



News Release

The Procter & Gamble Company
One P&G Plaza
Cincinnati, OH 45202

FOR IMMEDIATE RELEASE

P&G DELIVERS 15% EARNINGS PER SHARE GROWTH FOR FISCAL YEAR

April – June quarter sales up 10%, earnings per share up 12%

CINCINNATI, Aug. 1, 2005 – The Procter & Gamble Company (NYSE:PG) announced strong top- and bottom-line growth for the April – June quarter and the fiscal year. The company posted net sales growth of 10 percent for both the quarter and fiscal year. Diluted net earnings per share were \$0.56 for the quarter, a 12 percent increase, and \$2.66 for the fiscal year, a 15 percent increase. This is the fourth consecutive fiscal year the company delivered results at or above its long-term annual growth rate targets for sales, earnings per share and free cash flow productivity.

Executive Summary

- Unit volume grew six percent for the quarter and eight percent for the fiscal year. Organic volume, which excludes the impact of acquisitions and divestitures, increased seven percent for the quarter and eight percent for the fiscal year. All business segments, regions and each of the company's top 16 brands posted volume growth for the fiscal year.
- Net sales for the quarter increased 10 percent to \$14.26 billion. For the fiscal year, sales also grew 10 percent to \$56.74 billion. Organic sales, which exclude the impacts of acquisitions, divestitures and foreign exchange, grew nine percent for the quarter and eight percent for fiscal year.
- Diluted net earnings per share increased 12 percent for the quarter and 15 percent for the fiscal year.
- Earnings for both periods improved behind top-line growth, the benefits of a balanced portfolio and a strong innovation program, despite a challenging cost and competitive environment.

- More -

“We delivered another year of strong top- and bottom-line results despite significant challenges from higher commodity costs, increased competitive spending and continued economic weakness in Western Europe and Japan,” said Chairman of the Board, President and Chief Executive A.G. Lafley. “Our balanced brand, customer and geographic presence and focus on consumer value and innovation leadership continue to drive P&G’s sustained growth. Today, P&G is well positioned to deliver its growth targets, and the combination with Gillette will provide further upside over the mid- and long-term.”

April – June Quarter Discussion

Unit volume for the April – June quarter increased six percent. Organic volume grew seven percent, which excludes the impact of acquisitions and divestitures from year-over-year comparisons – primarily the divestiture of the juice business. Volume growth was broad-based, led by strong gains in beauty, fabric, health and home care. All regions posted unit volume growth of mid-single digits or better, led by developing markets with growth in the mid-teens.

Net sales for the quarter increased 10 percent to \$14.26 billion. Organic sales increased nine percent, well above the company’s long-term annual target. Foreign exchange added two percent to sales growth due to the strength of the euro, Canadian dollar and British pound. Pricing added two percent to sales growth behind actions that partially recovered the impact of higher commodity costs in family care, pet health & nutrition, coffee and certain fabric care markets.

For the quarter, net earnings increased nine percent to \$1.50 billion. Earnings growth was primarily driven by volume and pricing, partially offset by higher commodity costs. Diluted net earnings per share increased 12 percent to \$0.56. Diluted net earnings per share grew ahead of net earnings due to share repurchase activity. The company’s stepped up share repurchase activity associated with the Gillette acquisition, net of interest expense, was neutral to earnings per share on the quarter.

Key Financial Highlights for the Quarter

- Gross margin contracted 110 basis points versus the prior year. Gross margin decreased due to higher commodity costs, the mix impact of strong growth in developing markets and

the higher royalty expense rate for Prilosec OTC®. These more than offset the impacts of price increases, the scale benefits of volume and manufacturing cost savings.

- For the quarter, selling, general and administrative expenses (SG&A) as a percent of net sales improved by 70 basis points. Advertising spending was up, but decreased as a percent of sales behind scale leverage. This was partially offset by investments in selling capability, primarily in P&G Beauty.

Business Segment Discussion for the Quarter

The following provides perspective on the company's April – June quarter results by business segment.

