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PUCO

P&G
Purchases

John Flood
Senior Purchasing Manager
NA Energy Purchases
The Procter & Gamble Distributing Cc
6280 Center Hill Avenue
Cincinnati, Ohio 45224
tel : +1.513.945 0795
efax: +1.866.350.0226

TO: Public Utility Commission of Ohio, Docket Division
180 East Broad Street
Columbus, Ohio 43215-3793

FROM: The Procter & Gamble Distribution Company
Attn: John Flood
6280 Center Hill Avenue – BB2S525D
Cincinnati, OH 45224

Subject: Application for Renewal of Aggregator/Power Brokers
Case # 00-2267 EL-AGG

Enclosed are ten (10) copies of Renewal Application for Aggregators/Power Brokers for The Procter & Gamble Distribution Company. Only a copy of the most recent Procter & Gamble Company annual report is attached to each of the ten (10) copies in order to maintain the Renewal Application at a reasonable size.

A motion for Extension of Certificate Expiration date was granted in mid – February 07.

Thank you for your assistance in this matter.

3/2/07

John Flood

Original

AFFIDAVIT

State of OHio :

County of Hamilton :

Cincinnati ss.
(Town)

Thomas Fernandez, Affiant, being duly sworn/affirmed according to law, deposes and says that:

He/She is the AD Purchasing (Office of Affiant) of P&G Business Services (Name of Applicant);

That he/she is authorized to and does make this affidavit for said Applicant,

1. The Applicant herein, attests under penalty of false statement that all statements made in the application for certification renewal are true and complete and that it will amend its application while the application is pending if any substantial changes occur regarding the information provided in the application.

2. The Applicant herein, attests it will timely file an annual report with the Public Utilities Commission of Ohio of its intrastate gross receipts, gross earnings, and sales of kilowatt-hours of electricity pursuant to Division (A) of Section 4905.10, Division (A) of Section 4911.18, and Division (F) of Section 4928.06 of the Revised Code.

3. The Applicant herein, attests that it will timely pay any assessments made pursuant to Sections 4905.10, 4911.18, or Division F of Section 4928.06 of the Revised Code.

4. The Applicant herein, attests that it will comply with all Public Utilities Commission of Ohio rules or orders as adopted pursuant to Chapter 4928 of the Revised Code.

5. The Applicant herein, attests that it will cooperate fully with the Public Utilities Commission of Ohio, and its Staff on any utility matter including the investigation of any consumer complaint regarding any service offered or provided by the Applicant.

6. The Applicant herein, attests that it will fully comply with Section 4928.09 of the Revised Code regarding consent to the jurisdiction of Ohio Courts and the service of process.

7. The Applicant herein, attests that it will use its best efforts to verify that any entity with whom it has a contractual relationship to purchase power is in compliance with all applicable licensing requirements of the Federal Energy Regulatory Commission and the Public Utilities Commission of Ohio.

8. The Applicant herein, attests that it will comply with all state and/or federal rules and regulations concerning consumer protection, the environment, and advertising/promotions.

9. The Applicant herein, attests that it will cooperate fully with the Public Utilities Commission of Ohio, the electric distribution companies, the regional transmission entities, and other electric suppliers in the event of an emergency condition that may jeopardize the safety and reliability of the electric service in accordance with the emergency plans and other procedures as may be determined appropriate by the Commission.

10. If applicable to the service(s) the Applicant will provide, the Applicant herein, attests that it will adhere to the reliability standards of (1) the North American Electric Reliability Council (NERC), (2) the appropriate regional reliability council(s), and (3) the Public Utilities Commission of Ohio. (Only applicable if pertains to the services the Applicant is offering)

11. The Applicant herein, attests that it will inform the Commission of any material change to the information supplied in the renewal application within 30 days of such material change, including any change in contact person for regulatory purposes or contact person for Staff use in investigating customer complaints.

That the facts above set forth are true and correct to the best of his/her knowledge, information, and belief and that he/she expects said Applicant to be able to prove the same at any hearing hereof.

Associate Director GBS Purchases

Signature of Affiant & Title

Sworn and subscribed before me this 7 day of FEB , 2007
Month Year

Signature of official administering oath

CHRISTINE D. HARMON
Print Name and Title NOTARY PUBLIC

CHRISTINE D. HARMON
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES 12-19-07

My commission expires on 12/19/2007

The Public Utilities Commission of Ohio

Renewal Instructions for Aggregators/Power Brokers

I. **Where To File**: Renewal applications should be sent to: Public Utilities Commission of Ohio, Docketing Division 13th Floor, 180 East Broad Street, Columbus Ohio 43215-3793.

II. **What To File**: Applicant must submit one original notarized application signed by a principal officer and ten copies including all exhibits, affidavits, and other attachments. All attachments, affidavits, and exhibits should be clearly identified. For example, Exhibit A-10 should be marked "Exhibit A-10 'Corporate Structure.'" All pages should be numbered and attached in a sequential order. **VERY IMPORTANT: The renewal application must be docketed in the applicant's original EL-AGG case number.**

III. **Renewal Application Form:** The renewal application is available on the Commission's web site, www.puco.ohio.gov or directly from the Commission at: Public Utilities Commission of Ohio, Docketing Division 13th Floor, 180 East Broad Street, Columbus Ohio 43215-3793.

IV. **Confidentiality:** If any of an applicant's answers require the applicant to disclose what the applicant believes to be privileged or confidential information not otherwise available to the public, the applicant should designate at each point in the application that the answer requires the applicant to disclose privileged and confidential information. Applicant must fully support its request to maintain confidentiality for the information it believes to be confidential or proprietary in a motion for protective order filed pursuant to Rule 4901-1-24 of the Ohio Administrative Code.

V. **Commission Process for Certification Renewal:** An application for renewal shall be made on forms approved and supplied by the Commission. The applicant shall complete the appropriate application form in its entirety and supply all required attachments, affidavits, and evidence of capability specified by the form at the time an application is filed. The Commission renewal process begins when the Commission's Docketing Division receives and time/date stamps the application. An incomplete application may be suspended or rejected. An application that has been suspended as incomplete will cause delay in certification.

The Commission may approve, suspend, or deny a renewal application within 30 days. If the Commission does not act within 30 days, the application is deemed automatically approved on the 31st day after the official filing date. If the Commission suspends the application, the Commission shall notify the applicant of the reasons for such suspension and may direct the applicant to furnish additional information. The Commission shall act to approve or deny a suspended application within 90 days of the date that the application was suspended. Upon Commission approval, the applicant shall receive notification of approval and a numbered certificate that specifies the service(s) for which the applicant is certified and the dates for which the certificate is valid.

Unless otherwise specified by the Commission, a competitive retail electric service provider's certificate is valid for a period of two years, beginning and ending on the dates specified on the certificate. The applicant may renew its certificate in accordance with Rule 4901:1-24-09 of the Ohio Administrative Code.

CRES providers shall inform the Commission of any material change to the information supplied in a renewal application within thirty days of such material change in accordance with Rule 4901:1-24-10 of the Ohio Administrative Code.

VI. **Questions:** Questions regarding filing procedures should be directed to Tamara Turkenton at (614) 995-7096 or Tammy.Turkenton@puc.state.oh.us or Chuck Stockhausen at (614) 728-5049 or Charles.Stockhausen@puc.state.oh.us .

VII. **Governing Law:** The certification/renewal of competitive retail electric suppliers is governed by Chapter 4901:1-24 of the Ohio Administrative Code, Chapter 4901:1-21 of the Ohio Administrative Code, and Section 4928.08 of the Ohio Revised Code.

PUCO

The Public Utilities Commission of Ohio

Original AGG Case Number	Version
00-2267-EL-AGG	August 2004

RENEWAL APPLICATION FOR AGGREGATORS/POWER BROKERS

Please print or type all required information. Identify all attachments with an exhibit label and title (Example: Exhibit A-10 Corporate Structure). All attachments should bear the legal name of the Applicant. Applicants should file completed applications and all related correspondence with the Public Utilities Commission of Ohio, Docketing Division; 180 East Broad Street, Columbus, Ohio 43215-3793.

This PDF form is designed so that you may input information directly onto the form. You may also download the form, by saving it to your local disk, for later use.

A. RENEWAL INFORMATION

A-1 Applicant's legal name, address, telephone number, PUCO certificate number, and web site address

Legal Name **The Procter & Gamble Distribution Co.**
Address **Two Procter & Gamble Plaza, Cincinnati, Ohio**
PUCO Certificate # and Date Certified **00-042(3) December 18, 2000**
Telephone # **(513) 983-1000** Web site address (if any) **http://www.pg.com**

A-2 List name, address, telephone number and web site address under which Applicant will do business in Ohio

Legal Name **The Procter & Gamble Distribution Co.**
Address **Two Procter & Gamble Plaza, Cincinnati, Ohio**
Telephone # **(513) 983-1000** Web site address (if any) **http://pg.com**

A-3 List all names under which the applicant does business in North America

See Attachment A-3

A-4 Contact person for regulatory or emergency matters

Name **John Flood**
Title **Senior Purchasing Manager**
Business address **6280 Center Hill Avenue, Cincinnati, Ohio 45224**
Telephone # **(513) 945-0795** Fax # **(866) 350-0226**
E-mail address (if any) **flood.jf@pg.com**

A-5 Contact person for Commission Staff use in investigating customer complaints

Name **John Flood**
Title **Senior Purchasing Manager**
Business address **6280 Center Hill Avenue, Cincinnati, Ohio 45224**
Telephone # **(513) 945-0795** Fax # **(866) 350-0226**
E-mail address (if any) **flood.jf@pg.com**

A-6 Applicant's address and toll-free number for customer service and complaints

Customer Service address **6280 Center Hill Avenue, Cincinnati, Ohio 45224**
Toll-free Telephone # **(513) 945-0795** Fax # **(866) 350-0226**
E-mail address (if any) **flood.jf@pg.com**

A-7 Applicant's federal employer identification number # 31-0411981

A-8 Applicant's form of ownership (check one)

☐ Sole Proprietorship
☐ Limited Liability Partnership (LLP)
☑ Corporation
☐ Partnership
☐ Limited Liability Company (LLC)
☐ Other ____________

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:

A-9 **Exhibit A-9 "Principal Officers, Directors & Partners"** provide the names, titles, addresses and telephone numbers of the applicant's principal officers, directors, partners, or other similar officials.

A-10 **Exhibit A-10 "Corporate Structure,"** provide a description of the applicant's corporate structure, including a graphical depiction of such structure, and a list of all affiliate and subsidiary companies that supply retail or wholesale electricity or natural gas to customers and companies that aggregate customers in North America.

B. APPLICANT MANAGERIAL CAPABILITY AND EXPERIENCE

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:

B-1 **Exhibit B-1 "Jurisdictions of Operation,"** provide a list of all jurisdictions in which the applicant or any affiliated interest of the applicant is, at the date of filing the application, certified, licensed, registered, or otherwise authorized to provide retail or wholesale electric services including aggregation services.

B-2 **Exhibit B-2 "Experience & Plans,"** provide a description of the applicant's experience and plan for contracting with customers, providing contracted services, providing billing statements, and responding to customer inquiries and complaints in accordance with Commission rules adopted pursuant to Section 4928.10 of the Revised Code.

B-3 **<u>Exhibit B-3 "Disclosure of Liabilities and Investigations,"</u>** provide a description of all existing, pending or past rulings, judgments, contingent liabilities, revocation of authority, regulatory investigations, or any other matter that could adversely impact the applicant's financial or operational status or ability to provide the services it is seeking to be certified to provide.

B-4 Disclose whether the applicant, a predecessor of the applicant, or any principal officer of the applicant have ever been convicted or held liable fr fraud or for violation of any consumer protection or antitrust laws within the past five years.
☑No ☐Yes

If yes, provide a separate attachment labeled as ***<u>Exhibit B-4 "Disclosure of Consumer Protection Violations"</u>*** detailing such violation(s) and providing all relevant documents.

B-5 Disclose whether the applicant or a predecessor of the applicant has had any certification, license, or application to provide retail or wholesale electric service including aggregation service denied, curtailed, suspended, revoked, or cancelled within the past two years.
☑No ☐Yes

If yes, provide a separate attachment labeled as **<u>Exhibit B-5 "Disclosure of Certification Denial, Curtailment, Suspension, or Revocation"</u>** detailing such action(s) and providing all relevant documents.

C. <u>FINANCIAL CAPABILITY AND EXPERIENCE</u>

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:

C-1 **<u>Exhibit C-1 "Annual Reports,"</u>** provide the two most recent Annual Reports to Shareholders. If applicant does not have annual reports, the applicant should provide similar information in Exhibit C-1 or indicate that Exhibit C-1 is not applicable and why.

C-2 **<u>Exhibit C-2 "SEC Filings,"</u>** provide the most recent 10-K/8-K Filings with the SEC. If applicant does not have such filings, it may submit those of its parent company. If the applicant does not have such filings, then the applicant may indicate in Exhibit C-2 that the applicant is not required to file with the SEC and why.

C-3 **<u>Exhibit C-3 "Financial Statements,"</u>** provide copies of the applicant's two most recent years of audited financial statements (balance sheet, income statement, and cash flow statement). If audited financial statements are not available, provide officer certified financial statements. If the applicant has not been in business long enough to satisfy this requirement, it shall file audited or officer certified financial statements covering the life of the business.

C-4 **<u>Exhibit C-4 "Financial Arrangements,"</u>** provide copies of the applicant's financial arrangements to conduct CRES as a business activity (e.g., guarantees, bank commitments, contractua l arrangements, credit agreements, etc.).

C-5 **<u>Exhibit C-5 "Forecasted Financial Statements,"</u>** provide two years of forecasted financial statements (balance sheet, income statement, and cash flow statement) for the applicant's CRES operation, along with a list of assumptions, and the name, address, e-mail address, and telephone number of the preparer.

C-6 **<u>Exhibit C-6 "Credit Rating,"</u>** provide a statement disclosing the applicant's credit rating as reported by two of the following organizations: Duff & Phe lps, Dun and Bradstreet Information Services, Fitch IBCA, Moody's Investors Service, Standard & Poors, or a similar organization. In instances where an applicant does not have its own credit ratings, it may substitute the credit ratings of a parent or affiliate organization, provided the applicant submits a statement signed by a principal officer of the applicant's parent or affiliate organization that guarantees the obligations of the applicant.

C-7 **<u>Exhibit C-7 "Credit Report,"</u>** provide a copy of the applicant's credit report from Experion, Dun and Bradstreet or a similar organization.

C-8 **<u>Exhibit C-8 "Bankruptcy Information,"</u>** provide a list and description of any reorganizations, protection from creditors or any other form of bankruptcy filings made by the applicant, a parent or affiliate organization that guarantees the obligations of the applicant or any officer of the applicant in the current year or within the two most recent years preceding the application.

C-9 **<u>Exhibit C-9 "Merger Information,"</u>** provide a statement describing any dissolution or merger or acquisition of the applicant within the five most recent years preceding the application.

[signature] Associate Director GBS Purchases
Signature of Applicant & Title

Sworn and subscribed before me this 7 **day of** FEB. , 2007
Month **Year**

[signature]
Signature of official administering oath

CHRISTINE D. HARMON NOTARY PUBLIC
Print Name and Title

CHRISTINE D. HARMON
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES 12-19-07

My commission expires on 12/19/2007

P&G Global Sustainability

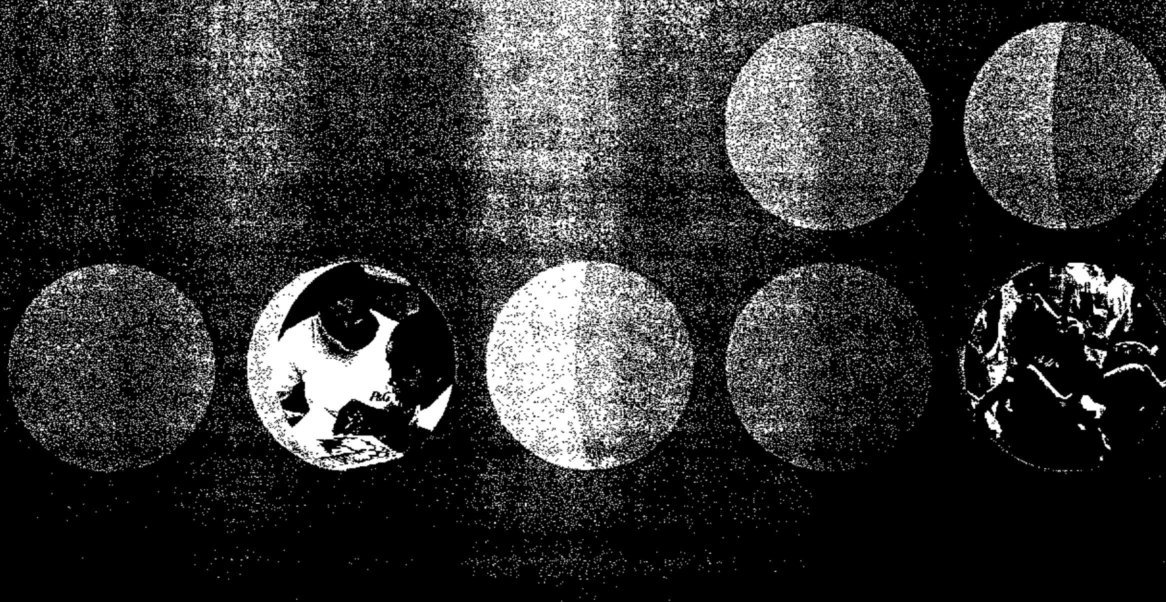
Improving quality of life, now and for generations to come

"Our Purpose inspires us. Our Values unite us. And our strengths enable us to make small but meaningful differences in people's lives... every day."

—A.G. Lafley

Sustainability and Philanthropy are fundamental components to living the P&G Purpose of improving lives day in and day out. P&G believes our Purpose encompasses the three pillars of Sustainability: Economic Development, Environmental Protection, and Social Responsibility. We contribute to improving quality of life for people around the world both through what we do—providing goods and services—and how we do it.

P&G is committed to improving life for children in need, from birth to age 13, through our global corporate cause—P&G Live, Learn and Thrive™. This cause comes to life through programs in P&G communities around the world and our global signature program, Children's Safe Drinking Water. P&G Live, Learn and Thrive brings focus to the philanthropic efforts of our brands, employees, and corporate foundation.



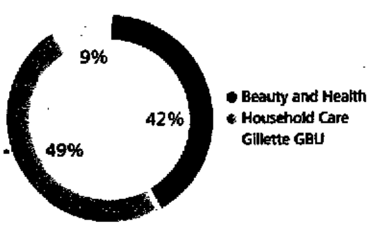
Design: VSA Partners, Inc. Cover and Narrative Paper: Stora Enso Financial Paper: Finch, Pruyn

P&G at a Glance

GBU	Segment	Key Products	Key Brands	Net Sales by GBU[1] (in billions)
BEAUTY AND HEALTH	Beauty	Cosmetics, Deodorants, Feminine Care, Fine Fragrances, Hair Care, Hair Colorants, Personal Cleansing, Professional Hair Care, Skin Care	Always, Head & Shoulders, Olay, Pantene, Wella, Cover Girl, Gillette Series, Herbal Essences, Hugo Boss, Nice 'n Easy, Old Spice, Safeguard, Secret, SK-II, Tampax	**$29.0**
	Health Care	Oral Care, Pharmaceuticals, Personal Health Care	Actonel, Crest, Oral-B, Asacol, Fixodent, Metamucil, Pepto-Bismol, Prilosec OTC, PUR, Scope, ThermaCare, Vicks	
HOUSEHOLD CARE	Fabric Care and Home Care	Fabric Care, Dish Care, Surface Care, Air Care, Commercial Products Group	Ariel, Dawn, Downy, Tide, Ace, Bold, Bounce, Cascade, Cheer, Dash, Fairy, Febreze, Gain, Mr. Clean, Swiffer	**$33.5**
	Baby Care and Family Care	Diapers, Baby Wipes, Bath Tissue, Kitchen Towels, Facial Tissue	Bounty, Charmin, Pampers, Dodot, Kandoo, Luvs, Puffs, Tempo	
	Pet Health, Snacks and Coffee	Coffee, Pet Health, Snacks	Folgers, Iams, Pringles, Eukanuba, Millstone	
GILLETTE GBU	Blades and Razors	Men's and Women's Blades and Razors	MACH3, Venus, Fusion, Gillette Sensor, Gillette Double Edge, Gillette Atra, Prestobarba	**$ 6.4**
	Duracell and Braun	Batteries, Electric Razors, Small Appliances	Duracell, Braun Activator, Braun 360 Complete, Braun X'elle, Nanfu	

(1) Offset by $0.7 billion of net sales generated by companies for which P&G exerts significant influence but does not consolidate, and other miscellaneous activities.

2006 NET SALES
(by GBU)



RECOGNITION

P&G ranks on several *Fortune Magazine* lists, including:

- Most Admired
- Global Most Admired
- MBA's Top Earners

P&G ranks among the top companies for Executive Women (National Association for Female Executives), African Americans (*Working Mother* Magazine *Women of Color*), Working Mothers (*Working Mother* Magazine), and Best Corporate Citizens (*Business Ethics* Magazine).

Supplier diversity is a fundamental business strategy at P&G. In 2006, P&G spent over $1.8 billion with minority- and women-owned businesses. P&G is a member of the Billion Dollar Roundtable, a forum of 14 corporations that spend more than $1 billion annually with diverse suppliers.

DIVIDEND HISTORY

P&G has paid dividends without interruption since its incorporation in 1890, and has increased dividends each year for the past 50 years. Over the past 50 years, P&G's compound annual dividend growth has exceeded 9%.

Mixed Sources
Product group from well-managed forests, controlled sources and recycled wood or fiber
FSC www.fsc.org Cert no. SW-COC-1707 © 1996 Forest Stewardship Council

The paper utilized in the printing of this annual report is certified by SmartWood to the FSC Standards, which promotes environmentally appropriate, socially beneficial and economically viable management of the world's forests. The paper contains a mix of pulp that is derived from FSC certified well-managed forests; post-consumer recycled paper fibers and other controlled sources.

Financial Summary (Unaudited)

Amounts in millions, except per share amounts	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Net Sales	**$ 68,222**	$56,741	$51,407	$43,377	$40,238	$39,244	$39,951	$38,125	$37,154	$35,764	$35,284
Gross Margin	**35,097**	28,869	26,264	21,155	19,159	17,071	18,395	16,901	16,019	15,229	14,507
Operating Income	**13,249**	10,469	9,382	7,312	6,073	4,260	5,678	6,130	5,581	5,318	4,716
Net Earnings	**8,684**	6,923	6,156	4,788	3,910	2,612	3,363	3,683	3,472	3,305	2,981
Net Earnings Margin	**12.7%**	12.2%	12.0%	11.0%	9.7%	6.7%	8.4%	9.7%	9.3%	9.2%	8.4%
Basic Net Earnings Per Common Share	**$ 2.79**	$ 2.70	$ 2.34	$ 1.80	$ 1.46	$ 0.96	$ 1.24	$ 1.35	$ 1.25	$ 1.18	$ 1.05
Diluted Net Earnings Per Common Share	**2.64**	2.53	2.20	1.70	1.39	0.92	1.17	1.27	1.18	1.10	0.98
Dividends Per Common Share	**1.15**	1.03	0.93	0.82	0.76	0.70	0.64	0.57	0.51	0.45	0.40
Restructuring Program Charges [1]	**$ —**	$ —	$ —	$ 751	$ 958	$ 1,850	$ 814	$ 481	$ —	$ —	$ —
Research and Development Expense	**2,075**	1,940	1,802	1,665	1,601	1,769	1,899	1,726	1,546	1,469	1,399
Advertising Expense	**6,773**	5,917	5,504	4,373	3,773	3,612	3,793	3,639	3,801	3,574	3,374
Total Assets	**135,695**	61,527	57,048	43,706	40,776	34,387	34,366	32,192	31,042	27,598	27,762
Capital Expenditures	**2,667**	2,181	2,024	1,482	1,679	2,486	3,018	2,828	2,559	2,129	2,179
Long-Term Debt	**35,976**	12,887	12,554	11,475	11,201	9,792	9,012	6,265	5,774	4,159	4,678
Shareholders' Equity	**62,908**	18,475	18,190	17,025	14,415	12,560	12,673	12,352	12,493	12,139	11,757

(1) Restructuring program charges, on an after-tax basis, totaled $538, $706, $1,475, $688 and $285 for 2003, 2002, 2001, 2000 and 1999, respectively.

Shareholder Information

IF...

- You need online access or help with your account
- You want to save costs by receiving future P&G annual reports electronically
- You are interested in our certificate safekeeping service
- You want to arrange for direct deposit of dividends
- You have a lost, stolen or destroyed stock certificate

CALL PERSON-TO-PERSON

- Shareholder Services representatives are available Monday–Friday, 9–4 EST at 1-800-742-6253 (call 1-513-983-3034 outside the USA and Canada)
- Automated service available after USA business hours

CONTACT P&G — 24 HOURS A DAY

- Visit us online at www.pg.com/investor where you can get stock purchase information, transaction forms, Company annual reports and webcasts
- E-mail us at shareholders.im@pg.com
- Call for financial information at 1-800-764-7483 (call 1-513-945-9990 outside the USA and Canada)

GLOBAL SUSTAINABILITY AND PHILANTHROPY REPORT

This year we combined our philanthropy and sustainability functions. This brings together the long-term strengths of P&G's *Live, Learn and Thrive* global cause, which includes the Children's Safe Drinking Water program, with the focus of global sustainability: ensuring a *better quality of life for everyone, now and for generations to come.*

We are convinced that, by combining our strengths and focusing on sustainable innovation that can improve lives in small but meaningful ways each and every day, we can achieve P&G's Purpose and sustain our Company's growth year after year.

Reflecting this change, we also combined our philanthropy and sustainability reports. Please find our Global Sustainability and Philanthropy Report at www.pg.com/sr.

COMMON STOCK PRICE AND DIVIDENDS

	Price Range			
Quarter Ended	2005–2006 High	2005–2006 Low	2004–2005 High	2004–2005 Low
September 30	**$59.46**	**$51.91**	$56.95	$51.50
December 31	**59.70**	**54.62**	57.40	50.53
March 31	**62.50**	**57.00**	57.04	51.16
June 30	**58.73**	**52.75**	56.79	52.37

	Dividends	
Quarter Ended	2005–2006	2004–2005
September 30	**$0.280**	$0.250
December 31	**0.280**	0.250
March 31	**0.280**	0.250
June 30	**0.310**	0.280

CORPORATE HEADQUARTERS

The Procter & Gamble Company
P.O. Box 599
Cincinnati, OH 45201-0599

TRANSFER AGENT/SHAREHOLDER SERVICES

The Procter & Gamble Company
Shareholder Services Department
P.O. Box 5572
Cincinnati, OH 45201-5572

REGISTRAR

The Bank of New York Trust Company, N.A.
Corporate Trust Division
525 Vine Street, Suite 900
Cincinnati, OH 45202

EXCHANGE LISTING

New York, Paris

SHAREHOLDERS OF COMMON STOCK

There were approximately 2,086,000 common stock shareowners, including shareholders of record, participants in the Shareholder Investment Program, participants in P&G stock ownership plans and beneficial owners with accounts at banks and brokerage firms, as of July 3, 2006.

FORM 10-K

Shareholders may obtain a copy of P&G's 2006 report to the Securities and Exchange Commission on Form 10-K by going to www.pg.com/investor or by calling us at 1-800-764-7483. This information is also available at no charge by sending a request to Shareholder Services at the address listed above.

The most recent certifications by our Chief Executive and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits to our Form 10-K for the fiscal year ended June 30, 2006. We have also filed with the New York Stock Exchange the most recent Annual CEO certification as required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

ANNUAL MEETING

The next annual meeting of shareholders will be held on Tuesday, October 10, 2006. A full transcript of the meeting will be available from Susan Felder, Assistant Secretary. Ms. Felder can be reached at One P&G Plaza, Cincinnati, Ohio 45202-3315.

oard of Directors

orman R. Augustine
etired Chairman and Chief Executive Officer, Lockheed Martin orporation and Chairman of the Executive Committee, Lockheed artin (aerospace, electronics, telecommunications and information anagement). Director since 1989. Also a Director of The Black and ecker Corporation and ConocoPhillips. Age 71. Chairman of the ompensation & Leadership Development Committee and member of e Innovation & Technology Committee.

uce L. Byrnes
e Chairman of the Board—Household Care. Director since 2002. so a Director of Cincinnati Bell Inc. Age 58.

ott D. Cook
airman of the Executive Committee of the Board, Intuit Inc. oftware and web services firm). Director since 2000. Also a ector of Intuit Inc. and eBay Inc. Age 54. Member of the mpensation & Leadership Development and Innovation & hnology Committees.

eph T. Gorman
ired Chairman and Chief Executive Officer, TRW Inc. (automotive, ospace and information systems) and Chairman and Chief Executive icer, Moxahela Enterprises LLC (venture capital). Director since 3. Also a Director of Alcoa Inc., Imperial Chemical Industries plc, burg Magnesium Group International AB and Vector Intersect urity Acquisition Corporation. Age 68. Chairman of the Finance mittee and member of the Compensation & Leadership elopment Committee.

Lafley
man of the Board, President and Chief Executive of the pany. Director since 2000. Also a Director of General Electric pany and Dell Inc. Age 59.

s R. Lee
Chairman of the Board and Co-Chief Executive Officer of Verizon unications (telecommunication services). Director since 1994. Director of The DIRECTV Group, Marathon Oil Corporation, Technologies Corporation and US Steel Corporation. Age 66. n of the Governance & Public Responsibility Committee and of the Audit and Compensation & Leadership Development ees.

Martin
rofessor at the J.L. Kellogg Graduate School of ment, Northwestern University and former Chair of the or The Advancement of Women and Advisor to the firm of Touche LLP for Deloitte's internal human resources and dvancement matters. Director since 1994. Also a Director nc., Ryder System, Inc., Dreyfus Funds and Constellation oup. Age 66. Member of the Finance and Governance & onsibility Committees.

W. James [illegible]
[illegible] Executive Officer of [illegible] commercial jetliners and military [illegible]. Director of The Boeing Company. [illegible] Audit and Finance Committees.

Johnathan A. Rodgers
President and Chief Executive Officer, TV One, LLC (media and communications). Director since 2001. Age 60. Member of the Innovation & Technology Committee.

John F. Smith, Jr.
Chairman of the Board of Delta Air Lines, Inc. and retired Chairman of the Board and Chief Executive Officer, General Motors Corporation (automobile and related businesses). Director since 1995. Also a Director of Delta Air Lines, Inc. and Swiss Reinsurance Company. Age 68. Chairman of the Audit Committee and member of the Governance & Public Responsibility Committee.

Ralph Snyderman, M.D.
Chancellor Emeritus, James B. Duke Professor of Medicine at Duke University. Director since 1995. Also a Director of Axonyx Inc. and Cardiome Pharma Corporation. Age 66. Chairman of the Innovation & Technology Committee and member of the Audit and Finance Committees.

Margaret C. Whitman
President and Chief Executive Officer, eBay Inc. (a global internet company that includes on-line marketplaces, payments and communications). Director since 2003. Also a Director of eBay Inc. and Dreamworks Animation SKJ, Inc. Age 50. Member of the Compensation & Leadership Development and Governance & Public Responsibility Committees.

Ernesto Zedillo
Former President of Mexico and Director of the Center for the Study of Globalization and Professor in the field of International Economics and Politics at Yale University. Director since 2001. Also a Director of Alcoa Inc. Age 54. Member of the Finance and Governance & Public Responsibility Committees.

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Chief Technology Officer

Clayton C. Daley, Jr.
Chief Financial Officer

R. Keith Harrison, Jr.
Global Product Supply Officer

James J. Johnson
Chief Legal Officer & Secretary

Mariano Martin
Global Customer Business Development Officer

Charlotte R. Otto
Global External Relations Officer

Filippo Passerini
Chief Information & Global Services Officer

James R. Stengel
Global Marketing Officer

John P. Goodwin
Vice President & Treasurer

Valarie L. Sheppard
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Steven W. Jemison
Deputy General Counsel

Marc S. Pritchard
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Nabil Y. Sakkab
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A. Bruce Cleverly
President—Global Oral Care

Mark A. Collar
President—Global Pharmaceuticals & Personal Health

Paolo de Cesare
President—Global Skin Care

Carsten Fischer
President—Global Professional Care

Melanie Healey
President—Global Feminine Care & Adult Care

Hartwig Langer
President—Global Prestige Products

Mary Ann Pesce
President—New Business Development, Deodorants/Male Personal Care & Personal Cleansing

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President—P&G Oral Care

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Dimitri Panayotopoulos
Group President—Global Fabric Care

Robert A. Steele
Group President—Global Household Care

Fabrizio Freda
President—Global Snacks

Jorge S. Mesquita
President—Global Home Care & Commercial Products

Martin Riant
President—Global Baby Care

David S. Taylor
President—Global Family Care

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Mark M. Leckie
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Charles V. Bergh
President on Special Assignment—Blades & Razors

Michael T. Cowhig
President—Global Technical & Manufacturing

Bracken Darrell
President—Braun

Joseph F. Dooley
President—Duracell

Peter K. Hoffman (2)
President—Global Grooming

Edward F. Guillet
Senior Vice President—Human Resources, Gillette GBU

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Group President—Western Europe

Edward D. Shirley
Group President—North America

Ravi Chaturvedi
President—Northeast Asia

Deborah A. Henretta
President—ASEAN, Australasia and India

Daniela Riccardi
President—Greater China

Jeffrey K. Schomburger
President—Global Wal-Mart Team

Jorge A. Uribe
President—Latin America

(1) Retires October 1, 2006.
(2) Retires January 1, 2007

NOTE 13
QUARTERLY RESULTS (UNAUDITED)

Quarters ended		Sept 30	Dec 31	Mar 31	Jun 30	Total Year
NET SALES	2005–2006	**$14,793**	**$18,337**	**$17,250**	**$17,842**	**$68,222**
	2004–2005	13,744	14,452	14,287	14,258	56,741
OPERATING INCOME	2005–2006	**3,057**	**3,892**	**3,351**	**2,949**	**13,249**
	2004–2005	2,789	2,982	2,542	2,156	10,469
NET EARNINGS (1)	2005–2006	**2,029**	**2,546**	**2,211**	**1,898**	**8,684**
	2004–2005	1,942	1,975	1,614	1,392	6,923
DILUTED NET EARNINGS PER COMMON SHARE	2005–2006	**$ 0.77**	**$ 0.72**	**$ 0.63**	**$ 0.55**	**$ 2.64**
	2004–2005	0.70	0.72	0.59	0.52	2.53

(1) The June 30, 2005 quarter includes a $295 tax provision related to foreign earnings to be repatriated under AJCA, partially offset by a reversal of a tax provision initially recorded in the March 31, 2005 quarter for anticipated dividends from foreign subsidiaries that were subsequently incorporated into our AJCA repatriation plans.

Millions of dollars except per share amounts or otherwise specified.

		Net Sales	Before-Tax Earnings	Net Earnings	Depreciation & Amortization	Total Assets	Capital Expenditures
BEAUTY	2006	**$21,126**	**$ 4,359**	**$3,106**	**$ 535**	**$ 13,498**	**$ 577**
	2005	19,721	3,977	2,752	535	11,494	535
	2004	17,346	3,448	2,246	498	11,547	440
HEALTH CARE	2006	**7,852**	**1,740**	**1,167**	**234**	**7,644**	**162**
	2005	6,078	1,210	811	161	2,536	112
	2004	5,386	1,113	745	131	2,359	125
TOTAL BEAUTY AND HEALTH	2006	**28,978**	**6,099**	**4,273**	**769**	**21,142**	**739**
	2005	25,799	5,187	3,563	696	14,030	647
	2004	22,732	4,561	2,991	629	13,906	565
FABRIC CARE AND HOME CARE	2006	**17,149**	**3,553**	**2,369**	**435**	**6,928**	**567**
	2005	15,796	3,186	2,129	391	6,845	647
	2004	14,361	3,270	2,176	352	5,876	544
BABY CARE AND FAMILY CARE	2006	**11,972**	**2,071**	**1,299**	**612**	**7,339**	**739**
	2005	11,652	1,924	1,197	580	7,272	684
	2004	10,494	1,512	919	548	7,145	707
PET HEALTH, SNACKS AND COFFEE	2006	**4,383**	**627**	**385**	**159**	**2,122**	**150**
	2005	4,314	714	444	162	2,197	142
	2004	4,020	594	367	161	2,154	157
TOTAL HOUSEHOLD CARE	2006	**33,504**	**6,251**	**4,053**	**1,206**	**16,389**	**1,456**
	2005	31,762	5,824	3,770	1,133	16,314	1,473
	2004	28,875	5,376	3,462	1,061	15,175	1,408
BLADES AND RAZORS (1)	2006	**3,499**	**1,076**	**781**	**489**	**24,575**	**271**
	2005	—	—	—	—	—	—
	2004	—	—	—	—	—	—
DURACELL AND BRAUN (1)	2006	**2,924**	**400**	**273**	**155**	**7,384**	**108**
	2005	—	—	—	—	—	—
	2004	—	—	—	—	—	—
TOTAL GILLETTE GBU (1)	2006	**6,423**	**1,476**	**1,054**	**644**	**31,959**	**379**
	2005	—	—	—	—	—	—
	2004	—	—	—	—	—	—
CORPORATE	2006	**(683)**	**(1,413)**	**(696)**	**8**	**66,205**	**93**
	2005	(820)	(1,030)	(410)	55	31,183	61
	2004	(200)	(1,032)	(297)	43	27,967	51
TOTAL COMPANY	2006	**68,222**	**12,413**	**8,684**	**2,627**	**135,695**	**2,667**
	2005	56,741	9,981	6,923	1,884	61,527	2,181
	2004	51,407	8,905	6,156	1,733	57,048	2,024

(1) Reflects information for the nine months ended June 30, 2006.

Millions of dollars except per share amounts or otherwise specified.

Off-Balance Sheet Arrangements
We do not have off-balance sheet financing arrangements, including variable interest entities, under FIN 46, "Consolidation of Variable Interest Entities," that have a material impact on our financial statements.

Purchase Commitments
We have purchase commitments for materials, supplies, services and property, plant and equipment as part of the normal course of business. Commitments made under take-or-pay obligations are as follows: 2007–$1,940; 2008–$1,008; 2009–$585; 2010–$505 and 2011–$497. Such amounts represent future purchases in line with expected usage to obtain favorable pricing. Approximately 50% of our purchase commitments relate to service contracts for information technology, human resources management and facilities management activities that were outsourced in recent years. Due to the proprietary nature of many of our materials and processes, certain supply contracts contain penalty provisions for early termination. We do not expect to incur penalty payments under these provisions that would materially affect our financial condition, cash flows or results of operations.

Operating Leases
We lease certain property and equipment for varying periods. Future minimum rental commitments under noncancelable operating leases are as follows: 2007–$269; 2008–$212; 2009–$182; 2010–$168; 2011–$140 and $428 thereafter.

Litigation
We are subject to various lawsuits and claims with respect to matters such as governmental regulations, income taxes and other actions arising out of the normal course of business. 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 condition, cash flows or results of operations. 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 have a material adverse effect on our financial position, cash flows or results of operations.

NOTE 12
SEGMENT INFORMATION

We are organized under three Global Business Units as follows:

- Beauty and Health includes the Beauty and the Health Care businesses. Beauty includes retail and professional hair care, skin care, feminine care, cosmetics, fine fragrances and personal cleansing. Health Care includes oral care and pharmaceuticals and personal health care.
- Household Care includes the Fabric Care and Home Care, the Baby Care and Family Care and the Pet Health, Snacks and Coffee businesses. Fabric Care and Home Care includes laundry detergents, dish care, fabric enhancers, surface care, air care and commercial products. Baby Care and Family Care includes diapers, baby wipes, bath tissue and kitchen towels. Pet Health, Snacks and Coffee includes pet food, salted snacks and coffee.
- Gillette GBU includes the Blades and Razors and the Duracell and Braun businesses. Blades and Razors includes men's and women's blades and razors. Duracell and Braun includes batteries, electric razors and small appliances.

Under U.S. GAAP, we have seven reportable segments: Beauty; Health Care; Fabric Care and Home Care; Baby Care and Family Care; Pet Health, Snacks and Coffee; Blades and Razors and Duracell and Braun. The accounting policies of the businesses are generally the same as those described in Note 1. Differences between these policies and U.S. GAAP primarily reflect: income taxes, which are reflected in the businesses using applicable blended statutory rates; the recording of fixed assets at historical exchange rates in certain high-inflation economies and the treatment of certain unconsolidated investees. Certain unconsolidated investees are managed as integral parts of our business units for management reporting purposes. Accordingly, these partially owned operations are reflected as consolidated subsidiaries in business results, with 100% recognition of the individual income statement line items through before-tax earnings. Eliminations to adjust these line items to U.S. GAAP are included in Corporate. In determining after-tax earnings for the businesses, we eliminate the share of earnings applicable to other ownership interests, in a manner similar to minority interest, and apply statutory tax rates. Adjustments to arrive at our effective tax rate are also included in Corporate.

