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, 2020
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
2.000% Notes due 2021	PG21	NYSE
2.000% Notes due 2022	PG22B	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
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
5.250% GBP notes due January 2033	PG33	NYSE
1.875% Notes due 2038	PG38	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 2,462,476,044 shares of Common Stock outstanding as of December 31, 2020.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

Amounts in millions except per share amounts	Three Months Ended December 31		Six Months Ended December 31	
	2020	2019	2020	2019
NET SALES	**$ 19,745**	$ 18,240	**$ 39,063**	$ 36,038
Cost of products sold	**9,253**	8,869	**18,395**	17,592
Selling, general and administrative expense	**5,112**	4,889	**10,007**	9,674
OPERATING INCOME	**5,380**	4,482	**10,661**	8,772
Interest expense	**(143)**	(100)	**(279)**	(208)
Interest income	**9**	36	**19**	94
Other non-operating income/(expense), net	**(369)**	114	**(227)**	217
EARNINGS BEFORE INCOME TAXES	**4,877**	4,532	**10,174**	8,875
Income taxes	**990**	789	**1,979**	1,515
NET EARNINGS	**3,887**	3,743	**8,195**	7,360
Less: Net earnings attributable to noncontrolling interests	**33**	26	**64**	50
NET EARNINGS ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 3,854**	$ 3,717	**$ 8,131**	$ 7,310
NET EARNINGS PER SHARE [(1)]				
Basic	**$ 1.53**	$ 1.47	**$ 3.22**	$ 2.88
Diluted	**$ 1.47**	$ 1.41	**$ 3.10**	$ 2.77
DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	**2,615.4**	2,630.1	**2,620.4**	2,638.8

(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	
	2020	2019	2020	2019
NET EARNINGS	**$ 3,887**	$ 3,743	**$ 8,195**	$ 7,360
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX				
Foreign currency translation	**885**	392	**1,237**	(148)
Unrealized gains/(losses) on investment securities	**8**	(1)	**14**	(6)
Unrealized gains/(losses) on defined benefit retirement plans	**(101)**	(37)	**(170)**	142
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX	**792**	354	**1,081**	(12)
TOTAL COMPREHENSIVE INCOME	**4,679**	4,097	**9,276**	7,348
Less: Total comprehensive income attributable to noncontrolling interests	**35**	24	**71**	44
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 4,644**	$ 4,073	**$ 9,205**	$ 7,304

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

Amounts in millions			December 31, 2020	June 30, 2020
Assets				
CURRENT ASSETS				
Cash and cash equivalents			**$ 11,941**	$ 16,181
Accounts receivable			**4,819**	4,178
INVENTORIES				
Materials and supplies			**1,556**	1,414
Work in process			**699**	674
Finished goods			**3,702**	3,410
Total inventories			**5,957**	5,498
Prepaid expenses and other current assets			**1,938**	2,130
TOTAL CURRENT ASSETS			**24,655**	27,987
PROPERTY, PLANT AND EQUIPMENT, NET			**21,416**	20,692
GOODWILL			**41,381**	39,901
TRADEMARKS AND OTHER INTANGIBLE ASSETS, NET			**23,864**	23,792
OTHER NONCURRENT ASSETS			**8,796**	8,328
TOTAL ASSETS			**$ 120,112**	$ 120,700
Liabilities and Shareholders' Equity				
CURRENT LIABILITIES				
Accounts payable			**$ 12,027**	$ 12,071
Accrued and other liabilities			**11,131**	9,722
Debt due within one year			**8,586**	11,183
TOTAL CURRENT LIABILITIES			**31,744**	32,976
LONG-TERM DEBT			**22,514**	23,537
DEFERRED INCOME TAXES			**6,073**	6,199
OTHER NONCURRENT LIABILITIES			**11,241**	11,110
TOTAL LIABILITIES			**71,572**	73,822
SHAREHOLDERS' EQUITY				
Preferred stock			**885**	897
Common stock – shares issued –	December 2020	4,009.2		
	June 2020	4,009.2	**4,009**	4,009
Additional paid-in capital			**64,672**	64,194
Reserve for ESOP debt retirement			**(1,072)**	(1,080)
Accumulated other comprehensive loss			**(15,091)**	(16,165)
Treasury stock			**(109,583)**	(105,573)
Retained earnings			**104,361**	100,239
Noncontrolling interest			**359**	357
TOTAL SHAREHOLDERS' EQUITY			**48,540**	46,878
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**$ 120,112**	$ 120,700

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Three Months Ended December 31, 2020

Dollars in millions; shares in thousands	Common Stock Shares	Common Stock Amount	Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumu-lated Other Comp-rehensive Income/(Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Share-holders' Equity
BALANCE SEPTEMBER 30, 2020	2,479,606	$4,009	$888	$64,467	($1,046)	($15,881)	($106,794)	$102,539	$394	$48,576
Net earnings								3,854	33	3,887
Other comprehensive income/(loss)						790			2	792
Dividends and dividend equivalents ($0.7907 per share):										
Common								(1,966)		(1,966)
Preferred, net of tax benefits								(66)		(66)
Treasury stock purchases	(21,485)						(3,008)			(3,008)
Employee stock plans	3,836			205			216			421
Preferred stock conversions	519		(3)	—			3			—
ESOP debt impacts					(26)			—		(26)
Noncontrolling interest, net									(70)	(70)
BALANCE DECEMBER 31, 2020	2,462,476	$4,009	$885	$64,672	($1,072)	($15,091)	($109,583)	$104,361	$359	$48,540

Six Months Ended December 31, 2020

Dollars in millions; shares in thousands	Common Stock Shares	Common Stock Amount	Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumu-lated Other Comp-rehensive Income/(Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Share-holders' Equity
BALANCE JUNE 30, 2020	2,479,746	$4,009	$897	$64,194	($1,080)	($16,165)	($105,573)	$100,239	$357	$46,878
Net earnings								8,131	64	8,195
Other comprehensive income/(loss)						1,074			7	1,081
Dividends and dividend equivalents ($1.5814 per share)										
Common								(3,935)		(3,935)
Preferred, net of tax benefits								(132)		(132)
Treasury stock purchases	(36,127)						(5,008)			(5,008)
Employee stock plans	17,340			476			988			1,464
Preferred stock conversions	1,517		(12)	2			10			—
ESOP debt impacts					8			58		66
Noncontrolling interest, net									(69)	(69)
BALANCE DECEMBER 31, 2020	2,462,476	$4,009	$885	$64,672	($1,072)	($15,091)	($109,583)	$104,361	$359	$48,540

See accompanying Notes to Consolidated Financial Statements.

Three Months Ended December 31, 2019

Dollars in millions; shares in thousands	Common Stock Shares	Common Stock Amount	Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumu-lated Other Comp-rehensive Income/(Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Share-holders' Equity
BALANCE SEPTEMBER 30, 2019	2,493,812	$4,009	$915	$63,949	($1,112)	($15,298)	($102,510)	$96,625	$406	$46,984
Net earnings								3,717	26	3,743
Other comprehensive income/(loss)						356			(2)	354
Dividends and dividend equivalents ($0.7459 per share):										
Common								(1,863)		(1,863)
Preferred, net of tax benefits								(64)		(64)
Treasury stock purchases	(28,628)						(3,504)			(3,504)
Employee stock plans	3,681			69			250			319
Preferred stock conversions	588		(4)	1			3			—
ESOP debt impacts					—			(1)		(1)
Noncontrolling interest, net									(60)	(60)
BALANCE DECEMBER 31, 2019	2,469,453	$4,009	$911	$64,019	($1,112)	($14,942)	($105,761)	$98,414	$370	$45,908

Six Months Ended December 31, 2019

Dollars in millions; shares in thousands	Common Stock Shares	Common Stock Amount	Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumu-lated Other Comp-rehensive Income/(Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Share-holders' Equity
BALANCE JUNE 30, 2019	2,504,751	$4,009	$928	$63,827	($1,146)	($14,936)	($100,406)	$94,918	$385	$47,579
Net earnings								7,310	50	7,360
Other comprehensive income/(loss)						(6)			(6)	(12)
Dividends and dividend equivalents (1.4918 per share):										
Common								(3,737)		(3,737)
Preferred, net of tax benefits								(129)		(129)
Treasury stock purchases	(54,033)						(6,504)			(6,504)
Employee stock plans	16,731			189			1,135			1,324
Preferred stock conversions	2,004		(17)	3			14			—
ESOP debt impacts					34			52		86
Noncontrolling interest, net									(59)	(59)
BALANCE DECEMBER 31, 2019	2,469,453	$4,009	$911	$64,019	($1,112)	($14,942)	($105,761)	$98,414	$370	$45,908

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 2020	2019
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	**$ 16,181**	$ 4,239
OPERATING ACTIVITIES		
Net earnings	**8,195**	7,360
Depreciation and amortization	**1,342**	1,400
Loss on early extinguishment of debt	**512**	—
Share-based compensation expense	**254**	202
Deferred income taxes	**145**	(549)
Gain on sale of assets	**(14)**	(13)
Changes in:		
Accounts receivable	**(462)**	(257)
Inventories	**(217)**	(533)
Accounts payable, accrued and other liabilities	**312**	958
Other operating assets and liabilities	**(14)**	(55)
Other	**110**	20
TOTAL OPERATING ACTIVITIES	**10,163**	8,533
INVESTING ACTIVITIES		
Capital expenditures	**(1,417)**	(1,684)
Proceeds from asset sales	**39**	15
Acquisitions, net of cash acquired	**—**	(54)
Proceeds from sales and maturities of investment securities	**—**	6,151
Change in other investments	**—**	1
TOTAL INVESTING ACTIVITIES	**(1,378)**	4,429
FINANCING ACTIVITIES		
Dividends to shareholders	**(4,055)**	(3,855)
Reductions in short-term debt	**(3,418)**	(68)
Additions to long-term debt	**2,429**	—
Reductions to long-term debt [(1)]	**(4,220)**	(1,546)
Treasury stock purchases	**(5,008)**	(6,504)
Impact of stock options and other	**1,101**	1,060
TOTAL FINANCING ACTIVITIES	**(13,171)**	(10,913)
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**146**	(9)
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**(4,240)**	2,040
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	**$ 11,941**	$ 6,279

(1) Includes early extinguishment of debt costs of $512 during the six months ended December 31, 2020.

See accompanying 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/A for the fiscal year ended June 30, 2020. 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

On July 1, 2020, we adopted ASU 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." The standard simplifies the accounting for goodwill impairment by requiring a goodwill impairment to be measured using a single step impairment model, whereby the impairment equals the difference between the carrying amount and the estimated fair value of the specified reporting units in their entirety. This eliminated the second step of the previous impairment model that required companies to first estimate the fair value of all assets in a reporting unit and measure impairments based on those estimated fair values and a residual measurement approach. It also specifies that any loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The impact of the new standard will depend on the specific facts and circumstances of future individual impairments, if any.

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The amendments provide optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying accounting principles generally accepted in the United States of America (U.S. GAAP) to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met and to other derivative instruments if there is a change to the interest rates used for discounting, margining or contract price alignment. These amendments are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. We are currently evaluating our contracts and the optional expedients provided by the new standard.

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*: Shave Care (Female Blades & Razors, Male Blades & Razors, Pre- and Post-Shave Products, Other Shave Care); Appliances
- *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	
	2020	2019	2020	2019
Fabric Care	**22%**	22%	**22%**	22%
Home Care	**11%**	10%	**12%**	10%
Baby Care	**10%**	11%	**10%**	11%
Skin and Personal Care	**10%**	10%	**10%**	10%
Hair Care	**9%**	10%	**9%**	10%
Family Care	**9%**	8%	**9%**	9%
Oral Care	**9%**	9%	**8%**	8%
Shave Care	**7%**	7%	**7%**	7%
Feminine Care	**6%**	6%	**6%**	6%
Personal Health Care	**5%**	5%	**5%**	5%
Other	**2%**	2%	**2%**	2%
Total	**100%**	100%	**100%**	100%

[1] % of Net sales by operating segment excludes sales held in Corporate.