P&G Beauty

- For the quarter, P&G Beauty delivered strong sales and double-digit earnings growth. Unit volume increased eight percent behind broad-based growth, including strong double-digit growth of the Olay® brand and developing markets. Global feminine care volume increased by low-double digits behind product innovations on Always/Whisper® and continued growth of Naturella®. Professional and Prestige grew low-double digits behind strong results in the Professional business. Global hair care volume increased high-single digits behind the continued growth of Pantene®, Head & Shoulders® and Rejoice®. P&G Beauty net sales increased 12 percent to \$4.93 billion, including a three percent gain from foreign exchange. Net earnings increased 27 percent to \$644 million primarily due to volume growth and cost savings projects.

P&G Family Health

- Health care delivered a very strong quarter of volume, sales and earnings growth. Unit volume increased 12 percent behind the continued success of Prilosec OTC, Actonel® and oral care in developing markets. Health care net sales increased 16 percent to \$1.90 billion, including a positive foreign exchange impact of two percent. Pricing added two percent to sales growth due to actions taken earlier in the year in pet health & nutrition and pharmaceuticals. Net earnings increased 42 percent to \$182 million driven by volume, partially offset by the higher royalty expense rate for Prilosec OTC. Earnings margin also increased due to lower marketing spending as a percentage of sales.

- For the quarter, baby care and family care delivered strong sales and earnings growth. Unit volume increased six percent behind the continued success of Baby Stages of Development® and recent initiatives on Charmin® and Bounty® in North America. Net sales increased 10 percent to \$3.01 billion, with foreign exchange contributing two percent to sales growth. Pricing added two percent to sales growth primarily from actions earlier in the fiscal year in family care to recover higher commodity costs. Earnings grew 25 percent to \$246 million. Earnings increased behind the scale benefits of volume growth and manufacturing cost savings. Pricing largely offset the negative impact of higher commodity costs and initiatives.

P&G Household Care

- Fabric care and home care unit volume increased eight percent in the April – June quarter. Developing market volume increased by mid-teens behind the continued growth of Tide® and Ariel®. Growth was also driven by initiatives -- Swiffer® in Western Europe; Ariel Ion Power Gel® in North East Asia; Tide with a Touch of Downy®, Febreze Air Effects® and Dawn® in North America. Net sales increased 10 percent to \$3.85 billion, including a positive foreign exchange impact of two percent. Pricing actions on select brands in the United States, Latin America, Eastern Europe, China and certain Western European countries added one percent to sales growth. The mix effect of strong developing market growth reduced sales by one percent. Net earnings were \$458 million, a decrease of 11 percent. Earnings margin declined primarily due to commodity costs, which continued to increase in the quarter.
- For the quarter, snacks and coffee delivered strong earnings growth. Unit volume was flat. Net sales increased 11 percent to \$787 million propelled by pricing in coffee to recover the impact of higher commodity costs. Positive foreign exchange of one percent was offset by product mix. Net earnings were \$105 million, an increase of 62 percent. Earnings increased due to sales growth and continued progress on cost savings against a base period where coffee market pricing lagged commodity cost increases.

Fiscal Year Discussion

For the fiscal year, the company delivered results at or above its long-term annual growth targets for sales, earnings per share and free cash flow productivity. Unit volume for the fiscal year increased eight percent. Organic volume also grew eight percent. Volume growth

was broad-based, reflecting the overall balance of the company's portfolio, with double-digit growth from the beauty and health care businesses. All regions delivered mid-single digit volume growth or better, with developing market volume growth in the high-teens. Every one of the company's top 16 brands and each of the top 16 countries delivered volume growth for the fiscal year.

Net sales for the fiscal year reached a record level of \$56.74 billion, an increase of 10 percent versus the prior year. Foreign exchange contributed two percent to net sales growth, primarily driven by the strength of the euro, British pound and Japanese yen. Net sales excluding foreign exchange increased eight percent, above the company's long-term target of four to six percent. Organic sales, which exclude the effects of acquisitions, divestitures and foreign exchange, also increased eight percent. Mix reduced sales by one percent due to higher relative growth in developing markets. Pricing added one percent to sales growth behind actions to recover higher commodity costs in family care, pet health & nutrition, coffee and in certain fabric care markets. These actions were partially offset by price investments taken primarily earlier in the fiscal year to address the growth of hard discounters in Europe and in response to competitive activity in select fabric care and baby care markets.

