UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended December 31, 2022
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to _________

THE PROCTER & GAMBLE COMPANY

(Exact name of registrant as specified in its charter)

Ohio	**1-434**	**31-0411980**
(State of Incorporation)	*(Commission File Number)*	*(I.R.S. Employer Identification Number)*

One Procter & Gamble Plaza, Cincinnati, Ohio	**45202**
(Address of principal executive offices)	*(Zip Code)*

(513) 983-1100
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, without Par Value	PG	NYSE
1.125% Notes due 2023	PG23A	NYSE
0.500% Notes due 2024	PG24A	NYSE
0.625% Notes due 2024	PG24B	NYSE
1.375% Notes due 2025	PG25	NYSE
0.110% Notes due 2026	PG26D	NYSE
4.875% EUR notes due May 2027	PG27A	NYSE
1.200% Notes due 2028	PG28	NYSE
1.250% Notes due 2029	PG29B	NYSE
1.800% Notes due 2029	PG29A	NYSE
6.250% GBP notes due January 2030	PG30	NYSE
0.350% Notes due 2030	PG30C	NYSE
0.230% Notes due 2031	PG31A	NYSE
5.250% GBP notes due January 2033	PG33	NYSE
1.875% Notes due 2038	PG38	NYSE
0.900% Notes due 2041	PG41	NYSE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

There were 2,359,144,096 shares of Common Stock outstanding as of December 31, 2022.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

	Three Months Ended December 31		Six Months Ended December 31	
Amounts in millions except per share amounts	2022	2021	2022	2021
NET SALES	**$ 20,773**	$ 20,953	**$ 41,385**	$ 41,291
Cost of products sold	**10,897**	10,664	**21,743**	21,029
Selling, general and administrative expense	**5,091**	5,121	**9,918**	10,071
OPERATING INCOME	**4,785**	5,168	**9,724**	10,191
Interest expense	**(171)**	(106)	**(294)**	(215)
Interest income	**66**	10	**108**	21
Other non-operating income, net	**155**	167	**294**	277
EARNINGS BEFORE INCOME TAXES	**4,835**	5,239	**9,832**	10,274
Income taxes	**876**	997	**1,910**	1,906
NET EARNINGS	**3,959**	4,242	**7,922**	8,368
Less: Net earnings attributable to noncontrolling interests	**26**	19	**50**	33
NET EARNINGS ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 3,933**	$ 4,223	**$ 7,872**	$ 8,335
NET EARNINGS PER SHARE (1)				
Basic	**$ 1.63**	$ 1.72	**$ 3.25**	$ 3.39
Diluted	**$ 1.59**	$ 1.66	**$ 3.16**	$ 3.27
DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	**2,481.2**	2,544.2	**2,492.4**	2,551.6

(1) Basic net earnings per share and Diluted net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Amounts in millions	Three Months Ended December 31		Six Months Ended December 31	
	2022	2021	2022	2021
NET EARNINGS	**$ 3,959**	$ 4,242	**$ 7,922**	$ 8,368
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX				
Foreign currency translation	**379**	(241)	**(333)**	(706)
Unrealized gains/(losses) on investment securities	**(1)**	2	**(3)**	7
Unrealized gains/(losses) on defined benefit retirement plans	**(76)**	737	**11**	879
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX	**302**	498	**(325)**	180
TOTAL COMPREHENSIVE INCOME	**4,261**	4,740	**7,597**	8,548
Less: Total comprehensive income attributable to noncontrolling interests	**23**	19	**42**	33
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 4,238**	$ 4,721	**$ 7,555**	$ 8,515

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

Amounts in millions			December 31, 2022	June 30, 2022
Assets				
CURRENT ASSETS				
Cash and cash equivalents			**$ 6,854**	$ 7,214
Accounts receivable			**5,767**	5,143
INVENTORIES				
Materials and supplies			**2,232**	2,168
Work in process			**946**	856
Finished goods			**4,363**	3,900
Total inventories			**7,541**	6,924
Prepaid expenses and other current assets			**1,704**	2,372
TOTAL CURRENT ASSETS			**21,866**	21,653
PROPERTY, PLANT AND EQUIPMENT, NET			**21,167**	21,195
GOODWILL			**39,951**	39,700
TRADEMARKS AND OTHER INTANGIBLE ASSETS, NET			**23,594**	23,679
OTHER NONCURRENT ASSETS			**11,137**	10,981
TOTAL ASSETS			**$ 117,715**	$ 117,208
Liabilities and Shareholders' Equity				
CURRENT LIABILITIES				
Accounts payable			**$ 14,153**	$ 14,882
Accrued and other liabilities			**10,293**	9,554
Debt due within one year			**14,300**	8,645
TOTAL CURRENT LIABILITIES			**38,746**	33,081
LONG-TERM DEBT			**20,582**	22,848
DEFERRED INCOME TAXES			**6,462**	6,809
OTHER NONCURRENT LIABILITIES			**7,200**	7,616
TOTAL LIABILITIES			**72,990**	70,354
SHAREHOLDERS' EQUITY				
Preferred stock			**831**	843
Common stock – shares issued –	December 2022	4,009.2		
	June 2022	4,009.2	**4,009**	4,009
Additional paid-in capital			**66,145**	65,795
Reserve for ESOP debt retirement			**(870)**	(916)
Accumulated other comprehensive loss			**(12,506)**	(12,189)
Treasury stock			**(129,012)**	(123,382)
Retained earnings			**115,858**	112,429
Noncontrolling interest			**270**	265
TOTAL SHAREHOLDERS' EQUITY			**44,725**	46,854
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**$ 117,715**	$ 117,208

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Three Months Ended December 31, 2022

Dollars in millions; shares in thousands	Common Stock Shares	Common Stock Amount	Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumulated Other Comp-rehensive Income/(Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Share-holders' Equity
BALANCE SEPTEMBER 30, 2022	2,369,697	$4,009	$834	$65,955	($870)	($12,811)	($127,205)	$114,163	$259	$44,334
Net earnings								3,933	26	3,959
Other comprehensive income/(loss)						305			(3)	302
Dividends and dividend equivalents ($0.9133 per share):										
Common								(2,168)		(2,168)
Preferred								(70)		(70)
Treasury stock purchases	(14,426)						(2,002)			(2,002)
Employee stock plans	3,441			189			193			382
Preferred stock conversions	432		(3)	1			2			—
ESOP debt impacts					—			—		—
Noncontrolling interest, net				—					(12)	(12)
BALANCE DECEMBER 31, 2022	**2,359,144**	**$4,009**	**$831**	**$66,145**	**($870)**	**($12,506)**	**($129,012)**	**$115,858**	**$270**	**$44,725**

Six Months Ended December 31, 2022

Dollars in millions; shares in thousands	Common Stock Shares	Common Stock Amount	Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumulated Other Comp-rehensive Income/(Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Share-holders' Equity
BALANCE JUNE 30, 2022	2,393,877	$4,009	$843	$65,795	($916)	($12,189)	($123,382)	$112,429	$265	$46,854
Net earnings								7,872	50	7,922
Other comprehensive income/(loss)						(317)			(8)	(325)
Dividends and dividend equivalents (1.8266 per share):										
Common								(4,357)		(4,357)
Preferred								(141)		(141)
Treasury stock purchases	(42,615)						(6,002)			(6,002)
Employee stock plans	6,452			348			362			710
Preferred stock conversions	1,430		(12)	2			10			—
ESOP debt impacts					46			55		101
Noncontrolling interest, net				—					(37)	(37)
BALANCE DECEMBER 31, 2022	**2,359,144**	**$4,009**	**$831**	**$66,145**	**($870)**	**($12,506)**	**($129,012)**	**$115,858**	**$270**	**$44,725**

See accompanying Notes to Consolidated Financial Statements.

	Three Months Ended December 31, 2021									
Dollars in millions; shares in thousands	**Common Stock**		**Preferred Stock**	**Add-itional Paid-In Capital**	**Reserve for ESOP Debt Retirement**	**Accumulated Other Comp-rehensive Income/(Loss)**	**Treasury Stock**	**Retained Earnings**	**Non-controlling Interest**	**Total Share-holders' Equity**
	Shares	**Amount**								
BALANCE SEPTEMBER 30, 2021	2,419,948	$4,009	$859	$65,148	($964)	($14,062)	($117,240)	$108,361	$297	$46,408
Net earnings								4,223	19	4,242
Other comprehensive income/(loss)						498			—	498
Dividends and dividend equivalents ($0.8698 per share):										
Common								(2,108)		(2,108)
Preferred								(70)		(70)
Treasury stock purchases	(31,433)						(4,754)			(4,754)
Employee stock plans	7,986			284			448			732
Preferred stock conversions	565		(3)	—			3			—
ESOP debt impacts					(1)			(13)		(14)
Noncontrolling interest, net				—					(41)	(41)
BALANCE DECEMBER 31, 2021	2,397,066	$4,009	$856	$65,432	($965)	($13,564)	($121,543)	$110,393	$275	$44,893

	Six Months Ended December 31, 2021									
Dollars in millions; shares in thousands	**Common Stock**		**Preferred Stock**	**Add-itional Paid-In Capital**	**Reserve for ESOP Debt Retirement**	**Accumulated Other Comp-rehensive Income/(Loss)**	**Treasury Stock**	**Retained Earnings**	**Non-controlling Interest**	**Total Share-holders' Equity**
	Shares	**Amount**								
BALANCE JUNE 30, 2021	2,429,706	$4,009	$870	$64,848	($1,006)	($13,744)	($114,973)	$106,374	$276	$46,654
Net earnings								8,335	33	8,368
Other comprehensive income/(loss)						180			—	180
Dividends and dividend equivalents (1.7396 per share):										
Common								(4,226)		(4,226)
Preferred								(140)		(140)
Treasury stock purchases	(50,786)						(7,504)			(7,504)
Employee stock plans	16,423			584			922			1,506
Preferred stock conversions	1,723		(14)	2			12			—
ESOP debt impacts					41			50		91
Noncontrolling interest, net				(2)					(34)	(36)
BALANCE DECEMBER 31, 2021	2,397,066	$4,009	$856	$65,432	($965)	($13,564)	($121,543)	$110,393	$275	$44,893

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Amounts in millions	Six Months Ended December 31 2022	2021
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	**$ 7,214**	$ 10,288
OPERATING ACTIVITIES		
Net earnings	**7,922**	8,368
Depreciation and amortization	**1,316**	1,395
Share-based compensation expense	**250**	268
Deferred income taxes	**(398)**	(101)
Gain on sale of assets	**(3)**	(82)
Changes in:		
Accounts receivable	**(654)**	(644)
Inventories	**(655)**	(840)
Accounts payable, accrued and other liabilities	**177**	1,431
Other operating assets and liabilities	**(535)**	(84)
Other	**224**	53
TOTAL OPERATING ACTIVITIES	**7,644**	9,764
INVESTING ACTIVITIES		
Capital expenditures	**(1,598)**	(1,717)
Proceeds from asset sales	**8**	97
Acquisitions, net of cash acquired	**(76)**	(349)
Other investing activity	**344**	3
TOTAL INVESTING ACTIVITIES	**(1,322)**	(1,966)
FINANCING ACTIVITIES		
Dividends to shareholders	**(4,486)**	(4,353)
Additions to short-term debt with original maturities of more than three months	**10,447**	6,747
Reductions in short-term debt with original maturities of more than three months	**(3,260)**	(1,730)
Net reductions to other short-term debt	**(1,759)**	(1,124)
Additions to long-term debt	**—**	2,136
Reductions in long-term debt	**(1,877)**	(1,673)
Treasury stock purchases	**(6,002)**	(7,504)
Impact of stock options and other	**437**	1,215
TOTAL FINANCING ACTIVITIES	**(6,500)**	(6,286)
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**(182)**	(256)
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**(360)**	1,256
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	**$ 6,854**	$ 11,544

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

These statements should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2022. In the opinion of management, the accompanying unaudited Consolidated Financial Statements of The Procter & Gamble Company and subsidiaries (the "Company," "Procter & Gamble," "P&G," "we" or "our") contain all adjustments necessary to present fairly the financial position, results of operations and cash flows for the interim periods reported. However, the results of operations included in such financial statements may not necessarily be indicative of annual results.

