P&G

News Release

The Procter & Gamble Company
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FOR IMMEDIATE RELEASE

P&G DELIVERS 15% EPS GROWTH – RAISES FISCAL YEAR GUIDANCE

Strong organic sales growth drives earnings above target despite difficult operating environment

CINCINNATI, April 28, 2005 – The Procter & Gamble Company (NYSE:PG) announced sales and earnings growth above targets for the January – March quarter. Sales increased 10 percent and earnings per share increased 15 percent to $0.63, exceeding analysts' consensus estimate by two cents. Broad-based growth across the company's portfolio of leading brands drove these strong results, despite a difficult cost and competitive environment affecting several categories. The company raised fiscal year earnings per share guidance range to $2.64 to $2.65.

Executive Summary

- Unit volume for the quarter grew six percent. Organic volume, which excludes acquisitions and divestitures, increased seven percent. All business units posted volume growth of mid-single digits or greater, led by mid-teens growth in health care and developing markets.

- Net sales grew 10 percent to $14.29 billion for the quarter. Organic sales, which exclude the impacts of acquisitions, divestitures and foreign exchange, increased eight percent. This is three percentage points above the company's organic sales target growth range of three to five percent.

- Diluted net earnings per share increased 15 percent to $0.63.

"P&G's innovation leadership is delivering strong results across the company's balanced portfolio of businesses and geographies. This gives us confidence to increase the earnings outlook for the year," said Chairman of the Board, President and Chief Executive A.G. Lafley. "We remain sharply focused on keeping P&G's businesses healthy, and growing, as we continue the integration planning process with Gillette."

- More -

Quarterly Discussion

Unit volume for the January – March quarter increased six percent. Organic volume grew seven percent, which excludes the impact of acquisitions and divestitures – primarily the divestiture of the juice business. Growth continues to be broad-based with all global business units delivering unit volume growth of mid-single digits or greater. Additionally, unit volume increased in all geographic regions led by developing market growth in the mid-teens.

Net sales increased 10 percent to $14.29 billion. Organic sales increased eight percent, which is above the company's long-term target of three to five percent. Organic sales exclude the impacts of acquisitions, divestitures and foreign exchange from year-over-year comparisons. Foreign exchange added three percent to net sales growth behind strengthening of the euro, British pound and Canadian dollar. Pricing added one percent to sales growth primarily behind increases that partially recovered commodity costs in the family care, coffee and pet health and nutrition categories.

Net earnings increased 13 percent to $1.72 billion and diluted net earnings per share increased 15 percent to $0.63. Earnings growth was primarily driven by volume. This was partially offset by continued marketing investments in support of initiatives such as Olay Quench®, the expansion of Olay® in Europe and Asia, Pantene Color Expressions®, Pampers Feel 'n Learn®, Pampers Kandoo®, and Rejoice®.

The effective tax rate for the quarter was up 120 basis points versus the prior year. This is due to a provision for taxes on anticipated dividends from foreign subsidiaries, which was largely offset by the successful resolution of tax audits in certain countries. Also, the quarterly rate increased for adjustments to the expected geographic mix of annual taxable income.

Key Financial Highlights

- Gross margin decreased 10 basis points versus the prior year period. The margin impacts of higher commodity costs were partially offset by the scale benefits of volume growth, pricing actions and cost reduction programs. The gross margin impact of a shift to higher gross margin products, including a higher percentage of sales in the beauty and health care businesses than in the base period, more than offset the negative margin impact of strong developing market growth.

- Selling, general and administrative expenses (SG&A) increased versus the prior year, but at a lower rate compared to net sales. SG&A as a percentage of net sales decreased 120 basis points, reflecting the scale benefits of strong top line growth partly offset by continued marketing investments in product initiatives and the base business.

