

INSTRUCTIONS FOR EXERCISE OF STOCK OPTIONS – PAPER FORM (G-04/06)

The preceding "Notice to Exercise" is a **required** document when exercising stock options via paper form.

CHOOSE Grant date TO EXERCISE

Next to the stock option award year, fill in the number of shares to be exercised. Multiple series may be exercised using one "Notice to Exercise".

CHOOSE METHOD OF EXERCISE

Refer to the category that applies to your personal situation:

- U.S. Citizens and Permanent Residents (U.S. Green Card)
- Residents of the stated countries
- All other optionees.

Then, depending upon local laws, tax, and exchange controls, up to five methods of exercise are available. Do you want to receive cash upon the exercise of your stock options, or will you be retaining some or all of your shares? The following sections briefly describe each of the exercise methods.

TO RECEIVE CASH

"Sell All"

- When the "Sell All" method is used, P&G will sell all shares exercised through a broker.
- The Broker Charges \$.02/share commission fees and a minimal SEC fee.
- Option cost and taxes, if applicable, are deducted.
- The remaining proceeds will be delivered to you by your local payroll organization.

Example:

Shares Exercised	100	
Exercise Price/Share	\$75.00	
Grant Price/Share	\$50.00	
Gross Proceeds	\$7,500.00	(75.00 x 100)
Option Cost	\$5,000.00	(50.00 x 100)
Taxable Income	\$2,500.00	(7,500.00 – 5,000.00)
Estimated Taxes	\$750.00	(2,500.00 x 30%)
Broker Commission	\$2.00	(.02 x 100)
Net Payment to Employee	\$1,748.00	(2,500.00 – 750.00 – 2.00)

TO RECEIVE STOCK

"Sell to Cover"

- When the "Sell to Cover" method is used, P&G will sell enough shares to cover your option cost and estimated taxes, if applicable, through a broker. The number of shares to sell is calculated based on an estimated sale price.
- This method allows retention of some shares without submitting a cash payment.
- The number of shares to be sold will be calculated by adding option cost and estimated taxes, if applicable, and dividing by an estimated sale price. This number will be increased by a small percentage to cover broker fees and market fluctuation.
- Broker charges \$.02/share commission fee and a minimal SEC fee.

- Option cost and taxes, if applicable, along with commission and fees are deducted from sale proceeds. Due to market fluctuation, there may be remaining money, which will be delivered to you by local payroll.
- Shares not sold to cover costs will be delivered to you by the Company's Shareholder Services.

Example:

Shares Exercised	100	
Exercise Price/Share	\$75.00	
Grant Price/Share	\$50.00	
Option Cost	\$5,000.00	(50.00 x 100)
Taxable Income	\$2,500.00	(7,500.00 – 5,000.00)
Estimated Taxes	\$750.00	(2,500.00 x 30%)
Shares to Sell to Cover	78	((5,000.00 + 750.00) / 75.00) + 1%
Broker Commission	\$1.56	(.02 x 78)
Net Payment to Employee	\$98.44	((78 x 75.00) – 5,000.00 – 750.00 – 1.56)
Shares Distributed to Employee	22	(100-78)

“Share Exchange”

- When the “Share Exchange” method is used, shares of P&G stock already owned are used instead of cash to pay for the exercise of the options.
- Shares to exchange must be issued in your name and owned for at least six months.
- You will not physically deliver shares of P&G stock, but instead will make a declaration of ownership.
- The stock option will be exercised on the day the request is received. The exercise will be valued at the average of the high and low on the New York Stock Exchange on the day of exercise.
- This same average price will be used to calculate taxable income, the value of shares exchanged for the option cost and shares withheld for taxes, if applicable.
- Due to tax estimation, there may be remaining money from withheld shares, which will be delivered to you by local payroll.
- Shares to be distributed to you will be calculated by taking the number of shares exercised and subtracting shares exchanged and shares withheld for taxes. Remaining shares will be delivered to you by the Company's Shareholder Services.

