PROCTER & GAMBLE NYSE-PG

RECENT PRICE **67.28** | P/E RATIO **18.1** (Trailing: 18.5 Median: 21.0) | RELATIVE P/E RATIO **1.21** | DIV'D YLD **2.4%** | **VALUE LINE**

TIMELINESS 3 Lowered 2/15/08
SAFETY 1 Raised 1/11/02
TECHNICAL 3 Raised 8/8/08
BETA .60 (1.00 = Market)

2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	110	(+65%)	*15%*
Low	90	(+35%)	*10%*

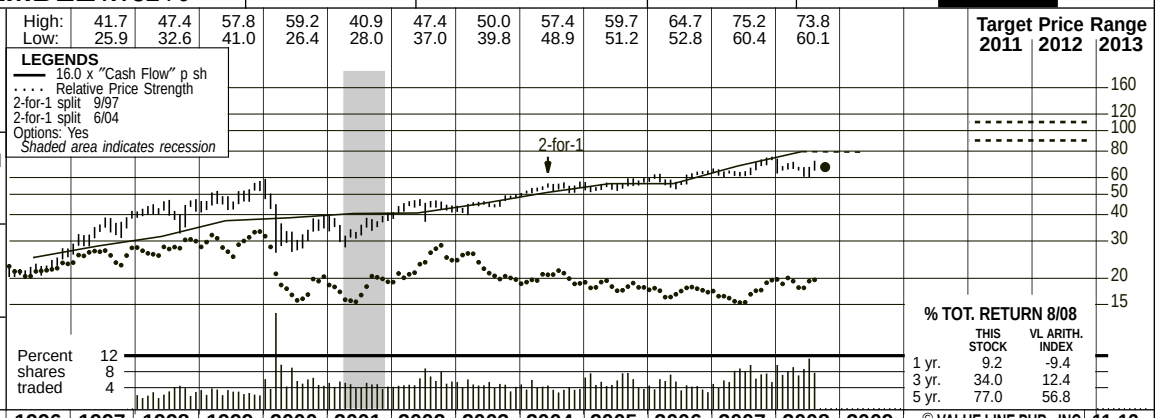
Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	0	0	0	0	1	0	0
Options	5	0	0	11	0	0	8	0	0
to Sell	4	0	0	2	0	0	3	0	0

Institutional Decisions

	4Q2007	1Q2008	2Q2008
to Buy	645	660	629
to Sell	716	707	761
Hld's(000)	1853646	1818717	1788481

	2002	2003	2004	2005	2006	2007	2008
High:	47.4	50.0	57.4	59.7	64.7	75.2	73.8
Low:	37.0	39.8	48.9	51.2	52.8	60.4	60.1



Target Price Range

2011	2012	2013

% TOT. RETURN 8/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	9.2	-9.4
3 yr.	34.0	12.4
5 yr.	77.0	56.8

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
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	27.53	*29.35*	Sales per sh [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	4.97	*4.95*	"Cash Flow" 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*	Earnings 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	1.45	*1.67*	Div'ds Decl'd per sh [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'l Spending 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	22.46	*26.20*	Book Value 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	3032.7	*2975.0*	Common 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	18.6		Avg Ann'l P/E Ratio	*21.0*
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	1.09	1.08		Relative P/E Ratio	*1.40*
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%	2.1%		Avg Ann'l Div'd Yield	*1.9%*
37154	38125	39951	39244	40238	43377	51407	56741	68222	76476	83503	*87350*	Sales ($mill) [A]	*98800*
20.6%	23.2%	22.3%	22.6%	22.5%	23.3%	22.5%	21.7%	23.3%	24.3%	24.2%	*24.0%*	Operating Margin	*24.5%*
1598.0	2148.0	2191.0	2271.0	1693.0	1703.0	1733.0	1884.0	2627.0	3130.0	3166.0	*3175*	Depreciation ($mill)	*3250*
3780.0	4148.0	4230.0	4397.0	5052.0	5731.0	6481.0	6923.0	8684.0	10340	12075	*11600*	Net Profit ($mill)	*14120*
33.8%	34.0%	33.1%	32.0%	28.7%	29.0%	30.7%	30.5%	30.0%	29.7%	24.9%	*28.0%*	Income Tax Rate	*28.0%*
10.2%	10.9%	10.6%	11.2%	12.6%	13.2%	12.6%	12.2%	12.7%	13.5%	14.5%	*13.3%*	Net Profit Margin	*14.3%*
1327.0	597.0	4.0	1043.0	d538.0	2682.0	d5032	d4710	4344.0	d6686	d6443	*1500*	Working Cap'l ($mill)	*4700*
5765.0	6231.0	8916.0	9792.0	11201	11475	12554	12887	35976	23375	23581	*24000*	Long-Term Debt ($mill)	*23500*
12236	12058	12287	12010	13706	16186	17278	17477	62908	66760	69494	*78650*	Shr. Equity ($mill)	*95260*
22.1%	23.9%	21.4%	21.9%	21.4%	21.5%	22.6%	23.7%	9.3%	12.1%	13.8%	*11.5%*	Return on Total Cap'l	*11.5%*
30.9%	34.4%	34.4%	36.6%	36.9%	35.4%	37.5%	39.6%	13.8%	15.5%	17.4%	*14.5%*	Return on Shr. Equity	*15.0%*
22.3%	24.5%	23.1%	23.8%	24.5%	23.9%	25.0%	26.2%	8.1%	9.4%	10.9%	*8.5%*	Retained to Com Eq	*9.0%*
39%	39%	42%	44%	41%	39%	39%	39%	43%	41%	39%	*43%*	All Div'ds to Net Prof	*41%*

CAPITAL STRUCTURE as of 6/30/08
Total Debt $36665 mill. **Due in 5 Yrs** $22025 mill.
LT Debt $23581 mill. **LT Interest** $1280 mill.
(Lt interest earned: 12.0x; total interest coverage: 12.0x) (25% of Cap'l)

Pension Assets-6/08 $2.15 bill. **Oblig.** $5.28 bill.
Pfd Stock $1366 mill. **Pfd Div'd** $136.0 mill.
(ESOP owns 84,739,000 Class A shares and 67,327,000 Class B shares; each A and B pfd. share is convertible into one common share.)