Net earnings in 2005 increased 12 percent to \$7.26 billion. Net earnings margin increased 20 basis points to 12.8 percent. Earnings margin grew primarily behind volume and cost reduction efforts, which more than offset the effects of higher commodity costs.

Diluted net earnings per share were \$2.66, an increase of 15 percent compared to the prior year and above the company's annual minimum target growth rate of 10 percent. Diluted net earnings per share grew ahead of net earnings due to the company's share repurchase activity.

The effective tax rate for the fiscal year improved by 20 basis points compared to the prior year. This includes a provision of \$295 million for taxes on the anticipated repatriation of income earned outside of the United States under the American Jobs Creation Act. The company plans to repatriate \$7.20 billion under the Act. This charge was largely offset by the reversal of tax provisions for the successful resolution of tax audits in certain countries. The effective tax rate also benefited from the overall country mix of taxable income.

Key Financial Highlights for the Fiscal Year

- Gross margin in 2005 was 51.0 percent, a decrease of 20 basis points versus the prior year. The company was able to largely offset higher commodity costs, which reduced gross margin by more than 100 basis points, through the scale benefits of volume growth, supply chain savings and pricing. Gross margin also contracted due to the mix impact of strong growth in developing markets.
- SG&A as a percent of sales improved by 40 basis points in 2005 versus the prior year. Lower marketing spending as a percent of net sales drove the basis point reduction in SG&A. Absolute spending for marketing increased behind higher television advertising and production expense, as well as increased promotional activity in response to competition. Marketing spending increased to support product innovations including Olay Anti-Aging®, Olay Moisturise®, Olay Quench®, Pantene Pro-Health®, Pantene Color Expressions®, Tide with a Touch of Downy®, Tide Coldwater®, Febreze Air Effects®, Pampers Feel n' Learn®, Kandoo Toddler Wipes and Handsoap®, and the geographical expansion of SK-II®, Lenor® and Herbal Essences®. Overhead spending as a percentage of net sales was consistent with the prior year period. Scale efficiencies in the base business were offset by the mix impact of two additional months of Wella in the current year and investments in selling capability. Minority interest expense decreased versus the base period reflecting the impacts from the company's purchase of the remaining stake in its China venture from Hutchison Whampoa China Ltd., as well as the completion of the domination and profit transfer agreement with Wella AG.
- The company's operating cash flow for the fiscal year was \$8.72 billion compared to \$9.36 billion in the prior year. The operating cash increase from higher net earnings was offset primarily by changes in inventory and payables. Inventory days on hand were up two days versus the prior year due to higher commodity costs and efforts to rebuild inventory levels in product categories that could not meet customer demand. Days payables were down three days versus the prior year. Operating cash was also reduced by tax payments related to the settlement of prior year audits. Capital expenditures for the year were 3.8 percent of net sales, slightly below the company's long-term target of about 4 percent of net sales. Free cash flow, defined as cash from operating activities less capital expenditures was \$6.54 billion. This represents free cash flow productivity of 90 percent, in-line with the company's long-term objective.

Fiscal Year Business Segment Discussion

The following provides perspective on the company's fiscal year results by business segment.

P&G Beauty

- P&G Beauty delivered outstanding results with double-digit sales and earnings growth for the fiscal year. Unit volume increased 12 percent. Organic volume increased eight percent, with the difference due primarily to the full year impact of Wella. Unit volume increased behind base business growth and several new product initiatives including Olay Quench hand and body lotions, Olay Moisturise in-shower body moisturizer, Lacoste Touch of Pink®, Pantene Pro-Health and Pantene Color Expressions. Double-digit growth in the feminine care business continues to be driven by product upgrades to the Always/Whisper brands and the successful introduction of Naturella in Latin America and Central and Eastern Europe. Global hair care increased by low-double digits behind the Pantene, Head & Shoulders, Herbal Essences, Rejoice and Aussie® brands. Net sales increased 14 percent to \$19.48 billion. Foreign exchange contributed three percent to sales growth, while the mix impact of strong sales in developing markets reduced sales by one percent. Net earnings increased 22 percent to \$2.85 billion due to volume growth, cost reduction programs and the impacts of the company's increased ownership of the China operation and the domination and profit transfer agreement with Wella AG. These benefits were partially offset by marketing spending to support initiatives.

