|  |  |  |  |  |  |  |  | RECENT PRICE |  | $\begin{aligned} & \text { P/E } \\ & \text { RATIO } \\ & \mathbf{1 9 . 4} \\ & \hline 1 \end{aligned}\binom{\text { Trailing: } 21.1}{\text { Median: } 22.0}$ |  |  |  | $\begin{array}{\|l\|l\|} \text { RELATIVE } \\ \text { P/E RATIO } & 21 \end{array}$ |  | $\begin{aligned} & \text { Div'd D } \\ & \text { YLD } \end{aligned}$ | $2.0 \%$ VALUE |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | owered |  | High: Low: | $\begin{aligned} & 41.7 \\ & 25.9 \end{aligned}$ | $\begin{array}{l\|} \hline 47.4 \\ 32.6 \end{array}$ | 57.8 41.0 | $\begin{aligned} & 59.2 \\ & 26.4 \end{aligned}$ | $\begin{aligned} & 40.9 \\ & 28.0 \end{aligned}$ | $\begin{aligned} & 17.4 \\ & 37.0 \end{aligned}$ | $\begin{aligned} & \hline 50.0 \\ & 39.8 \end{aligned}$ | $\begin{aligned} & 57.4 \\ & 48.9 \end{aligned}$ | $\begin{aligned} & 59.7 \\ & 51.2 \end{aligned}$ | $\begin{aligned} & 64.7 \\ & 52.8 \end{aligned}$ | $\begin{aligned} & 75.2 \\ & 60.4 \end{aligned}$ | $\begin{aligned} & 73.8 \\ & 62.7 \end{aligned}$ |  |  | Target Price | Range |
| SAFETY <br> TECHNIC |  | Raised 1 <br> Lowered | 11/02 <br> 12108 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $-160$ |
| TECHNIC | $\text { CAL } 3$ | Lowered | $3 / 21 / 08$ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $\begin{array}{r} -160 \\ -120 \end{array}$ |
| BETA 65 | 5 (1.00 = | Market) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $\begin{array}{r} 120 \\ -100 \\ -10 \end{array}$ |
| High 115 $(+65 \%)$ $15 \%$ <br> Low 95 $(+35 \%)$ $10 \%$ |  |  |  |  |  |  |  |  |  |  |  | 2-for-1 |  |  |  |  |  |  |  | 10 |
|  |  |  |  |  |  |  |  |  |  |  |  | 1 |  |  | -i.1 $i^{+1}$ |  |  |  |  |  |
|  |  |  |  |  |  |  | [1711 |  |  |  |  | , 1114 | 4TT10 | 4, | +11 |  |  |  |  | 60 50 |
|  |  |  |  |  |  | 兄, |  |  |  | "1年 | 4 |  |  |  |  |  |  |  |  | 40 |
| Insider Decisions |  |  |  |  | \| |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 30 |
| to Buy | $\begin{array}{ccc} M & J \\ 0 & J & \\ \hline \end{array}$ | $\begin{array}{llll}\text { A S O } \\ 0 & 0 & \end{array}$ | $\begin{array}{cccc}\text { N } & \text { D } & \text { J } \\ 0 & 0 & 0\end{array}$ | d ${ }^{1}$ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 20 |
| to 0 Ouy | 0 0 0 <br>    <br> 3 0  | $\begin{array}{lll}3 & 0 & 1 \\ 5\end{array}$ | 5 500 |  |  |  |  |  |  |  |  |  |  |  |  |  |  | \% TOT. RETURN 2/08 |  | -15 |
|  | 300 | 50 | 400 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Institutional Decisions |  |  |  | Percent |  |  |  |  |  |  |  |  |  |  |  |  |  |  | THIS VLARITH |  |
|  | 202007 | 302007 | 402007 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $\begin{array}{cc}\text { STOCK } & \text { INDEX } \\ 6.5\end{array}$ |  |
| to Buy | $\begin{aligned} & 643 \\ & 687 \end{aligned}$ | $\begin{aligned} & 600 \\ & 799 \end{aligned}$ | $\begin{aligned} & 645 \\ & 716 \end{aligned}$ | shares traded | $\begin{array}{r}8 \\ 8 \\ \hline\end{array}$ |  |  |  |  |  |  |  |  |  |  |  |  | 3 yr . | $\begin{array}{rr} 6.5 & -9.3 \\ 3.6 & 17.1 \end{array}$ |  |
| Hld's(000) 1 | 8639891 | 851946 | 853646 |  |  |  | WلШلШ1 |  |  |  |  |  |  |  |  |  |  |  | 78.6111 .9 |  |
| 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | ${ }^{\circ}$ VAL | JJE LINE PUB., INC | 1-13 |
