

PROCTER & GAMBLE CO
Form 425
February 24, 2005

CAGNY Conference

February 24, 2005

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AG Lafley

Chairman, President
and Chief Executive

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Agenda

P&G Business Update

Gillette Business Update

P&G the Best Partner for Gillette

The Growth Opportunity

Q&A

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Forward Looking Statement

All statements, other than statements of historical fact included in this presentation, are forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995. In addition to the risks and uncertainties noted in this release, there are certain factors that could cause actual results to differ materially from those anticipated by some of the statements made. These include: (1) the ability to achieve business plans, including with respect to lower income consumers and growing existing sales and volume profitably despite high levels of competitive activity, especially with respect to the product categories and geographical markets (including developing markets) in which the Company has chosen to focus; (2) successfully completing, executing, managing and integrating key acquisitions (including the Domination and Profit Transfer Agreement with Wella and the Company's agreement to acquire The Gillette Company and obtaining the related required shareholder and regulatory approvals); (3) the ability to manage and maintain key customer relationships; (4) the ability to maintain key manufacturing and supply sources (including sole supplier and plant manufacturing sources); (5) the ability to successfully manage regulatory, tax and legal matters (including product liability matters), and to resolve pending matters within current estimates; (6) the ability to successfully implement, achieve and sustain cost improvement plans in manufacturing and overhead areas, including the success of the Company's outsourcing projects; (7) the ability to successfully manage currency (including currency issues in volatile countries), debt (including debt related to the Company's announced plan to repurchase shares of the Company's stock in connection with the pending acquisition of The Gillette Company), interest rate and certain commodity cost exposures; (8) the ability to manage the continued global political and/or economic uncertainty and disruptions, especially in the Company's significant geographical markets, as well as any political and/or economic uncertainty and disruptions due to terrorist activities; (9) the ability to successfully manage increases in the prices of raw materials used to make the Company's products; (10) the ability to stay close to consumers in an era of increased media fragmentation; and (11) the ability to stay on the leading edge of innovation. For additional information concerning factors that could cause actual results to materially differ from those projected herein, please refer to our most recent 10-K, 10-Q and 8-K reports.

Regulation G Disclosure

Sales excluding foreign exchange

Organic sales

Core earnings

Free cash flow productivity

Strategies are Working

Focus on core business

Faster growing, higher margin, more asset-efficient
health and beauty care businesses

Developing markets and lower income consumers

6

0%

2%

4%

6%

8%

10%

12%

14%

16%

FY '02

FY '03

FY '04

1st Half

FY'05

Business Update - Volume

Volume Growth

* Excludes acquisition & divestiture impacts

Organic*

Acquisitions & Divestitures

7

Business Update - Sales

* Excludes foreign exchange and acquisition & divestiture impacts

Target

4% - 6%

Sales Growth, ex. FX

Organic*

Acquisitions & Divestitures

0%

2%

4%

6%

8%

10%

12%

14%

16%

FY '02

FY '03

FY '04

First Half

FY'05

8

Business portfolio

Customer portfolio

Geographic portfolio

Balance

9

Market leader
in two thirds of total sales

#1 innovator
(IRI pacesetter report)

Indispensable brands
for retailers

Leadership

Growth Focus Areas are Delivering

Portfolio is growing volume double digits

Leading Billion Dollar Brands

Growth Focus Areas are Delivering

Top 10 customers are growing volume *7%*

Big Customers

12

Top 16 countries are growing volume 8%

Growth Focus Areas are Delivering

Core Countries

Italy

Mexico

UK

Japan

U.S.

Canada

Germany

China

France

Spain

Brazil

Saudi Arabia

Turkey

Russia

Philippines

Poland

13

North America

Western Europe

Northeast

Asia

Mid single digit organic volume growth

Growth Focus Areas are Delivering

Developed Markets

14

Brazil

Mexico

Saudi Arabia

Turkey

Russia

China

Philippines

Poland

8 of top 16 countries are in developing markets

6 consecutive quarters of mid to high teens growth

Growth Focus Areas are Delivering

Developing Markets

15

Growth Focus Areas are Delivering

Health Care & Beauty Care

Sales Growth ex. FX

Organic*

Acquisitions & Divestitures

* Excludes foreign exchange and acquisition & divestiture impacts

0%

5%

10%

15%

20%

25%

30%

FY '02

FY '03

FY '04

Q1'05

Q2'05

16

Growth Focus Areas are Delivering

FY 98

36%

47%

Health & Beauty Care

Balance of Company

FY 05 e

+11% pts

\$ Sales

50%

With Gillette

+14% pts

17

Integration

Plug & play capability

Corporate
Functions

**Core
Business
Resources**

**Oral
Care**

Razors

Braun

Duracell

**Personal
Care**

18

18

Growth Focus Areas are Delivering

Fabric & Home Care, Snacks & Coffee,
Baby & Family Care

0%

2%

4%

6%

8%

10%

FY '02

FY '03

FY '04

Q1 '05

Q2 '05

Sales Growth ex. FX

19

Sustainable growth

Consistent shareholder returns

Balance and Leadership

20

Consistent

Shareholder

Returns

Branding

Go-to-Market

Scale

Innovation

Connect &
Develop Globally

Faster Pace of
Innovation

Winning Value
Equation

Excellence in
Execution

Initiative
Success

Cost & Cash
Discipline

Unique
Organization
Structure

Launch & Leverage
Holistic Marketing

Sustainable

Performance

x

x

x

x

x

Historical P&G

Strengths

**What s different
today**

Sustainable Growth, Consistent Returns

=

=

=

=

=

21

0%

2%

4%

6%

8%

10%

12%

14%

16%

FY '02

FY '03

FY '04

Q1 '05

Q2 '05

Business Update - EPS

*Growth rates calculated vs. prior year core results

EPS Growth

Target

10%+

Gain from Juice Divestiture

22

Guidance Update Jan. 28, 2005

Sales growth estimate:

March '05: high single digits

Fiscal '05: high single digits

EPS estimate:

March '05: \$0.60 - \$0.62 (+ 9-13%)

Fiscal '05: \$2.61 - \$2.64 (+13-14%)

AG Lafley

Chairman, President
and Chief Executive

1

Combine 2 best-in-class CPG companies with
great momentum

Strategic Rationale

2

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Combine 2 best-in-class CPG companies with
great momentum

Strengthen the portfolio - 21 billion dollar brands and #1
market position in categories representing about two thirds
of total sales

Strategic Rationale

3

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Combine 2 best-in-class CPG companies with
great momentum

Strengthen the portfolio - 21 billion dollar brands and #1
market position in categories representing about two thirds
of total sales

Strengthen combined retail relationships

Strategic Rationale

4

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Combine 2 best-in-class CPG companies with
great momentum

Strengthen the portfolio - 21 billion dollar brands and #1
market position in categories representing about two thirds
of total sales

Strengthen combined retail relationships

Leverage our strengths of branding, innovation, scale
and go-to-market capability to realize our full potential
and accelerate growth

Strategic Rationale

5

6

6

Four core strengths

Branding

Innovation

Scale

Go-to-market capability

Complementing and
amplifying strengths
with Gillette

Two Best-In-Class Companies
Getting Stronger

Multiplying Innovative Capability

Sustainable

Performance

x

Innovation

Connect &
Develop Globally

x

Faster Pace of
Innovation

Historical P&G

Strengths

**What's different
today**

7

Complementary Innovation Platforms

Brands

Technologies

Design

8

Complementary Innovation
Platforms

Women s hair removal

9

Complementary Innovation
Platforms

Male grooming

10

Complementary Innovation Platforms

Design

11

Multiplying Innovative Capability

Innovation

Connect &
Develop Globally

Sustainable

Performance

x

x

Faster Pace of
Innovation

Scale

Cash & Cost
Discipline

x

Winning Value
Equation

Historical P&G

Strengths

**What's different
today**

12

Winning the Value Equation

Eliminating
SG&A overlap

Generating
efficiencies in
marketing and
retail selling

Leveraging scale in
purchasing,
manufacturing,
logistics

~80%

\$1 to 1.2 billion in cost synergies

Constant turnaround mentality

Multiplying Innovative Capability

Scale

Innovation

Connect &
Develop Globally

Cash & Cost
Discipline

Sustainable

Performance

x

x

x

Faster Pace of
Innovation

Winning Value
Equation

Go-to-Market

Unique
Organization
Structure

x

Excellence in
Execution

Historical P&G

Strengths

**What's different
today**

14

Developing Markets

Developing Market
Sales

~\$11bn

15

~\$2.2bn

* Euromonitor and Company estimates, constant prices and FX

Developing Markets Potential

Source: ACNielsen, company estimates

~ 70

~ 240

Average P&G Category
Consumption Index
(Volume per capita)

Developing

Developed

~ 2

~ 5

Weekly
Shaving
Frequency

China, India, Turkey

U.S.

~ 3 X

16

17

Puyang City, supermarket with about 2,000sqm

Razors
& Blades

PG Hair
Care

Store
Front

P&G covering more than 30% of China's population

in more than 2000 cities and more than 11000 towns

Gillette covering about 10% of China's population

focus on top 4 cities distributed in about 60 cities

China

Improving Sub-scale Market
Positions

Net Outside Sales

Company Avg.

8
subscale
countries
incl. India,
Brazil

Top 8
developing
market scale
countries
incl. China

18

Multiplying Innovative Capability

Go-to-Market

Scale

Innovation

Connect &
Develop Globally

Cash & Cost
Discipline

Unique
Organization
Structure

Sustainable

Performance

x

x

x

x

Faster Pace of
Innovation

Winning Value
Equation

Excellence in
Execution

Branding

Launch &
Leverage Holistic
Marketing

x

Initiative
Success

Historical P&G

Strengths

**What's different
today**

19

Advantaged Categories

Trade-up marketing

In-store execution

20

Initiative
Success

Excellence in
Execution

Winning Value
Equation

Multiplying Innovative Capability

Go-to-Market

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Unique
Organization
Structure

x

x

x

x

Faster Pace of
Innovation

Branding

Launch &
Leverage Holistic
Marketing

x

Historical P&G

Strengths

**What's different
today**

21

Technology
Leadership

Turnaround
Mentality

Advantaged
Categories

Trade Up
Acceleration

The Gillette

Dynamic

Superior

Sustainable

Performance

21

Upside To Sustainable Growth
Model Through The End Of The
Decade

Double Digit
EPS Growth

Upside

Sales Growth
+5% to +7%

2010
Operating
Margin

of 24 25%

22

Q&A