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	Net Sales	Earnings/(Loss) Before Income Taxes	Net Earnings
Beauty	**2020**	**$ 3,806**	**$ 1,196**	**$ 955**	**$ 7,591**	**$ 2,424**	**$ 1,931**
	2019	3,598	1,072	858	7,150	2,164	1,732
Grooming	**2020**	**1,735**	**537**	**452**	**3,336**	**963**	**807**
	2019	1,648	494	411	3,179	920	764
Health Care	**2020**	**2,746**	**830**	**655**	**5,217**	**1,509**	**1,180**
	2019	2,530	732	571	4,751	1,272	972
Fabric & Home Care	**2020**	**6,498**	**1,599**	**1,250**	**13,142**	**3,341**	**2,599**
	2019	5,787	1,278	975	11,619	2,616	2,003
Baby, Feminine & Family Care	**2020**	**4,858**	**1,352**	**1,044**	**9,581**	**2,670**	**2,053**
	2019	4,582	1,076	822	9,149	2,210	1,693
Corporate	**2020**	**102**	**(637)**	**(469)**	**196**	**(733)**	**(375)**
	2019	95	(120)	106	190	(307)	196
Total Company	**2020**	**$ 19,745**	**$ 4,877**	**$ 3,887**	**$ 39,063**	**$ 10,174**	**$ 8,195**
	2019	18,240	4,532	3,743	36,038	8,875	7,360

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, 2020	$ 12,902	$ 12,815	$ 7,786	$ 1,841	$ 4,557	$ 39,901
Translation and other	542	398	344	45	151	1,480
Goodwill at December 31, 2020	**$ 13,444**	**$ 13,213**	**$ 8,130**	**$ 1,886**	**$ 4,708**	**$ 41,381**

Goodwill increased from June 30, 2020 due to currency translation.

Identifiable intangible assets at December 31, 2020 were comprised of:

	Gross Carrying Amount	Accumulated Amortization
Intangible assets with determinable lives	$ 8,679	$ (5,977)
Intangible assets with indefinite lives	21,162	—
Total identifiable intangible assets	**$ 29,841**	**$ (5,977)**

Intangible assets with determinable lives consist of brands, patents, technology and customer relationships. The intangible assets with indefinite lives consist of brands. The amortization expense of determinable-lived intangible assets for the three months ended December 31, 2020 and 2019 was $79 and $91, respectively. For the six months ended December 31, 2020 and 2019, the amortization expense was $163 and $187, respectively.

Goodwill and indefinite-lived intangible assets are not amortized but are tested at least annually for impairment by comparing the estimated fair values of our reporting units and underlying indefinite-lived intangible assets to their respective carrying values. We typically use an income method to estimate 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 its carrying value, that difference represents an impairment. Our annual impairment testing for goodwill and indefinite-lived intangible assets occurs during the three months ended December 31.

The business unit valuations used to test goodwill and intangible assets for impairment depend on a number of significant estimates and assumptions, including macroeconomic conditions, overall category growth rates, competitive activities, cost containment, margin expansion and Company business plans. We believe these estimates and assumptions are reasonable. However, future changes in the judgments, assumptions and estimates that are used in our impairment testing for goodwill and indefinite-lived intangible assets, including discount rates, tax rates or future cash flow projections, could result in significantly different estimates of the fair values. To the extent changes in such factors result in a failure to achieve the level of projected cash flows initially used to estimate fair value for purposes of establishing or subsequently impairing the carrying amount of goodwill and related intangible assets, we may need to record non-cash impairment charges in the future.

Most of our goodwill reporting units are comprised of a combination of legacy and acquired businesses and as a result have fair value cushions that, at a minimum, exceed two times their underlying carrying values. Certain of our goodwill reporting units, in particular Shave Care and Appliances, are comprised entirely of acquired businesses and as a result, have fair value cushions that are not as high. The Appliances reporting unit has a fair value that significantly exceeds the underlying carrying value. As previously disclosed, the carrying value of the Shave Care reporting unit and the related Gillette indefinite-lived intangible asset were impaired during the quarter ended June 30, 2019. Also as previously disclosed, the Shave Care reporting unit fair value exceeded its carrying value by more than 20% and the Gillette indefinite-lived intangible asset fair value approximated its carrying value as of our fiscal 2020 impairment testing dates. Accordingly, no impairment charge was recorded during the year ended June 30, 2020. Based on our impairment testing during the three months ended December 31, 2020, the Shave Care reporting unit fair value continued to exceed its carrying value by more than 20% and the Gillette indefinite-lived intangible asset fair value continued to approximate its carrying value.

The most significant assumptions utilized in the determination of the estimated fair values of the Shave Care reporting unit and the Gillette indefinite-lived intangible asset are the net sales and earnings growth rates (including residual growth rates) and the discount rate. The residual growth rate represents the expected rate at which the Shave Care reporting unit and Gillette brand are expected to grow beyond the shorter-term business planning period. The residual growth rate utilized in our fair value estimates is consistent with the reporting unit and brand operating plans and approximates 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. 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.

While management can and has implemented strategies to address these events, changes in operating plans or adverse changes in the business or in the macroeconomic environment in the future could reduce the underlying cash flows used to estimate fair values and could result in a decline in fair value that would trigger future impairment charges of the Shave Care reporting unit's goodwill and indefinite-lived intangibles. The duration and severity of the COVID-19 pandemic could also result in additional future impairment charges for the Shave Care reporting unit goodwill and the Gillette indefinite-lived intangible asset. While we have concluded that no impairment exists based on our testing during the quarter ended December 31, 2020, the Gillette indefinite-lived intangible asset is most susceptible to future impairment risk. Our assessment of the Gillette intangible asset assumes the pandemic's impact on net sales will begin to abate during the second half of the fiscal year. There continues to be a high level of uncertainty relating to how the pandemic will evolve, how governments and consumers will react and progress on the approval and distribution of vaccines. Accordingly, there is a significant amount of risk related to this key assumption. A more prolonged pandemic could impact the assumptions utilized in the determination of the estimated fair values of the Shave Care reporting unit and the Gillette indefinite-lived intangible asset that are significant enough to trigger an impairment. Net sales and earnings growth rates could be negatively impacted by reductions or changes in demand for our shave care products, which may be caused by, among other things: the temporary inability of consumers to purchase our products due to illness, quarantine or other travel restrictions, or financial hardship, or by shifts in demand away from one or more of our higher priced products to lower priced products. In addition, relative global and country/regional macroeconomic factors could result in additional and prolonged devaluation of other countries' currencies relative to the U.S. dollar. Finally, the discount rate utilized in our valuation model could be impacted by changes in the underlying interest rates and risk premiums included in the determination of the cost of capital. As of December 31, 2020, the carrying values of the Shave Care goodwill and the Gillette indefinite-lived intangible asset were $12.9 billion and $14.1 billion, respectively.

The table below provides a sensitivity analysis for the Shave Care reporting unit and the Gillette indefinite-lived intangible asset, utilizing reasonably possible changes in the assumptions for the shorter-term and residual growth rates and the discount rate, to demonstrate the potential impacts to the 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 or a 25 basis-point decrease in our shorter-term and residual growth rates, either of which, in isolation, would result in an additional impairment of the Gillette indefinite-lived intangible asset.

	Approximate Percent Change in Estimated Fair Value	
	+25 bps Discount Rate	-25 bps Growth Rates
Shave Care goodwill reporting unit	(6) %	(6) %
Gillette indefinite-lived intangible asset	(6) %	(6) %

5. Earnings Per Share

Basic net earnings per common share are calculated by dividing Net earnings attributable to Procter & Gamble less preferred dividends (net of related tax benefits) 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 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	
	2020	2019	2020	2019
Net earnings	**$ 3,887**	$ 3,743	**$ 8,195**	$ 7,360
Less: Net earnings attributable to noncontrolling interests	**33**	26	**64**	50
Net earnings attributable to P&G (Diluted)	**3,854**	3,717	**8,131**	7,310
Less: Preferred dividends, net of tax	**66**	64	**132**	129
Net earnings attributable to P&G available to common shareholders (Basic)	**$ 3,788**	$ 3,653	**$ 7,999**	$ 7,181
SHARES IN MILLIONS				
Basic weighted average common shares outstanding	**2,475.8**	2,487.0	**2,481.0**	2,495.5
Add: Effect of dilutive securities				
Conversion of preferred shares [1]	**83.1**	86.4	**83.5**	86.9
Impact of stock options and other unvested equity awards [2]	**56.5**	56.7	**55.9**	56.4
Diluted weighted average common shares outstanding	**2,615.4**	2,630.1	**2,620.4**	2,638.8
NET EARNINGS PER SHARE [3]				
Basic	**$ 1.53**	$ 1.47	**$ 3.22**	$ 2.88
Diluted	**$ 1.47**	$ 1.41	**$ 3.10**	$ 2.77

(1) Despite being included currently in Diluted net earnings per common share, the actual conversion to common stock occurs when the preferred shares are sold. Shares may only be sold after being allocated to the ESOP participants pursuant to the repayment of the ESOP's obligations through 2035.

(2) Weighted average outstanding stock options of approximately 8 million for the three months ended December 31, 2020, and approximately 6 million and 2 million for the six months ended December 31, 2020 and 2019, respectively, were not included in the Diluted net earnings per share calculation because the options were out of the money or to do so would have been antidilutive (i.e., the total proceeds upon exercise would have exceeded the market value of the underlying common shares). There were no antidilutive shares for the three months ended December 31, 2019.

(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 costs:

	Three Months Ended December 31		Six Months Ended December 31	
	2020	2019	2020	2019
Share-based compensation expense	**$ 165**	$ 92	**$ 254**	$ 202
Net periodic benefit cost for pension benefits [1]	**46**	44	**93**	84
Net periodic benefit credit for other retiree benefits [1]	**(80)**	(52)	**(160)**	(104)

(1) The components of the total net periodic benefit cost/(credit) for both pension benefits and other retiree benefits for these interim periods, on an annualized basis, do not differ materially from the amounts disclosed in the Annual Report on Form 10-K/A for the fiscal year ended June 30, 2020.

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, 2020.

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, 2020.

Cash equivalents were $10.4 billion and $14.6 billion as of December 31, 2020 and June 30, 2020, respectively, and are classified as Level 1 within the fair value hierarchy. Other investments had a fair value of $70 and $67 as of December 31, 2020 and June 30, 2020, respectively, and are presented in Other noncurrent assets. These investments measured at fair value are generally classified as Level 2 within the fair value hierarchy. There are no material investment balances classified as Level 1 or Level 3 within the fair value hierarchy or using net asset value as a practical expedient. Fair values are generally estimated based upon quoted market prices for similar instruments.

The fair value of long-term debt was $28.5 billion and $29.0 billion as of December 31, 2020 and June 30, 2020, respectively. This includes the current portion of long-term debt instruments ($3.3 billion and $2.5 billion as of December 31, 2020 and June 30, 2020, respectively). 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, 2020 and June 30, 2020 are as follows:

	Notional Amount		Fair Value Asset		Fair Value (Liability)	
	December 31, 2020	June 30, 2020	December 31, 2020	June 30, 2020	December 31, 2020	June 30, 2020
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS						
Interest rate contracts	**$ 7,591**	$ 7,114	**$ 274**	$ 269	**$ —**	$ —
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS						
Foreign currency interest rate contracts	**$ 7,393**	$ 3,856	**$ —**	$ 26	**$ (459)**	$ (41)
TOTAL DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS	**$ 14,984**	$ 10,970	**$ 274**	$ 295	**$ (459)**	$ (41)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS						
Foreign currency contracts	**$ 8,120**	$ 5,986	**$ 100**	$ 23	**$ (29)**	$ (25)
TOTAL DERIVATIVES AT FAIR VALUE	**$ 23,104**	$ 16,956	**$ 374**	$ 318	**$ (488)**	$ (66)

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 $7.8 billion and $7.4 billion as of December 31, 2020 and June 30, 2020, 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 $12.4 billion and $16.0 billion as of December 31, 2020 and June 30, 2020, respectively. The increase in the notional balance of derivative instruments designated as net investment hedges is largely offset by the decrease in the principal balance of debt instruments designated as net investment hedges, reflecting the Company’s decision to leverage favorable interest rates in the foreign currency swap market versus the short-term debt market. The increase in the notional balance of foreign currency contracts not designated as hedging instruments reflects changes in the level of intercompany financing activity during the period.

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.