2. New Accounting Pronouncements and Policies

In November 2021, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2021-10, "Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance". This guidance requires annual disclosures for transactions with a government authority that are accounted for by applying a grant or contribution model. These amendments are effective for annual periods beginning after December 15, 2021, with early adoption permitted. We have completed our evaluation of significant transactions. The guidance has not had, and is not expected to have, a material impact on the Company's Consolidated Financial Statements.

In September 2022, the FASB issued ASU No. 2022-04, "Liabilities - Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations". This guidance requires annual and interim disclosures for entities that use supplier finance programs in connection with the purchase of goods and services. These amendments are effective for fiscal years beginning after December 15, 2022, except for the amendment on rollforward information, which is effective for fiscal years beginning after December 15, 2023. We are currently assessing the impact of this guidance on our Consolidated Financial Statements.

No other new accounting pronouncement issued or effective during the fiscal year had, or is expected to have, a material impact on our Consolidated Financial Statements.

3. Segment Information

Under U.S. GAAP, our operating segments are aggregated into five reportable segments: 1) Beauty, 2) Grooming, 3) Health Care, 4) Fabric & Home Care and 5) Baby, Feminine & Family Care. Our five reportable segments are comprised of:

- *Beauty*: Hair Care (Conditioners, Shampoos, Styling Aids, Treatments); Skin and Personal Care (Antiperspirants and Deodorants, Personal Cleansing, Skin Care);
- *Grooming*: Grooming (Appliances, Female Blades & Razors, Male Blades & Razors, Pre-and Post-Shave Products, Other Grooming);
- *Health Care*: Oral Care (Toothbrushes, Toothpaste, Other Oral Care); Personal Health Care (Gastrointestinal, Rapid Diagnostics, Respiratory, Vitamins/Minerals/Supplements, Pain Relief, Other Personal Health Care);
- *Fabric & Home Care*: Fabric Care (Fabric Enhancers, Laundry Additives, Laundry Detergents); Home Care (Air Care, Dish Care, P&G Professional, Surface Care); and
- *Baby, Feminine & Family Care*: Baby Care (Baby Wipes, Taped Diapers and Pants); Feminine Care (Adult Incontinence, Feminine Care); Family Care (Paper Towels, Tissues, Toilet Paper).

Our operating segments are comprised of similar product categories. Operating segments that individually accounted for 5% or more of consolidated net sales are as follows:

	% of Net sales by operating segment [1]			
	Three Months Ended December 31		Six Months Ended December 31	
	2022	2021	2022	2021
Fabric Care	**23%**	22%	**23%**	23%
Home Care	**11%**	11%	**11%**	11%
Skin and Personal Care	**10%**	10%	**10%**	10%
Baby Care	**10%**	11%	**10%**	10%
Hair Care	**8%**	9%	**9%**	9%
Family Care	**8%**	8%	**8%**	8%
Grooming [2]	**8%**	7%	**8%**	7%
Oral Care	**8%**	8%	**8%**	8%
Feminine Care	**7%**	6%	**7%**	6%
Personal Health Care	**7%**	6%	**6%**	6%
Other	**—%**	2%	**—%**	2%
Total	**100%**	100%	**100%**	100%

(1) % of Net sales by operating segment excludes sales held in Corporate.

(2) Effective July 1, 2022, the Grooming Sector Business Unit completed the full integration of its Shave Care and Appliances categories to cohesively serve consumers' grooming needs. This transition included the integration of the management team, strategic decision-making, innovation plans, financial targets, budgets and internal management reporting. For the three and six months ended December 31, 2021, Appliances was presented in Other.

The following is a summary of reportable segment results:

		Three Months Ended December 31			Six Months Ended December 31		
		Net Sales	Earnings/(Loss) Before Income Taxes	Net Earnings/(Loss)	Net Sales	Earnings/(Loss) Before Income Taxes	Net Earnings/(Loss)
auty	**2022**	**$ 3,807**	**$ 1,145**	**$ 911**	**$ 7,768**	**$ 2,416**	**$ 1,922**
	2021	3,926	1,179	947	7,890	2,421	1,938
ooming	**2022**	**1,643**	**496**	**404**	**3,268**	**999**	**808**
	2021	1,811	576	476	3,498	1,094	893
alth Care	**2022**	**3,051**	**887**	**686**	**5,808**	**1,687**	**1,303**
	2021	2,976	905	701	5,652	1,600	1,230
bric & Home Care	**2022**	**7,032**	**1,538**	**1,171**	**14,114**	**3,081**	**2,343**
	2021	6,972	1,463	1,137	13,981	3,009	2,328
by, Feminine & Family Care	**2022**	**5,065**	**1,112**	**848**	**9,999**	**2,167**	**1,653**
	2021	5,116	1,187	914	9,980	2,262	1,740
rporate	**2022**	**175**	**(343)**	**(61)**	**428**	**(518)**	**(107)**
	2021	152	(71)	67	290	(112)	239
tal Company	**2022**	**$ 20,773**	**$ 4,835**	**$ 3,959**	**$ 41,385**	**$ 9,832**	**$ 7,922**
	2021	20,953	5,239	4,242	41,291	10,274	8,368

Amounts in millions of dollars unless otherwise specified.

4. Goodwill and Other Intangible Assets

Goodwill is allocated by reportable segment as follows:

	Beauty	Grooming	Health Care	Fabric & Home Care	Baby, Feminine & Family Care	Total Company
Goodwill at June 30, 2022	$ 13,296	$ 12,571	$ 7,589	$ 1,808	$ 4,436	$ 39,700
Acquisitions and divestitures	—	—	—	—	34	34
Translation and other	88	53	44	4	28	217
Goodwill at December 31, 2022	**$ 13,384**	**$ 12,624**	**$ 7,633**	**$ 1,812**	**$ 4,498**	**$ 39,951**

Goodwill increased from June 30, 2022 primarily due to minor brand acquisitions in the Baby, Feminine & Family Care segment and currency translation.

Identifiable intangible assets at December 31, 2022 were comprised of:

	Gross Carrying Amount	Accumulated Amortization
Intangible assets with determinable lives	$ 8,897	$ (6,268)
Intangible assets with indefinite lives	20,965	—
Total identifiable intangible assets	**$ 29,862**	**$ (6,268)**

Intangible assets with determinable lives consist of brands, patents, technology and customer relationships. The intangible assets with indefinite lives primarily consist of brands. The amortization expense of determinable-lived intangible assets for the three months ended December 31, 2022 and 2021 was $79 and $74, respectively. For the six-months ended December 31, 2022 and 2021, amortization expense was $159 and $151, respectively.

Goodwill and indefinite-lived intangible assets are not amortized but are tested at least annually for impairment. We use the income method to estimate the fair value of these assets, which is based on forecasts of the expected future cash flows attributable to the respective assets. If the resulting fair value is less than the asset's carrying value, that difference represents an impairment.

Most of our goodwill reporting units have fair value cushions that significantly exceed their underlying carrying values. In connection with the Grooming operating segment integration as described further in Note 3, we concluded that the Shave Care and Appliances categories are one reporting unit (Grooming) for goodwill impairment testing. Based on our impairment testing performed during the three months ended December 31, 2022, our Grooming goodwill reporting unit, which is comprised entirely of acquired businesses, has a fair value cushion of over 30% and the Gillette indefinite-lived intangible asset's fair value exceeded its carrying value by approximately 5%.

The Gillette indefinite-lived intangible asset is most susceptible to future impairment risk. Adverse changes in the business or in the macroeconomic environment, including foreign currency devaluation, increasing global inflation, market contraction from an economic recession and the Russia-Ukraine War, could reduce the underlying cash flows used to estimate the fair value of the Gillette indefinite-lived intangible asset and trigger a future impairment charge. Further reduction of the Gillette business activities in Russia could reduce the estimated fair value by up to 5%.

The most significant assumptions utilized in the determination of the estimated fair value of the Gillette indefinite-lived intangible asset are the net sales growth rates (including residual growth rates), discount rate and royalty rates.

Net sales growth rates could be negatively impacted by reductions or changes in demand for our Gillette products, which may be caused by, among other things: changes in the use and frequency of grooming products, shifts in demand away from one or more of our higher priced products to lower priced products or potential supply chain constraints. In addition, relative global and country/regional macroeconomic factors, including the Russia-Ukraine War, could result in additional and prolonged devaluation of other countries' currencies relative to the U.S. dollar. The residual growth rates represent the expected rate at which the Gillette brand is expected to grow beyond the shorter-term business planning period. The residual growth rates utilized in our fair value estimates are consistent with the brand operating plans and approximate expected long-term category market growth rates. The residual growth rate depends on overall market growth rates, the competitive environment, inflation, relative currency exchange rates and business activities that impact market share. As a result, the residual growth rate could be adversely impacted by a sustained deceleration in category growth, grooming habit changes, devaluation of currencies against the U.S. dollar or an increased competitive environment.

Amounts in millions of dollars unless otherwise specified.

The discount rate, which is consistent with a weighted average cost of capital that is likely to be expected by a market participant, is based upon industry required rates of return, including consideration of both debt and equity components of the capital structure. Our discount rate may be impacted by adverse changes in the macroeconomic environment, volatility in the equity and debt markets or other country specific factors, such as further devaluation of currencies against the U.S. dollar. Spot rates as of the fair value measurement date are utilized in our fair value estimates for cash flows outside the U.S.

The royalty rate used to determine the estimated fair value for the Gillette indefinite-lived intangible asset is driven by historical and estimated future profitability of the underlying Gillette business. The royalty rate may be impacted by significant adverse changes in long-term operating margins.

We performed a sensitivity analysis for the Gillette indefinite-lived intangible asset during our annual impairment testing, utilizing reasonably possible changes in the assumptions for the discount rate, the short-term and residual growth rates and the royalty rates to demonstrate the potential impacts to estimated fair values. The table below provides, in isolation, the estimated fair value impacts related to a 25 basis-point increase in the discount rate, a 25 basis-point decrease in our short-term and residual growth rates or a 50 basis-point decrease in our royalty rates, which may result in an impairment of the Gillette indefinite-lived intangible asset.

	Approximate Percent Change in Estimated Fair Value		
	+25 bps Discount Rate	**-25 bps Growth Rates**	**-50 bps Royalty Rate**
Gillette indefinite-lived intangible asset	(6)%	(6)%	(4)%

5. Earnings Per Share

Basic net earnings per common share are calculated by dividing Net earnings attributable to Procter & Gamble less preferred dividends by the weighted average number of common shares outstanding during the period. Diluted net earnings per common share are calculated by dividing Net earnings attributable to Procter & Gamble by the diluted weighted average number of common shares outstanding during the period. The diluted shares include the dilutive effect of stock options and other stock-based awards based on the treasury stock method and the assumed conversion of preferred stock.

Net earnings per share were calculated as follows:

CONSOLIDATED AMOUNTS	**Three Months Ended December 31**		**Six Months Ended December 31**	
	2022	**2021**	**2022**	**2021**
Net earnings	**$ 3,959**	$ 4,242	**$ 7,922**	$ 8,368
Less: Net earnings attributable to noncontrolling interests	**26**	19	**50**	33
Net earnings attributable to P&G (Diluted)	**3,933**	4,223	**7,872**	8,335
Less: Preferred dividends	**70**	70	**141**	140
Net earnings attributable to P&G available to common shareholders (Basic)	**$ 3,863**	$ 4,153	**$ 7,731**	$ 8,195
SHARES IN MILLIONS				
Basic weighted average common shares outstanding	**2,365.9**	2,413.4	**2,375.7**	2,420.7
Add: Effect of dilutive securities				
Convertible preferred shares (1)	**76.7**	79.6	**77.0**	80.1
Stock options and other unvested equity awards (2)	**38.6**	51.2	**39.7**	50.8
Diluted weighted average common shares outstanding	**2,481.2**	2,544.2	**2,492.4**	2,551.6
NET EARNINGS PER SHARE (3)				
Basic	**$ 1.63**	$ 1.72	**$ 3.25**	$ 3.39
Diluted	**$ 1.59**	$ 1.66	**$ 3.16**	$ 3.27

(1) An overview of preferred shares can be found in our Annual Report on Form 10-K for the fiscal year ended June 30, 2022.

