

## 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 July 29, 2022 earnings call, associated slides, and other materials 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. Certain of 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 Company is not able to reconcile its forward-looking non-GAAP cash flow and effective 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:

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2. Core EPS and currency-neutral Core EPS — page 6
3. Core gross margin and currency-neutral Core gross margin — page 9
4. Core operating profit margin and currency-neutral Core operating profit margin — page 10
5. Free cash flow productivity and Adjusted free cash flow productivity — page 10

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.

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. Since 2012, the Company has 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 expects to incur 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.
- Charges for Certain European legal matters: Several countries in Europe issued separate complaints alleging that the Company, along with several other companies, engaged in violations of competition laws in prior periods. In 2016, the Company incurred after-tax charges of \$11 million to adjust legal reserves related to these matters.
- Venezuela deconsolidation charges: For accounting purposes, evolving conditions resulted in a lack of control over our Venezuelan subsidiaries. Therefore, in accordance with the applicable accounting standards for consolidation, effective June 30, 2015, we deconsolidated our Venezuelan subsidiaries and began accounting for our investment in those subsidiaries using the cost method of accounting. The charge was incurred to write off our net assets related to Venezuela.
- Venezuela B/S remeasurement & devaluation impacts: Venezuela is a highly inflationary economy under U.S. GAAP. Prior to deconsolidation, the government enacted episodic changes to currency exchange mechanisms and rates, which resulted in currency remeasurement charges for non-dollar denominated monetary assets and liabilities held by our Venezuelan subsidiaries.
- Gain on Dissolution of the PGT Healthcare Partnership: The Company finalized the dissolution of our PGT Healthcare partnership, a venture between the Company and Teva Pharmaceuticals Industries, Ltd (Teva) in the OTC consumer

healthcare business, in the quarter ended September 30, 2018. The transaction was accounted for as a sale of the Teva portion of the PGT business; the Company recognized an after-tax gain on the dissolution of \$353 million.

- Shave Care Impairment: In the fourth quarter of fiscal 2019, the company recognized a one-time, non-cash, after-tax charge of \$8.0 billion (\$8.3 billion before tax) to adjust the carrying values of the Shave Care reporting unit. This was comprised of a before and after-tax impairment charge of \$6.8 billion related to goodwill and an after-tax impairment charge of \$1.2 billion (\$1.6 billion before tax) to reduce the carrying value of the Gillette indefinite-lived intangible assets.
- Anti-dilutive Impacts: The Shave Care impairment charges caused certain equity instruments that are normally dilutive (and hence normally assumed converted or exercised for the purposes of determining diluted net earnings per share) to be anti-dilutive. Accordingly, for U.S. GAAP diluted earnings per share, these instruments were not assumed to be converted or exercised. Specifically, in the fourth quarter and total fiscal 2019, the weighted average outstanding preferred shares were not included in the diluted weighted average common shares outstanding. Additionally, in the fourth quarter of fiscal 2019, none of our outstanding share-based equity awards were included in the diluted weighted average common shares outstanding. As a result of the non-GAAP Shave Care impairment adjustment, these instruments are dilutive for non-GAAP earnings per share.
- 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. Management views the following non-GAAP measures as useful supplemental measures of Company performance and operating efficiency over time.

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.

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.

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.

Free cash flow and adjusted free cash flow: Free cash flow is defined as operating cash flow less capital spending. Adjusted free cash flow is defined as operating cash flow less capital spending and adjusted for the payment of the transitional tax resulting from the comprehensive U.S. legislation commonly referred to as the Tax Cuts and Jobs Act in December 2017 (the "U.S. Tax Act"). 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 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.

Free cash flow productivity and adjusted free cash flow productivity\*: Free cashflow productivity is defined as the ratio of free cash flow to net earnings. Adjusted free cash flow productivity is defined as the ratio of adjusted free cash flow to net earnings excluding the charges for early debt extinguishment (which are not considered part of our ongoing operations). Management views free cash flow productivity and adjusted free cash flow productivity as useful measures to help investors understand P&G's ability to generate cash. These measures are 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 June 30, 2022	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other*	Organic Sales Growth
Beauty	(1)%	3%	(2)%	-%
Grooming	(3)%	6%	-%	3%
Health Care	5%	4%	-%	9%
Fabric Care & Home Care	4%	5%	-%	9%
Baby, Feminine & Family Care	3%	3%	1%	7%
<b>Total P&amp;G</b>	<b>3%</b>	<b>4%</b>	<b>-%</b>	<b>7%</b>

\* 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.