- The company's operating cash flow for the quarter was $2.65 billion compared to $2.98 billion in the comparable prior year period. Higher net earnings were offset by an increase in working capital, primarily inventory. Inventory levels increased behind pipeline build for initiatives and higher commodity costs, as well as rebuilding inventories in a number of categories that were previously on allocation. Capital expenditures for the quarter were 3.3 percent, slightly lower than the prior year period and below the company's long-term target of about 4 percent of net sales. Free cash flow, defined as cash flow from operating activities less capital expenditures, was $2.17 billion for the quarter. Free cash flow productivity was 126 percent. This brings free cash flow productivity to above 90 percent for the fiscal year to date, in-line with the company's long-term objective.

- During the quarter, the company invested $1.95 billion on share repurchases. Share repurchases made during the March quarter had essentially no impact on diluted earnings per share. Additionally, the company recently announced a 12 percent increase to its quarterly stock dividend rate.

Business Segment Discussion

The following provides perspective on the company's January – March results by business segment.

Beauty Care

- Beauty care delivered another quarter of double-digit earnings growth. Unit volume increased seven percent with developing markets contributing double-digit growth. Skin care and fine fragrances both grew volume double-digits behind the Olay® and Hugo Boss® brands, respectively. Hair care volume increased mid-single digits on the continued strength of the Pantene®, Head & Shoulders®, Rejoice® and Aussie® brands. In feminine care, unit volume increased high-single digits behind double-digit growth of the Always/Whisper® and Naturella® brands. Beauty care net sales for the quarter increased nine percent to $4.88 billion. Foreign exchange contributed three percent to sales growth, while mix reduced sales by one percent due to strong growth in developing markets. Net earnings increased 23 percent to $701 million driven by robust volume growth, the impact of the company's increased ownership of the China operation and the impact of the domination and profit transfer agreement with Wella. Net earnings were reduced by continued marketing investments to support initiatives including the launch of Olay Quench®, the expansion of Olay® in Europe and Asia, Herbal Essences® in Japan, Rejoice® in Greater China, and Pantene Pro-Health®.

<u>Health, Baby & Family Care</u>

- Health Care delivered double-digit unit volume, sales and earnings growth against a strong base period. Unit volume increased 14 percent behind the growth of Prilosec OTC®, Actonel® and double-digit growth in developing markets, primarily in oral care. Globally, oral care posted high single-digit volume growth despite a challenging competitive environment in dentifrice and a declining market for tooth whitening products. Vicks® also posted strong unit volume growth due to the later cough/cold season in North America and Western Europe this year. Net sales increased 16 percent to $2.00 billion aided by a positive two percent foreign exchange impact. Pricing added one percent to sales, while product mix reduced sales by one percent due to the shift of Macrobid® branded sales to generic sales and strong developing market growth. Net earnings were $252 million, an increase of 22 percent, against a strong base period comparison where earnings grew 48 percent. Earnings growth was driven by increased volume, partially offset by the negative profit impact from the generic sales of Macrobid versus branded Macrobid in the base.
- Baby and family care delivered another quarter of very strong results. Unit volume increased eight percent led by baby care behind continued growth of the Baby Stages of Development® line. Family care posted strong volume growth behind recent initiatives on Charmin® in North America. Net sales increased 13 percent to $3.05 billion, with foreign exchange contributing three percent to sales growth. Pricing added one percent to sales growth. Pricing actions in family care to recover higher commodity costs were partially offset by targeted pricing investments in select baby care markets, primarily in Western Europe in response to competitive activity. Earnings grew 56 percent to $339 million behind the scale benefits of volume growth and manufacturing cost savings. The aforementioned price increase largely offset the negative impact of higher commodity prices versus the prior year.