| 10.81 | 11.16 | 11.07 | 12.17 | 12.87 | 13.24 | 13.89 | 14.44 | 15.30 | 15.14 | 15.47 | 16.72 | 20.21 | 22.95 | 21.46 | 24.42 | 27.55 | 28.90 | Sales | rsh ${ }^{\text {A }}$ | 33.50 |
| 1.04 | 1.12 | 1.18 | 1.38 | 1.57 | 1.78 | 1.97 | 2.34 | 2.41 | 2.53 | 2.55 | 2.82 | 3.18 | 3.51 | 3.51 | 4.25 | 4.65 | 4.95 | "Cash F | low" per sh | 5.95 |
| . 66 | . 71 | . 77 | . 93 | 1.07 | 1.14 | 1.28 | 1.43 | 1.48 | 1.56 | 1.80 | 2.04 | 2.32 | 2.53 | 2.64 | 3.04 | 3.50 | 3.85 | Earning | per sh A B F | 4.75 |
| . 26 | . 28 | . 31 | . 35 | . 40 | . 45 | . 51 | . 57 | . 64 | . 70 | . 76 | . 82 | . 93 | 1.03 | 1.15 | 1.28 | 1.54 | 1.67 | Div'ds D | Decl'd per sh ${ }^{\text {C }}$ - | 1.95 |
| . 70 | . 70 | . 67 | . 78 | . 79 | . 79 | . 96 | 1.07 | 1.16 | . 96 | . 65 | . 57 | . 80 | . 88 | . 84 | 94 | 1.00 | 1.10 | Cap'IS | ending per sh | 1.25 |
| 2.61 | 2.01 | 2.52 | 3.16 | 3.59 | 3.77 | 3.89 | 3.89 | 4.04 | 3.98 | 4.64 | 5.63 | 6.19 | 6.47 | 19.33 | 20.87 | 23.95 | 26.45 | Book Va | lue per sh D | 32.30 |
| 2715.2 | 2727.0 | 2737.4 | 2746.3 | 2742.4 | 2701.6 | 2674.9 | 2639.6 | 2611.7 | 2591.5 | 2601.5 | 2594.4 | 2543.8 | 2472.9 | 3178.8 | 3131.9 | 2985.0 | 2975.0 | Comm | Shs Outst'g E | 2950.0 |
| 17.4 | 17.8 | 17.5 | 17.1 | 19.0 | 24.1 | 30.8 | 30.8 | 29.7 | 21.4 | 22.4 | 21.6 | 21.3 | 21.5 | 21.5 | 20.5 | Bold fig | sare | Avg A | 'I P/E Ratio | 22.0 |
| 1.06 | 1.05 | 1.15 | 1.14 | 1.19 | 1.39 | 1.60 | 1.76 | 1.93 | 1.10 | 1.22 | 1.23 | 1.13 | 1.14 | 1.16 | 1.08 |  |  | Relative | P/E Ratio | 1.45 |
| 2.3\% | 2.2\% | 2.3\% | 2.2\% | 2.0\% | 1.6\% | 1.3\% | 1.3\% | 1.5\% | 2.1\% | 1.9\% | 1.9\% | 1.9\% | 1.9\% | 2.0\% | 2.1\% | estim |  | Avg An | Div'd Yield | 1.9\% |
| CAPITAL STRUCTURE as of 12/31/07 Total Debt $\$ 37097$ mill. Due in 5 Yrs $\$ 17000$ mill. LT Debt $\$ 23528$ mill. LT Interest $\$ 1280$ mill. (Lt interest earned: 14.7x; total interest coverage: 12.3x) <br> (26\% of Cap') |  |  |  |  |  | 37154 | 38125 | 39951 | 39244 | 40238 | 43377 | 51407 | 56741 | 68222 | 76476 | 82250 | 85920 | Sales | mill) ${ }^{\text {A }}$ | 98800 |
|  |  |  |  |  |  | 20.6\% | 23.2\% | 22.3\% | 22.6\% | 22.5\% | 23.3\% | 22.5\% | 21.7\% | 23.3\% | 24.3\% | 24.1\% | 24.2\% | Operat | $g$ Margin | 24.5\% |
|  |  |  |  |  |  | 1598.0 | 2148.0 | 2191.0 | 2271.0 | 1693.0 | 1703.0 | 1733.0 | 1884.0 | 2627.0 | 3130.0 | 3150 | 3200 | Depre | ation (Smill) | 3500 |
|  |  |  |  |  |  | 3780.0 | 4148.0 | 4230.0 | 4397.0 | 5052.0 | 5731.0 | 6481.0 | 6923.0 | 8684.0 | 10340 | 10765 | 11500 | Net Pro | it (\$mill) | 14100 |
|  |  |  |  |  |  | 33.8\% | 34.0\% | 33.1\% | 32.0\% | 28.7\% | 29.0\% | 30.7\% | 30.5\% | 30.0\% | 29.7\% | 28.0\% | 28.0\% | Income | Tax Rate | 28.0\% |
| Pension Assets-6/07 $\$ 7.35$ bill. Oblig. $\$ 9.82$ bill. |  |  |  |  |  | 10.2\% | 10.9\% | 10.6\% | 11.2\% | 12.6\% | 13.2\% | 12.6\% | 12.2\% | 12.7\% | 13.5\% | 13.1\% | 13.4\% | Net Prof | it Margin | 14.3\% |
| Pdd Stock $\$ 1406$ mill. $\quad$ Pdd Div'd $\$ 148.0$ mill.(ESOP owns $84,739,000$ Class A shares and |  |  |  |  |  | 1327.0 | 597.0 | 4.0 | 1043.0 | d538.0 | 2682.0 | d5032 | d4710 | 4344.0 | d6686 | d3200 | 1500 | Work | Cap'I (\$mill) | 4700 |
|  |  |  |  |  |  | 5765.0 | 6231.0 | 8916.0 | 9792.0 | 11201 | 11475 | 12554 | 12887 | 35976 | 23375 | 37500 | 35000 | Long-Te | rm Debt (\$mill) | 30000 |