Common Stock 3,032,699,707 shs.
MARKET CAP: $204 billion (Large Cap)

CURRENT POSITION ($MILL.)	2006	2007	6/30/08
Cash Assets	7826	5556	3581
Receivables	5725	6629	6761
Inventory (FIFO)	6291	6819	8416
Other	4487	5027	5757
Current Assets	24329	24031	24515
Accts Payable	4910	5710	6775
Debt Due	2128	12039	13084
Other	12947	12968	11099
Current Liab.	19985	30717	30958

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '11-'13
Sales	6.5%	9.0%	*6.5%*
"Cash Flow"	9.0%	10.0%	*8.0%*
Earnings	10.5%	11.5%	*9.5%*
Dividends	11.0%	11.0%	*9.0%*
Book Value	18.5%	34.5%	*13.0%*

Fiscal Year Ends	QUARTERLY SALES ($ mill.) [A] Sep.30	Dec.31	Mar.31	Jun.30	Full Fiscal Year
2005	13744	14452	14287	14258	56741
2006	14793	18337	17250	17842	68222
2007	18785	19725	18694	19272	76476
2008	20199	21575	20463	21266	83503
2009	*20820*	*21940*	*21850*	*22740*	*87350*

Fiscal Year Ends	EARNINGS PER SHARE [A B F] Sep.30	Dec.31	Mar.31	Jun.30	Full Fiscal Year
2005	.70	.72	.59	.52	2.53
2006	.77	.72	.63	.55	2.92
2007	.79	.84	.74	.67	3.04
2008	.92	.98	.82	.80	3.50
2009	*.98*	*.99*	*.95*	*.93*	*3.85*

Cal-endar	QUARTERLY DIVIDENDS PAID [C] ■ Mar.31	Jun.30	Sep.30	Dec.31	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	.40	.40		

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, Iams, Pringles, Gillette, MACH3, Braun and Duracell*. Acq. Gillette (10/05). Wal-Mart Stores accounted for 15% of total revenues. Beauty Care (23% of '08 sales), Fabric & Home Care (28%), Baby & Family Care (16%), Health Care (17%), Snacks, Bev. & Pets (6%), Grooming (10%). About 138,000 employed. '08 depr. rate: 8.3%. Off./dir. own .4% of common stock (8/08 proxy). Pres./CEO: Alan Lafley. Inc.: Ohio. Address: 1 Procter & Gamble Plaza, Cincinnati, OH 45202. Telephone: 513-983-1100. Internet: www.pg.com.

Procter & Gamble may not connect on any home runs this year . . . The consumer goods stalwart may continue to face a difficult operating environment in fiscal 2009 (years begin July 1st). Commodity and energy costs, as well as raw material expenses, have escalated, and may well continue to weigh on margins. Due to the inflationary backdrop, P&G will probably incur another $3 billion in incremental costs (on top of $1.5 billion the company absorbed in fiscal 2008). Management has implemented price increases in several of its product categories to help recover from rising commodity prices. But American consumers have also been under pressure, and have reined in their discretionary spending, which may further compress margins over the next few quarters. Too, the company is focusing on cost-saving efforts to strengthen its manufacturing efficiency and overall productivity, and improve its returns on capital spending.

. . . but should hit enough singles and doubles to generate good top- and bottom-line growth. The company's operations overseas ought to do well over the next few quarters. A weaker American dollar has helped its export market. International sales accounted for 30% of total revenues in fiscal 2008, and developing markets should continue to post steady growth. What's more, though the Folgers transaction may prove to be dilutive to near-term results, the asset sale has led to a companywide restructuring effort. And we look for a 5% revenue and a 10% share-net gain on a comparable basis (excluding the impact from the Folgers divestiture).

P&G recently drafted NIOXIN Research Laboratories to its Beauty Care team. The professional hair-care company distributes its products to salons and salon stores in more than 40 countries worldwide. The acquisition is in line with this segment's strategic focus on faster-growing, higher-margin, and asset-efficient businesses.

These high-quality shares do not stand out for near- or long-term price performance. Nevertheless, PG's perfect marks for Price Stability and Earnings Predictability, and healthy dividend yield, make it a valuable holding in a diversified portfolio.

Orly Seidman *October 3, 2008*

Company's Financial Strength	A++
Stock's Price Stability	100
Price Growth Persistence	55
Earnings Predictability	100

(A) Fiscal year ends June 30th. **(B)** Based on avg. shares through '96, diluted thereafter. Excl. nonrecurring gains (losses): '93, (98¢); '99, (13¢); '00, (24¢); '01, (53¢); '02, (25¢); '03, (19¢); '08, (12¢). Egs. may not sum due to changes in share count. Next egs. rpt due late Oct. **(C)** Dividends hist. paid in mid-Feb., May, Aug., and Nov. ■ Div'd reinvestment plan available. **(D)** Incl. intang. In '08: $94.0 bill., $3.10/sh. **(E)** In mill., adj. for splits. **(F)** Restructuring costs are incl. in operating expenses beginning in 2004.

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