Corporate includes certain operating and non-operating activities that are not reflected in the operating results used internally to measure and evaluate the businesses, as well as eliminations to adjust management reporting principles to U.S. GAAP. Operating activities in Corporate include the results of incidental businesses managed at the corporate level along with the elimination of individual revenues and expenses generated by companies over which we exert significant influence, but do not control. Operating elements also comprise certain employee benefit costs and other general corporate items. The non-operating elements include financing and investing activities. In addition, Corporate includes the historical results of certain divested businesses, including the Juice business, which was divested in August of 2004. Corporate assets primarily include cash, investment securities and all goodwill.

We had net sales in the U.S. of $29,462, $25,342 and $23,688 for the years ended June 30, 2006, 2005 and 2004, respectively. Assets in the U.S. totaled $75,444 and $25,399 as of June 30, 2006 and 2005, respectively.

Our largest customer, Wal-Mart Stores, Inc. and its affiliates, accounted for 15%, 16% and 17% of consolidated net sales in 2006, 2005 and 2004, respectively.

The income tax provision consisted of the following:

Years ended June 30	2006	2005	2004
CURRENT TAX EXPENSE			
U.S. federal	**$1,961**	$1,466	$1,477
International	**1,702**	886	817
U.S. state and local	**178**	142	113
	3,841	2,494	2,407
DEFERRED TAX EXPENSE			
U.S. federal	**226**	215	281
International and other	**(338)**	349	61
	(112)	564	342
TOTAL TAX EXPENSE	**3,729**	3,058	2,749

A reconciliation of the U.S. federal statutory income tax rate to our actual income tax rate is provided below:

Years ended June 30	2006	2005	2004
U.S. federal statutory income tax rate	**35.0%**	35.0%	35.0%
Country mix impacts of foreign operations	**-3.6%**	-4.8%	-3.9%
AJCA repatriation tax charge	**—**	2.8%	—
Income tax reserve adjustments	**-1.5%**	-2.3%	—
Other	**0.1%**	-0.1%	-0.2%
EFFECTIVE INCOME TAX RATE	**30.0%**	30.6%	30.9%

Income tax reserve adjustments represent changes in estimated exposures related to prior year tax positions. Tax benefits credited to shareholders' equity totaled $174 and $237 for the years ended June 30, 2006 and 2005, respectively. These primarily relate to the tax effects of net investment hedges and the minimum pension liability, as well as excess tax benefits from the exercise of stock options.

The American Jobs Creation Act of 2004 (the "AJCA") permitted U.S. corporations to repatriate earnings of foreign subsidiaries at a one-time favorable effective federal statutory tax rate of 5.25% as compared to the highest corporate tax rate of 35%. For the year ended June 30, 2006, we repatriated $7.20 billion in earnings previously considered indefinitely invested. We provided for $295 of deferred income tax expense associated with this repatriation in the year ended June 30, 2005.

We have undistributed earnings of foreign subsidiaries of approximately $16 billion at June 30, 2006, for which deferred taxes have not been provided. Such earnings are considered indefinitely invested in the foreign subsidiaries. If such earnings were repatriated, additional tax expense may result, although the calculation of such additional taxes is not practicable.

Deferred income tax assets and liabilities were comprised of the following:

June 30	2006	2005
DEFERRED TAX ASSETS		
Stock-based compensation	**$ 1,063**	$ 998
Loss and other carryforwards	**615**	406
Pension and postretirement benefits	**547**	295
Unrealized loss on financial and foreign exchange transactions	**507**	503
Advance payments	**219**	257
Accrued marketing and promotion expense	**183**	137
Accrued Gillette exit costs	**173**	—
Fixed assets	**87**	127
Other	**1,044**	900
Valuation allowances	***(398)***	*(386)*
	4,040	3,237
DEFERRED TAX LIABILITIES		
Goodwill and other intangible assets	**$12,036**	$1,396
Fixed assets	**1,861**	1,487
AJCA repatriation	**—**	303
Other	**436**	597
	14,333	3,783

Net operating loss carryforwards were $2,134 and $1,418 at June 30, 2006 and 2005, respectively. If unused, $474 will expire between 2007 and 2026. The remainder, totaling $1,660 at June 30, 2006, may be carried forward indefinitely.

NOTE 11
COMMITMENTS AND CONTINGENCIES

Guarantees

In conjunction with certain transactions, primarily divestitures, we may provide routine indemnifications (e.g., retention of previously existing environmental, tax and employee liabilities) whose terms range in duration and often are not explicitly defined. Generally, the maximum obligation under such indemnifications is not explicitly stated and, as a result, the overall amount of these obligations cannot be reasonably estimated. Other than obligations recorded as liabilities at the time of divestiture, we have not made significant payments for these indemnifications. We believe that if we were to incur a loss on any of these matters, the loss would not have a material effect on our financial position, results of operations or cash flows.

In certain situations, we guarantee loans for suppliers and customers. The total amount of guarantees issued under such arrangements is not material.

Millions of dollars except per share amounts or otherwise specified.

As permitted by SOP 93-6, "Employers Accounting for Employee Stock Ownership Plans," we have elected, where applicable, to continue our practices, which are based on SOP 76-3, "Accounting Practices for Certain Employee Stock Ownership Plans." ESOP debt, which is guaranteed by the Company, is recorded as debt (see Note 5). Preferred shares issued to the ESOP are offset by the Reserve for ESOP Debt Retirement in the Consolidated Balance Sheets and the Consolidated Statements of Shareholders' Equity. Advances to the ESOP are recorded as an increase in the Reserve for ESOP Debt Retirement. Interest incurred on the ESOP debt is recorded as interest expense. Dividends on all preferred shares, net of related tax benefits, are charged to retained earnings.

The preferred shares of the ESOP are allocated to employees based on debt service requirements, net of advances made by the Company to the Trust. The number of preferred shares outstanding at June 30 was as follows:

Shares in thousands; June 30	2006	2005	2004
Allocated	**61,614**	61,904	62,511
Unallocated	**23,125**	25,623	28,296
TOTAL SERIES A	**84,739**	87,527	90,807
Allocated	**21,733**	21,989	21,399
Unallocated	**45,594**	46,338	48,528
TOTAL SERIES B	**67,327**	68,327	69,927

For purposes of calculating diluted net earnings per common share, the preferred shares held by the ESOP are considered converted from inception. Diluted net earnings are calculated assuming that all preferred shares are converted to common, and therefore are adjusted to reflect the incremental ESOP funding that would be required due to the prior year difference in dividend rate between preferred and common shares (see Note 7).

In connection with the Gillette acquisition, we assumed the Gillette ESOP, which was established to assist Gillette employees in financing retiree medical costs. These ESOP accounts are held by participants and must be used to reduce the Company's other retiree benefit obligations. Such accounts reduced our obligation by $212 at June 30, 2006.

NOTE 10
INCOME TAXES

Under SFAS 109, "Accounting for Income Taxes," income taxes are recognized for the amount of taxes payable for the current year and for the impact of deferred tax liabilities and assets, which represent future tax consequences of events that have been recognized differently in the financial statements than for tax purposes. Deferred tax assets and liabilities are established using the enacted statutory tax rates and are adjusted for any changes in such rates in the period of change.

Management judgment is required in evaluating tax positions and other items that factor into determining tax provisions. Management believes its tax positions and related provisions reflected in the consolidated financial statements are fully supportable. We establish reserves for additional income taxes related to 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. In such cases, the reserves for additional taxes are based on management's best estimate of the ultimate outcome. These reserves are reviewed on an ongoing basis and are adjusted in light of changing facts and circumstances, including progress on tax audits, changes in interpretations of tax laws, developments in case law and closing of statutes of limitation. Our tax provision includes the impact of recording reserves and any changes thereto. We have a number of tax audits in process and have open tax years with various significant taxing jurisdictions that range primarily from 1995 to 2006. Based on currently available information, we do not believe the ultimate outcome of these tax audits and other tax positions related to open tax years, when finalized, will have a material adverse effect on our financial position, results of operations or cash flows.

Earnings before income taxes consisted of the following:

Years ended June 30	2006	2005	2004
United States	**$ 7,410**	$6,266	$5,760
International	**5,003**	3,715	3,145
	12,413	9,981	8,905

Assumed health care cost trend rates could have a significant effect on the amounts reported for the other retiree benefit plans. A one-percentage point change in assumed health care cost trend rates would have the following effects:

	One-Percentage Point Increase	One-Percentage Point Decrease
Effect on total of service and interest cost components	$ 57	$ (41)
Effect on postretirement benefit obligation	484	(371)

Plan Assets. Our target asset allocation for the year ending June 30, 2007 and actual asset allocation by asset category as of June 30, 2006, and 2005, are as follows:

	Target Asset Allocation	
Asset Category	Pension Benefits	Other Retiree Benefits
Equity securities (1)	51%	96%
Debt securities	47%	4%
Real estate	2%	—
TOTAL	100%	100%

	Actual Asset Allocation at June 30			
	Pension Benefits		Other Retiree Benefits	
Asset Category	2006	2005	2006	2005
Equity securities (1)	**59%**	64%	**96%**	99%
Debt securities	**39%**	33%	**4%**	1%
Real estate	**2%**	3%	**—**	—
TOTAL	**100%**	100%	**100%**	100%

(1) Equity securities for other retiree plan assets include Company stock, net of Series B ESOP debt (see Note 5), of $2,693 and $2,604 as of June 30, 2006 and 2005, respectively.

Our investment objective for defined benefit plan assets is to meet the plans' benefit obligations, while minimizing the potential for future required Company plan contributions. The investment strategies focus on asset class diversification, liquidity to meet benefit payments and an appropriate balance of long-term investment return and risk. Target ranges for asset allocations are determined by matching the actuarial projections of the plans' future liabilities and benefit payments with expected long-term rates of return on the assets, taking into account investment return volatility and correlations across asset classes. Plan assets are diversified across several investment managers and are generally invested in liquid funds that are selected to track broad market equity and bond indices. Investment risk is carefully controlled with plan assets rebalanced to target allocations on a periodic basis and continual monitoring of investment managers' performance relative to the investment guidelines established with each investment manager.

Cash Flows. Management's best estimate of our cash requirements for the defined benefit plans and other retiree benefit plans for the year ending June 30, 2007 is $398 and $24, respectively. For the defined benefit plans, this is comprised of $137 in expected benefit payments from the Company directly to participants of unfunded plans and $261 of expected contributions to funded plans. For other retiree benefit plans, this is comprised of expected contributions that will be used directly for benefit payments. Expected contributions are dependent on many variables, including the variability of the market value of the plan assets as compared to the benefit obligation and other market or regulatory conditions. In addition, we take into consideration our business investment opportunities and resulting cash requirements. Accordingly, actual funding may differ significantly from current estimates.

Total benefit payments expected to be paid to participants, which include payments funded from the Company's assets, as discussed above, as well as payments paid from the plans, are as follows:

Years ended June 30	Pension Benefits	Other Retiree Benefits
Expected benefit payments		
2007	$ 399	$ 190
2008	407	207
2009	405	223
2010	414	237
2011	426	251
2012–2016	2,337	1,367

Employee Stock Ownership Plan

We maintain the ESOP to provide funding for certain employee benefits discussed in the preceding paragraphs.

The ESOP borrowed $1.00 billion in 1989 and the proceeds were used to purchase Series A ESOP Convertible Class A Preferred Stock to fund a portion of the defined contribution retirement plan in the U.S. Principal and interest requirements of the borrowing were paid by the Trust from dividends on the preferred shares and from advances from the Company. The final payment for the original borrowing of $1.00 billion was made in 2004. Advances from the Company of $237 remain outstanding at June 30, 2006. Each share is convertible at the option of the holder into one share of the Company's common stock. The dividend for the current year was $1.15 per share. The liquidation value is $6.82 per share.

In 1991, the ESOP borrowed an additional $1.00 billion. The proceeds were used to purchase Series B ESOP Convertible Class A Preferred Stock to fund a portion of retiree health care benefits. These shares, net of the ESOP's debt, are considered plan assets of the Other Retiree Benefits plan discussed above. Debt service requirements are funded by preferred stock dividends, cash contributions and advances from the Company, of which $51 is outstanding at June 30, 2006. Each share is convertible at the option of the holder into one share of the Company's common stock. The dividend for the current year was $1.15 per share. The liquidation value is $12.96 per share.

Millions of dollars except per share amounts or otherwise specified.

Net Periodic Benefit Cost. Components of the net periodic benefit cost were as follows:

	Pension Benefits			Other Retiree Benefits		
Years ended June 30	2006	2005	2004	2006	2005	2004
Service cost	**$ 265**	$ 162	$ 157	**$ 97**	$ 67	$ 89
Interest cost	**383**	241	204	**179**	146	172
Expected return on plan assets	**(353)**	(185)	(153)	**(372)**	(333)	(329)
Amortization of deferred amounts	**7**	6	3	**(22)**	(22)	(1)
Curtailment and settlement (gain) loss	**(4)**	13	—	**—**	—	—
Recognized net actuarial loss	**76**	31	28	**6**	1	1
GROSS BENEFIT COST	**374**	268	239	**(112)**	(141)	(68)
Dividends on ESOP *preferred stock*	**—**	—	—	**(78)**	(73)	(73)
NET PERIODIC BENEFIT COST (CREDIT)	**374**	268	239	**(190)**	(214)	(141)

Assumptions. We determine our actuarial assumptions on an annual basis. These assumptions are weighted to reflect each country that may have an impact on the cost of providing retirement benefits. The weighted average assumptions for the defined benefit and other retiree benefit calculations, as well as assumed health care trend rates are as follows:

	Pension Benefits		Other Retiree Benefits	
Years ended June 30	2006	2005	2006	2005
ASSUMPTIONS USED TO DETERMINE BENEFIT OBLIGATIONS (1)				
Discount rate	**5.2%**	4.5%	**6.3%**	5.1%
Rate of compensation increase	**3.0%**	2.8%	**—**	—
ASSUMPTIONS USED TO DETERMINE NET PERIODIC BENEFIT COST (2)				
Discount rate	**4.7%**	5.2%	**5.2%**	6.1%
Expected return on plan assets	**7.3%**	7.2%	**9.2%**	9.5%
Rate of compensation increase	**3.2%**	3.1%	**—**	—
ASSUMED HEALTH CARE COST TREND RATES				
Health care cost trend rates assumed for next year (3)	**—**	—	**10.0%**	9.6%
Rate to which the health care cost trend rate is assumed to decline (ultimate trend rate)	**—**	—	**5.1%**	5.1%
Year that the rate reaches the ultimate trend rate	**—**	—	**2012**	2011

(1) Determined as of end of year.

(2) Determined as of beginning of year, and adjusted for acquisitions.

(3) Rate is applied to current plan costs net of Medicare; estimated initial rate for "gross eligible charges" (charges inclusive of Medicare) is 7.7% for 2006 and 2005.

Several factors are considered in developing the estimate for the long-term expected rate of return on plan assets. For the defined benefit plans, these include historical rates of return of broad equity and bond indices and projected long-term rates of return obtained from pension investment consultants. The expected long-term rates of return for plan assets are 8%–9% for equities and 5%–6% for bonds. For other retiree benefit plans, the expected long-term rate of return reflects the fact that the assets are comprised primarily of Company stock. The expected rate of return on Company stock is based on the long-term projected return of 9.5% and reflects the historical pattern of favorable returns on the Company's stock relative to broader market indices (e.g., S&P 500).

Millions of dollars except per share amounts or otherwise specified.

Obligation and Funded Status. We use a June 30 measurement date for our defined benefit retirement plans and other retiree benefit plans. The following provides a reconciliation of benefit obligations, plan assets and funded status of these plans:

	Pension Benefits (2)		Other Retiree Benefits (3)	
Years ended June 30	2006	2005	2006	2005
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year (1)	**$ 5,626**	$ 4,616	**$3,079**	$2,400
Service cost	**265**	162	**97**	67
Interest cost	**383**	241	**179**	146
Participants' contributions	**19**	18	**35**	33
Amendments	**65**	45	**—**	—
Actuarial (gain) loss	**(754)**	807	**(466)**	566
Acquisitions (divestitures)	**3,744**	(7)	**506**	—
Curtailments and settlements	**(9)**	—	**—**	—
Special termination benefits	**—**	—	**1**	2
Currency translation and other	**247**	(35)	**22**	9
Benefit payments	**(342)**	(221)	**(167)**	(144)
BENEFIT OBLIGATION AT END OF YEAR (1)	**9,244**	5,626	**3,286**	3,079
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	**$ 2,572**	$ 2,263	**$2,700**	$2,843
Actual return on plan assets	**481**	201	**234**	(44)
Acquisitions	**2,889**	—	**288**	—
Employer contributions	**427**	310	**21**	11
Participants' contributions	**19**	18	**35**	33
Currency translation	**157**	1	**(1)**	1
ESOP debt impacts (4)	**—**	—	**(19)**	—
Benefit payments	**(342)**	(221)	**(167)**	(144)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**6,203**	2,572	**3,091**	2,700
FUNDED STATUS	**(3,041)**	(3,054)	**(195)**	(379)

(1) For the pension benefit plans, the benefit obligation is the projected benefit obligation. For other retiree benefit plans, the benefit obligation is the accumulated postretirement benefit obligation.

(2) Primarily non-U.S.-based defined benefit retirement plans.

(3) Primarily U.S.-based other postretirement benefit plans.

(4) Represents increases in the ESOP's debt, which is netted against plan assets for Other Retiree Benefits.

	Pension Benefits		Other Retiree Benefits	
Years ended June 30	2006	2005	2006	2005
CALCULATION OF NET AMOUNT RECOGNIZED				
Funded status at end of year	**$(3,041)**	$(3,054)	**$(195)**	$(379)
Unrecognized net actuarial loss	**672**	1,641	**275**	606
Unrecognized transition amount	**7**	9	**—**	—
Unrecognized prior service cost	**146**	81	**(220)**	(242)
NET AMOUNT RECOGNIZED	**(2,216)**	(1,323)	**(140)**	(15)
CLASSIFICATION OF NET AMOUNT RECOGNIZED				
Prepaid benefit cost	**$ 386**	$ 207	**$ 255**	$ 138
Accrued benefit cost	**(2,766)**	(2,180)	**(395)**	(153)
Intangible asset	**74**	123	**—**	—
Accumulated other comprehensive income	**90**	527	**—**	—
NET AMOUNT RECOGNIZED	**(2,216)**	(1,323)	**(140)**	(15)

The underfunding of pension benefits is primarily a function of the different funding incentives that exist outside of the U.S. In certain countries where we have major operations, there are no legal requirements or financial incentives provided to companies to pre-fund pension obligations. In these instances, benefit payments are typically paid directly from the Company's cash as they become due.

The accumulated benefit obligation for all defined benefit retirement plans was $8,013 and $4,610 at June 30, 2006 and June 30, 2005, respectively. Plans with accumulated benefit obligations in excess of plan assets and plans with projected benefit obligations in excess of plan assets consist of the following:

	Accumulated Benefit Obligation Exceeds Fair Value of Plan Assets		Projected Benefit Obligation Exceeds Fair Value of Plan Assets	
Years ended June 30	2006	2005	2006	2005
Projected benefit obligation	**$5,597**	$3,567	**$7,695**	$5,442
Accumulated benefit obligation	**4,912**	3,018	**6,544**	4,441
Fair value of plan assets	**2,684**	876	**4,498**	2,382

Millions of dollars except per share amounts or otherwise specified.

to estimate option exercise and employee termination patterns within the valuation model. The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. The interest rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

In connection with the Gillette acquisition, we issued 70 million fully vested Procter & Gamble stock options valued at $1.22 billion to current and former Gillette employees in exchange for fully vested Gillette stock options. We also issued 9 million unvested Procter & Gamble stock options valued at $102 in exchange for Gillette stock options that were not yet vested as of the acquisition date. Vesting terms and option lives are not substantially different from our key manager option grants.

A summary of options under the plans as of June 30, 2006 and activity during the year then ended is presented below:

Options in thousands	Options	Weighted Avg. Exercise Price	Weighted Avg. Remaining Contractual Life in Years	Aggregate Intrinsic Value (in millions)
Outstanding, beginning of year	287,183	$41.07		
Issued in Gillette acquisition	79,447	41.36		
Granted	33,904	59.97		
Exercised	(36,623)	32.54		
Canceled	(1,559)	55.38		
OUTSTANDING, END OF YEAR	362,352	43.71	7.3	$4,472
EXERCISABLE	252,689	39.04	5.7	4,196

The weighted average grant-date fair value of options granted was $16.30, $14.34 and $12.50 per share in 2006, 2005 and 2004, respectively. The total intrinsic value of options exercised was $815, $526 and $537 in 2006, 2005 and 2004, respectively. The total grant-date fair value of options that vested during 2006, 2005 and 2004 was $388, $532 and $620, respectively. We have no specific policy to repurchase common shares to mitigate the dilutive impact of options; however, we have historically made adequate discretionary purchases, based on cash availability, market trends and other factors, to satisfy stock option exercise activity.

At June 30, 2006, there was $647 of compensation cost that has not yet been recognized related to nonvested stock-based awards. That cost is expected to be recognized over a remaining weighted average period of 1.9 years.

Cash received from options exercised was $1,229, $455 and $555 in 2006, 2005 and 2004, respectively. The actual tax benefit realized for the tax deductions from option exercises totaled $242, $149 and $161 in 2006, 2005 and 2004, respectively.

NOTE 9
POSTRETIREMENT BENEFITS AND EMPLOYEE STOCK OWNERSHIP PLAN

We offer various postretirement benefits to our employees.

Defined Contribution Retirement Plans

We have defined contribution plans which cover the majority of our U.S. employees, as well as employees in certain other countries. These plans are fully funded. We generally make contributions to participants' accounts based on individual base salaries and years of service. For the primary U.S. defined contribution plan, the contribution rate is set annually. Total contributions for this plan approximated 15% of total participants' annual wages and salaries in 2006, 2005 and 2004.

We maintain The Procter & Gamble Profit Sharing Trust (Trust) and Employee Stock Ownership Plan (ESOP) to provide a portion of the funding for the primary U.S. defined contribution plan, as well as other retiree benefits. Operating details of the ESOP are provided at the end of this Note. The fair value of the ESOP Series A shares allocated to participants reduces our cash contribution required to fund the primary U.S. defined contribution plan. Total defined contribution expense, which is largely composed of the primary U.S. defined contribution plan, was $249, $215 and $286 in 2006, 2005 and 2004, respectively.

Defined Benefit Retirement Plans and Other Retiree Benefits

We offer defined benefit pension plans to certain employees. These benefits relate primarily to local plans outside the U.S., and to a lesser extent, plans assumed in the Gillette acquisition covering U.S. employees.

We also provide certain other retiree benefits, primarily health care and life insurance, for the majority of our U.S. employees who become eligible for these benefits when they meet minimum age and service requirements. Generally, the health care plans require cost sharing with retirees and pay a stated percentage of expenses, reduced by deductibles and other coverages. These benefits are primarily funded by ESOP Series B shares as well as certain other assets contributed by the Company.

NOTE 7
EARNINGS PER SHARE

Net earnings less preferred dividends (net of related tax benefits) are divided by the weighted average number of common shares outstanding during the year to calculate basic net earnings per common share. Diluted net earnings per common share are calculated to give effect to stock options and other stock-based awards and assuming conversion of preferred stock (see Note 9).

Net earnings and common shares used to calculate basic and diluted net earnings per share were as follows:

Years ended June 30	2006	2005	2004
NET EARNINGS	**$8,684**	$6,923	$6,156
Preferred dividends, net of tax benefit	**(148)**	(136)	(131)
NET EARNINGS AVAILABLE TO **COMMON SHAREHOLDERS**	**8,536**	6,787	6,025
Preferred dividends, net of tax benefit	**148**	136	131
Preferred dividend impact on funding of ESOP	**—**	(1)	(4)
DILUTED NET EARNINGS	**8,684**	6,922	6,152

Shares in millions; Years ended June 30	2006	2005	2004
Basic weighted average common shares outstanding	**3,054.9**	2,515.6	2,580.1
Effect of dilutive securities			
Conversion of preferred shares (1)	**154.1**	158.3	164.0
Exercise of stock options and other unvested equity awards (2)	**76.9**	63.2	55.3
DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	**3,285.9**	2,737.1	2,799.4

(1) Despite being included currently in diluted net earnings per common share, the actual conversion to common stock occurs pursuant to the repayment of the ESOP debt through 2021.

(2) Approximately 44 million in 2006, 48 million in 2005 and 43 million in 2004 of the Company's outstanding stock options were not included in the diluted net earnings per share calculation because to do so would have been antidilutive (i.e., the total proceeds upon exercise would have exceeded market value).

NOTE 8
STOCK-BASED COMPENSATION

We have a primary stock-based compensation plan under which stock options are granted annually to key managers and directors with exercise prices equal to the market price of the underlying shares on the date of grant. Grants were made under plans approved by shareholders in 2001, 2003 and 2004. A total of 249 million shares of common stock were authorized for issuance under these plans of which 123 million remain available for grant. Grants issued since September 2002 are vested after three years and have a 10-year life. Grants issued from July 1998 through August 2002 are vested after three years and have a 15-year life, while grants issued prior to July 1998 are vested after one year and have a 10-year life. In addition to our key manager and director grants, we make other minor stock option grants to employees for which vesting terms and option lives are not substantially different.

As discussed in Note 1, effective July 1, 2005, we adopted SFAS 123(R) on a modified retrospective basis to account for our stock-based compensation plans. Total stock-based compensation expense for stock option grants was $526, $459 and $445 for 2006, 2005 and 2004, respectively. The total income tax benefit recognized in the income statement for these stock-based compensation arrangements was $140, $125 and $120 for 2006, 2005 and 2004, respectively. We also make minor grants of restricted stock, restricted stock units and other stock-based grants to certain employees. Total compensation cost for these restricted stock, restricted stock units and other stock-based grants, which are generally expensed at grant date, was $59, $65 and $46 in 2006, 2005 and 2004, respectively.

In calculating the compensation expense for options granted, we have estimated the fair value of each grant issued through December 31, 2004 using the Black-Scholes option-pricing model. Effective January 1, 2005, we utilize a binomial lattice-based model for the valuation of stock option grants. The utilization of the binomial lattice-based model did not have a significant impact on the valuation of stock options as compared to the Black-Scholes model. Assumptions utilized in the model, which are evaluated and revised, as necessary, to reflect market conditions and experience, are as follows:

Years ended June 30	2006	2005	2004
Interest rate	**4.5%–4.7%**	3.2%–4.5%	3.8%
Weighted average interest rate	**4.6%**	4.4%	—
Dividend yield	**1.9%**	1.9%	1.8%
Expected volatility	**15%–20%**	15%–20%	20%
Weighted average volatility	**19%**	20%	—
Expected life in years	**9**	9	8

Because lattice-based option valuation models incorporate ranges of assumptions for inputs, those ranges are disclosed for the period of time that lattice-based models were employed. Expected volatilities are based on a combination of historical volatility of our stock and implied volatilities of call options on our stock. We use historical data

Interest rate swaps that meet specific criteria under SFAS 133 are accounted for as fair value and cash flow hedges. For fair value hedges, the changes in the fair value of both the hedging instruments and the underlying debt obligations are immediately recognized in interest expense as equal and offsetting gains and losses. The fair value of these fair value hedging instruments was a liability of $32 and an asset of $17 at June 30, 2006 and 2005, respectively. All existing fair value hedges are 100% effective. As a result, there is no impact on earnings from hedge ineffectiveness. For cash flow hedges, the effective portion of the changes in fair value of the hedging instrument is reported in other comprehensive income and reclassified into interest expense over the life of the underlying debt. The fair value of these cash flow hedging instruments was an asset of $225 and $3 at June 30, 2006 and 2005, respectively. During the next 12 months, $62 of the June 30, 2006 balance will be reclassified from other comprehensive income to earnings consistent with the timing of the underlying hedged transactions. The ineffective portion, which is not material for any year presented, is immediately recognized in earnings.

Foreign Currency Management

We manufacture and sell our products in a number of countries throughout the world and, as a result, are exposed to movements in foreign currency exchange rates. The purpose of our foreign currency hedging program is to reduce the risk caused by short-term changes in exchange rates.

To manage this exchange rate risk, we primarily utilize forward contracts and options with maturities of less than 18 months and currency swaps with maturities up to 5 years. These instruments are intended to offset the effect of exchange rate fluctuations on forecasted sales, inventory purchases, intercompany royalties and intercompany loans denominated in foreign currencies and are therefore accounted for as cash flow hedges. The fair value of these instruments at June 30, 2006 and 2005 was $25 and $47 in assets and $58 and $131 in liabilities, respectively. The effective portion of the changes in fair value of these instruments is reported in other comprehensive income and reclassified into earnings in the same financial statement line item and in the same period or periods during which the related hedged transactions affect earnings. The ineffective portion, which is not material for any year presented, is immediately recognized in earnings.

Certain instruments used to manage foreign exchange exposure of intercompany financing transactions, income from international operations and other balance sheet items subject to revaluation do not meet the requirements for hedge accounting treatment. In these cases, the change in value of the instruments is designed to offset the foreign currency impact of the related exposure. The fair value of these instruments at June 30, 2006 and 2005 was $17 and $57 in assets and $19 and $108 in liabilities, respectively. The change in value of these instruments is immediately recognized in earnings. The net impact of such instruments, included in selling, general and administrative expense, was $87, $18 and $80 of gains in 2006, 2005 and 2004, respectively, which substantially offset foreign currency transaction and translation losses of the exposures being hedged.

Net Investment Hedging

We hedge certain net investment positions in major foreign subsidiaries. To accomplish this, we either borrow directly in foreign currency and designate all or a portion of foreign currency debt as a hedge of the applicable net investment position or enter into foreign currency swaps that are designated as hedges of our related foreign net investments. Under SFAS 133, changes in the fair value of these instruments are immediately recognized in other comprehensive income, to offset the change in the value of the net investment being hedged. Currency effects of these hedges reflected in other comprehensive income were a $786 after-tax loss, a $135 after-tax gain and a $348 after-tax loss in 2006, 2005 and 2004, respectively. Accumulated net balances were $1,237 and $451 after-tax losses in 2006 and 2005, respectively.

Commodity Price Management

Certain raw materials utilized in our products or production processes are subject to price volatility caused by weather, supply conditions, political and economic variables and other unpredictable factors. To manage the volatility related to anticipated purchases of certain of these materials, we use futures and options with maturities generally less than one year and swap contracts with maturities up to five years. These market instruments generally are designated as cash flow hedges under SFAS 133. The effective portion of the changes in fair value for these instruments is reported in other comprehensive income and reclassified into earnings in the same financial statement line item and in the same period or periods during which the hedged transactions affect earnings. The ineffective portion is immediately recognized in earnings. The impact of the Company's commodity hedging activity was not material to our financial statements for any of the years presented.

NOTE 5
SHORT-TERM AND LONG-TERM DEBT

June 30	2006	2005
SHORT-TERM DEBT		
Current portion of long-term debt	$1,930	$ 2,606
USD commercial paper	—	5,513
Non-USD commercial paper	—	18
Bridge credit facility	—	3,010
Other	198	294
	2,128	11,441

The weighted average short-term interest rates were 5.3% and 3.5% as of June 30, 2006 and 2005, respectively, including the effects of interest rate swaps discussed in Note 6.

June 30	2006	2005
LONG-TERM DEBT		
4.75% USD note due June 2007	$ 1,000	$ 1,000
3.50% USD note due October 2007	500	—
6.13% USD note due May 2008	500	500
Bank credit facility expires July 2008	19,555	—
4.30% USD note due August 2008	500	500
3.50% USD note due December 2008	650	650
6.88% USD note due September 2009	1,000	1,000
Bank credit facility expires August 2010	1,857	—
3.38% EUR note due December 2012	1,779	—
4.95% USD note due August 2014	900	900
4.85% USD note due December 2015	700	700
4.13% EUR note due December 2020	763	—
9.36% ESOP debentures due 2007–2021 (1)	1,000	1,000
6.25% GBP note due January 2030	917	904
5.50% USD note due February 2034	500	500
5.80% USD note due August 2034	600	600
Capital lease obligations	632	273
All other long-term debt	4,553	6,966
Current portion of long-term debt	(1,930)	(2,606)
	35,976	12,887

(1) Debt issued by the ESOP is guaranteed by the Company and must be recorded as debt of the Company as discussed in Note 9.

Long-term weighted average interest rates were 3.6% and 3.2% as of June 30, 2006 and 2005, respectively, including the effects of interest rate swaps and net investment hedges discussed in Note 6.

The fair value of the long-term debt was $36,027 and $13,904 at June 30, 2006 and 2005, respectively. Long-term debt maturities during the next five years are as follows: 2007–$1,930; 2008–$2,210; 2009–$20,739; 2010–$2,013 and 2011–$1,896.

NOTE 6
RISK MANAGEMENT ACTIVITIES

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. To manage the volatility related to these exposures, we evaluate exposures on a consolidated basis to take advantage of logical exposure netting and correlation. For the remaining exposures, we enter into various financial transactions, which we account for under SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended and interpreted. The utilization of these financial transactions is governed by our policies covering acceptable counterparty exposure, instrument types and other hedging practices. We do not hold or issue derivative financial instruments for speculative trading purposes.

At inception, we formally designate and document qualifying instruments as hedges of underlying exposures. We formally assess, both at inception and at least quarterly on an ongoing basis, whether the financial instruments used in hedging transactions are effective at offsetting changes in either the fair value or cash flows of the related underlying exposure. Fluctuations in the value of these instruments generally are offset by changes in the fair value or cash flows of the underlying exposures being hedged. This offset is driven by the high degree of effectiveness between the exposure being hedged and the hedging instrument. Any ineffective portion of a change in the fair value of a qualifying instrument is immediately recognized in earnings.

Credit Risk
We have established strict counterparty credit guidelines and normally enter into transactions with investment grade financial institutions. Counterparty exposures are monitored daily and downgrades in credit rating are reviewed on a timely basis. Credit risk arising from the inability of a counterparty to meet the terms of our financial instrument contracts generally is limited to the amounts, if any, by which the counterparty's obligations exceed our obligations to the counterparty. We do not expect to incur material credit losses on our risk management or other financial instruments.

Interest Rate Management
Our policy is to manage interest cost using a mixture of fixed-rate and variable-rate debt. To manage this risk in a cost-efficient manner, we enter into interest rate swaps in which we agree to exchange with the counterparty, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount.

Millions of dollars except per share amounts or otherwise specified.

NOTE 3
GOODWILL AND INTANGIBLE ASSETS

The change in the net carrying amount of goodwill for the years ended June 30, 2006 and 2005 by business was as follows:

	2006	2005
BEAUTY, beginning of year	**$14,580**	$14,457
Acquisitions	**2,807**	70
Translation and other	**483**	53
End of year	**17,870**	14,580
HEALTH CARE, beginning of year	**1,683**	1,621
Acquisitions and divestitures	**4,318**	61
Translation and other	**89**	1
End of year	**6,090**	1,683
TOTAL BEAUTY AND HEALTH, beginning of year	**16,263**	16,078
Acquisitions and divestitures	**7,125**	131
Translation and other	**572**	54
End of year	**23,960**	16,263
FABRIC CARE AND HOME CARE, beginning of year	**644**	614
Acquisitions	**1,180**	28
Translation and other	**26**	2
End of year	**1,850**	644
BABY CARE AND FAMILY CARE, beginning of year	**955**	941
Acquisitions	**672**	1
Translation and other	**(64)**	13
End of year	**1,563**	955
PET HEALTH, SNACKS AND COFFEE, beginning of year	**1,954**	1,977
Acquisitions and divestitures	**437**	(26)
Translation and other	**5**	3
End of year	**2,396**	1,954
TOTAL HOUSEHOLD CARE, beginning of year	**3,553**	3,532
Acquisitions and divestitures	**2,289**	3
Translation and other	**(33)**	18
End of year	**5,809**	3,553
BLADES AND RAZORS, beginning of year	**—**	—
Acquisitions	**21,174**	—
Translation and other	**365**	—
End of year	**21,539**	—
DURACELL AND BRAUN, beginning of year	**—**	—
Acquisitions	**3,930**	—
Translation and other	**68**	—
End of year	**3,998**	—
TOTAL GILLETTE GBU, beginning of year	**—**	—
Acquisitions	**25,104**	—
Translation and other	**433**	—
End of year	**25,537**	—
GOODWILL, NET, beginning of year	**19,816**	19,610
Acquisitions and divestitures	**34,518**	134
Translation and other	**972**	72
End of year	**55,306**	19,816

Current year acquisitions and divestitures primarily reflect the Gillette acquisition. Gillette goodwill has been preliminarily allocated primarily to the segments comprising the Gillette businesses (Blades and Razors, Duracell and Braun, Health Care and Beauty). A portion of the Gillette goodwill has also been preliminarily allocated to the other segments on the basis that certain cost synergies will benefit these businesses.

Identifiable intangible assets as of June 30, 2006 and 2005 were comprised of:

	2006		2005	
June 30	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
INTANGIBLE ASSETS WITH DETERMINABLE LIVES				
Brands	**$ 3,135**	**$ 540**	$1,144	$239
Patents and technology	**3,098**	**425**	419	236
Customer relationships	**1,695**	**135**	259	66
Other	**333**	**183**	293	169
	8,261	**1,283**	2,115	710
BRANDS WITH INDEFINITE LIVES	**26,743**	**—**	2,942	—
	35,004	**1,283**	5,057	710

The amortization of intangible assets for the years ended June 30, 2006, 2005 and 2004 was $587, $198 and $165, respectively. Estimated amortization expense over the next five years is as follows: 2007–$647; 2008–$618; 2009–$588; 2010–$559 and 2011–$507. Such estimates do not reflect the impact of future foreign exchange rate changes.

NOTE 4
SUPPLEMENTAL FINANCIAL INFORMATION

Selected components of current and noncurrent liabilities were as follows:

June 30	2006	2005
ACCRUED AND OTHER CURRENT LIABILITIES		
Marketing and promotion	**$2,357**	$1,912
Liability under Wella Domination Agreement	**207**	1,087
Compensation expenses	**1,471**	1,045
Accrued Gillette exit costs	**929**	—
Other	**4,623**	3,487
	9,587	7,531
OTHER NONCURRENT LIABILITIES		
Pension benefits	**$2,550**	$2,096
Other postretirement benefits	**374**	149
Other	**1,548**	985
	4,472	3,230

Millions of dollars except per share amounts or otherwise specified.

The preliminary purchase price allocation to the identifiable intangible assets included in these financial statements is as follows:

		Weighted Average Life
INTANGIBLE ASSETS WITH DETERMINABLE LIVES		
Brands	$ 1,607	20
Patents and technology	2,716	17
Customer relationships	1,445	27
BRANDS WITH INDEFINITE LIVES	23,968	Indefinite
TOTAL INTANGIBLE ASSETS	29,736	

The majority of the intangible asset valuation relates to brands. Our preliminary assessment as to brands that have an indefinite life and those that have a determinable life was based on a number of factors, including the competitive environment, market share, brand history, product life cycles, operating plan and macroeconomic environment of the countries in which the brands are sold. The indefinite-lived brands include Gillette, Venus, Duracell, Oral-B and Braun. The determinable-lived brands include certain brand sub-names, such as MACH3 and Sensor in the Blades and Razors business, and other regional or local brands. The determinable-lived brands have asset lives ranging from 10 to 40 years. The patents and technology intangibles are concentrated in the Blades and Razors and Oral Care businesses and have asset lives ranging from 5 to 20 years. The estimated customer relationship intangible asset useful lives ranging from 20 to 30 years reflect the very low historical and projected customer attrition rates among Gillette's major retailer and distributor customers.

We are in the process of completing our analysis of integration plans, pursuant to which we will incur costs primarily related to the elimination of selling, general and administrative overlap between the two companies in areas like Global Business Services, corporate staff and go-to-market support, as well as redundant manufacturing capacity. Our preliminary estimate of Gillette exit costs that have been recognized as an assumed liability as of the acquisition date is $1.14 billion, including $819 in separations related to approximately 5,600 people, $57 in employee relocation costs and $264 in other exit costs. We expect such activities to be substantially complete by June 30, 2008.