| $67,327,000$ Class B shares; each A and B pfd. share is convertible into one common share.) |  |  |  |  |  | 12236 | 12058 | 12287 | 12010 | 13706 | 16186 | 17278 | 17477 | 62908 | 66760 | 71420 | 78650 | Shr. Equ | uity (\$mill) | 95260 |
|  |  |  |  |  |  | 22.1\% | 23.9\% | 21.4\% | 21.9\% | 21.4\% | 21.5\% | 22.6\% | 23.7\% | 9.3\% | 12.1\% | 10.0\% | 10.0\% | Return | n Total Cap'I | 11.5\% |
| Common Stock 3,077,498,216 shs. MARKET CAP: $\$ 214$ billion (Large Cap) |  |  |  |  |  | 30.9\% | 34.4\% | 34.4\% | 36.6\% | 36.9\% | 35.4\% | 37.5\% | 39.6\% | 13.8\% | 15.5\% | 15.0\% | 14.5\% | Return | o Shr. Equity | 15.0\% |
|  |  |  |  |  |  | 22.3\% | 24.5\% | 23.1\% | 23.8\% | 24.5\% | 23.9\% | 25.0\% | 26.2\% | 8.1\% | 9.4\% | 8.5\% | 8.5\% | Retain | to Com Eq | 9.0\% |
| CURRENT POSITION (SMILL.) |  |  | $2006$ | 2007 12/31/07 |  | 39\% | 39\% | 42\% | 44\% | 41\% | 39\% | 39\% | 39\% | 43\% | 41\% | 43\% | 42\% | All Div | s to Net Prof | 41\% |


| (SMILL.) |  |  |  |  |
| :--- | ---: | ---: | ---: | ---: |
| Cash Assets | 7826 | 5556 | 6045 |  |
| Receivables | 5725 | 6629 | 7688 |  |
| Inventory (FIFO) | 6291 | 6819 | 7690 |  |
| Other | 4487 | 5027 | 5537 |  |
| Current Assets | $\underline{24329}$ |  | 24031 |  |
| Acts Payable | 4910 | 5710 | 52300 |  |
| Debt Due | 2128 | 12039 | 13569 |  |
| Other | $\underline{12947}$ | 12968 | 12680 |  |
| Current Liab. | 19985 |  | 30717 |  |


| ANNUAL RATES | Past | Past |  |
| :--- | ---: | ---: | ---: | Est'd '05-'07


| $\begin{aligned} & \text { Fiscal } \\ & \text { Year } \\ & \text { Ends } \end{aligned}$ | QUARTERLY SALES (\$ mill.) ${ }^{\text {A }}$ |  |  |  | $\begin{aligned} & \text { Full } \\ & \text { Fiscal } \\ & \text { Year } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Sep. 30 | $\text { Dec. } 31$ | $\text { Mar. } 31$ | Jun. 30 |  |
| 2005 | 13744 | 14452 | 14287 | 14258 | 56741 |
| 2006 | 14793 | 18337 | 17250 | 17842 | 68222 |
| 2007 | 18785 | 19725 | 18694 | 19272 | 76476 |
| 2008 | 20199 | 21575 | 20200 | 20276 | 82250 |
| 2009 | 20810 | 21750 | 21620 | 21740 | 85920 |
| Fiscal Year Ends | EARNINGS PER SHARE A b F |  |  |  | $\begin{aligned} & \text { Full } \\ & \text { Fiscal } \\ & \text { Year } \end{aligned}$ |
| 2005 | . 70 | . 72 | . 59 | . 52 | 2.53 |
| 2006 | . 77 | . 72 | . 63 | . 55 | 2.64 |
| 2007 | . 79 | . 84 | . 74 | . 67 | 3.04 |
| 2008 | . 90 | . 98 | . 81 | . 81 | 3.50 |
| 2009 | . 98 | . 99 | . 95 | . 93 | 3.85 |
| Calendar | $\begin{gathered} \text { QUAR1 } \\ \text { Mar. } 31 \\ \hline \end{gathered}$ | $\begin{gathered} \text { TTERLY DIVI } \\ \text { Jun. } 30 \end{gathered}$ | $\begin{aligned} & \text { VIDENDS PI } \\ & \text { Sep. } 30 \end{aligned}$ | $\begin{gathered} \hline \text { PAID C } \mathbf{n}_{\square} \\ \text { Dec. } 31 \end{gathered}$ | Full Year |
| 2004 | . 228 | . 25 | . 25 | . 25 | . 98 |
| 2005 | . 25 | . 28 | . 28 | . 28 | 1.09 |
| 2006 | . 28 | . 31 | . 31 | . 31 | 1.21 |
| 2007 | . 31 | . 35 | . 35 | . 35 | 1.36 |
| 2008 | . 35 |  |  |  |  |

BUSINESS: The Procter \& Gamble Company makes detergents, soaps, toiletries, foods, paper, \& industrial products. Brands include: Always, Head \& Shoulders, Olay, Pantene, Wella, Actonel, Dawn, Downy, Tide, Bounty, Charmin, Pampers, Folgers, lams, Pringles, Gillette, MACH3, Braun and Duracell. Acq. Gillette (10/05). Wal-Mart Stores accounted for $15 \%$ of total revenues.