Before tax gains/(losses) 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	
	2020	2019	2020	2019
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS [1] [2]				
Foreign exchange contracts	**$ (352)**	$ (82)	**$ (538)**	$ 31

(1) For the derivatives in net investment hedging relationships, the amount of gain excluded from effectiveness testing, which was recognized in earnings, was $16 and $21 for the three months ended December 31, 2020 and 2019, respectively. The amount of gain excluded from effectiveness testing was $30 and $40 for the six months ended December 31, 2020 and 2019, 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 loss recognized in Accumulated other comprehensive income/(loss) (AOCI) for such instruments was $(595) and $(428) for the three months ended December 31, 2020 and 2019, respectively. The amount of gain/(loss) recognized in AOCI for such instruments was $(1,241) and $181 for the six months ended December 31, 2020 and 2019, respectively.

	Amount of Gain/(Loss) Recognized in Earnings			
	Three Months Ended December 31		Six Months Ended December 31	
	2020	2019	2020	2019
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS				
Interest rate contracts	**$ (2)**	$ (143)	**$ 5**	$ (53)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS				
Foreign currency contracts	**$ 202**	$ 85	**$ 308**	$ (12)

The gain/(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 the Consolidated Statements of Earnings in Interest expense. The gain/(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 the Consolidated Statements of Earnings in Selling, general and administrative expense (SG&A).

8. Accumulated Other Comprehensive Income/(Loss)

The table below presents the changes in AOCI, including the reclassifications out of AOCI by component:

	Investment Securities	Post-retirement Benefits	Foreign Currency Translation	Total AOCI
Balance at June 30, 2020	$ (1)	$ (4,350)	$ (11,814)	$ (16,165)
OCI before reclassifications [1]	14	(334)	1,237	917
Amounts reclassified from AOCI into the Consolidated Statements of Earnings [2]	—	164	—	164
Net current period OCI	14	(170)	1,237	1,081
Less: Other comprehensive income attributable to non-controlling interests	—	—	7	7
Balance at December 31, 2020	**$ 13**	**$ (4,520)**	**$ (10,584)**	**$ (15,091)**

(1) Net of tax expense/(benefit) of $0, $(107) and $(418) for gains/losses on investment securities, postretirement benefit items and foreign currency translation, respectively.

(2) Net of tax expense/(benefit) of $0, $50 and $0 for gains/losses on investment securities, postretirement benefit items and foreign currency translation, respectively.

The below provides additional details on amounts reclassified from AOCI into the Consolidated Statements of Earnings:

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

9. Restructuring Program

The Company has historically incurred an ongoing annual level of restructuring-type activities to maintain a competitive cost structure, including manufacturing and workforce optimization. Before-tax costs incurred under the ongoing program have generally ranged from $250 to $500 annually.

In fiscal 2017, the Company announced specific elements of an additional multi-year productivity and cost savings plan to further reduce costs in the areas of supply chain, certain marketing activities and overhead expenses, which resulted in incremental restructuring charges through fiscal 2020. We expect fiscal 2021 restructuring charges to be more in line with our ongoing level of spending noted above.

Restructuring costs incurred consist primarily of costs to separate employees, asset-related costs to exit facilities and other costs. Employee separation costs relate to severance packages that were primarily voluntary and the amounts were calculated based on salary levels and past service periods. Severance costs related to voluntary separations are generally charged to earnings when the employee accepts the offer. Asset-related costs consist of both asset write-downs and accelerated depreciation. Asset write-downs relate to the establishment of a new fair value basis for assets held-for-sale or disposal. These assets were written down to the lower of their current carrying basis or amounts expected to be realized upon disposal, less minor disposal costs. Charges for accelerated depreciation relate to long-lived assets that will be taken out of service prior to the end of their normal service period. These assets relate primarily to manufacturing consolidations and technology standardizations. The asset-related charges will not have a significant impact on future depreciation charges. Other restructuring-type charges are incurred as a direct result of the restructuring program. Such charges primarily include asset removal and termination of contracts related to supply chain optimization.

The following table presents restructuring activity for the three and six months ended December 31, 2020. The majority of the remaining reserve balance as of December 31, 2020 related to employee separations.

	Reserve Balance June 30, 2020	Previously Reported (Three Months Ended September 30, 2020) Cost Incurred and Charged to Expense	Three Months Ended December 31, 2020 Cost Incurred and Charged to Expense	Six Months Ended December 31, 2020 Cost Paid/Settled	Reserve Balance December 31, 2020
Total	**$ 472**	**$ 22**	**$ 65**	**$ (277)**	**$ 282**

10. 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 2008 and forward. We are generally not able to reliably estimate the ultimate settlement amounts until the close of the 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 $60, 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/A for the year ended June 30, 2020.

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 10 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 affect the expected share repurchases and dividend payments; (3) the ability to manage disruptions in credit markets 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 factors outside of our control, such as natural disasters, acts of 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 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 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 (including the United Kingdom's exit from the European Union) and potential implications such as exchange rate fluctuations and market contraction; (13) the ability to successfully manage 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, data protection, tax, environmental, and accounting and financial reporting) and to resolve pending matters within current estimates; (14) the ability to manage changes in applicable tax laws and regulations including maintaining our intended tax treatment of divestiture transactions; (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; and (17) the ability to successfully manage the demand, supply, and operational challenges associated with a disease outbreak, including epidemics, pandemics, or similar widespread public health concerns (including the novel coronavirus, COVID-19, outbreak). 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.

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 in the following sections:

- Overview
- Summary of Results – Six Months Ended December 31, 2020
- Economic Conditions and Uncertainties
- Results of Operations – Three and Six Months Ended December 31, 2020
- Business Segment Discussion – Three and Six Months Ended December 31, 2020
- 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 and net earnings. 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), consisting of 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 measures.

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 more than 180 countries and territories, primarily through mass merchandisers, e-commerce, grocery stores, membership club stores, drug stores, department stores, distributors, wholesalers, baby stores, specialty beauty stores (including airport duty-free stores), high-frequency stores, pharmacies, electronics stores and professional channels. We also sell direct to 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 provides detail on 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	Grooming [(1)] (Shave Care - *Female Blades & Razors, Male Blades & Razors, Pre- and Post-Shave Products, Other Shave Care;* Appliances)	Braun, Gillette, Venus
Health Care	Oral Care (*Toothbrushes, Toothpastes, Other Oral Care*)	Crest, Oral-B
	Personal Health Care (*Gastrointestinal, Rapid Diagnostics, Respiratory, Vitamins/Minerals/Supplements, Pain Relief, 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) The Grooming product category is comprised of the Shave Care and Appliances operating segments.

The following table provides the percentage of net sales and net earnings by reportable business segment for the three and six months ended December 31, 2020 (excluding net sales and net earnings in Corporate):

	Three Months Ended December 31, 2020		Six Months Ended December 21, 2020	
	Net Sales	Net Earnings	Net Sales	Net Earnings
Beauty	19%	22%	19%	23%
Grooming	9%	10%	9%	9%
Health Care	14%	15%	13%	14%
Fabric & Home Care	33%	29%	34%	30%
Baby, Feminine & Family Care	25%	24%	25%	24%
Total Company	**100%**	**100%**	**100%**	**100%**

SUMMARY OF RESULTS

Following are highlights of results for the six months ended December 31, 2020 versus the six months ended December 31, 2019:

- Net sales increased 8% to $39.1 billion, driven by double digit increases in Fabric & Home Care and Health Care and mid-single digits increases in Beauty, Grooming and Baby, Feminine & Family Care. Organic sales, which exclude the impacts of acquisitions and divestitures and foreign exchange, increased 9%. Organic sales also increased double digits in Fabric & Home Care and Health Care and increased mid-single digits in Beauty, Grooming and Baby, Feminine & Family Care.
- Net earnings were $8.2 billion, an increase of $835 million or 11% versus the prior year period due to the increase in net sales and an increase in operating margins, partially offset by an increase in the income tax rate and $512 million of current year charges for early debt extinguishment.
- Net earnings attributable to Procter & Gamble increased $821 million or 11% versus the prior year period to $8.1 billion.
- Diluted net earnings per share (EPS) increased 12% to $3.10 due primarily to the increase in net earnings.
- Core net earnings attributable to Procter & Gamble, which represents net earnings excluding charges for the early extinguishment of debt in the current period and incremental restructuring charges in the base period, increased 16% to $8.6 billion. Core net earnings per share increased 17% to $3.27 versus the prior year due primarily to the increase in Core net earnings.
- Operating cash flow was $10.2 billion. Adjusted free cash flow, which is operating cash flow less capital expenditures and certain other impacts, was $9.0 billion. Adjusted free cash flow productivity was 104%.

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 macro-economic factors, U.S. and foreign government policies and foreign exchange fluctuations. Current global economic conditions are highly volatile due to the COVID-19 pandemic, resulting in both market size

contractions in certain countries due to economic slowdowns and government restrictions on movement, as well as market size increases in certain countries due to pantry loading and increased consumption of household cleaning and personal health and hygiene products by consumers. Other macro-economic factors also remain dynamic, and any causes of market size contraction, such as reduced GDP in commodity-dependent economies, greater political unrest or instability in the Middle East, Central & Eastern Europe, certain Latin American markets, the Hong Kong market in Greater China and the Korean peninsula could reduce our net sales or erode our operating margin, in either case reducing our net earnings and cash flows.

Changes in Costs. Our costs are subject to fluctuations, particularly due to changes in commodity prices, transportation costs and our own productivity efforts. We have significant exposures to certain commodities, in particular, certain oil-derived materials like resins and paper-based materials like pulp, and volatility in the market price of these commodity input materials has a direct impact on our costs. Disruptions in our manufacturing, supply and distribution operations due to the COVID-19 pandemic may also impact our costs. 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 gross margin, operating margin, net earnings and cash flows. Net sales could also be adversely impacted following pricing actions if there is a negative impact on consumption of our products. We strive to implement, achieve and sustain cost improvement plans, including outsourcing projects, supply chain optimization and general overhead and workforce optimization. In fiscal 2017, we communicated specific elements of a multi-year cost reduction program which is resulting in targeted enrollment reductions and other savings. If we are not successful in executing and sustaining these changes, there could be a negative impact on our 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. In the past two fiscal years, as well as the current fiscal year, the U.S. dollar has strengthened versus a number of foreign currencies, leading to lower sales and earnings from these foreign exchange impacts. Certain countries experiencing significant exchange rate fluctuations, like Argentina, Brazil, Russia, Turkey, the United Kingdom, China as well as the European Union have previously had, and could in the future have, a significant impact on our net sales, costs and net earnings. 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 consumption of our products, which would affect our net sales, gross margin, operating margin, net earnings and cash flows.

Government Policies. Our net earnings and cash flows could be materially affected by changes in U.S. or foreign government legislative, regulatory or enforcement policies, for example, any tax regulatory guidance issued as a result of the Tax Cuts and Jobs Act enacted in December 2017 (the U.S. Tax Act) 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." The breadth of the OECD project extends beyond pure digital businesses and is likely to impact all multinational businesses by redefining jurisdictional taxation rights. Further, our net sales, net earnings and cash flows may be impacted by U.S. and foreign government policies to manage the COVID-19 pandemic, such as movement restrictions or site closures. 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 Nigeria, Algeria, Egypt, Argentina and Turkey. Further, our net sales, net earnings and cash flows could be affected by changes to international trade agreements in North America and elsewhere, including increases of import tariffs, both currently effective and future potential changes. Changes in government policies in these areas might cause an increase or decrease in our net sales, gross margin, operating margin, net earnings and cash flows.

COVID-19 Pandemic Disclosures

The Company’s priorities during the COVID-19 pandemic continue to be protecting the health and safety of our employees; maximizing the availability of products that help consumers with their health, hygiene and cleaning needs; and using our employees’ talents and our resources to help society meet and overcome the current challenges. Because the Company sells products that are essential to the daily lives of consumers, the COVID-19 pandemic has not had a materially negative impact to our consolidated net sales, net earnings and cash flows. The pandemic has had both positive and negative impacts to our net sales and net earnings during the three and six month periods ended December 31, 2020. We have experienced a significant increase in demand and consumption of certain of our product categories (fabric, home cleaning and hygiene products) primarily in North America and Europe, caused in part by changing consumer habits, pantry stocking and retailer inventory replenishment, due to the COVID-19 pandemic, contributing to increases in net sales, net earnings and cash flows. At the same time, we experienced a decrease in net sales due to the economic slowdown and restricted consumer movements in certain regions, including IMEA (India, Middle East and Africa) and Asia Pacific, in certain channels, including travel retail and professional, and in certain of our beauty and grooming products. In the future, the pandemic may cause reduced demand for

our products if it results in a recessionary global economic environment. Demand in certain countries in Latin America, Asia Pacific, and IMEA may be particularly susceptible to recession. It could also lead to volatility in consumer access to our products due to government actions impacting our ability to produce and ship products or impacting consumers’ movements and access to our products. We believe that over the long term, there will continue to be strong demand for categories in which we operate, particularly our products that deliver essential health, hygiene and cleaning benefits. However, the timing and extent of demand recovery in certain markets in Asia Pacific, IMEA and Latin America, the resumption of international travel, the timing and impact of potential consumer pantry destocking in markets including North America and Europe, and product demand volatility caused by future economic trends are unclear. Accordingly, there may be heightened volatility in net sales, net earnings and cash flows during and subsequent to the duration of the pandemic. Our retail customers are also being impacted by the pandemic. Their success in addressing the issues and maintaining their operations could impact consumer access to, and as a result, sales of our products.