Household Care

- Fabric and home care unit volume increased five percent driven primarily by strong results in developing markets. Also contributing to volume growth were the continued success of Lenor® and Febreze Air Effects® and the launches of Tide Coldwater® and Mr. Clean Magic Reach®. Net sales increased seven percent to $3.82 billion. Foreign exchange added three percent to sales growth. The mix impact of strong growth in developing markets reduced sales by one percent. Net earnings were $508 million, a decrease of six percent. The decrease in earnings is due primarily to higher commodity costs and a one-time charge related to supply chain optimization. Additionally, earnings margin was negatively impacted by the mix effect of strong growth in developing markets.
- Snacks and coffee delivered strong earnings growth. Unit volume was up six percent, with the coffee category up double-digits. Pringles® volume grew behind expanded distribution and merchandizing due to customized flavors and Pringles Prints®. Net sales increased 16 percent to $767 million. Pricing increased sales nine percent due to the recent action taken on Folgers® to recover higher commodity costs. Foreign exchange had a positive one percent effect on sales growth. Net earnings were $105 million, an increase of 91 percent against a soft prior year comparison. Current year earnings growth reflects higher volume, pricing and lower merchandising spending versus the base period.

April – June Quarter Guidance

For the June quarter, net sales are expected to increase at a high-single digit rate versus the comparable prior year period. Foreign exchange is expected to add two to three percent to sales growth. The negative impacts to top line growth from developing market mix and the juice divestiture are expected to be offset by pricing.

Earnings per share for the June quarter are expected to be in the range of $0.54 to $0.55. For the fiscal year, the company increased its earnings per share guidance to a range of $2.64 to $2.65. The expected effective tax rate for the fiscal year is about 30.5 percent. This excludes the potential impact of repatriation of earnings under the American Jobs Creation Act of 2004. The company is waiting for proposed technical corrections to the Act to be adopted prior to deciding the amount of earnings, if any, it may repatriate under the Act.

Forward-Looking Statements

All statements, other than statements of historical fact included in this release, are forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995. In addition to the risks and uncertainties noted in this release, there are certain factors that could cause actual results to differ materially from those anticipated by some of the statements made. These include: (1) the ability to achieve business plans, including with respect to lower income consumers and growing existing sales and volume profitably despite high levels of competitive activity, especially with respect to the product categories and geographical markets (including developing markets) in which the company has chosen to focus; (2) the ability to successfully execute, manage and integrate key acquisitions and mergers, including (i) the Domination and Profit Transfer Agreement with Wella, and (ii) the company's agreement to merge with The Gillette Company, including obtaining the related required shareholder and regulatory approvals; (3) the ability to manage and maintain key customer relationships; (4) the ability to maintain key manufacturing and supply sources (including sole supplier and plant manufacturing sources); (5) the ability to successfully manage regulatory, tax and legal matters (including product liability, patent, and other intellectual property matters), and to resolve pending matters within current estimates; (6) the ability to successfully implement, achieve and sustain cost improvement plans in manufacturing and overhead areas, including the company's outsourcing projects; (7) the ability to successfully manage currency (including currency issues in volatile countries), debt (including debt related to the company's announced plan to repurchase shares of the company's stock), interest rate and certain commodity cost exposures; (8) the ability to manage the continued global political and/or economic uncertainty and disruptions, especially in the company's significant geographical markets, as well as any political and/or economic uncertainty and disruptions due to terrorist activities; (9) the ability to successfully manage the pattern of sales, including the variation in sales volume within periods; (10) the ability to successfully manage competitive factors, including prices, promotional incentives and trade terms for products; (11) the ability to obtain patents and respond to technological advances attained by competitors and patents granted to competitors; (12) the ability to successfully manage increases in the prices of raw materials used to make the company's products; (13) the ability to stay close to consumers in an era of increased media fragmentation; and (14) the ability to stay on the leading edge of innovation. For additional information concerning factors that could cause actual results to materially differ from those projected herein, please refer to our most recent 10-K, 10-Q and 8-K reports.

About P&G

Two billion times a day, P&G brands touch the lives of people around the world. The company has one of the strongest portfolios of trusted, quality, leadership brands, including Pampers®, Tide®, Ariel®, Always®, Whisper®, Pantene®, Bounty®, Pringles®, Folgers®, Charmin®, Downy®, Lenor®, Iams®, Crest®, Actonel®, Olay®, Clairol Nice 'n Easy®, Head & Shoulders® and Wella®. The P&G community consists of about 110,000 employees working in almost 80 countries worldwide. Please visit http://www.pg.com for the latest news and in-depth information about P&G and its brands.