Procter \& Gamble continues to impress. The blue chip posted $8 \%$ and $15 \%$ top- and bottom-line gains, respectively, for the first half of fiscal 2008 (year began July 1st). Despite a more difficult competitive and market environment, P\&G's focus on global markets, coupled with its branding and cost-control initiatives, ought to enable the household goods conglomerate to post an almost $8 \%$ revenue advance this year. Its success in developing markets seems to have set the pace this year, and lower international tax rates ought to help boost profits, as well. Too, Procter commenced an aggressive stock-buyback program that ought to help the company post double-digit share-net growth in 2008 and 2009.
Margins should remain relatively stable over the next couple of quarters, though higher commodity and energy pricing somewhat pressured the company during the first half of the year. Volume leverage and cost savings projects helped counter the negative impact. And, to further improve profitability, P\&G implemented a number of price increases during the March period.

Beauty Care (30\% of net sales in '07), Fabric \& Home Care (25\%), Baby \& Family Care ( $16 \%$ ), Health Care (11\%), Snacks \& Bev. ( $6 \%$ ), Gillette ( $12 \%$ ). About 135,000 employed. ' 07 depreciation rate: $9.0 \%$. Off./dir. own .5\% of common stock (8/07 proxy). CEO \& Pres.: Alan Lafley. Inc.: Ohio. Address: 1 Procter \& Gamble Plaza, Cincinnati, OH 45202. Tel.: 513-983-1100. Internet: www.pg.com.
Some changes are brewing. During the second quarter, Procter completed the Western European tissue and towel divestiture. P\&G plans to separate its coffee business, creating an independent entity, The Folgers Coffee Company. We like this move, as it should help the consumer goods conglomerate focus on its other brands and should augur well for the stand-alone brewer. Management will likely decide the final deal structure during the third quarter, and ought to complete the transaction during the first quarter of 2009. This spin- or split-off may be somewhat dilutive to next year's results.
Conservative accounts may want to take a closer look here. PG possesses our Highest Safety and Financial Strength ratings. The blue chip's price performance could steadily improve as the year goes on, should skittish investors flock toward this defensive-behaving equity. But for now, this issue is only ranked to mirror the broader market averages. As a longer-term holding, much of its 3- to 5-year capital gains potential is already reflected in the current quotation.
Orly Seidman
April 4, 2008
(A) Fiscal year ends June 30th.
(B) Based on avg. shares through '96, diluted thereafter. Excl. nonrecurring gains (losses): '93, (98¢); '99, (13¢); '00, (24c);'01, (53¢); '02,
(256); '03, (19¢); '08, (02ф). Egs. may not sum plan available. (D) Incl. intang. In '07: \$90.2 due to changes in share count. Next egs. rpt $\quad$ bill., $\$ 2.88 / \mathrm{sh}$. (E) In mill., adj. for splits due late April. (C) Dividends hist. paid in mid- (F) Restructuring costs are incl. in operating Feb., May, Aug., and Nov. - Div'd reinvestment $\left\lvert\, \begin{aligned} & \text { (F) Restructuring costs are } \\ & \text { expenses beginning in } 2004 .\end{aligned}\right.$

Company's Financial Strength Stock's Price Stability
Price Growth Persistence
Earnings Predictability