Wella Acquisition

On September 2, 2003, we acquired a controlling interest in Wella. Through a stock purchase agreement with the majority shareholders of Wella and a tender offer made on the remaining shares, we initially acquired a total of 81% of Wella's outstanding shares, including 99% of Wella's outstanding voting class shares. In June 2004, the Company and Wella entered into a Domination and Profit Transfer Agreement (the Domination Agreement) pursuant to which we are entitled to exercise full operating control and receive 100% of the future earnings of Wella. As consideration for the Domination Agreement, we agreed to pay the holders of the remaining outstanding Wella shares a guaranteed perpetual annual dividend payment. Alternatively, the remaining Wella shareholders may elect to tender their shares to us for an agreed price. The fair value of the total guaranteed annual dividend payments was $1.11 billion, which approximated the cost if all remaining shares were tendered. Because the Domination Agreement transfers operational and economic control of the remaining outstanding shares to the Company, it has been accounted for as an acquisition of the remaining shares, with a liability recorded equal to the fair value of the guaranteed payments. Because of the tender feature, the remaining liability is recorded as a current liability in the accrued and other liabilities line of the Consolidated Balance Sheets. Payments made under the guaranteed annual dividend and tender provisions are allocated between interest expense and a reduction of the liability, as appropriate. The total purchase price for Wella, including acquisition costs, was $6.27 billion based on exchange rates at the acquisition dates. It was funded with a combination of cash, debt and the liability recorded under the Domination Agreement. During the year ended June 30, 2006, a portion of the remaining shares was tendered, resulting in a $944 reduction in our liability under the Domination Agreement. As a result of the tender, we now own 96.9% of all Wella outstanding shares.

The acquisition of Wella, with over $3 billion in annual net sales, gave us access to the professional hair care category plus greater scale and scope in hair care, hair colorants, cosmetics and fragrance products, while providing potential for significant synergies. The operating results of the Wella business are reported in Beauty beginning September 2, 2003.

China Venture

On June 18, 2004, we purchased the remaining 20% stake in our China venture from our partner, Hutchison Whampoa China Ltd. (Hutchison), giving us full ownership in our operations in China. The net purchase price was $1.85 billion, which is the purchase price of $2.00 billion net of minority interest and related obligations that were eliminated as a result of the transaction. The acquisition was funded by debt.

Other minor business purchases and intangible asset acquisitions totaled $395, $572 and $384 in 2006, 2005 and 2004, respectively.

Millions of dollars except per share amounts or otherwise specified.

We are evaluating the impact, if any, that FIN 48 will have on our financial statements.

No other new accounting pronouncement issued or effective during the fiscal year has had or is expected to have a material impact on the consolidated financial statements. Certain reclassifications of prior years' amounts have been made to conform to the current year presentation.

NOTE 2
ACQUISITIONS

Gillette Acquisition

On October 1, 2005, we completed our acquisition of The Gillette Company. Pursuant to the acquisition agreement, which provided for the exchange of 0.975 shares of The Procter & Gamble Company common stock, on a tax-free basis, for each share of The Gillette Company, we issued 962 million shares of The Procter & Gamble Company common stock, net of shares exchanged for retained Gillette treasury shares. The value of these shares was determined using the average Company stock prices beginning two days before and ending two days after January 28, 2005, the date the acquisition was announced. We also issued 79 million stock options in exchange for Gillette's outstanding stock options. Under the purchase method of accounting, the total consideration was approximately $53.43 billion including common stock, the fair value of vested stock options and acquisition costs. This acquisition resulted in two new reportable segments: Blades and Razors, and Duracell and Braun. The Gillette oral care and personal care businesses were subsumed within the Health Care and Beauty reportable segments, respectively. The operating results of the Gillette businesses are reported in our financial statements beginning October 1, 2005.

The Gillette Company is a market leader in several global product categories including blades and razors, oral care and batteries. Total sales for Gillette during its most recent pre-acquisition year ended December 31, 2004 were $10.48 billion.

In order to obtain regulatory approval of the transaction, we were required to divest certain overlapping businesses. We completed the divestiture of the Spinbrush toothbrush business, Rembrandt (a Gillette oral care product line), Right Guard and other Gillette deodorant brands during the fiscal year ended June 30, 2006.

In connection with this acquisition, we also announced a share buyback plan under which we planned to acquire up to $22 billion of Company common shares through the open market or from private transactions. We completed this share buyback plan in July 2006 with cumulative purchases of $20.10 billion, of which $19.82 billion was acquired through June 30, 2006. The repurchases were financed by borrowings under a $24 billion three-year credit facility with a syndicate of banks. This credit facility carries a variable interest rate. Interest on the facility is managed within our overall interest rate management policies described in Note 6.

The following table provides pro forma results of operations for the years ended June 30, 2006, 2005 and 2004, as if Gillette had been acquired as of the beginning of each fiscal year presented. The pro forma results include certain purchase accounting adjustments such as the estimated changes in depreciation and amortization expense on acquired tangible and intangible assets. However, pro forma results do not include any anticipated cost savings or other effects of the planned integration of Gillette. Accordingly, such amounts are not necessarily indicative of the results if the acquisition had occurred on the dates indicated or that may result in the future.

Pro forma results; Years ended June 30	2006	2005	2004
Net Sales	**$71,005**	$67,920	$61,112
Net Earnings	**8,871**	8,522	7,504
Diluted Net Earnings per Common Share	**$ 2.51**	$ 2.29	$ 1.98

We are in the process of finalizing the allocation of the purchase price to the individual assets acquired and liabilities assumed. The preliminary allocation of the purchase price included in the current period balance sheet is based on the best estimates of management. To assist management in the allocation, we engaged valuation specialists to prepare independent appraisals. The completion of the purchase price allocation may result in adjustments to the carrying value of Gillette's recorded assets and liabilities, revisions of the useful lives of intangible assets and the determination of any residual amount that will be allocated to goodwill. The related depreciation and amortization expense from the acquired assets is also subject to revision based on the final allocation.

The following table presents the preliminary allocation of purchase price related to the Gillette business as of the date of the acquisition.

Current assets	$ 5,553
Property, plant and equipment	3,673
Goodwill	34,943
Intangible assets	29,736
Other noncurrent assets	771
TOTAL ASSETS ACQUIRED	74,676
Current liabilities	5,009
Noncurrent liabilities	16,241
TOTAL LIABILITIES ASSUMED	21,250
NET ASSETS ACQUIRED	53,426

The Gillette acquisition resulted in $34.94 billion in goodwill, preliminarily allocated primarily to the segments comprising the Gillette businesses (Blades and Razors, Duracell and Braun, Health Care and Beauty). A portion of the goodwill has also been preliminarily allocated to the other segments on the basis that certain cost synergies will benefit these businesses. See Note 3 for the allocation of goodwill to the segments.

Millions of dollars except per share amounts or otherwise specified

The following tables summarize the changes within Shareholders' Equity as of June 30, 2003, 2004, 2005 and 2006 from the change in our method of accounting for treasury stock and from the adoption of SFAS 123(R):

As of June 30, 2003	As Originally Reported	Effect of Treasury Stock Change	Effect of SFAS 123(R)	As Adjusted
Common Stock	$ 2,594	$ 382	$ —	$ 2,976
Preferred Stock	1,580	—	—	1,580
Additional Paid-In Capital	1,634	(2,475)	2,730	1,889
Reserve for ESOP Debt Retirement	(1,308)	—	—	(1,308)
Accumulated Other Comprehensive Income	(2,006)	—	—	(2,006)
Treasury Stock	—	(9,772)	—	(9,772)
Retained Earnings	13,692	11,865	(1,891)	23,666
Total Shareholders' Equity	16,186	—	839	17,025

As of June 30, 2004	As Originally Reported	Effect of Treasury Stock Change	Effect of SFAS 123(R)	As Adjusted
Common Stock	$ 2,544	$ 432	$ —	$ 2,976
Preferred Stock	1,526	—	—	1,526
Additional Paid-In Capital	2,425	(3,098)	3,127	2,454
Reserve for ESOP Debt Retirement	(1,283)	—	—	(1,283)
Accumulated Other Comprehensive Income	(1,545)	—	—	(1,545)
Treasury Stock	—	(12,925)	—	(12,925)
Retained Earnings	13,611	15,591	(2,215)	26,987
Total Shareholders' Equity	17,278	—	912	18,190

As of June 30, 2005	As Originally Reported	Effect of Treasury Stock Change	Effect of SFAS 123(R)	As Adjusted
Common Stock	$ 2,473	$ 504	$ —	$ 2,977
Preferred Stock	1,483	—	—	1,483
Additional Paid-In Capital	3,142	(3,659)	3,547	3,030
Reserve for ESOP Debt Retirement	(1,259)	—	—	(1,259)
Accumulated Other Comprehensive Income	(1,566)	—	—	(1,566)
Treasury Stock	—	(17,194)	—	(17,194)
Retained Earnings	13,204	20,349	(2,549)	31,004
Total Shareholders' Equity	17,477	—	998	18,475

As of June 30, 2006	As Computed Under Old Method	Effect of Treasury Stock Change	As Reported
Common Stock	$ 3,179	$ 797	$ 3,976
Preferred Stock	1,451	—	1,451
Additional Paid-In Capital	60,970	(3,114)	57,856
Reserve for ESOP Debt Retirement	(1,288)	—	(1,288)
Accumulated Other Comprehensive Income	(518)	—	(518)
Treasury Stock	—	(34,235)	(34,235)
Retained Earnings	(886)	36,552	35,666
Total Shareholders' Equity	62,908	—	62,908

CHANGE IN SEGMENT REPORTING

In April 2006, we announced a number of changes to certain key leadership positions, which resulted in changes to our Global Business Unit (GBU) structure and segment reporting. These changes dissolved our P&G Family Health GBU by realigning the component businesses within our remaining GBUs. Specifically, pet health and nutrition, which used to be part of our Health Care reportable segment, became part of our Snacks and Coffee reportable segment. The balance of our Health Care reportable segment was combined with the P&G Beauty GBU, but will continue to be reported as a separate reportable segment. In addition, our commercial products organization, which primarily sells cleaning products directly to commercial end users, was moved from Snacks and Coffee to our Fabric Care and Home Care reportable segment. Finally, the adult incontinence business was aligned with our feminine care business and as a consequence moved from Baby Care and Family Care to P&G Beauty. The balance of the Baby Care and Family Care reportable segment was moved from the P&G Family Health GBU to the P&G Household Care GBU but will continue to be reported as a separate reportable segment.

In conjunction with these changes, the P&G Beauty GBU was renamed "Beauty and Health," the Snacks and Coffee reportable segment was renamed "Pet Health, Snacks and Coffee," the P&G Household Care GBU was renamed "Household Care" and the P&G Family Health GBU was eliminated. We now operate with three GBUs and seven reportable segments as summarized in the following table:

GBU	Reportable Segment
BEAUTY AND HEALTH	Beauty
	Health Care
HOUSEHOLD CARE	Fabric Care and Home Care
	Baby Care and Family Care
	Pet Health, Snacks and Coffee
GILLETTE GBU	Blades and Razors
	Duracell and Braun

The accompanying financial statements, including historical results, reflect the new management and organization structure.

In July 2006, the FASB issued FIN 48, "Accounting for Uncertainty in Income Taxes." FIN 48 addresses the accounting and disclosure of uncertain tax positions. We will adopt FIN 48 on July 1, 2007.

Millions of dollars except per share amounts or otherwise specified.

Cash Equivalents
Highly liquid investments with remaining stated maturities of three months or less when purchased are considered cash equivalents and recorded at cost.

Investments
Investment securities consist of auction rate securities that approximate fair value and readily-marketable debt and equity securities that are classified as trading with unrealized gains or losses charged to earnings.

Investments in certain companies over which we exert significant influence, but do not control the financial and operating decisions, are accounted for as equity method investments. Other investments that are not controlled and over which we do not have the ability to exercise significant influence are accounted for under the cost method and are included in other noncurrent assets.

Inventory Valuation
Inventories are valued at the lower of cost or market value. Product-related inventories are primarily maintained on the first-in, first-out method. Minor amounts of product inventories, including certain cosmetics and commodities, are maintained on the last-in, first-out method. The cost of spare part inventories is maintained using the average cost method.

Property, Plant and Equipment
Property, plant and equipment is recorded at cost reduced by accumulated depreciation. Depreciation expense is recognized over the assets' estimated useful lives using the straight-line method. Machinery and equipment includes office furniture and equipment (15-year life), computer equipment and capitalized software (3- to 5-year lives) and manufacturing equipment (3- to 20-year lives). Buildings are depreciated over an estimated useful life of 40 years. Estimated useful lives are periodically reviewed and, where appropriate, changes are made prospectively. Where certain events or changes in operating conditions occur, asset lives may be adjusted and an impairment assessment may be performed on the recoverability of the carrying amounts.

Goodwill and Other Intangible Assets
We have a number of acquired brands that have been determined to have indefinite lives due to the nature of our business. We evaluate a number of factors to determine whether an indefinite life is appropriate, including the competitive environment, market share, brand history, product life cycles, operating plan and the macroeconomic environment of the countries in which the brands are sold. Where certain events or changes in operating conditions occur, an impairment assessment is performed and indefinite-lived brands may be adjusted to a determinable life.

The cost of intangible assets with determinable useful lives is amortized to reflect the pattern of economic benefits consumed, either on a straight-line or accelerated basis over the estimated periods benefited. Patents, technology and other intangibles with contractual terms are generally amortized over their respective legal or contractual lives. Customer relationships and other noncontractual intangible assets with determinable lives are amortized over periods generally ranging from 5 to 40 years. Where certain events or changes in operating conditions occur, an impairment assessment is performed and lives of intangible assets with determinable lives may be adjusted.

Goodwill and indefinite-lived brands are not amortized, but are evaluated annually for impairment or when indicators of a potential impairment are present. Our impairment testing of goodwill is performed separately from our impairment testing of individual indefinite-lived intangibles. The annual evaluation for impairment of goodwill and indefinite-lived intangibles is based on valuation models that incorporate internal projections of expected future cash flows and operating plans.

Fair Values of Financial Instruments
Certain financial instruments are required to be recorded at fair value. The estimated fair values of such financial instruments, including certain debt instruments, investment securities and derivatives, have been determined using market information and valuation methodologies, primarily discounted cash flow analysis. These estimates require considerable judgment in interpreting market data. Changes in assumptions or estimation methods could significantly affect the fair value estimates. However, we do not believe any such changes would have a material impact on our financial condition or results of operations. Other financial instruments, including cash equivalents, other investments and short-term debt, are recorded at cost, which approximates fair value. The fair values of long-term debt and derivative instruments are disclosed in Note 5 and Note 6, respectively.

New Accounting Pronouncements and Policies

CHANGE IN TREASURY STOCK ACCOUNTING
On July 1, 2005, we elected to change our method of accounting for treasury stock. We previously accounted for share repurchases as if the treasury stock were constructively retired by reducing common stock and retained earnings within Shareholders' Equity. Our new method of accounting presents treasury stock as a separate component of Shareholders' Equity. We believe that our new accounting method is preferable as it more closely depicts the underlying intent of the share repurchases in which the shares are not retired and are held for reissuance. In addition, we believe that our new presentation of Shareholders' Equity provides greater visibility of our share repurchase activity.

We reflected this new accounting method retrospectively by adjusting prior periods under SFAS 154, "Accounting Changes and Error Corrections." This reclassification is limited to changes within Shareholders' Equity and has no effect on our net earnings, cash flows or total assets.

ADOPTION OF SFAS 123(R), "SHARE-BASED PAYMENT"
We adopted SFAS 123(Revised 2004), "Share-Based Payment" (SFAS 123(R)) on July 1, 2005. This Statement requires that all stock-based compensation, including grants of employee stock options, be accounted for using the fair value-based method. We elected to adopt SFAS 123(R) using the modified retrospective method under which prior years' results were retrospectively adjusted to give effect to the value of options granted in fiscal years beginning on or after July 1, 1995. Under the modified retrospective method, the compensation expense recognized for periods prior to adoption is consistent with the amounts previously reported in our pro forma footnote disclosure for stock-based compensation. Refer to Note 8 for additional information regarding our stock-based compensation.

Notes to Consolidated Financial Statements

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Procter & Gamble Company's (the "Company," "we" or "us") business is focused on providing branded consumer goods products of superior quality and value. Our products are sold in more than 180 countries primarily through retail operations including mass merchandisers, grocery stores, membership club stores, drug stores and high-frequency stores. We have on-the-ground operations in over 80 countries.

Basis of Presentation

The Consolidated Financial Statements include The Procter & Gamble Company and its controlled subsidiaries. Intercompany transactions are eliminated.

Use of Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying disclosures. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates are used in accounting for, among other items, consumer and trade promotion accruals, pensions, post-employment benefits, stock options, valuation of acquired intangible assets, useful lives for depreciation and amortization, future cash flows associated with impairment testing for goodwill, indefinite-lived intangible assets and long-lived assets, deferred tax assets, potential income tax assessments and contingencies. Actual results may ultimately differ from estimates, although management does not believe such differences would materially affect the financial statements in any individual year.

Revenue Recognition

Sales are recognized when revenue is realized or realizable and has been earned. Most revenue transactions represent sales of inventory. The revenue recorded includes shipping and handling costs, which generally are included in the list price to the customer. Our policy is to recognize revenue when title to the product, ownership and risk of loss transfer to the customer, which generally is on the date of shipment. A provision for payment discounts and product return allowances is recorded as a reduction of sales in the same period that the revenue is recognized.

Trade promotions, consisting primarily of customer pricing allowances, merchandising funds and consumer coupons, are offered through various programs to customers and consumers. Sales are recorded net of trade promotion spending, which is recognized as incurred, generally at the time of the sale. Most of these arrangements have terms of approximately one year. Accruals for expected payouts under these programs are included as accrued marketing and promotion in the accrued and other liabilities line item in the Consolidated Balance Sheets.

Cost of Products Sold

Cost of products sold is primarily comprised of direct materials and supplies consumed in the manufacture of product, as well as manufacturing labor, depreciation expense and direct overhead expense necessary to acquire and convert the purchased materials and supplies into finished product. Cost of products sold also includes the cost to distribute products to customers, inbound freight costs, internal transfer costs, warehousing costs and other shipping and handling activity. Shipping and handling costs invoiced to customers are included in net sales.

Selling, General and Administrative Expense

Selling, general and administrative expense is primarily comprised of marketing expenses, including the cost of media, advertising and related costs; selling expenses; research and development costs; administrative and other indirect overhead costs; depreciation and amortization expense on non-manufacturing assets and other miscellaneous operating items. Research and development costs are charged to expense as incurred and were $2,075 in 2006, $1,940 in 2005 and $1,802 in 2004. Advertising costs are charged to expense as incurred. Worldwide television, print, radio and Internet advertising expenses were $6,773 in 2006, $5,917 in 2005 and $5,504 in 2004.

Other Non-Operating Income, Net

Other non-operating income, net primarily includes divestiture gains and losses and interest and investment income.

Currency Translation

Financial statements of operating subsidiaries outside the United States of America (U.S.) generally are measured using the local currency as the functional currency. Adjustments to translate those statements into U.S. dollars are recorded in other comprehensive income. Currency translation adjustments in accumulated other comprehensive income were a gain of $522 at June 30, 2006 and a loss of $794 at June 30, 2005. For subsidiaries operating in highly inflationary economies, the U.S. dollar is the functional currency. Remeasurement adjustments for financial statements in highly inflationary economies and other transactional exchange gains and losses are reflected in earnings.

Cash Flow Presentation

The Statement of Cash Flows is prepared using the indirect method, which reconciles net earnings to cash flow from operating activities. These adjustments include the removal of timing differences between the occurrence of operating receipts and payments and their recognition in net earnings. The adjustments also remove cash flows from operating activities arising from investing and financing activities, which are presented separately from operating activities. Cash flows from foreign currency transactions and operations are translated at an average exchange rate for the period. Cash flows from hedging activities are included in the same category as the items being hedged. Cash flows from derivative instruments designated as net investment hedges are classified as financing activities. Cash flows from other derivative instruments used to manage interest, commodity or currency exposures are classified as operating activities. Cash paid for acquisitions is classified as investing activities.

Consolidated Statements of Cash Flows

Amounts in millions; Years ended June 30	2006	2005	2004
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**$ 6,389**	$ 4,232	$ 5,428
OPERATING ACTIVITIES			
Net earnings	**8,684**	6,923	6,156
Depreciation and amortization	**2,627**	1,884	1,733
Share-based compensation expense	**585**	524	491
Deferred income taxes	**(112)**	564	342
Change in accounts receivable	**(524)**	(86)	(159)
Change in inventories	**383**	(644)	56
Change in accounts payable, accrued and other liabilities	**230**	(101)	597
Change in other operating assets and liabilities	**(508)**	(498)	(88)
Other	**10**	113	227
TOTAL OPERATING ACTIVITIES	**11,375**	8,679	9,355
INVESTING ACTIVITIES			
Capital expenditures	**(2,667)**	(2,181)	(2,024)
Proceeds from asset sales	**882**	517	230
Acquisitions, net of cash acquired	**171**	(572)	(7,476)
Change in investment securities	**884**	(100)	(874)
TOTAL INVESTING ACTIVITIES	**(730)**	(2,336)	(10,144)
FINANCING ACTIVITIES			
Dividends to shareholders	**(3,703)**	(2,731)	(2,539)
Change in short-term debt	**(8,627)**	2,016	4,911
Additions to long-term debt	**22,545**	3,108	1,963
Reductions of long-term debt	**(5,282)**	(2,013)	(1,188)
Impact of stock options and other	**1,319**	521	562
Treasury purchases	**(16,830)**	(5,026)	(4,070)
TOTAL FINANCING ACTIVITIES	**(10,578)**	(4,125)	(361)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**237**	(61)	(46)
CHANGE IN CASH AND CASH EQUIVALENTS	**304**	2,157	(1,196)
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 6,693**	$ 6,389	$ 4,232

SUPPLEMENTAL DISCLOSURE			
Cash payments for:			
Interest	**$ 1,045**	$ 783	$ 630
Income taxes	**2,869**	2,644	1,634
Assets acquired through noncash capital leases	**363**	68	127
Gillette acquisition funded by share issuance	**53,371**	—	—

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

Dollars in millions/Shares in thousands	Common Shares Outstanding	Common Stock	Preferred Stock	Additional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumulated Other Comprehensive Income	Treasury Stock	Retained Earnings	Total	Total Comprehensive Income
BALANCE JUNE 30, 2003	2,594,395	$2,976	$1,580	$ 1,889	$(1,308)	$(2,006)	$ (9,772)	$23,666	$17,025	
Net earnings								6,156	6,156	$6,156
Other comprehensive income:										
Financial statement translation						750			750	750
Net investment hedges, net of $207 tax						(348)			(348)	(348)
Other, net of tax benefits						59			59	59
Total comprehensive income										$6,617
Dividends to shareholders:										
Common								(2,408)	(2,408)	
Preferred, net of tax benefits								(131)	(131)	
Treasury purchases	(79,893)						(4,070)		(4,070)	
Employee plan issuances	22,678			558			870	(296)	1,132	
Preferred stock conversions	6,658		(54)	7			47		—	
Change in ESOP debt reserve					25				25	
BALANCE JUNE 30, 2004	2,543,838	2,976	1,526	2,454	(1,283)	(1,545)	(12,925)	26,987	18,190	
Net earnings								6,923	6,923	$6,923
Other comprehensive income:										
Financial statement translation						118			118	118
Net investment hedges, net of $81 tax						135			135	135
Other, net of tax benefits						(274)			(274)	(274)
Total comprehensive income										$6,902
Dividends to shareholders:										
Common								(2,595)	(2,595)	
Preferred, net of tax benefits								(136)	(136)	
Treasury purchases	(93,308)						(5,026)		(5,026)	
Employee plan issuances	17,524	1		569			721	(175)	1,116	
Preferred stock conversions	4,880		(43)	7			36		—	
Change in ESOP debt reserve					24				24	
BALANCE JUNE 30, 2005	2,472,934	2,977	1,483	3,030	(1,259)	(1,566)	(17,194)	31,004	18,475	
Net earnings								**8,684**	**8,684**	**$8,684**
Other comprehensive income:										
Financial statement translation						**1,316**			**1,316**	**1,316**
Net investment hedges, net of $472 tax						**(786)**			**(786)**	**(786)**
Other, net of tax benefits						**518**			**518**	**518**
Total comprehensive income										**$9,732**
Dividends to shareholders:										
Common								**(3,555)**	**(3,555)**	
Preferred, net of tax benefits								**(148)**	**(148)**	
Treasury purchases	**(297,132)**			**(9)**			**(16,821)**		**(16,830)**	
Employee plan issuances	**36,763**	**16**		**1,308**			**887**	**(319)**	**1,892**	
Preferred stock conversions	**3,788**		**(32)**	**5**			**27**		**—**	
Gillette acquisition	**962,488**	**983**		**53,522**			**(1,134)**		**53,371**	
Change in ESOP debt reserve					**(29)**				**(29)**	
BALANCE JUNE 30, 2006	**3,178,841**	**$3,976**	**$1,451**	**$57,856**	**$(1,288)**	**$ (518)**	**$(34,235)**	**$35,666**	**$62,908**	

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets
Liabilities and Shareholders' Equity

Amounts in millions; June 30	2006	2005
CURRENT LIABILITIES		
Accounts payable	**$ 4,910**	$ 3,802
Accrued and other liabilities	**9,587**	7,531
Taxes payable	**3,360**	2,265
Debt due within one year	**2,128**	11,441
TOTAL CURRENT LIABILITIES	**19,985**	25,039
LONG-TERM DEBT	**35,976**	12,887
DEFERRED INCOME TAXES	**12,354**	1,896
OTHER NONCURRENT LIABILITIES	**4,472**	3,230
TOTAL LIABILITIES	**72,787**	43,052
SHAREHOLDERS' EQUITY		
Convertible Class A preferred stock, stated value $1 per share (600 shares authorized)	**1,451**	1,483
Non-Voting Class B preferred stock, stated value $1 per share (200 shares authorized)	**—**	—
Common stock, stated value $1 per share (10,000 shares authorized; shares issued: 2006–3,975.8, 2005–2,976.6)	**3,976**	2,977
Additional paid-in capital	**57,856**	3,030
Reserve for ESOP debt retirement	**(1,288)**	(1,259)
Accumulated other comprehensive income	**(518)**	(1,566)
Treasury stock, at cost (shares held: 2006–797.0, 2005–503.7)	**(34,235)**	(17,194)
Retained earnings	**35,666**	31,004
TOTAL SHAREHOLDERS' EQUITY	**62,908**	18,475
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$135,695**	$ 61,527

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

Assets

Amounts in millions; June 30	2006	2005
CURRENT ASSETS		
Cash and cash equivalents	$ 6,693	$ 6,389
Investment securities	1,133	1,744
Accounts receivable	5,725	4,185
Inventories		
Materials and supplies	1,537	1,424
Work in process	623	350
Finished goods	4,131	3,232
Total inventories	6,291	5,006
Deferred income taxes	1,611	1,081
Prepaid expenses and other receivables	2,876	1,924
TOTAL CURRENT ASSETS	24,329	20,329
PROPERTY, PLANT AND EQUIPMENT		
Buildings	5,871	5,292
Machinery and equipment	25,140	20,397
Land	870	636
	31,881	26,325
Accumulated depreciation	(13,111)	(11,993)
NET PROPERTY, PLANT AND EQUIPMENT	18,770	14,332
GOODWILL AND OTHER INTANGIBLE ASSETS		
Goodwill	55,306	19,816
Trademarks and other intangible assets, net	33,721	4,347
NET GOODWILL AND OTHER INTANGIBLE ASSETS	89,027	24,163
OTHER NONCURRENT ASSETS	3,569	2,703
TOTAL ASSETS	$135,695	$ 61,527

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Earnings

Amounts in millions except per share amounts; Years ended June 30	2006	2005	2004
NET SALES	**$68,222**	$56,741	$51,407
Cost of products sold	**33,125**	27,872	25,143
Selling, general and administrative expense	**21,848**	18,400	16,882
OPERATING INCOME	**13,249**	10,469	9,382
Interest expense	**1,119**	834	629
Other non-operating income, net	**283**	346	152
EARNINGS BEFORE INCOME TAXES	**12,413**	9,981	8,905
Income taxes	**3,729**	3,058	2,749
NET EARNINGS	**$ 8,684**	$ 6,923	$ 6,156
BASIC NET EARNINGS PER COMMON SHARE	**$ 2.79**	$ 2.70	$ 2.34
DILUTED NET EARNINGS PER COMMON SHARE	**$ 2.64**	$ 2.53	$ 2.20
DIVIDENDS PER COMMON SHARE	**$ 1.15**	$ 1.03	$ 0.93

See accompanying Notes to Consolidated Financial Statements.

Our market risk exposures relative to interest rates, currency rates and commodity prices, as discussed below, have not changed materially versus the previous reporting period. In addition, we are not aware of any facts or circumstances that would significantly impact such exposures in the near term.

Interest Rate Exposure. Interest rate swaps are used to hedge exposures to interest rate movement on underlying debt obligations. Certain interest rate swaps denominated in foreign currencies are designated to hedge exposures to currency exchange rate movements on our investments in foreign operations. These currency interest rate swaps are designated as hedges of the Company's foreign net investments.

Based on our overall interest rate exposure as of and during the year ended June 30, 2006, including derivative and other instruments sensitive to interest rates, we believe a near-term change in interest rates, at a 95% confidence level based on historical interest rate movements, would not materially affect our financial statements.

Currency Rate Exposure. Because we manufacture and sell products in a number of countries throughout the world, we are exposed to the impact on revenue and expenses of movements in currency exchange rates. The primary purpose of our currency hedging activities is to reduce the risk that our financial position will be adversely affected by short-term changes in exchange rates. Corporate policy prescribes the range of allowable hedging activity. We primarily use forward contracts and options with maturities of less than 18 months.

In addition, we enter into certain currency swaps with maturities of up to five years to hedge our exposure to exchange rate movements on intercompany financing transactions. We also use purchased currency options with maturities of generally less than 18 months and forward contracts to hedge against the effect of exchange rate fluctuations on intercompany royalties and to offset a portion of the effect of exchange rate fluctuations on income from international operations.

Based on our overall currency rate exposure as of and during the year ended June 30, 2006, including derivative and other instruments sensitive to currency movements, we believe a near-term change in currency rates, at a 95% confidence level based on historical currency rate movements, would not materially affect our financial statements.

Commodity Price Exposure. We use raw materials that are subject to price volatility caused by weather, supply conditions, political and economic variables and other unpredictable factors. In addition to fixed price contracts, we use futures, options and swap contracts to manage the volatility related to the above exposures. The impact of commodity hedging activity is not considered material to our financial statements.

Measures Not Defined By U.S. GAAP

Our discussion of financial results includes several "non-GAAP" financial measures. We believe these measures provide our investors with additional information about our underlying results and trends, as well as insight to some of the metrics used to evaluate management. When used in MD&A, we have provided the comparable GAAP measure in the discussion. These measures include:

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 growth on a consistent basis.

The following table provides a numerical reconciliation of organic sales growth to reported sales growth for fiscal 2006:

	Total Company	Beauty	Health Care
Reported Sales Growth	20%	7%	29%
Less: Acquisitions & Divestitures Impact	-14%	-2%	-21%
Less: Foreign Exchange Impact	1%	1%	1%
Organic Sales Growth	7%	6%	9%

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 also one of the measures used to evaluate senior management and is a factor in determining their at-risk compensation.

Free Cash Flow Productivity. Free cash flow productivity is defined as the ratio of free cash flow to net earnings. The Company's target is to generate free cash flow at or above 90% of net earnings. Free cash flow productivity is one of the measures used to evaluate senior management.

The following table provides a numerical reconciliation of free cash flow:

	Operating Cash Flow	Capital Spending	Free Cash Flow	Net Earnings	Free Cash Flow Productivity
2006	**$11,375**	**$(2,667)**	**$8,708**	**$8,684**	**100%**
2005	$ 8,679	$(2,181)	$6,498	$6,923	94%

If those criteria are not met, the costs are treated as operating expenses of the combined company as incurred. Exit costs, consisting primarily of severance costs, facility closure and other exit costs related to redundant manufacturing, selling, general and administrative functions, are based upon plans that have been committed to by management but which are subject to refinement. Significant estimates and assumptions are related to the number of employees that will be terminated and to future costs to operate and eventually vacate duplicate facilities and to terminate agreements. These estimates and assumptions may change as we execute approved plans. Decreases to the estimated costs are generally recorded as an adjustment to goodwill. Increases to the estimates are generally recorded as an adjustment to goodwill during the purchase price allocation period (generally within one year of the acquisition date) and as operating expenses thereafter.

Goodwill and Intangible Assets

Acquired intangible assets may represent indefinite-lived assets (e.g., certain trademarks or brands), determinable-lived intangibles (e.g., patents and technologies) or residual goodwill. Of these, only the costs of determinable-lived intangibles are amortized to expense over their estimated life. The value of indefinite-lived intangible assets and residual goodwill is not amortized, but is tested at least annually for impairment. Our impairment testing for goodwill is performed separately from our impairment testing of indefinite-lived intangibles. We test goodwill for impairment, at least annually, by reviewing the book value compared to the fair value at the reportable unit level. We test individual indefinite-lived intangibles at least annually by reviewing the individual book values compared to the fair value. Considerable management judgment is necessary to evaluate the impact of operating and macroeconomic changes and to estimate future cash flows to measure fair value. Assumptions used in the Company's impairment evaluations, such as forecasted growth rates and cost of capital, are consistent with internal projections and operating plans. When certain events or changes in operating conditions occur, indefinite-lived intangible assets may be adjusted to a determinable life and an additional impairment assessment may be performed. We did not recognize any material impairment charges for goodwill or intangible assets during the years presented.

The value of goodwill and intangible assets from recently acquired businesses are derived from current business operating plans and macroeconomic environmental conditions and therefore are more susceptible to an adverse change that could require an impairment charge. Indefinite-lived intangible assets totaled $26.74 billion at June 30, 2006, of which nearly 90% represent recently acquired Gillette intangible assets. The Gillette indefinite-lived intangible assets were recorded at estimated fair values as of the acquisition date. Total goodwill is $55.31 billion at June 30, 2006, of which $35.55 billion results from the Gillette acquisition. Such goodwill reflects the residual amount from a purchase price allocation as of the acquisition date. Because the Gillette intangible and goodwill amounts represent current values as of the acquisition date, such amounts are more susceptible to an impairment risk if business operating results or macroeconomic conditions deteriorate.

New Accounting Pronouncements

As more fully described in Notes 1 and 8 to the Consolidated Financial Statements, we adopted SFAS 123(Revised 2004), "Share-Based Payment" (SFAS 123(R)), on July 1, 2005. This Statement requires that all stock-based compensation, including grants of employee stock options, be accounted for using the fair value-based method. SFAS 123(R) is effective for the Company for our fiscal year beginning July 1, 2005. We elected to adopt SFAS 123(R) using the modified retrospective method under which prior years' results were revised to give effect to the value of options granted in fiscal years beginning on or after July 1, 1995. The additional compensation expense recognized under the modified retrospective method for periods prior to July 1, 1995 is consistent with the amounts previously reported in our pro forma footnote disclosure for stock-based compensation.

In July 2006, the FASB issued FIN 48, "Accounting for Uncertainty in Income Taxes." FIN 48 addresses the accounting and disclosure of uncertain tax positions. We will adopt FIN 48 on July 1, 2007. We are evaluating the impact, if any, that FIN 48 will have on our financial statements.

No other new accounting pronouncement issued or effective during the fiscal year has had or is expected to have a material impact on the consolidated financial statements.

OTHER INFORMATION

Hedging and Derivative Financial Instruments

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. To manage the volatility related to these exposures, we evaluate our exposures on a global basis to take advantage of the direct netting opportunities and currency, interest rate and commodity correlations that exist within the portfolio. For the remaining exposures, we enter into various derivative transactions in accordance with the Company's hedging policies that are designed to offset, in part or in whole, changes in the underlying exposures being hedged. We do not hold or issue derivative financial instruments for speculative trading purposes. Note 6 to the Consolidated Financial Statements includes a detailed discussion of our accounting policies for financial instruments.

Derivative positions are monitored using techniques including market valuation, sensitivity analysis and value-at-risk modeling. The tests for interest rate, currency rate and commodity price exposures discussed below are based on the CorporateManager™ value-at-risk model using a one-year horizon and a 95% confidence level. The model incorporates the impact of correlation (the degree to which exposures move together over time) and diversification (from holding multiple currency, commodity and interest rate instruments) and assumes that financial returns are normally distributed. Estimates of volatility and correlations of market factors are drawn from the RiskMetrics™ dataset as of June 30, 2006. In cases where data is unavailable in RiskMetrics™, a reasonable proxy is included.

changing facts and circumstances, such as the progress of tax audits, and adjust them when significant changes in risk warrant it. We have a number of audits in process in various jurisdictions. Although the resolution of these tax uncertainties is uncertain, based on currently available information, we believe that the ultimate outcomes will not have a material adverse effect on our results of operations, financial condition or cash flows.

Our accounting represents management's best estimate of future events that can be appropriately reflected in the accounting estimates. Certain changes or future events, such as changes in tax legislation, geographic mix of earnings, completion of tax audits or earnings repatriation plans could have an impact on our estimates and effective tax rate.

Employee Benefits

We sponsor various post-employment benefits throughout the world. These include pension plans, both defined contribution plans and defined benefit plans, and other post-employment benefit (OPEB) plans, consisting primarily of health care and life insurance for retirees. For accounting purposes, the defined benefit and OPEB plans require assumptions to estimate the projected and accumulated benefit obligations, including the following: discount rate; expected salary increases; certain employee-related factors, such as turnover, retirement age and mortality; expected return on assets and health care cost trend rates. These and other assumptions affect the annual expense recognized for these plans. Our assumptions reflect our historical experiences and management's best judgment regarding future expectations. In accordance with U.S. GAAP, the net amount by which actual results differ from our assumptions is deferred. If this net deferred amount exceeds 10% of the greater of plan assets or liabilities, a portion of the deferred amount is included in expense for the following year. The cost or benefit of plan changes, such as increasing or decreasing benefits for prior employee service (prior service cost), is deferred and included in expense on a straight-line basis over the average remaining service period of the employees expected to receive benefits.

The expected return on plan assets assumption is important, since many of our defined benefit plans and our primary OPEB plan are funded. The process for setting the expected rates of return is described in Note 9 to the Consolidated Financial Statements. For 2006, the average return on assets assumption for pension plan assets and OPEB assets was 7.3% and 9.2% respectively. A change in the rate of return of 0.5% for both pension and OPEB assets would impact annual benefit expense by less than $40 million after tax.

Since pension and OPEB liabilities are measured on a discounted basis, the discount rate is a significant assumption. Discount rates used for our U.S. defined benefit and OPEB plans are based on a yield curve constructed from a portfolio of high quality bonds for which the timing and amount of cash outflows approximate the estimated payouts of the plan. For our international plans, the discount rates are set by benchmarking against investment grade corporate bonds rated AA or better. The average discount rate on the defined benefit pension plans of 5.2% represents a weighted average of local rates in countries where such plans exist. A 0.5% change in the discount rate would impact annual after-tax benefit expense by less than $45 million. The rate on the OPEB plan of 6.3% reflects the higher interest rates generally available in the U.S., which is where a majority of the plan participants receive benefits. A 0.5% change in the discount rate would impact annual after-tax OPEB expense by less than $10 million.

Certain defined contribution pension and OPEB benefits in the U.S. are funded by the Employee Stock Ownership Plan (ESOP), as discussed in Note 9 to the Consolidated Financial Statements.

Acquisitions

We account for acquired businesses using the purchase method of accounting. Under the purchase method, our consolidated financial statements reflect an acquired business starting from the completion of the acquisition. In addition, the assets acquired and liabilities assumed must be recorded at the date of acquisition at their respective estimated fair values, with any excess of the purchase price over the estimated fair values of the net assets acquired recorded as goodwill.

Significant judgment is required in estimating the fair value of intangible assets and in assigning their respective useful lives. Accordingly, we typically obtain the assistance of third-party valuation specialists for significant items. The fair value estimates are based on available historical information and on future expectations and assumptions deemed reasonable by management, but are inherently uncertain.

We typically use an income method to estimate the fair value of intangible assets, which is based on forecasts of the expected future cash flows attributable to the respective assets. Significant estimates and assumptions inherent in the valuations include the amount and timing of future cash flows (including expected growth rates and profitability), the underlying product life cycles, economic barriers to entry, a brand's relative market position and the discount rate applied to the cash flows. Unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions.

Determining the useful life of an intangible asset also requires judgment. Certain brand intangibles are expected to have indefinite lives based on their history and our plans to continue to support and build the acquired brands. Other acquired brands are expected to have determinable useful lives. Our assessment as to brands that have an indefinite life and those that have a determinable life is based on a number of factors including competitive environment, market share, brand history, underlying product life cycles, operating plans and the macroeconomic environment of the countries in which the brands are sold. Our estimates of the useful lives of determinable-lived intangibles, primarily including brands, technologies and customer relationships, are primarily based on these same factors. All of our acquired technology and customer-related intangibles are expected to have determinable useful lives.