(2) Excludes 22 million and 14 million for the three months ended December 31, 2022 and 2021, respectively, and 19 million and 13 million for the six months ended December 31, 2022 and 2021, respectively, of weighted average stock options outstanding because the exercise price of these options was greater than their average market value or their effect was antidilutive.

(3) Net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

6. Share-Based Compensation and Postretirement Benefits

The following table provides a summary of our share-based compensation expense and postretirement benefit impacts:

	Three Months Ended December 31		Six Months Ended December 31	
	2022	2021	2022	2021
Share-based compensation expense	**$ 145**	$ 152	**$ 250**	$ 268
Net periodic benefit cost for pension benefits	**44**	47	**87**	95
Net periodic benefit credit for other retiree benefits	**(132)**	(119)	**(264)**	(222)

7. Risk Management Activities and Fair Value Measurements

As a multinational company with diverse product offerings, we are exposed to market risks, such as changes in interest rates, currency exchange rates and commodity prices. There have been no significant changes in our risk management policies or activities during the six months ended December 31, 2022.

The Company has not changed its valuation techniques used in measuring the fair value of any financial assets and liabilities during the period. The Company recognizes transfers between levels within the fair value hierarchy, if any, at the end of each quarter. There were no transfers between levels during the periods presented. Also, there was no significant activity within the Level 3 assets and liabilities during the periods presented. There were no significant assets or liabilities that were remeasured at fair value on a non-recurring basis for the six months ended December 31, 2022.

Cash equivalents were $5.1 billion and $6.0 billion as of December 31, 2022 and June 30, 2022, respectively, and are classified as Level 1 within the fair value hierarchy. Other investments had a fair value of $86 and $140 as of December 31, 2022 and June 30, 2022, respectively, including equity securities of $60 and $113 as of December 31, 2022 and June 30, 2022, respectively, and are presented in Other noncurrent assets. Investments measured at fair value are primarily classified as Level 1 and Level 2 within the fair value hierarchy. Level 1 are based on quoted market prices in active markets for identical assets. Level 2 are based on quoted market prices for similar instruments. There are no material investment balances classified as Level 3 within the fair value hierarchy or using net asset value as a practical expedient. Unrealized losses on equity securities were $1 and $2 during the three months ended December 31, 2022 and 2021, respectively. Unrealized gains/(losses) on equity securities were $8 and $(31) during the six months ended December 31, 2022 and 2021, respectively. These unrealized gains/(losses) are recognized in Other non-operating income, net.

The fair value of long-term debt was $22.7 billion and $25.7 billion as of December 31, 2022 and June 30, 2022, respectively. This includes the current portion of long-term debt instruments ($3.6 billion as of December 31, 2022 and June 30, 2022). Certain long-term debt (debt designated as a fair value hedge) is recorded at fair value. All other long-term debt is recorded at amortized cost but is measured at fair value for disclosure purposes. We consider our debt to be Level 2 in the fair value hierarchy. Fair values are generally estimated based on quoted market prices for identical or similar instruments.

Disclosures about Financial Instruments

The notional amounts and fair values of financial instruments used in hedging transactions as of December 31, 2022 and June 30, 2022 are as follows:

	Notional Amount		Fair Value Asset		Fair Value (Liability)	
	December 31, 2022	June 30, 2022	December 31, 2022	June 30, 2022	December 31, 2022	June 30, 2022
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS						
Interest rate contracts	**$ 3,983**	$ 4,972	**$ —**	$ 3	**$ (484)**	$ (307)
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS						
Foreign currency interest rate contracts	**$ 11,381**	$ 7,943	**$ 47**	$ 561	**$ (474)**	$ (1)
TOTAL DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS	**$ 15,364**	$ 12,915	**$ 47**	$ 564	**$ (958)**	$ (308)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS						
Foreign currency contracts	**$ 5,203**	$ 5,625	**$ 47**	$ 6	**$ (4)**	$ (61)
TOTAL DERIVATIVES AT FAIR VALUE	**$ 20,567**	$ 18,540	**$ 94**	$ 570	**$ (962)**	$ (369)

Amounts in millions of dollars unless otherwise specified.

The fair value of the interest rate derivative asset/(liability) directly offsets the cumulative amount of the fair value hedging adjustment included in the carrying amount of the underlying debt obligation. The carrying amount of the underlying debt obligation, which includes the unamortized discount or premium and the fair value adjustment, was $3.5 billion and $4.7 billion as of December 31, 2022 and June 30, 2022, respectively. In addition to the foreign currency derivative contracts designated as net investment hedges, certain of our foreign currency denominated debt instruments are designated as net investment hedges. The carrying value of those debt instruments designated as net investment hedges, which includes the adjustment for the foreign currency transaction gain or loss on those instruments, was $10.2 billion and $11.2 billion as of December 31, 2022 and June 30, 2022, respectively. The increase in the notional balance of derivative instruments designated as net investment hedges is partially offset by the decrease in debt designated as a net investment hedge due to maturities. The net increase in the total amount of instruments designated as net investment hedges is primarily driven by the Company's decision to leverage favorable interest rate spreads in the foreign currency swap market.

All derivative assets are presented in Prepaid expenses and other current assets or Other noncurrent assets. All derivative liabilities are presented in Accrued and other liabilities or Other noncurrent liabilities. Changes in the fair value of net investment hedges are recognized in the Foreign currency translation component of Other comprehensive income (OCI). All of the Company's derivative assets and liabilities measured at fair value are classified as Level 2 within the fair value hierarchy.

Substantially all of the Company's financial instruments used in hedging transactions are governed by industry standard netting and collateral agreements with counterparties. If the Company's credit rating were to fall below the levels stipulated in the agreements, the counterparties could demand either collateralization or termination of the arrangements. The aggregate fair value of the instruments covered by these contractual features that are in a net liability position was $911 and $219 as of December 31, 2022 and June 30, 2022, respectively. The Company has not been required to post collateral as a result of these contractual features.

Before tax gains on our financial instruments in hedging relationships are categorized as follows:

	Amount of Gain/(Loss) Recognized in OCI on Derivatives			
	Three Months Ended December 31		Six Months Ended December 31	
	2022	2021	**2022**	2021
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS [1] [2]				
Foreign exchange contracts	**$ (1,013)**	$ 218	**$ (305)**	$ 426

[1] For the derivatives in net investment hedging relationships, the amount of gain excluded from effectiveness testing, which was recognized in earnings, was $69 and $17 for the three months ended December 31, 2022 and 2021, respectively. The amount of gain excluded from effectiveness testing was $115 and $32 for the six months ended December 31, 2022 and 2021, respectively.

[2] In addition to the foreign currency derivative contracts designated as net investment hedges, certain of our foreign currency denominated debt instruments are designated as net investment hedges. The amount of gain/(loss) recognized in Accumulated other comprehensive income (AOCI) for such instruments was $(862) and $264 for the three months ended December 31, 2022 and 2021, respectively. The amount of gain/(loss) recognized in Accumulated other comprehensive income (AOCI) for such instruments was $(164) and $567 for the six months ended December 31, 2022 and 2021, respectively.

	Amount of Gain/(Loss) Recognized in Earnings			
	Three Months Ended December 31		Six Months Ended December 31	
	2022	2021	**2022**	2021
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS				
Interest rate contracts	**$ (49)**	$ (61)	**$ (180)**	$ (97)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS				
Foreign currency contracts	**$ 95**	$ 54	**$ (51)**	$ 30

The loss on the derivatives in fair value hedging relationships is fully offset by the mark-to-market impact of the related exposure. These are both recognized in Interest expense. The loss on derivatives not designated as hedging instruments is substantially offset by the currency mark-to-market of the related exposure. These are both recognized in Selling, general and administrative expense (SG&A).

Amounts in millions of dollars unless otherwise specified.

8. Accumulated Other Comprehensive Income/(Loss)

The table below presents the changes in Accumulated other comprehensive income/(loss) attributable to Procter & Gamble (AOCI), including the reclassifications out of AOCI by component:

	Investment Securities	Post-retirement Benefit Plans	Foreign Currency Translation	Total AOCI
Balance at June 30, 2022	$ 20	$ 27	$ (12,236)	$ (12,189)
OCI before reclassifications [1]	(3)	2	(333)	(334)
Amounts reclassified to the Consolidated Statement of Earnings [2]	—	9	—	9
Net current period OCI	(3)	11	(333)	(325)
Less: OCI attributable to non-controlling interests	—	—	(8)	(8)
Balance at December 31, 2022	**$ 17**	**$ 38**	**$ (12,561)**	**$ (12,506)**

(1) Net of tax (benefit)/expense of $(1), $(4) and $(110) for gains/losses on investment securities, postretirement benefit plans and foreign currency translation, respectively. Income tax effects within foreign currency translation include impacts from items such as net investment hedge transactions.

(2) Net of tax (benefit)/expense of $0, $4 and $0 for gains/losses on investment securities, postretirement benefit plans and foreign currency translation, respectively.

Postretirement benefit plan amounts are reclassified from AOCI into Other non-operating income, net and included in the computation of net periodic postretirement costs.

9. Commitments and Contingencies

Litigation

We are subject, from time to time, to certain legal proceedings and claims arising out of our business, which cover a wide range of matters, including antitrust and trade regulation, product liability, advertising, contracts, environmental, patent and trademark matters, labor and employment matters and tax. While considerable uncertainty exists, in the opinion of management and our counsel, the ultimate resolution of the various lawsuits and claims will not materially affect our financial position, results of operations or cash flows.

We are also subject to contingencies pursuant to environmental laws and regulations that in the future may require us to take action to correct the effects on the environment of prior manufacturing and waste disposal practices. Based on currently available information, we do not believe the ultimate resolution of environmental remediation will materially affect our financial position, results of operations or cash flows.

Income Tax Uncertainties

The Company is present in approximately 70 countries and over 150 taxable jurisdictions and, at any point in time, has 40–50 jurisdictional audits underway at various stages of completion. We evaluate our tax positions and establish liabilities for uncertain tax positions that may be challenged by local authorities and may not be fully sustained, despite our belief that the underlying tax positions are fully supportable. Uncertain tax positions are reviewed on an ongoing basis and are adjusted in light of changing facts and circumstances, including progress of tax audits, developments in case law and closing of statutes of limitations. Such adjustments are reflected in the tax provision as appropriate. We have tax years open ranging from 2010 and forward. We are generally not able to reliably estimate the ultimate settlement amounts until the close of an audit. Based on information currently available, we anticipate that over the next 12-month period, audit activity could be completed related to uncertain tax positions in multiple jurisdictions for which we have accrued existing liabilities of approximately $140, including interest and penalties.

Additional information on the Commitments and Contingencies of the Company can be found in our Annual Report on Form 10-K for the fiscal year ended June 30, 2022.

Amounts in millions of dollars unless otherwise specified.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report, including without limitation, the following sections: “Management's Discussion and Analysis,” “Risk Factors” and "Notes 4 and 9 to the Consolidated Financial Statements." These forward-looking statements generally are identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “intend,” “strategy,” “future,” “opportunity,” “plan,” “may,” “should,” “will,” “would,” “will be,” “will continue,” “will likely result” and similar expressions. Forward-looking statements are based on current expectations and assumptions, which are subject to risks and uncertainties that may cause results to differ materially from those expressed or implied in the forward-looking statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events or otherwise, except to the extent required by law.

