

Procter&Gamble

On February 24, 2005, A.G. Lafley, Chairman of the Board, President and Chief Executive of Procter & Gamble, gave a presentation at the Consumer Analysts Group of New York Annual Conference. The presentation included 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 the non-GAAP measures used in the presentation and the reconciliation to the most closely related GAAP measure. **Note:** Sales growth percentages presented are approximations based on quantitative formulas consistently applied.

Organic Sales. Organic sales growth is a non-GAAP measure of reported sales growth excluding the estimated impacts of acquisitions and 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 Procter & Gamble:

	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>Six Months Ended Dec04</u>
Reported Sales Growth	3%	8%	19%	11%
Acquisitions & Divestitures Impact	3%	0%	7%	2%
FX Impact	<u>-1%</u>	<u>2%</u>	<u>4%</u>	<u>3%</u>
Organic Sales (Ex: A&D, FX)	1%	6%	8%	6%

A specific reference was made to organic sales growth for Procter & Gamble's combined Health Care and Beauty Care businesses:

	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>JAS04</u>	<u>OND04</u>
Reported Sales Growth	9%	15%	34%	19%	10%
Acquisitions & Divestitures Impact	5%	4%	18%	11%	0%
FX Impact	<u>-2%</u>	<u>3%</u>	<u>4%</u>	<u>3%</u>	<u>3%</u>
Organic Sales (Ex: A&D, FX)	6%	8%	12%	5%	7%

Sales Growth Excluding Foreign Exchange. The presentation includes a discussion of segment sales growth excluding the impact of foreign exchange from year-over-year comparisons. The Company believes this provides investors with a more complete understanding of the underlying trends of sales growth. The "Foundation Businesses" include the combined results of Procter & Gamble's Fabric & Home Care, Baby & Family Care, and Snacks & Coffee businesses.

	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>JAS04</u>	<u>OND04</u>
Foundation Businesses – Reported Growth	-1%	7%	9%	10%	10%
FX Impact	-2%	2%	3%	3%	2%

Core Diluted Net Earnings Per Share Growth. Core diluted net earnings per share referenced in this presentation exclude restructuring charges from reported diluted net earnings per share. The table below provides a reconciliation of Procter & Gamble's reported diluted net earnings per share to core diluted net earnings per share. In JAS04, Procter & Gamble completed the sales of the Juice Business. The year-over-year impact to diluted net earnings per share was \$0.02, or 3%.

	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>JAS04</u>	<u>OND04</u>
Diluted Net Earnings Per Share	\$1.54	\$1.85	\$2.32	\$0.73	\$0.74
Percent Change v. Year Ago	50%	20%	25%	16%	14%
Core Diluted Net Earnings Per Share	\$1.80	\$2.04	\$2.32	\$0.73	\$0.74
Percent Change v. Year Ago	10%	13%	14%	16%	14%

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 – particularly now that the program is completed. This is consistent with the Company's business segment 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. The Company continues 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.