

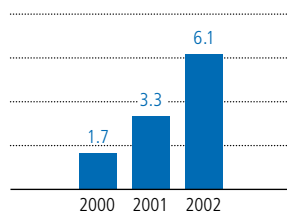
We achieved P&G's long-term growth objectives a year earlier than projected.

**We are increasing free cash flow.** Cash generation is a key indicator of a company's underlying health, and P&G's management is focused on creating leadership, sustained cash flow growth in each of our business units. Free cash flow – operating cash after capital spending – was \$6.1 billion, up 83% from last year and more than triple the free cash flow generated two years ago. Capital spending improvement has been a key driver. Our objective was to reduce capital spending to 6% of sales by fiscal 2004, and we've exceeded that goal two years ahead of schedule. We are now resetting our capital spending target to below 5% of sales, and continue to look for opportunities to improve asset efficiencies.

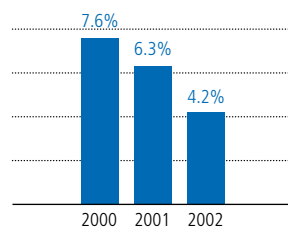
**We are delivering superior total shareholder return (TSR).** TSR is the key business unit metric upon which P&G's business planning and management compensation are based. The combination of strong earnings growth and focus on cash has resulted in superior business returns over the past year. P&G's share price has responded accordingly, outpacing the major indices of Dow Jones and the S&P 500.

These are substantial achievements, in tough economic times, in a very competitive global marketplace. These are the kinds of results P&G has delivered consistently and reliably for decades. This is the level of performance that P&G shareholders expect and also that we – the men and women of P&G – expect of ourselves. I want to commend the dedication, discipline and creativity of P&G people who delivered these results.

Free Cash Flow  
(in billions of dollars)



Capital Spending  
(as % of sales)



Total Shareholder Return  
(indexed versus July 1999)