Example:

Shares Exercised	100	
Exercise Price/Share	\$75.00	
Grant Price/Share	\$50.00	
Option Cost	\$5,000.00	(50.00 x 100)
Shares to Exchange	67	(5000.00 / 75.00)
Value of Shares Exchanged	\$5,025.00	(75.00 x 67)
Taxable Income	\$2,500.00	(7,500.00 – 5,000.00)
Estimated Taxes	\$750.00	(2,500.00 x 30%)
Shares to Cover Taxes	10	(750.00 / 75.00)
Value of Shares to Cover Taxes	\$750.00	(10 x 75.00)
Net Payment to Employee	\$25.00	(5,025.00 + 750.00) – (5,000.00 + 750.00)
Shares Distributed to Employee	23	(100 - 67 - 10)

“Pay Cash”

- When the “Pay Cash” method is used, the employee sends in cash to pay for the option cost and taxes, if applicable, via check or wire transfer.
- This method allows retention of all shares exercised.
- The exercise will be valued at the average of the high and low on the New York Stock Exchange on the day payment is received. This value will be used to calculate taxable income.
- Option cost and taxes, if applicable, are deducted from payment. Due to tax estimation, there may be remaining money, which will be delivered to you by local payroll.
- Shares will be delivered to you by the Company's Shareholder Services.

Example

Share Exercised	100	
Exercise Price/Share	\$75.00	
Grant Price/Share	\$50.00	
Option Cost	\$5,000.00	(50.00 x 100)
Taxable Income	\$2,500.00	(7,500.00 – 5,000.00)
Estimated Taxes	\$750.00	(2,500.00 x 30%)
Total Cash due by Employee	\$5,750.00	(5,000.00 + 750.00)
Shares Distributed to Employee	100	

“Pay Cash, Cover Taxes with Shares”

- When the “Pay Cash, Cover Taxes with Shares” method is used, the employee will send in cash to pay for the option cost via check or wire transfer.
- P&G will withhold a portion of your newly exercised shares to cover your withholding taxes, if applicable.
- This method allows you to retain shares exercised, less those that are withheld to cover withholding taxes, if applicable.
- The stock option will be exercised on the day payment is received. The exercise will be valued at the average of the high and low on the New York Stock Exchange on the day of exercise.
- This same average price will be used to calculate taxable income and the value of shares withheld for taxes, if applicable.
- Due to tax estimation, there may be remaining money after value of shares withheld for taxes is calculated. This money will be delivered to you by local payroll.
- Shares to be distributed to you will be calculated by taking the number of shares exercised and subtracting shares withheld for taxes. Remaining shares will be delivered to you by the Company’s Shareholder Services.

Example

Shares Exercised	100	
Exercise Price/Share	\$75.00	
Grant Price/Share	\$50.00	
Total Cash Due by Employee	\$5,000.00	(50.00 x 100)
Taxable Income	\$2,500.00	(7,500.00 – 5,000.00)
Estimated Taxes	\$750.00	(2,500.00 x 30%)
Shares to Cover Taxes	10	(750.00 / 75.00)
Shares Distributed to Employee	90	(100 – 10)

Once you have decided upon your chosen method of exercise, check the appropriate line. You will then be asked to check different statements as they apply to your request. Following is a description of each of these statements:

“Sell All”: *Note: This is a REQUIRED method of exercise for optionees located in Algeria, Azerbaijan, Bangladesh, Bosnia, Brazil, China, Colombia, Croatia, Greece, India, Indonesia, Italy, Kazakhstan, Lebanon, Malaysia, Morocco, Russia, South Africa, South Korea, Sri Lanka, Thailand, Turkey, Ukraine, United Arab. Emer., Uzbekistan, Vietnam, and Yugolsavia.*

- **Indicate the price at which you want to sell your shares.**

Sell at Market: By checking “Sell at Market”, you wish for Procter & Gamble to act on your behalf and sell your shares on the open market at the time you exercise your stock options. Shares of stock will be sold at one of three times daily, depending upon when we receive your exercise request. “Market” order sales will occur at 09:00, 12:00 and 15:00 EST. The sale price received for shares sold at “Market” will be determined by averaging all “Market” orders submitted at that time.

