

The Procter & Gamble Company Regulation G Reconciliation of Non-GAAP Measures

In accordance with the SEC's Regulation G, the following provides definitions of the non-GAAP measures used in Procter & Gamble's October 19, 2021 earnings call, associated slides, and other materials and the reconciliation to the most closely related GAAP measure. Management believes that these non-GAAP measures provide useful perspective on underlying business trends and provide a supplemental measure of period-to-period financial results. Disclosing these non-GAAP financial measures allows investors and management to view our operating results excluding the impact of items that are not reflective of the underlying operating performance. Management uses these non-GAAP measures in making operating decisions, allocating financial resources and for business strategy purposes. Certain of these measures are also used to evaluate senior management and are a factor in determining their at-risk compensation. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the company's reported results prepared in accordance with GAAP results. Our non-GAAP financial measures do not represent a comprehensive basis of accounting. Therefore, our non-GAAP financial measures may not be comparable to similarly titled measures reported by other companies. The Company is not able to reconcile its forward-looking non-GAAP cash flow and tax rate measures because the Company cannot predict the timing and amounts of discrete items such as acquisition and divestitures, which could significantly impact GAAP results.

The measures provided are as follows:

1. Organic sales growth — page 3
2. Core EPS and currency-neutral Core EPS — page 5
3. Core gross margin and currency-neutral Core gross margin — page 6
4. Core operating profit margin and currency-neutral Core operating profit margin — page 6
5. Adjusted free cash flow productivity — page 6

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 historically had an ongoing level of restructuring activities. Such activities have resulted in ongoing annual restructuring related charges of approximately \$250 - \$500 million before tax. Beginning in 2012, the Company had a strategic productivity and cost savings initiative that resulted in incremental restructuring charges. The adjustment to Core earnings includes only the restructuring costs above what we believe are the normal recurring level of restructuring costs. In fiscal 2021 and onwards, the Company incurred restructuring costs within our historical ongoing level.
- Transitional Impact of U.S. Tax Act: In December 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "U.S. Tax Act"). This resulted in a net charge of \$602 million for the fiscal year 2018. The adjustment to Core earnings only includes this transitional impact. It does not include the ongoing impacts of the lower U.S. statutory rate on the respective years' earnings.
- Early debt extinguishment charges: In the three months ended December 31, 2020, the company recorded after tax charges of \$427 million (\$512 million before tax), due to early extinguishment of certain long-term debt. These charges represent the difference between the reacquisition price and the par value of the debt extinguished.

We do not view the above 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 and divestitures, the impact from the July 1, 2018 adoption of new accounting standards for "Revenue from Contracts with Customers", the impact from India Goods and Services Tax changes (which were effective on July 1, 2017), the impact of Venezuela deconsolidation in 2016 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. This measure is used in assessing achievement of management goals for at-risk compensation.

Core EPS and currency-neutral 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. Currency-neutral Core EPS is a measure of the Company's Core EPS excluding the incremental current year impact of foreign exchange.

Core gross margin: Core gross margin is a measure of the Company's gross margin adjusted for items as indicated. For the three months ended September 30, 2021 compared with the three months ended September 30, 2020, there are no adjustments to or reconciling items for gross margin.

Currency-neutral Core gross margin: Currency-neutral Core gross margin is a measure of the Company's Core gross margin excluding the incremental current year impact of foreign exchange.

Core operating profit margin*: Core operating profit margin is a measure of the Company's operating margin adjusted for items as indicated. For the three months ended September 30, 2021 compared with the three months ended September 30, 2020, there are no adjustments to or reconciling items for operating profit margin.

Currency-neutral Core operating profit margin*: Currency-neutral Core operating profit margin is a measure of the Company's Core operating profit margin excluding the incremental current year impact of foreign exchange.

Adjusted free cash flow: Adjusted free cash flow is defined as operating cash flow less capital spending and adjustments for items as indicated. Adjusted free cash flow represents the cash that the Company is able to generate after taking into account planned maintenance and asset expansion. Management views adjusted free cash flow as an important measure because it is one factor used in determining the amount of cash available for dividends, share repurchases, acquisitions and other discretionary investment.

Adjusted free cash flow productivity*: Adjusted free cash flow productivity is defined as the ratio of adjusted free cash flow to net earnings. Management views adjusted free cash flow productivity as a useful measure to help investors understand P&G's ability to generate cash. This measure 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.

* Measure is used to evaluate senior management and is a factor in determining their at-risk compensation.

1. Organic sales growth:

Three Months Ended September 30, 2021	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other*	Organic Sales Growth
Beauty	5%	(3)%	-%	2%
Grooming	5%	(1)%	-%	4%
Health Care	8%	(1)%	-%	7%
Fabric Care & Home Care	5%	(1)%	1%	5%
Baby, Feminine & Family Care	3%	(1)%	-%	2%
Total P&G	5%	(1)%	-%	4%

* Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures and rounding impacts necessary to reconcile net sales to organic sales.

Organic Sales

Prior Quarters

Total Company	Net Sales Growth	Foreign Exchange Impact	Acquisition/ Divestiture Impact/Other*	Organic Sales Growth
JAS 2020	9%	1%	(1)%	9%
OND 2020	8%	-%	-%	8%
JFM 2021	5%	(1)%	-%	4%
AMJ 2021	7%	(3)%	-%	4%

* Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures and rounding impacts necessary to reconcile net sales to organic sales.