Twelve Months Ended June 30, 2022	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other*	Organic Sales Growth
<b>Total P&amp;G</b>	<b>5%</b>	<b>2%</b>	<b>-%</b>	<b>7%</b>

\* 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 Fiscal Years

Total Company	Net Sales Growth	Foreign Exchange Impact	Acquisition/ Divestiture Impact/Other*	Organic Sales Growth
FY 2021	7%	(1)%	-%	6%
FY 2020	5%	2%	(1)%	6%
FY 2019	1%	4%	-%	5%
FY 2018	3%	(2)%	-%	1%
FY 2017	-%	2%	-%	2%
FY 2016	(8)%	6%	3%	1%

\* 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 Prior Quarters

Total Company	Net Sales Growth	Foreign Exchange Impact	Acquisition/ Divestiture Impact/Other*	Organic Sales Growth
JFM 2022	7%	3%	-%	10%
OND 2021	6%	-%	-%	6%
JAS 2021	5%	(1)%	-%	4%
AMJ 2021	7%	(3)%	-%	4%
JFM 2021	5%	(1)%	-%	4%
OND 2020	8%	-%	-%	8%
JAS 2020	9%	1%	(1)%	9%

\* 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**  
*Two- and Three-Year Stacked Growth*

<b>Total Company</b>	<b>Net Sales Growth</b>	<b>Foreign Exchange Impact</b>	<b>Acquisition &amp; Divestiture Impact/Other*</b>	<b>Organic Sales Growth</b>
Fiscal Year 2022	5%	2%	-%	7%
Fiscal Year 2021	7%	(1)%	-%	6%
<b>Past Two Years Stacked</b>	<b>12%</b>			<b>13%</b>
Fiscal Year 2020	5%	2%	(1)%	6%
<b>Past Three Years Stacked</b>	<b>17%</b>			<b>19%</b>

\* 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**  
*Guidance*

<b>Total Company</b>	<b>Net Sales Growth</b>	<b>Combined Foreign Exchange &amp; Acquisition/Divestiture Impact/Other*</b>	<b>Organic Sales Growth</b>
FY 2023 (Estimate)	+0% to +2%	+3%	+3% to +5%

\* 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 June 30	
	2022	2021
<b>Diluted Net Earnings Per Share</b>	<b>\$1.21</b>	<b>\$1.13</b>
<i>Percentage change vs. prior period</i>	7%	
Adjustments*	-	-
<b>Core EPS</b>	<b>\$1.21</b>	<b>\$1.13</b>
<i>Percentage change vs. prior period Core EPS</i>	7%	
Currency Impact to Earnings	0.06	
<b>Currency-Neutral Core EPS</b>	<b>\$1.27</b>	
<i>Percentage change vs. prior period Core EPS</i>	12%	

\* For the three months ended June 30, 2022 compared with the three months ended June 30, 2021, there are no adjustments to or reconciling items for diluted net earnings per share.

	Twelve Months Ended June 30	
	2022	2021
<b>Diluted Net Earnings Per Share</b>	<b>\$5.81</b>	<b>\$5.50</b>
<i>Percentage change vs. prior period</i>	6%	
Early Debt Extinguishment	-	0.16
<b>Core EPS</b>	<b>\$5.81</b>	<b>\$5.66</b>
<i>Percentage change vs. prior period</i>	3%	
Currency Impact to Earnings	0.11	
<b>Currency-Neutral Core EPS</b>	<b>\$5.92</b>	
<i>Percentage change vs. prior period Core EPS</i>	5%	

