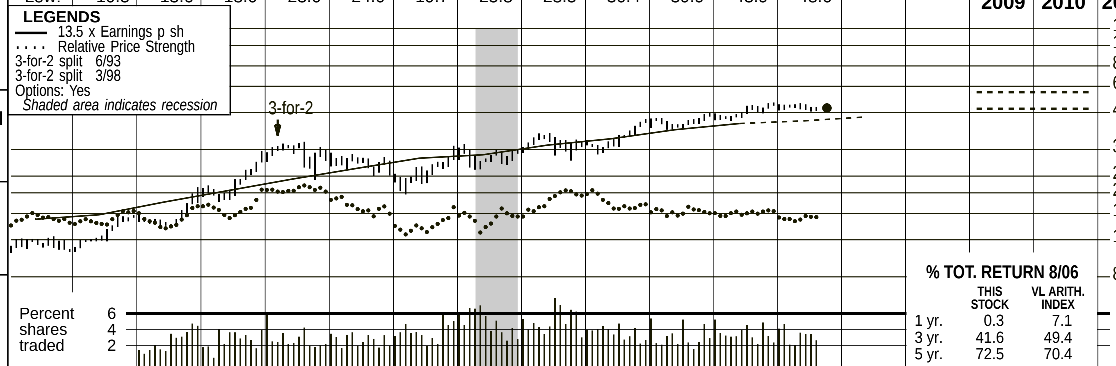
COMMERCE BANCSH. NDQ-CBSH

RECENT PRICE **50.39** | P/E RATIO **15.3** (Trailing: 15.3, Median: 14.0) | RELATIVE P/E RATIO **0.87** | DIV'D YLD **2.0%** | VALUE LINE

High:	15.7	21.3	31.7	34.9	31.0	33.5	34.2	38.5	44.8	47.8	53.6	53.2
Low:	10.5	13.6	18.0	23.0	24.0	19.7	25.8	28.5	30.4	39.9	43.9	48.6

TIMELINESS 4 Raised 5/6/05
SAFETY 1 New 7/27/90
TECHNICAL 3 Raised 7/14/06
BETA .85 (1.00 = Market)

LEGENDS
— 13.5 x Earnings p sh
.... Relative Price Strength
3-for-2 split 6/93
3-for-2 split 3/98
Options: Yes
Shaded area indicates recession



2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	60	(+20%)	7%
Low	50	(Nil)	2%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	1	2	3	2	0	0	0	0
to Sell	1	1	2	1	2	5	2	0	1

Institutional Decisions

	4Q2005	1Q2006	2Q2006
to Buy	73	67	70
to Sell	95	82	72
Hld's(000)	29163	28299	27777

% TOT. RETURN 8/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	0.3	7.1
3 yr.	41.6	49.4
5 yr.	72.5	70.4

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
.75	.78	.91	1.02	1.11	1.17	1.34	1.52	1.72	1.93	2.16	2.25	2.50	2.68	2.95	3.16	*3.25*	*3.40*	Earnings per sh A	*4.10*
.17	.19	.20	.22	.25	.28	.31	.35	.39	.43	.46	.50	.54	.67	.84	.92	*.98*	*1.02*	Div'ds Decl'd per sh B	*1.20*
6.09	6.70	7.54	8.32	8.46	9.86	10.63	11.45	12.56	12.04	14.32	16.02	18.23	19.36	19.89	19.77	*21.65*	*23.50*	Book Value per sh	*31.50*
75.17	75.72	80.06	85.62	86.12	89.68	86.98	85.65	86.06	89.68	79.87	79.45	77.68	74.93	71.75	67.68	*67.50*	*67.00*	Common Shs Outst'g C	*65.00*
7.7	9.2	10.5	11.0	10.3	11.2	11.7	14.9	18.1	14.4	11.7	13.2	13.8	13.6	14.7	15.3	*Bold figures are*		Avg Ann'l P/E Ratio	*13.5*
.57	.59	.64	.65	.68	.75	.73	.86	.94	.82	.76	.68	.75	.78	.78	.82	*Value Line*		Relative P/E Ratio	*.90*
3.0%	2.6%	2.1%	1.9%	2.1%	2.1%	2.0%	1.6%	1.3%	1.5%	1.8%	1.7%	1.6%	1.8%	1.9%	1.9%	*estimates*		Avg Ann'l Div'd Yield	*2.2%*