P&G Family Health

- Health care delivered solid results for the fiscal year. Unit volume in 2005 increased 10 percent behind very strong growth of Prilosec OTC, Actonel and oral care in developing markets. Oral care posted mid-single digit volume growth globally despite a challenging competitive environment in dentifrice and a smaller market for tooth whitening products. Net sales increased 11 percent to \$7.79 billion aided by a positive two percent foreign exchange impact. Pricing in pet health & nutrition and pharmaceuticals increased sales by one percent. Product mix reduced sales by two percent due to strong oral care growth in developing markets and the shift of branded Macrobid® sales to generics. Health care's net earnings were \$1.00 billion, an increase of eight percent against a base period comparison where earnings increased 36 percent. Earnings increased primarily due to volume growth,

partially offset by marketing investments in support of initiatives. After-tax earnings margin declined 40 basis points year-over-year due, in part, to product mix impacts of lower volume in branded Macrobid and Crest Whitestrips®, both of which have higher margins than the balance of the health care business. Earnings were also negatively impacted by a higher royalty expense rate for Prilosec OTC and higher commodity costs.

- For the fiscal year, baby care and family care delivered very strong results. Unit volume increased seven percent led by baby care's continued stream of innovation including Feel 'n Learn training pants in North America, Baby Dry® fit upgrade and Baby Stages of Development upgrades in Western Europe, and the expansion of Pampers Kandoo® in North America. Family care volume increased due to product, packaging and format initiatives in North America on both the Bounty and Charmin brands. Net sales increased 11 percent to \$11.89 billion, including a positive three percent impact from foreign exchange. Pricing added one percent to sales growth. Actions in North America family care to recover higher commodity costs were partially offset by targeted pricing investments in Western Europe baby care in response to competitive activity. Net earnings increased 28 percent to \$1.26 billion, behind volume and manufacturing cost savings, partially offset by marketing investments in support of initiatives.

P&G Household Care

- Fiscal year unit volume increased by nine percent in fabric care and home care. Acquisitions in Europe and Latin America contributed two percent to volume growth versus the prior year. Unit volume increased behind strong initiative activity, expansion of the portfolio to serve more consumers and continued growth in developing markets. Volume growth was led by the continued success of Lenor, Febreze Air Effects, Swiffer Duster® and Gain®, as well as the launches of Tide with a Touch of Downy, Downy Simple Pleasures and Mr. Clean Magic Reach®. Developing markets grew volume by double-digits, led by Greater China and the continued success of Tide. Net sales increased 10 percent to \$15.26 billion. Foreign exchange added two percent to sales growth. The mix impact of higher relative growth in developing markets reduced sales by one percent. Net earnings were \$2.13 billion, a decrease of two percent compared to the prior year. After-tax earnings margins declined primarily due to higher commodity costs, which more than offset the scale benefits of volume growth and pricing actions taken during the year. The after-tax margin in 2005 was also negatively impacted by the mix effect of developing market growth.

- For the fiscal year, snacks and coffee delivered strong results. Unit volume increased three percent compared to the prior year. Pringles volume grew behind expanded distribution and merchandizing of customized flavors and Pringles Prints® in North America. Coffee volume increased behind Folgers® dark roasts. Net sales increased eight percent to \$3.14 billion. The combination of pricing to recover higher commodity costs and reduced promotional spending increased sales four percent. Foreign exchange had a positive two percent effect on sales growth. Net earnings increased 21 percent to \$417 million behind higher volume, pricing to recover commodity costs and lower merchandising spending versus the prior year.

Fiscal Year 2006 and July – September Quarter Guidance

Effective July 1, the company adopted stock option expensing using the modified retrospective methodology. Prior year results will be restated to reflect stock option expensing, consistent with the pro forma disclosures in the Notes to Consolidated Financial Statements. A summary of the pro forma stock option expense for fiscal year 2005 appears at the end of this release.