Risks and uncertainties to which our forward-looking statements are subject include, without limitation: (1) the ability to successfully manage global financial risks, including foreign currency fluctuations, currency exchange or pricing controls and localized volatility; (2) the ability to successfully manage local, regional or global economic volatility, including reduced market growth rates, and to generate sufficient income and cash flow to allow the Company to effect the expected share repurchases and dividend payments; (3) the ability to manage disruptions in credit markets or to our banking partners or changes to our credit rating; (4) the ability to maintain key manufacturing and supply arrangements (including execution of supply chain optimizations and sole supplier and sole manufacturing plant arrangements) and to manage disruption of business due to various factors, including ones outside of our control, such as natural disasters, acts of war (including the Russia-Ukraine War) or terrorism or disease outbreaks; (5) the ability to successfully manage cost fluctuations and pressures, including prices of commodities and raw materials and costs of labor, transportation, energy, pension and healthcare; (6) the ability to stay on the leading edge of innovation, obtain necessary intellectual property protections and successfully respond to changing consumer habits, evolving digital marketing and selling platform requirements and technological advances attained by, and patents granted to, competitors; (7) the ability to compete with our local and global competitors in new and existing sales channels, including by successfully responding to competitive factors such as prices, promotional incentives and trade terms for products; (8) the ability to manage and maintain key customer relationships; (9) the ability to protect our reputation and brand equity by successfully managing real or perceived issues, including concerns about safety, quality, ingredients, efficacy, packaging content, supply chain practices or similar matters that may arise; (10) the ability to successfully manage the financial, legal, reputational and operational risk associated with third-party relationships, such as our suppliers, contract manufacturers, distributors, contractors and external business partners; (11) the ability to rely on and maintain key company and third-party information and operational technology systems, networks and services and maintain the security and functionality of such systems, networks and services and the data contained therein; (12) the ability to successfully manage uncertainties related to changing political conditions and potential implications such as exchange rate fluctuations and market contraction; (13) the ability to successfully manage current and expanding regulatory and legal requirements and matters (including, without limitation, those laws and regulations involving product liability, product and packaging composition, intellectual property, labor and employment, antitrust, privacy and data protection, tax, the environment, due diligence, risk oversight, accounting and financial reporting) and to resolve new and pending matters within current estimates; (14) the ability to manage changes in applicable tax laws and regulations; (15) the ability to successfully manage our ongoing acquisition, divestiture and joint venture activities, in each case to achieve the Company’s overall business strategy and financial objectives, without impacting the delivery of base business objectives; (16) the ability to successfully achieve productivity improvements and cost savings and manage ongoing organizational changes while successfully identifying, developing and retaining key employees, including in key growth markets where the availability of skilled or experienced employees may be limited; (17) the ability to successfully manage the demand, supply and operational challenges, as well as governmental responses or mandates, associated with a disease outbreak, including epidemics, pandemics or similar widespread public health concerns (including COVID-19); (18) the ability to manage the uncertainties, sanctions and economic effects from the war between Russia and Ukraine; and (19) the ability to successfully achieve our ambition of reducing our greenhouse gas emissions and delivering progress towards our environmental sustainability priorities. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from those projected herein is included in the section titled "Economic Conditions and Uncertainties" and the section titled "Risk Factors" (Part II, Item 1A) of this Form 10-Q.

Purpose, Approach and Non-GAAP Measures

The purpose of Management's Discussion and Analysis (MD&A) is to provide an understanding of Procter & Gamble's financial condition, results of operations and cash flows by focusing on changes in certain key measures from year to year. The MD&A is provided as a supplement to, and should be read in conjunction with, our Consolidated Financial Statements and accompanying Notes.

The MD&A is organized into the following sections:

- Overview
- Summary of Results – Six months ended December 31, 2022
- Economic Conditions and Uncertainties
- Results of Operations – Three and Six Months Ended December 31, 2022
- Business Segment Discussion – Three and Six Months Ended December 31, 2022
- Liquidity and Capital Resources
- Reconciliation of Measures Not Defined by U.S. GAAP

Throughout the MD&A, we refer to measures used by management to evaluate performance, including unit volume growth, net sales, net earnings, diluted net earnings per share and operating cash flow. We also refer to a number of financial measures that are not defined under accounting principles generally accepted in the United States of America (U.S. GAAP) that include organic sales growth, core net earnings per share (Core EPS), adjusted free cash flow and adjusted free cash flow productivity. The explanation at the end of the MD&A provides the definition of these non-GAAP measures, details on the use and the derivation of these measures, as well as reconciliations to the most directly comparable U.S. GAAP measure.

Management also uses certain market share and market consumption estimates to evaluate performance relative to competition, despite some limitations on the availability and comparability of share and consumption information. References to market share and market consumption in the MD&A are based on a combination of vendor purchased traditional brick-and-mortar and online data in key markets as well as internal estimates. All market share references represent the percentage of sales of our products in dollar terms on a constant currency basis relative to all product sales in the category. The Company measures fiscal year to date market shares through the most recent period for which market share data is available, which typically reflects a lag time of one or two months as compared to the end of the reporting period. Management also uses unit volume growth to evaluate and explain drivers of changes in net sales. Organic volume growth reflects year-over-year changes in unit volume excluding the impacts of acquisitions and divestitures and certain one-time items, if applicable, and is used to explain changes in organic sales.

OVERVIEW

P&G is a global leader in the fast-moving consumer goods industry, focused on providing branded consumer packaged goods of superior quality and value to our consumers around the world. Our products are sold in approximately 180 countries and territories, primarily through mass merchandisers, e-commerce (including social commerce) channels, grocery stores, membership club stores, drug stores, department stores, distributors, wholesalers, specialty beauty stores (including airport duty-free stores), high-frequency stores, pharmacies, electronics stores and professional channels. We also sell direct to individual consumers. We have on-the-ground operations in approximately 70 countries.

Our market environment is highly competitive with global, regional and local competitors. In many of the markets and industry segments in which we sell our products, we compete against other branded products as well as retailers' private-label brands. Additionally, many of the product segments in which we compete are differentiated by price tiers (referred to as super-premium, premium, mid-tier and value-tier products). We believe we are well positioned in the industry segments and markets in which we operate, often holding a leadership or significant market share position.

The table below lists our reportable segments, including the product categories and brand composition within each segment.

Reportable Segments	Product Categories (Sub-Categories)	Major Brands
Beauty	Hair Care (*Conditioners, Shampoos, Styling Aids, Treatments*)	Head & Shoulders, Herbal Essences, Pantene, Rejoice
	Skin and Personal Care (*Antiperspirants and Deodorants, Personal Cleansing, Skin Care*)	Olay, Old Spice, Safeguard, Secret, SK-II
Grooming [1]	Grooming (*Appliances, Female Blades & Razors, Male Blades & Razors, Pre- and Post-Shave Products, Other Grooming*)	Braun, Gillette, Venus
Health Care	Oral Care (*Toothbrushes, Toothpastes, Other Oral Care*)	Crest, Oral-B
	Personal Health Care (*Gastrointestinal, Pain Relief, Rapid Diagnostics, Respiratory, Vitamins/Minerals/Supplements, Other Personal Health Care*)	Metamucil, Neurobion, Pepto-Bismol, Vicks
Fabric & Home Care	Fabric Care (*Fabric Enhancers, Laundry Additives, Laundry Detergents*)	Ariel, Downy, Gain, Tide
	Home Care (*Air Care, Dish Care, P&G Professional, Surface Care*)	Cascade, Dawn, Fairy, Febreze, Mr. Clean, Swiffer
Baby, Feminine & Family Care	Baby Care (*Baby Wipes, Taped Diapers and Pants*)	Luvs, Pampers
	Feminine Care (*Adult Incontinence, Feminine Care*)	Always, Always Discreet, Tampax
	Family Care (*Paper Towels, Tissues, Toilet Paper*)	Bounty, Charmin, Puffs

(1) Effective July 1, 2022, the Grooming Sector Business Unit completed the full integration of its Shave Care and Appliances categories to cohesively serve consumers' grooming needs. This transition included the integration of the management team, strategic decision-making, innovation plans, financial targets, budgets and internal management reporting.

The following table provides the percentage of net sales and net earnings by reportable business segment (excluding Corporate) for the three and six months ended December 31, 2022:

	Three Months Ended December 31, 2022		Six Months Ended December 31, 2022	
	Net Sales	Net Earnings	Net Sales	Net Earnings
Beauty	18%	23%	19%	24%
Grooming	8%	10%	8%	10%
Health Care	15%	17%	14%	16%
Fabric & Home Care	34%	29%	34%	29%
Baby, Feminine & Family Care	25%	21%	25%	21%
Total Company	**100%**	**100%**	**100%**	**100%**

SUMMARY OF RESULTS

The following are highlights of results for the six months ended December 31, 2022 versus the six months ended December 31, 2021:

- Net sales were unchanged versus the prior period, at $41.4 billion. Net sales increased by low single-digits in Health Care and Fabric & Home Care and were fully offset by a decrease of high single digits in Grooming and low single digits in Beauty. Net Sales in Baby, Feminine & Family Care was unchanged. Organic sales, which exclude the impacts of acquisitions and divestitures and foreign exchange, increased 6%. Organic sales increased high single digits in Health Care and Fabric & Home Care, increased mid-single digits in Baby, Feminine & Family Care and increased low single digits in Grooming and Beauty.
- Net earnings were $7.9 billion, a decrease of $446 million, or 5%, versus the prior year period due to a decrease in operating margin.
- Net earnings attributable to Procter & Gamble were $7.9 billion, a decrease of $463 million, or 6%, versus the prior year.
- Diluted net earnings per share (EPS) decreased 3% to $3.16 due primarily to the decrease in net earnings, partially offset by a reduction in the weighted average shares outstanding.
- Operating cash flow was $7.6 billion. Adjusted free cash flow, which is defined as operating cash flow less capital expenditures and transitional tax payments resulting from the U.S. Tax Act beginning in 2019, was $6.3 billion. Adjusted free cash flow productivity, which is defined as adjusted free cash flow as a percentage of net earnings, was 79%.

ECONOMIC CONDITIONS AND UNCERTAINTIES

Global Economic Conditions. Our products are sold in numerous countries across North America, Europe, Latin America, Asia and Africa, with more than half our sales generated outside the United States. As such, we are exposed to and impacted by global macroeconomic factors, U.S. and foreign government policies and foreign exchange fluctuations. Current macroeconomic factors remain very dynamic, and any causes of market size contraction, such as COVID-19 related disruptions or lockdowns, greater political unrest or instability in the Middle East, Central and Eastern Europe (including the ongoing Russia-Ukraine War), certain Latin American markets and the Korean peninsula could reduce our sales or erode our operating margin and consequently reduce our net earnings and cash flows.

Changes in Costs. Our costs are subject to fluctuations, particularly due to changes in commodity and input material prices, transportation and labor costs, broader inflationary impacts and our own productivity efforts. We have significant exposures to certain commodities and input materials, in particular certain oil-derived materials like resins and paper-based materials like pulp. Volatility in the market price of these commodities and input materials has a direct impact on our costs. Disruptions in our manufacturing, supply and distribution operations, including due to COVID-19 related lockdowns, energy shortages, port congestions, labor constraints, freight container and truck shortages and inflation have impacted our costs and could do so in the future. We strive to implement, achieve and sustain cost improvement plans, including supply chain optimization and general overhead and workforce optimization. Increased pricing in response to certain inflationary impacts or cost increases may also offset portions of the impacts, however such increases may impact product consumption. If we are unable to manage these impacts through pricing actions, cost savings projects and sourcing decisions, as well as through consistent productivity improvements, it may adversely impact our net sales, gross margin, operating margin, net earnings and cash flows.

Foreign Exchange. We have both translation and transaction exposure to the fluctuation of exchange rates. Translation exposures relate to exchange rate impacts of measuring income statements of foreign subsidiaries that do not use the U.S. dollar as their functional currency. Transaction exposures relate to 1) the impact from input costs that are denominated in a currency other than the local reporting currency and 2) the revaluation of transaction-related working capital balances denominated in currencies other than the functional currency. Historically, weakening of certain foreign currencies versus the U.S. dollar have resulted in significant foreign exchange impacts leading to lower net sales, net earnings and cash flows. Certain countries experiencing significant exchange rate fluctuations such as Argentina, Brazil, United Kingdom, Japan, Russia and Turkey have had, and could continue to have, a significant impact on our net sales, net earnings and cash flows. Increased pricing in response to certain fluctuations in foreign currency exchange rates may offset portions of the currency impacts but could also have a negative impact on the consumption of our products, which would negatively affect our net sales, gross margin, operating margin, net earnings and cash flows.