Our ability to continue to operate without any significant negative impacts will in part depend on our ability to protect our employees and our supply chain. The Company has endeavored to follow actions recommended by governments and health authorities to protect our employees world-wide, with particular measures in place for those working in our plants and distribution facilities. We have also worked closely with local and national officials to keep our manufacturing facilities open due to the essential nature of the majority of our products. While we have been able to broadly maintain our operations, we experienced some disruption in our supply chain in certain markets in Asia Pacific and IMEA in the first months of the pandemic due primarily to the restriction of employee movements as well as increased transportation and manufacturing costs. We intend to continue to work with government authorities and implement our employee safety measures to ensure that we continue manufacturing and distributing our products during the pandemic. However, uncertainty resulting from the pandemic could result in an unforeseen disruption to our supply chain (for example, a closure of a key manufacturing or distribution facility or the inability of a key material or transportation supplier to source and transport materials) that could impact our operations.

Because the pandemic has not had a material negative impact on our operations or demand for our products and resulting net sales and net earnings, it has also not negatively impacted the Company’s liquidity position. We continue to generate operating cash flows to meet our short-term liquidity needs, and we have maintained access to the capital markets enabled by our strong short- and long-term credit ratings. We have also not observed any material impairments of our assets or a significant change in the fair value of assets due to the COVID-19 pandemic.

For additional information on risk factors that could impact our results, please refer to “Risk Factors” in Part I, Item 1A of the Company's Form 10-K/A for the fiscal year ended June 30, 2020.

RESULTS OF OPERATIONS – Three Months Ended December 31, 2020

The following discussion provides a review of results for the three months ended December 31, 2020 versus the three months ended December 31, 2019.

	Three Months Ended December 31

Amounts in millions, except per share amounts	2020	2019	% Chg
Net sales	**$19,745**	$18,240	8%
Operating income	**5,380**	4,482	20%
Net earnings	**3,887**	3,743	4%
Net earnings attributable to Procter & Gamble	**3,854**	3,717	4%
Diluted net earnings per common share	**1.47**	1.41	4%
Core net earnings per common share	**1.64**	1.42	15%

	Three Months Ended December 31		
COMPARISONS AS A PERCENTAGE OF NET SALES	2020	2019	Basis Pt Chg
Gross margin	**53.1%**	51.4%	170
Selling, general & administrative expense	**25.9%**	26.8%	(90)
Operating income	**27.2%**	24.6%	260
Earnings before income taxes	**24.7%**	24.8%	(10)
Net earnings	**19.7%**	20.5%	(80)
Net earnings attributable to Procter & Gamble	**19.5%**	20.4%	(90)

Net Sales

Net sales for the quarter increased 8% to $19.7 billion on a 5% increase in unit volume. Increased pricing had a 1% positive impact to net sales. Mix had a 2% positive impact to net sales, driven by the disproportionate growth of the North America region and the Home Care and Appliances businesses, all of which have higher than company-average selling prices. Foreign exchange had no net impact on net sales. Excluding the impact of acquisitions and divestitures and foreign exchange, organic sales also increased 8% on a 5% increase in organic volume. Net sales increased double digits in Fabric & Home Care, increased high single digits in Health Care and increased mid-single digits in Beauty, in Baby, Feminine & Family Care and in Grooming. On a regional basis, volume increased high single digits in North America and Greater China and increased low single digits in Europe and Latin America, partially offset by a low single digit decrease in Asia Pacific. Volume was unchanged in IMEA.

Net Sales Change Drivers 2020 vs. 2019 (Three Months Ended December 31) [1]

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

(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 increased 170 basis points to 53.1% of net sales for the quarter. Gross margin benefited from:

- 180 basis points of gross manufacturing cost savings projects (160 basis points net of product and packaging reinvestments),
- 70 basis points of help from higher pricing,
- 30 basis points of lower commodity costs, and
- 20 basis points of help due to lower restructuring costs versus the base period

These benefits were partially offset by a 60 basis point decline from unfavorable mix (due to the disproportionate growth of the Home Care and Appliances categories which have lower than company-average margins, as well as mix within segments due to the growth of lower margin product forms and large sizes in certain categories) and a 50 basis-point decline from unfavorable foreign exchange.

Total SG&A spending increased 5% to $5.1 billion due to increases in both marketing spending and overhead costs. SG&A as a percentage of net sales decreased 90 basis points to 25.9% primarily due to a reduction in marketing spending and overhead costs as a percentage of net sales. Marketing spending as a percentage of net sales decreased 20 basis points due to the positive scale impacts of the net sales increase and savings in agency compensation, production costs and advertising spending, partially offset by reinvestments in media. Overhead costs as a percentage of net sales declined 50 basis points due to the positive scale impacts of the net sales increase and productivity savings, partially offset by inflation and other cost increases. Other net operating costs as a percentage of net sales decreased 20 basis points due to a reduction in foreign exchange transactional charges. Productivity-driven cost savings delivered 100 basis points of benefit to SG&A as a percentage of net sales.

Non-Operating Expenses and Income

Interest expense was $143 million for the quarter, an increase of $43 million versus the prior year period due to an increase in average debt balances. Interest income was $9 million for the quarter, a $27 million decrease versus the prior year period due to lower U.S. interest rates. Other non-operating expense was $369 million, a change of $483 million versus other non-operating income of $114 million in the prior year period primarily due to current period charges of $512 million for the early extinguishment of debt.

Income Taxes

For the three months ended December 31, 2020, the effective tax rate increased 290 basis points versus the prior year period to 20.3% due to:

- a 135 basis-point increase from unfavorable impacts of the geographic mix of current year earnings, caused primarily by disproportionately higher sales and earnings in the U.S.,
- a 120 basis-point increase related to the prior year tax benefit arising from transactions to simplify our legal entity structure,
- a 35 basis-point increase from the impact of the early extinguishment of debt in the current period, and
- a 10 basis-point increase from discrete impacts related to uncertain tax positions (30 basis-point favorable impact in the current year versus a 40 basis-point favorable impact in the prior year period).

These increases are partially offset by a 10 basis-point decrease from increased excess tax benefits on share-based compensation (90 basis-point reduction in the

current period versus 80 basis-point reduction in the prior year period).

Net Earnings

Operating income increased $898 million, or 20%, to $5.4 billion for the quarter, due to the net sales increase, the increase in gross margin and the decrease in SG&A as a percentage of sales, all of which are described above. Net earnings increased $144 million or 4% to $3.9 billion as the increase in operating income was partially offset by the increase in non-operating expense (due to the debt extinguishment charge) and the increase in income taxes. Foreign exchange had a negative impact of approximately $78 million on net earnings for the quarter, including both transactional charges and translational impacts from converting earnings from foreign subsidiaries to U.S. dollars. Net earnings attributable to Procter & Gamble increased $137 million or 4%, to $3.9 billion for the quarter. Diluted net earnings per share increased 4% to $1.47. Core net earnings per share increased 15% to $1.64. Core EPS represents diluted net earnings per share excluding current period charges for the early extinguishment of debt and incremental restructuring charges in the base period related to our productivity and cost savings plans.

RESULTS OF OPERATIONS – Six Months Ended December 31, 2020

The following discussion provides a review of results for the six months ended December 31, 2020 versus the six months ended December 31, 2019.

	Six Months Ended December 31		
Amounts in millions, except per share amounts	**2020**	**2019**	**% Chg**
Net sales	**$39,063**	$36,038	8%
Operating income	**10,661**	8,772	22%
Net earnings	**8,195**	7,360	11%
Net earnings attributable to Procter & Gamble	**8,131**	7,310	11%
Diluted net earnings per common share	**3.10**	2.77	12%
Core net earnings per common share	**3.27**	2.79	17%

	Six Months Ended December 31		
COMPARISONS AS A PERCENTAGE OF NET SALES	**2020**	**2019**	**Basis Pt Chg**
Gross margin	**52.9%**	51.2%	170
Selling, general & administrative expense	**25.6%**	26.8%	(120)
Operating income	**27.3%**	24.3%	300
Earnings before income taxes	**26.0%**	24.6%	140
Net earnings	**21.0%**	20.4%	60
Net earnings attributable to Procter & Gamble	**20.8%**	20.3%	50

Net Sales

Net sales for the six months ended December 31, 2020 increased 8% to $39.1 billion on a 6% increase in unit volume. Increased pricing had a 1% positive impact to net sales. Mix had a 2% positive impact to net sales, driven by the disproportionate growth of the North America region and the Home Care and Appliances categories all of which have higher than company-average selling prices. Unfavorable foreign exchange had a 1% negative impact on net sales. Excluding the impact of acquisitions and divestitures and foreign exchange, organic sales increased 9% on a 6% increase in organic volume. Net sales increased double digits in Fabric & Home Care and in Health Care and increased mid-single digits in Beauty, in Baby, Feminine & Family Care and in Grooming. On a regional basis, volume increased double digits in North America driven by innovation and increased demand, particularly in household cleaning, health care and personal hygiene products due in part to the COVID-19 pandemic. Volume increased high single digits in Greater China and increased low single digits in Europe, Latin America and IMEA, partially offset by a low single digits decrease in Asia Pacific.

Net Sales Change Drivers 2020 vs. 2019 (Six Months Ended December 31) [1]

	Volume with Acquisitions & Divestitures	Volume Excluding Acquisitions & Divestitures	Foreign Exchange	Price	Mix	Other [2]	Net Sales Growth
Beauty	4%	4%	—%	2%	—%	—%	6%
Grooming	4%	4%	(1)%	2%	—%	—%	5%
Health Care	6%	6%	—%	1%	3%	—%	10%
Fabric & Home Care	9%	9%	(1)%	1%	4%	—%	13%
Baby, Feminine & Family Care	3%	3%	—%	2%	—%	—%	5%
Total Company	**6%**	**6%**	**(1)%**	**1%**	**2%**	**—%**	**8%**

(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 increased 170 basis points to 52.9% of net sales for the fiscal year to date period. Gross margin benefited from:

- 150 basis points of gross manufacturing cost savings projects (130 basis points net of product and packaging reinvestments),
- 60 basis points of help from higher pricing,
- 50 basis points of lower commodity costs, and
- 30 basis points of help due to lower restructuring costs versus the base period

These benefits were partially offset by a 60 basis point decline from unfavorable mix (due to the disproportionate growth of Home Care and Appliances categories which have lower than company-average margins, as well as mix within segments due to the growth of lower margin product forms and large sizes in certain categories) and a 40 basis-point decline from unfavorable foreign exchange.

Total SG&A spending increased 3% to $10.0 billion primarily due to increases in both marketing spending and overhead costs. SG&A as a percentage of net sales decreased 120 basis points to 25.6% due to a reduction in both marketing spending and overhead costs as a percentage of net sales. Marketing spending as a percentage of net sales decreased 30 basis points due to the positive scale impacts of the net sales increase and savings in agency compensation, production costs and advertising spending, partially offset by reinvestments in media. Overhead costs as a percentage of net sales declined 70 basis points due to the positive scale impacts of the net sales increase and productivity savings, partially offset by inflation and other cost increases. Other net operating costs as a percentage of net sales

decreased 20 basis points due to a reduction in foreign exchange transactional charges. Productivity-driven cost savings delivered 100 basis points of benefit to SG&A as a percentage of net sales.

