Exploring The Value Line Page

JOHNSON & JOHNSON NYSE-JNJ

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	
66.60	17.0 (Trailing: 1[illegible] Median: 2[illegible])	0.93	2.3%	VALUE LINE

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TIMELINESS 2 Raised 10/27/06
SAFETY 1 New 7/27/90
TECHNICAL 2 Raised [illegible]
BETA .70 (1.00 = Market)

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2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	100	(+50%)	12%
Low	80	(+20%)	7%

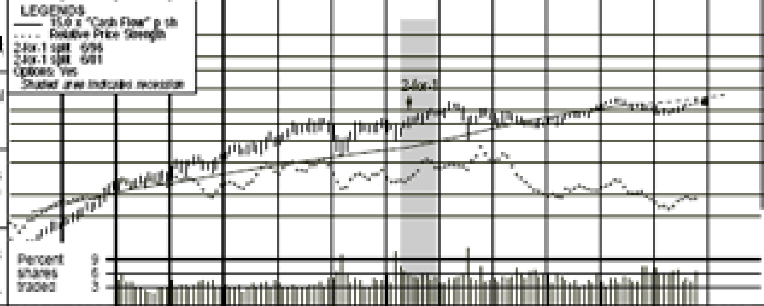
Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	1	0	0	0	0	0
Options	1	1	1	0	2	0	0	2	1
to Sell	0	0	1	0	2	0	0	1	1

Institutional Decisions

	4Q2005	1Q2006	2Q2006
to Buy	745	668	661
to Sell	653	735	711
Hld's(000)	1899478	1878424	1838597

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
High:	23.1	27.0	33.7	44.9	53.4	53.0	61.0	65.9	59.1	64.3	70.0	69.4
Low:	13.4	20.8	24.3	31.7	38.5	33.1	40.3	41.4	48.1	49.3	59.8	56.7



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Target Price Range
2009 2010 2011

160 120 100 80 60 50 40 30 20 15

% TOT. RETURN 10/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	10.1	17.4
3 yr.	42.3	49.6
5 yr.	27.4	98.5