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The Procter & Gamble Company

Measures Not Defined by U.S. GAAP

In accordance with the SEC's Regulation G, the following provides definitions of measures used in the earnings release that are not defined by accounting principles generally accepted in the United States (U.S. GAAP) and the reconciliation to the most closely related GAAP measure.

Organic sales growth is a non-GAAP measure of reported sales growth excluding the impacts of acquisitions, divestitures and foreign exchange from year-over-year comparisons. The company believes this provides investors with a more complete understanding of underlying results and trends of the base businesses by providing sales on a consistent basis. The reconciliation of reported sales growth to organic sales growth:

Total Sales Growth	10%
Less: Foreign Exchange Impact	3%
Less: Acquisitions/Divestitures	-1%
Organic Sales Growth	8%

The company also reports free cash flow. Free cash flow is defined as cash from operating activities flow, less capital expenditures. The company views free cash flow as an important indicator of the cash available for dividends and discretionary investment. Free cash flow is also one of the measures used to evaluate management and is a factor in determining at-risk compensation levels. Free cash flow productivity is defined as the ratio of free cash flow to net earnings, and is another measure used to evaluate management's performance. The company's target for free cash flow productivity is 90 percent. The reconciliation of free cash flow and free cash flow productivity is provided below:

($MM)	Operating Cash Flow	Capital Spending	Free Cash Flow	Net Earnings	Free Cash Flow Productivity
Jul – Sep'03	1,606	364	1,242	1,761	71%
Oct – Dec'03	2,355	446	1,909	1,818	105%
Jan – Mar'04	2,978	521	2,457	1,528	161%
Apr – Jun'04	2,423	693	1,730	1,374	126%
Jul – Jun'04	9,362	2,024	7,338	6,481	113%
Jul – Sep'04	1,918	413	1,505	2,001	75%
Oct – Dec'04	2,061	498	1,563	2,039	77%
Jan – Mar'05	2,645	475	2,170	1,720	126%
Jul – Mar'05	6,624	1,386	5,238	5,760	91%

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
(Amounts in Millions Except Per Share Amounts)
Consolidated Earnings Information

	JFM QUARTER			FYTD		
	JFM 05	JFM 04	% CHG	3/31/2005	3/31/2004	% CHG
NET SALES	$ 14,287	$ 13,029	10 %	$ 42,483	$ 38,445	11 %
COST OF PRODUCTS SOLD	7,033	6,394	10 %	20,515	18,597	10 %
GROSS MARGIN	7,254	6,635	9 %	21,968	19,848	11 %
SELLING, GENERAL & ADMINISTRATIVE EXPENSE	4,566	4,332	5 %	13,340	12,160	10 %
OPERATING INCOME	2,688	2,303	17 %	8,628	7,688	12 %
TOTAL INTEREST EXPENSE	222	164		603	454	
OTHER NON-OPERATING INCOME, NET	60	67		297	136	
EARNINGS BEFORE INCOME TAXES	2,526	2,206	15 %	8,322	7,370	13 %
INCOME TAXES	806	678		2,562	2,263	
NET EARNINGS	1,720	1,528	13 %	5,760	5,107	13 %
EFFECTIVE TAX RATE	31.9 %	30.7 %		30.8 %	30.7 %	
PER COMMON SHARE:						
BASIC NET EARNINGS	$ 0.67	$ 0.58	16 %	$ 2.24	$ 1.94	15 %
DILUTED NET EARNINGS	$ 0.63	$ 0.55	15 %	$ 2.10	$ 1.83	15 %
DIVIDENDS	$ 0.25	$ 0.23		$ 0.75	$ 0.68	
AVERAGE DILUTED SHARES OUTSTANDING	2,718.7	2,790.1		2,738.6	2,796.2	