Non-Operating Expenses and Income

Interest expense was $279 million for the fiscal year to date, an increase of $71 million versus the prior year period due to an increase in average debt balances. Interest income was $19 million for the fiscal year to date, a $75 million decrease versus the prior year period due to lower U.S. interest rates. Other non-operating expense was $227 million, a change of $444 million versus the prior year non-operating income of $217 million, primarily due to current period charges of $512 million for early debt extinguishment, partially offset by gains from minor brand divestitures and an increase in net non-operating benefits on defined benefit retirement plans caused by annual actuarial assumption updates.

Income Taxes

For the six months ended December 31, 2020, the effective tax rate increased 240 basis points versus the prior year period to 19.5% due to:

- a 135 basis-point increase from unfavorable impacts from geographic mix of current year earnings, caused primarily by disproportionately higher sales and earnings in the U.S.,
- a 120 basis-point increase related to the prior year tax benefit arising from transactions to simplify our legal entity structure,
- a 15 basis-point increase from the impact of the early extinguishment of debt in the current period, and
- a 5 basis-point increase from discrete impacts related to uncertain tax positions (5 basis-point favorable impact in the current year versus a 10 basis-point favorable impact in the prior year period).

These increases were partially offset by a 35 basis-point decrease from increased excess tax benefits of share-based compensation (175 basis-point reduction in the current period versus 140 basis-point reduction in the prior year period).

Net Earnings

Operating income increased $1.9 billion, or 22% to $10.7 billion for the six months ended December 31, 2020, due to the net sales increase, the increase in gross margin and the decrease in SG&A as a percentage of sales, all of which are described above. Net earnings increased $0.8 billion or 11% to $8.2 billion for the fiscal year to date period primarily due to the increase in operating income, partially offset by the increase in non-operating expense and the increase in the effective tax rate. Foreign exchange had a negative impact of approximately $178 million on net earnings for the fiscal year to date period, including both transactional charges and translational impacts from converting earnings from foreign subsidiaries to U.S. dollars. Net earnings attributable to Procter & Gamble increased $0.8 billion or 11% to $8.1 billion for the fiscal year to date period. Diluted net earnings per share increased 12% to $3.10. Core net earnings per share increased 17% to $3.27. Core EPS represents diluted net earnings per share excluding current period charges for the early extinguishment of debt and incremental restructuring charges in the base period related to our productivity and cost savings plans.

BUSINESS SEGMENT DISCUSSION – Three and Six Months Ended December 31, 2020

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, 2020 is provided based on a comparison to the same three and six month periods ended December 31, 2019. The primary financial measures used to evaluate segment performance are net sales and net earnings. The table below provides supplemental information on net sales and net earnings by reportable business segment for the three and six months ended December 31, 2020 versus the comparable prior year period (dollar amounts in millions):

	Three Months Ended December 31, 2020					
	Net Sales	% Change Versus Year Ago	Earnings/(Loss) Before Income Taxes	% Change Versus Year Ago	Net Earnings	% Change Versus Year Ago
Beauty	$ 3,806	6 %	$ 1,196	12 %	$ 955	11 %
Grooming	1,735	5 %	537	9 %	452	10 %
Health Care	2,746	9 %	830	13 %	655	15 %
Fabric & Home Care	6,498	12 %	1,599	25 %	1,250	28 %
Baby, Feminine & Family Care	4,858	6 %	1,352	26 %	1,044	27 %
Corporate	102	N/A	(637)	N/A	(469)	N/A
Total Company	**$ 19,745**	**8 %**	**$ 4,877**	**8 %**	**$ 3,887**	**4 %**

	Six Months Ended December 31, 2020					
	Net Sales	% Change Versus Year Ago	Earnings/(Loss) Before Income Taxes	% Change Versus Year Ago	Net Earnings	% Change Versus Year Ago
Beauty	$ 7,591	6 %	$ 2,424	12 %	$ 1,931	11 %
Grooming	3,336	5 %	963	5 %	807	6 %
Health Care	5,217	10 %	1,509	19 %	1,180	21 %
Fabric & Home Care	13,142	13 %	3,341	28 %	2,599	30 %
Baby, Feminine & Family Care	9,581	5 %	2,670	21 %	2,053	21 %
Corporate	196	N/A	(733)	N/A	(375)	N/A
Total Company	**$ 39,063**	**8 %**	**$ 10,174**	**15 %**	**$ 8,195**	**11 %**

Beauty

Three months ended December 31, 2020 compared with three months ended December 31, 2019

Beauty net sales increased 6% to $3.8 billion during the second fiscal quarter on a 2% increase in unit volume. Higher pricing increased net sales by 2%. Favorable mix added 1% to net sales due to the disproportionate growth of premium products. Favorable foreign exchange impacts increased net sales by 1%. Organic sales increased 5%. Global market share of the Beauty segment decreased 0.6 points.

- Hair Care net sales increased mid-single digits due to a low single digit increase in volumes and increased pricing. Organic sales increased mid-single digits. The volume increase was driven by a double digits increase in Greater China due primarily to market growth, a mid-single digits increase in Latin America and low single digits increases in IMEA due to innovation, partially offset by low single digit decreases in North America (due to trade inventory reductions) and in Europe (due to market declines). Global market share of the Hair Care category was unchanged.
- Skin and Personal Care net sales increased high single digits due to a low single digit increase in volumes, favorable mix impact due to the disproportionate growth of premium products, increased pricing and favorable foreign exchange impacts. Organic sales also increased mid-single digits. Volume grew high single digits in Greater China driven by innovation and increased consumption of hand soap and sanitizer products due to the COVID-19 pandemic. This growth was partially offset by a double digit volume decrease in IMEA, a mid-single digits decrease in Asia Pacific and a low single digits decrease in Latin America due to pandemic-related consumption decreases. Global market share of the Skin and Personal Care category decreased more than half a point.

Net earnings increased 11% to $955 million due to the increase in net sales and a 130 basis-point increase in net earnings margin. The net earnings margin increased due to a reduction in SG&A as a percentage of net sales and an increase in gross margin. The gross margin increase was driven by the positive impacts of manufacturing cost savings and increased pricing, partially offset by the negative impacts of unfavorable mix, due to the relatively lower global growth of the super-premium SKII brand. The decrease in SG&A as a percentage of net sales was primarily due to the positive scale impacts of the net sales increase.

Six months ended December 31, 2020 compared with six months ended December 31, 2019

Beauty fiscal year to date net sales increased 6% to $7.6 billion on a 4% increase in unit volume. Higher pricing increased net sales by 2%. Foreign exchange had no net impact on net sales. Organic sales also increased 6%. Global market share of the Beauty segment decreased 0.7 points.

- Hair Care net sales increased mid-single digits due to a mid-single digit increase in volumes and increased pricing, partially offset by unfavorable foreign exchange impacts. Organic sales increased mid-single digits. The volume increase was driven by a double digits increase in Greater China, a mid-single digits increase in Latin America and low single digits increases in North America and IMEA due to innovation and increased demand following pandemic-related shutdowns, partially offset by a low single digits decrease in Europe due to pandemic-related consumption decline. Global market share of the Hair Care category was unchanged.
- Skin and Personal Care net sales increased high single digits due to a mid-single digit increase in volumes and favorable foreign exchange impacts. Organic sales also increased mid-single digits. Volume grew mid-teens in Greater China, grew mid-single digits in North America and Asia Pacific and grew low single digits in Europe driven by innovation and increased consumption due to the COVID-19 pandemic. Volume decreased double digits in IMEA due to pandemic-related category decline. Global market share of the Skin and Personal Care category decreased less than a point.

Net earnings increased 11% to $1.9 billion due to the increase in net sales and a 120 basis-point increase in net earnings margin. The net earnings margin increased due to a reduction in SG&A as a percentage of net sales and a marginal increase in gross margin. The gross margin increase was primarily driven by manufacturing cost savings and increased selling prices, partially offset by the negative impacts of unfavorable mix due to the relatively lower global growth of the super-premium SKII brand. The decrease in SG&A as a percentage of net sales was primarily due to the positive scale impacts of the net sales increase.

Grooming

Three months ended December 31, 2020 compared with three months ended December 31, 2019

Grooming net sales increased 5% to $1.7 billion during the second fiscal quarter on a 4% increase in unit volume. Unfavorable foreign exchange had a negative 1% impact on net sales. Pricing had a positive 1% impact on net sales. Favorable mix had a positive 1% impact on net sales due to the disproportionate growth of Appliances category which has higher than segment-average selling prices. Organic sales increased 6%. Global market share of the Grooming segment decreased 0.9 points.

- Shave Care net sales decreased low single digits driven by unfavorable foreign exchange impacts and unfavorable mix due to the disproportionate growth of Latin America and IMEA which have lower than category-average selling prices partially offset by a low single digit increase in volume and devaluation-related price increases. Organic sales increased low single digits. Volume increased mid-teens in Greater China and increased high single digits in Latin America and IMEA due to product innovation and increased distribution in certain markets. This was partially offset by low single digits decreases in North America, Europe and Asia Pacific primarily due to pandemic-related consumption decline and competitive activities. Global market share of the Shave Care category decreased slightly.
- Appliances net sales increased more than 30% primarily due to a volume increase of more than 20% and favorable foreign exchange impacts. Organic sales increased more than 20%. Volume increased in all regions led by a more than 40% increase in IMEA, a more than 30% increase in North America, a more than 20% increase in Europe and about a 20% increase in Asia Pacific due to innovation and increased consumption of at-home grooming and styling products driven by the pandemic. Global market share of the Appliances category increased more than two points.

Net earnings increased 10% to $452 million due to the increase in net sales and a 120 basis-point increase in net earnings margin. The net earnings margin increased due to an increase in gross margin and a reduction in SG&A as a percentage of net sales. The gross margin increase was driven by manufacturing cost savings partially offset by the negative impact of unfavorable mix (due to the disproportionate growth of Appliances, which has lower than segment-average margins) and unfavorable foreign exchange impacts. SG&A as a percentage of net sales decreased primarily due to the positive scale impacts of the net sales increase.

Six months ended December 31, 2020 compared with six months ended December 31, 2019

Grooming fiscal year to date net sales increased 5% to $3.3 billion on a 4% increase in unit volume. Unfavorable foreign exchange had a negative 1% impact on net sales. Higher pricing increased net sales by 2%. Organic sales increased 6%. Global market share of the Grooming segment decreased 1.4 points.

- Shave Care net sales decreased low single digits due to unfavorable foreign exchange impacts and unfavorable mix (due to the disproportionate growth of lower priced products in IMEA and Latin America), partially offset by a low single digit increase in volume and devaluation-related price increases. Organic sales increased low single digits. Volume increased mid-teens in IMEA and increased mid-single digits in Greater China and Latin America due to product innovation and increased distribution in certain markets. This was partially offset by low single digit decreases in Europe, Asia Pacific and

North America primarily due to pandemic-related consumption declines and competitive activity. Global market share of the Shave Care category decreased nearly half a point.

- Appliances net sales increased more than 30% primarily due to a 30% volume increase and favorable foreign exchange impacts. Organic sales also increased more than 30%. Volume increased in all regions led by a more than 30% increase in Europe, North America and IMEA and a high-teens increase in Asia Pacific due to innovation and increased consumption of at-home grooming and styling products driven by the pandemic. Global market share of the Appliances category increased more than a point.

Net earnings increased 6% to $807 million due to the increase in net sales and a 20 basis-point increase in net earnings margin. The net earnings margin increased primarily due to a reduction in SG&A as a percentage of net sales partially offset by a reduction in gross margin. Gross margin decreased due to the negative impact of unfavorable mix (due to the disproportionate growth of IMEA and Latin America regions and Appliances category, all of which have lower than segment-average margins) and unfavorable foreign exchange impacts, partially offset by manufacturing cost savings. SG&A as a percentage of net sales decreased due to productivity savings and the positive scale impacts of the net sales increase, partially offset by a favorable legal settlement in the base period.

Health Care

Three months ended December 31, 2020 compared with three months ended December 31, 2019

Health Care net sales increased 9% to $2.7 billion during the second fiscal quarter on a 4% increase in unit volume. Pricing had a 1% positive impact to net sales for the quarter. Favorable mix increased net sales by 4% due to the disproportionate growth of premium power brush and paste products. Foreign exchange had no net impact on net sales. Organic sales increased 9%. Global market share of the Health Care segment increased 1.5 points.