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
9698.2	10307	11402	11401	11115	12903	13308	14287	14250	13886	*15100*	*16000*	Total Assets ($mill)	*20000*
5374.1	6118.5	6929.8	7453.9	7778.2	7508.5	7745.3	8007.5	8173.0	8770.7	*9800*	*10500*	Loans ($mill)	*13000*
365.7	397.8	427.7	466.0	480.7	467.9	500.0	502.4	497.3	501.7	*510*	*540*	Net Interest Inc ($mill)	*630*
24.5	31.4	36.9	35.3	35.2	36.4	34.1	40.7	30.4	28.8	*30.0*	*40.0*	Loan Loss Prov'n ($mill)	*55.0*
159.2	180.1	214.0	236.2	252.8	277.5	280.6	301.7	326.9	341.2	*360*	*380*	Noninterest Inc ($mill)	*450*
318.0	344.5	379.3	419.0	430.4	439.6	452.9	472.1	482.8	496.5	*520*	*540*	Noninterest Exp ($mill)	*620*
119.5	132.7	150.1	166.2	178.6	182.0	199.5	206.5	220.3	223.2	*220*	*230*	Net Profit ($mill)	*270*
34.5%	34.3%	33.5%	32.9%	33.3%	32.4%	32.0%	29.1%	29.2%	29.7%	*33.0%*	*33.0%*	Income Tax Rate	*33.0%*
1.23%	1.29%	1.32%	1.46%	1.61%	1.41%	1.50%	1.45%	1.55%	1.61%	*1.45%*	*1.45%*	Return on Total Assets	*1.35%*
14.1	7.2	27.1	25.7	224.7	392.6	338.5	401.0	389.5	269.4	*125*	*250*	Long-Term Debt ($mill)	*700*
924.3	980.8	1080.8	1079.8	1143.8	1272.5	1416.3	1451.0	1426.9	1337.8	*1450*	*1550*	Shr. Equity ($mill)	*2050*
9.5%	9.5%	9.5%	9.5%	10.3%	9.9%	10.6%	10.2%	10.0%	9.6%	*9.5%*	*9.5%*	Shr. Eq. to Total Assets	*10.5%*
55.4%	59.4%	60.8%	65.4%	70.0%	58.2%	58.2%	56.0%	57.4%	63.2%	*65.0%*	*65.5%*	Loans to Tot Assets	*65.0%*
12.9%	13.5%	13.9%	15.4%	15.6%	14.3%	14.1%	14.2%	15.4%	16.7%	*15.0%*	*15.0%*	Return on Shr. Equity	*13.0%*
10.0%	10.4%	10.8%	12.1%	12.3%	11.1%	11.1%	10.7%	11.2%	11.9%	*10.5%*	*10.5%*	Retained to Com Eq	*9.5%*
23%	23%	22%	22%	21%	22%	21%	25%	28%	28%	*30%*	*30%*	All Div'ds to Net Prof	*29%*

CAPITAL STRUCTURE as of 6/30/06

LT Debt $144.9 mill. **LT Interest** $10.3 mill.
Due In 5 Years N.A.

Pension Assets-12/05 $92.4 mill. **Oblig.**$87.9 mill.

Pfd Stock None

Common Stock 66,320,723 shs.
as of 8/2/06

MARKET CAP: $3.3 billion (Mid Cap)

ASSETS	2004	2005	6/30/06
Loans	8172.9	8770.7	9251.4
Funds Sold	68.9	128.9	237.1
Securities	4837.4	3770.2	3435.9
Other Earning	- -	- -	- -
Other	1171.2	1215.7	1349.0
LIABILITIES($Mill.)			
Deposits	10434.3	10851.8	11042.3
Funds Borrowed	1913.9	1326.4	1586.5
Long-Term Debt	389.5	269.4	144.9
Net Worth	1426.9	1337.8	1331.4
Other	85.8	100.1	168.3
Total	14250.4	13885.5	14273.4
Loan Loss Resrv.	132.4	128.4	128.4

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Loans	8.5%	6.0%	*9.5%*
Earnings	10.5%	8.5%	*6.0%*
Dividends	12.5%	13.5%	*7.0%*
Book Value	8.5%	8.5%	*8.0%*
Total Assets	7.5%	8.5%	*7.5%*

Cal-endar	LOANS ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31
2003	7856	7981	7812	8008
2004	8016	7975	8029	8173
2005	8275	8370	8614	8771
2006	9010	9251	*9650*	*9800*
2007	*9950*	*10100*	*10300*	*10500*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.60	.65	.72	.71	2.68
2004	.68	.72	.84	.71	2.95
2005	.69	.77	.89	.81	3.16
2006	.78	.82	*.82*	*.83*	*3.25*
2007	*.82*	*.84*	*.86*	*.88*	*3.40*