Other significant estimates associated with the accounting for acquisitions include exit costs. Provided certain criteria are met, exit costs related to acquired operations are treated as acquired liabilities.

Contractual Commitments. The table below provides information on our contractual commitments as of June 30, 2006 (in millions).

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

In preparing our financial statements in accordance with U.S. GAAP, there are certain accounting policies that are particularly important. These include revenue recognition, income taxes, certain employee benefits, acquisitions and goodwill and intangible assets. We believe these accounting policies, and others set forth in Note 1 to the Consolidated Financial Statements, should be reviewed as they are integral to understanding the results of operations and financial condition of the Company. In some cases, these policies simply represent required accounting. In others, they may represent a choice between acceptable accounting methods or may require substantial judgment or estimation in their application.

Due to the nature of our business, these estimates generally are not considered highly uncertain at the time of estimation, meaning they are not expected to result in changes that would materially affect our results of operations or financial condition in any given year.

The Company has discussed the selection of significant accounting policies and the effect of estimates with the Audit Committee of the Company's Board of Directors.

Revenue Recognition

Most of our revenue transactions represent sales of inventory, and we recognize revenue when title, ownership and risk of loss transfer to the customer, which generally is on the date of shipment. The revenue recorded includes shipping and handling costs, which generally are included in the list price to the customer. A provision for payment discounts and product return allowances is recorded as a reduction of sales within the same period that the revenue is recognized. We offer sales incentives to customers and consumers through various programs, consisting primarily of customer pricing allowances, merchandising funds and consumer coupons. The cost of these programs is recognized as incurred and recorded as a reduction of sales. Given the nature of our business, revenue recognition practices do not contain estimates that materially affect results of operations.

Income Taxes

Our annual tax rate is determined based on our income, statutory tax rates and the tax impacts of items treated differently for tax purposes than for financial reporting purposes. Tax law requires certain items to be included in the tax return at different times than the items are reflected in the financial statements. Some of these differences are permanent, such as expenses that are not deductible in our tax return, and some differences are temporary, reversing over time, such as depreciation expense. These temporary differences create deferred tax assets and liabilities.

Deferred tax assets generally represent items that can be used as a tax deduction or credit in future years for which we have already recorded the tax benefit in our income statement. Deferred tax liabilities generally represent tax expense recognized in our financial statements for which payment has been deferred, or expenditures which we have already taken a deduction for in our tax return but have not yet been recognized in our financial statements.

Inherent in determining our annual tax rate are judgments regarding business plans, planning opportunities and expectations about future outcomes. Realization of certain deferred tax assets is dependent upon generating sufficient taxable income in the appropriate jurisdiction prior to the expiration of the carry-forward periods. Although realization is not assured, management believes it is more likely than not that our deferred tax assets, net of valuation allowances, will be realized.

Changes in existing tax laws, tax rates and their related interpretations may also affect our ability to successfully manage the impacts on taxes of regulatory matters around the world. We establish reserves for certain tax positions that management believes are supportable, but are potentially subject to successful challenge by the applicable taxing authority. We review these tax uncertainties in light of the

CONTRACTUAL COMMITMENTS AS OF JUNE 30, 2006

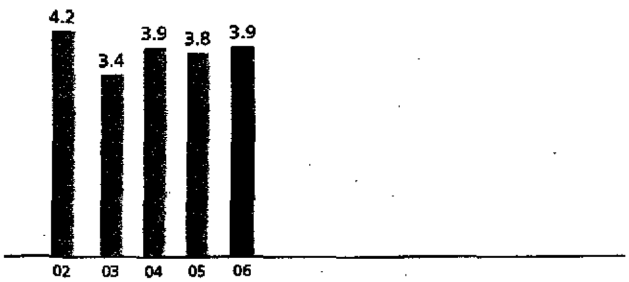
(in millions of dollars)	Total	Less Than 1 Year	1–3 Years	3–5 Years	After 5 Years
RECORDED LIABILITIES					
Total debt	$37,501	$2,059	$22,699	$3,752	$ 8,991
Capital leases	632	90	278	92	172
Wella Domination and Profit Transfer Agreement	207	207	—	—	—
OTHER					
Interest payments relating to long-term debt	11,923	1,850	2,485	1,087	6,501
Operating leases	1,399	269	394	308	428
Minimum pension funding (1)	1,136	398	738	—	—
Purchase obligations (2)	5,700	1,940	1,593	1,002	1,165
TOTAL CONTRACTUAL COMMITMENTS	**58,498**	**6,813**	**28,187**	**6,241**	**17,257**

(1) Represents future pension payments to comply with local funding requirements. The projected payments beyond fiscal year 2009 are not currently determinable.

(2) Primarily reflects future contractual payments under various take-or-pay arrangements entered into as part of the normal course of business. Commitments made under take-or-pay obligations represent future purchases in line with expected usage to obtain favorable pricing. Approximately 50% relates to service contracts for information technology, human resources management and facilities management activities that were outsourced in recent years. While the amounts listed represent contractual obligations, we do not believe it is likely that the full contractual amount would be paid if the underlying contracts were canceled prior to maturity. In such cases, we generally are able to negotiate new contracts or cancellation penalties, resulting in a reduced payment. The amounts do not include obligations related to other contractual purchase obligations that are not take-or-pay arrangements. Such contractual purchase obligations are primarily purchase orders at fair value that are part of normal operations and are reflected in historical operating cash flow trends. We do not believe such purchase obligations will adversely affect our liquidity position.

Capital Spending. We view capital spending efficiency as a critical component of our overall cash management strategy. Capital expenditures in 2006 were $2.67 billion, compared to $2.18 billion in 2005 and $2.02 billion in 2004. The increase was largely driven by the addition of the Gillette business. Capital spending was 3.9% of net sales, in line with the prior year level.

CAPITAL SPENDING
(% of net sales)

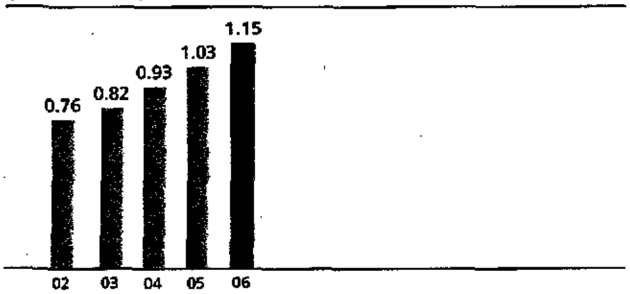


Proceeds from Asset Sales. Proceeds from asset sales in 2006 were $882 million primarily due to the divestitures of Spinbrush, Rembrandt and Right Guard, all required by regulatory authorities in relation to the Gillette acquisition, and our Korea paper businesses. In 2005, proceeds from asset sales were $517 million primarily due to the divestiture of the Juice business in August of 2004.

Financing Activities

Dividend Payments. Our first discretionary use of cash is dividend payments. Dividends per common share increased 12% to $1.15 per share in 2006. This increase represents the 50th consecutive fiscal year the Company has increased its common share dividend. Total dividend payments to both common and preferred shareholders were $3.70 billion, $2.73 billion and $2.54 billion in 2006, 2005 and 2004, respectively.

DIVIDENDS
(per common share)



Long-Term and Short-Term Debt. We maintain debt levels we consider appropriate after evaluating a number of factors, including cash flow expectations, cash requirements for ongoing operations, investment plans (including acquisitions and share repurchase activities) and the overall cost of capital. Total debt was $38.10 billion in 2006, $24.33 billion in 2005 and $20.84 billion in 2004. The increase in debt in 2006 and in 2005 was primarily due to additional debt used to finance the share repurchase program announced in conjunction with the Gillette acquisition.

Liquidity. Our primary source of liquidity is cash generated from operations. We believe internally generated cash flows adequately support business operations, capital expenditures and shareholder dividends, as well as a level of other discretionary cash uses (e.g., for minor acquisitions or share repurchase).

We are able to supplement our short-term liquidity, if necessary, with broad access to capital markets and four bank credit facilities. Broad access to financing includes commercial paper programs in multiple markets at favorable rates given our strong credit ratings (including separate U.S. dollar and euro multi-currency programs).

We maintain two bank credit facilities: a $1 billion, five-year facility which matures in July 2007 and a $1 billion, five-year facility which matures in July 2009. We have never drawn against either facility and have no plans to do so in the foreseeable future. On July 27, 2005, we also signed a $24 billion three-year credit facility with a syndicate of banks. The credit facility is available for general corporate purposes but was primarily established to fund the share buyback plan announced concurrently with the Company's acquisition of Gillette. We also assumed a $1.8 billion, five-year facility from the Gillette acquisition that matures in August 2010.

These credit facilities do not have cross-default or ratings triggers, nor do they have material adverse events clauses, except at the time of signing. While not considered material to the overall financial condition of the Company, there is a covenant in the credit facilities stating the ratio of net debt to earnings before interest expense, income taxes, depreciation and amortization cannot exceed 4.0 at the time of a draw on the facility. As of June 30, 2006, we are comfortably below this level, with a ratio of approximately 1.9.

In addition to these credit facilities, long-term borrowing available under our current shelf registration statement was $6.93 billion at June 30, 2006.

The Company's Moody's and Standard & Poor's (S&P) short-term credit ratings are P-1 and A-1+, respectively. Our Moody's and S&P long-term credit ratings are Aa3 and AA- with a negative outlook, respectively, due to the Gillette acquisition.

Treasury Purchases. During the past year, we substantially increased our level of share repurchases. Total share repurchases in 2006 were $16.9 billion, of which $16.8 billion were made as part of our publicly announced share repurchase plan. In 2005, we repurchased $5.0 billion of shares, of which $3.0 billion were made as part of our publicly announced share repurchase plan. We completed the announced share buyback program in July 2006 and purchased a total of $20.1 billion of shares under this program.

Guarantees and Other Off-Balance Sheet Arrangements. We do not have guarantees or other off-balance sheet financing arrangements, including variable interest entities, that we believe could have a material impact on financial condition or liquidity.

purposes. This means our segment results recognize 100% of each income statement component through before-tax earnings in the segments, with eliminations for unconsolidated entities in Corporate. In determining segment net earnings, we apply the statutory tax rates (with adjustments to arrive at the Company's effective tax rate in Corporate) and eliminate the share of earnings applicable to other ownership interests, in a manner similar to minority interest.

Corporate net sales primarily reflect the adjustment to eliminate the sales of unconsolidated entities included in business unit results. Net earnings in the Corporate segment declined by $286 million primarily due to an increase in net interest expense as a result of increased debt levels during the year to fund the share repurchase program announced in conjunction with the Gillette acquisition. In addition, the year-on-year earnings trend was impacted by the base period gain on the sale of the Juice business. In 2005, Corporate net earnings declined versus 2004 due to higher interest expense, partially offset by the gain from the Juice business divestiture.

FINANCIAL CONDITION

We believe our financial condition continues to be of high quality, as evidenced by our ability to generate substantial cash from operations and ready access to capital markets at competitive rates.

Operating cash flow provides the primary source of funds to finance operating needs and capital expenditures. Excess operating cash is used first to fund shareholder dividends. Other discretionary uses include share repurchases and "tack-on" acquisitions to complement our portfolio of brands and geographies. As necessary, we may supplement operating cash flow with debt to fund these activities. The overall cash position of the Company reflects our strong business results and a global cash management strategy that takes into account liquidity management, economic factors and tax considerations.

Operating Activities

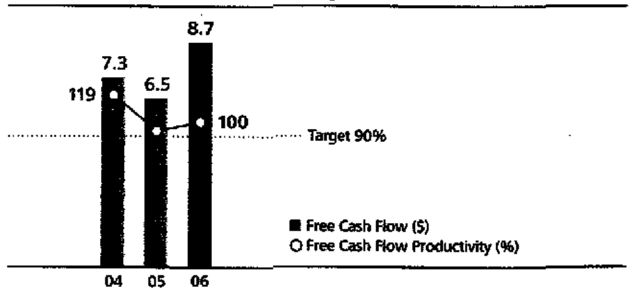
Operating cash flow in 2006 was $11.38 billion compared to $8.68 billion in 2005, an increase of 31%. Cash flow increased versus the prior year largely as a result of higher earnings, including the benefit of adding Gillette. Net earnings, adjusted for non-cash items (primarily depreciation, amortization, share-based compensation and deferred income taxes), was the primary source of operating cash flow during the fiscal year. Working capital was a net source of cash in 2006. We define working capital as the combination of inventory, accounts receivable and accounts payable. Improvements in inventory and accounts payable more than offset an increase in accounts receivable. Inventory days on our base business were down approximately 8 days year-on-year as the impact of higher commodities was more than offset by a reduction in year-on-year inventory levels. Accounts receivable and accounts payable increased during 2006 primarily to support business growth.

In 2005, operating cash flow was $8.68 billion compared to $9.36 billion in 2004. The benefit of higher net earnings was more than offset by changes in working capital and tax payments related to the settlement of prior year audits.

Free Cash Flow. We view free cash flow as an important measure because it is one factor impacting the amount of cash available for dividends and discretionary investment. It is defined as operating cash flow less capital expenditures and is one of the measures used to evaluate senior management and determine their at-risk compensation. In 2006, free cash flow was $8.71 billion compared to $6.50 billion in 2005. Free cash flow increased as a result of higher operating cash flow. Capital expenditures increased in 2006 versus 2005, but remained in line with the prior year at 3.9% of net sales. Free cash flow productivity, defined as the ratio of free cash flow to net earnings, was 100% in 2006, ahead of the Company's 90% target.

In 2005, free cash flow was $6.50 billion compared to $7.33 billion in 2004. In addition to lower operating cash flow, free cash flow declined year-over-year due to higher capital expenditures in 2005. Free cash flow productivity was 94% in 2005.

FREE CASH FLOW AND FREE CASH FLOW PRODUCTIVITY
(in billions of dollars, and as a % of net earnings)



Investing Activities

Net investing activities in the current year used $730 million of cash compared to $2.34 billion of cash in the prior year. Investing cash outflows declined, despite the increase in the level of capital expenditures, primarily due to cash balances received in the Gillette acquisition, representing Gillette's cash balances at the acquisition date. Current year investing activities also benefited from the maturity of certain investment securities that were converted to cash equivalents.

Acquisitions. Acquisitions were a net source of cash of $171 million during 2006, as $1.60 billion of cash balances received in the Gillette acquisition were partially offset by cash used for other acquisitions. During 2006, we settled a major portion of the Wella Domination and Profit Transfer Agreement liability, which was initially created in June 2004 when we completed a Domination and Profit Transfer Agreement with Wella shareholders. Cash was also used in 2006 for several minor acquisitions in fabric care, health care and Duracell and for licensing agreements with Dolce & Gabbana and Gucci. In 2005, acquisitions used $572 million of cash including the acquisition of a pharmaceuticals business in Spain, fabric care businesses in Europe and Latin America and increased investment in our Glad venture with The Clorox Company.

Gillette GBU

As disclosed in Note 2 to the Consolidated Financial Statements, we completed the acquisition of The Gillette Company on October 1, 2005. This acquisition resulted in two new reportable segments for the Company: Blades and Razors and Duracell and Braun. The Gillette oral care and personal care businesses were subsumed within the Health Care and Beauty reportable segments, respectively. Because the acquisition was completed during the current fiscal year period, there are no results for the two new reportable segments in our prior year period.

In order to provide our investors with more insight into the results of the Blades and Razors and Duracell and Braun reportable segments, we have previously provided supplemental pro forma net sales and earnings data for these segments for each of the quarters in the year ended June 30, 2005 (as presented in our Form 8-K released October 4, 2005). Management's discussion of the current year results of these two segments is in relation to such comparable prior year pro forma net sales and earnings data. With respect to the earnings data, this analysis is based on earnings before income taxes. The previously disclosed Blades and Razors and Duracell and Braun pro forma information reconciled "Profit from Operations," the measure used by Gillette in its historical filings, to Earnings before Income Taxes, the comparable measure used by the Company. Gillette did not allocate income tax expense to its reportable segments.

BLADES AND RAZORS

(in millions of dollars)	9 months ended June 30, 2006	Change vs. Comparable Prior Year Period Pro Forma
Net Sales	$3,499	+1%
Earnings before income taxes	$1,076	-13%

Sales for Blades and Razors since the acquisition closed on October 1, 2005 increased 1% to $3.50 billion versus the comparable prior year period pro forma results, including a negative 1% foreign exchange impact. Mid-single digit sales growth in North America behind the launch of Fusion, coupled with double-digit growth in Latin America and Central & Eastern Europe, was largely offset by declines in Western Europe and Asia. Sales in Western Europe were negatively impacted by a base period which included the launch of M3Power as well as a current year period with significant retailer inventory reductions. In several developing markets in Asia, sales declined as a result of reduced distributor inventory levels following integration of Gillette into existing P&G distributors. Global consumption in blades and razors increased 5% during the year. Price increases contributed 2% to sales growth. Earnings before income taxes declined 13% to $1.08 billion, including $294 million of acquisition-related charges that negatively impacted earnings by 24% during the period. The acquisition-related charges included $277 million of increased amortization expense as a result of revaluing Gillette's intangible assets to fair market value. The balance of the charges were primarily due to higher product costs from revaluing opening inventory balances at fair value. Earnings were also impacted by an increase in the current year marketing investment behind the launch of Fusion, offset by synergy savings from current year cost reductions and base period charges for severance and other exit charges associated with Gillette's Functional Excellence program, the European Manufacturing Realignment program and other asset write-downs. Net earnings were $781 million since the acquisition closed on October 1, 2005.

DURACELL AND BRAUN

(in millions of dollars)	9 months ended June 30, 2006	Change vs. Comparable Prior Year Period Pro Forma
Net Sales	$2,924	0%
Earnings before income taxes	$ 400	+9%

Sales for Duracell and Braun since the acquisition closed on October 1, 2005, were $2.92 billion, in line with the comparable prior year period pro forma results, including a negative 2% foreign exchange impact. In the Duracell business, market share growth in North America and the impacts of price increases to compensate for rising commodity costs were offset by sales declines in Western Europe due to competitive activity. Braun sales increased in the low-single digits globally as double-digit growth in Central & Eastern Europe/Middle East/Africa and new product initiatives were largely offset by declines in Western Europe due to strong competitive activity and in North America due to a base period that included pipeline shipments for the Braun Activator launch. Earnings before income taxes increased 9% to $400 million, including acquisition-related charges of $60 million that negatively impacted earnings by 16% in the period. The acquisition-related charges primarily represented increased amortization expense of $39 million as a result of revaluing Gillette's intangible assets to fair market value. The balance of the charges were primarily due to increased product costs for revaluing opening inventory balances at fair value. Current year earnings were favorably impacted by base period charges for severance and other exit costs associated with Gillette's Functional Excellence program, including charges related to the shutdown of a manufacturing facility, as well as current-year synergy savings from cost reductions. Net earnings were $273 million since the acquisition closed on October 1, 2005.

Corporate

Corporate includes certain operating and non-operating activities not allocated to specific business units. These include: the incidental businesses managed at the corporate level, financing and investing activities, certain restructuring charges, other general corporate items and the historical results of certain divested categories, including the Juice business that was divested in August 2004 and certain Gillette brands that were divested as required by the regulatory authorities in relation to the Gillette acquisition. Corporate also includes reconciling items to adjust the accounting policies used in the segments to U.S. GAAP. The most significant reconciling items include income taxes (to adjust from statutory rates that are reflected in the segments to the overall Company effective tax rate), adjustments for unconsolidated entities (to eliminate sales, cost of products sold and SG&A for entities that are consolidated in the segments but accounted for using the equity method for U.S. GAAP) and minority interest adjustments for subsidiaries where we do not have 100% ownership. Because both unconsolidated entities and less than 100% owned subsidiaries are managed as integral parts of the Company, they are accounted for similar to a wholly owned subsidiary for management and segment

Net earnings increased 11% to $2.37 billion primarily behind volume increases. Margin also improved by 35-basis points as volume growth, price increases and cost savings initiatives more than offset commodity cost increases. Overhead and marketing spending increased year-on-year in absolute, but were down slightly as a percentage of net sales.

Unit volume in 2005 increased by 9% in Fabric Care and Home Care. Both fabric care and home care delivered high-single digit growth. Unit volume increased behind initiative activity, expansion of the portfolio to serve more consumers and continued growth in developing markets. Acquisitions in Europe and Latin America contributed 2% to volume growth. Developing markets grew unit volume by double-digits, led by the continued success of Tide in Greater China. Net sales in 2005 increased 10% to $15.80 billion. Foreign exchange added 2% to sales growth. The mix impact of higher relative growth in developing markets reduced sales by 1%. Net earnings were $2.13 billion, a decrease of 2% compared to the prior year. After-tax earnings margin decreased 170-basis points primarily due to higher commodity costs, which more than offset the scale benefits of volume growth and pricing actions in certain markets. Additionally, after-tax margin in 2005 was lower due to the mix effect of higher growth rates in developing markets, where the margins are lower than in developed markets.

BABY CARE AND FAMILY CARE

(in millions of dollars)	2006	Change vs. Prior Year	2005	Change vs. Prior Year
Volume	n/a	+3%	n/a	+7%
Net Sales	$11,972	+3%	$11,652	+11%
Net Earnings	$ 1,299	+9%	$ 1,197	+30%

Baby Care and Family Care volume increased 3% in 2006, with organic volume up 4%. Baby care unit volume increased in the mid-single digits led by double-digit increases in developing regions, primarily behind 5 points of market share growth in Greater China and more than 2 points of share growth in Central & Eastern Europe/Middle East/Africa. In developed regions, baby care volume declined slightly as growth on Pampers Baby Stages of Development and Kandoo was more than offset by softness on Baby Dry as well as on Luvs in North America, primarily due to pricing pressure from private label competitors. Family care organic volume grew in the mid-single digits, largely behind growth on the Bounty and Charmin Basic initiative. Net sales in the Baby Care and Family Care segment were $11.97 billion, up 3%, including a negative 1% foreign exchange impact. Price increases in North America baby care, coupled with a late January increase in North America family care, added 2% to sales growth. Disproportionate growth in mid-tier products and in developing regions, where average unit selling price is below the segment average, resulted in a negative 1% mix impact on segment sales.

Baby Care and Family Care net earnings increased 9% to $1.30 billion behind sales growth and a 60-basis point earnings margin improvement. Scale benefits of volume growth and price increases more than offset the increase in commodity and energy costs. In addition, SG&A declined as a percentage of net sales due to reductions in both overhead and marketing spending as a percentage of sales. These reductions were driven by scale benefits from current year volume growth and significant investments in the base period behind initiative launches.

Baby Care and Family Care unit volume increased 7% in 2005. Baby care unit volume increased high-single digits behind a 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. Family care volume increased mid-single digits driven by product, packaging and format initiatives in North America on both the Bounty and Charmin brands. Net sales increased 11% to $11.65 billion, including a positive 3% impact from foreign exchange. Pricing added 1% to sales growth driven primarily by a price increase in North America family care to recover higher commodity costs, partially offset by targeted pricing investments in Western Europe in response to competitive activity. Net earnings increased 30% to $1.20 billion behind volume gains and an increase in after-tax earnings margin of 150-basis points to 10.3%, driven by scale benefits, pricing and cost savings projects.

PET HEALTH, SNACKS AND COFFEE

(in millions of dollars)	2006	Change vs. Prior Year	2005	Change vs. Prior Year
Volume	n/a	0%	n/a	+2%
Net Sales	$4,383	+2%	$4,314	+7%
Net Earnings	$ 385	-13%	$ 444	+21%

Pet Health, Snacks and Coffee unit volume was flat in 2006 despite a high-single digit decline in our coffee unit volume caused by shipment disruptions following Hurricane Katrina in August 2005. Our primary coffee manufacturing and warehousing facilities, located in New Orleans, incurred significant disruption from Hurricane Katrina. We were unable to manufacture and ship at full capacity for several months in 2006, resulting in a temporary decline in our U.S. market share of approximately 2 points. Pet health volume declined slightly during the year due to strong competitive activity, particularly in North America and Western Europe. These declines were offset by mid-single digit growth in snacks behind Pringles. Net sales for the segment increased 2% to $4.38 billion. Price increases in coffee added 2% to sales growth. Earnings declined 13% to $385 million as costs incurred during the fiscal year related to Hurricane Katrina, higher green coffee prices and lower pet health earnings more than offset the impact of pricing in coffee and earnings growth in snacks.

Pet Health, Snacks and Coffee unit volume increased 2% in 2005. Pet health volume increased behind growth on Iams, particularly in North America and Northeast Asia. Pringles volume grew behind expanded distribution and merchandizing of customized flavors and Pringles Prints in North America. Coffee volume increased behind custom Folgers dark roasts. Net sales in 2005 increased 7% to $4.31 billion. Pricing increased sales 3% primarily due to actions on Folgers to recover higher commodity costs. Foreign exchange had a positive 2% effect on sales growth. Net earnings increased 21% to $444 million in 2005 behind higher volume, pricing to recover commodity costs and lower merchandising spending versus the prior year.

was broad-based and was driven by initiative activity including Pantene Color Expressions, Head & Shoulders brand restage, Olay Regenerist, Olay Total Effects, Olay Ribbons and the Always pads upgrade. Growth was also driven by continued expansion of our brands in developing regions, where volume increased double-digits during the year. Hair care unit volume increased in the high-single digits behind growth on Pantene, Head & Shoulders and Rejoice. Skin care unit volume increased double-digits behind continued growth and initiative activity on the Olay brand. Feminine care unit volume grew high-single digits behind new product innovations on Always/Whisper and continued growth on Naturella. Cosmetics volume declined due to reduced Max Factor distribution and a base period on Cover Girl with significant initiative pipeline shipments. Beauty net sales increased 7% to $21.13 billion in 2006, including a negative 1% foreign exchange impact. Organic sales, which exclude the impacts of acquisitions, divestitures and foreign exchange, increased 6%.

Net earnings increased 13% to $3.11 billion driven by sales growth and a 75-basis point net earnings margin expansion primarily related to lower overhead spending as a percentage of net sales. Margin improvements from scale benefits of volume growth and manufacturing cost savings initiatives offset higher commodity costs. Total marketing spending on the base P&G business increased year-on-year to support initiative activity, but was in line with the prior year as a percentage of net sales.

Beauty unit volume in 2005 increased 12%, while organic volume increased 8%. Volume growth was driven by double-digit increases in hair care, skin care and feminine care. Net sales increased 14% to $19.72 billion in 2005. Foreign exchange contributed 3% to sales growth, while the mix impact of higher relative growth in developing markets reduced sales by 1%. Net earnings increased 23% to $2.75 billion due to volume growth and an after-tax margin improvement of 100-basis points compared to the prior year. Margin increased primarily due to the scale benefits of 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. These margin benefits were partially offset by marketing spending to support initiatives, primarily on the Olay and Pantene franchises.

HEALTH CARE

(in millions of dollars)	2006	Change vs. Prior Year	2005	Change vs. Prior Year
Volume*	n/a	+26%	n/a	+12%
Net Sales*	**$7,852**	+29%	$6,078	+13%
Net Earnings*	**$1,167**	+44%	$ 811	+9%

* Fiscal 2006 figures include results of Gillette oral care for the 9 months ended June 30, 2006.

Health Care unit volume increased 26% in 2006, including nine months of Gillette oral care results. Organic volume, which excludes the impacts of acquisitions and divestitures, increased 7%. Pharmaceuticals and personal health volume increased high-single digits behind double-digit growth on Prilosec OTC and Actonel. Prilosec OTC volume increased as a result of market share growth and a suppressed base period which included several months of shipment allocations. Prilosec OTC market share increased by approximately 7 points in the U.S. to 38%. Oral care organic volume grew mid-single digits as a result of market share increases across the globe, especially in the U.S. and in Central and Eastern Europe. Our market share increased by more than 1 point in U.S. toothpaste and on Oral-B toothbrushes to 36% and 37%, respectively. Net sales in Health Care grew 29% to $7.85 billion, including nine months of Gillette oral care sales and a negative 1% foreign exchange impact. Price increases, primarily on Actonel and Prilosec OTC, added 2% to sales growth. In addition, favorable product mix, including the addition of the Gillette oral care business, added 2% to sales growth. Organic sales, which exclude the impacts of acquisitions, divestitures and foreign exchange, increased 9%.

Net earnings increased 44% to $1.17 billion behind sales growth and a 150-basis point earnings margin expansion. Net earnings margin expanded primarily due to lower overhead and marketing spending as a percentage of net sales. Overhead and marketing spending as a percentage of net sales were down as a result of scale advantages from volume growth and the impacts of price increases.

Health Care unit volume in 2005 increased 12% behind double-digit growth of Prilosec OTC, Actonel and developing markets. Oral care volume was up mid-single digits as double-digit growth in developing regions offset a decline in developed regions. Net sales increased 13% to $6.08 billion aided by a positive 2% foreign exchange impact. Pricing in pharmaceuticals added 1% to sales, while product mix reduced sales by 2% due to the shift of Macrobid branded sales to generic sales and higher relative growth in developing markets. Health Care net earnings in 2005 were $811 million, an increase of 9%. Earnings increased primarily behind volume growth. After-tax earnings margin declined 50-basis points year-over-year due, in part, to product mix impacts of lower volume in 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, higher commodity costs and marketing investments in support of initiatives.

Household Care

FABRIC CARE AND HOME CARE

(in millions of dollars)	2006	Change vs. Prior Year	2005	Change vs. Prior Year
Volume	n/a	+8%	n/a	+9%
Net Sales	**$17,149**	+9%	$15,796	+10%
Net Earnings	**$ 2,369**	+11%	$ 2,129	-2%

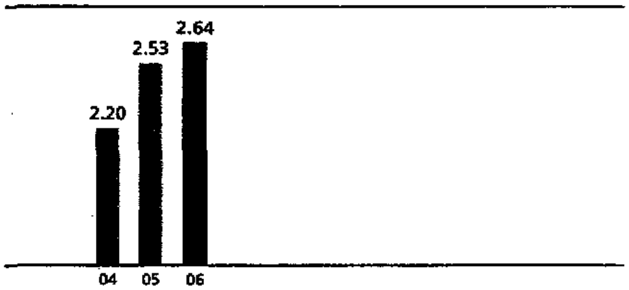
Fabric Care and Home Care unit volume grew 8% in 2006. Growth was broad-based, with high-single digit growth in fabric care and mid-single digit growth in home care. Unit volume growth was driven by market share expansion behind product innovations such as Tide with Febreze, Gain Joyful Expressions, Bounce with Febreze, Bold Liquid Tabs, Dawn Direct Foam and Febreze Noticeables. Every region delivered mid-single digit or higher unit volume growth, led by double-digit growth in developing regions. Our fabric care and home care global market shares each increased by approximately 1 point to 33% and 21%, respectively. Net sales increased 9% to $17.15 billion, including a negative 1% foreign exchange impact. Price increases, primarily in Latin America fabric care and North America dish care to offset rising commodity costs, added 2% to sales growth.

Net Earnings

In 2006, net earnings increased 25% to $8.68 billion. Net earnings increased primarily behind the addition of Gillette as well as sales growth and margin expansion on our base business. Net earnings margin expanded 50-basis points as scale leverage from volume growth, price increases and cost savings projects more than offset higher commodity costs and acquisition-related expenses. In 2005, net earnings increased 12% to $6.92 billion. Earnings grew primarily behind volume growth and cost reduction efforts, which more than offset the effects of higher commodity costs and increased marketing spending.

Diluted net earnings per share in 2006 were $2.64, an increase of 4% versus the prior year. The Gillette acquisition had a dilutive impact on our earnings per share of $0.20–$0.23, which reduced earnings per share growth by 8%–9% for the fiscal year. When we acquired Gillette in October 2005, we exchanged 0.975 common shares of P&G stock for each share of Gillette stock. This increased the number of P&G common shares outstanding by 962 million shares. The dilutive impact of the additional shares and incremental acquisition-related expenses was partially offset by the addition of Gillette's earnings, initial cost and revenue synergies and by our share repurchase activity. During the year, we repurchased a total of $16.8 billion of P&G shares. In 2005, diluted net earnings per share were $2.53, an increase of 15% compared to the prior year. Diluted net earnings per share grew ahead of net earnings in 2005 due to the Company's share repurchase activity.

DILUTED NET EARNINGS
(per common share)



SEGMENT RESULTS

Results for the segments reflect information on the same basis we use for internal management reporting and performance evaluation. These results exclude certain costs included in the Consolidated Financial Statements (e.g., interest expense, other financing costs, investing activities and certain restructuring costs), which are reported in Corporate. Within the Beauty and Health GBU, we provide data for the Beauty and the Health Care reportable segments. In the Household Care GBU, we provide data for the Fabric Care and Home Care, the Baby Care and Family Care and the Pet Health, Snacks and Coffee reportable segments. In the Gillette GBU, we provide data for the Blades and Razors and the Duracell and Braun reportable segments.

As described in Note 12 to the Consolidated Financial Statements, we have investments in certain companies over which we exert significant influence, but do not control the financial and operating decisions and, therefore, do not consolidate them ("unconsolidated entities"). Because certain of these investments are managed as integral parts of the Company's business units, they are accounted for as if they were consolidated subsidiaries for management and segment reporting purposes. This means pretax earnings in the business units include 100% of each pretax income statement component. In determining after-tax earnings in the business units, we eliminate the share of earnings applicable to other ownership interests, in a manner similar to minority interest, and apply the statutory tax rates. Eliminations to adjust each line item to U.S. GAAP are included in Corporate.

Beauty and Health

BEAUTY

(In millions of dollars)	2006	Change vs. Prior Year	2005	Change vs. Prior Year
Volume*	n/a	+8%	n/a	+12%
Net Sales*	$21,126	+7%	$19,721	+14%
Net Earnings*	$ 3,106	+13%	$ 2,752	+23%

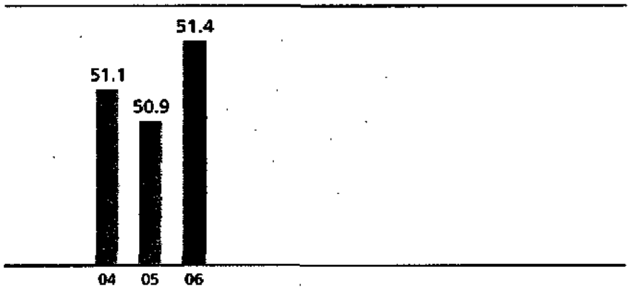
* Fiscal 2006 figures include results of Gillette personal care for the 9 months ended June 30, 2006.

Beauty unit volume increased 8% in 2006, including nine months of Gillette personal care results. Organic volume, which excludes the impact of acquisitions and divestitures, increased 6%. Volume growth

Net Sales Change Drivers vs. Year Ago (2006 vs. 2005)	Volume with Acquisitions & Divestitures	Volume excluding Acquisitions & Divestitures	Foreign Exchange	Price	Mix/Other	Net Sales Growth	Net Sales Growth ex-FX
BEAUTY AND HEALTH							
Beauty	8%	6%	-1%	0%	0%	7%	8%
Health Care	26%	7%	-1%	2%	2%	29%	30%
HOUSEHOLD CARE							
Fabric Care and Home Care	8%	7%	-1%	2%	0%	9%	10%
Baby Care and Family Care	3%	4%	-1%	2%	-1%	3%	4%
Pet Health, Snacks and Coffee	0%	0%	0%	2%	0%	2%	2%
GILLETTE GBU							
Blades and Razors	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Duracell and Braun	n/a	n/a	n/a	n/a	n/a	n/a	n/a
TOTAL COMPANY	19%	6%	-1%	1%	1%	20%	21%

Sales percentage changes are approximations based on quantitative formulas that are consistently applied. Total company mix impact of 1% is driven largely by the addition of Gillette.

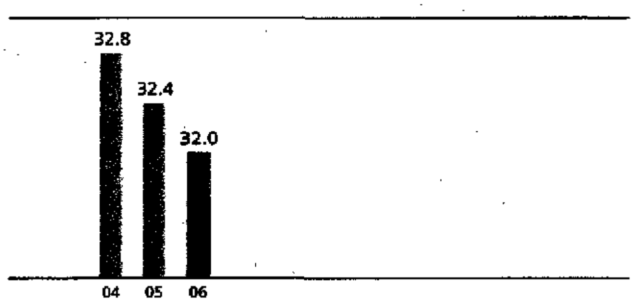
GROSS MARGIN PROGRESS
(% of sales)



Selling, general and administrative expense (SG&A) increased 19%, or $3.45 billion, in 2006. The addition of Gillette drove approximately $3.1 billion of the increase, including approximately $570 million of acquisition-related expenses. The acquisition-related expenses included $352 million of intangible asset amortization resulting from revaluing intangible assets in the opening balance sheet of the acquired Gillette business. The balance of the acquisition-related expenses was due to incremental integration and overhead expenses such as legal and consulting fees, as well as costs related to the elimination of selling, general and administrative overlap between the two companies.

SG&A as a percentage of net sales was 32.0% in 2006, an improvement of 40-basis points versus 2005. Overhead spending increased during the year, primarily due to the addition of Gillette. Overhead spending was down as a percentage of net sales on both our base business and for the total Company as sales growth outpaced the increase in spending. Marketing spending increased during the year behind the addition of Gillette and on our base business. Marketing spending on our base business increased to support continued expansion in developing regions and new product innovations such as Tide with Febreze, Pantene Color Expressions, Head & Shoulders restage and Olay Regenerist. Marketing spending as a percentage of sales was lower in 2006 as a result of organic sales growth coupled with media purchasing synergies generated by the Gillette acquisition and a continued focus on marketing return-on-investment (ROI) programs.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE
(% of net sales)



SG&A in 2005 was 32.4% of net sales, an improvement of 40-basis points compared to 2004. Absolute spending for marketing investments was up year-over-year, but decreased as a percentage of net sales behind scale leverage and the mix impact of growth in developing markets, which have lower marketing spending as a percentage of net sales than the balance of the Company. Marketing spending increased to support product innovations including Olay Anti-Aging, Olay Moisturinse, Olay Quench, Pantene Pro-Health, Tide with a Touch of Downy, Tide Coldwater, Febreze Air Effects, Pantene Color Expressions, Pampers Feel 'n Learn, Kandoo Toddler Wipes and Handsoap and the expansion of SK-II, Lenor and Herbal Essences. Overhead spending as a percentage of net sales was consistent with 2004. Scale efficiencies in the base business were offset by the mix impact of two additional months of Wella in 2005 and investments in selling capability. Minority interest expense as a percentage of net sales decreased reflecting the Company's purchase of the remaining stake in its China venture, as well as the settlement of a portion of the Domination and Profit Transfer Agreement with Wella.

Non-Operating Items

Non-operating items primarily include interest expense, divestiture gains and losses and interest and investment income. Interest expense increased 34% in 2006 to $1.12 billion primarily due to increased borrowings. Our fiscal year-end debt position increased by $13.78 billion dollars in 2006 versus 2005, primarily to fund the publicly-announced share repurchase program in conjunction with the acquisition of Gillette. We repurchased $16.8 billion of shares during 2006. On a cumulative basis through the end of fiscal 2006, we repurchased $19.8 billion of shares under this program since its inception in January 2005. The repurchase program was completed in July 2006 with cumulative repurchases of $20.1 billion. In 2005, interest expense increased 33% to $834 million due to higher debt balances to finance share repurchases, as well as an increase in interest rates versus the prior year.

Other non-operating income was $283 million in 2006, down 18% versus 2005 primarily due to reduced divestiture gains year-on-year. Divestiture gains in 2006 included the gain on the sale of Spinbrush and in 2005 included the gain of the sale of Juice business. In 2005, non-operating income was $346 million, an increase of $194 million versus 2004, primarily driven by the gain on the sale of the Juice business in 2005.

The effective income tax rate in 2006 was 30.0%, compared with 30.6% in 2005. Our effective tax rate decreased primarily due to an accrual in 2005 for estimated taxes in anticipation of repatriating special dividends from the Company's non-U.S. subsidiaries, pursuant to the American Jobs Creation Act of 2004 (see Note 10 to Consolidated Financial Statements), which increased the base period tax rate by 280-basis points. The year-on-year impact of this accrual was partially offset by a less favorable country mix impact in 2006 and the impact of reserve adjustments related to tax uncertainties. The net amount of reserves released in 2006 was below the level released in 2005. Adjustments for tax uncertainties are based on specific facts and circumstances in individual tax jurisdictions, including progress on tax audits, legal developments and closing of statutes of limitation. The fiscal 2005 effective tax rate was lower than the 2004 rate of 30.9% as the aforementioned repatriation accrual was more than offset by an increase in reserve releases in 2005 and a more favorable overall country mix.