COMPARISONS AS A % OF NET SALES			**Basis Pt Chg**			**Basis Pt Chg**
COST OF PRODUCTS SOLD	49.2 %	49.1 %		48.3 %	48.4 %	
GROSS MARGIN	50.8 %	50.9 %	(10)	51.7 %	51.6 %	10
SELLING, GENERAL & ADMINISTRATIVE EXPENSE	32.0 %	33.2 %	(120)	31.4 %	31.6 %	(20)
OPERATING MARGIN	18.8 %	17.7 %	110	20.3 %	20.0 %	30
EARNINGS BEFORE INCOME TAXES	17.7 %	16.9 %		19.6 %	19.2 %	
NET EARNINGS	12.0 %	11.7 %	30	13.6 %	13.3 %	30

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
(Amounts in Millions)
Consolidated Earnings Information

	Three Months Ended March 31, 2005					
	Net Sales	% Change Versus Year Ago	Earnings Before Income Taxes	% Change Versus Year Ago	Net Earnings	% Change Versus Year Ago
BEAUTY CARE	$ 4,876	9%	$ 1,014	15%	$ 701	23%
HEALTH CARE	2,000	16%	373	21%	252	22%
BABY CARE AND FAMILY CARE	3,048	13%	532	49%	339	56%
HEALTH, BABY & FAMILY CARE	5,048	14%	905	36%	591	39%
FABRIC CARE AND HOME CARE	3,819	7%	761	-8%	508	-6%
SNACKS AND COFFEE	767	16%	166	89%	105	91%
HOUSEHOLD CARE	4,586	8%	927	1%	613	3%
TOTAL BUSINESS SEGMENT	14,510	10%	2,846	16%	1,905	20%
CORPORATE	(223)	N/A	(320)	N/A	(185)	N/A
TOTAL COMPANY	14,287	10%	2,526	15%	1,720	13%

	Nine Months Ended March 31, 2005					
	Net Sales	% Change Versus Year Ago	Earnings Before Income Taxes	% Change Versus Year Ago	Net Earnings	% Change Versus Year Ago
BEAUTY CARE	$ 14,553	15%	$ 3,188	15%	$ 2,207	21%
HEALTH CARE	5,887	10%	1,220	3%	820	3%
BABY CARE AND FAMILY CARE	8,876	11%	1,625	27%	1,019	28%
HEALTH, BABY & FAMILY CARE	14,763	11%	2,845	15%	1,839	16%
FABRIC CARE AND HOME CARE	11,413	10%	2,494	0%	1,674	0%
SNACKS AND COFFEE	2,353	7%	482	13%	312	12%
HOUSEHOLD CARE	13,766	9%	2,976	2%	1,986	2%
TOTAL BUSINESS SEGMENT	43,082	12%	9,009	10%	6,032	12%
CORPORATE	(599)	N/A	(687)	N/A	(272)	N/A
TOTAL COMPANY	42,483	11%	8,322	13%	5,760	13%

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
JANUARY - MARCH NET SALES INFORMATION
(Percent Change vs. Year Ago) *

	Volume With Acquisitions/ Divestitures	Volume Without Acquisitions/ Divestitures	FX	Price	Mix/Other	Total Impact	Total Impact Ex-FX
BEAUTY CARE	7%	7%	3%	0%	-1%	9%	6%
HEALTH , BABY & FAMILY CARE							
HEALTH CARE	14%	13%	2%	1%	-1%	16%	14%
BABY CARE AND FAMILY CARE	8%	8%	3%	1%	1%	13%	10%
HOUSEHOLD CARE							
FABRIC CARE AND HOME CARE	5%	4%	3%	0%	-1%	7%	4%
SNACKS AND COFFEE	6%	6%	1%	9%	0%	16%	15%
TOTAL COMPANY	6%	7%	3%	1%	0%	10%	7%

* These sales percentage changes are approximations based on quantitative formulas that are consistently applied.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
(Amounts in Millions)
Consolidated Cash Flows Information

