

The Procter & Gamble Company Regulation G Reconciliation of Non-GAAP Measures

In accordance with the SEC's Regulation G, the following provides definitions of the non-GAAP measures used in Procter & Gamble's January 23, 2019 earnings call, associated slides, and other materials 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. Certain of 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.

The measures provided are as follows:

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Organic sales growth*: Organic sales growth is a non-GAAP measure of sales growth excluding the impacts of acquisitions and divestitures, the impact from the July 1, 2018 adoption of new accounting standards for “Revenue from Contracts with Customers”, the impact from India Goods and Services Tax changes (which were effective on July 1, 2017) and foreign exchange from year-over-year comparisons. Management believes this measure provides investors with a supplemental understanding of underlying sales trends by providing sales growth on a consistent basis.

The Core earnings measures included in the following reconciliation tables refer to the equivalent GAAP measures adjusted as applicable for the following 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 included incremental restructuring activities. In 2017, the Company 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 finalized the dissolution of our PGT Healthcare partnership, a venture between the Company and Teva Pharmaceuticals Industries, Ltd (Teva) in the OTC consumer healthcare business, in the quarter ended September 30, 2018. 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 of \$353 million.
- Transitional Impact of U.S. Tax Reform: In December 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "U.S. Tax Act"). This resulted in a net charge of \$628 million for the quarter ended December 31, 2017. 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 current year earnings.
- Early debt extinguishment charges: In fiscal 2018 and 2017, the Company recorded after-tax charges of \$243 million and \$345 million, respectively, 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. Management does not view this charge as indicative of the Company's operating performance or underlying business results.

We do not view the above items to be part of our sustainable results, and their exclusion from core earnings measures provides a more comparable measure of year-on-year results. These items are also excluded when evaluating senior management in determining their at-risk compensation. Management views the following non-GAAP measures as useful supplemental measures of Company performance and operating efficiency over time.

Core EPS and currency-neutral Core EPS*: Core earnings per share, or Core EPS, is a measure of the Company's diluted net earnings per share from continuing operations adjusted as indicated. Currency-neutral Core EPS is a measure of the Company's Core EPS excluding the incremental current year impact of foreign exchange.

Core operating profit margin*: Core operating profit margin is a measure of the Company's operating margin adjusted for items as indicated.

Currency-neutral Core operating profit margin*: Currency-neutral Core operating profit margin is a measure of the Company's Core operating profit margin excluding the incremental current year impact of foreign exchange.

Core operating profit margin excluding currency and commodities: Core operating profit margin excluding currency and commodities is a measure of the Company's Core operating profit margin excluding the incremental current year impact of foreign exchange and commodities cost increases.

Core gross margin: Core gross margin is a measure of the Company's gross margin adjusted for items as indicated.

Free cash flow: Free cash flow is defined as operating cash flow less capital spending. Free cash flow represents the cash that the Company is able to generate after taking into account planned maintenance and asset expansion. Management views 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 investment.

Free cash flow productivity*: Free cash flow productivity is defined as the ratio of free cash flow to net earnings. Management views free cash flow productivity as a useful measure to help investors understand P&G's ability to generate cash. Free cash flow productivity is used by management in making operating decisions, allocating financial resources and for budget planning purposes. The Company's long-term target is to generate annual free cash flow productivity at or above 90 percent.

Adjusted free cash flow productivity*: Adjusted free cash flow productivity is defined as the ratio of adjusted free cash flow to net earnings adjusted for items as indicated. Management views 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, allocating financial resources and for budget planning purposes. The Company's long-term target is to generate annual free cash flow productivity at or above 90 percent.

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

1. Organic sales growth:

Three Months Ended December 31, 2018	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other*	Organic Sales Growth
Beauty	4%	4%	0%	8%
Grooming	(9)%	5%	1%	-3%
Health Care	0%	3%	2%	5%
Fabric Care & Home Care	2%	3%	1%	6%
Baby, Feminine & Family Care	(1)%	4%	-%	3%
Total P&G	-%	4%	-%	4%

* 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.

Organic Sales
Prior Periods

Total Company	Net Sales Growth	Foreign Exchange Impact	Acquisition/ Divestiture Impact*	Organic Sales Growth
OND 2017	3%	(1)%	-%	2%
JFM 2018	4%	(4)%	1%	1%
AMJ 2018	3%	(2)%	-%	1%
JAS 2018	-%	3%	1%	4%

* Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures for all periods, the impact of India Goods and Services Tax implementation in FY 2018, 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.

Organic Sales
Guidance

Total Company	Net Sales Growth	Combined Foreign Exchange & Acquisition/Divestiture Impact*	Organic Sales Growth
FY 2019 (Estimate)	(-1)% to 1%	3%	+2% to +4%

* 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.

2. Core EPS and currency-neutral Core EPS:

	Three Months Ended December 31	
	2018	2017
Diluted Net Earnings Per Share from Continuing Operations	\$1.22	\$0.93
Incremental Restructuring	0.03	0.02
Transitional Impacts of the US Tax Act		0.24
Core EPS	\$1.25	\$1.19
<i>Percentage change vs. prior period</i>	5%	
Currency Impact to Earnings	0.09	
Currency-Neutral Core EPS	\$1.34	
<i>Percentage change vs. prior period Core EPS</i>	13%	

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

	Six Months Ended December 31	
	2018	2017
Diluted Net Earnings Per Share from Continuing Operations	\$2.44	\$2.00
Incremental Restructuring	0.03	0.05
Transitional Impacts of the US Tax Act	-	0.23
Gain on Dissolution of PGT Partnership	(0.14)	
Core EPS	\$2.36	\$2.28
<i>Percentage change vs. prior period</i>	4%	

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

Total Company	Core EPS Guidance		
	Diluted EPS Growth	Impact of Incremental Non-Core Items*	Core EPS Growth
FY 2019 (Estimate)	+17% to +24%	(14)% to (16)%	+3% to +8%

* Includes the gain on the dissolution of the PGT Healthcare partnership in FY 2019 and the impact of U.S. Tax Act and loss on early extinguishment of debt in FY 2018 and year-over-year changes in incremental non-core restructuring charges.