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.134	.134	.134	.134	.54
2003	.143	.143	.194	.194	.67
2004	.209	.209	.209	.209	.84
2005	.229	.229	.229	.229	.92
2006	.245	.245	.245		

BUSINESS: Commerce Bancshares, Inc. has approximately 340 bank locations in Missouri, Illinois, and Kansas. Also has subsidiaries engaged in mortgage banking, credit-related insurance, venture capital, and real estate activities. Annualized net loan losses, .38% of average loans in '05. Loan loss reserve, 1.37% of loans at 6/30/06; problem assets, .34%. Average loan portfolio breakdown in '05: commercial, 27%; commercial real estate, 27%; residential mortgage, 16%; consumer, 30%. On 6/30/06, had 4,868 full-time employees. Directors & officers own 10.5% of stock (proxy 3/06). President & CEO: D.W. Kemper. Inc.: MO. Address: 1000 Walnut, P.O. Box 13686, Kansas City, MO 64199. Telephone: 816-234-2000. Internet: commercebank.com.

Commerce Bancshares enjoyed strong loan growth in the first half of 2006, fueled by new business and increased borrowings by existing customers. We look for loan demand to remain fairly healthy over the rest of 2006 and in 2007, though the pace might slow somewhat from the recent 10% annual rate if economic growth moderates, as we expect. Acquisitions of a bank and a savings & loan added about $385 million to loans in the September interim, and are included in our estimates.

Meanwhile, in spite of a sharp rise in deposit costs, the net interest margin has held at about the same level for the past three quarters. The good loan growth and reductions in relatively low-yielding investment securities have improved the asset mix. Commerce also doesn't rely heavily on relatively high-cost borrowed funds, and its loans-to-deposits ratio is fairly low. We look for another modest increase in net interest income in 2006 and better growth in 2007.

Problem loans, though still very low, rose in the June quarter, due to the addition of $5.9 million of commercial and commercial real estate loans to a single borrower. But potential bad loans, at only $45.9 million, have declined 13% since the start of the year. Commerce's credit card loan losses are still hovering at lower-than-historical levels and may rise somewhat, but these loans are small compared to commercial loans. And the loan loss reserve, at four times problem and past-due loans, seems more than adequate.

Despite the absence of tax credits that added $0.19-$0.25 to share net in each of the past three years, we expect earnings to advance about 3% in 2006 and at a faster pace in 2007. In addition to the modest growth in net interest income and low credit costs that we look for, noninterest income (deposit, bank card, and trust fees) should rise at a mid-single-digit pace; there's probably room to lower operating costs; and stock repurchases may enhance share net from time to time.

Commerce Bancshares stock is one of the most stable issues in the bank sector. But the shares are ranked unfavorably for Timeliness, have limited appreciation potential to late decade, and yield less than most bank stocks.

Theresa Brophy *September 22, 2006*

(A) Based on diluted shares outstanding. Excl. gain from change in accounting: '90, $0.06. Next earnings report due mid-October.
(B) Dividends historically paid in late March, June, September, and December. Plus stock dividend: 5% in '94, '95, '96, '97, '98, '99, '00, '01, '02, '03, '04, '05.
(C) In millions, adjusted for stock splits & dividends.

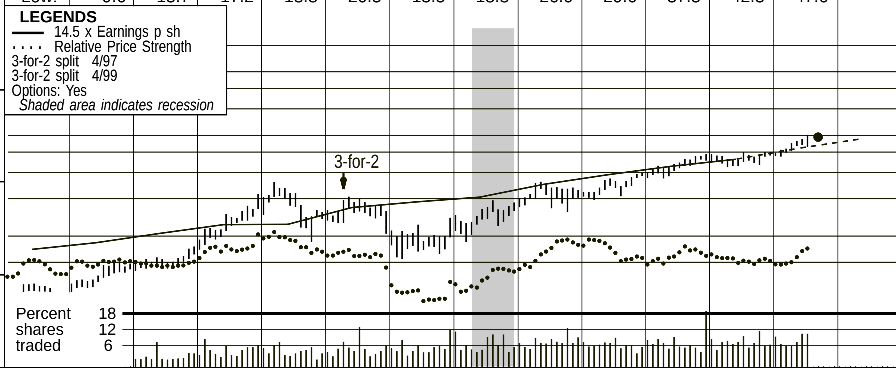
Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	75
Earnings Predictability	100

COMPASS BANCSHARE NDQ-CBSS

RECENT PRICE 58.75 | P/E RATIO 16.3 (Trailing: 17.6 Median: 14.0) | RELATIVE P/E RATIO 0.92 | DIV'D YLD 2.8% | VALUE LINE