RESULTS OF OPERATIONS

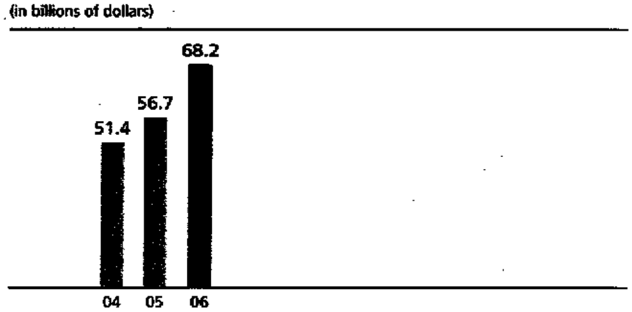
Volume and Net Sales

Unit volume in 2006 increased 19%, including the impact of adding the Gillette business on October 1, 2005. Organic volume, which excludes the impact of acquisitions and divestitures, increased 6%. Each geographic region posted organic volume growth, led by double-digit growth in developing regions. The increase in organic volume was driven by:

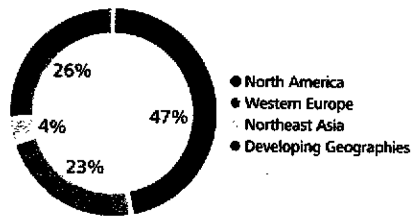
- High-single digit organic volume growth of our "billion-dollar brand" portfolio.
- Organic volume growth in each of our top 16 countries. representing approximately 80% of total Company net sales.
- Mid-single digit or higher organic volume growth in all but one of our segments.
- Strength in developing markets where organic volume increased double-digits.

Net sales in 2006 were $68.22 billion, an increase of 20% versus the prior year, including the impact of adding the Gillette business. Foreign exchange had a negative 1% impact on net sales growth, primarily due to the strengthening of the U.S. dollar relative to the euro, British pound and Japanese yen. Pricing increases taken across most of our business segments, primarily to offset increased commodity costs, added 1% to sales growth. A more premium product mix, driven in part by the addition of the Gillette business, more than offset the mix impact of disproportionate growth in developing markets, where the average unit sales price is lower than the Company average. This resulted in a positive mix impact of 1% on net sales growth. Organic sales increased 7% versus the prior year.

NET SALES
(in billions of dollars)



GEOGRAPHIC SALES SPLIT
(FY 2006 Net Sales)



In 2005, total and organic unit volume both increased 8%. Each business segment and every geographic region posted unit volume growth, led by 12% growth in Beauty and high-teen growth in developing markets. Net sales were $56.74 billion in 2005, an increase of 10% versus 2004. Foreign exchange contributed 2% to net sales growth, primarily driven by the strength of the euro, British pound and Japanese yen. Higher relative growth in developing markets, where the average unit sales price is lower than the Company average, resulted in a negative mix impact of 1% on net sales growth. Pricing added 1% to sales growth. Price increases in family care, pet health, pharmaceuticals, coffee and in certain fabric care markets were partially offset by price investments taken primarily in Europe to improve the consumer value of P&G brands as compared to hard-discounter private labels.

Operating Costs

Gross margin was 51.4% in 2006, an increase of 50-basis points versus the prior year. Higher commodity costs had a negative impact of over 100-basis points on gross margin. These were largely offset by gross margin improvement on the base business (P&G excluding Gillette) behind organic volume growth, cost savings programs and price increases across nearly every business segment. The addition of the Gillette business, which has a higher gross margin than the base P&G business, drove the remaining gross margin improvement of approximately 80-basis points.

Gross margin in 2005 was 50.9%, a decrease of 20-basis points compared with the prior year. Higher commodity costs reduced gross margin by over 100-basis points, approximately half of which was offset by scale benefits of volume growth, with the additional margin help driven by supply chain savings and pricing. Price increases to recover commodity costs were taken in family care, pet health, coffee and certain fabric care markets. Gross margin also contracted due to strong growth in lower margin developing markets. Additionally, the sale of the Juice business in August of 2004 provided a positive impact to gross margin, as the Juice business had a lower gross margin than the Company average.

Comparisons as a percentage of net sales; Years ended June 30	2006	Basis Point Change	2005	Basis Point Change	2004
Gross margin	**51.4%**	50	50.9%	(20)	51.1%
Selling, general and administrative	**32.0%**	(40)	32.4%	(40)	32.8%
Operating margin	**19.4%**	90	18.5%	20	18.3%
Earnings before income taxes	**18.2%**	60	17.6%	30	17.3%
Net earnings	**12.7%**	50	12.2%	20	12.0%

- *Focusing relentlessly to improve costs and generate cash.* Each organization is evaluated on its ability to support the Company's financial goals and increase total shareholder return. This includes an evaluation of net sales growth, earnings growth, profit margin expansion and cash productivity. Our organizations are evaluated on their ability to generate cash, for example, by increasing capacity utilization and meeting capital spending targets or by reducing working capital required to run the business.

SUMMARY OF 2006 RESULTS

For the fiscal year ended June 30, 2006, we delivered our fifth consecutive year of sales growth and free cash flow productivity at or above our stated targets.

- Net sales increased 20% to $68.22 billion.
  - Organic sales, which exclude the impacts of acquisitions, divestitures and foreign exchange, increased 7%, exceeding our post-Gillette organic sales growth target range of 4% to 6%.
  - Every reportable segment delivered year-on-year organic sales growth.
  - 16 of our 17 pre-existing billion-dollar brands increased volume during the year. Folgers volume did not increase as a result of Hurricane Katrina impacts. With the addition of Gillette, we now have a total of 22 billion-dollar brands.
  - Every geographic region posted organic volume growth, led by double-digit growth in developing markets. Organic volume excludes the impacts of acquisitions and divestitures.
- Diluted net earnings per share increased 4% to $2.64, including an estimated $0.20–$0.23 of dilution impact from the Gillette acquisition, which reduced earnings per share growth by 8%–9%.
- Cash flow from operating activities was $11.38 billion.
  - Free cash flow productivity was 100%, above our target of 90%.

FORWARD-LOOKING STATEMENTS

We discuss expectations regarding future performance, events and outcomes, such as our business outlook and objectives, in annual and quarterly reports, press releases and other written and oral communications. All such statements, except for historical and present factual information, are "forward-looking statements," and are based on financial data and our business plans available only as of the time the statements are made, which may become out-of-date or incomplete. We assume no obligation to update any forward-looking statements as a result of new information, future events or other factors. Forward-looking statements are inherently uncertain, and investors must recognize that events could be significantly different from our expectations.

Ability to Achieve Business Plans. We are a consumer products company and rely on continued demand for our brands and products. To achieve business goals, we must develop and sell products that appeal to consumers and retail trade customers. Our continued success is dependent on leading-edge innovation, with respect to both products and operations. This means we must be able to obtain patents and respond to technological advances and patents granted to competition. Our success is also dependent on effective sales, advertising and marketing programs in an increasingly fragmented media environment. Our ability to innovate and execute in these areas will determine the extent to which we are able to grow existing sales and volume profitably, especially with respect to the product categories and geographic markets (including developing markets) in which we have chosen to focus. There are high levels of competitive activity in the environments in which we operate. To address these challenges, we must respond to competitive factors, including pricing, promotional incentives and trade terms. We must manage each of these factors, as well as maintain mutually beneficial relationships with our key customers, in order to effectively compete and achieve our business plans. Since our goals include a growth component tied to acquisitions, we must manage and integrate key acquisitions, such as the Gillette and Wella acquisitions, including achieving the cost and growth synergies in accordance with stated goals.

Cost Pressures. Our costs are subject to fluctuations, particularly due to changes in commodity prices, raw materials, cost of labor, foreign exchange and interest rates. Therefore, our success is dependent, in part, on our continued ability to manage these fluctuations through pricing actions, cost savings projects, sourcing decisions and certain hedging transactions. We also must manage our debt and currency exposure, especially in volatile countries. We need to maintain key manufacturing and supply arrangements, including sole supplier and sole manufacturing plant arrangements. We must implement, achieve and sustain cost improvement plans, including our outsourcing projects and those related to general overhead and work force rationalization.

Global Economic Conditions. Economic changes, terrorist activity and political unrest may result in business interruption, inflation, deflation or decreased demand for our products. Our success will depend in part on our ability to manage continued global political and/or economic uncertainty, especially in our significant geographic markets, as well as any political or economic disruption due to terrorist and other hostile activities.

Regulatory Environment. Changes in laws, regulations and the related interpretations may alter the environment in which we do business. This includes changes in environmental, competitive and product-related laws, as well as changes in accounting standards and taxation requirements. Accordingly, our ability to manage regulatory, tax and legal matters (including product liability, patent and intellectual property matters as well as those related to the integration of Gillette and its subsidiaries) and to resolve pending matters within current estimates may impact our results.

Duracell and Braun: We compete in the batteries category, where we have approximately a 45% share of the alkaline battery market globally. We generally have the number one or number two market share position in the markets in which we compete behind the Duracell brand. Our Braun brand spans across electric razors and small electrical appliances.

GLOBAL OPERATIONS

Market Development Organization

Our MDO organization is responsible for developing go-to-market plans at the local level. The MDO includes dedicated retail customer, trade channel and country-specific teams. It is organized along seven geographic regions: North America, Western Europe, Northeast Asia, Central & Eastern Europe/Middle East/Africa, Latin America, ASEAN/Australia/India and Greater China. Throughout MD&A, we reference business results in developing markets, which we define as the aggregate of Central & Eastern Europe/Middle East/Africa, Latin America, ASEAN/Australia/India and Greater China.

Global Business Services

The GBS organization is responsible for providing world-class solutions at a low cost and with minimal capital investment. GBS provides technology, processes and standard data tools to enable the GBUs and the MDO to better understand the business and better serve customers and consumers.

Strategic Focus

P&G is focused on strategies that we believe are right for the long-term health of the Company and will increase returns for our shareholders. The Company's annual financial targets through 2010 are:

- Net sales growth of 5% to 7% (excluding the impact of foreign exchange). This is comprised of:
  - 4% to 6% organic sales growth through 2010:
    - 3% to 5% pre-Gillette organic sales target, plus
    - 1% of growth acceleration through 2010 behind revenue synergies associated with the Gillette acquisition.
  - 1% of additional growth from acquisitions.
- Diluted net earnings per share growth of 10% or better, excluding the impacts of Gillette dilution.
- Free cash flow productivity of 90% or greater (defined as the ratio of operating cash flow less capital expenditures to net earnings).

In order to achieve these targets, we focus on our core strengths of consumer understanding, branding, innovation, go-to-market capability and global scale and scope against the following growth areas:

- Grow our leading brands in our biggest markets and with our winning customers.
- Invest in faster-growing businesses with higher gross margins that are less asset-intensive.
- Grow disproportionately in developing markets and with lower-income consumers.

Sustainability

To sustain consistent and reliable sales and earnings growth in line with our financial targets, we have identified four key enablers:

- ***Building a diversified and balanced portfolio consisting of foundation businesses and higher growth businesses.*** Foundation businesses include many of our established product categories, primarily within Household Care. These businesses provide a base for steady growth and strong operating cash flows. We are focused on expanding these categories through innovative products, offering our brands in more parts of the world and tailoring our products to meet the needs of more consumers (including lower-income consumers). Our foundation businesses are complemented with our portfolio of higher growth businesses, primarily Beauty and Health Care. These businesses generally have higher gross margins and lower capital requirements than the balance of the Company's portfolio and tend to have faster market growth rates than our foundation businesses. Over the past several years, we have increased the size of our higher growth business portfolio by growing base Beauty and Health Care brands and through acquisitions, including Clairol in 2001, Wella in 2003 and Gillette in 2005.
- ***Investing in innovation and core P&G capabilities and strengths to enable us to reach more of the world's consumers with quality, affordable products.*** This includes expanding our presence in markets and reaching more consumers where we are underrepresented, including lower-income and value-conscious consumers.
- ***Leveraging the Company's organizational structure to drive clear focus, accountability and improved go-to-market capability.*** We have an organizational structure that works together to leverage our knowledge and scale at the global level with a deep understanding of the consumer and customer at the local level.
  - The MDO organization develops go-to-market plans at the local level, leveraging their understanding of the local consumers and customers. The MDO is focused on winning the "first moment of truth"—when a consumer stands in front of the shelf and chooses a product from among many competitive offerings.
  - The GBU organizations leverage their consumer understanding to develop the overall strategy for our brands. They identify common consumer needs, develop new products and build our brands through effective marketing innovations. The GBU is focused on winning the "second moment of truth"—when the consumer uses the product and evaluates how well the product meets his or her expectations.
  - Global Business Services (GBS) operates as the "back office" for the GBU and MDO organizations, providing cost-effective world-class technology, processes and standard data tools to better understand the business and better serve consumers and customers. GBS personnel, or highly efficient and effective third-party partners, provide these services.

as a separate reportable segment. In addition, our commercial products organization, which primarily sells cleaning products directly to commercial end users, was moved from Snacks and Coffee to our Fabric Care and Home Care reportable segment. Finally, the adult incontinence business was aligned with our feminine care business and as a consequence was removed from Baby Care and Family Care and moved to P&G Beauty. The balance of the Baby Care and Family Care reportable segment was moved from the P&G Family Health GBU to the P&G Household Care GBU, but will continue to be reported as a separate reporting segment. In conjunction with these changes, the P&G Beauty GBU was renamed "Beauty and Health," the Snacks and Coffee reportable segment was renamed "Pet Health, Snacks and Coffee," the P&G Household Care GBU was renamed "Household Care" and the P&G Family Health GBU was eliminated. The accompanying financial statements and management discussion of operating results, including historical results, reflect the new management and organization structure.

Under U.S. GAAP, the business units comprising the GBUs are aggregated into seven reportable segments: Beauty; Health Care; Fabric Care and Home Care; Baby Care and Family Care; Pet Health, Snacks and Coffee; Blades and Razors; and Duracell and Braun.

The following provides additional detail on the reportable segments and brand composition of each of our three GBUs:

Beauty and Health

Beauty: We are a global market leader in Beauty and compete in markets which comprise over $220 billion in global retail sales. We are the global market leader in hair care with approximately a 24% share of the global market. We are also the global market leader in the feminine care category with approximately a 36% share of the market.

Health Care: We compete in oral care, pharmaceuticals and personal health. In oral care, there are several global competitors in the market, of which we have the number two share position. In pharmaceuticals and personal health, we have approximately 33% of the global bisphosphonates market for the treatment of osteoporosis under the Actonel brand. We also maintain leadership market share in nonprescription heartburn medications and in respiratory treatments behind Prilosec OTC and Vicks, respectively.

Household Care

Fabric Care and Home Care: This segment is comprised of a variety of products including laundry products, fabric conditioners, dish care, air fresheners and household cleaners. We generally have the number one or number two share position in the markets in which we compete, with particular strength in North America and Europe. We are the global market leader in fabric care with global market share of approximately 33%. Our global home care market share is approximately 21% across the categories in which we compete.

Baby Care and Family Care: In baby care, we compete primarily in diapers, training pants and baby wipes and have a global market share of approximately 36%. We are the number one or number two baby care competitor in most of the key markets in which we compete, primarily behind the Pampers brand, the Company's largest brand with annual net sales in excess of $6 billion. Our Family Care business is predominantly a North American business comprised primarily of the Bounty and Charmin brands, with market shares of approximately 43% and 27%, respectively, in the United States.

Pet Health, Snacks and Coffee: In pet health, we compete in several markets around the globe, primarily in the premium pet health segment behind the Iams brand. In Snacks, we compete against both global and local competitors and have a global market share of approximately 13% in the potato chips market behind the Pringles brand. Our coffee business competes almost solely in North America, where we hold a leadership position with approximately 34% of the U.S. market, primarily behind our Folgers brand.

Gillette GBU

The Gillette GBU was added on October 1, 2005, as a result of the acquisition of The Gillette Company. This GBU is comprised of the Blades and Razors and the Duracell and Braun reportable segments.

Blades and Razors: We hold leadership market share in Blades and Razors on a global basis and across the majority of markets in which we compete. Our global market share is approximately 72% primarily behind the MACH3, Fusion, Venus and the Gillette franchise.

GBU	Reportable Segment	% of Net Sales*	% of Net Earnings*	Key Products	Billion-Dollar Brands
BEAUTY AND HEALTH	Beauty	31%	33%	Cosmetics, Deodorants, Feminine Care, Hair Care, Personal Cleansing, Skin Care	Always, Head & Shoulders, Olay, Pantene, Wella
	Health Care	11%	13%	Oral Care, Pharmaceuticals, Personal Health Care	Actonel, Crest, Oral-B
HOUSEHOLD CARE	Fabric Care and Home Care	25%	25%	Fabric Care, Air Care, Dish Care, Surface Care	Ariel, Dawn, Downy, Tide
	Baby Care and Family Care	18%	14%	Diapers, Baby Wipes, Bath Tissue, Kitchen Towels	Bounty, Charmin, Pampers
	Pet Health, Snacks and Coffee	6%	4%	Pet Health, Snacks, Coffee	Folgers, Iams, Pringles
GILLETTE GBU	Blades and Razors	5%	8%	Men's and Women's Blades and Razors	Gillette, MACH3
	Duracell and Braun	4%	3%	Batteries, Electric Razors, Small Appliances	Braun, Duracell

* Percent of net sales and net earnings for the year ended June 30, 2006. Figures exclude results held in the Corporate segment and include Gillette results only for the nine months ended June 30, 2006.

Management's Discussion and Analysis

The purpose of this discussion is to provide an understanding of P&G's financial results and condition by focusing on changes in certain key measures from year to year. Management's Discussion and Analysis (MD&A) is organized in the following sections:

- Overview
- Summary of 2006 Results
- Forward-Looking Statements
- Results of Operations
- Segment Results
- Financial Condition
- Significant Accounting Policies and Estimates
- Other Information

Throughout MD&A, we refer to measures used by management to evaluate performance including unit volume growth, net outside sales and after-tax profit. We also refer to organic sales growth (net sales growth excluding the impacts of acquisitions, divestitures and foreign exchange), free cash flow and free cash flow productivity. These financial measures are not defined under accounting principles generally accepted in the United States of America (U.S. GAAP). The explanation of these measures at the end of MD&A provides more details on the use and the derivation of these 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 information. References to market share and market consumption in MD&A are based on a combination of vendor-reported consumption and market size data, as well as internal estimates.

As previously disclosed, we adopted SFAS 123(R) effective July 1, 2005, which requires that all stock-based compensation, including grants of employee stock options, be accounted for using a fair value-based method. We have elected to adopt SFAS 123(R) using the modified retrospective method. Therefore, all historical financial data provided in MD&A and the Consolidated Financial Statements, including prior year data, have been retrospectively revised to include the impact of all stock-based compensation expense.

We also previously disclosed that we changed our method of accounting for treasury stock effective July 1, 2005. We previously accounted for share repurchases as if the treasury stock was constructively retired by reducing common stock and retained earnings within Shareholders' Equity. We now present treasury stock as a separate component of Shareholders' Equity. We believe this accounting method is preferable as it more closely depicts the underlying intent of the share repurchases.

On October 1, 2005, we completed the acquisition of The Gillette Company for approximately $53.43 billion. Gillette is a leading consumer products company that had $10.48 billion of sales in its most recent pre-acquisition year ended December 31, 2004. The results of the acquired Gillette businesses included in the Consolidated Financial Statements and MD&A reflect the nine-month period from October 1, 2005 (the acquisition date) through June 30, 2006. In order to provide our investors with more insight into the results of the Blades and Razors and the Duracell and Braun reportable segments, we have previously provided supplemental pro forma net sales and earnings data for these segments for each of the four quarters in the year ended June 30, 2005 (as presented in our Form 8-K released October 4, 2005). Management's discussion of the current year results of these two reportable segments is in relation to such comparable prior year pro forma net sales and earnings data. Results of Gillette's personal care and oral care businesses were subsumed within the Beauty and the Health Care reportable segments, respectively.

OVERVIEW

P&G's business is focused on providing branded consumer goods products. Our goal is to provide products of superior quality and value to improve the lives of the world's consumers. We believe this will result in leadership sales, profits and value creation, allowing employees, shareholders and the communities in which we operate to prosper.

Our products are sold in more than 180 countries primarily through mass merchandisers, grocery stores, membership club stores and drug stores. We have also expanded our presence in "high frequency stores," the neighborhood stores which serve many consumers in developing markets. We have on-the-ground operations in over 80 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 (referred to as premium, mid-tier and value-tier products). Generally speaking, we compete with premium and mid-tier products and are well positioned in the industry segments and markets in which we operate—often holding a leadership or significant share position.

Organizational Structure

We have an organizational structure that is comprised of three Global Business Units (GBUs) and a Global Operations group. The Global Operations group consists of the Market Development Organization (MDO) and Global Business Services (GBS). The heads of the three GBUs and Global Operations each report to the Chief Executive Officer.

GLOBAL BUSINESS UNITS

Our three GBUs are Beauty and Health, Household Care and Gillette GBU. The primary responsibility of the GBUs is to develop the overall strategy for our brands. They identify common consumer needs, develop new product innovations and build our brands through effective commercial innovations, marketing and sales.

We moved to this structure in April 2006 when we announced a number of changes to certain of our key leadership positions, which resulted in changes to our GBU structure and our segment reporting. These changes dissolved our P&G Family Health GBU by realigning the component businesses within our remaining GBUs. Specifically, pet health and nutrition, which used to be part of our Health Care reportable segment, became part of our Snacks and Coffee reportable segment. The balance of our Health Care reportable segment was combined with the P&G Beauty GBU, but will continue to be reported

Report of Independent Registered Public Accounting Firm

Deloitte.

To the Board of Directors and Shareholders of
The Procter & Gamble Company

We have audited management's assessment, included in Management's *Report on Internal Control Over Financial Reporting*, that The Procter & Gamble Company and subsidiaries (the "Company") maintained effective internal control over financial reporting as of June, 30, 2006, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of June 30, 2006, is fairly stated, in all material respects, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2006, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended June 30, 2006 of the Company and our report dated August 8, 2006 expressed an unqualified opinion on those financial statements.

Deloitte & Touche LLP

Cincinnati, Ohio
August 8, 2006

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting of The Procter & Gamble Company (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Our internal control over financial reporting is designed 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 in the United States of America.

Strong internal controls is an objective that is reinforced through our *Worldwide Business Conduct Manual*, which sets forth our commitment to conduct business with integrity and within both the letter and the spirit of the law. The Company's internal control over financial reporting includes a Control Self Assessment Program that is conducted annually by substantially all areas of the Company and is audited by the internal audit function. Management takes the appropriate action to correct any identified control deficiencies. Because of its inherent limitations, any system of internal control over financial reporting, no matter how well designed, may not prevent or detect misstatements due to the possibility that a control can be circumvented or overridden or that misstatements due to error or fraud may occur that are not detected. Also, because of changes in conditions, internal control effectiveness may vary over time.

Management assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2006 using criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and concluded that the Company maintained effective internal control over financial reporting as of June 30, 2006 based on these criteria.

Deloitte & Touche LLP, an independent registered public accounting firm, has audited the effectiveness of the Company's internal control over financial reporting and management's assessment of the effectiveness of the Company's internal control over financial reporting as of June 30, 2006, as stated in their report which is included herein.

A.G. Lafley
Chairman of the Board,
President and Chief Executive

Clayton C. Daley, Jr.
Chief Financial Officer

August 8, 2006

Report of Independent Registered Public Accounting Firm

Deloitte.

To the Board of Directors and Shareholders of
The Procter & Gamble Company

We have audited the accompanying consolidated balance sheets of The Procter & Gamble Company and subsidiaries (the "Company") as of June 30, 2006 and 2005, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2006 and 2005, and the results of its operations and cash flows for each of the three years in the period ended June 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the accompanying consolidated financial statements have been retrospectively adjusted for the adoption of SFAS No. 123 (Revised 2004), "Share-Based Payment" and the change in the Company's method of accounting for Treasury Stock in order to present Treasury Stock as a separate component of Shareholders' Equity.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of June 30, 2006, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 8, 2006 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Deloitte & Touche LLP

Cincinnati, Ohio
August 8, 2006

Management's Responsibility for Financial Reporting

At Procter & Gamble, we take great pride in our long history of doing what's right. If you analyze what's made our Company successful over the years, you may focus on our brands, our marketing strategies, our organization design and our ability to innovate. But if you really want to get at what drives our Company's success, the place to look is our people. Our people are deeply committed to our Purpose, Values and Principles. It is this commitment to doing what's right that unites us.

This commitment to doing what's right is embodied in our financial reporting. High quality financial reporting is our responsibility—one we execute with integrity and within both the letter and spirit of the law.

High quality financial reporting is characterized by accuracy, objectivity and transparency. Management is responsible for maintaining an effective system of internal controls over financial reporting to deliver those characteristics in all material respects. The Board of Directors, through its Audit Committee, provides oversight. We have engaged Deloitte & Touche LLP to audit our consolidated financial statements, on which they have issued an unqualified opinion.

Our commitment to providing timely, accurate and understandable information to investors encompasses:

Communicating expectations to employees. Every employee—from senior management on down—is trained on the Company's *Worldwide Business Conduct Manual,* which sets forth the Company's commitment to conduct its business affairs with high ethical standards. Every employee is held personally accountable for compliance and is provided several means of reporting any concerns about violations of the *Worldwide Business Conduct Manual,* which is available on our website at www.pg.com.

Maintaining a strong internal control environment. Our system of internal controls includes written policies and procedures, segregation of duties and the careful selection and development of employees. The system is designed to provide reasonable assurance that transactions are executed as authorized and appropriately recorded, that assets are safeguarded and that accounting records are sufficiently reliable to permit the preparation of financial statements conforming in all material respects with accounting principles generally accepted in the United States of America. We monitor these internal controls through control self assessments conducted by business unit management. In addition to performing financial and compliance audits around the world, including unannounced audits, our Global Internal Audit organization provides training and continuously improves internal control processes. Appropriate actions are taken by management to correct any identified control deficiencies.

Executing financial stewardship. We maintain specific programs and activities to ensure that employees understand their fiduciary responsibilities to shareholders. This ongoing effort encompasses financial discipline in strategic and daily business decisions and brings particular focus to maintaining accurate financial reporting and effective controls through process improvement, skill development and oversight.

Exerting rigorous oversight of the business. We continuously review business results and strategic choices. Our Global Leadership Council is actively involved—from understanding strategies to reviewing key initiatives, financial performance and control assessments. The intent is to ensure we remain objective, identify potential issues, continuously challenge each other and ensure recognition and rewards are appropriately aligned with results.

Engaging our Disclosure Committee. We maintain disclosure controls and procedures designed to ensure that information required to be disclosed is recorded, processed, summarized and reported timely and accurately. Our Disclosure Committee is a group of senior-level executives responsible for evaluating disclosure implications of significant business activities and events. The Committee reports its findings to the CEO and CFO, providing an effective process to evaluate our external disclosure obligations.

Encouraging strong and effective corporate governance from our Board of Directors. We have an active, capable and diligent Board that meets the required standards for independence, and we welcome the Board's oversight. Our Audit Committee comprises independent directors with significant financial knowledge and experience. We review significant accounting policies, financial reporting and internal control matters with them and encourage their independent discussions with external auditors. Our corporate governance guidelines, as well as the charter of the Audit Committee and certain other committees of our Board, are available on our website at www.pg.com.

P&G has a strong history of doing what's right. Our employees embrace our Purpose, Values and Principles. We take responsibility for the quality and accuracy of our financial reporting. We present this information proudly, with the expectation that those who use it will understand our Company, recognize our commitment to performance with integrity and share our confidence in P&G's future.

A.G. Lafley
Chairman of the Board,
President and Chief Executive

Clayton C. Daley, Jr.
Chief Financial Officer

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P&G's global scale creates advantage for global business units and for local market development organizations. P&G has scale advantages on three levels: company, category and country. At the total-company level, P&G is able to leverage global scale to drive out costs consumers and customers should not have to pay for. In addition, P&G's company scale enables interconnectivity—internally, between diverse businesses with complementary technologies, and externally, by attracting the best suppliers and innovation partners in the world. At the category level, P&G is able to leverage its category leadership to develop the technologies, capability and knowledge critical to winning in a particular business. At the country level, P&G's breadth of businesses enables us to learn about more aspects of more consumers' lives and, as a result, to identify a much broader range of innovation possibilities—and P&G's brand lineup and customer business development capabilities enable us to develop highly collaborative partnerships with retailers of all sizes. The ability to transfer knowledge across all three levels—total company, category, and country—creates the greatest and most sustainable competitive advantage.

We will continue to build these strengths and leverage them for sustainable growth in the second half of the decade.

UNIQUE ORGANIZATIONAL STRUCTURE

We get the full value of the Company's strengths with a unique organizational structure and supporting work systems. P&G is the only consumer products company with global business unit profit centers, a global Market Development Organization, and global shared business services, all supported by innovative corporate functions.

We are essentially running a number of highly focused companies that share common go-to-market operations and business services. We've made it possible for each business unit to focus on its individual consumers, customers and competitors while capturing all the capability, knowledge and scale of a $70 billion global company. In addition, we have created the capability to collaborate, learn quickly from one another, and reapply successes across P&G businesses.

The primary benefit of allowing business units to focus singularly on consumers, customers and competitors in their individual categories is evident in the growth of P&G's Skin Care, Oral Care, Feminine Care, and Home Care businesses. These four businesses have delivered 11% average sales growth over the past six years, adding nearly $1 billion per year in sales since the beginning of the decade. In the old structure, and with past strategies, these businesses were not a priority. They did not get full attention from business leaders who had to keep core businesses growing while also supporting all the go-to-market and business services activities that were vertically integrated within the business units. In the much more agile, flexible and responsive current structure, these limitations have been stripped away and businesses such as Skin Care and Home Care have become strong global businesses in their own right, with the resources and focus necessary to grow. Their growth potential has been unleashed, and these businesses have emerged as disproportionate growth drivers—even as core businesses such as Fabric Care, Baby Care and Hair Care have continued to grow ahead of their categories simultaneously.

Organizational structure can be a liability, particularly for large, diversified multinational companies. By linking structure so tightly with strategies and strengths, we have made organization design and supporting business systems critical enablers of sustainable growth.

Confidence in Sustainable Growth

I'm proud of what P&G people have achieved. Fiscal 2006 was not an easy year. We had to cope with natural disasters, offset the largest commodity and energy hikes since the 1970s, and respond to intense competitive pressure. We had to integrate Gillette. We had to exceed our own strong performance in the prior year. And, of course, we had to delight consumers and jointly create value with retail customers in every part of our business.

Despite these challenges, we delivered a strong year and completed a half-decade of consistent, sustainable growth. We will not let up.

- Our strategies will focus resources against growth opportunities where we have the greatest potential to grow and to create shareholder value.
- Our core strengths will enable us to innovate and to bring innovation to market faster, more effectively and more efficiently than competition.
- Our organization structure will enable us to execute strategies with disciplined excellence.

We remain focused on a bright future. P&G's strategies, strengths and structure create the capability to lead innovation and to continually increase productivity—the keys to capturing the opportunities for growth that exist in all of P&G's businesses.

A.G. Lafley

Chairman of the Board,
President and Chief Executive

August 8, 2006

P&G Growth Strategies

Core businesses

Growth

P&G's portfolio of billion-dollar brands has grown sales 8%[9] per year. We've increased sales nearly 9%[10] per year in our 16 largest geographic markets. And we have grown share with P&G's top retail customers. We've leveraged P&G strengths and technologies in every core business.

Growth Opportunity

P&G is the global leader in Baby Care, Feminine Care, and Fabric Care, with 32% to 36% global shares in these major categories. In our strongest large markets, however, we have shares that exceed 50%—and the Gillette Blades and Razors business is still growing with global shares in excess of 70%. We're well positioned to capture more of this growth opportunity.

Fast-growth high-margin businesses

Growth

P&G has more than doubled sales in faster-growing, higher-margin categories such as beauty, health care, and home care. More than 70% of the Company's growth, or roughly $20 billion in net sales, has come from organic growth and strategic acquisitions in these businesses. Well over half of P&G sales now comes from these faster-growing, higher-margin businesses.

Growth Opportunity

We compete in beauty and health care categories that represent more than a $350 billion global market, growing 5% a year on average. P&G has less than a 10% share of this combined market. There is no doubt that Beauty and Health Care will continue to drive disproportionate growth for P&G through the end of the decade.

Developing markets

Growth

We have increased sales in developing markets 16% per year over the past five years and have achieved after-tax margins comparable to developed markets. Nearly a third of total-company sales growth since the beginning of the decade has come from developing markets.

Growth Opportunity

In the categories in which P&G competes, developing countries represent a $200 billion market and is expected to approach $250 billion by 2010. We currently compete in only about 10 of P&G's top 25 categories in most developing countries. There is more than $20 billion of growth opportunity over the next several years through expansion of P&G's category presence and increased share growth.

CORE STRENGTHS

P&G's core strengths are in the competencies that matter most in the consumer products industry:

- Shopper and consumer understanding
- Branding
- Innovation
- Go-to-market capability
- Global scale

Our ability to combine these strengths creates significant and sustainable competitive advantage.

Consumer and shopper understanding is the foundation. P&G interacts with more than four million consumers a year in nearly 60 countries. We conduct more than 10,000 research studies each year, and invest more than $200 million per year in consumer and market understanding. Our research spans more than 25 product categories, providing a more complete understanding of consumers than companies focused more narrowly on a few categories. We see innovation opportunities that others do not see.

Once we know where the opportunities are, we bring tremendous innovative resources to the task. In addition to P&G's product-category breadth, we have deep technical expertise in a diverse mix of technologies from enzymes to fragrances to surfactants to substrates. As a result, we have access to more internal technologies than any other consumer products company. We multiply this internal innovation capability by reaching outside P&G to a global network of nearly two million researchers in technology areas connected to P&G businesses. This "connect and develop" collaboration results in a bigger and stronger innovation pipeline.

P&G's brand-building strength and go-to-market capability enable us to commercialize a larger innovation pipeline. P&G's leading global brands are platforms for innovation. We can bring new products to market on brands that already have strong equities and deep consumer trust; this increases consumer trial and retail customer support. P&G has also been a courageous leader by creating new categories with new brands such as Febreze, Swiffer, Kandoo, Prilosec OTC, and ThermaCare. For both new and existing brands, we leverage P&G's strong customer partnerships and local market knowledge to maximize consumer trial and the ultimate commercial success of new initiatives.

(9) Excludes the initial-year impact of adding newly acquired billion-dollar brands to the portfolio.
(10) Excludes Gillette.

integrated P&G and Gillette distributors, we will provide expanded distribution for Gillette products—and in some cases, for P&G products, as well. We are also lowering the distribution costs per case for both Gillette and P&G brands. During these integrations we are experiencing some short-term inventory reductions which, along with a number of retailer inventory-reduction programs, have had a short-term negative impact on Gillette sales growth. These inventory reductions were largely expected. Most important is that consumer demand for Gillette brands remains very strong. Consumption on Gillette's major brands continues to grow, which provides assurance the Gillette businesses remain healthy.

Gillette is a catalyst that is making P&G a better brand-builder and a stronger innovation leader. As a result, we've approached the Gillette integration differently than past acquisitions. We have benchmarked best practices from both companies in every critical part of the business. Where P&G is strongest, we're bringing P&G approaches to Gillette. Where Gillette is strongest, we're bringing those capabilities to P&G. And where there are opportunities to combine the best of both companies, we are creating even better and stronger capability than either company could ever have built on its own.

I want to express my deep appreciation to the men and women from Gillette and P&G who have delivered the progress I've noted here. They have worked tirelessly and with extraordinary professionalism over the past several months to serve consumers, to integrate systems and external partners, to meet the needs of retail customers, and to manage the transition of nearly 30,000 Gillette employees.

I have no doubt that P&G and Gillette are stronger together than alone, and that our combined company can deliver our accelerated growth targets over the balance of the decade.

Sustaining Growth

P&G's performance in fiscal 2006 continues the consistent growth we have delivered in the first half of the decade. Since 2001:

- Net sales have increased 12% per year. Organic sales have increased 6% per year. Total sales have grown from $39 billion to $68 billion.
- Earnings per share have grown an average of 12% per year.
- Free cash flow has grown to nearly $9 billion per year, totaling more than $35 billion over the past five years.

This is industry-leading performance, but we recognize that sustaining growth in the second half of the decade could be more difficult than in the first half because the external environment is becoming more challenging in three areas: consumers, competitors, and commodity and energy costs.

Consumers. The shift in power to consumers is accelerating. We can see this most clearly in the explosion of consumer choice. Consumers have more brands, products and services to choose from in every industry in every market. As a result, consumers expect more from the brands they buy and use every day. They expect manufacturers and retailers to communicate with and to listen to them more carefully, to learn from them, and to meet their needs and wants.

Competitors. P&G competes against some of the best companies in the world, companies with great brands and strong capabilities. In addition, many retailers are creating retailer brands and product lines that compete more directly with manufacturers' brands. We also compete with more local, low-cost manufacturers in developing countries.

Commodity and Energy Costs. Rising commodity and energy costs will continue to be a challenge. In fiscal 2005, we had to absorb about $750 million in increased costs for energy and raw materials and we've had to cover about the same amount this year. We expect raw material and energy costs to be up in fiscal 2007 versus the prior year, though current estimates indicate the increase should be smaller than in the past two years.

To respond to these and other challenges, we must continue to lead innovation, reduce costs, and improve overall productivity. I'm confident we can do it. We have the strategies, strengths and structure that create the capability and the opportunity to grow.

CLEAR STRATEGIES

P&G's growth strategies are clear and robust.

- Continue to grow P&G's core businesses: Leading brands, big growing markets, and winning retail customers, leveraging P&G's core strengths and core technologies.
- Develop faster-growing, higher-margin, more structurally attractive businesses in which P&G has significant potential to achieve global leadership.
- Grow disproportionately in developing markets to serve more low-income consumers.

We have grown substantially in all three strategic focus areas over the past five years, and we have further room to grow.

P&G's strategies focus the Company on growth opportunities that play to P&G's strengths. These strategies have enabled us to create a diversified and balanced portfolio of businesses, geographic markets, and retail customers, which increases the Company's flexibility to deliver consistent sustainable growth.

To deliver a strong second half of the decade, we will continue to execute P&G's strategies with excellence.

+20% Net Sales

+25% Net Earnings

+12% to 13% EPS Excluding Gillette Dilution

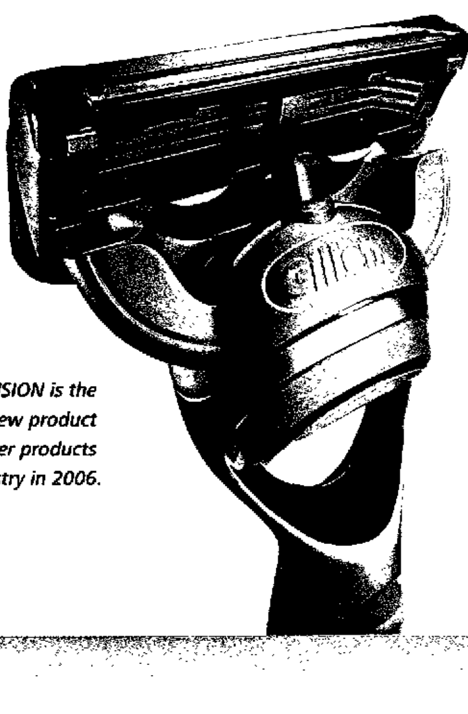
100% Free Cash Flow Productivity

commitments we made when we asked shareholders to approve the acquisition:

- $1.0–1.2 billion in annual cost synergies (before taxes) by fiscal 2008
- 1% incremental annual sales growth from revenue synergies through 2010

On July 1, 2006, nine months after closing the acquisition, we completed the largest wave of business systems integration so far. We integrated systems in 26 countries, spanning five geographic regions, representing about 20% of sales. This brings the number of integrated countries to 31; we are now taking orders, shipping products, and receiving payments as a single company in these countries. We managed these conversions with minimal business interruptions, which reinforces our confidence that we can successfully integrate the vast majority of remaining countries over the next six months.

We also continued to integrate distributor networks in several developing countries. We expect to have the majority of these integrations complete this calendar year. Once we've fully



Gillette FUSION is the best-selling new product in the consumer products industry in 2006.

P&G Report Card

Progress Against P&G's Long-Term Goals and Strategies

GROWTH RESULTS	*2001–2006* (average annual)
Organic Sales Growth	**6%**(5)
Earnings-per-Share Growth	**12%**(6)
Free Cash Flow Productivity	**124%**

GROWTH STRATEGIES

Grow from the core:(7) ***Leading Brands, Big Markets, Top Customers***

- Volume up 7%,(8) on average, for P&G's 17 billion-dollar brands
- Volume up 8%, on average, for P&G's top 16 countries
- Volume up 8%, on average, for P&G's top 10 retail customers

Develop faster-growing, higher-margin, more structurally attractive businesses

- Beauty sales doubled to $21.1 billion; profit more than doubled, to $3.1 billion
- Health Care sales more than doubled to $7.9 billion; profit more than quadrupled to $1.2 billion
- Home Care sales up nearly 70%; profit more than tripled

Accelerate growth in developing markets and among low-income consumers

- Developing market sales up 16% per year
- Nearly one-third of total-company sales growth from developing markets
- Developing market profit margins comparable to developed market margins

(5) Organic sales exclude the impacts of acquisitions, divestitures and foreign exchange (6% on average in 2001-2006).