Fiscal year guidance does not include any impacts related to the pending acquisition of Gillette or the stepped up share repurchase program. For 2006, the company expects to deliver its fifth consecutive year of growth at or above long-term targets, despite a very strong base period. Organic sales are expected to grow by four to six percent. Foreign exchange is expected to reduce sales by one to two percent. The impact of acquisitions and divestitures is expected to be neutral to sales growth, excluding Gillette. The combination of pricing and product mix is expected to provide a modest gain to sales growth. Total sales are expected to increase three to five percent. The company stated it is comfortable with the current analysts' consensus estimate of earnings per share. This estimate excludes stock option expenses, which the company expects will be \$0.13 per share. The implied earnings per share growth rate is in line with our double-digit long-term target. Operating margins are expected to be up modestly. The tax rate for fiscal year 2006 is expected to decline 25 to 75 basis points to about 30 percent, due mainly to strong growth in lower tax rate regions.

Guidance for the July – September quarter includes the impact of the company's stepped up share repurchase program due to the Gillette acquisition. For the quarter, the company expects sales growth of six to eight percent. A modest gain from foreign exchange is expected to be offset by the impact of the juice divestiture in the prior year. The combination of

pricing and mix is expected to add one to two percent to sales growth. The company is comfortable with the current analysts' consensus estimate of earnings per share, which excludes the impacts of stock option expensing and stepped up share repurchases. This is equivalent to earnings per share growth of 10 percent excluding the \$0.02 per share gain from the juice divestiture proceeds in the base. Stock option expense for the quarter should be \$0.03 per share – in-line with prior year pro forma results. The increase in year-on-year share repurchases, net of associated interest expense, is expected to add up to \$0.01 per share. Operating margin is expected to be about neutral versus the comparable prior year period. The tax rate for the quarter is expected to be about 30 percent.

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 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 Procter & Gamble

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 almost 110,000 employees working in over 80 countries worldwide.

#

P&G Media Contact:

In the US: 1-866-PROCTER or 1-866-776-2837
International: +1-513-945-9087

P&G Investor Relations Contact:

Thomas Tippl - (513) 983-2414

The Procter & Gamble Company

Segment Names

Beginning July 1, 2005, we renamed our global business units. Beauty Care was renamed P&G Beauty; Health, Baby and Family Care was changed to P&G Family Health; and Household Care was renamed P&G Household Care. No changes were made to the composition or historical results of the global business units.

Pro Forma Stock-Based Compensation

The company's guidance for fiscal year 2006 and the July – September quarter includes the impacts of stock option expensing. In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123 (Revised 2004), "Share-Based Payment" (SFAS 123(R)). This Statement revises SFAS No. 123 by eliminating the option to account for employee stock options under APB No. 25 and generally requires companies to recognize the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards (the "fair-value-based" method). The company adopted SFAS 123(R) on July 1, 2005 using the modified retrospective method, whereby all prior periods will be adjusted to give effect to the fair-value-based method of accounting for awards granted in fiscal years beginning on or after July 1, 1995. The following table provides the pro forma stock-based compensation expense for fiscal year 2005:

	Q1	Q2	Q3	Q4	Fiscal 2005
Net Earnings (\$MM)					
As Reported	\$2,001	\$2,039	\$1,720	\$1,497	\$7,257
<u>Pro Forma Expense</u>	<u>59</u>	<u>64</u>	<u>106</u>	<u>105</u>	<u>334</u>
Pro Forma	\$1,942	\$1,975	\$1,614	\$1,392	\$6,923
Diluted Net Earnings Per Common Share					
As Reported	\$0.73	\$0.74	\$0.63	\$0.56	\$2.66
<u>Pro Forma Expense</u>	<u>(\$0.03)</u>	<u>(\$0.02)</u>	<u>(\$0.04)</u>	<u>(\$0.04)</u>	<u>(\$0.13)</u>
Pro Forma	\$0.70	\$0.72	\$0.59	\$0.52	\$2.53

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 for the quarter and year:

	<u>Q4</u>	<u>FY2005</u>
Total Sales Growth	10%	10%
Less: Foreign Exchange Impact	2%	2%
<u>Less: Acquisitions/Divestitures</u>	<u>-1%</u>	<u>0%</u>
Organic Sales Growth	9%	8%

The company also reports free cash flow. Free cash flow is defined as cash from operating activities 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:

<u>(\$MM)</u>	<u>Operating Cash Flow</u>	<u>Capital Spending</u>	<u>Free Cash Flow</u>	<u>Net Earnings</u>	<u>Free Cash Flow Productivity</u>
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%
<u>Apr – Jun'04</u>	<u>2,423</u>	<u>693</u>	<u>1,730</u>	<u>1,374</u>	<u>126%</u>
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%
<u>Apr – Jun'05</u>	<u>2,098</u>	<u>795</u>	<u>1,303</u>	<u>1,497</u>	<u>87%</u>
Jul – Jun'05	8,722	2,181	6,541	7,257	90%

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

	<u>AMJ QUARTER</u>			<u>FYTD</u>		
	<u>AMJ 05</u>	<u>AMJ 04</u>	<u>% CHG</u>	<u>6/30/2005</u>	<u>6/30/2004</u>	<u>% CHG</u>
NET SALES	\$ 14,258	\$ 12,962	10 %	\$ 56,741	\$ 51,407	10 %
COST OF PRODUCTS SOLD	7,289	6,479	13 %	27,804	25,076	11 %
GROSS MARGIN	6,969	6,483	7 %	28,937	26,331	10 %
SELLING, GENERAL & ADMINISTRATIVE EXPENSE	4,670	4,344	8 %	18,010	16,504	9 %
OPERATING INCOME	2,299	2,139	7 %	10,927	9,827	11 %
TOTAL INTEREST EXPENSE	231	175		834	629	
OTHER NON-OPERATING INCOME, NET	49	16		346	152	
EARNINGS BEFORE INCOME TAXES	2,117	1,980	7 %	10,439	9,350	12 %
INCOME TAXES	620	606		3,182	2,869	
NET EARNINGS	1,497	1,374	9 %	7,257	6,481	12 %
 EFFECTIVE TAX RATE	29.3 %	30.6 %		30.5 %	30.7 %	
 PER COMMON SHARE:						
BASIC NET EARNINGS	\$ 0.59	\$ 0.52	13 %	\$ 2.83	\$ 2.46	15 %
DILUTED NET EARNINGS	\$ 0.56	\$ 0.50	12 %	\$ 2.66	\$ 2.32	15 %
DIVIDENDS	\$ 0.28	\$ 0.25		\$ 1.03	\$ 0.93	
AVERAGE DILUTED SHARES OUTSTANDING	2,688.9	2,772.9		2,726.2	2,790.1	
 <u>COMPARISONS AS A % OF NET SALES</u>						
			Basis Pt Chg			Basis Pt Chg
COST OF PRODUCTS SOLD	51.1 %	50.0 %		49.0 %	48.8 %	
GROSS MARGIN	48.9 %	50.0 %	(110)	51.0 %	51.2 %	(20)
SELLING, GENERAL & ADMINISTRATIVE EXPENSE	32.8 %	33.5 %	(70)	31.7 %	32.1 %	(40)
OPERATING MARGIN	16.1 %	16.5 %	(40)	19.3 %	19.1 %	20
EARNINGS BEFORE INCOME TAXES	14.8 %	15.3 %		18.4 %	18.2 %	
NET EARNINGS	10.5 %	10.6 %	(10)	12.8 %	12.6 %	20

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES

(Amounts in Millions)

Consolidated Cash Flows Information

	Twelve Months Ended June 30	
	2005	2004
BEGINNING CASH	\$ 4,232	\$ 5,428
OPERATING ACTIVITIES		
NET EARNINGS	7,257	6,481
DEPRECIATION AND AMORTIZATION	1,884	1,733
DEFERRED INCOME TAXES	650	415
CHANGES IN:		
ACCOUNTS RECEIVABLE	(86)	(159)
INVENTORIES	(644)	56
ACCOUNTS PAYABLE, ACCRUED AND OTHER LIABILITIES	(128)	625
OTHER OPERATING ASSETS & LIABILITIES	(498)	(88)
OTHER	287	299
TOTAL OPERATING ACTIVITIES	8,722	9,362
INVESTING ACTIVITIES		
CAPITAL EXPENDITURES	(2,181)	(2,024)
PROCEEDS FROM ASSET SALES	517	230
ACQUISITIONS, NET OF CASH ACQUIRED	(572)	(7,476)
CHANGE IN INVESTMENT SECURITIES	(100)	(874)
TOTAL INVESTMENT ACTIVITIES	(2,336)	(10,144)
FINANCING ACTIVITIES		
DIVIDENDS TO SHAREHOLDERS	(2,731)	(2,539)
CHANGE IN SHORT-TERM DEBT	2,016	4,911
ADDITIONS TO LONG TERM DEBT	3,108	1,963
REDUCTION OF LONG TERM DEBT	(2,013)	(1,188)
PROCEEDS FROM THE EXERCISE OF STOCK OPTIONS AND OTHER	478	555
TREASURY PURCHASES	(5,026)	(4,070)
TOTAL FINANCING ACTIVITIES	(4,168)	(368)
EXCHANGE EFFECT ON CASH	(61)	(46)
CHANGE IN CASH AND CASH EQUIVALENTS	2,157	(1,196)
ENDING CASH	\$ 6,389	\$ 4,232

