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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 October 9, 2018 Annual Meeting of Shareholders and the reconciliation to the most closely related GAAP measures. We believe that these measures provide useful perspective on underlying business trends (i.e. trends excluding non-recurring or unusual items) and provide a supplemental measure of year-on-year underlying 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.

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, 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.
- 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 $602 million 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 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 these 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.

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 implementation (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.

Organic sales growth excluding Grooming and Baby Care impact to organic sales: Organic sales growth excluding Grooming and Baby Care impact to organic sales is a measure of the company’s organic sales growth excluding the organic sales impact of the Grooming and Baby Care businesses. Management believes this measure provides investors with a supplemental understanding of underlying sales trends excluding the Grooming and Baby Care businesses, which are facing unique business challenges.

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.

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 and the loss on early debt extinguishment. The underlying charges are non-recurring and not considered indicative of underlying earnings performance. The subsequent payments of the U.S Tax Reform charge in future periods will also be excluded as they are not to be considered indicative of the underlying cash flow 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.

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

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1. Organic sales growth:

FY 2018	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other [1]	Organic Sales Growth
Total P&G	**3%**	**(2)%**	**-%**	**1%**

[1] Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures, the impact of India Goods and Services Tax implementation and rounding impacts necessary to reconcile net sales to organic sales.

Organic Sales Growth Excluding Grooming and Baby Care Impact to Organic Sales

	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other [1]	Grooming and Baby Care Impact to Organic Sales	Organic Sales Growth Excluding Grooming and Baby Care
FY 2018	3%	(2)%	-%	2%	3%

[1] Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures, the impact of India Goods and Services Tax implementation and rounding impacts necessary to reconcile net sales to organic sales.

2. Core EPS:

	Twelve Months Ended June 30	
	2018	**2017**
Diluted Net Earnings Per Common Share	**$3.67**	**$5.59**
Discontinued Operations	-	(1.90)
Incremental Restructuring	0.23	0.10
Transitional Impact of U.S. Tax Reform	0.23	-
Early Debt Extinguishment Charges	0.09	0.13
Core EPS	**$4.22**	**$3.92**
Percentage change vs. prior period	*8%*	

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

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3. Free cash flow:

Twelve Months Ended June 30, 2018		
Operating Cash Flow	Capital Spending	**Free Cash Flow**
$14,867	$(3,717)	$11,150

4. Adjusted free cash flow productivity:

Twelve Months Ended June 30, 2018				
Net Earnings	Adjustments to Net Earnings [1]	Adjusted Net Earnings	Free Cash Flow	**Adjusted Free Cash Flow Productivity**
$9,861	$845	$ 10,706	$11,150	104%

[1] Adjustments to Net Earnings relate to the transitional impact of the U.S. Tax Act and the loss on early debt extinguishment.