

\$4.35 billion, up 11%. Excluding a 3% unfavorable exchange impact, net sales grew 14%. Net earnings were \$390 million, a 16% increase over fiscal 2000.

Fabric and Home Care

Fabric and home care delivered strong earnings driven by an excellent program of cost reduction and sharpened consumer value. Unit volume grew 3%, with growth across every geographic region. Net sales for the year were flat at \$11.62 billion. Excluding a 1% unfavorable foreign exchange impact, net sales increased 1%, as volume growth was partially offset by pricing investments to improve in-store presence and the consumer value equation, primarily in Western Europe.

Net earnings were \$1.83 billion, up 11% behind lower material prices, product reformulations and manufacturing plant efficiencies. North America delivered exceptional earnings progress, reflecting disciplined cost management and increased marketing support efficiencies. This earnings progress further expands the segment's strong net earnings margin – to well above the Company average.

In 2001, unit volume decreased 2% due to heavy competitive activity, primarily in Western Europe. Net sales were \$11.66 billion, down 4% versus a strong 2000 base which included new brand introductions. Excluding a 3% unfavorable foreign exchange impact, net sales decreased 1%. Net earnings increased 13% to \$1.64 billion.

Baby, Feminine and Family Care

Baby, feminine and family care delivered strong earnings progress driven by volume growth and extensive cost reduction. Family care and baby care drove a 3% increase in unit volume. Net sales for the year were down 1% to \$11.88 billion. Excluding a 2% negative impact of exchange rates, net sales increased 1%, as commodity driven price declines and pricing adjustments on Luvs and Western European diapers partially offset volume growth.

Net earnings were \$1.17 billion, up 11% behind an ongoing program of product and overhead cost reductions, including benefits from restructuring activities that have streamlined manufacturing operations.

Family care volume grew 7% behind strength in the North America Bounty and Charmin businesses. Net sales increased 1%, as commodity pricing actions largely offset volume growth.

Baby care volume increased 4% behind Pampers growth in North America and Western Europe driven by the Baby Stages of Development product launch. Net sales declined 1% as foreign exchange and targeted pricing adjustments more than offset volume growth.

Feminine care volume declined 3%, stabilizing in the second half, and net sales declined 5%. Nevertheless, net earnings improved mainly due to cost efficiencies.

In 2001, baby, feminine and family care segment unit volume grew 2%, driven by family care and baby care. Net sales were \$11.99 billion, compared to \$12.04 billion in 2000. Excluding a 4% negative impact of exchange rates, net sales increased 4%. Net earnings decreased 2%, to \$1.05 billion, despite progress in family care and feminine care.

Beauty Care

Beauty care delivered strong results behind the Clairol acquisition, completed in the second quarter. 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%. Excluding a 2% negative foreign exchange impact, net sales grew 13%. Excluding the impacts of the Clairol acquisition, fiscal year unit volume grew 3%, primarily behind strength in the base hair care business and solid growth in fine fragrances and cosmetics. Net earnings were \$1.18 billion, up 22%, driven by marketing support efficiencies behind growing businesses and a continued focus on cost reductions.

The Clairol integration went according to plan during the year with North America, the largest region, being completed in May. The Clairol acquisition provides a strong presence in the high-margin colorants business and rounds out the Company's hair care offerings.

In 2001, beauty care unit volume was down 1%. Excluding the impact of divestitures, volume was flat. Net sales were \$7.26 billion, down 2%, versus \$7.39 billion in 2000. Excluding a 4% impact of unfavorable exchange rates, primarily in Western Europe and Asia, net sales grew 2%. Net earnings were \$967 million, an 8% improvement behind the successful expansion of high-performance, premium-priced products.

Food and Beverage

Food and beverage delivered solid earnings growth despite top-line challenges. Unit volume declined 6%, including a 4%