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1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
4.22	4.87	5.25	5.50	6.12	7.27	8.11	8.41	8.80	9.88	10.47	10.83	12.23	14.10	15.94	16.98	**18.35**	**19.45**	Sales per sh [A]	**22.90**
.65	.73	.85	.93	1.05	1.26	1.45	1.62	1.83	2.03	2.27	2.46	2.85	3.36	3.84	4.25	**4.70**	**5.00**	"Cash Flow" per sh	**6.10**
.48	.55	.62	.69	.78	.93	1.09	1.21	1.34	1.49	1.70	1.91	2.23	2.70	3.10	3.50	**3.75**	**4.05**	Earnings per sh [B]	**5.00**
.16	.19	.22	.25	.28	.32	.37	.43	.49	.55	.62	.70	.80	.92	1.10	1.28	**1.46**	**1.58**	Div'ds Decl'd per sh ■[C]	**1.92**
.31	.37	.42	.38	.39	.48	.52	.52	.54	.62	.59	.57	.71	.76	.73	.88	**.75**	**.75**	Cap'l Spending per sh	**.85**
1.84	2.11	1.97	2.17	2.77	3.49	4.07	4.59	5.06	5.83	6.76	7.95	7.65	9.05	10.71	12.73	**13.70**	**15.65**	Book Value per sh [D]	**22.75**
2664.8	2655.3	2621.6	2571.9	2572.0	2590.7	2665.0	2690.3	2688.1	2779.4	2781.9	3047.2	2968.3	2968.0	2971.0	2974.5	**2900.0**	**2870.0**	Common Shs Outst'g [E]	**2750.0**
16.5	20.5	20.0	15.4	14.8	16.5	22.4	24.9	28.1	31.6	26.4	27.2	25.9	19.4	18.1	18.5	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	**18.0**
1.23	1.31	1.21	.91	.97	1.24	1.40	1.44	1.46	1.80	1.72	1.39	1.41	1.11	.96	.99			Relative P/E Ratio	**1.20**
2.1%	1.7%	1.8%	2.4%	2.4%	1.9%	1.5%	1.4%	1.3%	1.2%	1.4%	1.3%	1.4%	1.8%	2.0%	2.0%			Avg Ann'l Div'd Yield	**2.1%**
						21620	22629	23657	27471	29139	33004	36298	41862	47348	50514	**53250**	**55850**	Sales ($mill) [A]	**63000**
						24.6%	25.1%	26.6%	27.0%	27.4%	28.8%	31.2%	31.3%	31.6%	32.2%	**31.0%**	**31.5%**	Operating Margin	**33.0%**
						1009.0	1067.0	1246.0	1444.0	1515.0	1605.0	1662.0	1869.0	2124.0	2093.0	**2140**	**2255**	Depreciation ($mill)	**2600**
						2887.0	3303.0	3677.6	4209.0	4800.0	5885.0	6810.8	8096.6	9298.0	10545	**11000**	**11730**	Net Profit ($mill)	**14000**
						28.4%	27.8%	27.1%	27.5%	27.5%	28.2%	29.0%	30.2%	27.6%	24.8%	**24.5%**	**25.0%**	Income Tax Rate	**25.5%**
						13.4%	14.6%	15.5%	15.3%	16.5%	17.8%	18.8%	19.3%	19.6%	20.9%	**20.7%**	**21.0%**	Net Profit Margin	**22.1%**
						4186.0	5280.0	2970.0	5746.0	8310.0	10429	7817.0	9547.0	13393	18759	**19900**	**24450**	Working Cap'l ($mill)	**40000**
						1410.0	1126.0	1269.0	2450.0	2037.0	2217.0	2022.0	2955.0	2565.0	2017.0	**1850**	**1700**	Long-Term Debt ($mill)	**1250**
						10836	12359	13590	16213	18808	24233	22697	26869	31813	37871	**39760**	**45000**	Shr. Equity ($mill)	**62500**
						24.2%	24.9%	25.2%	22.9%	23.3%	22.5%	27.8%	27.4%	27.3%	26.5%	**26.5%**	**25.0%**	Return on Total Cap'l	**22.0%**
						26.6%	26.7%	27.1%	26.0%	25.5%	24.3%	30.0%	30.1%	29.2%	27.8%	**27.5%**	**26.0%**	Return on Shr. Equity	**22.0%**
						17.7%	17.5%	17.5%	16.8%	16.4%	15.8%	19.5%	19.0%	19.0%	17.8%	**17.0%**	**16.0%**	Retained to Com Eq	**14.0%**
						34%	34%	35%	35%	36%	35%	35%	34%	35%	36%	**39%**	**39%**	All Div'ds to Net Prof	**38%**

CAPITAL STRUCTURE as of 10/1/06
Total Debt $2,369 mill. Due in 5 Yrs $750.0 mill.
LT Debt $2,007 mill. LT Interest $97.1 mill.
(5% of Cap'l)
Leases, Uncapitalized Annual rentals $162.0 mill.

Pension Assets-12/05 $8,106 mill. **Oblig.** $10,171 mill.
Pfd Stock None

Common Stock 2,899,395,180 shs.
as of 10/29/06

MARKET CAP: $194 billion (Large Cap)

CURRENT POSITION ($MILL.)	2004	2005	10/1/06
Cash Assets	12884	16138	14692
Receivables	6831	7010	7978
Inventory (FIFO)	3744	3959	4449
Other	3861	4287	4167
Current Assets	27320	31394	31286
Accts Payable	6227	4315	3964
Debt Due	280	668	362
Other	6420	7652	7737
Current Liab.	13927	12635	12063

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ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	9.5%	10.0%	6.5%
"Cash Flow"	13.5%	13.5%	8.0%
Earnings	14.5%	15.5%	8.5%
Dividends	14.5%	15.0%	10.0%
Book Value	14.5%	13.0%	13.0%

Fiscal Year Ends	QUARTERLY SALES ($ mill.) [A] Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Fiscal Year
2003	9831	10322	10455	11254	41862
2004	11559	11484	11553	12752	47348
2005	12832	12762	12310	12610	50514
2006	12992	13363	**13287**	**13608**	**53250**
2007	**13850**	**14000**	**13800**	**14200**	**55850**