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES

(Amounts in Millions)

Consolidated Balance Sheet Information

	June 30, 2005	June 30, 2004
CASH AND CASH EQUIVALENTS	\$ 6,389	\$ 4,232
INVESTMENTS SECURITIES	1,744	1,660
ACCOUNTS RECEIVABLE	4,185	4,062
TOTAL INVENTORIES	5,006	4,400
OTHER	3,005	2,761
TOTAL CURRENT ASSETS	20,329	17,115
NET PROPERTY, PLANT AND EQUIPMENT	14,332	14,108
NET GOODWILL AND OTHER INTANGIBLE ASSETS	24,163	23,900
OTHER NON-CURRENT ASSETS	2,703	1,925
TOTAL ASSETS	\$ 61,527	\$ 57,048
ACCOUNTS PAYABLE	\$ 3,802	\$ 3,617
ACRUED AND OTHER LIABILITIES	7,531	7,689
TAXES PAYABLE	2,265	2,554
DEBT DUE WITHIN ONE YEAR	11,441	8,287
TOTAL CURRENT LIABILITIES	25,039	22,147
LONG-TERM DEBT	12,887	12,554
OTHER	6,124	5,069
TOTAL LIABILITIES	44,050	39,770
TOTAL SHAREHOLDERS' EQUITY	17,477	17,278
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$ 61,527	\$ 57,048

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES

(Amounts in Millions)

Consolidated Earnings Information

	Three Months Ended June 30, 2005					
	Net Sales	% Change	Earnings	% Change	Net	% Change
		Versus		Before		Versus
	Year Ago	Income Taxes	Year Ago	Earnings	Year Ago	
P&G BEAUTY	\$ 4,930	12%	\$ 911	19%	\$ 644	27%
HEALTH CARE	1,899	16%	285	36%	182	42%
BABY CARE AND FAMILY CARE	3,014	10%	405	16%	246	25%
P&G FAMILY HEALTH	4,913	13%	690	23%	428	32%
FABRIC AND HOME CARE	3,849	10%	691	-11%	458	-11%
SNACKS AND COFFEE	787	11%	168	66%	105	62%
P&G HOUSEHOLD CARE	4,636	11%	859	-2%	563	-3%
TOTAL BUSINESS SEGMENT	14,479	12%	2,460	12%	1,635	16%
CORPORATE	(221)	N/A	(343)	N/A	(138)	N/A
TOTAL COMPANY	\$ 14,258	10%	\$ 2,117	7%	\$ 1,497	9%

	Twelve Months Ended June 30, 2005					
	Net Sales	% Change	Earnings	% Change	Net	% Change
		Versus		Before		Versus
	Year Ago	Income Taxes	Year Ago	Earnings	Year Ago	
P&G BEAUTY	\$ 19,483	14%	\$ 4,099	15%	\$ 2,851	22%
HEALTH CARE	7,786	11%	1,505	8%	1,002	8%
BABY CARE AND FAMILY CARE	11,890	11%	2,030	25%	1,265	28%
P&G FAMILY HEALTH	19,676	11%	3,535	17%	2,267	18%
FABRIC AND HOME CARE	15,262	10%	3,185	-3%	2,132	-2%
SNACKS AND COFFEE	3,140	8%	650	23%	417	21%
P&G HOUSEHOLD CARE	18,402	10%	3,835	1%	2,549	1%
TOTAL BUSINESS SEGMENT	57,561	12%	11,469	10%	7,667	13%
CORPORATE	(820)	N/A	(1,030)	N/A	(410)	N/A
TOTAL COMPANY	\$ 56,741	10%	\$ 10,439	12%	\$ 7,257	12%