Government Policies. Our net sales, gross margin, operating margin, net earnings and cash flows could be affected by changes in U.S. or foreign government legislative, regulatory or enforcement policies. On August 16, 2022, the "Inflation Reduction Act" (H.R. 5376) was signed into law in the United States. We do not currently expect the Inflation Reduction Act to have a material impact on the Company's Consolidated Financial Statements. Our net earnings and cash flows could be affected by any future legislative or regulatory changes in U.S. or non-U.S. tax policy, or any significant change in global tax policy adopted under the current work being led by the OECD for the G20 focused on "Addressing the Challenges of the Digitalization of the Economy". Our net sales, gross margin, operating margin, net earnings and cash flows may also be impacted by changes in U.S. and foreign government policies related to environmental and climate change matters. Additionally, we attempt to carefully manage our debt, currency and other exposures in certain countries with currency exchange, import authorization and pricing controls, such as Argentina, Egypt, Nigeria and Pakistan. Our net sales, gross margin, operating margin, net earnings and cash flows could be affected by changes to international trade agreements in North America and elsewhere. Changes in government policies in the above areas might cause an increase or decrease in our net sales, gross margin, operating margin, net earnings and cash flows.

Russia-Ukraine War. The war between Russia and Ukraine has negatively impacted our operations in both countries. Our Ukraine business includes two manufacturing sites. We have approximately 500 employees including both manufacturing and non-manufacturing personnel. Our operations in Ukraine accounted for less than 1% of consolidated net sales and net earnings in fiscal 2022. Additionally, net assets of our Ukraine subsidiary, along with Ukraine related assets held by other subsidiaries, account for less than 1% of net assets as of December 31, 2022.

Our Russia business includes two manufacturing sites with a net book value of approximately $250 million as of December 31, 2022. We have approximately 1,800 employees, including both manufacturing and non-manufacturing personnel. In fiscal 2022, our operations in Russia accounted for less than 2% of consolidated net sales and less than 1% of net earnings. Additionally, net assets of our Russia subsidiaries, along with Russia related assets held by other subsidiaries, account for less than 2% of net assets as of December 31, 2022. Beginning in March 2022, the Company reduced its product portfolio, discontinued new capital investments and suspended media, advertising and promotional activity in Russia.

Future impacts to the Company are difficult to predict due to the high level of uncertainty related to the war's duration, evolution and resolution. Within Ukraine, there is a possibility of physical damage and destruction of our two manufacturing facilities. We may not be able to operate our manufacturing sites and source raw materials from our suppliers or ship finished products to our customers. Ultimately, these could result in impairments of our manufacturing plants and fixed assets or write-downs of other operating assets and working capital.

Within Russia, we may not be able to continue our reduced operations at current levels due to sanctions and counter-sanctions, monetary, currency or payment controls, legislative restrictions or policies, restrictions on access to financial institutions and supply and transportation challenges. Our suppliers, distributors and retail customers are also impacted by the war and their ability to successfully maintain their operations could also impact our operations or negatively impact the sales of our products.

More broadly, there could be additional negative impacts to our net sales, earnings and cash flows should the situation escalate beyond its current scope, including, among other potential impacts, economic recessions in certain neighboring countries or globally due to inflationary pressures and supply chain cost increases or the geographic proximity of the war relative to the rest of Europe.

For a more complete discussion of the risks we encounter in our business, please refer to Risk Factors in Part I, Item 1A of the Company's Form 10-K for the fiscal year ended June 30, 2022.

RESULTS OF OPERATIONS – Three Months Ended December 31, 2022

The following discussion provides a review of results for the three months ended December 31, 2022 versus the three months ended December 31, 2021.

	Three Months Ended December 31		
Amounts in millions, except per share amounts	**2022**	**2021**	**% Chg**
Net sales	**$20,773**	$20,953	(1)%
Operating income	**4,785**	5,168	(7)%
Net earnings	**3,959**	4,242	(7)%
Net earnings attributable to Procter & Gamble	**3,933**	4,223	(7)%
Diluted net earnings per common share	**1.59**	1.66	(4)%

	Three Months Ended December 31		
COMPARISONS AS A PERCENTAGE OF NET SALES	**2022**	**2021**	**Basis Pt Chg**
Gross margin	**47.5%**	49.1%	(160)
Selling, general & administrative expense	**24.5%**	24.4%	10
Operating income	**23.0%**	24.7%	(170)
Earnings before income taxes	**23.3%**	25.0%	(170)
Net earnings	**19.1%**	20.2%	(110)
Net earnings attributable to Procter & Gamble	**18.9%**	20.2%	(130)

Net Sales

Net sales for the quarter decreased 1% to $20.8 billion. The decrease in net sales was due to unfavorable foreign exchange of 6% and a decrease in unit volume of 6%, partially offset by higher pricing of 10% and favorable mix of 1%. Favorable mix was driven by the disproportionate growth in Personal Health Care (which has higher than Company-average selling prices) and the disproportionate decline of Europe (which has lower than Company-average selling prices). Excluding the impact of acquisitions and divestitures and foreign exchange, organic sales increased 5%.

Net Sales increased low single digits in Health Care and Fabric & Home Care, decreased high single digits in Grooming and decreased low single digits in Beauty and Baby, Feminine & Family Care. On a regional basis, volume decreased low teens in Europe, decreased high single digits in Greater China and decreased low single digits in North America, Asia Pacific and IMEA. Volume in Latin America was unchanged.

Net Sales Change Drivers 2022 vs. 2021 (Three Months Ended December 31, 2022) (1)	Volume with Acquisitions & Divestitures	Volume Excluding Acquisitions & Divestitures	Foreign Exchange	Price	Mix	Other (2)	Net Sales Growth
Beauty	(4)%	(4)%	(8)%	9%	(2)%	2%	(3)%
Grooming	(8)%	(8)%	(9)%	11%	(3)%	—%	(9)%
Health Care	(1)%	(1)%	(6)%	5%	4%	—%	2%
Fabric & Home Care	(7)%	(7)%	(7)%	13%	2%	—%	1%
Baby, Feminine & Family Care	(6)%	(6)%	(5)%	8%	2%	—%	(1)%
Total Company	**(6)%**	**(6)%**	**(6)%**	**10%**	**1%**	**—%**	**(1)%**

(1) Net sales percentage changes are approximations based on quantitative formulas that are consistently applied.

(2) Other includes the sales mix impact from acquisitions and divestitures and rounding impacts necessary to reconcile volume to net sales.

Operating Costs

Gross margin decreased 160 basis points to 47.5% of net sales for the quarter. The decrease in gross margin was due to:

- 380 basis points of increased commodity and input material costs,
- a 130 basis-point decline from unfavorable mix due to the growth of premium products (which have lower than Company-average gross margins) and the disproportionate decline of the super-premium SK-II brand,
- 90 basis points due to capacity start-up costs and other impacts,
- 20 basis points of increased transportation costs,
- 20 basis points of product and packaging investments,
- a 60 basis-point decline from unfavorable foreign exchange impacts and
- a 10 basis-point decline from decreased cost leverage.

These impacts were partially offset by

- a 470 basis-point increase due to higher pricing and
- 80 basis points of manufacturing productivity savings.

Total SG&A spending decreased 1% to $5.1 billion due to decreased marketing spending partially offset by increased overhead costs and other operating costs. SG&A as a percentage of net sales increased 10 basis points to 24.5% due to an increase in overhead and other operating costs as a percentage of sales, partially offset by a decrease in marketing spending as a percentage of sales. Marketing spending as a percentage of net sales decreased 90 basis points due primarily to the positive scale impacts of the organic sales increase. Overhead costs as a percentage of net sales increased 40 basis points due to wage inflation and other cost increases, partially offset by the positive scale impacts of the organic sales increase. Other operating expenses as a percentage of net sales increased 50 basis points due primarily to higher foreign exchange transactional charges. Productivity-driven cost savings delivered 30 basis points of benefit to SG&A as a percentage of net sales.

Non-Operating Expenses and Income

Interest expense was $171 million for the quarter, an increase of $65 million versus the prior year period due to an increase in short-term debt and higher interest rates. Interest income was $66 million for the quarter, an increase of $56 million versus the prior year period due to higher interest rates. Other non-operating income was $155 million, a decrease of $12 million versus the prior year period.

Income Taxes

For the three months ended December 31, 2022, the effective tax rate decreased 90 basis points versus the prior year period to 18.1% due to:

- a 180 basis-point decrease primarily due to the recognition of operating loss carryforwards partially offset by changes to foreign-derived intangible income and
- a 30 basis-point decrease from discrete impacts related to uncertain tax positions (a 20 basis-point favorable impact in the current period versus a 10 basis-point unfavorable impact in the prior year period).

These decreases were partially offset by a 120 basis-point increase from lower excess tax benefits of share-based compensation (an 80 basis-point benefit in the current period versus a 200 basis-point benefit in the prior year period).

Net Earnings

Operating income decreased $383 million, or 7%, to $4.8 billion for the quarter, due to the decrease in net sales and the decrease in operating margin, the components of which are described above. Net earnings decreased $283 million, or 7%, to $4.0 billion as the decrease in operating income was partially offset by a decrease in effective tax rate. Foreign exchange had a negative impact of approximately $405 million on net earnings for the quarter, including both transactional and translational impacts from converting earnings from foreign subsidiaries to U.S. dollars. Net earnings attributable to Procter & Gamble decreased $290 million, or 7%, to $3.9 billion for the quarter. Diluted net earnings per share decreased 4% to $1.59 versus the prior year period due to the decrease in net earnings, partially offset by a reduction in the weighted average number of shares outstanding.

RESULTS OF OPERATIONS – Six Months Ended December 31, 2022

The following discussion provides a review of results for the six months ended December 31, 2022 versus the six months ended December 31, 2021.

	Six Months Ended December 31		
Amounts in millions, except per share amounts	2022	2021	% Chg
Net sales	**$41,385**	$41,291	—%
Operating income	**9,724**	10,191	(5)%
Net earnings	**7,922**	8,368	(5)%
Net earnings attributable to Procter & Gamble	**7,872**	8,335	(6)%
Diluted net earnings per common share	**3.16**	3.27	(3)%

	Six Months Ended December 31		
COMPARISONS AS A PERCENTAGE OF NET SALES	2022	2021	Basis Pt Chg
Gross margin	**47.5%**	49.1%	(160)
Selling, general & administrative expense	**24.0%**	24.4%	(40)
Operating income	**23.5%**	24.7%	(120)
Earnings before income taxes	**23.8%**	24.9%	(110)
Net earnings	**19.1%**	20.3%	(120)
Net earnings attributable to Procter & Gamble	**19.0%**	20.2%	(120)

Net Sales

Net sales for the period were unchanged versus the previous period at $41.4 billion on a 4% decrease in unit volume. Higher pricing increased net sales by 9%. Positive mix increased net sales by 1% driven by the disproportionate growth in Personal Health Care (which has higher than Company-average selling prices) and the disproportionate decline of Europe (which has lower than Company-average selling prices). Unfavorable foreign exchange had a 6% negative impact on net sales. Excluding the impact of acquisitions and divestitures and foreign exchange, organic sales increased 6%.

Net sales increased low single digits in Health Care and Fabric & Home Care and decreased high single digits in Grooming and low single digits in Beauty. Net sales was unchanged for Baby, Feminine & Family Care. On a regional basis, volume decreased double digits in Europe, mid-single digits in Greater China and low single digits in North America and IMEA. Volume increased low single digits in Latin America and Asia Pacific.

