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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 22, 2018 CAGNY Conference slides 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.

The measures provided are as follows:

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 Procter & Gamble began a $10 billion strategic productivity and cost savings initiative that includes incremental restructuring activities. In 2016, the company communicated additional multi-year productivity and cost savings targets. 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.
- Transitional Impact of U.S. Tax Reform: The U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act") in December 2017. This resulted in a net charge of $628 million for the quarter ended December 31, 2017, comprised of an estimated repatriation tax charge of $3.8 billion and a net deferred tax benefit of $3.2 billion. 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: During the three months ended December 31, 2016, the Company recorded a charge of $345 million after tax due to the early extinguishment of certain long-term debt. This charge represents 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.
- Charges for certain European legal matters: Several countries in Europe issued separate complaints alleging that the Company, along with several other companies, engaged in violations of competition laws in prior periods. The Company established Legal Reserves related to these charges.
- Venezuela B/S remeasurement & devaluation impacts: Venezuela is a highly inflationary economy under U.S. GAAP. Prior to deconsolidation, the government enacted episodic changes to currency exchange mechanisms and rates, which resulted in currency remeasurement charges for non-dollar denominated monetary assets and liabilities held by our Venezuelan subsidiaries.
- Venezuela deconsolidation charge: For accounting purposes, evolving conditions resulted in a lack of control over our Venezuelan subsidiaries. Therefore, in accordance with the applicable accounting standards for consolidation, effective June 30, 2015, we deconsolidated our Venezuelan subsidiaries and began accounting for our investment in those subsidiaries using the cost method of accounting. The charge was incurred to write off our net assets related to Venezuela.
- Non-cash impairment charges: During fiscal year 2013 the Company incurred impairment charges related to the carrying value of goodwill and indefinite lived intangible assets in our Appliances and Salon Professional businesses.

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. Management views the following non-GAAP measures as useful supplemental measures of Company performance and operating efficiency over time.

Organic sales growth: Organic sales growth is a non-GAAP measure of sales growth excluding the impacts of acquisitions, divestitures, 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, and this measure is used in assessing achievement of management goals for at-risk compensation.

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

Core gross margin and currency-neutral Core gross margin: Core gross margin is a measure of the Company's gross margin adjusted for items as indicated. Currency-neutral Core gross margin is a measure of the Company's Core gross margin excluding the incremental current year impact of foreign exchange.

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 and discretionary investment.

Adjusted free cash flow productivity: Adjusted free cash flow productivity is defined as the ratio of free cash flow to net earnings excluding the transitional impact of U.S. Tax Reform, which is non-recurring and not considered indicative of underlying earnings performance. 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 adjusted free cash flow productivity at or above 90 percent.

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1. Organic sales growth:

Total Company	Net Sales Growth	Foreign Exchange Impact	Acquisition/ Divestiture Impact*	Organic Sales Growth
1H FY 2018	2%	(1)%	1%	2%

* Acquisition/Divestiture Impact includes both the volume and mix impact of acquisitions and divestitures and also the impact of India Goods and Services Tax changes and rounding impacts necessary to reconcile net sales to organic sales.

Guidance

Total Company	Net Sales Growth	Combined Foreign Exchange & Acquisition/Divestiture Impact*	Organic Sales Growth
FY 2018 (Estimate)	Around 3%	(0.5)% to 0%	+2% to +3%

* Acquisition/Divestiture Impact includes both the volume and mix impact of acquisitions and divestitures and also the impact of India Goods and Services Tax changes and rounding impacts necessary to reconcile net sales to organic sales.

2. Core EPS and currency-neutral Core EPS:

	Six Months Ended December 31	
	2017	**2016**
Diluted Net Earnings Per Share from Continuing Operations	**$2.00**	**$1.93**
Incremental Restructuring	0.05	0.05
Transitional Impact of U.S. Tax Reform	0.23	
Early Debt Extinguishment Charges	-	0.12
Rounding	-	0.01
Core EPS	**$2.28**	**$2.11**
Percentage change vs. prior period	*8%*	
Currency Impact to Earnings	(0.04)	
Currency-Neutral Core EPS	**$2.24**	
Percentage change vs. prior period Core EPS	*6%*	

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

Guidance

Total Company	Diluted EPS Growth	Impact of Incremental Non-Core Items*	Core EPS Growth
FY 2018 (Estimate)	(30%) to (32%)	+37% to +38%	+5% to +8%

* Includes change in discontinued operations (includes fiscal year 2017 gain on sale of Beauty Brands)

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3. Core operating profit margin:

	FY 13	FY 14	FY 15	FY 16	FY 17	
Operating Profit Margin	**17.7%**	**18.7%**	**15.6%**	**20.6%**	**21.5%**	
Incremental Restructuring	0.7%	0.5%	0.9%	0.9%	0.6%	
Charges for Certain European Legal Matters	0.2%	0.1%	-	-	-	
Venezuela B/S Remeasurement & Devaluation Impacts	0.5%	0.4%	0.2%	-	-	
Venezuela Deconsolidation Charge	-	-	2.9%	-	-	
Non-Cash Impairment	0.4%	-	-	-	-	
Rounding	(0.1)%	-	-	-	-	
						4-yr total change
Core Operating Profit Margin	**19.4%**	**19.7%**	**19.6%**	**21.5%**	**22.1%**	
Basis point change vs. prior year Core margin		*30*	*(10)*	*190*	*60*	*270*
Currency Impact to Margin		1.2%	1.4%	0.5%	0.3%	
Currency-Neutral Core Operating Profit Margin		**20.9%**	**21.0%**	**22.0%**	**22.4%**	
Basis point change vs. prior year Core margin		*150*	*130*	*240*	*90*	*610*

4. Core gross margin:

	FY 13	FY 14	FY 15	FY 16	FY 17	
Gross Margin	**48.5%**	**47.5%**	**47.6%**	**49.6%**	**50.0%**	
Incremental Restructuring	0.3%	0.4%	0.7%	1.0%	0.8%	
Rounding	-	-	0.1%	-	-	
						4-yr total change
Core Gross Margin	**48.8%**	**47.9%**	**48.4%**	**50.6%**	**50.8%**	
Basis point change vs. prior year Core margin		*(90)*	*50*	*220*	*20*	*200*
Currency Impact to Margin		1%	0.4%	0.7%	0.4%	
Currency-Neutral Core Gross Margin		**48.9%**	**48.8%**	**51.3%**	**51.2%**	
Basis point change vs. prior year Core margin		*10*	*90*	*290*	*60*	*450*

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5. Free cash flow:

Six Months Ended December 31, 2017		
Operating Cash Flow	Capital Spending	**Free Cash Flow**
$7,315	$(1,900)	$5,415

6. Adjusted free cash flow productivity:

Six Months Ended December 31, 2017				
Free Cash Flow	Net Earnings	Transitional Impacts of the U.S. Tax Act	Adjusted Net Earnings	**Adjusted Free Cash Flow Productivity**
$5,415	$5,431	$628	$6,059	89%