Fiscal Year Ends	EARNINGS PER SHARE [AB] Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Fiscal Year
2003	.69	.70	.69	.62	2.70
2004	.83	.82	.78	.67	3.10
2005	.97	.93	.87	.73	3.50
2006	.99	.98	**.98**	**.80**	**3.75**
2007	**1.08**	**1.06**	**1.03**	**.88**	**4.05**

Cal-endar	QUARTERLY DIVIDENDS PAID [C]■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.18	.205	.205	.205	.80
2003	.20	.24	.24	.24	.92
2004	.24	.285	.285	.285	1.10
2005	.285	.33	.33	.33	1.28
2006	.33	.375	.375		

BUSINESS: Johnson & Johnson manufactures and sells health care products. Major lines by segment: Consumer (baby care, non-prescription drugs, sanitary protection, and skin care), Med. Device & Diag. (wound closures, minimally invasive surgical instruments, diagnostics, orthopedics, and contact lenses), and Pharmaceutical (contraceptives, psychiatric, anti-infective, and dermatological drugs). 2005 sales (operating income) by segment: Pharm., 44% (48%); Med. Device & Diag., 38% (40%); Consumer, 18% (12%). Int'l business, 44% of '05 sales; R&D, 12.5%. Has 115,600 empl.; 187,840 stockholders. Off./dir. own less than 1% (3/06 Proxy). Chmn. & CEO: William Weldon. Inc.: NJ. Addr.: One J&J Plaza, New Brunswick, NJ 08933. Tel.: 732-524-0400. Web: www.jnj.com.

Johnson & Johnson's 2006 share earnings will probably be 7% higher than last year. We expect moderate top-line growth of 5%, but share buybacks should give the bottom line a boost. Indeed, about 75 million shares were repurchased this year, exhausting the repurchase authorization in the process. We also note that the company is facing tough comparisons this year, because of the inclusion of options expense on the income statement. We estimate that share earnings would rise by 11% this year if this expense (our estimate: $0.15 per share) were excluded. We think sales and earnings will grow by 5% and 8%, respectively, in 2007.

There are a couple of potential pitfalls ahead. The Food and Drug Administration is currently reviewing a study showing that patients treated more aggressively with JNJ's anemia drug *Procrit* had a higher incidence of cardiac complications than those treated with lower doses. In addition, there is some speculation that Congress may pass a measure that would limit drug prices for Medicare, which accounts for about half of the drug sales in the U.S. We will monitor these situations closely.

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Two acquisitions ought to close in the next six months. The purchase of Pfizer's Consumer Healthcare unit, which includes such high-profile brands as *Listerine* and *Nicorette*, will likely close by yearend. In addition, JNJ is acquiring Conor Medsystems, a maker of drug-coated stents, for $1.4 billion in cash. This deal will probably close in the first quarter of 2007. As per *Value Line* convention, our presentation excludes the effect of the transactions until the mergers are consummated. Once the deals close, our 2007 estimate will probably be revised downward, but our 2009-2011 projections may be bumped up.

This stock's Timeliness rank has moved up one notch since our September review. It is now ranked to beat the market indices in the coming year. Looking further out, this stock's 3- to 5-year price appreciation potential is a bit below average. However, because of JNJ's name recognition, Highest (1) Safety ranking, low Beta, and excellent Financial Strength, Price Stability, and Earnings Predictability ratings, we think JNJ is a good selection for conservative accounts.

Tom Nikic *December 1, 2006*

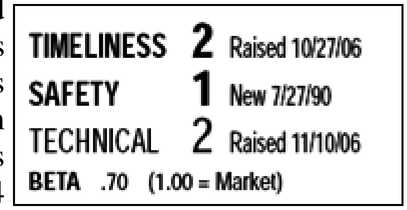
(A) Year ends on last Sunday of December.
(B) Primary earnings through '96, diluted thereafter. Excludes nonrecurring gains/(losses): '90, 5¢; '92, 23¢; '98, 22¢; '99, 2¢; '01, (7¢); '02, (7¢); '03: Q2, (30¢); '04, (26¢); '05, (4¢); '06, 7¢. Next earnings report due mid-Jan.
(C) Dividends historically paid mid: March, June, Sept., Dec. ■Div'd reinvestment plan available.
(D) Incl. intang.: In '05, $12.6 billion, $4.22/sh.
(E) In mill., adj. for stock splits.

