

## 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 February 20, 2020 CAGNY conference, 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 Company is not able to reconcile its forward-looking non-GAAP adjusted free cash flow productivity measure because the Company cannot predict the timing and amounts of discrete items such as acquisition and divestitures, which could significantly impact GAAP results.

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”, 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 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 of \$353 million.
- Shave Care Impairment: In the fourth quarter of fiscal 2019, the company recognized a one-time, non-cash, after-tax charge of \$8.0 billion (\$8.3 billion before tax) 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 (\$1.6 billion before tax) to reduce the carrying value of the Gillette indefinite-lived intangible assets.

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 impact of foreign exchange.

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

Core after-tax profit margin: Core after tax profit margin is a measure of the Company's after-tax profit margin adjusted for items as indicated.

Core effective tax rate: Core effective tax rate is a measure of the Company's effective tax rate adjusted for items as indicated.

Adjusted free cash flow: Adjusted free cash flow is defined as free cash flow adjusted for items as indicated. Adjusted free cash flow represents the cash that the Company is able to generate after taking into account planned maintenance and asset expansion. Management views 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 investment.

Adjusted free cash flow productivity\*: Adjusted free cash flow productivity is defined as the ratio of adjusted free cash flow to net earnings. 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:

<b>Total Company</b>	<b>Net Sales Growth</b>	<b>Foreign Exchange Impact</b>	<b>Acquisition &amp; Divestiture Impact/Other*</b>	<b>Organic Sales Growth</b>
1H FY 2020	6%	1%	(1)%	6%

\* 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**  
*Quarters*

<b>Total Company</b>	<b>Net Sales Growth</b>	<b>Foreign Exchange Impact</b>	<b>Acquisition/Divestiture Impact/Other*</b>	<b>Organic Sales Growth</b>
JAS 2018	-%	3%	1%	4%
OND 2018	-%	4%	-%	4%
JFM 2019	1%	5%	(1)%	5%
AMJ 2019	4%	4%	(1)%	7%
JAS 2019	7%	2%	(2)%	7%
OND 2019	5%	1%	(1)%	5%

\* Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures for all periods, 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*

<b>Total Company</b>	<b>Net Sales Growth</b>	<b>Combined Foreign Exchange &amp; Acquisition/Divestiture Impact/Other*</b>	<b>Organic Sales Growth</b>
FY 2020 (Estimate)	4% to 5%	-%	+4% to +5%

\* 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.

2. Core EPS and currency-neutral Core EPS:

	<b>Six Months Ended</b>	
	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<b>Diluted Net Earnings Per Share</b>	<b>\$2.77</b>	<b>\$2.44</b>
Incremental Restructuring	0.02	0.06
Gain on Dissolution of PGT Partnership		(0.14)
<b>Core EPS</b>	<b>\$2.79</b>	<b>\$2.36</b>
<i>Percentage change vs. prior period</i>	18%	
Currency Impact to Earnings	0.03	
<b>Currency-Neutral Core EPS</b>	<b>\$2.82</b>	
<i>Percentage change vs. prior period Core EPS</i>	19%	

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

**Core EPS  
Guidance**

<b>Total Company</b>	<b>Diluted EPS Growth</b>	<b>Impact of Incremental Non-Core Items*</b>	<b>Core EPS Growth</b>
FY 2020 (Estimate)	+235% to +245%	(227)% to (234)%	+8% to +11%

\* Includes the gain on the dissolution of the PGT Healthcare partnership and Shave Care impairment in fiscal 2019 and year-over-year changes in incremental non-core restructuring charges.

3. Core gross margin:

	<b>Six Months Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<b>Gross Margin</b>	<b>51.2%</b>	<b>49.0%</b>
Incremental Restructuring	0.3%	0.5%
Rounding	(0.1)%	
<b>Core Gross Margin</b>	<b>51.4%</b>	<b>49.5%</b>
<i>Basis point change vs. prior year Core margin</i>	<i>190</i>	

4. Core operating margin:

	<b>Six Months Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<b>Operating Margin</b>	<b>24.3%</b>	<b>21.8%</b>
Incremental Restructuring	0.1%	0.5%
Rounding	0.1%	
<b>Core Operating Margin</b>	<b>24.5%</b>	<b>22.3%</b>
<i>Basis point change vs. prior year Core margin</i>	<i>220</i>	

	<b>FY 2019</b>
<b>Operating Margin</b>	<b>8.1%</b>
Incremental Restructuring	0.6%
Shave Care Impairment	12.3%
<b>Core Operating Margin</b>	<b>21.0%</b>

5. Core after-tax profit margin

	<b>FY 2019</b>
<b>Net Earnings Margin attributable to Procter &amp; Gamble</b>	<b>5.8%</b>
Incremental Restructuring	0.5%
Gain on PGT Dissolution	(0.5)%
Shave Care Impairment	11.8%
Rounding	(0.1)%
<b>Core After Tax Profit Margin</b>	<b>17.5%</b>

6. Core effective tax rate:

	<b>FY 2019</b>
<b>Effective Tax Rate</b>	<b>34.7%</b>
Incremental Restructuring	(1.2)%
Gain on PGT Dissolution	1.9%
Shave Care Impairment	(17.8)%
Rounding	(0.1)%
<b>Core Effective Tax Rate</b>	<b>17.5%</b>

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

Six Months Ended December 31, 2019					
Operating Cash Flow	Capital Spending	U.S. Tax Act Payments	Adjusted Free Cash Flow	Net Earnings	Adjusted Free Cash Flow Productivity
\$8,533	\$(1,684)	\$215	<b>\$7,064</b>	\$7,360	<b>96%</b>