Net Sales Change Drivers 2022 vs. 2021 (Six Months Ended December 31, 2022) (1)

	Volume with Acquisitions & Divestitures	Volume Excluding Acquisitions & Divestitures	Foreign Exchange	Price	Mix	Other (2)	Net Sales Growth
Beauty	(2)%	(3)%	(7)%	8%	(2)%	1%	(2)%
Grooming	(4)%	(4)%	(9)%	10%	(4)%	—%	(7)%
Health Care	(1)%	(1)%	(5)%	5%	4%	—%	3%
Fabric & Home Care	(6)%	(5)%	(7)%	12%	1%	1%	1%
Baby, Feminine & Family Care	(4)%	(4)%	(5)%	8%	1%	—%	—%
Total Company	(4)%	(4)%	(6)%	9%	1%	**—%**	**—%**

(1) Net sales percentage changes are approximations based on quantitative formulas that are consistently applied.

(2) Other includes the sales mix impact from acquisitions and divestitures and rounding impacts necessary to reconcile volume to net sales.

Operating Costs

Gross margin decreased 160 basis points to 47.5% of net sales for the period. The decrease in gross margin was due to:

- 450 basis points of increased commodity and input material costs,
- a 80 basis-point decline from unfavorable mix due to the growth of premium products (which have lower than Company-average gross margins) and the disproportionate decline of the super-premium SK-II brand,
- 40 basis points of increased transportation costs,
- 30 basis points of product and packaging investments,
- 40 basis points due to capacity start-up costs and other impacts,
- a 40 basis-point decline from unfavorable foreign exchange impacts and
- a 10 basis-point decline from decreased cost leverage.

These impacts were partially offset by

- a 440 basis-point increase due to higher pricing and
- 90 basis points of manufacturing productivity savings.

Total SG&A spending decreased 2% to $9.9 billion due to decreased marketing spending partially offset by increased overhead costs and other operating costs. SG&A as a percentage of net sales decreased 40 basis points to 24% due primarily to a decrease in marketing spending as a percentage of sales, partially offset by an increase in overhead and other operating costs as a percentage of sales. Marketing spending as a percentage of net sales decreased 150 basis points due to the positive scale impacts of the organic sales increase, increased savings in promotion-related and agency costs and lower media spending. Overhead costs as a percentage of net sales increased 40 basis points due to wage inflation and other cost increases, partially offset by the positive scale impacts of the organic sales increase. Other operating expenses as a percentage of net sales increased 60 basis points due to a prior period gain on the sale of real estate and higher foreign exchange transactional charges. Productivity-driven cost savings delivered 80 basis points of benefit to SG&A as a percentage of net sales.

Non-Operating Expenses and Income

Interest expense was $294 million for the period, an increase of $79 million versus the prior year period due to an increase in short-term debt and higher interest rates. Interest income was $108 million for the period, an increase of $87 million versus the prior year period due to higher interest rates. Other non-operating income was $294 million, an increase of $17 million primarily due to a prior period unrealized loss on equity investments.

Income Taxes

For the six months ended December 31, 2022, the effective tax rate increased 80 basis points versus the prior year period to 19.4% due to:

- a 120 basis-point increase from lower excess tax benefits of share-based compensation (a 70 basis-point benefit in the current period versus a 190 basis-point benefit in the prior year period),
- a 30 basis-point increase from unfavorable impacts from the geographic mix of current year earnings and
- a 20 basis-point increase from discrete impacts related to uncertain tax positions (a 0 basis-point impact in the current period versus a 20 basis-point favorable impact in the prior year period).

These increases are partially offset by a 90 basis-point decrease primarily due to the recognition of operating loss carryforwards partially offset by changes to foreign-derived intangible income.

Net Earnings

Operating income decreased $467 million, or 5%, to $9.7 billion for the period due to the decrease in operating margin, the components of which are described above. Net earnings decreased $446 million or, 5%, to $7.9 billion for the fiscal year to date period due to the decrease in operating income and an increase in the effective tax rate. Foreign exchange had a negative impact of approximately $786 million on net earnings for the period, including both transactional and translational impacts from converting earnings from foreign subsidiaries to U.S. dollars. Net earnings attributable to Procter & Gamble decreased $463 million or, 6%, to $7.9 billion for the fiscal year to date period. Diluted net earnings per share decreased 3% to $3.16 versus the prior year period due to the decrease in net earnings, partially offset by a reduction in the weighted average number of shares outstanding.

BUSINESS SEGMENT DISCUSSION – Three and Six Months Ended December 31, 2022

The following discussion provides a review of results by reportable business segment. Analysis of the results for the three and six month periods ended December 31, 2022 is provided based on a comparison to the three and six month periods ended December 31, 2021. The primary financial measures used to evaluate segment performance are net sales and net earnings. The table below provides supplemental information on net sales, earnings before income taxes and net earnings by reportable business segment for the three and six months ended December 31, 2022 versus the comparable prior year period (dollar amounts in millions):

	Three Months Ended December 31, 2022					
	Net Sales	% Change Versus Year Ago	Earnings/(Loss) Before Income Taxes	% Change Versus Year Ago	Net Earnings/(Loss)	% Change Versus Year Ago
Beauty	$ 3,807	(3) %	$ 1,145	(3) %	$ 911	(4) %
Grooming	1,643	(9) %	496	(14) %	404	(15) %
Health Care	3,051	2 %	887	(2) %	686	(2) %
Fabric & Home Care	7,032	1 %	1,538	5 %	1,171	3 %
Baby, Feminine & Family Care	5,065	(1) %	1,112	(6) %	848	(7) %
Corporate	175	N/A	(343)	N/A	(61)	N/A
Total Company	**$ 20,773**	**(1) %**	**$ 4,835**	**(8) %**	**$ 3,959**	**(7) %**

	Six Months Ended December 31, 2022					
	Net Sales	% Change Versus Year Ago	Earnings/(Loss) Before Income Taxes	% Change Versus Year Ago	Net Earnings/(Loss)	% Change Versus Year Ago
Beauty	$ 7,768	(2) %	$ 2,416	— %	$ 1,922	(1) %
Grooming	3,268	(7) %	999	(9) %	808	(10) %
Health Care	5,808	3 %	1,687	5 %	1,303	6 %
Fabric & Home Care	14,114	1 %	3,081	2 %	2,343	1 %
Baby, Feminine & Family Care	9,999	— %	2,167	(4) %	1,653	(5) %
Corporate	428	N/A	(518)	N/A	(107)	N/A
Total Company	**$ 41,385**	**— %**	**$ 9,832**	**(4) %**	**$ 7,922**	**(5) %**

Beauty

Three months ended December 31, 2022 compared with three months ended December 31, 2021

Beauty net sales decreased 3% to $3.8 billion, as the negative impacts of unfavorable foreign exchange of 8%, unfavorable mix of 2% (due primarily to the decline of the SK-II brand, which has higher than segment-average selling prices) and a decrease in unit volume of 4% were partially offset by the favorable benefits of higher pricing of 9% and acquisitions of 2%. Excluding the impact of acquisitions and foreign exchange, organic sales increased 3%. Global market share of the Beauty segment increased 0.3 points.

- Hair Care net sales decreased mid-single digits. Negative impacts of unfavorable foreign exchange and a decrease in unit volume were partially offset by higher pricing (across all regions). The volume decrease was driven primarily by declines in Europe (due to portfolio reduction in Russia and increased pricing), Greater China (due to market contraction and COVID-related disruptions), Asia Pacific (due to increased pricing) and North America (due to market contraction). Organic sales increased mid-single digits driven by a high teens increase in Latin America and high single-digit increases in Europe and North America, partially offset by a mid-single-digit decline in Greater China. Global market share of the Hair Care category decreased a point.
- Skin and Personal Care net sales decreased low single digits. Negative impacts of unfavorable mix (due to the decline of the super premium SK-II brand) and unfavorable foreign exchange were partially offset by higher pricing (across all regions), a unit volume increase and benefit from acquisitions. Volume increase was primarily driven by growth in Greater China (due to innovation), North America (due to innovation) and Latin America, partially offset by a decline in Asia Pacific (due to increased pricing). Organic sales increased low single digits as a double digit increase in North America was partially offset by a low single-digit decrease in Greater China. Global market share of the Skin and Personal Care category increased more than a point.

Net earnings decreased 4% to $0.9 billion due to the decrease in net sales and a 20 basis-point decrease in net earnings margin. Net earnings margin decreased as a decrease in gross margin and a higher effective tax rate were offset by a reduction in SG&A

as a percentage of net sales. The gross margin reduction was driven by increased commodity and input material costs, unfavorable foreign exchange impacts and negative product mix (due to the decline of the super-premium SK-II brand), partially offset by increased pricing. SG&A as a percentage of net sales decreased primarily due to a decrease in marketing spending, partially offset by an increase in overhead spending. The higher effective tax rate was driven by unfavorable geographic mix.

Six months ended December 31, 2022 compared with six months ended December 31, 2021

Beauty net sales decreased 2% to $7.8 billion, as the negative impacts of unfavorable foreign exchange of 7%, unfavorable mix of 2% (due primarily to the decline of the SK-II brand, which has higher than segment-average selling prices) and a 2% decrease in unit volume were partially offset by higher pricing of 8% and benefit from acquisitions of 2%. Excluding the impact of acquisitions and foreign exchange, organic sales increased 3% on a 3% decrease in organic volume. Global market share of the Beauty segment increased 0.3 points.

- Hair Care net sales decreased low single digits. Negative impacts of unfavorable foreign exchange and a decrease in unit volume were partially offset by higher pricing (driven by all regions). The volume decrease was driven primarily by declines in Europe (due to portfolio reduction in Russia and increased pricing), Greater China (due to market contraction and COVID-related disruptions) and North America (due to market contraction and increased pricing). Organic sales increased mid-single digits driven by a mid-teens growth in Latin America, a high single-digit growth in Europe and a mid-single-digit growth in North America, partially offset by a mid-single-digit decline in Greater China. Global market share of the Hair Care category decreased a point.
- Skin and Personal Care net sales were unchanged. Positive impacts of higher pricing (driven primarily by Greater China and North America), a unit volume increase and benefit from acquisitions were fully offset by unfavorable mix (due to the decline of the SK-II brand, which has higher than category-average selling prices) and unfavorable foreign exchange. The volume increase was primarily driven by growth in North America, Greater China (due to innovation) and Latin America, partially offset by a decline in Asia Pacific (due to increased pricing). Organic sales increased low single digits as a low teens increase in North America was partially offset by a low single-digit decrease in Greater China. Global market share of the Skin and Personal Care category increased more than a point.

Net earnings decreased 1% to $1.9 billion due to the decrease in net sales, partially offset by a 10 basis-point increase in net earnings margin. Net earnings margin increased as a reduction in SG&A as a percentage of net sales was mostly offset by a decrease in gross margin and an increase in effective tax rate. The gross margin reduction was driven by increased commodity and input material costs and negative product mix (due to the decline of the super-premium SK-II brand), partially offset by increased pricing. SG&A as a percentage of net sales decreased primarily due to a decrease in marketing spending, partially offset by an increase in overhead spending. The higher effective tax rate was due to unfavorable geographic mix.

Grooming

Three months ended December 31, 2022 compared with three months ended December 31, 2021

Grooming net sales decreased 9% to $1.6 billion driven by unfavorable foreign exchange of 9%, a decrease in unit volume of 8% and unfavorable mix of 3% (due to disproportionate decline of Appliances, which has higher than segment-average selling prices), partially offset by higher pricing of 11% (primarily driven by Europe, North America and Latin America). The volume decline was driven primarily by Europe (due to market contraction and retailer inventory reductions of appliances), North America and Asia Pacific (both due to market contraction). Grooming organic sales were unchanged as a high teens increase in Latin America, a double digit increase in IMEA and a low single-digit increase in North America were fully offset by mid-single-digit decreases in Europe and Asia Pacific. Global market share of the Grooming segment increased 0.8 points.

Net earnings decreased 15% to $404 million due to the decrease in net sales and a 170 basis-point decline in net earnings margin. Net earnings margin declined due to a decrease in gross margin and an increase in SG&A as a percentage of net sales. The gross margin decrease was driven by commodity and input material cost increases, unfavorable foreign exchange and negative product mix, partially offset by higher pricing and manufacturing cost savings. SG&A as a percentage of net sales increased as the negative scale impacts of the net sales decrease and an increase in overhead spending were partially offset by a decrease in marketing spending.

