Measures Not Defined by U.S. GAAP

The following provides definitions of the non-GAAP measures used in Procter & Gamble's 2023 Annual Report 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.

Organic sales growth. Organic sales growth is a non-GAAP measure of sales growth excluding the impacts of the July 1, 2018, adoption of the new accounting standard for "Revenue from Contracts with Customers," acquisitions and divestitures and foreign exchange from year-over-year comparisons. We believe 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 the achievement of management goals for at-risk compensation.

The following tables provide a numerical reconciliation of organic sales growth to reported net sales growth:

FY	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other[1]	Organic Sales Growth
2023	2%	5%	–%	7%
2022	5%	2%	–%	7%
2021	7%	(1)%	–%	6%
2020	5%	2%	(1)%	6%
2019	1%	4%	–%	5%

(1) Acquisitions & Divestitures Impact/Other includes the volume and mix impact of acquisitions and divestitures, the impact from the July 1, 2018, adoption of the new accounting standard for "Revenue from Contracts with Customers" and rounding impacts necessary to reconcile net sales to organic sales.

Adjusted free cash flow. Adjusted free cash flow is defined as operating cash flow less capital spending and excluding payments for the transitional tax resulting from 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. We view 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 investments.

($ millions)	Operating Cash Flow	Capital Spending	Adjustments[2]	Adjusted Free Cash Flow
FY 2023	$16,848	$(3,062)	$225	$14,011

(2) Adjustments relate to tax payments for the transitional tax resulting from the U.S. Tax Act.

Adjusted free cash flow productivity. Adjusted free cash flow productivity is defined as the ratio of adjusted free cash flow to net earnings. We view adjusted free cash flow productivity as a useful measure to help investors understand P&G's ability to generate cash. Adjusted free cash flow productivity is used by management in making operating decisions, in allocating financial resources and for budget planning purposes. This measure is used in assessing the achievement of management goals for at-risk compensation.

($ millions)	Adjusted Free Cash Flow	Net Earnings	Adjusted Free Cash Flow Productivity
FY 2023	$14,011	$14,738	95%

Core EPS. Core EPS is a measure of the Company's diluted net earnings per common share excluding items that are not judged by management to be part of the Company's sustainable results or trends. Management views this non-GAAP measure as a useful supplemental measure of Company performance over time. This measure is also used in assessing the achievement of management goals for at-risk compensation. The table below provides a reconciliation of diluted net earnings per share to Core EPS, including the following reconciling items.

Charges for early debt extinguishment: During fiscal years 2021 and 2018, the Company recorded after-tax charges due to the early extinguishment of certain long-term debt. These charges represent the difference between the reacquisition price and the par value of the debt extinguished.

Incremental Restructuring: The Company has historically had an ongoing restructuring program with annual spending in the range of $250 to $500 million before tax. Starting in 2012 through fiscal 2020, 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 the normal recurring level of restructuring costs.

Gain on Dissolution of the PGT Healthcare Partnership: The Company dissolved our PGT Healthcare partnership, a venture between the Company and Teva Pharmaceuticals Industries, Ltd (Teva) in the OTC consumer healthcare business, during the year ended June 30, 2019. 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.

Shave Care Impairment: In fiscal 2019, the Company recognized a one-time, non-cash, after-tax charge of $8.0 billion to adjust the carrying value 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 to reduce the carrying value of the Gillette indefinite-lived intangible asset.

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 common share) to be anti-dilutive. Accordingly for U.S. GAAP diluted net earnings per common share, the instruments were not assumed to be converted or exercised. Specifically, in fiscal 2019, certain of our outstanding preferred shares and share-based equity awards were not included in the diluted weighted average common shares outstanding. As a result of the non-GAAP Shave Care impairment adjustment, these instruments were dilutive for non-GAAP earnings per share.

Transitional Impacts of the U.S. Tax Act: The U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "U.S. Tax Act") in December 2017. This resulted in a net charge for the fiscal year 2018. The adjustment to core earnings includes only this transitional impact. It does not include the ongoing impacts of the lower U.S. statutory rate on pre-tax earnings.

We do not view these items to be part of our sustainable results and their exclusion from Core earnings per share provides a more comparable measure of year-on-year results.

Years ended June 30	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Diluted net earnings per common share	**$5.90**	**$5.81**	**$5.50**	**$4.96**	**$1.43**	**$3.67**
Early debt extinguishment charges	–	–	$0.16	–	–	$0.09
Incremental restructuring charges	–	–	–	$0.16	$0.13	$0.23
Gain on dissolution of PGT Healthcare partnership	–	–	–	–	$(0.13)	–
Shave Care impairment	–	–	–	–	$3.03	–
Anti-dilutive impacts	–	–	–	–	$0.06	–
Transitional impacts of the U.S. Tax Act	–	–	–	–	–	$0.23
Core EPS	**$5.90**	**$5.81**	**$5.66**	**$5.12**	**$4.52**	**$4.22**
Core EPS growth vs. prior year	*2%*					
Currency Impact to Earnings	$0.55					
Currency neutral Core EPS	**$6.45**					
Currency neutral Core EPS growth	*11%*					
2018–2023 Core EPS growth	*40%*					