

Measures Not Defined by U.S. GAAP

In accordance with the SEC's Regulation G, the following provides definitions of the non-GAAP measures used in Procter & Gamble's 2021 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 a view of our business results through the eyes of management. Of these, certain 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 new accounting standard for "Revenue from Contracts with Customers," acquisitions, 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.

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
2021	7%	(1)%	-%	6%

(1) 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.

Quarter	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other ²	Organic Sales Growth
AMJ 2021	7%	(3)%	-%	4%
JFM 2021	5%	(1)%	-%	4%
OND 2020	8%	-%	-%	8%
JAS 2020	9%	1%	(1)%	9%
AMJ 2020	4%	3%	(1)%	6%
JFM 2020	5%	2%	(1)%	6%
JFM 2020 – AMJ 2021 Average				6%

(2) 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.

Quarter	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other ³	Organic Sales Growth
OND 2019	5%	1%	(1)%	5%
JAS 2019	7%	2%	(2)%	7%
AMJ 2019	4%	4%	(1)%	7%
JFM 2019	1%	5%	(1)%	5%
OND 2018	-%	4%	-%	4%
JAS 2018	-%	3%	1%	4%
JAS 2018 – OND 2019 Average				5%

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

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

Adjusted free cash flow and Adjusted free cash flow productivity* Adjusted free cash flow is defined as operating cash flow less capital spending and adjustments for items as indicated. 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. Adjusted free cash flow productivity is defined as the ratio of adjusted free cash flow to net earnings excluding charges not considered part of our ongoing operations as indicated. We view adjusted free cash flow productivity as a useful measure to help investors understand P&G's ability to generate cash.

(\$ millions)	Operating Cash Flow	Capital Spending	Adjustment ⁴	Adjusted Free Cash Flow
FY 2021	\$18,371	\$(2,787)	\$225	\$15,809

(4) Adjustment relates to tax payment for the transitional tax resulting from the U.S. Tax Act.

(\$ millions)	Adjusted Free Cash Flow	Net Earnings	Adjustment ⁵	Net Earnings excluding adjustments	Adjusted Free Cash Flow Productivity
FY 2021	\$15,809	\$14,352	\$427	\$14,779	107%

(5) Adjustment relates to charges for early debt extinguishment.

Core EPS* 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. The following table provides a reconciliation of diluted net earnings per share to Core EPS, including the following reconciling items.

Charges for early debt extinguishment: During fiscal 2021, 2018 and 2017, 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 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 through fiscal 2020. The adjustment to Core earnings includes only the restructuring costs above the normal recurring level of restructuring costs. In fiscal 2021, the Company incurred restructuring costs within our historical ongoing level.

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: As discussed in Note 4 to the Consolidated Financial Statements and in the Significant Accounting Policies and Estimates section of the MD&A in the Form 10-K included in this Annual Report, in the fourth quarter of fiscal 2019, the Company recognized a one-time, non-cash after-tax charge to adjust the carrying values of the Shave Care reporting unit. This was comprised of an impairment charge related to goodwill and an impairment charge to reduce the carrying value of the Gillette indefinite-lived intangible assets.

Anti-Dilutive Impacts: As discussed in Note 6 to the Consolidated Financial Statements in the Form 10-K included in this Annual Report, the Shave Care impairment charges caused preferred shares that are normally dilutive (and hence, normally assumed converted for purposes of determining diluted earnings per share) to be anti-dilutive. Accordingly for U.S. GAAP, the preferred shares were not assumed to be converted into common shares for diluted earnings per share and the related dividends paid to the preferred shareholders were deducted from net income to calculate earnings available to common shareholders. As a result of the non-GAAP Shave Care impairment adjustment, these instruments are dilutive for non-GAAP core earnings per share.

Transitional Impacts of the U.S. Tax Act: As discussed in Note 5 to the Consolidated Financial Statements in the Form 10-K included in this Annual Report, 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 only includes 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.

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

Years ended June 30	2021	2020	2019	2018	2017
Diluted net earnings per share from continuing operations	\$5.50	\$4.96	\$1.43	\$3.67	\$3.69
Early debt extinguishment charge	\$0.16	-	-	\$0.09	\$0.13
Incremental restructuring charges	-	\$0.16	\$0.13	\$0.23	\$0.10
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	\$5.66	\$5.12	\$4.52	\$4.22	\$3.92
Core EPS growth	11%				
Currency Impact to Core Earnings	\$0.04				
Currency neutral Core EPS	\$5.70				
Currency neutral Core EPS growth	11%				

Core EPS	AMJ 21	AMJ 20	JFM 21	JFM 20	OND 20	OND 19	JAS 20	JAS 19	AMJ 20	AMJ 19	JFM 20	JFM 19
Diluted net earnings per share from continuing operations	\$1.13	\$1.07	\$1.26	\$1.12	\$1.47	\$1.41	\$1.63	\$1.36	\$1.07	\$(2.12)	\$1.12	\$1.04
Early debt extinguishment charge					\$0.16			\$0.01				
Incremental restructuring charges		\$0.09		\$0.05		\$0.01			\$0.09	\$0.06	\$0.05	\$0.02
Shave Care impairment										\$3.02		
Anti-dilutive impacts										\$0.14		
Rounding					\$0.01							
Core EPS	\$1.13	\$1.16	\$1.26	\$1.17	\$1.64	\$1.42	\$1.63	\$1.37	\$1.16	\$1.10	\$1.17	\$1.06
Percentage change vs. prior year period	(3)%		8%		15%		19%		5%		10%	
Core EPS average growth	9%											

Core EPS	OND 19	OND 18	JAS 19	JAS 18	AMJ 19	AMJ 18	JFM 19	JFM 18
Diluted net earnings per share from continuing operations	\$1.41	\$1.22	\$1.36	\$1.22	\$(2.12)	\$0.72	\$1.04	\$0.95
Early debt extinguishment charge						\$0.09		
Incremental restructuring charges	\$0.01	\$0.03	\$0.01	\$0.03	\$0.06	\$0.14	\$0.02	\$0.04
Gain on dissolution of PGT Healthcare partnership				\$(0.14)				
Shave Care impairment					\$3.02			
Anti-dilutive impacts					\$0.14			
Transitional impacts of the U.S. Tax Act						\$(0.02)		\$0.01
Rounding				\$0.01		\$0.01		
Core EPS	\$1.42	\$1.25	\$1.37	\$1.12	\$1.10	\$0.94	\$1.06	\$1.00
Percentage change vs. prior year period	14%		22%		17%		6%	
Core EPS average growth	15%							

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