

Measures Not Defined by U.S. GAAP

The following provides definitions of the non-GAAP measures used in Procter & Gamble's 2024 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 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:

Fiscal Year	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other ¹	Organic Sales Growth
2024	2%	2%	-9%	4%
2023	2%	5%	-9%	7%
2022	5%	2%	-9%	7%
2021	7%	(1)%	-9%	6%
2020	5%	2%	(1)%	6%
2019	1%	4%	-9%	5%

(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 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 2024	\$19,846	\$(3,322)	\$422	\$16,946

(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 excluding the Gillette intangible asset impairment charge and non-cash charge for accumulated foreign currency translation losses related to the substantial liquidation of operations in certain Enterprise Markets, including Nigeria. 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 ³	Net Earnings as Adjusted	Adjusted Free Cash Flow Productivity
FY 2024	\$16,946	\$14,974	\$1,242	\$16,216	105%

(3) Adjustments to Net Earnings relate to the Gillette intangible asset impairment charge (\$1 billion) and non-cash charge for accumulated foreign currency translation losses (\$216 million) due to the exit of operations in certain Enterprise Markets, including Nigeria.

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 table below provides a reconciliation of diluted net earnings per share to Core EPS and currency-neutral Core EPS, including the following reconciling items.

Charges for early debt extinguishment: During fiscal 2021, 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. During fiscal 2024, the Company announced a limited market portfolio restructuring of its business operations, primarily in certain Enterprise Markets, including Argentina and Nigeria. The adjustment to Core earnings includes only the restructuring costs above the normal recurring level of restructuring costs.

Intangible asset impairment: 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.

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	2024	2023	2022	2021	2020
Diluted net earnings per common share	\$6.02	\$5.90	\$5.81	\$5.50	\$4.96
Early debt extinguishment charge	-	-	-	\$0.16	-
Incremental restructuring charges	\$0.15	-	-	-	\$0.16
Intangible asset impairment	\$0.42	-	-	-	-
Core EPS	\$6.59	\$5.90	\$5.81	\$5.66	\$5.12
Core EPS growth vs. prior year	12%				
Currency Impact to Earnings	\$0.23				
Currency-neutral Core EPS	\$6.82				
Currency neutral Core EPS growth	16%				