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 2020 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. 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," the impact of India Goods and Services Tax (GST) in fiscal 2018, 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	Acquisitions & Divestitures Impact/Other[1]	Organic Sales Growth	Past 2 Years Stacked Organic Growth
2020	5%	2%	-1%	6%	11%
2019	1%	4%	-%	5%	6%
2018	3%	(2)%	-%	1%	3%
2017	-%	2%	-%	2%	

(1) Acquisitions & Divestitures Impact/Other includes the volume and mix impact of acquisitions and divestitures, the impact from the July 1, 2018 adoption of new accounting standard for "Revenue from Contracts with Customers" in FY 2019, the impact of India GST in FY 2018 and rounding impacts necessary to reconcile net sales to organic sales.

July–December	Net Sales Growth	Foreign Exchange Impact	Acquisitions & Divestitures Impact/Other[2]	Organic Sales Growth
2019	6%	1%	-1%	6%

(2) 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 and Adjusted free cash flow productivity* Adjusted free cash flow is defined as operating cash flow less capital spending, tax payments related to the Merck OTC Consumer Healthcare acquisition in 2020 and payments for transitional tax resulting from the U.S. Tax Act in 2020 and 2019. 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. 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	Adjustments[3]	Adjusted Free Cash Flow
FY 2020	$17,403	$(3,073)	$543	$14,873
July–December 2019	$8,533	$(1,684)	$215	$7,064

(3) Adjustments relate to tax payments for the Merck OTC Consumer Healthcare acquisition and the transitional tax resulting from the U.S. Tax Act.

($ millions)	Adjusted Free Cash Flow	Net Earnings	Adjusted Free Cash Flow Productivity
FY 2020	$14,873	$13,103	114%
July–December 2019	$7,064	$7,360	96%

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

Core EPS* Core EPS is a measure of the Company's diluted net earnings per share from continuing operations adjusted as indicated. Management views these non-GAAP measures 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.

Incremental Restructuring: The Company has had and continues to have an ongoing level of restructuring activities. Such activities have resulted in ongoing annual restructuring related charges of approximately $250–$500 million before tax. In 2012, the Company began a $10 billion strategic productivity and cost savings initiative that includes incremental restructuring activities. In 2017, we communicated details of an additional multi-year productivity and cost savings plan. This results in incremental restructuring charges to accelerate productivity efforts and cost savings. The adjustment to Core earnings includes only the restructuring costs above what we believe are 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: 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.

Early debt extinguishment charges: In fiscal 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.

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	**2020**	**2019**	**2018**	**2017**	**2016**
Diluted net earnings per share from continuing operations	$4.96	$1.43	**$3.67**	**$3.69**	**$3.49**
Incremental restructuring charges	$0.16	$0.13	$0.23	$0.10	$0.18
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	-	-
Early debt extinguishment charge	-	-	$0.09	$0.13	-
Core EPS	**$5.12**	**$4.52**	**$4.22**	**$3.92**	**$3.67**
Core EPS growth	*13%*				
Currency Impact to Core Earnings	0.15				
Currency neutral Core EPS	**$5.27**				
Currency neutral Core EPS growth	*17%*				

Core EPS	**Diluted net EPS**	**Incremental Restructuring**	**Gain on dissolution of PGT partnership**	**Core EPS**
July–December 2019	$2.77	0.02	-	$2.79
July–December 2018	$2.44	0.06	(0.14)	$2.36
Core EPS growth				18%

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