Sell at Limit: By checking “Sell at Limit”, you wish for Procter & Gamble to act on your behalf and sell your shares on the open market when the value of Procter & Gamble’s stock reaches or exceeds the price you specify. Enter the price for which you want to sell your shares if Procter & Gamble reaches or exceeds the price you specify. Be sure to enter the price in U.S. dollars. Shares to be sold are “all or nothing”. If all shares requested for sale cannot be sold at the desired price, none of the shares will be sold until the demand can be met at the desired price. All “Limit” orders are “good to cancel” and will remain outstanding until the sale occurs, or you choose to cancel the request. Requests submitted as “Limit” orders may be canceled by the optionee as long as the sale has not yet occurred. Should you decide to cancel your sale order, contact Stock Option Administration.

“Sell to Cover”

- **Indicate the price at which you want to sell your shares and how you wish to receive your remaining shares.**

Sell at Market: By checking “Sell at Market”, you wish for Procter & Gamble to act on your behalf and sell your shares on the open market at the time you exercise your stock options. Shares of stock will be sold at one of three times daily, depending upon when we receive your exercise request. “Market” order sales will occur at 09:00, 12:00 and 15:00 EST. The sale price received for shares sold at “Market” will be determined by averaging all “Market” orders submitted at that time.

Sell at Limit: By checking “Sell at Limit”, you wish for Procter & Gamble to act on your behalf and sell your shares on the open market when the value of Procter & Gamble’s stock reaches or exceeds the price you specify. Enter the price for which you want to sell your shares if Procter & Gamble reaches or exceeds the price you specify. Be sure to enter the price in U.S. dollars. Shares to be sold are “all or nothing”. If all shares requested for sale cannot be sold at the desired price, none of the shares will be sold until the demand can be met at the desired price. All “Limit” order are “good to cancel” and will remain outstanding until the sale occurs, or you choose to cancel the request. Requests submitted as “Limit” orders may be canceled by the optionee as long as the sale has not yet occurred. Should you decide to cancel your sale order, contact Stock Option Administration.

- **Indicate how you would like to receive your shares of stock.**

Deposit resulting shares to your SIP account: By checking this statement, shares to be issued to you will be deposited to your account with the Company’s Stock Investment Program, maintained by the Company’s Shareholder Services. If you do not have an existing account, a new account will be created and you will receive more information about your account from Shareholder Services.

Mail the resulting shares to your home address: By checking this statement, actual, physical shares of Procter & Gamble stock will be issued in your name and distributed to you at the address of record by the Company’s Shareholder Services. If you do not have an existing account, a new account will be created and you will receive more information about your account from Shareholder Services.

Should you choose to pick-up your shares from Shareholder Services, or have someone else pick-up your shares, contact Stock Option Administration at 513-983-5050 or e-mail stockopt-im@pg.com for the necessary form.

“Pay Cash”

- The amount of cash due to cover option cost and taxes is calculated by multiplying the option grant price times the number of shares being exercised. Applicable taxes are also due in cash at the time of exercise. Taxes are calculated using an estimated rate provided by your local payroll organization. As these rates vary, you are requested to contact Stock Option Administration to calculate the payment due. Stock Option Administration can be reached as follows:

Stock Option Administration
TE-3 G.O., Box 5B
Cincinnati, OH 45202
phone: 513-983-5050
FAX: 513-983-0159
e-mail: STOCKOPT.IM@PG.COM

- **Indicate the way in which you will provide payment:**

Enclosed is a check for US\$: To pay by check, checks must be made payable to “The Procter & Gamble Company”. The check must be issued in US dollars and drawn on a US bank (i.e., the bank issuing the check must have a branch in the US). Mail the check to: Procter & Gamble, Stock Option Administration, Two Procter & Gamble Plaza, TE-3, Box 5B, Cincinnati, OH, USA 45202. In the space provided, please write-in the value of your check.