TIMELINESS 4 New 5/27/05
SAFETY 2 New 5/27/05
TECHNICAL 3 Lowered 8/18/06
BETA .90 (1.00 = Market)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
High:	15.0	17.8	31.7	36.0	30.8	24.4	29.5	36.1	39.8	48.8	50.1	59.9
Low:	9.6	13.7	17.2	18.8	20.5	15.5	18.8	26.0	29.6	37.5	42.3	47.6



Target Price Range 2009 | 2010 | 2011
160, 120, 100, 80, 60, 50, 40, 30, 20, 15

2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	90	(+55%)	13%
Low	65	(+10%)	5%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	1	2	1	1	1	1	0	1	1
to Sell	1	1	0	2	0	0	4	1	0

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	135	130	117
to Sell	105	113	123
Hld's(000)	53611	52664	55389

% TOT. RETURN 7/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	25.9	3.0
3 yr.	90.1	52.3
5 yr.	150.1	59.2

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
.69	.80	.92	1.06	1.19	1.28	1.42	1.56	1.57	1.88	2.00	2.11	2.42	2.69	2.95	3.18	3.60	4.00	Earnings per sh A	5.35
.24	.26	.30	.34	.41	.50	.57	.63	.70	.78	.88	.92	1.00	1.12	1.25	1.36	1.52	1.56	Div'ds Decl'd per sh B	1.80
4.58	5.53	5.95	6.65	7.22	8.23	8.81	9.70	10.30	10.52	11.58	13.53	15.32	15.33	16.59	18.10	22.00	27.70	Book Value per sh	40.00
72.42	71.21	78.27	82.04	83.19	85.84	91.18	98.99	113.35	113.71	127.81	126.80	126.12	122.09	123.26	123.54	129.50	130.00	Common Shs Outst'g C	130.00
5.9	8.3	10.0	10.0	9.0	10.0	10.7	14.9	18.0	13.9	9.4	11.7	13.0	12.9	14.6	14.6	Bold figures are		Avg Ann'l P/E Ratio	14.5
.44	.53	.61	.59	.59	.67	.67	.86	.94	.79	.61	.60	.71	.74	.77	.78	Value Line		Relative P/E Ratio	.95
5.8%	3.9%	3.2%	3.2%	3.8%	3.9%	3.7%	2.7%	2.5%	3.0%	4.7%	3.7%	3.2%	3.2%	2.9%	3.0%	estimates		Avg Ann'l Div'd Yield	2.6%

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
11814	13460	17289	18151	19992	23015	23885	26963	28185	30798	33500	37000	Total Assets ($mill)	43000
7338.7	8549.6	9964.6	10646	11341	13516	16248	17121	18599	21105	25500	29000	Loans ($mill)	35500
402.4	475.2	543.2	639.2	680.8	825.9	924.9	909.5	911.8	969.0	1075	1175	Net Interest Inc ($mill)	1400
17.6	22.4	38.5	31.1	53.5	106.2	136.3	119.7	105.7	117.8	125	135	Loan Loss Prov'n ($mill)	150
154.7	181.5	222.5	241.1	298.9	376.4	441.1	526.2	617.6	658.7	700	750	Noninterest Inc ($mill)	1000
337.5	395.7	454.8	517.9	569.6	685.8	752.4	797.9	868.5	901.8	950	1015	Noninterest Exp ($mill)	1200
128.9	155.6	180.9	217.1	240.6	270.4	314.4	341.9	369.8	401.8	465	520	Net Profit ($mill)	700
36.2%	34.8%	33.6%	34.5%	32.5%	34.1%	34.1%	34.0%	33.4%	33.9%	33.0%	33.0%	Income Tax Rate	33.0%
1.09%	1.16%	1.05%	1.20%	1.20%	1.17%	1.32%	1.27%	1.31%	1.30%	1.40%	1.40%	Return on Total Assets	1.60%
701.5	1287.1	1946.0	2464.3	- -	3837.5	4900.1	4827.8	4141.0	4111.5	3600	3500	Long-Term Debt ($mill)	3500
803.1	960.0	1196.1	1196.2	1480.5	1715.6	1931.5	1871.9	2045.3	2236.0	2850	3600	Shr. Equity ($mill)	5200
6.8%	7.1%	6.9%	6.6%	7.4%	7.5%	8.1%	6.9%	7.3%	7.3%	8.5%	9.5%	Shr. Eq. to Total Assets	12.0%
62.1%	63.5%	57.6%	58.7%	56.7%	58.7%	68.0%	63.5%	66.0%	68.5%	76.0%	78.0%	Loans to Tot Assets	80.0%
16.1%	16.2%	15.1%	18.1%	16.3%	15.8%	16.3%	18.3%	18.1%	18.0%	16.5%	14.5%	Return on Shr. Equity	13.5%
9.8%	9.8%	8.8%	10.4%	9.1%	8.9%	9.6%	10.8%	12.3%	8.6%	9.5%	9.0%	Retained to Com Eq	9.0%
39%	40%	43%	43%	44%	44%	41%	41%	32%	52%	42%	39%	All Div'ds to Net Prof	33%

CAPITAL STRUCTURE as of 6/30/06
LT Debt $3657.9 mill. **LT Interest** $51.0 mill.
(67% of Cap'l)

Leases, Uncapitalized Annual rentals $28.7 mill.