Company's Financial Strength	A++
Stock's Price Stability	100
Price Growth Persistence	60
Earnings Predictability	100

1. Value Line Ranks

Timeliness

The Timeliness rank is Value Line's measure of the expected price performance of a stock for the coming six to 12 months relative to our approximately 1,700 stock universe. Stocks ranked 1 (Highest) and 2 (Above Average) are likely to perform best relative to the approximately 1,700 stocks we follow. Stocks ranked 3 are likely to be average performers. Stocks ranked 4 (Below Average) and 5 (Lowest) are likely to underperform stocks ranked 1 through 3 in Value Line's universe.



Ranks Box

At any one time, there are 100 stocks ranked 1; 300 ranked 2; approximately 900 ranked 3; 300 ranked 4; and 100 ranked 5.

Value Line has published Timeliness ranks for more than 33 years. Twice a year, in January and July, the results of the performance of the Timeliness ranks are published in Selection & Opinion. Overall, the results have been truly outstanding. Mark Hulbert, a *Forbes* columnist who studies the performance of investment publications, has written that over a 17-year period, *The Value Line Investment Survey* "...is in first place for risk adjusted performance."

The most important factor in determining the Timeliness rank is earnings growth. Companies whose earnings growth over the past 10 years has been greater than their stocks' price appreciation tend to have high scores. In addition, the ranks take into account a stock's recent price performance relative to all approximately 1,700 stocks in the Value Line universe. A company's recent quarterly earnings performance and any recent earnings surprises caused because a company reported results that were significantly better or worse than expected are also factors. They are combined to determine the Timeliness rank.

Just one word of caution. Stocks ranked 1 for Timeliness are often more volatile than the overall market and tend to have smaller capitalizations (the total value of a company's outstanding shares, calculated by multiplying the number of shares outstanding by the stock's price per share). Conservative investors may want to select stocks that also have high Safety ranks because they are more stable issues.

Industry

Value Line also publishes Industry ranks which show the Timeliness of each industry. The Industry ranks indicate how Value Line believes the prices of stocks within 90 or more industries will perform relative to each other. These ranks are updated weekly and published on the front cover and inside the Summary & Index. They also appear at the top of each Industry Report in Ratings & Reports. The Industry rank is calculated by averaging the Timeliness ranks of each of the stocks assigned a Timeliness rank in a particular industry.

Safety

Company's Financial Strength	A++
Stock's Price Stability	85
Price Growth Persistence	100
Earnings Predictability	100

Financial/Stock Price Data

The Safety rank is a measure of the total risk of a stock compared to others in our approximately 1,700 stock universe. As with Timeliness, Value Line ranks each stock from 1 (Highest) to 5 (Lowest). However, unlike Timeliness, the number of stocks in each category from 1 to 5 may vary. The Safety rank is derived from two measurements (weighted equally) found in the lower right hand corner of each page: a Company's Financial Strength and a Stock's Price Stability. Financial Strength is a measure of the company's financial condition, and is reported on a scale of A++ (highest) to C (lowest). The largest companies with the strongest balance sheets get the highest scores. Price Stability is based on a ranking of the standard deviation (a measure of volatility) of weekly percent changes in the price of a company's own stock over the last five years, and is reported on a scale of 100 (highest) to 5 (lowest) in increments of 5. Generally speaking, stocks with Safety ranks of 1 and 2 are most suitable for conservative investors. A stock's Price Growth Persistence and a company's Earnings predictability are also included in the box above, but do not factor into the Safety rank. However, they are useful statistics.