I have transmitted US\$ via wire transfer: To pay by wire transfer, transfer must be done in US dollars. Route the funds to: Citibank, N.A., 153 E. 53rd Street, 18th Floor, New York, NY USA 10043. The bank account information is: P&G Company Regular Account, Account Number 0000-1986, ABA Routing Number 021000089, SWIFT code CITIUS33. Add memo text to the transfer indicating: Stock Option Exercise. In the space provided, please write-in the value of your wire transfer. Your stock option exercise will not be executed until payment is received.

- **Indicate how you would like to receive your shares of stock.**

Deposit resulting shares to your SIP account: By checking this statement, shares to be issued to you will be deposited to your account with the Company’s Stock Investment Program, maintained by the Company’s Shareholder Services. If you do not have an existing account, a new account will be created and you will receive more information about your account from Shareholder Services.

Mail the resulting shares to your home address: By checking this statement, actual, physical shares of Procter & Gamble stock will be issued in your name and distributed to you at the address of record by the Company’s Shareholder Services. If you do not have an existing account, a new account will be created and you will receive more information about your account from Shareholder Services.

Should you choose to pick-up your shares from Shareholder Services, or have someone else pick-up your shares, contact Stock Option Administration at 513-983-5050 or e-mail stockopt-im@pg.com for the necessary form.

“Pay Cash, Cover Taxes with Shares”

The amount of cash due to cover option cost is calculated by multiplying the option grant price times the number of shares being exercised. For verification of the amount of payment due, contact Stock Option Administration as follows:

Global Compensation Payments, Stock Option Administration
TE-3 G.O., Box 5B
Cincinnati, OH 45202
phone: 513-983-5050
FAX: 513-983-0159

- **Indicate the way in which you will provide payment:**

Enclosed is a check for US\$: To pay by check, checks must be made payable to “The Procter & Gamble Company”. The check must be issued in US dollars and drawn on a US bank (i.e., the bank issuing the check must have a branch in the US). Mail the check to: Procter & Gamble, Stock Option Administration, Two Procter

& Gamble Plaza, TE-3, Box 5B, Cincinnati, OH, USA 45202. In the space provided, please write-in the value of your check.

I have transmitted US\$ via wire transfer: To pay by wire transfer, transfer must be done in US dollars. Route the funds to: Citibank, N.A., 399 Park Avenue, New York, NY USA 10047. The bank account information is: P&G Company Regular Account, Account Number 0000-1986, ABA Routing Number 021000089, SWIFT code CITIUS33. Add memo text to the transfer indicating: Stock Option Exercise. In the space provided, please write-in the value of your wire transfer. Your stock option exercise will not be executed until payment is received.

- **Authorize P&G to determine the number of shares to withhold for taxes:** By checking this statement, you authorize P&G to determine the number of shares to withhold from you in order to pay applicable taxes and to transfer shares from you to P&G for this purpose. Taxes are calculated using an estimated rate provided by your local payroll organization.
- **Indicate how you would like to receive your shares of stock.**

Deposit resulting shares to your SIP account: By checking this statement, shares to be issued to you will be deposited to your account with the Company's Stock Investment Program, maintained by the Company's Shareholder Services. If you do not have an existing account, a new account will be created and you will receive more information about your account from Shareholder Services.

Mail the resulting shares to your home address: By checking this statement, actual, physical shares of Procter & Gamble stock will be issued in your name and distributed to you at the address of record by the Company's Shareholder Services. If you do not have an existing account, a new account will be created and you will receive more information about your account from Shareholder Services.