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

**Core EPS**  
*Prior Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
<b>Diluted Net Earnings Per Share from Continuing Operations, attributable to P&amp;G</b>	<b>\$5.50</b>	<b>\$4.96</b>	<b>\$1.43</b>	<b>\$ 3.67</b>	<b>\$ 3.69</b>	<b>\$ 3.49</b>	<b>\$ 2.84</b>
Incremental Restructuring		0.16	0.13	0.23	0.10	0.18	0.17
Early Debt Extinguishment Charges	0.16			0.09	0.13		
Transitional Impact of U.S. Tax Act				0.23			
Venezuela B/S Remeasurement and Devaluation Impacts							0.04
Charges for Pending European Legal Matters							0.01
Venezuela Deconsolidation Charges							0.71
Gain on PGT Dissolution			(0.13)				
Shave Care Impairment			3.03				
Anti-dilutive Impacts			0.06				
Rounding							(0.01)
<b>Core EPS</b>	<b>5.66</b>	<b>\$5.12</b>	<b>\$4.52</b>	<b>\$ 4.22</b>	<b>\$ 3.92</b>	<b>\$ 3.67</b>	<b>\$3.76</b>
<i>Percentage change vs. prior period</i>	<i>11%</i>	<i>13%</i>	<i>7%</i>	<i>8%</i>	<i>7%</i>	<i>(2)%</i>	
Currency Impact to Earnings	0.04	0.15	0.35	(0.05)	0.15	0.35	
<b>Currency-Neutral Core EPS</b>	<b>\$5.70</b>	<b>\$5.27</b>	<b>\$4.87</b>	<b>\$ 4.17</b>	<b>\$ 4.07</b>	<b>\$ 4.02</b>	
<i>Percentage change vs. prior period Core EPS</i>	<i>11%</i>	<i>17%</i>	<i>15%</i>	<i>6%</i>	<i>11%</i>	<i>7%</i>	

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

**Core EPS**  
*Prior Quarters*

	JAS 20	JAS 19	OND 20	OND 19	JFM 21	JFM 20	AMJ 21	AMJ 20	JAS 21	JAS 20	OND 21	OND 20	JFM 22	JFM 21
<b>Diluted Net Earnings Per Share attributable to P&amp;G</b>	<b>\$1.63</b>	<b>\$1.36</b>	<b>\$1.47</b>	<b>\$1.41</b>	<b>\$1.26</b>	<b>\$1.12</b>	<b>\$1.13</b>	<b>\$1.07</b>	<b>\$1.61</b>	<b>\$1.63</b>	<b>\$1.66</b>	<b>\$1.47</b>	<b>\$1.33</b>	<b>\$1.26</b>
Incremental Restructuring		0.01		0.01		0.05		0.09						
Gain on Dissolution of PGT Partnership														
Shave Care Impairment														
Anti-dilutive Impacts														
Early Debt Extinguishment			0.16									0.16		
Rounding			0.01									0.01		
<b>Core EPS</b>	<b>\$1.63</b>	<b>\$1.37</b>	<b>\$1.64</b>	<b>\$1.42</b>	<b>\$1.26</b>	<b>\$1.17</b>	<b>\$1.13</b>	<b>\$1.16</b>	<b>\$1.61</b>	<b>\$1.63</b>	<b>\$1.66</b>	<b>\$1.64</b>	<b>\$1.33</b>	<b>\$1.26</b>
<i>Percentage change vs. prior period</i>	<i>19%</i>		<i>15%</i>		<i>8%</i>		<i>(3)%</i>		<i>(1)%</i>		<i>1%</i>		<i>6%</i>	
Currency Impact to Earnings	0.04		0.03		-		(0.02)		(0.03)		(0.02)		0.05	
<b>Currency-Neutral Core EPS</b>	<b>\$1.67</b>		<b>\$1.67</b>		<b>\$1.26</b>		<b>\$1.11</b>		<b>\$1.58</b>		<b>\$1.68</b>		<b>\$1.38</b>	
<i>Percentage change vs. prior period Core EPS</i>	<i>22%</i>		<i>18%</i>		<i>8%</i>		<i>(4)%</i>		<i>(3)%</i>		<i>2%</i>		<i>10%</i>	