- Oral Care net sales increased double digits due to a low single digit increase in volume and favorable mix impacts due to the disproportionate growth of premium power brush and paste products. Organic sales also increased double digits. The volume increase was driven by high single digits growth in Greater China, mid-single digits growth in IMEA and low single digits growth in North America and Europe due to innovation and increased marketing spending. Global market share of the Oral Care category increased more than a point.
- Personal Health Care net sales increased mid-single digits versus the prior year period due to a mid-single digit increase in volume and increased pricing partially offset by unfavorable foreign exchange impact and unfavorable product mix due to decrease in respiratory category (due to lower incidence of cough, cold and flu versus year ago) which has higher than category-average selling prices. Organic sales also increased mid-single digits. The volume growth was driven by a more than 20% increase in Latin America, mid-single digits increases in North America and Asia Pacific and low single digits increases in Europe and IMEA, driven by innovation, increased consumption of certain health care products and increased marketing spending. Global market share of the Personal Health Care category increased more than a point.

Net earnings increased 15% to $655 million due to the increase in net sales and a 140 basis-point increase in net earnings margin. Net earnings margin increased primarily due to a decrease in SG&A as a percentage of net sales and a marginal increase in gross margin. The increase in gross margin was driven by the positive impacts of manufacturing cost savings and increased pricing, partially offset by unfavorable mix impacts due to the disproportionate growth of the Oral care category and Latin America both of which have lower than segment-average margins and unfavorable foreign exchange impacts. SG&A as a percentage of net sales decreased driven by productivity savings, including Merck OTC consumer healthcare acquisition synergies and the positive scale benefits of the net sales increase, partially offset by increased marketing spending.

Six months ended December 31, 2020 compared with six months ended December 31, 2019

Health Care fiscal year to date net sales increased 10% to $5.2 billion on a 6% increase in unit volume. Pricing had a 1% positive impact to net sales for the quarter. Favorable mix increased net sales by 3% due to the disproportionate growth of the North America region and premium power brush and paste products both of which have higher than segment-average selling prices. Foreign exchange had no net impact to net sales. Organic sales increased 10%. Global market share of the Health Care segment increased 1.3 points.

- Oral Care net sales increased double digits due to a mid-single digit increase in volume, favorable mix impacts due to the disproportionate growth of North America and premium power brush products and devaluation-related price increases. Organic sales also increased double digits. Volume grew in all regions, led by high single digits growth in North America, Greater China and IMEA and mid-single digits growth in Europe, Asia Pacific and Latin America driven by innovation and increased marketing spending. Global market share of the Oral Care category increased a point.
- Personal Health Care net sales increased mid-single digits versus the prior year period due to a mid-single digit increase in volume and increased pricing partially offset by unfavorable foreign exchange impacts. Organic sales increased high single digits. The volume increase was driven by mid-teens growth in Latin America, double digits growth in Asia Pacific, high single digits growth in North America and mid-single digits growth in Europe and IMEA, driven by innovation, increased

consumption of certain health care products and increased marketing spending. Global market share of the Personal Health Care category increased more than a point.

Net earnings increased 21% to $1.2 billion due to the increase in net sales and a 220 basis-point increase in net earnings margin. Net earnings margin increased primarily due to a decrease in SG&A as a percentage of net sales, along with an increase in gross margin and a gain on a minor brand divestiture in the current period. The increase in gross margin was driven by the positive impacts of manufacturing cost savings and increased pricing, partially offset by unfavorable mix impacts due to disproportionate growth of the Oral Care category and Latin America, both of which have lower than segment-average margins and unfavorable foreign exchange impacts. SG&A as a percentage of net sales decreased primarily due to the positive scale benefits of the net sales increase, productivity savings and a reduction in other operating expenses due to costs related to the Merck OTC consumer healthcare acquisition in the base period, partially offset by increased marketing spending.

Fabric & Home Care

Three months ended December 31, 2020 compared with three months ended December 31, 2019

Fabric & Home Care net sales increased 12% to $6.5 billion during the second fiscal quarter on a 7% increase in unit volume. Positive mix impacts increased net sales by 4% due to the disproportionate growth of the North America region and the Home Care category, which have higher than segment-average prices. Higher pricing increased net sales by 1%. Foreign exchange had no net impact to net sales. Organic sales also increased 12%. Global market share of the Fabric & Home Care segment increased 0.9 points.

- Fabric Care net sales increased high single digits due to a mid-single digit increase in volume, increased pricing and positive mix impact due to the disproportionate growth of premium products and the North America region, both of which have higher than category-average selling prices. Organic sales also increased high single digits. Increased volume was driven by high single digits growth in North America and Greater China and low single digits growth in Europe due to product innovation and consumption increases in certain markets related to the COVID-19 pandemic. This was partially offset by a mid-single digits decline in IMEA and low single digits declines in Latin America and Asia Pacific due to pandemic-related market contraction and competitive activities. Global market share of the Fabric Care category increased more than a point.
- Home Care net sales increased around 30%, primarily due to a volume increase of more than 20%, a positive mix impact due to the disproportionate growth of premium products and the North America region, both of which have higher than category-average selling prices and increased pricing. Organic sales also increased about 30%. Volume increased in all regions led by more than 20% growth in North America and Latin America, high teens growth in Europe, and double digits growth in Asia Pacific, all due to consumption increases related to the COVID-19 pandemic, product innovation and increased marketing spending. Global market share of the Home Care category increased less than half a point.

Net earnings increased 28% to $1.3 billion due to the increase in net sales and a 240 basis-point increase in net earnings margin. The net earnings margin increase was due to an increase in gross margin and a decrease in SG&A as a percentage of sales. The gross margin increase was driven by manufacturing cost savings, a reduction in commodity costs and increased selling prices, partially offset by unfavorable foreign exchange impacts. SG&A as a percentage of net sales decreased primarily due to the positive scale benefits of the net sales increase, partially offset by an increase in marketing spending.

Six months ended December 31, 2020 compared with six months ended December 31, 2019

Fabric & Home Care fiscal year to date net sales increased 13% to $13.1 billion on a 9% increase in unit volume. Positive mix impacts increased net sales by 4% due to the disproportionate growth of the North America region and the Home Care category, both of which have higher than segment-average prices. Higher pricing increased net sales by 1%. Unfavorable foreign exchange impacts decreased net sales by 1%. Organic sales also increased 13%. Global market share of the Fabric & Home Care segment increased 1.0 point.

- Fabric Care net sales increased high single digits due to a mid-single digit increase in volume and positive mix impact due to the disproportionate growth of premium products and the North America region. Organic sales also increased high single digits. Increased volume was driven by mid-teens growth in North America, mid-single digits growth in Greater China and low single digits growth in Europe and Latin America, all due to product innovation, incremental marketing spending and consumption increases in certain markets related to the COVID-19 pandemic. This was partially offset by a mid-single digits decline in Asia Pacific due to market contraction and competitive activities. Global market share of the Fabric Care category increased more than a point.
- Home Care net sales increased more than 30% primarily due to a volume increase of more than 20%, a positive mix impact due to the disproportionate growth of premium products and the North America region and increased pricing. Organic sales also increased more than 30%. Volume increased in all regions led by more than 30% growth in North America, 20% or more growth in Latin America and in Europe, and mid-teens growth in Asia Pacific and IMEA all due to consumption increases related to the COVID-19 pandemic, product innovation, incremental marketing spending and to a lesser extent, retailer inventory restocking in the U.S. Global market share of the Home Care category increased less than a point.

Net earnings increased 30% to $2.6 billion due to the increase in net sales and a 260 basis-point increase in net earnings margin. The net earnings margin increase was due to an increase in gross margin and a decrease in SG&A as a percentage of sales. The gross margin increase was driven by manufacturing cost savings, increased selling prices and a reduction in commodity costs, partially offset by unfavorable foreign exchange impacts. SG&A as a percentage of net sales decreased primarily due to the positive scale benefits of the net sales increase, partially offset by an increase in marketing spending.

Baby, Feminine & Family Care

Three months ended December 31, 2020 compared with three months ended December 31, 2019

Baby, Feminine & Family Care net sales increased 6% to $4.9 billion during the second fiscal quarter on a 4% increase in unit volume. Higher pricing increased net sales by 2%. Foreign exchange had no net impact to net sales. Organic sales also increased 6%. Global market share of the Baby, Feminine & Family Care segment decreased 0.2 points.

- Net sales in Baby Care increased low single digits due to increased pricing and favorable mix impact from the growth of North America region which has higher than category-average selling prices partially offset by a low single digit decrease in volume and unfavorable foreign exchange impacts. Organic sales also increased low single digits. Volume decreased high single digits in Greater China (due to competitive activities), Latin America (due to market contraction) and IMEA (due to pandemic-related retailer inventory reduction and market contraction). This was partially offset by mid-single digits growth in North America due to pandemic-related consumption increase in certain products and innovation. Global market share of the Baby Care category decreased more than half a point.
- Feminine Care net sales increased mid-single digits due to a low single digit increase in volume, positive mix impact due to the disproportionate growth of the North America region and premium products primarily in Greater China both of which have higher than category-average prices and devaluation-related price increases. Organic sales also increased mid-single digits. Volume increased mid-single digits in North America and IMEA primarily due to innovation. This was partially offset by a high teens decline in Asia Pacific (due to a new product launch in the base period) and low single digits declines in Greater China, Europe and Latin America primarily due to pandemic-related consumption declines. Global market share of the Feminine Care category increased more than a point.
- Net sales in Family Care, which is predominantly a North American business, increased double digits driven by a double digit increase in volumes and increased pricing (driven by lower consumer promotions), partially offset by unfavorable mix impact from the disproportionate growth of larger pack sizes. Organic sales also increased double digits. The volume increase was primarily driven by a COVID-19 related consumption increase. North America share of the Family Care category decreased more than a point.

Net earnings increased 27% to $1.0 billion due to the increase in net sales and a 360 basis-point increase in net earnings margin. Net earnings margin increased primarily due to an increase in gross margin and a decrease in SG&A as a percentage of net sales. The gross margin increased due to manufacturing cost savings, a reduction in commodity costs and higher selling prices, partially offset by unfavorable foreign exchange impacts. SG&A as a percentage of net sales decreased primarily due to the positive scale benefits of the net sales increase.

Six months ended December 31, 2020 compared with six months ended December 31, 2019

Baby, Feminine & Family Care fiscal year to date net sales increased 5% to $9.6 billion on a 3% increase in unit volume. Higher pricing increased net sales by 2%. Foreign exchange had no net impact to net sales. Organic sales also increased 5%. Global market share of the Baby, Feminine & Family Care segment decreased 0.3 points.

- Net sales in Baby Care decreased low single digits due to a low single digit decrease in volume and unfavorable foreign exchange impacts, partially offset by devaluation-related price increases. Organic sales were unchanged. Volume decreased double digits in Latin America (due to market contraction) and IMEA (due to pandemic-related retailer inventory reductions and market contraction), decreased high single digits in Greater China (primarily due to competitive activity and consumer pantry destocking) and decreased mid-single digits in Asia Pacific (due primarily to market contraction). This was partially offset by mid-single digits growth in North America due to consumption increase in certain products, innovation and pandemic-related retailer inventory restocking. Global market share of the Baby Care category decreased less than a point.
- Feminine Care net sales increased mid-single digits due to a low single digit increase in volume, increased pricing and positive mix impact due to the disproportionate growth of the North America region and premium products primarily in Greater China both of which have higher than category-average prices. Organic sales also increased mid-single digits. Volume increased mid-single digits in North America (primarily due to pandemic-related trade inventory increases and innovation) and in IMEA (primarily due to market growth). This was partially offset by a mid-single digits decline in Greater China and low single digit declines in Europe and Latin America, primarily due to pandemic-related consumption declines. Global market share of the Feminine Care category increased nearly a point.
- Net sales in Family Care, which is predominantly a North American business, increased double digits driven by a double digit increase in volumes and increased pricing (driven by lower consumer promotions), partially offset by unfavorable mix

impact due to the disproportionate growth of larger pack sizes. Organic sales also increased double digits. The volume increase was driven by COVID-19 related consumption increase and to a lesser extent, retailer inventory restocking. North America share of the Family Care category decreased more than a point.