	Nine Months Ended March 31 2005	2004
BEGINNING CASH	$ 4,232	$ 5,428
OPERATING ACTIVITIES		
NET EARNINGS	5,760	5,107
DEPRECIATION AND AMORTIZATION	1,403	1,279
DEFERRED INCOME TAXES	500	358
CHANGES IN:		
ACCOUNTS RECEIVABLE	(197)	(150)
INVENTORIES	(778)	(119)
ACCOUNTS PAYABLE, ACCRUED AND OTHER LIABILITIES	(143)	213
OTHER OPERATING ASSETS & LIABILITIES	(221)	23
OTHER	300	228
TOTAL OPERATING ACTIVITIES	6,624	6,939
INVESTING ACTIVITIES		
CAPITAL EXPENDITURES	(1,386)	(1,331)
PROCEEDS FROM ASSET SALES	368	156
ACQUISITIONS, NET OF CASH ACQUIRED	(528)	(5,398)
CHANGE IN INVESTMENT SECURITIES	(56)	(801)
TOTAL INVESTMENT ACTIVITIES	(1,602)	(7,374)
FINANCING ACTIVITIES		
DIVIDENDS TO SHAREHOLDERS	(1,998)	(1,865)
CHANGE IN SHORT-TERM DEBT	1,317	2,068
ADDITIONS TO LONG TERM DEBT	3,048	1,963
REDUCTION OF LONG TERM DEBT	(1,583)	(1,104)
PROCEEDS FROM THE EXERCISE OF STOCK OPTIONS AND OTHER	371	437
TREASURY PURCHASES	(3,580)	(2,327)
TOTAL FINANCING ACTIVITIES	(2,425)	(828)
EXCHANGE EFFECT ON CASH	243	9
CHANGE IN CASH AND CASH EQUIVALENTS	2,840	(1,254)
ENDING CASH	$ 7,072	$ 4,174

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
(Amounts in Millions)
Consolidated Balance Sheet Information

	March 31, 2005	June 30, 2004
CASH AND CASH EQUIVALENTS	$ 7,072	$ 4,232
INVESTMENTS SECURITIES	1,706	1,660
ACCOUNTS RECEIVABLE	4,396	4,062
TOTAL INVENTORIES	5,270	4,400
OTHER	3,147	2,761
TOTAL CURRENT ASSETS	21,591	17,115
NET PROPERTY, PLANT AND EQUIPMENT	14,281	14,108
NET GOODWILL AND OTHER INTANGIBLE ASSETS	24,902	23,900
OTHER NON-CURRENT ASSETS	2,302	1,925
TOTAL ASSETS	$ 63,076	$ 57,048
ACCOUNTS PAYABLE	$ 3,407	$ 3,617
ACCRUED AND OTHER LIABILITIES	7,979	7,689
TAXES PAYABLE	2,720	2,554
DEBT DUE WITHIN ONE YEAR	11,216	8,287
TOTAL CURRENT LIABILITIES	25,322	22,147
LONG-TERM DEBT	12,936	12,554
OTHER	6,088	5,069
TOTAL LIABILITIES	44,346	39,770
TOTAL SHAREHOLDERS' EQUITY	18,730	17,278
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$ 63,076	$ 57,048

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Financial Measures Not Defined By U.S. GAAP

On April 28, 2005 the Company announced results for the January - March quarter. The earnings webcast includes some measures that are not defined under accounting principles generally accepted in the United States of America (U.S. GAAP). The following provides definitions of these measures used in the presentation and the reconciliation to the most closely related GAAP measure.

Organic Sales Growth. Organic sales growth measures sales growth excluding the impacts of acquisitions, divestitures and foreign exchange from year-over-year comparisons. The Company believes this provides investors with a more complete understanding of underlying results and trends by providing sales on a consistent basis. The presentation also references the JFM'05 quarter as the 13th consecutive quarter of net sales growth at or above the Company's long-term target. The Company's long-term target is net sales growth of 4-6% excluding the impacts of foreign exchange.