Pension Assets-12/05 $179 mill. **Oblig.** $189 mill.

Common Stock 129,391,435 shs.
(as of 7/31/06)

Market Cap: $7.6 billion (Large Cap)

CURRENT POSITION ($MILL.)	2004	2005	6/30/06
Cash Assets	585.7	765.7	757.6
Fin. Receivables	18598.6	21105.0	23943.0
Securities (for sale)	4398.2	4704.4	4282.9
Other	4602.1	4223.1	4630.0
Total Assets	28184.6	30798.2	33613.5
Deposits	17039.2	20384.1	22837.3
Long-Term Debt	4141.0	4111.5	3657.9
Other	4959.2	4066.6	4512.8
Total Liab.	26139.4	28562.2	31008.0

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Loans	8.5%	11.5%	5.0%
Earnings	9.5%	10.0%	10.5%
Dividends	11.5%	10.0%	6.0%
Book Value	8.5%	9.0%	15.5%
Total Assets	8.0%	8.5%	7.5%

Cal-endar	LOANS ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2003	16525	16095	16787	17121	
2004	17107	17512	18163	18599	
2005	18920	19795	21127	21105	
2006	23026	23826	25000	25500	
2007	26500	27200	28500	29000	

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2003	.64	.68	.68	.69	2.69
2004	.69	.73	.75	.78	2.95
2005	.74	.83	.80	.81	3.18
2006	.85	.88	.92	.95	3.60
2007	.95	.98	1.02	1.05	4.00

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.25	.25	.25	.25	1.00
2003	.28	.28	.28	.28	1.12
2004	.313	.313	.313	.313	1.25
2005	.313	.35	.35	.35	1.36
2006	.35	.39	.39		

BUSINESS: Compass Bancshares Inc. serves as a financial services company with four operating segments: Corporate Banking, Retail Banking, Wealth Management, and Treasury. Compass also operates through a wholly owned subsidiary, The Central Bank of the South, headquartered in Anniston, Alabama. In addition, Compass owns loan production offices in Georgia and Maryland. As of 12/05, Compass had roughly 8000 employees and 384 full-service banking centers located primarily in TX, AL, AZ, and FL. Officers and directors own 5.3% of common shares (3/06 proxy). Chairman of the Board and CEO: D. Paul Jones, Jr. Incorporated: Delaware. Address: 15 South 20th Street Birmingham, Alabama 35233. Telephone: (205) 297-3000. Internet: www.compassweb.com.

Compass Bancshares continues to perform well. In the June period, interest and fees on loans advanced by more than 45%, to $433 million. The robust growth was mostly attributable to the recent acquisition of Texas Bank (closed March 27, 2006), which added $1.6 billion in assets and 24 banking centers. For the year, we estimate that interest and fees will advance by approximately 30%, since the addition of Texas Bank greatly expands Compass' market reach in several high-growth markets, particularly Dallas and Fort Worth. Thus,

We have increased our 2006 earnings-per-share estimate by a dime. Along with strong interest and fee income advances, earnings will be fueled by solid loan growth. In the June quarter, net loans advanced by more than 20% compared to the year-ago period. Healthy gains in residential construction and commercial real estate loans were the main factors behind the impressive results. For this year and 2007, we look for total loans to advance by approximately 25% and 15%, respectively, since Compass' commercial loan operations should continue to perform well. However,

Loan growth may slow out to decade's end. Over the last few months, the housing market has shown some signs of weakness, and we believe that it will be less robust for the next few years. Thus, we estimate that annual loan growth will slow to 5%–10% out to the 2009–2011 period.

The company makes for an attractive acquisition target. Due to its solid position in the high-growth areas of Texas, and its strong loan growth, we believe that Compass would be an excellent fit for a large bank that wants to enter or expand its market reach in Texas.