(6) Excludes amortization of goodwill and indefinite-lived intangibles, no longer required under accounting rules beginning in 2002, and Organization 2005 restructuring charges per share of $0.61 in 2001, $0.26 in 2002, and $0.19 in 2003.

(7) Excludes Gillette.

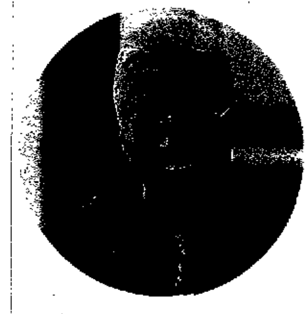
(8) Excludes the initial-year impact of adding newly acquired billion-dollar brands to the portfolio.

Fellow Shareholders:

P&G delivered another year of strong business and financial results in fiscal 2006. We have met or exceeded P&G's long-term sales growth goal for five consecutive years, and are now focused on delivering a full decade of industry-leading top- and bottom-line growth.

I am confident we can meet this challenge because of the strong foundation we've built during the first half of this decade. We have **clear strategies**, with plenty of room for growth in each strategic focus area; **core strengths** in the competencies that matter most in our industry; and **a unique organizational structure** that enables P&G strategies and leverages P&G strengths.

Strategy, strengths and structure create capability and opportunity. I have written consistently about these factors for several years now. I reiterate them again this year because I remain confident these three factors will enable P&G to innovate better and faster, to operate even more productively, and to deliver consistent sales and earnings growth and cash productivity for the next five years.



A.G. Lafley
Chairman of the Board,
President and Chief Executive

Fiscal 2006 Results

P&G's performance in fiscal 2006 demonstrated the Company's ability to sustain growth. We increased net sales 20% to more than $68 billion; organic sales increased 7%(1). Every business segment delivered year-on-year organic sales growth; Fabric Care and Home Care, Beauty, and Health Care delivered the strongest growth, each growing sales ahead of the Company's post-Gillette *4% to 6% organic top-line goal. Every geographic region posted* organic volume and sales growth, led by double-digit growth in developing markets.

Earnings per share increased 4% to $2.64, despite a -8% to -9% impact from Gillette dilution, which is slightly better than the dilution guidance we provided when we completed the acquisition in October 2005. Excluding Gillette dilution, P&G earnings per share were up 12% to 13%(2), ahead of the 10%+ long-term goal. Net earnings increased 25% to $8.7 billion, behind the addition of Gillette as well as sales growth and margin expansion on established businesses.

Free cash flow was $8.7(3) billion, or 100% of net earnings. This is ahead of our long-term cash productivity(4) goal, which is to generate free cash flow equivalent to at least 90% of net earnings. P&G's cash performance in fiscal 2006 was due largely to earnings growth on *existing P&G businesses*, the addition of Gillette earnings, and strong progress on working capital.

On Track with Gillette

I am very pleased with the progress we have made on the integration of Gillette. We completed fiscal 2006 at the low end of the dilution range we provided, and are on track with our commitment to return P&G to double-digit earnings-per-share growth in fiscal 2008. We are also on track to deliver the financial

(1) Organic sales exclude the impacts of acquisitions, divestitures and foreign exchange (13% in 2006).

(2) EPS excluding Gillette dilution is comprised of 4% EPS growth, less the -8% to -9% dilution impact from Gillette.

(3) Free cash flow is defined as operating cash flow less capital spending.

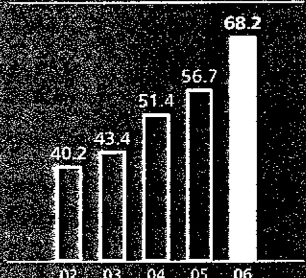
(4) Free cash flow productivity is the ratio of free cash flow to net earnings.

Financial Highlights

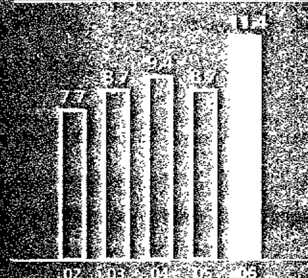
FINANCIAL SUMMARY (UNAUDITED)

Amounts in millions, except per share amounts; Years ended June 30	2006	2005	2004	2003	2002
Net Sales	$68,222	$56,741	$51,407	$43,377	$40,238
Operating Income	13,249	10,469	9,382	7,312	6,073
Net Earnings	8,684	6,923	6,156	4,788	3,910
Net Earnings Margin	12.7%	12.2%	12.0%	11.0%	9.7%
Basic Net Earnings Per Common Share	$ 2.79	$ 2.70	$ 2.34	$ 1.80	$ 1.46
Diluted Net Earnings Per Common Share	2.64	2.53	2.20	1.70	1.39
Dividends Per Common Share	1.15	1.03	0.93	0.82	0.76

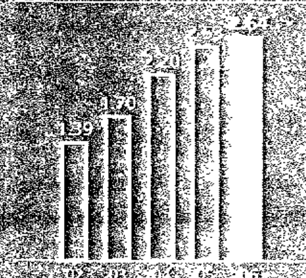
NET SALES
(in billions of dollars)



OPERATING CASH FLOW
(in billions of dollars)



DILUTED NET EARNINGS
(per common share)



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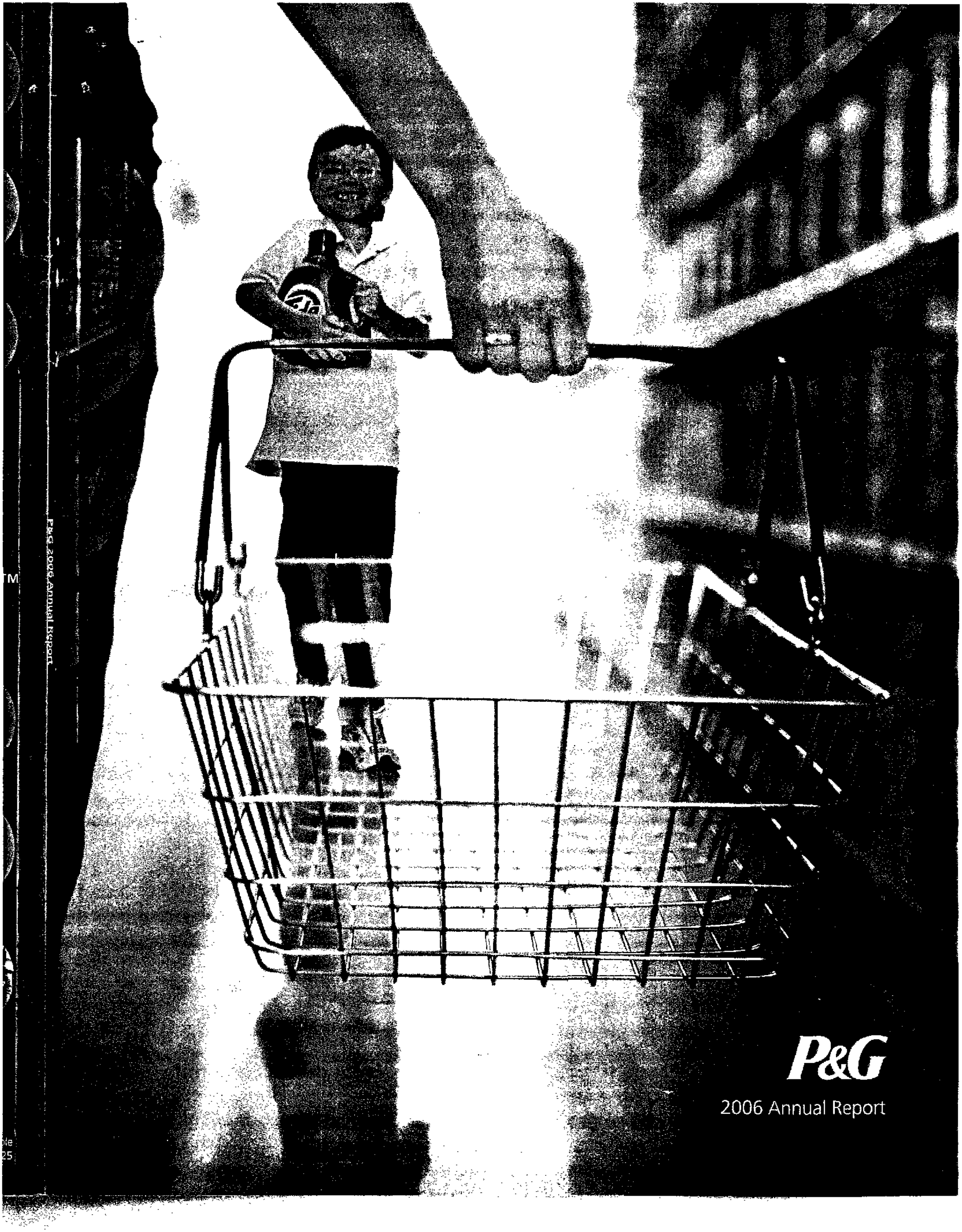

P&G

2006 Annual Report

PUBLIC UTILITIES COMMISSION OF OHIO

Certified as a Competitive Retail Electric Service Provider

RENEWAL

Certificate Number:
00-042 (3)

Issued Pursuant to Case Number(s):

00-2267-EL-AGG

A certificate as a Competitive Retail Electric Service Provider is hereby granted to **The Proctor and Gamble Distributing Company** whose office or principal place of business is located at **6105 Center Hill Avenue, Cincinnati OH 45224** to provide **aggregation and power broker** services within the State of Ohio **effective February 03, 2005.**

The certification of competitive retail electric suppliers is governed by Section 4901:1-24-(01-13) of the Ohio Administrative Code, Section 4901:1-21-(01–15) of the Ohio Administrative Code, and Section 4928.08 of the Ohio Revised Code.

This Certificate is revocable if all of the conditions set forth in the aforementioned case(s) are not met.

Subject to all rules and regulations of the Commission, now existing or hereafter promulgated.

Witness the seal of the Commission affixed at Columbus, Ohio.

Dated: February 14, 2005

By Order of

PUBLIC UTILITIES COMMISSION OF OHIO

Betty McCauley

Renee' J. Jenkins, Secretary
Betty McCauley, Acting Secretary
Mariruth C. Wright, Acting Secretary

Certificate Expires: February 03, 2007

Extend 3/15/07

Attachment B-2

Statement of Experience

The Procter & Gamble Distribution Company has previously aggregated electrical load in the sates of Maine, Pennsylvania and Ohio.

Attachment C-2

Procter & Gamble Co · 10-K · For 6/30/02

Filed On 9/12/02 5:15pm ET · SEC File 1-00434 · Accession Number 950152-2-6968

As Of	Filer	Filing	As/For/On	Docs:Pgs	Issue
9/12/02	Procter & Gamble Co	10-K	6/30/02	15:131	

Annual Report · Form 10-K
Filing Table of Contents

Document/Exhibit	Description	Pages	Size
1: 10-K	The Procter & Gamble Company 10-K/Fye 6-30-02	HTML	196K
2: EX-10.8	Ex. 10-8 the P&G 1992 Stock Plan (Belgian Version)	13	69K
3: EX-10.9	Ex. 10-9 the Procter & Gamble Future Shares Plan	11	50K
4: EX-11	Ex. 11 Computation of Earnings Per Share	2±	10K
5: EX-12	Ex.12 Comput. of Ratio of Earnings to Fixed Chrgs	1	8K
6: EX-13	Ex. 13 Annual Report	46	319K
7: EX-21	Ex. 21 the Procter & Gamble Company Subsidiaries	8	42K
8: EX-23	Ex. 23 Independent Auditors Consent	3	14K
9: EX-99.1	Ex. 99-1 Certification of Periodic Financial Rprts	3	10K
10: EX-99.3	Ex. 99-3 Dir. & Off. 1st & 6th Excess Liab. Binder	4	13K
11: EX-99.4	Ex. 99-4 Dir. & Off. 2nd Excess Liability Binder	3	18K
12: EX-99.5	Ex. 99-5 Dir. & Off. 3rd Excess Liability Binder	5	20K
13: EX-99.6	Ex. 99-6 Dir. & Off. 4th Excess Liability Binder	4	16K
14: EX-99.7	Ex. 99-7 Dir. & Off. 5th Excess Liability Binder	2	10K
15: EX-99.8	Ex. 99-8 Dir. & Off. 7th Excess Liability Binder	3	13K

10-K · The Procter & Gamble Company 10-K/Fye 6-30-02
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ANNUAL REPORT ON FORM 10-K
TO THE
SECURITIES AND EXCHANGE COMMISSION
FOR THE
YEAR ENDED JUNE 30, 2002

****

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

Form 10-K

ANNUAL REPORT ON FORM 10-K PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2002 Commission File No. 1-434

THE PROCTER & GAMBLE COMPANY
One Procter & Gamble Plaza, Cincinnati, Ohio 45202
Telephone (513) 983-1100
IRS Employer Identification No. 31-0411980
State of Incorporation: Ohio

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

Title of each class	Name of each Exchange on which registered
Common Stock, without Par Value	New York, Cincinnati, Amsterdam, Paris, Basle, Geneva, Lausanne, Zurich, Frankfurt, Brussels, Tokyo

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

There were 1,300,493,412 shares of Common Stock outstanding as of July 31, 2002. The aggregate market value of the voting stock held by non-affiliates amounted to $116 billion on July 31, 2002.

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Documents Incorporated By Reference

Portions of the Annual Report to Shareholders for the fiscal year ended June 30, 2002 are incorporated by reference into Part I, Part II and Part IV of this report.

Portions of the Proxy Statement for the 2002 Annual Meeting of Shareholders are incorporated by reference into Part III of this report.

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PART I

Item 1. Business.

General Development of Business

The Procter & Gamble Company was incorporated in Ohio in 1905, having been built from a business founded in 1837 by William Procter and James Gamble. Today, the Company manufactures and markets a broad range of consumer products in many countries throughout the world.

Unless the context indicates otherwise, the term the *"Company"* as used herein refers to The Procter & Gamble Company (the registrant) and its subsidiaries.

In 1999, the Company announced its intention to transition from its previous geographic-based structure to a product-based global business unit structure. Concurrent with that change, the Company initiated a multi-year restructuring program, a discussion of which is incorporated herein by reference to Note 2, Restructuring Program, which appears on pages 33-34 of the Annual Report to Shareholders for the fiscal year ended June 30, 2002. On November 16, 2001, the Company completed the acquisition of the Clairol business from Bristol-Myers Squibb Company and, on May 31, 2002, the Company completed the spin-off of the Jif peanut butter and Crisco shortening brands to the Company's shareholders and their subsequent merger into the J.M. Smucker Company. Additional information about these two transactions is incorporated herein by reference to Note 3, Acquisitions and Spin-off, which appears on pages 34-35 of the Annual Report to Shareholders for the fiscal year ended June 30, 2002. Additional information required by this item is incorporated herein by reference to the Letter to Shareholders, which appears on pages 1-14 of the Annual Report to Shareholders for the fiscal year ended June 30, 2002.

Financial Information About Industry Segments

The Company's products fall into five business segments: fabric and home care; baby, feminine and family care; beauty care; health care; and food and beverage.

Additional information required by this item is incorporated herein by reference to Note 13, Segment Information, of the Notes to the Consolidated Financial Statements, which appears on page 44, and Financial Review, which appears on pages 17-25 of the Annual Report to Shareholders for the fiscal year ended June 30, 2002.

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Narrative Description of Business

The Company's business, represented by the aggregate of its fabric and home care; baby, feminine and family care; beauty care; health care; and food and beverage segments, is essentially homogeneous. None of these segments are seasonal. Many of the factors necessary for an understanding of these five segments are similar. The primary differences relate to the degree of capital intensity of the businesses, which may affect gross margin trends versus operating margins. The markets in which the Company's products are sold are highly competitive. The products of the Company's business segments compete with many large and small companies, and there is no dominant competitor or competitors. Advertising is used in conjunction with an extensive sales force, because the Company believes this combination provides the most efficient method of marketing for these types of products. Product quality, performance, value and packaging are also important competitive factors. Most of the Company's products in each of its segments are distributed through food, drug, mass and other retail outlets.

The laundry and diaper categories constitute approximately 19% and 12% of consolidated fiscal 2002 sales, respectively. These results are comparable to the year before. The creation of new products and the development of new performance benefits for consumers on the Company's existing products are vital ingredients in its continuing progress in the highly competitive markets in which it does business. Basic research and product development activities continued to carry a high priority during the past fiscal year. While many of the benefits from these efforts will not be realized until future years, the Company believes these activities demonstrate its commitment to future growth.

The Company has registered trademarks and owns or has licenses under patents which are used in connection with its business in all segments. Some of these patents or licenses cover significant product formulation and processing of the Company's products. The trademarks of all major products in each segment are registered. In part, the Company's success can be attributed to the existence and continued protection of these trademarks, patents and licenses.

Most of the raw materials used by the Company are purchased from others, some of whom are single-source suppliers. Additionally, some raw materials, primarily chemicals, are produced by the Company for further use in the manufacturing process. The Company purchases and produces a substantial variety of raw materials, no one of which is material to the Company's business taken as a whole.

Expenditures in fiscal year 2002 for compliance with federal, state and local environmental laws and regulations were not materially different from such expenditures in the prior year, and no material increase is expected in fiscal year 2003.

Operations outside the United States are generally characterized by the same conditions discussed in the description of the business above and may also be affected by additional elements including changing currency values and different rates of inflation and economic growth.

The Company has approximately 102,000 employees. The decline of approximately 4,000 employees versus the prior year is primarily from separations related to the Company's restructuring program, partially offset due to increased enrollment from the Clairol acquisition.

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Additional information required by this item is incorporated herein by reference to Note 13, Segment Information, which appears on page 44; Financial Summary, which appears on page 46; and Financial Review, which appears on pages 17-25 of the Annual Report to Shareholders for the fiscal year ended June 30, 2002.

Financial Information About Foreign and Domestic Operations

The information required by this item is incorporated herein by reference to Note 13, Segment Information, which appears on page 44, and Financial Review, which appears on pages 17-25 of the Annual Report to Shareholders for the fiscal year ended June 30, 2002. Company sales by geography for the fiscal year ended June 30, 2002 were as follows: North America — 57%; Europe, Middle East and Africa — 26%; Asia — 10% and Latin America — 7%.

Assets and net sales in the United States and internationally were as follows (in millions):

	Net Sales (for the year ended June 30)			Assets (as of June 30)		
	2002	2001	2000	2002	2001	2000
United States	$21,198	$20,334	$20,038	$23,434	$18,318	$17,398
International	19,040	18,910	19,913	17,342	16,069	16,968

Item 2. Properties.

In the United States, the Company owns and operates 36 manufacturing facilities and leases and operates 2 manufacturing facilities. These facilities are located in 21 different states. In addition, the Company owns and operates 89 manufacturing facilities in 44 other countries. Fabric and home care products are produced at 46 of these locations; baby, feminine and family care products at 42; health care products at 24; beauty care products at 28; and food and beverage products at 12. Management believes that the Company's production facilities are adequate to support the business efficiently and that the properties and equipment have been well maintained.

Item 3. Legal Proceedings.

The Company is involved in clean-up efforts at off-site Superfund locations, many of which are in the preliminary stages of investigation. The amount accrued at the end of June 30, 2002 representing the Company's probable future costs that can be reasonably estimated was $5 million.

Item 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

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Executive Officers of the Registrant

The names, ages and positions held by the executive officers of the Company on September 1, 2002 are:

Name	Position	Age	Elected to Officer Position
Alan G. Lafley	Chairman of the Board, President and Chief Executive Director since June 8, 2000	55	1992
Bruce L. Byrnes	Vice Chairman of the Board and President — Global Beauty & Feminine Care and Global Health Care Director since April 8, 2002	54	1991
R. Kerry Clark	Vice Chairman of the Board and President — Global Market Development & Business Operations Director since April 8, 2002	50	1995
Richard L. Antoine	Global Human Resources Officer	56	1998
G. Gilbert Cloyd	Chief Technology Officer	56	2000
Clayton C. Daley Jr.	Chief Financial Officer	50	1998
Stephen N. David	Chief Information Officer and Business-to-Business Officer	53	1998
R. Keith Harrison, Jr.	Global Product Supply Officer	54	2001
James J. Johnson	Chief Legal Officer	55	1991
Mark D. Ketchum	President — Global Baby & Family Care	52	1996
Robert A. McDonald	President — Global Fabric & Home Care	49	1999
Jorge P. Montoya	President — Global Snacks & Beverages and Latin America	56	1991
Charlotte R. Otto	Global External Relations Officer	49	1996
Michael J. Power	Global Business Services Officer	54	2001
James R. Stengel	Global Marketing Officer	47	2001
John K. Jensen	Vice President and Comptroller	53	2002

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All of the above named Executive Officers, except Stephen N. David, John K. Jensen, Michael J. Power and James R. Stengel, are members of the Executive Committee of the Global Leadership Council of The Procter & Gamble Company. All of the Executive Officers named above have been employed by the Company for more than five years.

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PART II

Item 5. Market for the Common Stock and Related Stockholder Matters

The information required by this item is incorporated by reference to Shareholder Information, which appears on page 48 of the Annual Report to Shareholders for the fiscal year ended June 30, 2002, and Part III, Item 12 of this Annual Report on Form 10-K.

Item 6. Selected Financial Data

The information required by this item is incorporated by reference to Financial Summary, which appears on page 46 of the Annual Report to Shareholders for the fiscal year ended June 30, 2002.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required by this item is incorporated by reference to Financial Review, which appears on pages 17-25; Note 1, Summary of Significant Accounting Policies, which appears on pages 32-33; Note 2, Restructuring Program, which appears on pages 33-34; Note 3, Acquisitions and Spin-off, which appears on pages 34-35; Note 12, Commitments and Contingencies, which appears on page 43; and Note 13, Segment Information, which appears on page 44 of the Annual Report to Shareholders for the fiscal year ended June 30, 2002.

The Company has made and will make certain forward-looking statements in the Annual Report to Shareholders for the fiscal year ended June 30, 2002 and in other contexts relating to volume and net sales growth, increases in market shares, financial goals and cost reduction, among others.

These forward-looking statements are based on assumptions and estimates regarding competitive activity, pricing, product introductions, economic conditions, technological innovation, currency movements, governmental action and the development of certain markets. Among the key factors necessary to achieve the Company's goals are: (1) the successful integration of the Company's new organization structure, including achievement of expected cost and tax savings; (2) the ability to achieve business plans, including growing volume profitably, despite high levels of competitive activity, especially with respect to the product categories and geographical markets in which the Company has chosen to focus; (3) the ability to maintain key customer relationships; (4) the achievement of growth in significant developing markets such as China, Turkey, Mexico, the Southern Cone of Latin America, the countries of Central and Eastern Europe and the countries of Southeast Asia; (5) the ability to successfully manage regulatory, tax and legal matters, including resolution of pending matters within current estimates; (6) the successful and timely execution of planned brand divestitures; (7) the ability to successfully implement, achieve and sustain cost improvement plans in manufacturing and overhead areas; (8) the ability to successfully manage currency (including currency issues in Latin America), interest rate and certain commodity cost exposures; and (9) the ability to manage the continued political and/or economic uncertainty in Latin America and the Middle East, as well as any political and/or economic uncertainty due to terrorist activities. If the Company's assumptions and estimates are incorrect or do not come to fruition, or if the Company does not achieve all of these key factors, then the Company's actual performance could vary materially from the forward-looking statements made herein.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is incorporated by reference to Financial Review, which appears on pages 17-25, and Note 7, Risk Management Activities, which appears on pages 36-38 of the Annual Report to Shareholders for the fiscal year ended June 30, 2002.

Item 8. Financial Statements and Supplemental Data

The financial statements and supplemental data are incorporated by reference to pages 27-46 of the Annual Report to Shareholders for the fiscal year ended June 30, 2002.

Item 9. Disagreements on Accounting and Financial Disclosure

Not applicable.

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PART III

Item 10. Directors and Executive Officers

The information required by this item is incorporated by reference to pages 4-9 and 22 of the proxy statement filed since the close of the fiscal year ended June 30, 2002, pursuant to Regulation 14A which involved the election of directors. Pursuant to Item 401(b) of Regulation S-K, Executive Officers of the Registrant are reported in Part I of this report.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to pages 9-17 of the proxy statement filed since the close of the fiscal year ended June 30, 2002, pursuant to Regulation 14A which involved the election of directors.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The following table gives information about the Company's common stock that may be issued upon the exercise of options, warrants and rights under all of the Company's equity compensation plans as of June 30, 2002. The table includes the following plans: The Procter & Gamble 2001 Stock and Incentive Compensation Plan; The Procter & Gamble 1992 Stock Plan; The Procter & Gamble 1992 Stock Plan (Belgian Version); The Procter & Gamble 1993 Non-Employee Directors' Stock Plan; and The Procter & Gamble Future Shares Plan.

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders(1)	107,657,476	$65.07	114,717,657
Equity compensation plans not approved by security holders(2)	12,505,420	$80.61	4,015,000
Total	120,162,896	$66.68	118,732,657(3)

(1) Includes The Procter & Gamble 2001 Stock and Incentive Compensation Plan; The Procter & Gamble 1992 Stock Plan; and The Procter & Gamble 1993 Non-Employee Directors' Stock Plan.

(2) Includes The Procter & Gamble 1992 Stock Plan (Belgian Version) and The Procter & Gamble Future Shares Plan.

(3) This number exceeds by 4,196,000 the total number of securities available for grant listed in Note 8, Earnings Per Share and Stock Options, which appears on pages 38-39 of the Annual Report to Shareholders for the fiscal year ended June 30, 2002. The chart in Note 8 excludes securities available under equity compensation plans not approved by security holders (4,015,000) and securities available under The Procter & Gamble 1993 Non-Employee Directors' Stock Plan (181,000).

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The Procter & Gamble 1992 Stock Plan (Belgian Version)

Effective February 14, 1997, the Company's Board of Directors approved The Procter & Gamble 1992 Stock Plan (Belgian Version). Although the plan has not been submitted to shareholders for approval, the plan is nearly identical to The Procter & Gamble 1992 Stock Plan, approved by the Company's shareholders on October 13, 1992, except for a few minor changes designed to comply with the Belgian tax laws.

The plan is a stock incentive plan designed to attract, retain, and motivate key Belgian employees. Under the plan, eligible participants may be granted or offered the right to purchase stock options, may be granted stock appreciation rights, and/or may be granted shares of the Company's common stock. Except in the case of death of the recipient, all stock options and stock appreciation rights must vest in no less than one year from the date of grant and must expire no later than fifteen years from the date of grant. The exercise price for all stock options granted under the Plan is the average price of the Company's stock on the date of grant. If a recipient of a grant leaves the Company while holding an unexercised option or right, any unexercisable portions immediately become void, except in the case of death, and any exercisable portions become void within one month of departure, except in the case of death or retirement. Any common stock awarded under the plan may be subject to restrictions on sale or transfer while the recipient is employed, as the committee administering the plan may determine.

The Procter & Gamble Future Shares Plan

On October 14, 1997, the Company's Board of Directors approved The Procter & Gamble Future Shares Plan pursuant to which options to purchase shares of the Company's common stock, may be granted to employees worldwide. The purpose of this plan is to advance the interests of the Company by giving substantially all employees a stake in the Company's future growth and success and to strengthen the alignment of interests between employees and the Company's shareholders through increased ownership of shares of the Company's stock. The plan has not been submitted to shareholders for approval.

Subject to adjustment for changes in the Company's capitalization, the number of shares to be granted under the plan is not to exceed 17 million shares. Under the plan's regulations, recipients are granted options to acquire 100 shares of the Company's common stock at an exercise price equal to the average price of the Company's common stock on the date of the grant. These options vest five years after the date of grant and expire ten years following the date of grant. If a recipient leaves the employ of the Company prior to the vesting date for a reason other than Disability, Retirement or Special Separation (as defined in the plan), then the award is forfeited.

At the time of the first grant following approval of the plan, each employee of the Company not eligible for an award under the 1992 Stock Plan was granted options for 100 shares. Since the date of the first grant, each new employee of the Company has also received options for 100 shares.

Additional information required by this item is incorporated by reference to pages 19-21 of the proxy statement filed since the close of the fiscal year ended June 30, 2002, pursuant to Regulation 14A which involved the election of directors.

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Item 13. Certain Relationships and Related Transactions

The information required by this item is incorporated by reference to page 22 of the proxy statement filed since the close of the fiscal year ended June 30, 2002, pursuant to Regulation 14A which involved the election of directors.

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PART IV

Item 14. Exhibits, Financial Statements, Schedules and Reports on Form 8-K

A. 1. Financial Statements:

The following consolidated financial statements of The Procter & Gamble Company and subsidiaries and the independent auditors' report are incorporated by reference in Part II, Item 8.

- Independent Auditors' Report

- Consolidated statement of earnings — for years ended June 30, 2002, 2001 and 2000

- Consolidated balance sheet — as of June 30, 2002 and 2001

- Consolidated statement of shareholders' equity — for years ended June 30, 2002, 2001 and 2000

- Consolidated statement of cash flows — for years ended June 30, 2002, 2001 and 2000

- Notes to consolidated financial statements

2. Financial Statement Schedules:

These schedules are omitted because of the absence of the conditions under which they are required or because the information is set forth in the financial statements or notes thereto.

Exhibits:

Exhibit	(3-1)	—	Amended Articles of Incorporation (Incorporated by reference to Exhibit (3-1) of the Company's Annual Report on Form 10-K for the year ended June 30, 1998).
	(3-2)	—	Regulations (Incorporated by reference to Exhibit (3-2) of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).
Exhibit	(4)	—	Registrant agrees to file a copy of documents defining the rights of holders of long-term debt upon request of the Commission.
Exhibit	(10-1)	—	The Procter & Gamble 2001 Stock and Incentive Compensation Plan which was adopted by shareholders at the annual meeting on October 9, 2001 (Incorporated by reference to Exhibit (10-1) of the Company's Annual Report on Form 10-K for the year ended June 30, 2001).
	(10-2)	—	The Procter & Gamble 1992 Stock Plan (as amended June 12, 2001) which was adopted by the shareholders at the annual meeting on October 13, 1992 (Incorporated by reference to Exhibit (10-2) of the Company's Annual Report on Form 10-K for the year ended June 30, 2001).

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	(10-3)	—	The Procter & Gamble Executive Group Life Insurance Policy (each executive officer is covered for an amount equal to annual salary plus bonus) (Incorporated by reference to Exhibit (10-3) of the Company's Annual Report on Form 10-K for the year ended June 30, 1998).
	(10-4)	—	Additional Remuneration Plan (as amended July 11, 2000) which was adopted by the Board of Directors on April 12, 1949 (Incorporated by reference to Exhibit (10-4) of the Company's Annual Report on Form 10-K for the year ended June 30, 2000).
	(10-5)	—	The Procter & Gamble Deferred Compensation Plan for Directors which was adopted by the Board of Directors on September 9, 1980 (Incorporated by reference to Exhibit (10-5) of the Company's Annual Report on Form 10-K for the year ended June 30, 1998).
	(10-6)	—	The Procter & Gamble Board of Directors Charitable Gifts Program which was adopted by the Board of Directors on November 12, 1991 (Incorporated by reference to Exhibit (10-6) of the Company's Annual Report on Form 10-K for the year ended June 30, 1998).
	(10-7)	—	The Procter & Gamble 1993 Non-Employee Directors' Stock Plan (as amended December 12, 2000) which was adopted by the shareholders at the annual meeting on October 11, 1994 (Incorporated by reference to Exhibit (10-8) of the Company's Annual Report on Form 10-K for the year ended June 30, 2001).
	(10-8)	—	The Procter & Gamble 1992 Stock Plan (Belgian Version) (as amended December 11, 2001) which was adopted by the Board of Directors on February 14, 1997.
	(10-9)	—	The Procter & Gamble Future Shares Plan (as amended December 11, 2001) which was adopted by the Board of Directors on October 14, 1997.
Exhibit	(11)	—	Computation of earnings per share.
Exhibit	(12)	—	Computation of ratio of earnings to fixed charges.
Exhibit	(13)	—	Annual Report to Shareholders (pages 1-48).
Exhibit	(21)	—	Subsidiaries of the registrant.
Exhibit	(23)	—	Independent Auditors' Consent
Exhibit	(99-1)	—	Certification of Periodic Financial Reports by the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.

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(99-2)	—	Directors and Officers Liability Policy (Incorporated by reference to Exhibit (99-1) of the Company's Annual Report on Form 10-K for the year ended June 30, 2001).
(99-3)	—	Directors and Officers (First and Sixth) Excess Liability Binder of Insurance.
(99-4)	—	Directors and Officers (Second) Excess Liability Binder of Insurance.
(99-5)	—	Directors and Officers (Third) Excess Liability Binder of Insurance.
(99-6)	—	Directors and Officers (Fourth) Excess Liability Binder of Insurance.
(99-7)	—	Directors and Officers (Fifth) Excess Liability Binder of Insurance.
(99-8)	—	Directors and Officers (Seventh) Excess Liability Binder of Insurance.

The exhibits listed are filed with the Securities and Exchange Commission but are not included in this booklet. Copies of these exhibits may be obtained by sending a request to: Linda D. Rohrer, Assistant Secretary, The Procter & Gamble Company, P. O. Box 599, Cincinnati, Ohio 45201.

B. Reports on Form 8-K:

During the quarter ended June 30, 2002, the Company filed Current Reports on Form 8-K containing information pursuant to Item 5 (*"Other Events"*) dated April 30, 2002, relating to the announcement of earnings for the January-March 2002 quarter; and dated June 12, 2002, relating to confirmation of previously issued guidance for fiscal year 2002.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 in the city of Cincinnati, State of Ohio.

THE PROCTER & GAMBLE COMPANY

By A.G. LAFLEY

(A.G. Lafley)
Chairman of the Board,
President and Chief Executive
September 10, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
A.G. LAFLEY (A.G. Lafley)	Chairman of the Board, President and Chief Executive (Principal Executive Officer)	September 10, 2002
CLAYTON C. DALEY JR. (Clayton C. Daley Jr.)	Chief Financial Officer (Principal Financial Officer)	September 10, 2002
JOHN K. JENSEN (John K. Jensen)	Vice President and Comptroller (Principal Accounting Officer)	September 10, 2002
NORMAN R. AUGUSTINE (Norman R. Augustine)	Director	September 10, 2002
DONALD R. BEALL (Donald R. Beall)	Director	September 10, 2002
BRUCE L. BYRNES (Bruce L. Byrnes)	Director	September 10, 2002
R. KERRY CLARK (R. Kerry Clark)	Director	September 10, 2002
SCOTT D. COOK (Scott D. Cook)	Director	September 10, 2002
DOMENICO DESOLE	Director	September 10, 2002

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Signature	Title	Date
RICHARD J. FERRIS (Richard J. Ferris)	Director	September 10, 2002
JOSEPH T. GORMAN (Joseph T. Gorman)	Director	September 10, 2002
CHARLES R. LEE (Charles R. Lee)	Director	September 10, 2002
LYNN M. MARTIN (Lynn M. Martin)	Director	September 10, 2002
JOHN E. PEPPER (John E. Pepper)	Director	September 10, 2002
JOHNATHAN A. RODGERS (Johnathan A. Rodgers)	Director	September 10, 2002
JOHN F. SMITH, JR (John F. Smith, Jr.)	Director	September 10, 2002
RALPH SNYDERMAN (Ralph Snyderman)	Director	September 10, 2002
ROBERT D. STOREY (Robert D. Storey)	Director	September 10, 2002
MARINA V.N. WHITMAN (Marina v.N. Whitman)	Director	September 10, 2002
ERNESTO ZEDILLO (Ernesto Zedillo)	Director	September 10, 2002

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CERTIFICATIONS

I, A.G. Lafley, certify that:

1. I have reviewed this annual report on Form 10-K of The Procter & Gamble Company;

2. Based on my knowledge, this annual 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 annual report; and

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report.

Date: September 10, 2002

A.G. LAFLEY

(A.G. Lafley)
Chairman of the Board,
President and Chief Executive

I, Clayton C. Daley Jr., certify that:

1. I have reviewed this annual report on Form 10-K of The Procter & Gamble Company;

2. Based on my knowledge, this annual 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 annual report; and

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report.

Date: September 10, 2002

CLAYTON C. DALEY JR.

(Clayton C. Daley Jr.)
Chief Financial Officer

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EXHIBIT INDEX

Exhibit	(3-1)	—	Amended Articles of Incorporation (Incorporated by reference to Exhibit (3-1) of the Company's Annual Report on Form 10-K for the year ended June 30, 1998).
	(3-2)	—	Regulations (Incorporated by reference to Exhibit (3-2) of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).
Exhibit	(4)	—	Registrant agrees to file a copy of documents defining the rights of holders of long-term debt upon request of the Commission.
Exhibit	(10-1)	—	The Procter & Gamble 2001 Stock and Incentive Compensation Plan which was adopted by shareholders at the annual meeting on October 9, 2001 (Incorporated by reference to Exhibit (10-1) of the Company's Annual Report on Form 10-K for the year ended June 30, 2001).
	(10-2)	—	The Procter & Gamble 1992 Stock Plan (as amended June 12, 2001) which was adopted by the shareholders at the annual meeting on October 13, 1992 (Incorporated by reference to Exhibit (10-2) of the Company's Annual Report on Form 10-K for the year ended June 30, 2001).
	(10-3)	—	The Procter & Gamble Executive Group Life Insurance Policy (each executive officer is covered for an amount equal to annual salary plus bonus) (Incorporated by reference to Exhibit (10-3) of the Company's Annual Report on Form 10-K for the year ended June 30, 1998).
	(10-4)	—	Additional Remuneration Plan (as amended July 11, 2000) which was adopted by the Board of Directors on April 12, 1949 (Incorporated by reference to Exhibit (10-4) of the Company's Annual Report on Form 10-K for the year ended June 30, 2000).
	(10-5)	—	The Procter & Gamble Deferred Compensation Plan for Directors which was adopted by the Board of Directors on September 9, 1980 (Incorporated by reference to Exhibit (10-5) of the Company's Annual Report on Form 10-K for the year ended June 30, 1998).
	(10-6)	—	The Procter & Gamble Board of Directors Charitable Gifts Program which was adopted by the Board of Directors on November 12, 1991 (Incorporated by reference to Exhibit (10-6) of the Company's Annual Report on Form 10-K for the year ended June 30, 1998).
	(10-7)	—	The Procter & Gamble 1993 Non-Employee Directors' Stock Plan (as amended December 12, 2000) which was adopted by the shareholders at the annual meeting on October 11, 1994 (Incorporated by reference to Exhibit (10-8) of the Company's Annual Report on Form 10-K for the year ended June 30, 2001).

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	(10-8)	—	The Procter & Gamble 1992 Stock Plan (Belgian Version) (as amended December 11, 2001) which was adopted by the Board of Directors on February 14, 1997.
	(10-9)	—	The Procter & Gamble Future Shares Plan (as amended December 11, 2001) which was adopted by the Board of Directors on October 14, 1997.
Exhibit	(11)	—	Computation of earnings per share.
Exhibit	(12)	—	Computation of ratio of earnings to fixed charges.
Exhibit	(13)	—	Annual Report to Shareholders (pages 1-48).
Exhibit	(21)	—	Subsidiaries of the registrant.
Exhibit	(23)	—	Independent Auditors' Consent
Exhibit	(99-1)	—	Certification of Periodic Financial Reports by the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.
	(99-2)	—	Directors and Officers Liability Policy (Incorporated by reference to Exhibit (99-1) of the Company's Annual Report on Form 10-K for the year ended June 30, 2001).
	(99-3)	—	Directors and Officers (First and Sixth) Excess Liability Binder of Insurance.
	(99-4)	—	Directors and Officers (Second) Excess Liability Binder of Insurance.
	(99-5)	—	Directors and Officers (Third) Excess Liability Binder of Insurance.
	(99-6)	—	Directors and Officers (Fourth) Excess Liability Binder of Insurance.
	(99-7)	—	Directors and Officers (Fifth) Excess Liability Binder of Insurance.
	(99-8)	—	Directors and Officers (Seventh) Excess Liability Binder of Insurance.