Technical

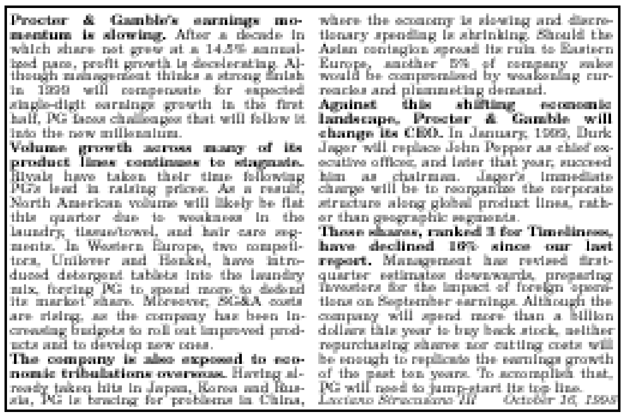
The Technical rank is primarily a predictor of a stock's short term (three to six months) relative price change. It is based on a proprietary model which examines 10 relative price trends for a particular stock over different periods in the past year. It also takes into account the price volatility of each stock. The Technical ranks also range from 1 (Highest) to 5 (Lowest). At any one time, about 100 stocks are ranked 1; 300 ranked 2; 900 ranked 3; 300 ranked 4; and 100 ranked 5.

Beta

Beta is a measure of volatility and is calculated by Value Line. While it is not a rank, we do consider it important.

2. Analyst's Commentary

The analyst's written commentary is in the lower half of the page. Many readers think this is the most important section of the page. In the commentary, the analyst discusses his/her expectations for the future. There are times when the raw numbers don't tell the full story. The analyst uses the commentary to explain why the forecast is what it is. The commentary is also particularly useful when a change in trend is occurring or about to occur. As an example, a stock may have a poor Timeliness rank but the analyst thinks earnings could turn around in the future. In this case, the analyst may use the commentary to explain why he/she thinks conditions are likely to get better, thus giving the subscriber insight into what is happening and why.



Procter & Gamble's earnings momentum is slowing. After a decade in which share net grew at a 14.5% annualized pace, profit growth is decelerating. Although management thinks a strong finish in 1999 will compensate for expected single-digit earnings growth in the first half, PG faces challenges that will follow it into the new millennium.

Volume growth across many of its product lines continues to stagnate. Rivals have taken their time following PG's lead in raising prices. As a result, North American volume will likely be flat this quarter due to weakness in the laundry, tissue/towel, and hair care segments. In Western Europe, two competitors, Unilever and Henkel, have introduced detergent tablets into the laundry mix, forcing PG to spend more to defend its market share. Moreover, SG&A costs are rising, as the company has been increasing budgets to roll out improved products and to develop new ones.

The company is also exposed to economic tribulations overseas. Having already taken hits in Japan, Korea and Russia, PG is bracing for problems in China, where the economy is slowing and discretionary spending is shrinking. Should the Asian contagion spread its ruin to Eastern Europe, another 5% of company sales would be compromised by weakening currencies and plummeting demand.

Against this shifting economic landscape, Procter & Gamble will change its CEO. In January, 1999, Durk Jager will replace John Pepper as chief executive officer, and later that year, succeed him as chairman. Jager's immediate charge will be to reorganize the corporate structure along global product lines, rather than geographic segments.

These shares, ranked 3 for Timeliness, have declined 10% since our last report. Management has revised first-quarter estimates downwards, preparing investors for the impact of foreign operations on September earnings. Although the company will spend more than a billion dollars this year to buy back stock, neither repurchasing shares nor cutting costs will be enough to replicate the earnings growth of the past ten years. To accomplish that, PG will need to jump-start its top line.

Luciano Siracusano III *October 16, 1998*

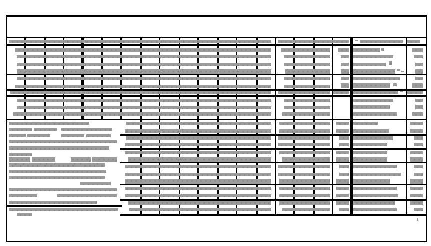
Analyst's Commentary

3. Financial Estimates

The estimates of sales, earnings, net profit margins, income tax rates, and so forth are all derived from spread sheets maintained on every company and printed in ***bold italics***. The numbers are based on an analyst's latest thinking about where a company may be in the future. Our analysts regularly review their projections with the company's management. Afterwards, they make whatever adjustments they believe are warranted.

