allowances, in-store merchandising funds, advertising and other promotional activities, and consumer coupons, are offered through various programs to customers and consumers. The adoption of the new standard impacts the accrual timing for certain portions of our customer and consumer promotional spending, which resulted in a cumulative reduction to Retained earnings of $534, net of tax, on the date of adoption. The provisions of the new standard also impact the classification of certain payments to customers, moving an immaterial amount of such payments from expense to a deduction from net sales. Had this standard been effective and adopted during fiscal 2018, the impact would have been to reclassify $232 from Selling, General and Administrative expense (SG&A) to a reduction of Net sales for the nine months ended March 31, 2018 and $309 for the year ended June 30, 2018, with no impact to operating profit. This guidance included practical expedients, none of which are material to our Consolidated Financial Statements. This new guidance does not have any other material impacts on our Consolidated Financial Statements, including financial disclosures.

On July 1, 2018, we adopted 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 adopted the standard retrospectively, using the practical expedient which allows entities to use information previously disclosed in their pension and other postretirement benefit plans footnote as the basis to apply the retrospective presentation requirements. As such, prior periods’ results have been revised to report the other components of net defined benefit costs, previously reported in Cost of products sold and SG&A, in Other non-operating income, net.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows: Restricted Cash (Topic 230)." This guidance requires the Statement of Cash Flows to present changes in the total of cash, cash equivalents and restricted cash. Prior to the adoption of this ASU, the relevant accounting guidance did not require the Statement of Cash Flows to include changes in restricted cash. We adopted the standard retrospectively on July 1, 2018. We currently have no significant restricted cash balances. Historically, we had restricted cash balances and changes related to divestiture activity. Such balances were presented as Current assets held for sale on the balance sheets, with changes presented as Investing activities on the Statements of Cash Flow. In accordance with ASU 2016-08, such balances are now included in the beginning and ending balances of Cash, cash equivalents and restricted cash for all periods presented.

In February 2018, the FASB issued ASU 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (Topic 220)." This guidance permits companies to make an election to reclassify stranded tax effects from the recently enacted U.S. Tax Cuts and Jobs Act included in Accumulated other comprehensive income/(loss) (AOCI) to Retained earnings. ASU 2018-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The Company elected to early adopt this guidance in the quarter ended September 30, 2018. The reclassification from the adoption of this standard resulted in an increase of $326 to Retained earnings and a decrease of $326 to AOCI.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity transfers of Assets other than Inventory." The standard eliminates the prohibition in ASC 740 against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. We have adopted this standard effective July 1, 2018 on a modified

Amounts in millions of dollars unless otherwise specified.

retrospective basis. The adoption of ASU 2016-16 did not have a material impact on our Consolidated Financial Statements, including the cumulative effect adjustment required upon adoption.

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. In July 2018, the FASB issued ASU 2018-11, “Leases (Topic 842) Targeted Improvements”. The updated guidance provides an optional transition method, which allows for the application of the standard as of the adoption date with no restatement of prior period amounts. We plan to adopt the standard on July 1, 2019 under the optional transition method described above. We are currently in the process of implementing lease accounting software as well as 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.

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.

U.S. Tax Reform

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "U.S. Tax Act"). The U.S. Tax Act significantly revises the future ongoing U.S. corporate income tax by, among other things, lowering the U.S. corporate income tax rates and implementing a hybrid territorial tax system. As the Company has a June 30 fiscal year-end, the lower corporate income tax rate was phased in, resulting in a U.S. statutory federal rate of approximately 28% for our fiscal year ended June 30, 2018, and 21% for subsequent fiscal years. However, the U.S. Tax Act eliminated the domestic manufacturing deduction and moved to a hybrid territorial system, which also largely eliminated the ability to credit certain foreign taxes that existed prior to enactment of the U.S. Tax Act.