Dates Referenced Herein *and* Documents Incorporated By Reference

This 10-K Filing	***Date***	***Other Filings***
	10/13/92	
	10/11/94	DEF 14A
	2/14/97	S-8
	10/14/97	PRE 14A, DEF 14A
	6/30/98	10-K, 11-K
	9/30/98	10-Q
	6/8/00	8-K
	6/30/00	11-K, 10-K
	7/11/00	
	12/12/00	8-K
	6/12/01	
	6/30/01	8-K, 10-K, 13F-HR, NT 11-K, 11-K
	10/9/01	PRE 14A
	11/16/01	8-K
	12/11/01	8-K
	4/8/02	
	4/30/02	8-K
	5/31/02	
	6/12/02	8-K
For The Period Ended	6/30/02	NT 11-K, 13F-HR, 5, 11-K, 8-K
	7/31/02	
	9/1/02	
	9/10/02	
Filed On / Filed As Of	9/12/02	8-K, S-8 POS
Top		List All Filings

Alternative Formats: Rich Text / Word (.rtf), Text (.txt), EDGAR (.sgml), XML (.xml), et al.

ATTachment - C - 2

Procter & Gamble Co · 10-K · For 6/30/02 · EX-21

Filed On 9/12/02 5:15pm ET · SEC File 1-00434 · Accession Number 950152-2-6968

As Of	Filer	Filing	As/For/On	Docs:Pgs	Issue
9/12/02	Procter & Gamble Co	10-K	6/30/02	15:131	

Annual Report · Form 10-K
Filing Table of Contents

Document/Exhibit	Description	Pages	Size
1: 10-K	The Procter & Gamble Company 10-K/Fye 6-30-02	HTML	196K
2: EX-10.8	Ex. 10-8 the P&G 1992 Stock Plan (Belgian Version)	13	69K
3: EX-10.9	Ex. 10-9 the Procter & Gamble Future Shares Plan	11	50K
4: EX-11	Ex. 11 Computation of Earnings Per Share	2±	10K
5: EX-12	Ex.12 Comput. of Ratio of Earnings to Fixed Chrgs	1	8K
6: EX-13	Ex. 13 Annual Report	46	319K
7: EX-21	**Ex. 21 the Procter & Gamble Company Subsidiaries**	**8**	**42K**
8: EX-23	Ex. 23 Independent Auditors Consent	3	14K
9: EX-99.1	Ex. 99-1 Certification of Periodic Financial Rprts	3	10K
10: EX-99.3	Ex. 99-3 Dir. & Off. 1st & 6th Excess Liab. Binder	4	13K
11: EX-99.4	Ex. 99-4 Dir. & Off. 2nd Excess Liability Binder	3	18K
12: EX-99.5	Ex. 99-5 Dir. & Off. 3rd Excess Liability Binder	5	20K
13: EX-99.6	Ex. 99-6 Dir. & Off. 4th Excess Liability Binder	4	16K
14: EX-99.7	Ex. 99-7 Dir. & Off. 5th Excess Liability Binder	2	10K
15: EX-99.8	Ex. 99-8 Dir. & Off. 7th Excess Liability Binder	3	13K

EX-21 · Ex. 21 the Procter & Gamble Company Subsidiaries

EXHIBIT (21)

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
Subsidiaries of the Registrant

Alejandro Llauro E. Hijos S.A.I.C. [Argentina]
Anjali (HK) Corporation [Hong Kong]
Anjali Corporation [Delaware]
An-Pro Company [Ohio]
B&C International Co. (BVI) Ltd. [British Virgin Islands]
Bess Hygiene AG [Switzerland]
Betrix Cosmetic GmbH [Germany]
Blendax GmbH [Germany]
Blendax Unterstutzungskasse GmbH [Germany]
Carlos BT [Hungary]
Celtic Insurance Company Limited [Bermuda]
Cheladerm, Inc. [Delaware]
Clairol (China) Ltd. [China]
Clairol Brasil Ltda [Brazil]
Clairol GmbH [Germany]
Clairol Limited [U.K.]
Clairol Peru S.R.L. [Peru]
Compania Procter & Gamble Mexico, S. de R.L. de C.V. [Mexico]
Compania Quimica S.A. [Argentina]
Comunivers sa [Morocco]
Corpydes S.A. de C.V. [Mexico]
Crest Toothpaste Inc. [Canada]
Detergent Products A.G. [Switzerland]
District Pet Imaging, LLC [Ohio]
Eczacibasi Yatirim Holding Ortakligi A.S. [Turkey]
Elysee BT [Hungary]
Eurocos Cosmetic GmbH [Germany]
Eurocos Cosmetic Warenvertrieb GmbH [Austria]
Eurocos Ltd [U.K.]
EURO-Juice G.m.b.H. Import und Vertrieb [Germany]
European Beauty Products (U.K.) Limited [U.K.]
Ferraris BT [Hungary]
Fountain Square Music Publishing Co., Inc. [Ohio]
Frank BT [Hungary]
Gala Cosmetics International Limited [U.K.]
Gala of London Limited [U.K.]
Giorgio Beverly Hills, Inc. [Delaware]
Girl Cosmetics Limited (U.K.)
Global Business Services de Costa Rica Limitada [Costa Rica]
Herve Leger Parfums GmbH [Germany]
Humatro Corporation [Delaware]
Hyginett KFT [Hungary]
Iams (Deutschland) Vertriebs GmbH [Germany]
Iams Argentina S.A. [Argentina]
Iams Australia/New Zealand Pty. Ltd. [Australia]
Iams Canada Inc. [Canada]
Iams Chile Limitada [Chile]
Iams Companion Animal Research Institute, Inc. [Ohio]
Iams do Brasil [Brazil]

[ ] Brackets indicate state or country of incorporation and do not form part of corporate name

EXHIBIT (21)

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
Subsidiaries of the Registrant

Iams Europe B.V. [Netherlands]
Iams France EURL [France]
Iams Global, Inc. [Ohio]
Iams Japan K.K. [Japan]
Iams Mexico, S. de R.L. de C.V. [Mexico]
Iams Pet Food GmbH & Co. KG [Germany]
Iams Pet Food International B.V. [Netherlands]
Iams Pet Imaging, Inc. [Ohio]
Iams Pet Imaging, LLC [Ohio]
Iams S. Africa Pty. [S. Africa]
Iams Servicios, S. de R.L. de C.V. [Mexico]
Iams U.K. Limited [U.K.]
Industrial Catenation Services (Pty.) Ltd. [S. Africa]
Industrias Modernas, S.A. [Guatemala]
Inmobiliaria Procter & Gamble de Venezuela, S.C.S. [Venezuela]
Inmobiliaria Procter & Gamble de Venezuela, S.R.L. Venezuela]
Inversiones Industrias Mammi, S.C.A. [Venezuela]
Inversiones Industrias Mammi-1, S.R.L. [Venezuela]
Inversiones Procter & Gamble de Venezuela, S.C.A. [Venezuela]
Inversiones Procter & Gamble de Venezuela-1, S.R.L. [Venezuela]
Juvian Fabric Care Corporation [Ohio]
Kangra Valley Enterprises Ltd. [Delaware]
Komal Manufacturing Chemists Ltd. [India]
Laboratoire Lachartre S.N.C. [France]
Liberty Street Music Publishing Company, Inc. [Ohio]
Loreto y Pena Pobre, S.A. de C.V. [Mexico]
Malabar (HK) Corporation Limited [Hong Kong]
Marcvenca Inversiones, C.A. [Venezuela]
Max Factor & Co. (U.K.) Ltd. [Bermuda]
Max Factor & Co. [Delaware]
Max Factor K.K. [Japan]
Max Factor Limited [U.K.]
Midway Holdings Ltd. [Cayman Islands]
Millstone Coffee, Inc. [Washington]
Modern Industries Company - Dammam [Saudi Arabia]
Modern Industries Company - Jeddah [Saudi Arabia]
Modern Products Company - Jeddah [Saudi Arabia]
Moroccan Modern Industries [Morocco]
Neoblanc-Produtos de Higiene e Limpeza Lda. [Portugal]
Novomoskovskbytkhim [Russia]
Noxell (Barbados) Limited [Barbados]
Noxell (Panama) S.A. [Panama]
Noxell (Thailand) Limited [Thailand]
Noxell Corporation [Maryland]
Olay Company, Inc. [Delaware]
Olga BT [Hungary]
OOO Procter & Gamble Services Company [Russia]
P&G-Clairol, Inc. [Delaware]
P&G C&CA, Inc. [Ohio]

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EXHIBIT (21)

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
Subsidiaries of the Registrant

P&G Consultoria E Servicos Ltda. [Brazil]
P&G do Brasil Comercial Ltda. [Brazil]
P&G Holding B.V. [Netherlands]
P&G Holding Company S.A. [Argentina]
P&G Indochina [Vietnam]
P&G Industrial Peru S.R.L. [Peru]
P&G Inversiones S.A. [Argentina]
P&G Israel M.D.O. Ltd. [Israel]
P&G K.K. [Japan]
P&G Northeast Asia Pte. Ltd. [Singapore]
P&G Prestige Beaute S.A.R.L. [Switzerland]
P. T. Procter & Gamble Indonesia TbK [Indonesia]
P.T. Procter & Gamble Home Products Indonesia [Indonesia]
Papierhygiene GmbH [Germany]
PFX Pet Supply, Inc. [Ohio]
PGV Chile S.A. [Chile]
PNX Distributing, Inc. [Ohio]
PNX Real Estate, Inc. [Ohio]
PPProducts SARL [Switzerland]
Procter & Gamble (Chengdu) Ltd. [PRC]
Procter & Gamble (China) Ltd. [PRC]
Procter & Gamble (Cosmetics and Fragrances) Limited [U.K.]
Procter & Gamble (East Africa) Limited [Kenya]
Procter & Gamble (Egypt) Industrial and Commercial Company [Egypt]
Procter & Gamble (Egypt) Manufacturing Company [Egypt] (Partnership)
Procter & Gamble (Enterprise Fund) Limited [U.K.]
Procter & Gamble (Guangzhou) Ltd. [PRC]
Procter & Gamble (Health & Beauty Care) Limited [U.K.]
Procter & Gamble (Ireland) Limited [Ireland]
Procter & Gamble (Malaysia) Sdn. Berhad [Malaysia]
Procter & Gamble (Manufacturing) Ireland Limited [Ireland]
Procter & Gamble (NBD) Pty. Ltd. [Australia]
Procter & Gamble (Vietnam) Ltd. [Vietnam]
Procter & Gamble (Yemen) Ltd [Yemen]
Procter & Gamble A/S [Norway]
Procter & Gamble Amiens S.N.C. [France]
Procter & Gamble Argentina S.A. [Argentina]
Procter & Gamble Asia Pacific Ltd. [Hong Kong]
Procter & Gamble Asia Pte. Ltd. [Singapore]
Procter & Gamble Australia Proprietary Limited [Australia]
Procter & Gamble Austria GmbH [Austria]
Procter & Gamble Bangladesh Private Ltd. [Bangladesh]
Procter & Gamble Belize Ltda. [Belize]
Procter & Gamble Beteiligungs GmbH [Germany]
Procter & Gamble Beverages GmbH [Germany]
Procter & Gamble Blois S.A.S. [France]
Procter & Gamble Bolivia S.R.L. [Bolivia]
Procter & Gamble Bulgaria EOOD [Bulgaria]
Procter & Gamble Business Services Canada Company [Canada]

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EXHIBIT (21)

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
Subsidiaries of the Registrant

Procter & Gamble Central & Eastern Europe GmbH [Germany]
Procter & Gamble Chile, Inc. [Ohio]
Procter & Gamble Colombia Ltda. [Colombia]
Procter & Gamble Color, S.C.A. [Venezuela]
Procter & Gamble Commercial de Cuba, S.A. [Cuba]
Procter & Gamble D.J.L. Sarajevo [Bosnia]
Procter & Gamble d.o.o. za trgovinu [Croatia]
Procter & Gamble Danmark AS [Denmark]
Procter & Gamble de Panama, S.A. [Panama]
Procter & Gamble de Venezuela, S.C.A. [Venezuela]
Procter & Gamble de Venezuela, S.R. L. [Venezuela]
Procter & Gamble Detergent (Beijing) Ltd. [PRC]
Procter & Gamble Development Company A.G. [Switzerland]
Procter & Gamble Distributing Limited [U.K.]
Procter & Gamble Distribution Company (Europe) BVBA [Belgium]
Procter & Gamble do Brasil & Cia (Partnership) [Brazil]
Procter & Gamble do Brasil S/A [Brazil]
Procter & Gamble do Brazil, Inc. [Delaware]
Procter & Gamble do Nordeste S/A [Brazil]
Procter & Gamble Eastern Europe, Inc. [Ohio]
Procter & Gamble Ecuador Compania Anonima [Ecuador]
Procter & Gamble Egypt [Egypt]
Procter & Gamble Energy Company LLC [Ohio]
Procter & Gamble Espana S.A. [Spain]
Procter & Gamble Eurocor N.V. [Belgium]
Procter & Gamble Europe N.V. [Belgium]
Procter & Gamble Europe SA [Switzerland]
Procter & Gamble European Services SARL [Switzerland]
Procter & Gamble European Supply Company BVBA [Belgium]
Procter & Gamble European Technical Center BVBA Belgium]
Procter & Gamble Export Operations SARL [Switzerland]
Procter & Gamble Far East, Inc. [Ohio]
Procter & Gamble Finance (Canada) Limited Partnership [Canada]
Procter & Gamble Financial Services [Ireland]
Procter & Gamble Finland OY [Finland]
Procter & Gamble France S.N.C. [France]
Procter & Gamble FSC (Barbados) Inc. [Barbados]
Procter & Gamble Ghana, Ltd. [Ghana]
Procter & Gamble GmbH [Germany]
Procter & Gamble Gulf FZE [United Arab Emirates]
Procter & Gamble Hair Care, LLC [Delaware]
Procter & Gamble Health and Beauty Care-Europe Limited [U.K.]
Procter & Gamble Health Products, Inc. [Delaware]
Procter & Gamble Hellas A.E. [Greece]
Procter & Gamble Holding (Thailand) Limited [Thailand]
Procter & Gamble Holding Denmark ApS [Denmark]
Procter & Gamble Holding GmbH [Germany]
Procter & Gamble Holdings Singapore Pte. Ltd. [Singapore]
Procter & Gamble Home Products Limited [India]

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EXHIBIT (21)

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
Subsidiaries of the Registrant

Procter & Gamble Hong Kong Limited [Hong Kong]
Procter & Gamble Hungary Wholesale Trading Partnership (KKT) [Hungary]
Procter & Gamble Hygien OY [Finland]
Procter & Gamble Hygiene & Health Care Limited [India]
Procter & Gamble Inc. [Ontario, Canada]
Procter & Gamble India Holdings, Inc. [Ohio]
Procter & Gamble Industrial 1, S.R.L. [Venezuela]
Procter & Gamble Industrial e Comercial Ltda.[Brazil]
Procter & Gamble Industrial S.C.A. [Venezuela]
Procter & Gamble Interamericas de Costa Rica Ltda. [Costa Rica]
Procter & Gamble Interamericas de El Salvador Ltda. [El Savador]
Procter & Gamble Interamericas de Guatemala Ltda. [Guatemala]
Procter & Gamble Interamericas de Honduras Ltda. [Honduras]
Procter & Gamble Interamericas de Nicaragua, S.A. [Nicaragua]
Procter & Gamble Interamericas LLC [Delaware]
Procter & Gamble International Operations Pte. Ltd. [Singapore]
Procter & Gamble International Operations SA [Switzerland]
Procter & Gamble Investment Subsidiary Inc. [Canada]
Procter & Gamble Investments UK [U.K.]
Procter & Gamble Italia, S.p.A. [Italy]
Procter & Gamble Italy s.r.l. [Italy]
Procter & Gamble Jamaica Ltd. [Jamaica]
Procter & Gamble Kazakhstan [Kazakhstan]
Procter & Gamble Korea IE, Co. [Korea]
Procter & Gamble Korea Inc. [Korea]
Procter & Gamble Korea S&D Co. [Korea]
Procter & Gamble Laundry & Cleaning Products Limited [U.K.]
Procter & Gamble Limited [U.K.]
Procter & Gamble Limited Liability Company [Uzbekistan]
Procter & Gamble Luxembourg Finance Sarl [Luxembourg]
Procter & Gamble Luxembourg Investment Sarl [Luxembourg]
Procter & Gamble Manufactura, S. de R.L. de C.V. [Mexico]
Procter & Gamble Manufacturing (Thailand) Limited [Thailand]
Procter & Gamble Manufacturing (Tianjin) Co. Ltd. [PRC]
Procter & Gamble Manufacturing Belgium N.V. [Belgium]
Procter & Gamble Manufacturing GmbH [Germany]
Procter & Gamble Manufacturing Istra [Russia]
Procter & Gamble Manufacturing Romania SRL [Romania]
Procter & Gamble Marketing & Commercial Activities d.o.o. [Slovenia]
Procter & Gamble Marketing and Services D.O. [Yugoslavia]
Procter & Gamble Marketing Latvia Ltd. [Latvia]
Procter & Gamble Marketing Ltd. Skopje [Macedonia]
Procter & Gamble Marketing Romania SRL (Romania)
Procter & Gamble Maroc [Morocco]
Procter & Gamble Mataro, S.L. [Spain]
Procter & Gamble Mexico Holdings, B.V. [Netherlands]
Procter & Gamble Moldova SRL [Moldova]
Procter & Gamble N.S. Holding Company [Canada]
Procter & Gamble Nederland B.V. [Netherlands]

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EXHIBIT (21)

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
Subsidiaries of the Registrant

Procter & Gamble Nicaragua y Cia Ltda. [Nicaragua]
Procter & Gamble Nigeria Limited [Nigeria]
Procter & Gamble Nordic Inc. [Ohio]
Procter & Gamble Norge AS [Norway]
Procter & Gamble NPD, Inc. [Ohio]
Procter & Gamble O.O.O. [Russia]
Procter & Gamble Operations Polska - Spolka Akcyjna [Poland]
Procter & Gamble Oral Care (Guangzhou) [China]
Procter & Gamble Orleans S.A.S. [France]
Procter & Gamble Pakistan (Private) Limited [Pakistan]
Procter & Gamble Paper (Guangzhou) Ltd. [PRC]
Procter & Gamble Paper (Suzhou) Co. Ltd. [PRC]
Procter & Gamble Personal Cleansing (Tianjin) Ltd. [PRC]
Procter & Gamble Peru S.R.L. [Peru]
Procter & Gamble Pharmaceuticals Canada, Inc. [Canada]
Procter & Gamble Pharmaceuticals France [France]
Procter & Gamble Pharmaceuticals Longjumeau S.A.S. [France]
Procter & Gamble Pharmaceuticals N.V. [Belgium]
Procter & Gamble Pharmaceuticals Nederland B.V. [Netherlands]
Procter & Gamble Pharmaceuticals Puerto Rico, Inc. [Delaware]
Procter & Gamble Pharmaceuticals SARL [Switzerland]
Procter & Gamble Pharmaceuticals U.K. Limited [U.K.]
Procter & Gamble Pharmaceuticals, Inc. [Ohio]
Procter & Gamble Pharmaceuticals-Germany GmbH [Germany]
Procter & Gamble Philippines, Inc. [Philippines]
Procter & Gamble Platform, Inc. [Ohio]
Procter & Gamble Polska Sp. zo.o [Poland]
Procter & Gamble Porto, Lda. [Portugal]
Procter & Gamble Portugal S.A. [Portugal]
Procter & Gamble Prestige Beaute GmbH [Germany]
Procter & Gamble Product Supply (U.K.) Limited [U.K.]
Procter & Gamble Productions, Inc. [Ohio]
Procter & Gamble Quimica Ltda. [Brazil]
Procter & Gamble reflect.com, Inc. [Delaware]
Procter & Gamble RHD, Inc. [Ohio]
Procter & Gamble S.A. [Chile]
Procter & Gamble S.r.l. [Italy]
Procter & Gamble Service GmbH [Germany]
Procter & Gamble Services (Switzerland) SA [Switzerland]
Procter & Gamble Services Company N.V. [Belgium]
Procter & Gamble Services France S.A.S. [France]
Procter & Gamble Servicios Latinoamerica, S.C.A. [Venezuela]
Procter & Gamble Servicios Latinoamerica-1, S.R.L. [Venezuela]
Procter & Gamble Servicios S.A. [Argentina]
Procter & Gamble Singapore Investment Pte. Ltd. [Singapore]
Procter & Gamble Singapore Pte. Ltd. [Singapore]
Procter & Gamble South Africa Proprietary Limited [South Africa]
Procter & Gamble Sri Lanka Private Ltd. [Sri Lanka]
Procter & Gamble Sverige AB [Sweden]

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EXHIBIT (21)

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
Subsidiaries of the Registrant

Procter & Gamble Switzerland SARL [Switzerland]
Procter & Gamble Taiwan Limited [Taiwan]
Procter & Gamble Technical Centers Limited [U.K.]
Procter & Gamble Technology (Beijing) Co., Ltd. [PRC]
Procter & Gamble Tenedora, S.A. [Venezuela]
Procter & Gamble Trading (Thailand) Limited [Thailand]
Procter & Gamble Tuketim Mallari Sanayii A.S. [Turkey]
Procter & Gamble U.K. [U.K.] (Partnership)
Procter & Gamble Ukraine (Ukraine)
Procter & Gamble, Spol. s r.o. (Ltd.) [Slovak Republic]
Procter & Gamble-Hutchison Ltd. [Hong Kong]
Procter & Gamble-Rakona, A.S. [Czech Republic]
Productos Sanitarios S.A. [Argentina]
Progam Realty & Development Corporation [Philippines]
Progasud S.p.A. [Italy]
Promotora de Bienes y Valores, S. de R.L. de C.V. [Mexico]
PUR Water Purification Products, Inc. [Ohio]
Richardson-Vicks do Brasil Quimica e Farmaceutica S.A. [Brazil]
Richardson-Vicks Real Estate Inc. [Ohio]
Richvest B.V. [Netherlands]
Riverfront Music Publishing Co., Inc. [Ohio]
Rohm Pharma GmbH Wien [Austria]
Rosemount Corporation [Delaware]
R-V Chemicals Holdings Ltd. [Ireland]
S.C. Detergenti S.A. [Romania]
SCS Sales + Cosmetic Service GmbH [Germany]
Shulton (Great Britain) Ltd. [U.K.]
Shulton (New Zealand) Limited [New Zealand]
Shulton S.A. [Guatemala]
Shulton, Inc. [New Jersey]
Societe Immobiliere Les Colombettes, S.A. [Switzerland]
SpinBrush Company [Ohio]
SsangYong Paper Co. Ltd. [Korea]
Sundor Brands Inc. [Florida]
Sundor Brands Limited [U.K.]
Sundor Canada, Inc. [Delaware]
Surfac S. R. Ltda. [Peru]
Sycamore Productions, Inc. [Ohio]
Tambrands (Continental) Ltd. [U.K.]
Tambrands Dosmil, S.A. de C.V. [Mexico]
Tambrands France S.A.S. [France]
Tambrands Inc. [Delaware]
Tambrands Industria e Comercia Ltda. [Brazil]
Tambrands International Trading (Shanghai) Co., Ltd. [PRC]
Tambrands Investments Ltd. [U.K.]
Tambrands Ireland Limited [Ireland]
Tambrands Limited [U.K.]
Tambrands Ukraine Ltd. [Ukraine]
Temple Trees Investments [India]

[ ] Brackets indicate state or country of incorporation and do not form part of corporate name

EXHIBIT (21)

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
Subsidiaries of the Registrant

Tempo AG [Switzerland]
The Dover Wipes Company [Ohio]
The Folger Coffee Company [Ohio]
The Iams Company [Ohio]
The Malabar Company [Delaware]
The Procter & Gamble Commercial Company [Ohio]
The Procter & Gamble Company of South Africa (Proprietary) Limited [S. Africa]
The Procter & Gamble Distributing Company [Ohio]
The Procter & Gamble GBS Company [Ohio]
The Procter & Gamble Global Finance Company [Ohio]
The Procter & Gamble iVentures Company [Ohio]
The Procter & Gamble Manufacturing Company [Ohio]
The Procter & Gamble Manufacturing Company of Lebanon, S.A.L.[Lebanon]
The Procter & Gamble Ohio Brands Company [Ohio]
The Procter & Gamble Paper Products Company [Ohio]
The Procter & Gamble U.S. Business Services Company [Ohio]
Thomas Hedley & Co. Limited [U.K.]
TRAPOFA Leonhard-Speditions GmbH I.L. [Germany]
US/KK Investments, Inc. [Ohio]
Verwaltlungsgesellschaft Iams Pet Food mbH [Germany]
Vick International Corporation [Delaware]
Vick Nigeria Limited [Nigeria]
Vidal Sassoon (Shanghai) Academy [PRC]
Vidal Sassoon Co. [Ohio]

[ ] Brackets indicate state or country of incorporation and do not form part of corporate name

ATTachment C-2

Procter & Gamble Co · 8-K · For 3/14/05

Filed On 3/14/05 3:31pm ET · SEC File 1-00434 · Accession Number 950152-5-2093

As Of	Filer	Filing	As/For/On	Docs:Pgs	Issue
3/14/05	Procter & Gamble Co	8-K{8}	3/14/05	5:85	

Current Report · Form 8-K
Filing Table of Contents

Document/Exhibit	Description	Pages	Size
1: 8-K	The Procter & Gamble Company 8-K	HTML	24K
2: EX-99.1	Miscellaneous Exhibit	HTML	359K
3: EX-99.2	Miscellaneous Exhibit	HTML	84K
4: EX-99.3	Miscellaneous Exhibit	HTML	106K
5: EX-99.4	Miscellaneous Exhibit	HTML	20K

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act Of 1934

Date of Report (Date of earliest event reported) March 14, 2005

THE PROCTER & GAMBLE COMPANY

(Exact name of registrant as specified in its charter)

Ohio	1-434	31-0411980
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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ITEM 8.01 OTHER EVENTS

The information contained in this Form 8-K revises the classification of certain investments, along with the cash flow impacts, on the Consolidated Balance Sheets and Consolidated Statements of Cash Flows for The Procter & Gamble Company and consolidated subsidiaries (the *"Company"*). The Company believes this change in classification, which reflects the converging interpretations of the accounting treatment of auction rate securities, is not material to its financial condition and cash flows. In addition, it has no effect on the amounts of total current assets, total assets, or operating cash flows of the Company. The reclassification in no way revises or restates the Company's Consolidated Statements of Earnings.

The Company has reclassified its investments in auction rate securities as current investment securities. These auction rate securities, which have interest rate reset dates every 90 days or less but maturity dates greater than 90 days, were included in cash and cash equivalents in previous periods in the following amounts:

June 30, 2003 – $484 million
June 30, 2004 – $1,237 million
September 30, 2004 – $1,422 million
December 31, 2004 – $1,275 million

Exhibit 99-1 contains the financial statements for the year ended June 30, 2004 conformed for the reclassification of auction rate securities as short-term investments. The financial statements, conformed for the change, will become the historical financial statements of The Procter & Gamble Company and consolidated subsidiaries for currently open and future filings with the Securities and Exchange Commission.

Exhibit 99-2 contains Item 1 of Procter & Gamble's Quarterly Report on Form 10-Q for the period ended September 30, 2004 conformed for the reclassification of auction rate securities as short-term investments. The financial statements, conformed for the change, will become the historical financial statements of The Procter & Gamble Company and consolidated subsidiaries for currently open and future filings with the Securities and Exchange Commission.

Exhibit 99-3 contains Item 1 of Procter & Gamble's Quarterly Report on Form 10-Q for the period ended December 31, 2004 conformed for the reclassification of auction rate securities as short-term investments. The financial statements, conformed for the change, will become the historical financial statements of The Procter & Gamble Company and consolidated subsidiaries for currently open and future filings with the Securities and Exchange Commission.

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SIGNATURE

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 hereunto duly authorized.

THE PROCTER & GAMBLE COMPANY

BY: /S/ *CHRIS B. WALTHER*

Chris B. Walther, Assistant Secretary
March 14, 2005

EXHIBITS

Exhibits:

Exhibit (99-1)	Financial Statements and Supplementary Data under Items 1, 6, 7 and 8 of Procter & Gamble's Annual Report on Form 10-K for the fiscal year ended June 30, 2004 and the Form 8-K filed on October 22, 2004 reflecting certain changes to the Company's segment reporting, and conformed for the reclassification of auction rate securities as short-term investments.
Exhibit (99-2)	Item 1 of Procter & Gamble's Quarterly Report on Form 10-Q for the period ended September 30, 2004. The Consolidated Balance Sheets as of September 30, 2004 and June 30, 2004 and the Consolidated Statements of Cash Flows for the three months ended September 30, 2004 and September 30, 2003 were conformed for the reclassification of auction rate securities as short-term investments.
Exhibit (99-3)	Item 1 of Procter & Gamble's Quarterly Report on Form 10-Q for the period ended December 31, 2004. The Consolidated Balance Sheets as of December 31, 2004 and June 30, 2004 and the Consolidated Statements of Cash Flows for the six months ended December 31, 2004 and December 31, 2003 were conformed for the reclassification of auction rate securities as short-term investments.
Exhibit (99-4)	Consent of Deloitte & Touche LLP

Dates Referenced Herein *and* Documents Incorporated By Reference

This 8-K Filing	***Date***	***Other Filings***
	6/30/03	8-K, 4, 5, 11-K, 10-K
	9/30/03	10-Q, 8-K, 11-K
	12/31/03	8-K, 11-K, 10-Q
	6/30/04	11-K, 10-K, 8-K
	9/30/04	8-K, 10-Q
	10/22/04	8-K
	12/31/04	8-K, 10-Q, 11-K
Filed On / Filed As Of / For The Period Ended	3/14/05	S-4

Top List All Filings

Alternative Formats: Rich Text / Word (.rtf), Text (.txt), EDGAR (.sgml), XML (.xml), et al.

Attachment C-6

STANDARD & POOR'S

Ratings

Procter & Gamble Co.

Search By Organization Name **Keyword** Submit

Organization Ratings

Description	Rating	Rating Date	CreditWatch Date
Credit Rating	AA-/Stable/ A-1+	Nov 16, 2001	
Commercial Paper	--/--/A-1+	Nov 23, 1981	

Issue Ratings

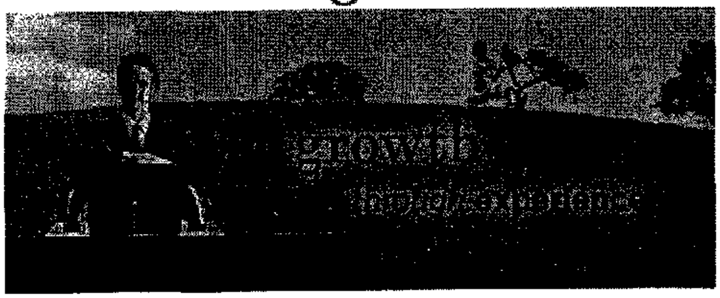
Instrument	Class	Maturity Date	Rating	Rating Date	CreditWatch Date
3(A)3 CP prog auth amt US$3 bil, multi currency			A-1+	Aug 07, 2000	
3(A)3 Short Term Promissory Note auth amt CAD750 mil			A-1+	Aug 07, 2000	
4(2) CP prog			A-1+	Nov 02, 2001	

40 Additional Matches More...

Program Ratings

Instrument	Rating	Rating Date	CreditWatch Date
US$7 bil shelf Sr Unsecd debt secs filed under SEC Rule 415 on 03/11/2004 (Reg #333-113515): sr unsecd (prelim)	AA-(prelim)	Mar 12, 2004	

FitchRatings



Text search

Procter & Gamble Co.

view research >>

Issuer Summary

Market Sector(s):	Consumer, Corporates
Country:	United States
Analyst(s):	Lynch Ghaffari, CFA, CPA, Karen (Primary) Moultrie, Wesley E (Primary)
Identifier(s):	CUSIP: 74273* CUSIP: 742741 CUSIP: 742718 CUSIP: 87508Q

Credit Ratings

Long Term Rating:	AA-	15-MAR-2004 Affirmed	**Outlook:**	Stable
Short Term Rating:	F1+	15-MAR-2004 Affirmed		

Rated Issues

	POSITIVE	NEGATIVE	EVOLVING	STABLE
OUTLOOK	⊕	⊖	◉	⊙
WATCH	▲	▼	◆	n/a

show/hide all

COMMERCIAL PAPER

- **Cp**

SENIOR UNSECURED

- **Bonds**
- **Debentures**
- **Notes**

Attachment C-7

D&B Business Information Report: PROCTER & GAMBLE COMPANY, THE

ATTN: khs
02 2003

Report Printed: JAN

In Date

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* * * BUSINESS SUMMARY * * *

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PROCTER & GAMBLE COMPANY, THE
PROCTER & GAMBLE
One Procter & Gamble Plaza
Cincinnati, OH 45202

This is a headquarters location. | D-U-N-S® Number: 00-131-
6827
Branch(es) or division(s) exist. |

| SIC: 2841

Mailing address: PO Box 599 | 2842
Cincinnati, OH | 2676
45201 | 2844
| 2079

Web site: www.pg.com | 2834
|

Telephone: 513 983-1100 | Line of business: Laundry &
cleaning

| pdts,

paper pdts,
Chief executive: ALAN G LAFLEY, | beauty
care pdts,

CHB-PRES-CEO+ | food &

beverage

| pdts &

health care
Stock symbol: PG | pdts
|

Year started: 1837 | D&B Rating: 5A2
|

Employs: 102,000 (14,500 | Financial strength: 5A is $50
million

here) | and over
|

Financial SEP 30 2002 | Composite credit 2 is good.
statement date: | appraisal:
|

Sales F:	$40,238,000,000	D&B PAYDEX®:	
Net worth F:	$13,706,000,000	12-Month D&B PAYDEX:	68
History:	CLEAR		
Financial condition:	GOOD	When weighted by dollar amount, payments to suppliers average 17 days beyond terms.	
		Based on trade collected over last 12 months.	

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* * * SPECIAL EVENTS * * *

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12/20/2002
OTHER SPECIAL EVENT: According to published reports, EDS (Plano, TX) announced its product lifecycle management line of business and The Procter & Gamble Company (Cincinnati, OH) have agreed to jointly develop a new Teamcenter solution -- EDS PLM Solutions' signature product lifecycle management solution -- targeted at the consumer packaged goods industry.

12/17/2002
OTHER SPECIAL EVENT: According to published reports, Procuri Inc, Atlanta, GA, announced that it has extended and expanded its relationship with The Proctor & Gamble Company, Cincinnati, OH. P&G signed a multi-year agreement to use Procuri 4.0 and Decision Analysis, Procuri's recently released optimation tool, across its worldwide operations.

12/16/2002
ANNOUNCED PURCHASE OF ASSET: According to published reports, The Procter & Gamble Company, Cincinnati, OH, announced its intent to purchase US market share data from ACNielsen on July 1, 2003. Financial details were not disclosed.

OTHER SPECIAL EVENT: According to published reports, Information Resources, Inc., Chicago, IL, was informed that Procter & Gamble, Cincinatti, OH, will not be renewing its U.S. market measurement business with the Company. The current contract expires in July 2003.

12/12/2002
BOARD OF DIRECTORS UPDATE: According to published reports, the company
announced the election of Margaret C Whitman, president and chief executive
officer of eBay, the company's board of directors effective January 1, 2003.

12/11/2002
OTHER SPECIAL EVENT: According to published reports, The Procter & Gamble
Company (Cincinnati, OH) will increase its tissue and towel manufacturing
capacity by constructing a new machine at its facility in Cape Girardeau, MO.
The new machine will begin operating by the second half of 2004.

11/21/2002
JOINT VENTURE: According to published reports, The Clorox Company (Oakland,
CA) announced that it has finalized a previously announced agreement with
Procter & Gamble (Cincinnati, OH) to establish a joint venture in food and
trash bags, containers and wraps under the Glad(R), GladWare(R) and related
trademarks.

11/14/2002
JOINT VENTURE: According to published reports, The Clorox Company, Oakland,
CA and The Procter & Gamble Company, Cincinnati, OH announced they have
reached a non-binding agreement in principle that would establish a joint
venture in food and trash bags, containers and wraps under the Glad(R),
GladWare(R) and related trademarks. This agreement in principle is subject to
final negotiations, execution of definitive, binding agreements and government
approval. P&G would have a 10 percent interest in the joint venture, with an
option to increase its interest by an additional 10 percent. Clorox would own
the remainder of the joint venture, as well as assets currently used in the
Glad business.

11/08/2002
OTHER SPECIAL EVENT: According to published reports, CombineNet (Pittsburgh,
PA) announced that it has signed a software license and service agreement with
Procter & Gamble (Cincinnati, OH). Although the specific terms and conditions
of the transaction have not been disclosed, both parties offered that the deal
involves a number of events over an extended term.

11/07/2002
EARNINGS UPDATE: As previously reported, comparative operating results for
the 3 months ended September 30, 2002: Sales of $10,796,000,000, Net Income of
$1,464,000,000; compared to Sales of $9,766,000,000, Net Income of
$1,104,000,000 for the comparable period in the prior year.

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* * * SUMMARY ANALYSIS * * *

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D&B Rating: 5A2

Financial strength: 5A indicates $50 million and over

Composite credit appraisal: 2 is good.

The Rating was changed on November 7, 2002 because of changes in financial
information, payment information, or other information about this business.
This credit rating was assigned because of D&B's assessment of the company's
financial ratios and its cash flow.

Below is an overview of the company's rating history since 01/01/91:

D&B Rating	Date Applied
5A2	11/07/02
5A1	01/01/91

The Summary Analysis section reflects information in D&B's file as of December
30, 2002.

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* * * CUSTOMER SERVICE * * *

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If you have questions about this report, please call our Customer Resource
Center at 1.800.234.3867 from anywhere within the U.S. If you are outside the
U.S. contact your local D&B office.

*** Additional Decision Support Available ***

Additional D&B products, monitoring services and specialized investigations
are available to help you evaluate this company or its industry. Call Dun &
Bradstreet's Customer Resource Center at 1.800.234.3867 from anywhere within
the U.S. or visit our website at www.dnb.com

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* * * HISTORY * * *

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The following information was reported 12/11/2002:

Officer(s): ALAN G LAFLEY, CHB-PRES-CEO+
R KERRY CLARK, V CHB-PRES, MKT DEV & BUS OPS
BRUCE L BYRNES, V CHB-PRES, GLOBAL BEAUTY & FEMININE CARE
CLAYTON C DALEY JR, CFO
JAMES J JOHNSON, CHIEF LEGAL OFFICER

DIRECTOR(S): The officers identified by (+) and Norman R Augustine,
Scott D Cook, Domenico DeSole, Richard J Ferris, Joseph T
Gorman, Charles R Lee, Lynn M Martin, John E Pepper,
Johnathan A Rodgers, John F Smith Jr, Ralph Snyderman,
Robert D Storey, Marina V N Whitman and Ernest Zedillo.

AUTHORIZED CAPITAL STOCK:
600,000,000 shares of preferred stock, $1.0 par value; 200,000,000 shares of
non-voting Class B preferred stock, $1.0 par value and 5,000,000,000 shares of
common stock, $1.0 par value.

OUTSTANDING CAPITAL STOCK:
At June 30 2002, there were 1,300,800,000 common shares issued.

Business started 1837.

BACKGROUND/OWNERSHIP:
Business was originally founded in 1837 by a partnership of William Procter
and James Gamble and succeeded by the company. This is a publicly held
company. Common stock is listed on the New York and other stock exchanges.
The New York Stock Exchange symbol is "PG". As of Jul 26, 2002, there were
approximately 1,004,000 common stock shareowners, including shareholders of

record, participants in the Shareholder Investment Program,
participants in
P&G stock ownership plans and beneficial owners with accounts at banks
and
brokerage firms. As of Jul 26, 2002, the officers and directors
beneficially
held .397% of the companys common stock, .198% of the Series A ESOP and
.0023%
of the Series B ESOP.

RECENT EVENTS:
On Jun 5 2002, J M Smucker acquired the Jif and Crisco products from
the
company. The Jif plant (Lexington, KY) and the Crisco plant
(Cincinnati, OH)
now operate as branches of J M Smucker.

In Mar 2002, the company completed the sale of the Culinary Sol Cooking
School
and gourmet food store to an investor group.

In 2000, the company acquired The Iams Company and Affiliates for
approximately $2,222 million in cash. Other acquisitions in 2000
totaled $745
million and consisted primarily of Recovery Engineering, Inc. and a
joint
venture ownership increase in China.

In Sep 1999, the company completed the acquisition of Long Chen Paper
Co Ltd's
household paper business for approximately $113 million. The deal
includes
Long Chen's Tender and Delight tissue towel brands, as well as the
Ching-sui
paper mill in Taiwan and Souzhou paper mill in the People's Republic of
China.

In Sep 1999, the company completed the purchase of The Iams Co (Dayton,
OH).

In Jul 1999 the company indicated, Paper-Pak Products Inc, La Verne,
CA, has
finalized the acquisition of The Procter & Gamble Company's
(Cincinnati, OH)
popular ATTENDS adult incontinence products business in North America
and
Europe.

In May 1999 Fort James Corporation (Deerfield, IL) announced that it
has
agreed to purchase the Demak'Up business from the Procter & Gamble
Company.
The transaction is subject to regulatory review and is expected to be
completed in the summer of 1999. Terms of the acquisition were not
disclosed.
Included in the acquisition is a cotton product manufacturing plant in
Brionne, France.