Should you choose to pick-up your shares from Shareholder Services, or have someone else pick-up your shares, contact Stock Option Administration at 513-983-5050 or e-mail stockopt-im@pg.com for the necessary form.

"Share Exchange"

- **You tender shares of P&G stock in full payment of your option cost:** By checking this statement, you tender shares of P&G stock, which you certify that you have owned for at least six months, in full payment of your option cost. You will not need to provide P&G with physical shares of stock, but you authorize P&G to determine the number of shares necessary to pay your option cost and applicable taxes and to issue remaining shares to you.
- **Indicate how you would like to receive your shares of stock.**

Deposit resulting shares to your SIP account: By checking this statement, shares to be issued to you will be deposited to your account with the Company's Stock Investment Program, maintained by the Company's Shareholder Services. If you do not have an existing account, a new account will be created and you will receive more information about your account from Shareholder Services.

Mail the resulting shares to your home address: By checking this statement, actual, physical shares of Procter & Gamble stock will be issued in your name and distributed to you at the address of record by the Company's Shareholder Services. If you do not have an existing account, a new account will be created and you will receive more information about your account from Shareholder Services.

Should you choose to pick-up your shares from Shareholder Services, or have someone else pick-up your shares, contact Stock Option Administration at 513-983-5050 or e-mail stockopt-im@pg.com for the necessary form.

TAX INFORMATION

Each person who exercises a stock option is responsible for full compliance with the tax requirements of their country of residence, as well as any country in which you have previously lived or worked. The Company expects employees to comply with all tax requirements.

Based upon local law, taxes will be withheld and reported by the Company. Local payroll organizations have provided Stock Option Administration with estimated tax rates. When your stock option exercise request is processed by Stock Option Administration, the estimated rate will be applied and taxes will be withheld. When the exercise data is passed to local payroll, the exact tax calculation will be performed. If you have questions about tax withholding, contact your local payroll organization. Stock Option Administration can assist you in making contact with local payroll.

If you are paying your withholding taxes via cash, please contact Stock Option Administration to determine payment to be submitted.

CERTIFICATION OF EMPLOYMENT INTENT (required for “active” employees)

The Certification of Employment Intent is required for “active” employees exercising stock. If you intend to leave the Company within one year following the date of exercise, complete box 2 and obtain the signature of your Vice President.

INDICATION OF INTERNATIONAL ASSIGNMENTS (Retirees and Separated Employees)

Indicate countries in which you worked from 1992 – present while you were a P&G employee. Include the dates you worked in that location and the type of assignment you held (e.g. WES/International Manager or local employee).

BANK INFORMATION (Required for Stock Appreciation Rights and “Sell All” methods of exercise)

If you are exercising a stock option or stock appreciation right, please provide bank information so that electronic payment can be made. If technical problems occur or local laws prohibit electronic payment, a regular check will be issued, depending upon local payroll policy.

AUTHORIZATION

Each person who exercises a stock option is responsible for full compliance with the tax requirements of their country of residence, as well as any country in which you have previously lived or worked. The Company expects employees to comply with all tax requirements. Signing this "Notice to Exercise" acknowledges your responsibility.

Personal information **including your current home and current Company/office address (if active)** must be completed before your transaction can be processed.

HOW TO REACH US

You may always write or phone us at the following address:

The Procter & Gamble Company
Global Processes & Systems (TE-3, Box 5B, G.O.)
Cincinnati, OH 45202
phone: 513-983-5050
fax: 513-983-0159
e-mail: stockopt.im@pg.com

INVESTMENT ADVICE

For investment advice, contact Merrill Lynch:

The Anning Group
Phone (513) 579-3673, toll-free (800) 234-2099
Fax (513) 579-3674
2600 Firststar Tower
425 Walnut Street
Cincinnati, OH 45202
Web Address: www.fc.ml.com/anning_group