Six months ended December 31, 2022 compared with six months ended December 31, 2021

Grooming net sales decreased 7% to $3.3 billion driven by unfavorable foreign exchange of 9%, a 4% decrease in unit volume and unfavorable mix of 4% (due to decline of Appliances, which have higher than segment-average selling prices), partially offset by higher pricing of 10% (driven primarily by Europe, North America and Latin America). The volume decrease was primarily driven by decreases in Europe (due to portfolio reduction in Russia and market contraction) and North America (due to market contraction and increased pricing). Grooming organic sales increased 2% as high teens growth in Latin America, low teens growth in IMEA and a mid-single-digit growth in Asia Pacific were partially offset by a low single-digit decline in Europe. Global market share of the Grooming segment increased 0.7 points.

Net earnings decreased 10% to $808 million due to the decrease in net sales and an 80 basis-point reduction in net earnings margin. Net earnings margin declined due to a decrease in gross margin and an increase in SG&A as a percentage of net sales. The gross margin decrease was driven by commodity and input material cost increases, unfavorable foreign exchange and unfavorable product mix, partially offset by higher pricing and manufacturing cost savings. SG&A as a percentage of net sales increased as the negative scale impacts of the net sales decrease and an increase in overhead spending was partially offset by higher efficiencies in marketing spending.

<u>Health Care</u>

Three months ended December 31, 2022 compared with three months ended December 31, 2021

Health Care net sales increased 2% to $3.1 billion driven by higher pricing of 5% and favorable mix of 4% (due to volume growth in North America and the Personal Health Care category, both of which have higher than segment-average selling prices), partially offset by unfavorable foreign exchange of 6% and a decrease in unit volume of 1%. Organic sales increased 8%. Global market share of the Health Care segment decreased 0.1 points.

- Oral Care net sales decreased mid-single digits. Negative impacts of an unfavorable foreign exchange and a volume decline were partially offset by increased pricing (driven by North America and Europe) and favorable product mix. Volume decline was primarily driven by Europe (due to portfolio reduction in Russia and increased pricing) and Greater China (due to COVID-related disruptions), partially offset by growth in Asia Pacific. Organic sales increased low single digits driven by mid-teen increases in Latin America and Asia Pacific and a low single-digit increase in North America, partially offset by a high single-digit decrease in Greater China. Global market share of the Oral Care category was unchanged.
- Personal Health Care net sales increased low teens. Positive impacts of a favorable mix (due to the disproportionate volume growth of North America and respiratory products, both of which have higher than category-average selling prices), higher pricing (driven by North America, Europe, Latin America and Asia Pacific) and a volume increase were partially offset by unfavorable foreign exchange. Volume increase was primarily driven by growth in North America due to a stronger respiratory season. Organic sales increased high-teens driven by a more than 20% growth in North America, a mid-teens growth in Latin America and a double-digit growth in Europe. Global market share of the Personal Health Care category increased less than half a point.

Net earnings decreased 2% to $686 million as the increase in net sales was more than fully offset by a 110 basis-point decrease in net earnings margin. Net earnings margin decreased due to a decrease in gross margin, partially offset by a decrease in SG&A as a percentage of net sales. The decrease in gross margin was driven by increased commodity and input material costs and unfavorable mix (due to the growth of premium priced products with lower than segment-average gross margins), partially offset by increased pricing. SG&A as a percentage of net sales decreased due to the positive scale impacts of the net sales increase and higher efficiencies in marketing spending.

Six months ended December 31, 2022 compared with six months ended December 31, 2021

Health Care net sales increased 3% to $5.8 billion driven by higher pricing of 5% and favorable mix of 4% (due to volume growth in North America and the Personal Health Care category, both of which have higher than segment-average selling prices), partially offset by unfavorable foreign exchange of 5% and a 1% decrease in unit volume. Organic sales increased 8%. Global market share of the Health Care segment decreased 0.4 points.

- Oral Care net sales decreased mid-single digits. Negative impacts of unfavorable foreign exchange and a unit volume decline were partially offset by increased pricing (driven primarily by North America and Europe) and favorable product mix. Volume decline was primarily driven by Europe (due to portfolio reduction in Russia and increased pricing), North America (due to market contraction and increased pricing) and Greater China (due to COVID-related disruptions). Organic sales increased low single digits driven by a high teens increase in Latin America, a double digit increase in Asia Pacific and a low single-digit increase in North America, partially offset by a mid-single-digit decrease in Greater China. Global market share of the Oral Care category was unchanged.
- Personal Health Care net sales increased low teens. Positive impacts of higher pricing (driven primarily by North America and Latin America), a unit volume increase and favorable mix (due to the disproportionate growth of North America and respiratory products, both of which have higher than category-average selling prices) were partially offset by unfavorable foreign exchange. Volume increase was primarily driven by growth in North America (due primarily to a stronger respiratory season) and Latin America, partially offset by a decline in IMEA (versus a base period impacted by pandemic-related consumption increases in certain markets). Organic sales increased high-teens driven by growth in all regions led by a more than 20% increase in North America, a mid-teens increase in Europe and a low teens increase in Latin America. Global market share of the Personal Health Care category was unchanged.

Net earnings increased 6% to $1.3 billion due to the increase in net sales and a 60 basis-point increase in net earnings margin. Net earnings margin increased due primarily to a decrease in SG&A as a percentage of net sales, partially offset by a decrease in gross margin. The decrease in gross margin was driven by increased commodity and input material costs and unfavorable mix (due to the growth of premium priced products with lower than segment-average gross margins), partially offset by increased pricing. SG&A as a percentage of net sales decreased due to higher efficiencies in marketing spending and the positive scale impacts of the net sales increase.

Fabric & Home Care

Three months ended December 31, 2022 compared with three months ended December 31, 2021

Fabric & Home Care net sales increased 1% to $7.0 billion driven by higher pricing of 13% and favorable mix of 2% (due to a disproportionate volume decline in Europe, which has lower than segment-average selling prices), partially offset by unfavorable foreign exchange of 7% and a decrease in unit volume of 7%. Organic sales increased 8%. Global market share of the Fabric & Home Care segment decreased 0.2 points.

- Fabric Care net sales increased low single digits. The positive impacts of higher pricing (driven by all regions) and favorable mix (due to a volume decline in Europe, which has lower than category-average selling prices) were partially offset by a decrease in unit volume and unfavorable foreign exchange. The volume decrease was primarily driven by declines in Europe (due to increased pricing and portfolio reduction in Russia), North America (due to market contraction) and Greater China, partially offset by growth in Asia Pacific. Organic sales increased high single digits driven by more than 20% increases in Latin America and IMEA, a double digit increase in Asia Pacific and mid-single-digit increases in North America and Europe. Global market share of the Fabric Care category decreased more than a point.
- Home Care net sales increased low single digits. Positive impacts of higher pricing (driven primarily by Europe and North America) and favorable mix (due to a volume decline in Europe, which has lower than category-average selling prices) were partially offset by a decrease in unit volume and unfavorable foreign exchange. The volume decrease was driven by declines in Europe and North America, both due to market contraction. Organic sales increased high single digits driven by a low teens growth in Europe and a mid-single-digit growth in North America. Global market share of the Home Care category increased more than a point.

Net earnings increased 3% to $1.2 billion due to the increase in net sales and a 40 basis-point improvement in net earnings margin. Net earnings margin increased due to an increase in gross margin and a reduction in SG&A as a percentage of net sales, partially offset by a higher effective tax rate. The gross margin increase was driven by higher pricing partially offset by an increase in commodity and input material costs and unfavorable foreign exchange. SG&A as a percentage of net sales decreased due to increased efficiencies in marketing spending and a reduction in overhead spending. The higher effective tax rate was driven by a higher proportion of net sales in North America, which has higher than Company-average tax rates.

Six months ended December 31, 2022 compared with six months ended December 31, 2021

Fabric & Home Care net sales increased 1% to $14.1 billion driven by higher pricing of 12% and favorable mix of 1% (due to a disproportionate volume decline in Europe, which has lower than segment-average selling prices), partially offset by unfavorable foreign exchange of 7% and a 6% decrease in unit volume. Organic sales increased 8%. Global market share of the Fabric & Home Care segment decreased 0.1 points.

- Fabric Care net sales increased low single digits. Positive impact of higher pricing (driven by all regions) was partially offset by unfavorable foreign exchange and a decrease in unit volume. The volume decrease was primarily driven by declines in Europe (due to increased pricing and portfolio reduction in Russia) and North America (due to market contraction), partially offset by growth in Asia Pacific. Organic sales increased high single digits driven by more than 20% increases in Latin America and IMEA, a low teens increase in Asia Pacific and mid-single-digit increases in North America and Europe. Global market share of the Fabric Care category decreased more than a point.
- Home Care net sales increased low single digits. Positive impacts of higher pricing (driven primarily by Europe and North America) and favorable mix (due to a volume decline in Europe, which has lower than category-average selling prices) were fully offset by unfavorable foreign exchange and a decrease in unit volume. The volume decrease was driven by declines in Europe and North America, both due to market contraction. Organic sales increased high single digits driven by a low-teens growth in Europe and a mid-single-digit growth in North America. Global market share of the Home Care category increased more than a point.

Net earnings increased 1% to $2.3 billion due to the increase in net sales. Net earnings margin was unchanged as the reduction in gross margin and a higher effective tax rate were fully offset by a reduction in SG&A as a percentage of net sales. The gross margin decrease was driven by an increase in commodity and input material costs, transportation costs, unfavorable foreign exchange and premium product mix (which have lower than segment-average gross margins), partially offset by increased pricing. SG&A as a percentage of net sales decreased due to increased efficiencies in marketing spending. The higher effective tax rate was driven by a higher proportion of net sales in North America, which has higher than Company-average tax rates.

Baby, Feminine & Family Care

Three months ended December 31, 2022 compared with three months ended December 31, 2021

Baby, Feminine & Family Care net sales decreased 1% to $5.1 billion due to unfavorable foreign exchange of 5% and a decrease in unit volume of 6%, partially offset by higher pricing of 8% and favorable product and geographic mix of 2%. Organic sales increased 4%. Global market share of the Baby, Feminine & Family Care segment decreased 0.3 points.

- Baby Care net sales decreased mid-single digits. Negative impacts of a decrease in unit volume and unfavorable foreign exchange were partially offset by higher pricing (across all regions). The volume decrease was driven primarily by declines in Europe (due to increased pricing and portfolio reduction in Russia), North America (due to increased pricing) and Greater China (due to market contraction). Organic sales increased low single digits driven by a nearly 30% growth in Latin America and low single-digit growth in North America and Europe, partially offset by a low teens decline in Greater China. Global market share of the Baby Care category was unchanged.
- Feminine Care net sales increased low single digits. Positive impacts of higher pricing (driven primarily by Europe and North America) and favorable mix (due primarily to disproportionate decline of Europe, which has lower than category-average selling prices) were partially offset by unfavorable foreign exchange and a decrease in unit volume. The volume decrease was primarily driven by declines in Europe (due to increased pricing and portfolio reduction in Russia), IMEA (due to increased pricing) and Greater China (due to market contraction). Organic sales increased high single digits driven by a low teens increase in Europe and a double-digit increase in North America. Global market share of the Feminine Care category increased half a point.
- Net sales in Family Care, which is predominantly a North America business, increased low single digits driven by higher pricing, partially offset by a decrease in unit volume (due to increased pricing and market contraction). Organic sales also increased low single digits. North America market share of the Family Care category decreased more than a point.

Net earnings decreased 7% to $848 million due to the decrease in net sales and a 110 basis-point decrease in net earnings margin. Net earnings margin decreased primarily due to a decrease in gross margin, partially offset by lower SG&A as a percentage of net sales. Gross margin decreased primarily due to an increase in commodity and input material costs, partially offset by increased pricing. SG&A as a percentage of net sales decreased primarily due to increased efficiencies in marketing spending.