Organic Sales
Prior Quarters Beauty

Total Beauty	Net Sales Growth	Foreign Exchange Impact	Acquisition/Divestiture Impact/Other*	Organic Sales Growth
OND 2015	(10)%	7%	4%	1%
JFM 2016	(8)%	5%	4%	1%
AMJ 2016	(5)%	3%	3%	1%
JAS 2016	(1)%	2%	2%	3%
OND 2016	(1)%	2%	2%	3%
JFM 2017	(2)%	1%	2%	1%
AMJ 2017	2%	2%	1%	5%
JAS 2017	5%	-%	-%	5%
OND 2017	10%	(1)%	-%	9%
JFM 2018	10%	(5)%	-%	5%
AMJ 2018	10%	(3)%	-%	7%
JAS 2018	5%	3%	(1)%	7%
OND 2018	4%	4%	-%	8%
JFM 2019	4%	5%	-%	9%
AMJ 2019	3%	5%	-%	8%
JAS 2019	8%	2%	-%	10%
OND 2019	7%	1%	-%	8%
JFM 2020	(1)%	2%	-%	1%
AMJ 2020	-%	4%	(1)%	3%
JAS 2020	7%	1%	(1)%	7%
OND 2020	6%	(1)%	-%	5%
JFM 2021	9%	(2)%	-%	7%
AMJ 2021	11%	(5)%	-%	6%

* Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures for all periods, the impact from the July 1, 2018 adoption of new accounting standards for "Revenue from Contracts with Customers", the impact of India Goods and Services Tax implementation in FY 2018, the impact of Venezuela deconsolidation in 2016 and rounding impacts necessary to reconcile net sales to organic sales.

Organic Sales
Guidance

Total Company	Net Sales Growth	Combined Foreign Exchange & Acquisition/Divestiture Impact/Other*	Organic Sales Growth
FY 2022 (Estimate)	+2% to +4%	-	+2% to +4%

* Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures and rounding impacts necessary to reconcile net sales to organic sales.

2. Core EPS and currency-neutral Core EPS:

		Three Months Ended September 30	
		2021	2020
Diluted Net EPS		\$1.61	\$1.63
<i>Percentage change vs. prior period</i>		(1)%	
Adjustments*		-	-
Core EPS		\$1.61	\$1.63
<i>Percentage change vs. prior period Core EPS</i>		(1)%	
Currency Impact to Earnings		(0.03)	
Currency-Neutral Core EPS		\$1.58	
<i>Percentage change vs. prior period Core EPS</i>		(3)%	

*For the three months ended September 30, 2021 compared with the three months ended September 30, 2020, there are no adjustments to or reconciling items for diluted net earnings per share.

	Core EPS <i>Prior Quarters</i>							
	JAS 20	JAS 19	OND 20	OND 19	JFM 21	JFM 20	AMJ 21	AMJ 20
Diluted Net Earnings Per Share attributable to P&G	\$1.63	\$1.36	\$1.47	\$1.41	\$1.26	\$1.12	\$1.13	\$1.07
Incremental Restructuring	-	0.01	-	0.01	-	0.05	-	0.09
Early Debt Extinguishment	-	-	0.16	-	-	-	-	-
Rounding	-	-	0.01	-	-	-	-	-
Core EPS	\$1.63	\$1.37	\$1.64	\$1.42	\$1.26	\$1.17	\$1.13	\$1.16
Percentage change vs. prior period	19%		15%		8%		(3)%	
Currency Impact to Earnings	0.04		0.03		-		(0.02)	
Currency-Neutral Core EPS	\$1.67		\$1.67		\$1.26		\$1.11	
Percentage change vs. prior period Core EPS	22%		18%		8%		(4)%	

Note – All reconciling items are presented net of tax. Tax effects are calculated consistent with the nature of the underlying transaction

		Core EPS <i>Guidance</i>	
Total Company	Diluted EPS Growth	Impact of Incremental Non-Core Items*	Core EPS Growth
FY 2022 (Estimate)	+6% to +9%	(3)%	+3% to +6%

* Includes impact of charges for early debt extinguishment in fiscal 2021.

3. Core gross margin:

	Three Months Ended September 30	
	2021	2020
Gross Margin	49.0%	52.7%
<i>Basis point change vs. prior year gross margin</i>	<i>(370)</i>	
Adjustments*	-	-
Core Gross Margin	49.0%	52.7%
<i>Basis point change vs. prior year Core gross margin</i>	<i>(370)</i>	
Currency Impact to Margin	(0.2)%	
Currency-Neutral Core Gross Margin	48.8%	
<i>Basis point change vs prior year Core gross margin</i>	<i>(390)</i>	

*For the three months ended September 30, 2021 compared with the three months ended September 30, 2020, there are no adjustments to or reconciling items for gross margin.

4. Core operating profit margin:

	Three Months Ended September 30	
	2021	2020
Operating Profit Margin	24.7%	27.3%
<i>Basis point change vs. prior year operating profit margin</i>	<i>(260)</i>	
Adjustments*	-	-
Core Operating Profit Margin	24.7%	27.3%
<i>Basis point change vs. prior year Core operating profit margin</i>	<i>(260)</i>	
Currency Impact Margin	(0.1)%	
Currency-Neutral Core Operating Profit Margin	24.6%	
<i>Basis point change vs. prior year operating profit margin</i>	<i>(270)</i>	

*For the three months ended September 30, 2021 compared with the three months ended September 30, 2020, there are no adjustments to or reconciling items for operating profit margin.

5. Adjusted free cash flow productivity (dollar amounts in millions):

Operating Cash Flow	Capital Spending	U.S. Tax Act Payment	Adjusted Free Cash Flow	Net Earnings	Adjusted Free Cash Flow Productivity
\$4,643	\$(1,091)	\$225	\$3,777	\$4,126	92%