Net earnings increased 21% to $2.1 billion due to the increase in net sales and a 290 basis-point increase in net earnings margin. Net earnings margin increased primarily due to an increase in gross margin and to a lesser extent, a decrease in SG&A as a percentage of net sales. Gross margin increased due to manufacturing cost savings, a reduction in commodity costs and increased selling prices, partially offset by unfavorable foreign exchange impacts. SG&A as a percentage of net sales decreased primarily due to the positive scale benefits of the net sales increase.

Corporate

Corporate includes certain operating and non-operating activities not allocated to specific business segments. These include: the incidental businesses managed at the corporate level; financing and investing activities; certain employee benefit costs; other general corporate items; the gains and losses related to certain divested brands and categories; and certain restructuring-type activities to maintain a competitive cost structure, including manufacturing and workforce optimization. Corporate also includes reconciling items to adjust the accounting policies used in the reportable segments to U.S. GAAP. The most significant reconciling item relates to income taxes, to adjust from blended statutory rates that are reflected in the reportable segments to the overall Company effective tax rate.

Corporate net sales improved by $7 million to $102 million for the quarter ended December 31, 2020 and increased $6 million to $196 million for the fiscal year to date. Corporate net earnings decreased $575 million in the quarter and decreased $571 million for the fiscal year to date period, both primarily due to the $512 million charge for early debt extinguishment in the current period. Corporate net earnings also declined due to higher interest expense, lower interest income, and higher base period tax benefits, partially offset by lower restructuring charges versus the base period, all of which have been described above.

Restructuring Program to deliver Productivity and Cost Savings

In 2012, the Company initiated a productivity and cost savings plan to reduce costs and better leverage scale in the areas of supply chain, research and development, marketing and overheads. The plan was designed to accelerate cost reductions by streamlining management decision making, manufacturing and other work processes to fund the Company's growth strategy. In 2017, the Company communicated specific elements of an additional multi-year productivity and cost savings program. As part of this plan, which was largely completed by the end of fiscal 2020, the Company incurred $1.5 billion in total before-tax restructuring costs across fiscal 2019 and fiscal 2020.

In fiscal 2021 and onwards, the Company expects to incur restructuring costs within the range of our historical ongoing level of $250 to $500 million before tax. In addition to our restructuring programs, we have additional ongoing savings efforts in our supply chain, marketing and overhead areas that have and are expected to continue to yield additional benefits to our operating margins.

Refer to Note 9 in the Notes to the Consolidated Financial Statements for more details on the restructuring program.

LIQUIDITY & CAPITAL RESOURCES

Operating Activities

We generated $10.2 billion of cash from operating activities fiscal year to date, an increase of $1.6 billion versus the prior year period. Net earnings, adjusted for non-cash items (depreciation and amortization, loss on extinguishment of debt, share-based compensation expense, deferred income taxes and gain on sale of assets), generated $10.4 billion of operating cash flow. Working capital and other impacts used $271 million of cash in the period. Accounts receivable increased, using $462 million of cash, primarily due to sales growth. Inventory increased, consuming $217 million of cash primarily due to increased safety stock levels through the COVID-19 pandemic and business growth. Accounts payable, accrued and other liabilities increased, generating $312 million of cash, primarily driven by an increase in marketing accruals, extended payment terms to suppliers and an increase in payables to support the increase in inventory. This was partially offset by the payment of prior fiscal year-end incentive compensation and other salary-related accruals.

Investing Activities

Investing activities used $1.4 billion of cash fiscal year to date primarily due to capital expenditures.

Financing Activities

Financing activities used $13.2 billion of net cash fiscal year to date. We used $5.0 billion for treasury stock purchases and $4.1 billion for dividends. We used $5.2 billion for net debt reductions, including $512 million for early debt extinguishment costs related to the early retirement of $2.3 billion of debt. The exercise of stock options and other impacts generated $1.1 billion of cash.

As of December 31, 2020, our current liabilities exceeded current assets by $7.1 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 measures. We believe that these measures provide useful perspective on underlying business results and trends (i.e., trends excluding non-recurring or unusual items) and provide a supplemental measure of year-on-year results. The non-GAAP measures described below are used by management in making operating decisions, allocating financial resources and for business strategy purposes. These measures may be useful to investors as they provide supplemental information about business performance and provide investors a view of our business results through the eyes of management. These measures are also used to evaluate senior management and are a factor in determining their at-risk compensation. These non-GAAP measures are not intended to be considered by the user in place of the related GAAP measures, but rather as supplemental information to our business results. These non-GAAP measures may not be the same as similar measures used by other companies due to possible differences in method and in the items or events being adjusted.

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 excluding payments for the transitional tax resulting from the U.S. Tax Act (the company incurred a transitional tax liability of approximately $3.8 billion in fiscal 2018 from the U.S. Tax Act of 2017 which is payable over a period of 8 years). 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 excluding the charges for early debt extinguishment (which are not considered part of our ongoing operations). 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. The Company's long-term target is to generate annual adjusted free cash flow productivity at or above 90 percent.

Core EPS: Core earnings per share, or Core EPS, is a measure of the Company's diluted net earnings per share adjusted as indicated. 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.

The Core earnings measures included in the following reconciliation tables refer to the equivalent GAAP measures adjusted as applicable for the following items:

Incremental Restructuring: The Company has historically had an ongoing level of restructuring activities. Such activities have resulted in ongoing annual restructuring-related charges of approximately $250 - $500 million before tax. Beginning in 2012, the Company has had a strategic productivity and cost savings initiative that resulted in incremental restructuring charges. The adjustment to Core earnings includes only the restructuring costs above what we believe are the normal recurring level of restructuring costs. In fiscal 2021 and onwards, the Company expects to incur restructuring costs within our historical ongoing level noted above.

Early debt extinguishment charges: In the three months ended December 31, 2020, the company recorded after tax charges of $427 million ($512 million before tax), due to early extinguishment of certain long-term debt. These charges represent the difference between the reacquisition price and the par value of the debt extinguished.

We do not view the above items to be part of our sustainable results and their exclusion from Core earnings measures provides a more comparable measure of year-on-year results. These items are also excluded when evaluating senior management in determining their at-risk compensation.

Organic sales growth:

Three Months Ended December 31, 2020	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other [1]	Organic Sales Growth
Beauty	6%	(1)%	—%	5%
Grooming	5%	1%	—%	6%
Health Care	9%	—%	—%	9%
Fabric & Home Care	12%	—%	—%	12%
Baby, Feminine & Family Care	6%	—%	—%	6%
Total Company	**8%**	**—%**	**—%**	**8%**

(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, 2020	Net Sales Growth	Foreign Exchange	Acquisition & Divestiture Impact/Other [1]	Organic Sales Growth
Beauty	6%	—%	—%	6%
Grooming	5%	1%	—%	6%
Health Care	10%	—%	—%	10%
Fabric & Home Care	13%	1%	(1)%	13%
Baby, Feminine & Family Care	5%	—%	—%	5%
Total Company	**8%**	**1%**	**—%**	**9%**

(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, 2020			
Operating Cash Flow	Capital Spending	U.S. Tax Act Payments	Adjusted Free Cash Flow
$10,163	**$(1,417)**	**$225**	**$8,971**

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

Six Months Ended December 31, 2020				
Adjusted Free Cash Flow	Net Earnings	Early Debt Extinguishment Charges	Net Earnings Excluding Adjustments	Adjusted Free Cash Flow Productivity
$8,971	**$8,195**	**$427**	**$8,622**	**104%**

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
(Amounts in Millions Except Per Share Amounts)
Reconciliation of Non-GAAP Measures

	Three Months Ended December 31, 2020				Three Months Ended December 31, 2019			
	AS REPORTED (GAAP)	EARLY DEBT EXTINGUISHMENT	ROUNDING	NON-GAAP (CORE)	AS REPORTED (GAAP)	INCREMENTAL RESTRUCTURING	ROUNDING	NON-GAAP (CORE)
NET EARNINGS ATTRIBUTABLE TO P&G	3,854	427	—	4,281	3,717	17	1	3,735
				Core EPS				**Core EPS**
DILUTED NET EARNINGS PER COMMON SHARE [1]	$ 1.47	$ 0.16	$ 0.01	**$ 1.64**	$ 1.41	$ 0.01	$ —	**$ 1.42**

[1] Diluted net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

CHANGE VERSUS YEAR AGO	
CORE NET EARNINGS ATTRIBUTABLE TO P&G	15 %
CORE EPS	15 %

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
(Amounts in Millions Except Per Share Amounts)
Reconciliation of Non-GAAP Measures

	Six Months Ended December 31, 2020				Six Months Ended December 31, 2019			
	AS REPORTED (GAAP)	EARLY DEBT EXTINGUISHMENT	ROUNDING	NON-GAAP (CORE)	AS REPORTED (GAAP)	INCREMENTAL RESTRUCTURING	ROUNDING	NON-GAAP (CORE)
NET EARNINGS ATTRIBUTABLE TO P&G	8,131	427	—	8,558	7,310	48	—	7,358
				Core EPS				
DILUTED NET EARNINGS PER COMMON SHARE [1]	$ 3.10	$ 0.16	$ 0.01	**$ 3.27**	$ 2.77	$ 0.02	$ —	**$ 2.79**

[1] Diluted net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

CHANGE VERSUS YEAR AGO	
CORE NET EARNINGS ATTRIBUTABLE TO P&G	16 %
CORE EPS	17 %

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, 2020. Additional information can be found in Note 7 - 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, David S. Taylor, and the Company's Vice Chairman, Chief Operating Officer and Chief Financial Officer, Jon R. Moeller, 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. Taylor and Moeller 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. Taylor and Moeller, 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, 2020 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/A for the year ended June 30, 2020.

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
10/01/2020 - 10/31/2020	4,930,026	$141.99	4,930,026	[3]
11/01/2020 - 11/30/2020	9,254,340	$140.99	9,220,092	[3]
12/01/2020 - 12/31/2020	7,279,247	$137.38	7,279,247	[3]
Total	**21,463,613**	**$140.00**	**21,429,365**	

(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 minimum 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 20, 2021, the Company stated that in fiscal year 2021 the Company expects to reduce outstanding shares through direct share repurchases at a value up to $10 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 long-term and short-term 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 April 8, 2016, 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 Form 10-K for the year ended June 30, 2016).
4-1	Indenture, dated as of September 3, 2009, between the Company and Deutsche Bank Trust Company Americas, as Trustee (Incorporated by reference to Exhibit (4-1) of the Company Annual Report on Form 10-K for the year ended June 30, 2015)
10-1	Summary of the Company's Short Term Achievement Reward Program* †
10-2	Summary of the Company's Long-Term Incentive Program* †
10-3	Long-Term Incentive Program – Related Correspondence and Terms and Conditions* †
10-4	The Procter & Gamble Performance Stock Program Summary* †
10-5	Performance Stock Program – Related Correspondence and Terms and Conditions* †
10-6	Company's Form of Separation Agreement & Release* †
10-7	Company's Form of Separation Letter & Release* +
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 +
31.3	Rule 13a-14(a)/15d-14(a) Certification – Chief Executive Officer †
31.4	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 +
32.3	Section 1350 Certifications – Chief Executive Officer †
32.4	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.

† Originally filed as an exhibit to the Company's quarterly report on Form 10-Q for the period ended September 30, 2020, and included herein solely to correct the exhibit hyperlink in that prior filing.

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 20, 2021	/s/ VALARIE L. SHEPPARD
Date	(Valarie L. Sheppard) Controller and Treasurer and Group Vice President - Company Transition Leader (Principal Accounting Officer)

EXHIBIT INDEX

Exhibit	
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 April 8, 2016, 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 Form 10-K for the year ended June 30, 2016)
4-1	Indenture, dated as of September 3, 2009, between the Company and Deutsche Bank Trust Company Americas, as Trustee (Incorporated by reference to Exhibit (4-1) of the Company Annual Report on Form 10-K for the year ended June 30, 2015)
10-1	Summary of the Company's Short Term Achievement Reward Program †
10-2	Summary of the Company's Long-Term Incentive Program †
10-3	Long-Term Incentive Program – Related Correspondence and Terms and Conditions †
10-4	The Procter & Gamble Performance Stock Program Summary †
10-5	Performance Stock Program – Related Correspondence and Terms and Conditions †
10-6	Company's Form of Separation Agreement and Release †
10-7	Company's Form of Separation Letter & Release +
31.1	Rule 13a-14(a)/Rule 13a-14(a)/15d-14(a) Certification – Chief Executive Officer +
31.2	Rule 13a-14(a)/15d-14(a) Certification – Chief Financial Officer +
31.3	Rule 13a-14(a)/Rule 13a-14(a)/15d-14(a) Certification – Chief Executive Officer †
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† Originally filed as an exhibit to the Company's quarterly report on Form 10-Q for the period ended September 30, 2020, and included herein solely to correct the exhibit hyperlink in that prior filing.

