Measures Not Defined by U.S. GAAP

The following provides definitions of the non-GAAP measures used in Procter & Gamble's 2025 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. Note that certain columns and rows may not add due to rounding.

Organic sales growth. Organic sales growth is a non-GAAP measure of sales growth excluding the impacts of 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:

Period	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other[1]	Organic Sales Growth
FY 2025	–%	1%	1%	2%
Q4 FY 2025	2%	–%	–%	2%
Q3 FY 2025	(2)%	2%	1%	1%
Q2 FY 2025	2%	–%	1%	3%
Q1 FY 2025	(1)%	1%	2%	2%
Q4 FY 2024	–%	2%	–%	2%
Q3 FY 2024	1%	2%	–%	3%
Q2 FY 2024	3%	1%	–%	4%
Q1 FY 2024	6%	1%	–%	7%
Q4 FY 2023	5%	3%	–%	8%
Q3 FY 2023	4%	4%	(1)%	7%
Q2 FY 2023	(1)%	6%	–%	5%
Q1 FY 2023	1%	6%	–%	7%
Q4 FY 2022	3%	4%	–%	7%
Q3 FY 2022	7%	3%	–%	10%
Q2 FY 2022	6%	–%	–%	6%
Q1 FY 2022	5%	(1)%	–%	4%
Q4 FY 2021	7%	(3)%	–%	4%
Q3 FY 2021	5%	(1)%	–%	4%
Q2 FY 2021	8%	–%	–%	8%
Q1 FY 2021	9%	1%	(1)%	9%
Q4 FY 2020	4%	3%	(1)%	6%
Q3 FY 2020	5%	2%	(1)%	6%
Q2 FY 2020	5%	1%	(1)%	5%
Q1 FY 2020	7%	2%	(2)%	7%

Period	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other[1]	Organic Sales Growth
Q4 FY 2019	4%	4%	(1)%	7%
Q3 FY 2019	1%	5%	(1)%	5%
Q2 FY 2019	–%	4%	–%	4%
Q1 FY 2019	–%	3%	1%	4%
Q4 FY 2018	3%	(2)%	–%	1%
Q3 FY 2018	4%	(4)%	1%	1%
Q2 FY 2018	3%	(1)%	–%	2%
Q1 FY 2018	1%	–%	–%	1%
Q4 FY 2017	–%	2%	–%	2%
Q3 FY 2017	(1)%	2%	–%	1%
Q2 FY 2017	–%	2%	–%	2%
Q1 FY 2017	–%	3%	–%	3%
Q4 FY 2016	(3)%	3%	2%	2%
Q3 FY 2016	(7)%	5%	3%	1%
Q2 FY 2016	(9)%	8%	3%	2%

(1) Acquisitions & Divestitures Impact/Other includes the volume and mix impact of acquisitions and divestitures 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 2017 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	2017 U.S. Tax Act Payments	Adjusted Free Cash Flow
FY 2025	$17,817	$(3,773)	$562	$14,606

Adjusted free cash flow productivity. Adjusted free cash flow productivity is defined as the ratio of adjusted free cash flow to net earnings excluding a non-cash charge for accumulated foreign currency translation losses due to the substantial liquidation of operations in Argentina. 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	Adjustments to Net Earnings[2]	Net Earnings as Adjusted	Adjusted Free Cash Flow Productivity
FY 2025	$14,606	$16,065	$752	$16,817	87%

(2) Adjustments to Net Earnings relate to a non-cash charge for accumulated foreign currency translation losses due to the substantial liquidation of operations in Argentina.

Core EPS and currency-neutral Core EPS. Core net earnings per share, or 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. Currency-neutral EPS is a measure of the Company's Core EPS excluding the incremental current year impact of foreign exchange. Management views these non-GAAP measures as useful supplemental measures of Company performance over time. The Core earnings measures included in the following reconciliation tables refer to the equivalent GAAP measures adjusted as applicable for the following items:

<u>Incremental Restructuring</u>: The Company has historically had an ongoing restructuring program with annual spending in the range of $250 to $500 million before tax. In the fiscal year ended June 30, 2024, the Company started a limited market portfolio restructuring of its business operations, primarily in certain Enterprise Markets, including Argentina and Nigeria, to address challenging macroeconomic and fiscal conditions. During the period ended September 30, 2024, the Company completed this limited market portfolio restructuring with the substantial liquidation of its operations in Argentina. Beginning fiscal 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 the restructuring charges that exceed the normal, recurring level of restructuring charges.

<u>Intangible asset impairment</u>: During fiscal 2024, the Company recognized a non-cash, after-tax impairment charge of $1.0 billion ($1.3 billion before tax) to adjust the carrying value of the Gillette indefinite-lived intangible asset acquired as part of the Company's 2005 acquisition of The Gillette Company. In fiscal 2019, the Company recognized a one-time, non-cash, after-tax charge of $8.0 billion 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 to reduce the carrying value of the Gillette indefinite-lived intangible assets.

<u>Early debt extinguishment charge</u>: In 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.

<u>Transitional impact of the 2017 U.S. Tax Act</u>: 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 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.

<u>Gain on Dissolution of PGT Partnership</u>: The Company dissolved our PGT Healthcare partnership, a venture between the Company and Teva Pharmaceuticals Industries, Ltd (Teva) in the OTC consumer healthcare business, in fiscal 2019. The transaction was accounted for as a sale of the Teva portion of the PGT business and the Company recognized an after-tax gain on the dissolution.

<u>Anti-dilutive Impacts</u>: The Shave Care impairment charges in fiscal 2019 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, certain of our 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 are dilutive for non-GAAP earnings per share.

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	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Diluted Net Earnings Per Common Share from Continuing Operations, attributable to P&G	**$6.51**	**$6.02**	**$5.90**	**$5.81**	**$5.50**	**$4.96**	**$1.43**	**$3.67**	**$3.69**	**$3.49**
Incremental restructuring charges	$0.33	$0.15	–	–	–	$0.16	$0.13	$0.23	$0.10	$0.18
Intangible asset impairment	–	$0.42	–	–	–	–	$3.03	–	–	–
Early debt extinguishment charge	–	–	–	–	$0.16	–	–	$0.09	$0.13	–
Transitional Impacts of the 2017 U.S. Tax Act	–	–	–	–	–	–	–	$0.23	–	–
Gain on Dissolution of PGT Partnership	–	–	–	–	–	–	$(0.13)	–	–	–
Anti-Dilutive Impacts	–	–	–	–	–	–	$0.06	–	–	–
Core EPS	**$6.83**	**$6.59**	**$5.90**	**$5.81**	**$5.66**	**$5.12**	**$4.52**	**$4.22**	**$3.92**	**$3.67**
Core EPS growth vs. prior year	*4%*	*12%*	*2%*	*3%*	*11%*	*13%*	*7%*	*8%*	*7%*	
Currency Impact to Earnings	$0.02									
Currency-neutral Core EPS	**$6.85**									
Currency neutral Core EPS growth	4%									