There are also certain transitional impacts of the U.S. Tax Act. As part of the transition to the new hybrid territorial tax system, the U.S. Tax Act imposed a one-time repatriation tax on deemed repatriation of historical earnings of foreign subsidiaries. In addition, the reduction of the U.S. corporate tax rate caused us to adjust our U.S. deferred tax assets and liabilities to the lower federal base rate of 21%. These transitional impacts resulted in a provisional net charge of $602 million for the fiscal year ended June 30, 2018, and $650 million for the nine months ended March 31, 2018, comprised of a repatriation tax charge of $3.9 billion (comprised of U.S. repatriation taxes and foreign withholding taxes) and a net deferred tax benefit of $3.2 billion. We finalized our assessment of the transitional impacts of the U.S. Tax Act during the quarter ended December 31, 2018 and there was no significant impact on tax expense during the nine months ended March 31, 2019. Any legislative changes, as well as any other new or proposed Treasury regulations, which have yet to be issued, may result in additional income tax impacts which could be material in the period any such changes are enacted.

3. Segment Information

Under U.S. GAAP, our Global Business Units (GBUs) are aggregated into five reportable segments: 1) Beauty, 2) Grooming, 3) Health Care, 4) Fabric & Home Care and 5) Baby, Feminine & Family Care. Our five reportable segments are comprised of:

- Beauty: Hair Care (Conditioner, Shampoo, Styling Aids, Treatments); Skin and Personal Care (Antiperspirant and Deodorant, Personal Cleansing, Skin Care);
- Grooming: Shave Care (Female Blades & Razors, Male Blades & Razors, Pre- and Post-Shave Products, Other Shave Care); Appliances

- Health Care: Oral Care (Toothbrushes, Toothpaste, Other Oral Care); Personal Health Care (Gastrointestinal, Rapid Diagnostics, Respiratory, Vitamins/Minerals/Supplements, Other Personal Health Care);
- Fabric & Home Care: Fabric Care (Fabric Enhancers, Laundry Additives, Laundry Detergents); Home Care (Air Care, Dish Care, P&G Professional, Surface Care); and
- Baby, Feminine & Family Care: Baby Care (Baby Wipes, Diapers and Pants); Feminine Care (Adult Incontinence, Feminine Care); Family Care (Paper Towels, Tissues, Toilet Paper).

Amounts in millions of dollars unless otherwise specified.

Our business units are comprised of similar product categories. Nine business units individually accounted for 5% or more of consolidated net sales as follows:

	% of Net sales by Business Unit [1]			
	Three Months Ended March 31		Nine Months Ended March 31	
	2019	2018	2019	2018
Fabric Care	22%	22%	23%	22%
Baby Care	12%	13%	12%	13%
Home Care	11%	11%	10%	10%
Skin and Personal Care	10%	9%	10%	9%
Hair Care	9%	10%	9%	10%
Family Care	8%	8%	9%	8%
Oral Care	8%	8%	8%	8%
Shave Care	8%	8%	8%	8%
Feminine Care	6%	6%	6%	6%
All Other	6%	5%	5%	6%
Total	100%	100%	100%	100%

[1] % of Net sales by business unit excludes sales held in Corporate.

Following is a summary of reportable segment results:

		Three Months Ended March 31			Nine Months Ended March 31		
		Net Sales	Earnings/(Loss) Before Income Taxes	Net Earnings	Net Sales	Earnings/(Loss) Before Income Taxes	Net Earnings
Beauty	2019	$3,061	$ 675	$ 551	$9,707	$ 2,586	$ 2,082
	2018	2,934	642	488	9,305	2,331	1,775
Grooming	2019	1,424	329	344	4,603	1,194	1,062
	2018	1,550	422	334	4,903	1,367	1,086
Health Care	2019	2,115	462	358	6,180	1,571	1,210
	2018	1,934	467	305	6,048	1,590	1,065
Fabric & Home Care	2019	5,382	1,114	847	16,427	3,392	2,584
	2018	5,262	1,001	635	16,079	3,281	2,118
Baby, Feminine & Family Care	2019	4,357	861	653	13,305	2,693	2,052
	2018	4,458	852	539	13,616	2,749	1,766
Corporate	2019	123	(163)	23	368	(302)	213
	2018	143	(131)	239	378	(281)	161
Total Company	2019	$16,462	$ 3,278	$ 2,776	$50,590	$ 11,134	$ 9,203
	2018	16,281	3,253	2,540	50,329	11,037	7,971