Exhibit (10-7)
Company's Form of Separation Letter & Release

[On P&G Letterhead]

[INSERT DATE]

[INSERT EMPLOYEE NAME]
[INSERT EMPLOYEE ADDRESS]
[INSERT EMPLOYEE ADDRESS]

RE: Separation Letter & Release

Dear [INSERT EMPLOYEE NAME]:

[Insert Proper legal entity] ("P&G") is willing to assist you following your employment separation from P&G in exchange for your agreement and compliance with the terms set forth below.

Employment Separation Date:	Your last day of employment with P&G will be [INSERT DATE], which will be your "Employment Separation Date" for purposes of this letter. You understand and agree that if P&G determines that you engaged in misconduct during your employment, or if you fail to perform your work and responsibilities in a satisfactory manner up to and including your Employment Separation Date, P&G may terminate your employment immediately and will not provide, nor be obligated to provide, the payment(s) and other benefits described in this letter.
Vacation:	You will receive payment for your accrued but unused vacation as of your Employment Separation Date, which sum will be paid to you in accordance with P&G policy and applicable laws. You will not accrue any additional vacation following your Employment Separation Date.
STAR Award *(use this paragraph only if the employee is eligible for STAR awards)*	As of your Employment Separation Date, if you were otherwise eligible for a STAR award and you worked at least 28 days (4 calendar weeks) during the fiscal year, you will receive a pro-rated STAR award for the fiscal year. Your STAR award will be pro-rated by dividing the number of calendar days during the fiscal year from July 1 through your Employment Separation Date by 365. Your STAR award will be paid in cash in the September (but no later than September 15th) immediately following the end of the fiscal year in which your employment terminates with P&G.

Separation Payment (use this paragraph only if a separation payment will be provided):	P&G will, within thirty (30) calendar days after your Employment Separation Date, provide you with a separation payment in the amount of $[INSERT AMOUNT] ("Separation Payment") (representing [INSERT #] weeks of pay at your current salary), less applicable state and federal withholdings and deductions, which sum will be paid in one lump sum payment. The Separation Payment will be the only assistance P&G provides upon your separation. Other resources may be available to you as a participant in general compensation and benefit plans, which it will be your responsibility to identify and make any necessary arrangements upon separation. Amounts you owe to P&G as of your Employment Separation Date, including, but not limited to, wage and/or benefit overpayments and unpaid loans, will also be deducted from the Separation Payment.
Unemployment Compensation Benefits (use this paragraph only if a separation payment is being provided):	Your Separation Payment will be allocated to the [INSERT #] week period following your Employment Separation Date.

Special Retirement ("Rule of 70") (use this paragraph only if the Company has decided to give access to special retirement upon separation)

P&G will agree to allow the "Rule of 70" to apply to you, but only for purposes of eligibility for retiree health care benefits under the Procter & Gamble Retiree Welfare Benefits Plan. The Rule of 70 is a special eligibility rule for retiree health care coverage (including medical, dental, and prescription drug benefits) under the Procter & Gamble Retiree Welfare Benefits Plan that only applies in specific circumstances. The Rule of 70 will apply to you with respect to health care coverage under the Procter & Gamble Retiree Welfare Benefits Plan as long as that Plan continues to exist and as long as the Rule of 70 continues as an eligibility rule for coverage under that Plan.

For purposes of this paragraph only, the parties agree that your employment with P&G ended on [EMPLOYMENT SEPARATION DATE], and that you were not terminated for cause. The parties also agree that at the time your employment with the Company ended, you were [##] years old and had [##] years of service with the Company, making your full years of age plus full years of service [TOTAL], which is greater than 70.

To avoid confusion, other than establishing that the Rule of 70 applies to you for purposes of retiree health care coverage under the Procter & Gamble Welfare Benefits Plan, you are subject to the same terms and conditions of the Procter & Gamble Welfare Benefits Plan, including but not limited to (1) coverage does not begin until you enrolls in the Plan, and once enrolled coverage is only prospective, (2) the monthly premiums required for coverage under the Plan must be paid on time to avoid coverage from terminating, (3) you will become ineligible for coverage under the Plan while you are employed by a direct competitor of P&G (as determined by P&G's Chief Human Resources Officer) in an officer and/or director capacity (if you were at Band 5 or below at the time your employment with the Company ended) or in any capacity (if you were at Band 6 or above at the time your employment with the Company ended), and (4) the Company's reservation of amendment and termination rights with respect to the Plan.

Retention of Vested & Unvested Equity Awards (use this paragraph only if the Company has decided to allow the person to retain his/her equity and the proper approvals have been obtained)

Your separation will be treated as a Special Separation for purposes of any outstanding equity awards granted under the Procter & Gamble 2009 Stock and Incentive Compensation Plan, the Procter & Gamble 2001 Stock and Incentive Compensation Plan, the Procter & Gamble 1992 Stock Plan, or the Gillette Company 2004 Long-Term Incentive Plan and, as a result, you will retain the awards subject to the original terms and conditions of the awards. You will also retain awards granted under the Procter & Gamble 2014 Stock & Incentive Compensation Plan and the Procter & Gamble 2019 Stock & Incentive Compensation Plan subject to the terms and conditions of those Awards. For awards granted on or after October 1, 2020, awards will be prorated based on the number of days worked in the 12 months following the October 1 grant date, with a minimum of 28 days worked beyond October 1.

This Separation Letter & Release does not alter the rights and obligations that you may have under the Procter & Gamble 2019 Stock & Incentive Compensation Plan, the Procter & Gamble 2014 Stock & Incentive Compensation Plan, the Procter & Gamble 2009 Stock and Incentive Compensation Plan, the Procter & Gamble 2001 Stock and Incentive Plan, the Procter & Gamble 1992 Stock Plan, and the Gillette Company 2004 Long-Term Incentive Plan.

Release of Claims - Including Employment Claims:

You hereby release P&G from any and all claims or rights you may have against P&G. The term “P&G” includes The Procter & Gamble Company and any of its present, former and future owners, parents, affiliates and subsidiaries, and its and their directors, officers, shareholders, employees, agents, benefit plans, trustees, fiduciaries, servants, representatives, predecessors, successors and assigns. This release applies to claims about which you now know or may later discover, and includes but is not limited to: (1) claims arising under th**e Age Discrimination in Employment A**ct ("ADEA"), 29 U.S.C. § 621, et seq.; (2) claims arising under any other federal, state or local law, regulation or ordinance or other order that regulates the employment relationship and/or employee benefits; and (3) claims arising out of or relating in any way to your employment with P&G or the conclusion of that employment. This release does not apply to claims that may arise after the date you sign this letter or that may not be released under applicable law.

Governmental Agencies: Nothing in this Separation Letter & Release prohibits or prevents you from filing a charge with or participating, testifying, or assisting in any investigation, hearing, or other proceeding before the U.S. Equal Employment Opportunity Commission, the National Labor Relations Board or a similar agency enforcing federal, state or local anti-discrimination laws. However, to the maximum extent permitted by law, you agree that if such an administrative claim is made to such an anti-discrimination agency, you shall not be entitled to recover any individual monetary relief or other individual remedies. Nothing in this Separation Letter & Release prohibits you from: (1) reporting possible violations of federal law or regulations, including any possible securities laws violations, to any governmental agency or entity, including but not limited to the U.S. Department of Justice, the U.S. Securities and Exchange Commission, the U.S. Congress, or any agency Inspector General; (2) making any other disclosures that are protected under the whistleblower provisions of federal law or regulations; or (3) otherwise fully participating in any federal whistleblower programs, including but not limited to any such programs managed by the U.S. Securities and Exchange Commission and/or the Occupational Safety and Health Administration. You understand you do not need the prior authorization from the Company to make any such reports or disclosures, and you are not required to notify the Company that you have made such reports or disclosures. Moreover, nothing in this Separation Letter & Release prohibits or prevents you from receiving individual monetary awards or other individual relief by virtue of participating in such federal whistleblower programs.

Return of P&G Property:

You agree that by your Employment Separation Date, you will return to P&G in good condition all of its equipment, materials and information that were in your possession, custody or control (including, but not limited to, computers, phones, iPads, tablets files, documents, credit cards, keys and identification badges). You further agree that you will provide your manager with all passwords to P&G electronic communication and data systems before your Employment Separation Date.

Confidential Business Information:	Consistent with the "Information for the Departing Employee" document reviewed with you prior to your Employment Separation Date, you agree to protect P&G business information. Subject to the "Government Agencies" paragraph in the above Release of Claims, you agree not to disclose or transfer to yourself or others any P&G business information, even information you may have created yourself or to which you may have contributed as a P&G employee. Please refer to the "Information for the Departing Employee" document for more information.
Continuing Cooperation (this paragraph should be used for R&D employees)	Regardless of whether you sign this Agreement and in the event it becomes necessary, following your Employment Separation Date, you are required to cooperate in executing any and all papers required for filing and prosecuting any patent applications and establishing P&G's ownership of all inventions relating to its business which are made by employees hired to invent or create. You understand that you will not receive any additional compensation for such cooperation.
No Other Agreements:	Except as specifically set forth in this Paragraph ("No Other Agreements"), this letter supersedes any prior written or oral agreements between P&G and you concerning the termination of your employment and any benefits you might receive following that event. This letter is neither a Negotiated Separation Agreement under the Procter & Gamble Basic Separation Program nor an agreement under any other separation program or plan sponsored by The Procter & Gamble Company or any of its subsidiaries. This letter does not alter your rights and obligations under the terms of the P&G Profit Sharing and Employee Stock Ownership Plan, other retirement plans, the P&G Stock and Incentive Compensation Plan, and other compensation plans.

To accept the terms set forth in this letter, please sign below. By signing below, you acknowledge that you have read the entire letter, that you understand it, and that you voluntarily accept its terms. You further agree that you understand this is a legally binding agreement, that you have been advised to consult with an attorney, that you have been given 21 days to consider this Separation Letter & Release and that you can revoke your acceptance within seven days of your acceptance by providing written notification to your human resources manager. **Finally, you understand that (1) this Separation Letter & Release includes the release of all claims and (2) you are waiving unknown claims and are doing so intentionally and voluntarily.**

Sincerely,
The Procter & Gamble Company
By: _____

Accepted and agreed to this _____ day of _____, 20__.

_____
[INSERT EMPLOYEE NAME]

EXHIBIT 31.1

Rule 13a-14(a)/15d-14(a) Certifications

I, David S. Taylor, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of The Procter & Gamble Company;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DAVID S. TAYLOR

(David S. Taylor)

Chairman of the Board, President and Chief Executive Officer

January 20, 2021

Date

EXHIBIT 31.2

Rule 13a-14(a)/15d-14(a) Certifications

I, Jon R. Moeller, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of The Procter & Gamble Company;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JON R. MOELLER

(Jon R. Moeller)

Vice Chairman, Chief Operating Officer and Chief Financial Officer

January 20, 2021

Date

EXHIBIT 32.1

Section 1350 Certifications

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of The Procter & Gamble Company (the "Company") certifies to his knowledge that:

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended December 31, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in that Form 10-Q fairly presents, in all material respects, the financial conditions and results of operations of the Company.

/s/ DAVID S. TAYLOR

(David S. Taylor)

Chairman of the Board, President and Chief Executive Officer

January 20, 2021

Date

A signed original of this written statement required by Section 906 has been provided to The Procter & Gamble Company and will be retained by The Procter & Gamble Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

Section 1350 Certifications

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of The Procter & Gamble Company (the "Company") certifies to his knowledge that:

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended December 31, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in that Form 10-Q fairly presents, in all material respects, the financial conditions and results of operations of the Company.

/s/ JON R. MOELLER

(Jon R. Moeller)
Vice Chairman, Chief Operating Officer and Chief Financial Officer

January 20, 2021

Date

A signed original of this written statement required by Section 906 has been provided to The Procter & Gamble Company and will be retained by The Procter & Gamble Company and furnished to the Securities and Exchange Commission or its staff upon request.