Compass shares are ranked 4 (Below Average) for Timeliness. Although the company continues to perform well, our outlook has been impaired due to the slowdown of the residential real estate market. Also, long-term accounts may want to remain on the sidelines since this issue offers below-average appreciation potential out to the 2009–2011 period. A flurry of buyouts in the Texas banking market has raised the stock's valuation beyond what it would typically be worth on its own.

Ian Gendler *August 25, 2006*

(A) Fully diluted earnings. Next earnings report due late Oct.
(B) Dividends historically paid early Jan., Apr., July, and Oct.
(C) In millions, adjusted for splits.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	75
Earnings Predictability	100

CONMED CORP. NDQ-CNMD

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
19.19	20.2	(Trailing: 24.9) (Median: 17.0)	1.20	Nil	VALUE LINE

TIMELINESS 5 Lowered 10/21/05

SAFETY 3 Raised 9/7/01

TECHNICAL 3 Raised 8/25/06

BETA 1.00 (1.00 = Market)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
High:	18.1	23.2	19.8	22.2	23.8	21.3	21.6	27.1	24.4	32.0	32.6	24.4
Low:	6.4	8.8	8.2	13.2	14.8	8.0	10.8	15.5	13.0	20.5	21.7	17.9

2009-11 PROJECTIONS

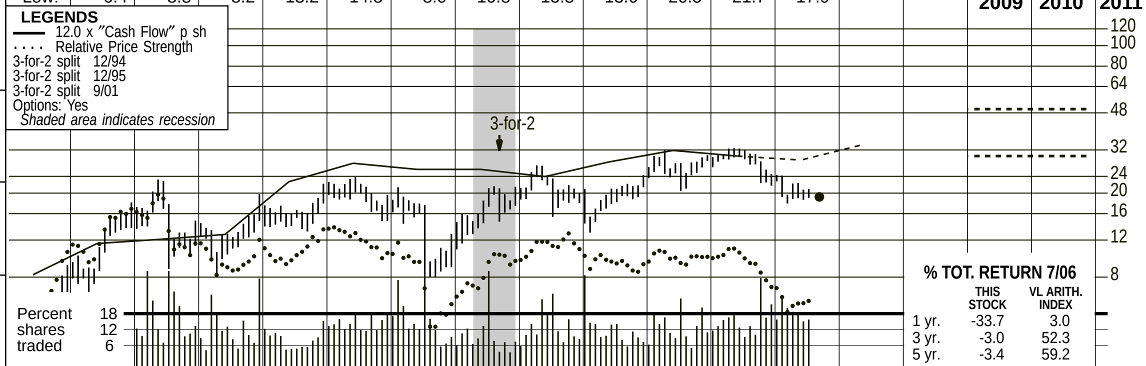
	Price	Gain	Ann'l Total Return
High	50	(+160%)	*27%*
Low	30	(+55%)	*12%*

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	1	0	1	0	0	1	0	1	2
to Sell	0	0	0	0	0	1	0	0	1

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	72	59	51
to Sell	68	70	70
Hld's(000)	28194	26932	27506



Target Price Range

2009	2010	2011

% TOT. RETURN 7/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	-33.7	3.0
3 yr.	-3.0	52.3
5 yr.	-3.4	59.2

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
3.24	2.91	3.17	3.96	5.23	6.03	5.58	6.13	14.77	16.26	17.03	17.00	15.75	17.06	19.18	21.30	*23.05*	*24.75*	Sales per sh	*29.65*
.42	.45	.47	.41	.68	.96	1.01	1.06	1.89	2.31	2.16	2.16	2.00	2.34	2.66	2.50	*2.05*	*2.85*	"Cash Flow" per sh	*3.75*
.24	.31	.28	.17	.37	.63	.75	.75	.85	1.17	.88	1.00	1.26	1.51	1.68	1.41	*.85*	*1.30*	Earnings per sh A	*2.25*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	*Nil*	*Nil*	Div'ds Decl'd per sh	*Nil*
.34	.13	.38	.11	.16	.32	.22	.36	.57	.41	.61	.57	.47	.32	.43	.32	*.60*	*.60*	Cap'l Spending per sh	*.75*
1.32	2.56	2.88	2.77	3.17	4.55	7.05	7.22	8.00	9.22	10.01	11.24	13.45	14.88	15.39	15.63	*16.40*	*17.80*	Book Value per sh B	*24.05*
9.70	13.24	13.42	13.54	13.59	16.50	22.50	22.55	22.77	22.92	23.03	25.22	28.77	29.14	29.10	28.98	*27.75*	*27.50*	Common Shs Outst'g C	*27.00*
8.0	20.6	24.6	23.9	13.1	18.4	19.5	17.1	18.7	16.6	15.5	16.5	16.9	12.6	15.9	20.2	*Bold figures are*		Avg Ann'l P/E Ratio	*18.0*
.59	1.32	1.49	1.41	.86	1.23	1.22	.99	.97	.95	1.01	.85	.92	.72	.84	1.06	*Value Line*		Relative P/E Ratio	*1.20*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	*estimates*		Avg Ann'l Div'd Yield	*Nil*