ALAN G LAFLEY born 1947. 1987-present active here.

R KERRY CLARK born 1958. 1990-present active here.

BRUCE L BYRNES born 1948. Antecedents not available.

CLAYTON C DALEY JR born 1952. 1996-present active here.

JAMES J JOHNSON born 1946. Graduated Michigan State University in 1969 with
BA. Received JD from Ohio State University in 1972. 1972-73 law clerk, 6th
Circuit Court of Appeals. 1973-present active here.

OUTSIDE DIRECTORS:

AUGUSTINE. Former chairman and CEO of Lockheed Martin Corporation.

COOK. Chairman of the executive committee at Intuit Inc.

DESOLE. President and CEO of Gucci Group NV.

FERRIS. Former co-chairman of Doubletree Corporation.

GORMAN. Former chairman and CEO of TRW Inc.

LEE. Chairman of Verizon Communications.

MARTIN. Professor at the J L Kellogg Graduate School of Management, Northwestern University.

PEPPER. Former chairman of the company.

RODGERS. Former president of Discovery Networks, US.

SMITH. Chairman of General Motors Corporation.

SNYDERMAN. Chancellor for health affairs at Duke University.

STOREY. Partner in the law firm of Thompson Hine LLP.

WHITMAN. Professor of business administration and public policy at the University of Michigan.

ZEDILLO. Former president of Mexico.

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* * * BUSINESS REGISTRATION * * *

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CORPORATE AND BUSINESS REGISTRATIONS REPORTED BY THE SECRETARY OF STATE OR
OTHER OFFICIAL SOURCE AS OF DEC 27 2002:

Registered Name:	THE PROCTER & GAMBLE COMPANY
Business type:	CORPORATION
Corporation type:	PROFIT
Date incorporated:	MAY 05 1905
State of incorporation:	OHIO
Filing date:	MAY 05 1905
Registration ID:	20677
Status:	ACTIVE

Common stock
Authorized shares: 5,000,000,000

Par value:NO PAR VALUE

Preferred stock
Authorized shares: 600,000,000

Par value:NO PAR VALUE

Where filed: DIVISION,	SECRETARY OF STATE/CORPORATIONS COLUMBUS, OH
Registered agent: GAMBLE	SHARON E. ABRAMS, ONE PROCTER & PLAZA, CINCINNATI, OH, 452020000 Agent appointed: NOV 12 2002 Agent status: ACTIVE
Principals: W	WM COOPER PROCTER, INCORPORATORJOHN WARRINGTON, INCORPORATORWM T IRWIN, INCORPORATORETC, INCORPORATOR

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* * * OPERATIONS * * *

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Location: Central business section on main street.

Branches: This business has multiple branches, detailed branch/division information is available in D&B's

linkage

or family tree products.

Global Activity: The following section is a global summary and is intended

to assist D&Bs non-U.S. customers when evaluating

D&B

reports on U.S. companies.

Import/Export Activity: No major countries of export reported.

8-Digit SIC: Based on information in our file, D&B has assigned this

company an extended 8 digit SIC. D&Bs use of 8

digit SICs

enables us to be more specific to a company's

operations

than if we use the standard 4 digit code.

2841 9905 Mfg soap: granulated, liquid, cake, flaked or chip.

2842 0100 Mfg specialty cleaning supplies.

2676 0100 Mfg towels, napkins and tissue paper

products.

2844 9902 Mfg deodorants, personal.

2079 0200 Mfg shortening andother solid edible

fats.

2834 0000 Mfg pharmaceutical preparations.

Subsidiaries: This business has multiple subsidiaries, detailed information is available in D&B's linkage or family

tree

products.

==

* * * SIC & NAICS * * *

==

SIC: Based on information in our file, D&B has assigned this company an extended 8-digit SIC. D&B's use of

Detergent

8-digit SICs enables us to be more

NAICS:

325611 Soap and Other

Manufacturing (pt)

specific to a company's operations 325611 Soap and Other
Detergent
than if we use the standard Manufacturing (pt)
4-digit code. 325612 Polish and Other
Sanitation Good
Manufacturing

28419905 Soap: granulated, 325612 Polish and Other
liquid, cake, flaked, Sanitation Good
or chip Manufacturing
28419901 Detergents, synthetic
organic or inorganic 322291 Sanitary Paper Product
alkaline Manufacturing
28420100 Specialty cleaning 322291 Sanitary Paper Product
28420501 Fabric softeners Manufacturing
26760100 Towels, napkins, and 325620 Toilet Preparation
tissue paper products Manufacturing
26760301 Diapers, paper 325620 Toilet Preparation
(disposable): made from Manufacturing
purchased paper 325620 Toilet Preparation
28449902 Deodorants, personal Manufacturing
28440100 Hair preparations, 325611 Soap and Other
Detergent
including shampoos Manufacturing
28440500 Cosmetic preparations 311225 Fats and Oils Refining
and
28440200 Oral preparations Blending
20790200 Shortening and other 311225 Fats and Oils Refining
and
solid edible fats Blending
20790100 Margarine and margarine 325412 Pharmaceutical
Preparation
oils Manufacturing (pt)
28340000 Pharmaceutical 325412 Pharmaceutical
Preparation
preparations Manufacturing (pt)
28340403 Cough medicines 325412 Pharmaceutical
Preparation
28340403 Cough medicines Manufacturing (pt)
28340402 Cold remedies 325412 Pharmaceutical
Preparation
Manufacturing (pt)

==
* * * D&B PAYDEX * * *
==

The D&B PAYDEX is a unique, dollar weighted indicator of payment performance
based on up to 874 payment experiences as reported to D&B by trade references.

3-Month D&B PAYDEX: 68 | 12-Month D&B PAYDEX: 68

When weighted by dollar amount,
amount,
payments to suppliers average 17 days
17 days
beyond terms.

Based on trade collected over last 3
last
months.

approximately 63%

within

| When weighted by dollar
| payments to suppliers average
| beyond terms.
|
| Based on trade collected over
| 12 months.
|
| When dollar amounts are not
| considered, then
| of the company's payments are
| terms.

===
=========

*** PAYMENT SUMMARY ***

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=========

The Payment Summary section reflects payment information in D&B's file as of
the date of this report.

Below is an overview of the company's dollar-weighted payments, segmented by
its suppliers' primary industries:

	Total Rcv'd (#)	Total Dollar Amounts ($)	Largest High Credit ($)	W/In Terms (%)	Days Slow (%)			
Top industries:								
Trucking non-local	86	7,135,250	3,000,000	81	7	7	4	1
Mfg organic chemicals	24	11,984,100	5,000,000	66	27	4	-	3
Mfg misc plastic prdt	19	21,618,500	8,000,000	53	47	-	-	-
Help supply service	15	4,385,000	3,000,000	54	-	46	-	-
Mfg plastic foam prdt	7	8,638,500	7,000,000	55	1	2	-	42
Mfg plastic sheet/flm	6	7,365,250	6,000,000	91	7	-	2	-
Nonphysical research	6	1,415,000	1,000,000	50	50	-	-	-
Oil/gas production	5	41,081,100	40,000,000	50	49	-	1	-

Sawmill/planing mill	5	14,445,000	10,000,000	97	-	3	-	-
Aluminum foundry	3	3,100,500	3,000,000	50	50	-	-	-
OTHER INDUSTRIES	670	26,206,250	1,000,000	50	32	8	6	4

Other payment categories:			
Cash experiences	3	2,750	2,500
Payment record unknown	25	9,361,500	8,000,000
Unfavorable comments	0	0	0
Placed for collections:			
With D&B	0	0	
Other	0	N/A	
Total in D&B's file	874	156,738,700	40,000,000

The highest "Now Owes" on file is $30,000,000

The highest "Past Due" on file is $3,000,000

Dun & Bradstreet has 874 payment experiences in its file for this company.
For your convenience, we have displayed 80 representative experiences in the PAYMENTS section.

* * * PAYMENT DETAILS * * *

Detailed payment history

Date Reported (mm/yy)	Paying Record	High Credit ($)	Now Owes ($)	Past Due ($)	Selling Terms	Last Sale Within (months)
12/02	Disc-Ppt	1,000	0	0		2-3 mos
	Ppt	3,000,000	200,000	0	N15	1 mo
	Ppt	300,000	300,000	20,000		1 mo
	Ppt	250,000	100,000	0	N15	1 mo
	Ppt	100,000	0	0	N30	1 mo
	Ppt	75,000	0	0		6-12 mos

	Ppt	55,000	0	0	N30
1 mo	Ppt	20,000	20,000	0	
1 mo	Ppt	20,000	20,000	0	N30
1 mo	Ppt	20,000	0	0	
2-3 mos	Ppt	15,000	0	0	
4-5 mos	Ppt	15,000	15,000	0	
1 mo	Ppt	10,000	7,500	0	
1 mo	Ppt	5,000	0	0	
2-3 mos	Ppt	5,000	1,000	0	
1 mo	Ppt	1,000	0	0	N30
2-3 mos	Ppt	1,000	50	0	
1 mo	Ppt	1,000	0	0	N30
2-3 mos	Ppt	1,000	1,000	0	N30
1 mo	Ppt	1,000	0	0	N30
4-5 mos	Ppt	1,000	0	0	N30
6-12 mos	Ppt	750	0	0	
2-3 mos	Ppt	500	250	0	
1 mo	Ppt	500	0	0	1 10 N30
4-5 mos	Ppt	500	500	0	
1 mo	Ppt	250	250	0	
1 mo	Ppt	250	250	0	
1 mo	Ppt	250	250	0	
1 mo	Ppt	100	0	0	N30
4-5 mos	Ppt	50	0	0	
6-12 mos	Ppt-Slow 15	20,000	5,000	1,000	
1 mo	Ppt-Slow 15	5,000	1,000	1,000	
2-3 mos	Ppt-Slow 30	15,000	1,000	0	
1 mo	Ppt-Slow 30	15,000	0	0	
1 mo					

Ppt-Slow 30	5,000	50	50		2-3 mos
Ppt-Slow 30	2,500	2,500	500		1 mo
Ppt-Slow 30	2,500	2,500	750		1 mo
Ppt-Slow 30	2,500	1,000	50		1 mo
Ppt-Slow 30	1,000	0	0		2-3 mos
Ppt-Slow 30	500	0	0	N30	4-5 mos
Ppt-Slow 30	100	100	50	2 10 N30	1 mo
Ppt-Slow 50	500,000	200,000	70,000	N15	1 mo
Ppt-Slow 60	200,000	30,000	0		1 mo
Ppt-Slow 60	200,000	200,000	85,000		1 mo
Ppt-Slow 60	1,000	0	0	N30	6-12 mos
Ppt-Slow 90	40,000	20,000			
Ppt-Slow 90	25,000	25,000	0	N30	1 mo
Ppt-Slow 90+	1,000	0	0	N30	4-5 mos
Ppt-Slow 90+	1,000	0	0		1 mo
Ppt-Slow 90+	500	100	100		6-12 mos
Slow 5	200,000	200,000	0		1 mo
Slow 5	70,000	40,000	30,000	N30	1 mo
Slow 15	900,000	900,000	100,000		1 mo
Slow 15	7,500	250	0		1 mo
Slow 30	5,000	750	0		1 mo
Slow 30	1,000	0	0		6-12 mos
Slow 30	750	0	0		2-3 mos
Slow 45	50	0	0		6-12 mos
Slow 50	400,000	250,000	200,000		1 mo
Slow 60	20,000	0	0	N30	6-12 mos
Slow 30-60	250	0	0	N30	6-12 mos
Slow 90	200,000	0	0	N15	4-5 mos
Slow 60-90+	2,500	1,000	1,000	N15	6-12 mos

	Slow 90+	1,000	500	500		2-3 mos
	Slow 90+	500	250	250		2-3 mos
	Slow 90+	250	0	0	N15	6-12 mos
	Slow 90-150+	10,000	0	0	N30	6-12 mos
11/02	Ppt	5,000	1,000	0		1 mo
	Ppt	5,000	5,000	0		1 mo
	Ppt	2,500	2,500	0		1 mo
	Ppt	1,000	0	0		1 mo
	Ppt	250	0	0		1 mo
	Ppt-Slow 30	2,000,000	0	0		2-3 mos
	Ppt-Slow 60	95,000	1,000	500		1 mo
	Ppt-Slow 60	25,000	10,000	0	N30	1 mo
	Ppt-Slow 60	20,000	2,500	0	N30	1 mo
	Ppt-Slow 60	10,000	2,500	0	N30	1 mo
	Ppt-Slow 120	10,000	2,500	2,500		1 mo
	Ppt-Slow 120	7,500	1,000	1,000		1 mo
	Slow 30	100	0	0		6-12 mos

Payment experiences reflect how bills are met in relation to the terms granted. In some instances payment beyond terms can be the result of disputes over merchandise, skipped invoices etc.

Each experience shown is from a separate supplier. Updated trade experiences replace those previously reported.

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* * * STATEMENT UPDATE * * *

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11/11/2002

Interim Consolidated statement dated SEP 30 2002 (in thousands):

Assets	Liabilities
--------	------------

Cash	4,703,000	Accts Pay
2,015,000		
Accts Rec	3,110,000	Accrued & Other
4,997,000		
Inventory	3,559,000	Liabilities
Mktble Securities	186,000	Taxes
1,860,000		
Deferred Income	434,000	L.T. Liab-(1yr)
4,199,000		
Taxes		
Prepaid Expenses &	1,571,000	
Other Rec		
	---------------	-------

Curr Assets	13,563,000	Curr Liabs
13,071,000		
Fixt & Equip	13,049,000	Long-Term Debt
11,263,000		
Goodwill	10,958,000	Deferred Income
1,239,000		
Trademarks & Other	2,437,000	Taxes
Intangible Asset		L.T. Liab-Other
2,038,000		
Other Assets	1,843,000	PREFERRED STOCK
1,613,000		
		COMMON STOCK
1,299,000		
		ADDIT. PD.-IN CAP
2,586,000		
		RESERVE FOR ESOP
(1,322,000)		
		DEBT RETIREMENT
		RETAINED EARNINGS
12,527,000		
		ACCUMULATED OTH
(2,464,000)		
		COMPREHENSIVE INC
	---------------	-------

Total Assets	41,850,000	Total
41,850,000		

From JUL 01 2002 to SEP 30 2002 sales $10,796,000,000; cost of goods sold
$5,489,000,000. Gross profit $5,307,000,000; operating expenses
$3,128,000,000. Operating income $2,179,000,000; other income
$103,000,000;
other expenses $144,000,000; net income before taxes $2,138,000,000; Federal
income tax $674,000,000; net income $1,464,000,000.

Statement obtained from Securities And Exchange Commission. Extent of audit,
if any, not indicated.

Fixed assets shown net less $9,941,000,000 depreciation.

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* * * FINANCE * * *

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11/07/2002

Three-year statement comparative:

	Fiscal Consolidated Jun 30 2000	Fiscal Consolidated Jun 30 2001	Fiscal Consolidated Jun 30 2002
Current Assets	10,069,000,000	10,889,000,000	12,166,000,000
Current Liabs	10,065,000,000	9,846,000,000	12,704,000,000
Current Ratio	1.0	1.11	0.96
Working Capital	4,000,000	1,043,000,000	(538,000,000)
Other Assets	24,125,000,000	23,498,000,000	28,610,000,000
Noncurrent Liabs	11,842,000,000	12,531,000,000	14,366,000,000
Net Worth	12,287,000,000	12,010,000,000	13,706,000,000
Sales	39,951,000,000	39,244,000,000	40,238,000,000
Net Income	3,542,000,000	2,922,000,000	4,352,000,000
Interest Expense	722,000,000	794,000,000	603,000,000
Depreciation & Amortization	3,542,000,000	2,271,000,000	1,693,000,000
Capital Outlays	3,018,000,000	2,486,000,000	1,679,000,000
Cash Prov By Ops	4,675,000,000	5,804,000,000	7,742,000,000

Fiscal Consolidated statement dated JUN 30 2002:

Assets	Liabilities

Cash 3,427,000| Accts Pay
2,205,000
Accts Rec 3,090,000| Accruals
5,330,000
Inventory 3,456,000| Taxes
1,438,000
Mktble Securities 196,000| L.T. Liab-(1yr)
3,731,000
Deferred Income 521,000|
Taxes |
Prepaid 1,476,000|
---------------| -------

Curr Assets 12,166,000| Curr Liabs
12,704,000
|
Fixt & Equip 13,349,000| Long Term Debt
11,201,000
Goodwill & Other 13,430,000| L.T. Liab-Other
2,088,000
Intangibles | Def. Credits/Income
1,077,000
Other Assets 1,831,000| PREFERRED STOCK
1,634,000
| COMMON STOCK
1,301,000
| ADDIT. PD.-IN CAP
2,490,000
| ADJUSTMENTS
(3,699,000)
| RETAINED EARNINGS
11,980,000
|
---------------| -------

Total Assets 40,776,000| Total
40,776,000

From JUL 01 2001 to JUN 30 2002 annual sales $40,238,000,000; cost of goods sold $20,989,000,000. Gross profit $19,249,000,000; operating expenses $12,571,000,000. Operating income $6,678,000,000; other income $308,000,000; other expenses $603,000,000; net income before taxes $6,383,000,000; Federal income tax $2,031,000,000. Net income $4,352,000,000. Retained earnings at start $10,451,000,000. Net income $4,352,000,000; dividends $2,245,000,000; withdrawals $578,000,000; retained earnings at end $11,980,000,000.

Accountant: Deloitte & Touche LLP.

ACCOUNTANT'S OPINION
A review of the accountant's opinion indicates the financial statements meet

generally accepted accounting principles and that the audit contains no qualifications.

Fixed assets shown net less $9,721,000,000 depreciation.

BALANCE SHEET EXPLANATIONS

The net worth of this company includes intangibles.

LONG TERM DEBT
Consists primarily of USD notes, ESOP debentures, EUR note, JPY notes and GBP note.

SUMMARY STATEMENT OF CASH FLOWS (year ended Jun 30, 2002)
Cash provided by (used in) operating activities was $7,742,000,000. Cash provided by (used by) investing activities was $(6,835,000,000). Cash provided by (used by) financing activities was $197,000,000. Effect of exchange rate changes on cash was $17,000,000. Cash and cash equivalents increased $1,121,000,000 in 2002.

RESULTS OF OPERATIONS
Sales in 2002 totaled $40.24 billion, which exceeded 2001 sales by $994 million, or 3%. Excluding an unfavorable exchange rate impact of 1% in the current year, net sales grew 4%. Core net sales, which exclude restructuring impacts, were $40.17 billion, up 2% versus $39.38 billion in 2001. In 2002, net earnings were $4.35 billion, compared to $2.92 billion in 2001.

Health care experienced growth as strength in the oral care and pharmaceutical businesses drove a 15% increase in unit volume and a 14% increase in net sales. Family care and baby care drove a 3% increase in unit volume. Throughout the fiscal year, beauty care's quarterly growth rates for unit volume and net sales increased sequentially - delivering unit volume growth of 19% and net sales of $8.08 billion, up 11%.

ANALYSIS OF CONDITION
Cash, marketable securities and receivables, as of Jun 30, 2002, were sufficient to cover approximately 53% of the company's current debt, which was lower than the industry average. The company reported a deficit working capital of $(538 million) in 2002 compared to working capital of $1.04 billion in 2001. The deficit was primarily due to an increase in intangible assets and fixed assets. Total debt in relation to net worth, as of the end of the company's fiscal year 2002, was comparable to the average for this type of

business. Total debt increased $2.91 billion to $14.93 billion compared to
$12.02 billion in 2001 and $12.25 billion in 2000. This increase was primarily
driven by the Clairol acquisition - which had a purchase price of approximately $5.00 billion. Vendors reporting on the company's payment habits
indicate approximately 62% of the company's payments were within terms, as of
Nov 7, 2002, which was less favorable than the industry norm.

According to the company's Form 10-K, operating cash flow provides the primary
source of funds to finance operating needs, capital expenditures and shareholder dividends. This is supplemented by additional borrowings to provide funds to finance the share repurchase program and acquisitions. The
overall cash position of the company reflects a global strategy to optimize
cash management while considering off-shore funding needs, liquidity management objectives and other economic considerations.

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* * * KEY BUSINESS RATIOS * * *

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Statement date: JUN 30 2002
Based on this number of establishments: 32

Firm		Industry Median	
Return of Sales:	10.8	Return of Sales:	2.9
Current Ratio:	1.0	Current Ratio:	2.6
Assets / Sales:	101.3	Assets / Sales:	38.7
Total Liability / Net Worth:	197.5	Total Liability / Net Worth:	56.4

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* * * BANKING * * *

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(11/02) According to the company's Form 10-K filed with the SEC, the company is involved in any formal credit facility with a financial institution.

BANKING: CitiBank, 399 Park Ave, New York, NY; Morgan Guaranty Trust Co, 60 Wall St, New York, NY; Fifth Third Bank, 38 Fountain Square Plaza, Cincinnati, OH.

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* * * PUBLIC FILINGS * * *

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The following Public Filing data is for information purposes only and is not the official record. Certified copies can only be obtained from the official source.

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* * * SUITS * * *

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Suit amount:	$5,000
Status:	Pending
CASE NO.:	01S1714
Plaintiff:	FERN S ORSAY
Defendant:	PROCTER & GAMBLE, CINCINNATI, OH AND OTHERS
Cause:	Breach of contract
Where filed:	LOS ANGELES COUNTY SMALL CLAIMS COURT/BEVERLY HILLS, BEVERLY HILLS, CA
Date status attained:	10/22/2001
Date filed:	10/22/2001
Latest Info Collected:	12/13/2001

Suit amount:	$25,000
Status:	Pending
DOCKET NO.:	A0107052
Plaintiff:	CHARLES H. MUCHMORE
Defendant:	PROCTER AND GAMBLE COMPANY
Where filed:	HAMILTON COUNTY COMMON PLEAS COURT, CINCINNATI, OH
Date status attained:	10/12/2001
Date filed:	10/12/2001
Latest Info Received:	11/20/2001

Suit amount: $25,000
Status: Pending
DOCKET NO.: A0106032
Plaintiff: ANTJUAN JACKSON
Defendant: PROCTER AND GAMBLE COMPANY, CINCINNATI, OH AND OTHERS
Where filed: HAMILTON COUNTY COMMON PLEAS COURT, CINCINNATI, OH

Date status attained: 08/30/2001
Date filed: 08/30/2001
Latest Info Received: 10/02/2001

Status: Pending
DOCKET NO.: 01002149
Plaintiff: $4,000 - MAX ALPERT
Defendant: PROCTER & GAMBLE
Where filed: SPECIAL CIVIL/SMALL CLAIMS COURT OF MERCER COUNTY, TRENTON, NJ

Date status attained: 04/02/2001
Date filed: 04/02/2001
Latest Info Received: 04/16/2001

Suit amount: $8,218
Status: Change of venue granted
DOCKET NO.: 00CV29452
Plaintiff: ALVIN BERTSCH ET AL
Defendant: PROCTER AND GAMBLE, CINCINNATI, OH
Where filed: HAMILTON COUNTY MUNICIPAL COURT, CINCINNATI, OH

Date status attained: 11/16/2001
Date filed: 11/14/2000
Latest Info Received: 07/07/2002

Status: Pending
DOCKET NO.: 006441-00
Plaintiff: LAWRENCE BURKHART JEAN BURKHART
Defendant: PROCTER & GAMBLE, CINCINNATI, OH AND OTHERS
Where filed: ESSEX COUNTY SUPERIOR COURT, NEWARK, NJ

Date status attained: 07/06/2000
Date filed: 07/06/2000
Latest Info Received: 10/02/2000

Status: Pending
CASE NO.: 00 CV 496
Plaintiff: JANIS D CARROL
Defendant: PROCTOR & GAMBLE CO
Cause: Product liability
Where filed: U S DISTRICT COURT- MIDDLE DISTRICT OF FLORIDA,

ORLANDO, FL

Date status attained: 04/17/2000
Date filed: 04/17/2000
Latest Info Collected: 05/19/2000

Status: Pending
DOCKET NO.: SC-00009275-99 DC
Plaintiff: $1,583 - TRUC WAY INC
Defendant: PROCTER & GAMBLE CO, CINCINNATI, OH AND OTHERS
Where filed: MIDDLESEX COUNTY SPECIAL CIVIL/SMALL CLAIMS COURT, EDISON, NJ

Date status attained: 09/14/1999
Date filed: 09/14/1999
Latest Info Received: 09/29/1999

Suit amount: $7,352
Status: Pending
DOCKET NO.: SC-00009249-99 DC
Plaintiff: TRUCK WAY INC
Defendant: PROCTOR & GAMBLE CO AND OTHERS
Where filed: MIDDLESEX COUNTY SPECIAL CIVIL/SMALL CLAIMS COURT, EDISON, NJ

Date status attained: 09/14/1999
Date filed: 09/14/1999
Latest Info Received: 04/16/2001

Status: Pending
DOCKET NO.: SC-00007849-99 DC
Plaintiff: $842 - TRUC-WAY INC
Defendant: PROCTER & GAMBLE CO, CINCINNATI, OH AND OTHERS
Where filed: MIDDLESEX COUNTY SPECIAL CIVIL/SMALL CLAIMS COURT, EDISON, NJ

Date status attained: 07/26/1999
Date filed: 07/26/1999
Latest Info Received: 08/20/1999

If it is indicated that there are defendants other than the report subject,
the lawsuit may be an action to clear title to property and does not necessarily imply a claim for money against the subject.

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* * * UCC FILINGS * * *

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Fixed assets shown net less $9,941,000,000 depreciation.

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* * * FINANCE * * *

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11/07/2002

Three-year statement comparative:

	Fiscal Consolidated Jun 30 2000	Fiscal Consolidated Jun 30 2001	Fiscal Consolidated Jun 30 2002
Current Assets	10,069,000,000	10,889,000,000	12,166,000,000
Current Liabs	10,065,000,000	9,846,000,000	12,704,000,000
Current Ratio	1.0	1.11	0.96
Working Capital	4,000,000	1,043,000,000	(538,000,000)
Other Assets	24,125,000,000	23,498,000,000	28,610,000,000
Noncurrent Liabs	11,842,000,000	12,531,000,000	14,366,000,000
Net Worth	12,287,000,000	12,010,000,000	13,706,000,000
Sales	39,951,000,000	39,244,000,000	40,238,000,000
Net Income	3,542,000,000	2,922,000,000	4,352,000,000
Interest Expense	722,000,000	794,000,000	603,000,000
Depreciation & Amortization	3,542,000,000	2,271,000,000	1,693,000,000
Capital Outlays	3,018,000,000	2,486,000,000	1,679,000,000
Cash Prov By Ops	4,675,000,000	5,804,000,000	7,742,000,000

Fiscal Consolidated statement dated JUN 30 2002:

Assets	Liabilities

Cash	3,427,000	Accts Pay
2,205,000		
Accts Rec	3,090,000	Accruals
5,330,000		
Inventory	3,456,000	Taxes
1,438,000		
Mktble Securities	196,000	L.T. Liab-(1yr)
3,731,000		
Deferred Income	521,000	
Taxes		
Prepaid	1,476,000	
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Curr Assets	12,166,000	Curr Liabs
12,704,000		
Fixt & Equip	13,349,000	Long Term Debt
11,201,000		
Goodwill & Other	13,430,000	L.T. Liab-Other
2,088,000		
Intangibles		Def. Credits/Income
1,077,000		
Other Assets	1,831,000	PREFERRED STOCK
1,634,000		COMMON STOCK
1,301,000		ADDIT. PD.-IN CAP
2,490,000		ADJUSTMENTS
(3,699,000)		RETAINED EARNINGS
11,980,000		
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Total Assets	40,776,000	Total
40,776,000		

From JUL 01 2001 to JUN 30 2002 annual sales $40,238,000,000; cost of goods sold $20,989,000,000. Gross profit $19,249,000,000; operating expenses $12,571,000,000. Operating income $6,678,000,000; other income $308,000,000; other expenses $603,000,000; net income before taxes $6,383,000,000; Federal income tax $2,031,000,000. Net income $4,352,000,000. Retained earnings at start $10,451,000,000. Net income $4,352,000,000; dividends $2,245,000,000; withdrawals $578,000,000; retained earnings at end $11,980,000,000.

Accountant: Deloitte & Touche LLP.

ACCOUNTANT'S OPINION
A review of the accountant's opinion indicates the financial statements meet

generally accepted accounting principles and that the audit contains no qualifications.

Fixed assets shown net less $9,721,000,000 depreciation.

BALANCE SHEET EXPLANATIONS

The net worth of this company includes intangibles.

LONG TERM DEBT
Consists primarily of USD notes, ESOP debentures, EUR note, JPY notes and GBP
note.

SUMMARY STATEMENT OF CASH FLOWS (year ended Jun 30, 2002)
Cash provided by (used in) operating activities was $7,742,000,000. Cash
provided by (used by) investing activities was $(6,835,000,000). Cash provided
by (used by) financing activities was $197,000,000. Effect of exchange rate
changes on cash was $17,000,000. Cash and cash equivalents increased $1,121,000,000 in 2002.

RESULTS OF OPERATIONS
Sales in 2002 totaled $40.24 billion, which exceeded 2001 sales by $994 million, or 3%. Excluding an unfavorable exchange rate impact of 1% in the
current year, net sales grew 4%. Core net sales, which exclude restructuring
impacts, were $40.17 billion, up 2% versus $39.38 billion in 2001. In 2002,
net earnings were $4.35 billion, compared to $2.92 billion in 2001.

Health care experienced growth as strength in the oral care and pharmaceutical
businesses drove a 15% increase in unit volume and a 14% increase in net
sales. Family care and baby care drove a 3% increase in unit volume. Throughout the fiscal year, beauty care's quarterly growth rates for unit
volume and net sales increased sequentially - delivering unit volume growth of
19% and net sales of $8.08 billion, up 11%.

ANALYSIS OF CONDITION
Cash, marketable securities and receivables, as of Jun 30, 2002, were sufficient to cover approximately 53% of the company's current debt, which was
lower than the industry average. The company reported a deficit working capital of $(538 million) in 2002 compared to working capital of $1.04 billion
in 2001. The deficit was primarily due to an increase in intangible assets and
fixed assets. Total debt in relation to net worth, as of the end of the company's fiscal year 2002, was comparable to the average for this type of

business. Total debt increased $2.91 billion to $14.93 billion compared to
$12.02 billion in 2001 and $12.25 billion in 2000. This increase was primarily
driven by the Clairol acquisition - which had a purchase price of
approximately $5.00 billion. Vendors reporting on the company's payment habits
indicate approximately 62% of the company's payments were within terms, as of
Nov 7, 2002, which was less favorable than the industry norm.

According to the company's Form 10-K, operating cash flow provides the primary
source of funds to finance operating needs, capital expenditures and
shareholder dividends. This is supplemented by additional borrowings to
provide funds to finance the share repurchase program and acquisitions. The
overall cash position of the company reflects a global strategy to optimize
cash management while considering off-shore funding needs, liquidity
management objectives and other economic considerations.

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* * * KEY BUSINESS RATIOS * * *

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Statement date: JUN 30 2002
Based on this number of establishments: 32

Firm		Industry Median	
Return of Sales:	10.8	Return of Sales:	2.9
Current Ratio:	1.0	Current Ratio:	2.6
Assets / Sales:	101.3	Assets / Sales:	38.7
Total Liability / Net Worth:	197.5	Total Liability / Net Worth:	56.4

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* * * BANKING * * *

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(11/02) According to the company's Form 10-K filed with the SEC, the company is involved in any formal credit facility with a financial institution.

BANKING: CitiBank, 399 Park Ave, New York, NY; Morgan
Guaranty
Trust Co, 60 Wall St, New York, NY; Fifth Third
Bank, 38
Fountain Square Plaza, Cincinnati, OH.

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* * * PUBLIC FILINGS * * *

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The following Public Filing data is for information purposes only and is not
the official record. Certified copies can only be obtained from the official
source.

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* * * SUITS * * *

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Suit amount: $5,000
Status: Pending
CASE NO.: 01S1714
Plaintiff: FERN S ORSAY
Defendant: PROCTER & GAMBLE, CINCINNATI, OH AND OTHERS
Cause: Breach of contract
Where filed: LOS ANGELES COUNTY SMALL CLAIMS COURT/BEVERLY HILLS, BEVERLY HILLS, CA

Date status attained: 10/22/2001
Date filed: 10/22/2001
Latest Info Collected: 12/13/2001

Suit amount: $25,000
Status: Pending
DOCKET NO.: A0107052
Plaintiff: CHARLES H. MUCHMORE
Defendant: PROCTER AND GAMBLE COMPANY
Where filed: HAMILTON COUNTY COMMON PLEAS COURT, CINCINNATI, OH

Date status attained: 10/12/2001
Date filed: 10/12/2001
Latest Info Received: 11/20/2001

Suit amount: $25,000
Status: Pending
DOCKET NO.: A0106032
Plaintiff: ANTJUAN JACKSON
Defendant: PROCTER AND GAMBLE COMPANY, CINCINNATI, OH AND OTHERS
Where filed: HAMILTON COUNTY COMMON PLEAS COURT, CINCINNATI, OH
Date status attained: 08/30/2001
Date filed: 08/30/2001
Latest Info Received: 10/02/2001

Status: Pending
DOCKET NO.: 01002149
Plaintiff: $4,000 - MAX ALPERT
Defendant: PROCTER & GAMBLE
Where filed: SPECIAL CIVIL/SMALL CLAIMS COURT OF MERCER COUNTY, TRENTON, NJ
Date status attained: 04/02/2001
Date filed: 04/02/2001
Latest Info Received: 04/16/2001

Suit amount: $8,218
Status: Change of venue granted
DOCKET NO.: 00CV29452
Plaintiff: ALVIN BERTSCH ET AL
Defendant: PROCTER AND GAMBLE, CINCINNATI, OH
Where filed: HAMILTON COUNTY MUNICIPAL COURT, CINCINNATI, OH
Date status attained: 11/16/2001
Date filed: 11/14/2000
Latest Info Received: 07/07/2002

Status: Pending
DOCKET NO.: 006441-00
Plaintiff: LAWRENCE BURKHART JEAN BURKHART
Defendant: PROCTER & GAMBLE, CINCINNATI, OH AND OTHERS
Where filed: ESSEX COUNTY SUPERIOR COURT, NEWARK, NJ
Date status attained: 07/06/2000
Date filed: 07/06/2000
Latest Info Received: 10/02/2000

Status: Pending
CASE NO.: 00 CV 496
Plaintiff: JANIS D CARROL
Defendant: PROCTOR & GAMBLE CO
Cause: Product liability
Where filed: U S DISTRICT COURT- MIDDLE DISTRICT OF FLORIDA,

ORLANDO, FL

Date status attained: 04/17/2000
Date filed: 04/17/2000
Latest Info Collected: 05/19/2000

Status: Pending
DOCKET NO.: SC-00009275-99 DC
Plaintiff: $1,583 - TRUC WAY INC
Defendant: PROCTER & GAMBLE CO, CINCINNATI, OH AND OTHERS
Where filed: MIDDLESEX COUNTY SPECIAL CIVIL/SMALL CLAIMS COURT, EDISON, NJ

Date status attained: 09/14/1999
Date filed: 09/14/1999
Latest Info Received: 09/29/1999

Suit amount: $7,352
Status: Pending
DOCKET NO.: SC-00009249-99 DC
Plaintiff: TRUCK WAY INC
Defendant: PROCTOR & GAMBLE CO AND OTHERS
Where filed: MIDDLESEX COUNTY SPECIAL CIVIL/SMALL CLAIMS COURT, EDISON, NJ

Date status attained: 09/14/1999
Date filed: 09/14/1999
Latest Info Received: 04/16/2001

Status: Pending
DOCKET NO.: SC-00007849-99 DC
Plaintiff: $842 - TRUC-WAY INC
Defendant: PROCTER & GAMBLE CO, CINCINNATI, OH AND OTHERS
Where filed: MIDDLESEX COUNTY SPECIAL CIVIL/SMALL CLAIMS COURT, EDISON, NJ

Date status attained: 07/26/1999
Date filed: 07/26/1999
Latest Info Received: 08/20/1999

If it is indicated that there are defendants other than the report subject,
the lawsuit may be an action to clear title to property and does not necessarily imply a claim for money against the subject.

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* * * UCC FILINGS * * *

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Collateral: Products - SPECIFIC EQUIPMENT
Type: Original
Sec. party: BECKMAN COULTER INCORPORATED, FULLERTON, CA
Debtor: PROCTER & GAMBLE COMPANY, CINCINNATI, OH
Filing number: AP281346
Filed with: SECRETARY OF STATE/UCC DIVISION, COLUMBUS, OH

Date filed: 09/01/2000
Latest Info Received: 11/27/2000

Collateral: Equipment
Type: Original
Sec. party: WASCO FUNDING CORP, NEW YORK, NY
Debtor: PROCTER & GAMBLE COMPANY, DORAVILLE, GA
Filing number: 00700010577
Filed with: BARROW COUNTY SUPERIOR COURT CLERKS OFFICE,

WINDER, GA

Date filed: 10/30/2000
Latest Info Received: 11/13/2000

Collateral: Equipment
Type: Original
Sec. party: .3, NEW YORK, NY
Debtor: PROCTER & GAMBLE COMPANY, DORAVILLE, GA
Filing number: 06000019284
Filed with: FULTON COUNTY SUPERIOR COURT CLERKS OFFICE,

ATLANTA, GA

Date filed: 10/16/2000
Latest Info Received: 11/13/2000

Collateral: Computer equipment - LEASES
Type: Original
Sec. party: WASCO FUNDING CORP, NEW YORK, NY
Debtor: PROCTER & GAMBLE COMPANY
Filing number: AP0267684
Filed with: SECRETARY OF STATE/UCC DIVISION, COLUMBUS, OH

Date filed: 09/07/2000
Latest Info Received: 09/26/2000

Collateral: Computer equipment - LEASES
Type: Original
Sec. party: WASCO FUNDING CORP, NEW YORK, NY
Debtor: PROCTER & GAMBLE COMPANY, DORAVILLE, GA
Filing number: AP0267646
Filed with: SECRETARY OF STATE/UCC DIVISION, COLUMBUS, OH

Date filed: 09/07/2000

Latest Info Received: 09/26/2000

Collateral: Computer equipment - General
intangibles(s) -

LEASES

Type: Original
Sec. party: HITACHI DATA SYSTEMS CORPORATION, SANTA
CLARA,

CA

Debtor: PROCTER & GAMBLE COMPANY, THE,
CINCINNATI, OH
Filing number: AP0187878
Filed with: SECRETARY OF STATE/UCC DIVISION,
COLUMBUS, OH

Date filed: 10/12/1999
Latest Info Received: 11/23/1999

Collateral: Equipment - General intangibles(s) -
PARTNERSHIP

INTEREST

Type: Original
Sec. party: HITACHI DATA SYSTEMS CORPORATION, SANTA
CLARA,

CA

Debtor: PROCTER & GAMBLE COMPANY, THE
Filing number: AP0055061
Filed with: SECRETARY OF STATE/UCC DIVISION,
COLUMBUS, OH

Date filed: 05/21/1998
Latest Info Received: 08/05/1998

Collateral: Leased Communications equipment including proceeds and products
Type: Original
Sec. party: AT&T CREDIT CORPORATION, PARSIPPANY, NJ
Debtor: PROCTER & GAMBLE COMPANY
Filing number: AL10939
Filed with: SECRETARY OF STATE/UCC DIVISION,
COLUMBUS, OH

Date filed: 06/28/1994
Latest Info Received: 09/26/1994

Collateral: Leased Computer equipment and proceeds
Type: Original
Sec. party: WASCO FUNDING CORP., NEW YORK, NY
Debtor: THE PROCTER & GAMBLE COMPANY THE PROCTER
&

GAMBLE COMPANY, DORAVILLE, GA

Filing number: OH00035672478
Filed with: SECRETARY OF STATE/UCC DIVISION,
COLUMBUS, OH

Date filed: 07/11/2001
Latest Info Received: 08/03/2001

Collateral: Leased Equipment and proceeds - Leased Fixtures and proceeds
Type: Original
Sec. party: FPC FUNDING II LLC, PORTLAND, OR
Debtor: THE PROCTER & GAMBLE COMPANY, WEST CHESTER, OH
THE PROCTER & GAMBLE COMPANY, CINCINNATI, OH
Filing number: AP313499
Filed with: SECRETARY OF STATE/UCC DIVISION, COLUMBUS, OH

Date filed: 02/09/2001
Latest Info Received: 03/26/2001

There are additional UCC's in D&B's file on this company available by contacting 1-800-234-3867.

The public record items contained in this report may have been paid, terminated, vacated or released prior to the date this report was printed.

FULL DISPLAY COMPLETE