Six months ended December 31, 2022 compared with six months ended December 31, 2021

Baby, Feminine & Family Care net sales was unchanged at $10.0 billion as the positive impacts of higher pricing of 8% and favorable mix of 1% (due to disproportionate decline of Europe, which has lower than segment-average selling prices) were fully offset by unfavorable foreign exchange of 5% and a 4% decrease in unit volume. Organic sales increased 5%. Global market share of the Baby, Feminine & Family Care segment decreased 0.2 points.

- Baby Care net sales decreased mid-single digits. Negative impacts of unfavorable foreign exchange and a decrease in unit volume were partially offset by higher pricing (across all regions). The volume decrease was driven primarily by declines in Europe (due to increased pricing and portfolio reduction in Russia), North America (due to increased pricing) and Greater China. Organic sales increased mid-single digits driven by a more than 30% growth in Latin America, a high single-digit growth in IMEA and a low single-digit growth in North America, partially offset by a double-digit decrease in Greater China. Global market share of the Baby Care category increased nearly half a point.
- Feminine Care net sales increased mid-single digits. Positive impacts of higher pricing (driven primarily by North America and Europe) and favorable mix (due to disproportionate decline in Europe, which has lower than category-average selling prices) were partially offset by unfavorable foreign exchange and a decrease in unit volume. The volume decrease was driven primarily by declines in Europe (due to portfolio reduction in Russia and increased pricing) and IMEA (due to increased pricing). Organic sales increased double digits driven by growth in all regions led by a low-teens increase in Europe and a double-digit increase in North America. Global market share of the Feminine Care category increased half a point.
- Net sales in Family Care, which is predominantly a North America business, increased low single digits driven by higher pricing, partially offset by a decrease in unit volume (due to increased pricing and market contraction). Organic sales also increased low single digits. North America share of the Family Care category decreased more than a point.

Net earnings decreased 5% to $1.7 billion due to a 90 basis-point decrease in net earnings margin. Net earnings margin decreased primarily due to a decrease in gross margin, partially offset by lower SG&A as a percentage of net sales. Gross margin decreased primarily due to an increase in commodity and input material costs, partially offset by increased pricing. SG&A as a percentage of net sales decreased due to increased efficiencies in marketing spending.

Corporate

Corporate includes certain operating and non-operating activities not allocated to specific business segments. These include but are not limited to incidental businesses managed at the corporate level, gains and losses related to certain divested brands or businesses, impacts from various financing and investing activities, impacts related to employee benefits, asset impairments and restructuring activities including manufacturing and workforce optimization. Corporate also includes reconciling items to adjust the accounting policies used within the reportable segments to U.S. GAAP. The most notable ongoing reconciling item is income taxes, which adjusts the blended statutory rates that are reflected in the reportable segments to the overall Company effective tax rate.

Corporate net sales improved by $23 million to $175 million for the quarter and improved by $138 million to $428 million for the fiscal year to date, due to an increase in sales of incidental businesses managed at the corporate level. Corporate net earnings decreased $128 million to a loss of $61 million for the quarter as net sales growth of incidental businesses and a lower effective tax rate were more than offset by increased commodity costs tied to incidental businesses and higher foreign exchange transactional charges. For the fiscal year to date period, Corporate net earnings declined by $346 million to a loss of $107 million, as the net sales growth of incidental businesses and a lower effective tax rate were more than offset by increased commodity costs tied to the incidental businesses, prior period gain on the sale of real estate and higher foreign exchange transactional charges.

LIQUIDITY & CAPITAL RESOURCES

Operating Activities

We generated $7.6 billion of cash from operating activities fiscal year to date, a decrease of $2.1 billion versus the prior year period. Net earnings, adjusted for non-cash items (depreciation and amortization, share-based compensation expense, deferred income taxes and gain on sale of assets), generated $9.1 billion of operating cash flow. Working capital and other impacts used $1.4 billion of cash in the period. Accounts receivable increased, using $654 million of cash, driven by sales growth across regions. Days sales outstanding increased by two days. Total inventories increased, consuming $655 million of cash driven by increased safety stock levels to strengthen supply chain sufficiency and increased commodity costs. Days on hand increased by four days. Accounts payable, accrued and other net operating assets and liabilities decreased, using $358 million of cash, primarily driven by post-retirement contributions and excess payments over accruals for salary and incentive compensation. This was partially offset by the impact of extended payment terms with suppliers. Days payable outstanding decreased by four days.

Investing Activities

Investing activities used $1.3 billion of cash fiscal year to date primarily driven by capital expenditures.

Financing Activities

Financing activities used $6.5 billion of net cash fiscal year to date. We used $6.0 billion for treasury stock purchases and $4.5 billion for dividends. We generated $3.6 billion from net debt increases and $437 million from the exercise of stock options and other impacts.

As of December 31, 2022, our current liabilities exceeded current assets by $16.9 billion. We have short- and long-term debt to meet our financing needs. We anticipate being able to support our short-term liquidity and operating needs largely through cash generated from operations. We have strong short- and long-term debt ratings that have enabled and should continue to enable us to refinance our debt as it becomes due at favorable rates in commercial paper and bond markets. In addition, we have agreements with a diverse group of financial institutions that, if needed, should provide sufficient credit funding to meet short-term financing requirements.

RECONCILIATION OF MEASURES NOT DEFINED BY U.S. GAAP

In accordance with the SEC's Regulation S-K Item 10(e), the following provides definitions of the non-GAAP measures and the reconciliation to the most closely related GAAP measure. Management believes that these non-GAAP measures provide useful perspective on underlying business trends and provide a supplemental measure of period-to-period financial results. Disclosing these non-GAAP financial measures allows investors and management to view our operating results excluding the impact of items that are not reflective of the underlying operating performance. Management uses these non-GAAP measures in making operating decisions, allocating financial resources and for business strategy purposes. Certain of these measures are also used to evaluate senior management and are a factor in determining their at-risk compensation. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company's reported results prepared in accordance with GAAP. Our non-GAAP financial measures do not represent a comprehensive basis of accounting. Therefore, our non-GAAP financial measures may not be comparable to similarly titled measures reported by other companies.

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

Adjusted free cash flow: Adjusted free cash flow is defined as operating cash flow less capital spending and adjusted for transitional tax payments resulting from the U.S. Tax Act beginning in 2019. 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 investments.

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. This measure is also used in assessing the achievement of management goals for at-risk compensation.

Core EPS: Core earnings per share, or Core EPS, is a measure of the Company's diluted net earnings per share excluding items that are not judged to be part of the Company's sustainable results or trends. For the three and six months ended December 31, 2022 and December 31, 2021, there were no adjustments to or reconciling items for diluted net earnings per share. Management views this non-GAAP measure as a useful supplemental measure of Company performance over time. This measure is also used when evaluating senior management in determining their at-risk compensation.

Organic sales growth:

Three Months Ended December 31, 2022	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other [1]	Organic Sales Growth
Beauty	(3)%	8%	(2)%	3%
Grooming	(9)%	9%	—%	—%
Health Care	2%	6%	—%	8%
Fabric & Home Care	1%	7%	—%	8%
Baby, Feminine & Family Care	(1)%	5%	—%	4%
Total Company	**(1)%**	**6%**	**—%**	**5%**

(1) Acquisitions & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures and rounding impacts necessary to reconcile net sales to organic sales.

Six Months Ended December 31, 2022	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other [1]	Organic Sales Growth
Beauty	(2)%	7%	(2)%	3%
Grooming	(7)%	9%	—%	2%
Health Care	3%	5%	—%	8%
Fabric & Home Care	1%	7%	—%	8%
Baby, Feminine & Family Care	—%	5%	—%	5%
Total Company	—%	6%	—%	6%

(1) Acquisitions & Divestiture 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 (dollar amounts in millions):

Six Months Ended December 31, 2022			
Operating Cash Flow	**Capital Spending**	**U.S. Tax Act Payments**	**Adjusted Free Cash Flow**
$7,644	**$(1,598)**	**$225**	**$6,271**

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

Six Months Ended December 31, 2022		
Adjusted Free Cash Flow	**Net Earnings**	**Adjusted Free Cash Flow Productivity**
$6,271	**$7,922**	**79%**

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the Company's exposure to market risk since June 30, 2022. Additional information can be found in Note 9 - Risk Management Activities and Fair Value Measurements of the Consolidated Financial Statements.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's Chairman of the Board, President and Chief Executive Officer, Jon R. Moeller, and the Company's Chief Financial Officer, Andre Schulten, performed an evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (Exchange Act)) as of the end of the period covered by this report. Messrs. Moeller and Schulten have concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) accumulated and communicated to our management, including Messrs. Moeller and Schulten, to allow their timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the Company's fiscal quarter ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is subject, from time to time, to certain legal proceedings and claims arising out of our business, which cover a wide range of matters, including antitrust and trade regulation, product liability, advertising, contracts, environmental issues, patent and trademark matters, labor and employment matters and tax. In addition, SEC regulations require that we disclose certain environmental proceedings arising under Federal, State or local law when a governmental authority is a party and such proceeding involves potential monetary sanctions that the Company reasonably believes will exceed a certain threshold ($1 million or more).

There are no relevant matters to disclose under this Item for this period.

Item 1A. Risk Factors

For information on risk factors, please refer to "Risk Factors" in Part I, Item 1A of the Company's Form 10-K for the fiscal year ended June 30, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased [1]	Average Price Paid per Share [2]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [3]	Approximate Dollar Value of Shares That May Yet Be Purchased Under Our Share Repurchase Program
10/01/2022 - 10/31/2022	5,472,573	$127.91	5,472,573	(3)
11/01/2022 - 11/30/2022	4,643,725	$139.97	4,643,725	(3)
12/01/2022 - 12/31/2022	4,298,255	$151.22	4,298,255	(3)
Total	**14,414,553**	**$138.75**	**14,414,553**	

(1) All transactions are reported on a trade date basis and were made in the open market with large financial institutions. This table excludes shares withheld from employees to satisfy tax withholding requirements on option exercises and other equity-based transactions. The Company administers cashless exercises through an independent third party and does not repurchase stock in connection with cashless exercises.

(2) Average price paid per share for open market transactions excludes commission.

(3) On January 19, 2023, the Company stated that in fiscal year 2023 the Company expects to reduce outstanding shares through direct share repurchases at a value of $6 to $8 billion, notwithstanding any purchases under the Company's compensation and benefit plans. Purchases may be made in the open market and/or private transactions and purchases may be increased, decreased or discontinued at any time without prior notice. The share repurchases are authorized pursuant to a resolution issued by the Company's Board of Directors and are expected to be financed by a combination of operating cash flows and issuance of debt.

Item 6. **Exhibits**

3-1	Amended Articles of Incorporation (as amended by shareholders at the annual meeting on October 11, 2011 and consolidated by the Board of Directors on April 8, 2016) (Incorporated by reference to Exhibit (3-1) of the Company's Form 10-K for the year ended June 30, 2016)
3-2	Regulations (as approved by the Board of Directors on December 13, 2022, pursuant to authority granted by shareholders at the annual meeting on October 13, 2009) (Incorporated by reference to Exhibit (3-2) of the Company's Current Report on Form 8-K filed December 13, 2022)
10-1	Summary of the Company's Short Term Achievement Reward Program* +
31.1	Rule 13a-14(a)/15d-14(a) Certification – Chief Executive Officer +
31.2	Rule 13a-14(a)/15d-14(a) Certification – Chief Financial Officer +
32.1	Section 1350 Certifications – Chief Executive Officer +
32.2	Section 1350 Certifications – Chief Financial Officer +
101.SCH (1)	Inline XBRL Taxonomy Extension Schema Document
101.CAL (1)	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF (1)	Inline XBRL Taxonomy Definition Linkbase Document
101.LAB (1)	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE (1)	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

* Compensatory plan or arrangement

+ Filed herewith

(1) Pursuant to Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 or 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

THE PROCTER & GAMBLE COMPANY

January 19, 2023	/s/ MATTHEW W. JANZARUK
Date	(Matthew W. Janzaruk)
	Senior Vice President - Chief Accounting Officer (Principal Accounting Officer)