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

**Currency-neutral EPS**  
*Guidance*

<b>Total Company</b>	<b>Diluted EPS Growth</b>	<b>Impact of FX</b>	<b>Currency-neutral EPS Growth</b>
FY 2023 (Estimate)	+0% to +4%	6%	+6% to +10%



### 3. Core gross margin:

	Three Months Ended June 30	
	2022	2021
<b>Gross Margin</b>	<b>44.6%</b>	<b>48.3%</b>
<i>Basis point change vs. prior year gross margin</i>	<i>(370)</i>	
<i>Adjustments*</i>	-	-
<b>Core Gross Margin</b>	<b>44.6%</b>	<b>48.3%</b>
<i>Basis point change vs. prior year Core margin</i>	<i>(370)</i>	
<i>Currency Impact to Margin</i>	<i>0.4%</i>	
<b>Currency-Neutral Core Gross Margin</b>	<b>45.0%</b>	
<i>Basis point change vs prior year Core margin</i>	<i>(330)</i>	

\* For the three months ended June 30, 2022 compared with the three months ended June 30, 2021, there are no adjustments to or reconciling items for gross margin.

	Twelve Months Ended June 30	
	2022	2021
<b>Gross Margin</b>	<b>47.4%</b>	<b>51.2%</b>
<i>Basis point change vs. prior year gross margin</i>	<i>(380)</i>	
<i>Adjustments*</i>	-	-
<b>Core Gross Margin</b>	<b>47.4%</b>	<b>51.2%</b>
<i>Basis point change vs. prior year Core margin</i>	<i>(380)</i>	
<i>Currency Impact to Margin</i>	-	
<b>Currency-Neutral Core Gross Margin</b>	<b>47.4%</b>	
<i>Basis point change vs prior year Core margin</i>	<i>(380)</i>	

\* For the twelve months ended June 30, 2022 compared with the twelve months ended June 30, 2021, there are no adjustments to or reconciling items for gross margin.

#### 4. Core operating profit margin:

Three Months Ended June 30	
2022	2021
<b>Operating Profit Margin</b>	<b>18.4%</b>
<i>Basis point change vs. prior year Core margin</i>	<b>18.7%</b>
<i>Adjustments*</i>	(30)
	-
<b>Core Operating Profit Margin</b>	<b>18.4%</b>
<i>Basis point change vs. prior year Core margin</i>	<b>18.7%</b>
<i>Currency Impact Margin</i>	(30)
	0.5%
<b>Currency-Neutral Core Operating Profit Margin</b>	<b>18.9%</b>
<i>Basis point change vs. prior year Core Margin</i>	20

\* For the three months ended June 30, 2022 compared with the three months ended June 30, 2021, there are no adjustments to or reconciling items for gross margin.

Twelve Months Ended June 30	
2022	2021
<b>Operating Profit Margin</b>	<b>22.2%</b>
<i>Basis point change vs. prior year Core margin</i>	<b>23.6%</b>
<i>Adjustments*</i>	(140)
	-
<b>Core Operating Profit Margin</b>	<b>22.2%</b>
<i>Basis point change vs. prior year Core margin</i>	<b>23.6%</b>
<i>Currency Impact Margin</i>	(140)
	0.2%
<b>Currency-Neutral Core Operating Profit Margin</b>	<b>22.4%</b>
<i>Basis point change vs. prior year Core Margin</i>	(120)

\* For the twelve months ended June 30, 2022 compared with the twelve months ended June 30, 2021, there are no adjustments to or reconciling items for gross margin.

#### 5. Free cash flow productivity and adjusted free cash flow productivity (dollar amounts in millions):

Three Months Ended June 30, 2022				
Operating Cash Flow	Capital Spending	Free Cash Flow	Net Earnings	Free Cash Flow Productivity
\$3,713	\$(692)	<b>\$3,021</b>	\$3,058	<b>99%</b>

Twelve Months Ended June 30, 2022					
Operating Cash Flow	Capital Spending	U.S. Tax Act Payment	Adjusted Free Cash Flow	Net Earnings	Adjusted Free Cash Flow Productivity
\$16,723	\$(3,156)	\$225	<b>\$13,792</b>	\$14,793	<b>93%</b>