CAPITAL STRUCTURE as of 6/30/06

Total Debt $306.8 mill. **Due in 5 Yrs** $150.0 mill.
LT Debt $302.6 mill. **LT Interest** $18.0 mill.
(LT interest earned:8.6x; total int. cov.:6.9x)
(40% of Cap'l)

Leases, Uncapitalized Annual rentals $3.1 million

Pension Assets 12/05 $33.3 mill.
Oblig. $45.0 mill.

Pfd Stock None

Common Stock 27,885,768 shs.
as of 8/1/06

MARKET CAP: $525 million (Small Cap)

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
125.6	138.3	336.4	372.6	392.2	428.7	453.1	497.1	558.3	617.3	*640*	*680*	Sales ($mill)	*800*
25.7%	23.6%	25.2%	27.0%	24.4%	23.1%	22.5%	22.2%	20.6%	17.7%	*14.0%*	*15.5%*	Operating Margin	*19.0%*
6.4	6.9	23.6	25.7	29.5	30.1	22.4	24.2	26.9	30.8	*30.0*	*31.0*	Depreciation ($mill)	*39.0*
16.3	17.0	19.4	27.2	20.2	24.4	35.1	44.1	50.5	41.8	*24.0*	*40.0*	Net Profit ($mill)	*65.0*
36.0%	35.9%	36.0%	36.0%	36.3%	36.0%	36.0%	34.5%	33.2%	33.8%	*34.5%*	*34.5%*	Income Tax Rate	*34.5%*
13.0%	12.3%	5.8%	7.3%	5.2%	5.7%	7.7%	8.9%	9.0%	6.8%	*3.8%*	*5.9%*	Net Profit Margin	*8.1%*
66.0	91.3	93.4	109.5	113.7	44.8	135.7	146.2	159.8	188.8	*210*	*255*	Working Cap'l ($mill)	*350*
2.9	356.7	- -	361.8	342.7	262.5	254.8	260.4	290.5	302.6	*300*	*275*	Long-Term Debt ($mill)	*150*
158.6	162.7	182.2	211.3	230.6	283.6	386.9	433.5	448.0	453.0	*455*	*490*	Shr. Equity ($mill)	*650*
10.3%	3.3%	6.4%	7.4%	6.5%	6.7%	7.0%	7.5%	7.5%	6.5%	*4.5%*	*6.5%*	Return on Total Cap'l	*9.0%*
10.3%	10.4%	10.6%	12.9%	8.8%	8.6%	9.1%	10.2%	11.3%	9.2%	*5.5%*	*8.0%*	Return on Shr. Equity	*10.0%*
10.3%	10.4%	10.6%	12.9%	8.8%	8.6%	9.1%	10.2%	11.3%	9.2%	*5.5%*	*8.0%*	Retained to Com Eq	*10.0%*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	*Nil*	*Nil*	All Div'ds to Net Prof	*Nil*

CURRENT POSITION ($MILL.)	2004	2005	6/30/06
Cash Assets	4.2	3.5	5.1
Receivables	74.6	83.3	80.9
Inventory (FIFO)	127.9	152.4	153.7
Other	16.2	16.3	16.2
Current Assets	222.9	255.5	255.9
Accts Payable	28.9	31.1	31.9
Debt Due	4.0	4.2	3.1
Other	30.2	29.8	27.0
Current Liab.	63.1	62.1	62.0

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	15.5%	7.0%	*8.0%*
"Cash Flow"	16.0%	6.0%	*7.0%*
Earnings	18.5%	10.0%	*6.0%*
Dividends	- -	- -	*Nil*
Book Value	17.5%	12.5%	*7.5%*

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	118.0	124.5	120.8	133.8	497.1
2004	133.9	130.9	132.3	161.2	558.3
2005	155.9	158.2	150.0	153.2	617.3
2006	158.5	163.5	*155*	*163*	*640*
2007	*170*	*170*	*165*	*175*	*680*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.35	.35	.36	.45	1.51
2004	.40	.41	.38	.49	1.68
2005	.46	.45	.32	.18	1.41
2006	.18	.23	*.21*	*.23*	*.85*
2007	*.28*	*.31*	*.34*	*.37*	*1.30*

Cal-endar	QUARTERLY DIVIDENDS PAID Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	NO CASH DIVIDENDS BEING PAID				
2003					
2004					
2005					
2006					