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, 2018	$12,992	$19,820	$5,929	$1,865	$4,569	$45,175
Acquisitions and divestitures	132	—	1,960	6	57	2,155
Translation and other	(202)	(212)	(81)	(18)	(64)	(577)
Goodwill at March 31, 2019	$12,922	$19,608	$7,808	$1,853	$4,562	$46,753

Amounts in millions of dollars unless otherwise specified.

Goodwill from current year acquisitions primarily reflects the acquisition of the over-the-counter (OTC) healthcare business of Merck KGaA (Merck OTC) in the Health Care reportable segment (see Note 11), along with other minor acquisitions in the Beauty, Baby, Feminine & Family Care and Fabric & Home Care reportable segments. Goodwill increases due to acquisitions was partially offset by the divestiture of the Teva portion of the PGT business in the Health Care reportable segment and currency translation.

Identifiable intangible assets at March 31, 2019 were comprised of:

	Gross Carrying Amount	Accumulated Amortization
Intangible assets with determinable lives	$ 8,586	$ (5,338)
Intangible assets with indefinite lives	22,588	—
Total identifiable intangible assets	$ 31,174	$ (5,338)

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 March 31, 2019 and 2018 was $98 and $75, respectively. For the nine months ended March 31, 2019 and 2018, the amortization expense of intangible assets was $252 and $227, respectively.

Goodwill and indefinite lived intangible assets are not amortized, but are tested annually for impairment. 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. Our annual impairment testing for goodwill and indefinite lived intangible assets occurs during the 3 months ended December 31. Because of the relative size of the cushions in the Shave Care reporting unit and related Gillette indefinite-lived intangible asset, as discussed in the following paragraph, and the business unit performance, we updated our step-one impairment test during the quarter ended March 31, 2019.

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 equal or exceed the underlying carrying values. However, the overall Shave Care goodwill cushion and related Gillette indefinite-lived intangible asset cushion have been reduced in recent years, with the fair values in the current year being reduced to amounts that approximate the reporting unit's carrying value and indefinite lived intangible. These reductions are due in large part to an increased competitive market environment in the U.S. and certain other markets, 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, which collectively have resulted in reduced cash flow projections. The current year reduction in the fair value was primarily caused by further currency devaluations, along with competitive activities. As a result of these factors and the reduction in the fair values and related cushions, goodwill for the Shave Care reporting unit and the related 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 net sales and earnings growth rates (including residual growth rates) 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, the 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. Spot rates as of the fair value measurement date are utilized in our fair value estimates for cash flows outside the U.S.

Amounts in millions of dollars unless otherwise specified.

While management can and has implemented strategies to address these events, 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 would trigger future impairment charges of the reporting unit's goodwill and indefinite-lived intangibles. As of March 31, 2019, the carrying values of Shave Care goodwill and the Gillette indefinite-lived intangible asset were $19.3 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 shorter term and residual growth rates 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 25 basis point increase to discount rate or a 25 basis point decrease to our shorter-term and residual growth rates, both of which would result in impairment charges.

	Approximate Percent Change in Estimated Fair Value	
	+25 bps Discount Rate	-25 bps Growth Rate
Shave Care goodwill reporting unit	(6)%	(6)%
Gillette indefinite-lived intangible asset	(6)%	(6)%

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 using the treasury stock method, 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:

CONSOLIDATED AMOUNTS	Three Months Ended March 31		Nine Months Ended March 31	
	2019	2018	2019	2018
Net earnings	$2,776	$2,540	$9,203	$7,971
Less: Net earnings attributable to noncontrolling interests	31	29	65	112
Net earnings attributable to P&G (Diluted)	2,745	2,511	9,138	7,859