Core EPS
Prior Quarters

	OND 17	OND 16	JFM 18	JFM 17	AMJ 18	AMJ 17	JAS 18	JAS 17
Diluted Net Earnings Per Share from Continuing Operations, attributable to P&G	\$ 0.93	\$ 0.93	\$ 0.95	\$ 0.93	\$ 0.72	\$ 0.82	\$ 1.22	\$ 1.06
Incremental Restructuring	0.02	0.03	0.04	0.03	0.14	0.02	0.03	0.03
Early Debt Extinguishment Charges	-	0.13	-	-	0.09	-	-	-
Transitional Impact of U.S. Tax Act	0.24	-	0.01		(0.02)		-	-
Gain on Dissolution of PGT Partnership	-	-	-	-	-	-	(0.14)	-
Rounding	-	(0.01)	-	-	0.01	0.01	0.01	-
Core EPS	\$ 1.19	\$ 1.08	\$ 1.00	\$ 0.96	\$ 0.94	\$ 0.85	\$ 1.12	\$ 1.09
<i>Percentage change vs. prior period</i>	<i>10%</i>		<i>4%</i>		<i>11%</i>		<i>3%</i>	
Currency Impact to Earnings	(0.04)		(0.03)		0.01		0.09	
Currency-Neutral Core EPS	\$ 1.15		\$ 0.97		\$ 0.95		\$ 1.21	
<i>Percentage change vs. prior period Core EPS</i>	<i>6%</i>		<i>1%</i>		<i>12%</i>		<i>11%</i>	

3. Core operating profit margin, constant currency core operating profit margin, and core operating profit margin excluding currency and commodities:

	Three Months Ended December 31	
	2018	2017
Operating Profit Margin	22.3%	22.5%
Incremental Restructuring	0.5%	0.4%
Core Operating Profit Margin	22.8%	22.9%
<i>Basis point change vs. prior year Core margin</i>	(10)	
Currency Impact to Margin	0.9%	
Constant Currency Core Operating Profit Margin	23.7%	
<i>Basis point change vs. prior year Core margin</i>	80	
Commodity Impact to Margin	0.9%	
Core Operating Profit Margin Excluding Currency and Commodities	24.6%	
<i>Basis point change vs prior year Core margin</i>	170	

4. Core gross margin

	Three Months Ended December 31	
	2018	2017
Gross Margin	48.9%	49.9%
Incremental Restructuring	0.7%	0.5%
Core Gross Margin	49.6%	50.4%
<i>Basis point change vs. prior year Core margin</i>	(80)	

5. Free cash flow (dollar amounts in millions):

Three Months Ended December 31, 2018		
Operating Cash Flow	Capital Spending	Free Cash Flow
\$4,007	\$(701)	\$3,306

6. Free cash flow productivity (dollar amounts in millions):

Three Months Ended December 31, 2018		
Free Cash Flow	Net Earnings	Free Cash Flow Productivity
\$3,306	\$3,216	103%

7. Adjusted free cash flow productivity (dollar amounts in millions):

Adjusted Free Cash Flow Productivity
Prior Periods

FY	Operating Cash Flow	Capital Spending	Adjustments*	Adjusted Free Cash Flow	Net Earnings	Adjustments**	Adjusted Net Earnings	Adjusted Free Cash Flow Productivity
2012	\$13,284	\$(3,964)	\$519	\$9,839	\$10,904	\$85	\$10,989	90%
2013	\$14,873	\$(4,008)	-	\$10,865	\$11,402	\$(333)	\$11,069	98%
2014	\$13,958	\$(3,848)	-	\$10,110	\$11,785	-	\$11,785	86%
2015	\$14,608	\$(3,736)	\$729	\$11,601	\$7,144	\$4,187	\$11,331	102%
2016	\$15,435	\$(3,314)	-	\$12,121	\$10,604	\$(72)	\$10,532	115%
2017	\$12,753	\$(3,384)	\$418	\$9,787	\$15,411	\$(4,990)	\$10,421	94%
2018	\$14,867	\$(3,717)	-	\$11,150	\$9,861	\$845	\$10,706	104%
P7 Yrs	\$99,778	\$(25,971)	\$1,666	\$75,473	\$77,111	\$(278)	\$76,833	98%

* Adjustments for each year are as follows: 2012- tax payment for Snacks divestiture, 2015-tax payment for Pet Care divestiture, 2017- tax payment for Beauty Brands divestiture.

** Adjustments for each year are as follows: 2012- net of gain on Snacks divestiture and after-tax Braun impairment charge, 2013- net of gain on buyout of Iberian joint venture and Salon impairment charges, 2015- Batteries impairment and Venezuela deconsolidation charges , 2016- net of gain on Battery business divestiture and Batteries impairment charge, 2017- net of loss on early debt extinguishment and gain on Beauty brands divestiture, 2018- transitional impact of the U.S Tax Act and loss on early debt extinguishment.