4. Historical Financial Data

Many investors like to use the Statistical Array to do their own analysis. They, in particular, use the historical data in the center of each report to see how a company has been doing over a long time frame.



Statistical Arrray

It's worth pointing out that while all of the data are important, different readers find different data items to be most useful. The numbers are probably most helpful in identifying trends. For example, look at sales per share to see if they have been rising for an extended period of time. Look at operating margins and net profit margins to see if they have been expanding, narrowing or staying flat. Also check the percentages near the bottom to see if the Return on Total Capital or the Return on Shareholders' Equity have been rising, falling or remaining about the same.

5. Annual Rates Of Change

The Annual Rates box is located in the left-hand column. This box shows the compound annual growth percentages for sales, cash flow, and other items for the past 5 and 10 years and also Value Line's projections of growth for each item for the coming 3 to 5 years.

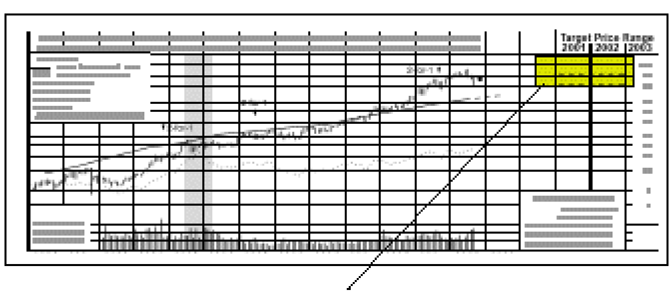
ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '96-'98 to '01-'03
Sales	7.5%	4.5%	*6.0%*
"Cash Flow"	13.0%	11.0%	*10.0%*
Earnings	14.5%	12.5%	*11.0%*
Dividends	10.5%	12.0%	*12.0%*
Book Value	5.5%	11.0%	*14.0%*

Annual Rates Box

Trends are also important here. Check whether growth has been increasing or slowing and to see if Value Line's analyst thinks it will pick up or fall off in the future. (Specific estimates for various data items for the years 2001-2003 can be found in bold italicized type in the far right hand column of the Statistical Array.)

6. Target Price Range

In the upper right-hand section of each report is a Target Price Range for each stock. This is the range in which the price is likely to fall during the period 3 to 5 years hence. The range is based on the analyst's projections in the period 3-5 years out for earnings multiplied by the estimated price/earnings ratio in the Statistical Array for the same period. The width of the high-low range depends on the stock's Safety rank. A stock with a high Safety rank has a narrower range, one with a low rank, a wider one.



Target Price Range (3 to 5 years)

7. 3- to 5-year Projections

2009-11 PROJECTIONS			
	Price	Gain	Ann'l Total Return
High	100	(+50%)	*12%*
Low	80	(+20%)	*7%*

In the left hand column of each report, there is also a box which contains 3- to 5-year Projections for a stock price. There you can see the potential high and low average prices we forecast, the % price changes we project, and the expected compound annual total returns (price appreciation plus dividends). To make these calculations, analysts compare the expected prices out 3 to 5 years into the future (as shown in the Target Price Range and Projections box) with the recent price shown on the top of the report.

Investors whose primary goal is long-term price appreciation should study the 3- to 5-year projections carefully and choose stocks with above-average appreciation potential. For comparative purposes, you can find the Estimated Median Price Appreciation Potential for all approximately 1,700 stocks on the front page of the Summary & Index.

8. Price/Earnings Ratios

Information about Price/Earnings Ratios appears at the very top of the Value Line Page as well as in the statistical section in the center.

A Price/Earnings Ratio (often referred to as a P/E Ratio or simply a P/E) is probably the most widely used statistic in investing.

It is calculated by dividing the price of a stock (usually the current price) by twelve months of earnings. If, for example, a stock is selling at $40 a share and its annual earnings are $2.00 a share, its P/E is 20.

Few investors will buy a stock without knowing what its P/E is. Most frequently, investors will compare the P/E of one stock with that of another before making a decision to purchase or sell.