APRIL - JUNE NET SALES INFORMATION

(Percent Change vs. Year Ago) *

	Volume	Volume	FX	Price	Mix/Other	Total	Total Impact
	With	Without					
	Acquisitions/ Divestitures	Acquisitions/ Divestitures				Impact	Ex-FX
P&G BEAUTY	8%	7%	3%	1%	0%	12%	9%
P&G FAMILY HEALTH							
HEALTH CARE	12%	10%	2%	2%	0%	16%	14%
BABY CARE AND FAMILY CARE	6%	7%	2%	2%	0%	10%	8%
P&G HOUSEHOLD CARE							
FABRIC AND HOME CARE	8%	7%	2%	1%	-1%	10%	8%
SNACKS AND COFFEE	0%	0%	1%	12%	-2%	11%	10%
TOTAL COMPANY	6%	7%	2%	2%	0%	10%	8%

FISCAL YEAR 2004/2005 NET SALES INFORMATION

(Percent Change vs. Year Ago) *

	Volume	Volume	FX	Price	Mix/Other	Total	Total Impact
	With	Without					
	Acquisitions/ Divestitures	Acquisitions/ Divestitures				Impact	Ex-FX
P&G BEAUTY	12%	8%	3%	0%	-1%	14%	11%
P&G FAMILY HEALTH							
HEALTH CARE	10%	8%	2%	1%	-2%	11%	9%
BABY CARE AND FAMILY CARE	7%	7%	3%	1%	0%	11%	8%
P&G HOUSEHOLD CARE							
FABRIC AND HOME CARE	9%	7%	2%	0%	-1%	10%	8%
SNACKS AND COFFEE	3%	3%	2%	4%	-1%	8%	6%
TOTAL COMPANY	8%	8%	2%	1%	-1%	10%	8%

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

Procter&Gamble

Financial Measures Not Defined By U.S. GAAP

On August 1, 2005 the Company announced results for the April - June 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 AMJ'05 quarter as the 14th 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. The presentation also references fiscal year 2005 sales excluding foreign exchange of 8%. Total sales growth for the year was 10% and foreign exchange was 2%.

	FY2002		FY2003				FY2004				FY2005			
	JFM	AMJ	JAS	OND	JFM	AMJ	JAS	OND	JFM	AMJ	JAS	OND	JFM	AMJ
Reported Sales Growth	4%	6%	11%	6%	8%	7%	13%	20%	22%	19%	13%	9%	10%	10%
Acquisitions & Divestitures Impact	4%	5%	3%	1%	-1%	-1%	3%	10%	8%	8%	4%	-1%	-1%	-1%
FX Impact	-3%	0%	1%	1%	3%	3%	3%	4%	5%	3%	3%	3%	3%	2%
Sales ex: A&D, FX	3%	1%	7%	4%	6%	5%	7%	6%	9%	8%	6%	7%	8%	9%
Sales ex: FX	7%	5%	10%	5%	5%	4%	10%	16%	17%	16%	10%	6%	7%	8%

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

Net Earnings Per Share Growth. The presentation references AMJ'05 is the 14th 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 program 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:

	FY2002		FY2003				FY2004				FY2005			
	JFM	AMJ	JAS	OND	JFM	AMJ	JAS	OND	JFM	AMJ	JAS	OND	JFM	AMJ
Reported Earnings Per Share	0.37	0.32	0.52	0.53	0.46	0.34	0.63	0.65	0.55	0.5	0.73	0.74	0.63	0.56
Percent Change v. Year Ago	16%	nm	32%	14%	23%	6%	21%	23%	20%	47%	16%	14%	15%	12%
Core Earnings Per Share	0.42	0.38	0.56	0.57	0.48	0.43	0.63	0.65	0.55	0.5	0.73	0.74	0.63	0.56
Percent Change v. Year Ago	11%	19%	17%	12%	14%	13%	13%	15%	14%	16%	16%	14%	15%	12%

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%
Apr - Jun'05	2,098	795	1,303	1,497	87%
Jul - Jun'05	8,722	2,181	6,541	7,257	90%