	FY02		FY03				FY04				FY05		
	JFM	AMJ	JAS	OND	JFM	AMJ	JAS	OND	JFM	AMJ	JAS	OND	JFM
Reported Sales Growth	4%	6%	11%	6%	8%	7%	13%	20%	22%	19%	13%	9%	10%
Acquisitions & Divestitures Impact	4%	5%	3%	1%	-1%	-1%	3%	10%	8%	8%	4%	-1%	-1%
FX Impact	-3%	0%	1%	1%	3%	3%	3%	4%	5%	3%	3%	3%	3%
Sales ex: A&D, FX	3%	1%	7%	4%	6%	5%	7%	6%	9%	8%	6%	7%	8%
Sales ex: FX	7%	5%	10%	5%	5%	4%	10%	16%	17%	16%	10%	6%	7%

***Note:** Sales percentages are approximations based on quantitative formulas consistently applied.*

Net Earnings Per Share Growth. The presentation references JFM'05 is the 13th consecutive quarter of net earnings per share growth at or above the Company's long-term target. The Company's long-term target for earnings per share growth is 10% or greater and is based on core earnings per share. Core earnings per share referenced in this presentation exclude restructuring charges from reported diluted net earnings per share. The table below provides a reconciliation of reported diluted net earnings per share to core net earnings per share:

	FY02		FY03				FY04				FY05		
	JFM	AMJ	JAS	OND	JFM	AMJ	JAS	OND	JFM	AMJ	JAS	OND	JFM
Reported Earnings Per Share	0.37	0.32	0.52	0.53	0.46	0.34	0.63	0.65	0.55	0.50	0.73	0.74	0.63
Percent Change v. Year Ago	16%	nm	32%	14%	23%	6%	21%	23%	20%	47%	16%	14%	15%
Core Earnings Per Share	0.42	0.38	0.56	0.57	0.48	0.43	0.63	0.65	0.55	0.50	0.73	0.74	0.63
Percent Change v. Year Ago	11%	19%	17%	12%	14%	13%	13%	15%	14%	16%	16%	14%	15%

The restructuring program began in 1999 as part of the Company's Organization 2005 initiative and was substantially completed at the end of fiscal year 2003. Restructuring program charges include separation related costs, asset write-downs, accelerated depreciation and other costs directly associated with the Company's reorganization. Restructuring program charges are not included in business segment results, but instead are reported in corporate. The Company believes investors gain additional perspective of underlying business trends and results by providing a measure of earnings excluding restructuring program charges. This is consistent with the Company's external reporting and internal management goal-setting, and is a factor used in determining at-risk compensation levels. A historical reconciliation of reported-to-core financials during the Organization 2005 initiative is available on the Company's website at www.pg.com/investor. Going forward, the Company will continue to conduct projects consistent with the focus of productivity improvement and margin expansion. Beginning with fiscal year 2004, charges associated with these projects are absorbed in normal operating costs.

Free Cash Flow. Free cash flow is defined as operating cash flow less capital spending. The Company views free cash flow as an important measure because it is one factor in determining the amount of cash available for dividends and discretionary investment. Free cash flow is one measure used to evaluate management and is a factor in determining at-risk compensation. Free cash flow productivity is defined as the ratio of free cash flow to net earnings. The Company's free cash flow productivity target is at or above 90 percent.

($MM)	Operating Cash Flow	Capital Spending	Free Cash Flow	Net Earnings	Free Cash Flow Productivity
Jul – Sep'03	1,606	364	1,242	1,761	71%
Oct – Dec'03	2,355	446	1,909	1,818	105%
Jan – Mar'04	2,978	521	2,457	1,528	161%
Apr – Jun'04	2,423	693	1,730	1,374	126%
Jul – Jun'04	**9,362**	**2,024**	**7,338**	**6,481**	**113%**
Jul – Sep'04	1,918	413	1,505	2,001	75%
Oct – Dec'04	2,061	498	1,563	2,039	77%
Jan – Mar'05	2,645	475	2,170	1,720	126%
Jul – Mar'05	**6,624**	**1,386**	**5,238**	**5,760**	**91%**