BUSINESS: Conmed Corporation is a medical technology company specializing in instruments, implants, video equipment for arthroscopic sports medicine, powered orthopedic surgical instruments, and advanced medical devices, including RF electrosurgery systems, endoscopy products and electrocardiogram electrodes. 2005 sales: Arthoscopy, 34%; Powered Surgical Instruments, 22%; Electro Surgery, 14%; Patient Care, 12%; Endosurgery, 8%; Endoscopy, 10%; Acquired Bionx Implants, 3/03; CORE Dynamics, 12/02; 9 others since 1998. Has 3,100 employees, Off./dir. own 7.0% of stock; Wellington Management., 5.8% (4/06 Proxy). Chairman: E. Corasanti. Pres.: J. Corasanti. Inc.: NY. Addr.: 525 French Rd, Utica, NY 13502. Tel.: 315-797-8375. Web: www.conmed.com.

Conmed continued to struggle in the second quarter. Although sales of $164 million topped our estimate by $5 million, margin pressures continued to squeeze profits. In all, the bottom line tumbled 49% to $0.23, due to high raw material costs, a shift in sales toward capital equipment, accounting for stock option expenses, and the integration of C.R. Bard's Endoscopic Technologies business.

The second half of the year does not look too much brighter. We suspect that margins will continue being pressured for the reasons mentioned above. Meanwhile, we've also reduced our top-line growth estimate. Organic revenue growth came in at 2.5% in the most recent quarter, below our estimate and well below management's full-year guidance of 5%. Although product introductions in powered instruments hold promise, we are worried about increased competition. Zimmer Holdings has agreed to distribute powered surgical instruments in the U.S.. Powered surgical instrument sales represent 15%-20% of Conmed's total volume. Zimmer's return to the market, as well as increasing competition from Stryker, threatens to cut into Conmed's market share and has prompted us to reduce our top-line estimate by roughly $5 million, and our share-net figure by a nickel, for the back end of the year.

We think that most investors will want to take a pass on these shares. They are ranked 5 (Lowest) for Timeliness and lack near-term appeal. Although they hold above-average 3- to 5-year appreciation potential, we have some concerns going forward. Aside from the increased competition we envision in the powered surgical instruments market, we are uneasy about the company's reduced research and development spending. Conmed is currently allocating only 4% of revenue to R&D. However, internal product development is essential to the company's future well-being, as its meager cash position and highly leveraged balance sheet will probably make acquisitions difficult. That said, we assume that Conmed will increase R&D spending over the next couple of years. If such is not the case, though, our earnings estimates may prove to be aggressive.

Andre J. Costanza *September 1, 2006*

A) Diluted earnings. Excludes non-recurring gains (losses): '98, (22¢); '99, (6¢); '03, 41¢; (57¢); '05, (33¢). Next earnings report due late October.

(B) Includes intangibles. As of 12/31/05, $527.1 million, $18.19 p/sh.
(C) In millions, adjusted for stock splits.

Company's Financial Strength	B+
Stock's Price Stability	60
Price Growth Persistence	65
Earnings Predictability	60

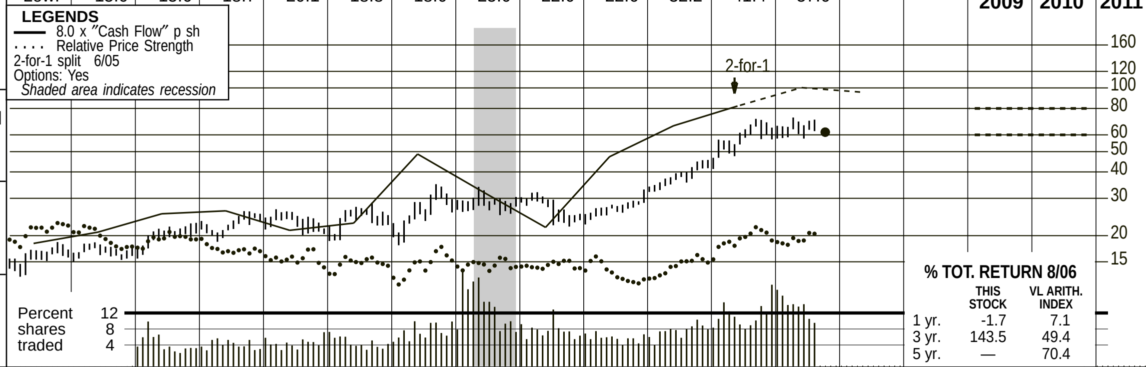
CONOCOPHILLIPS NYSE-COP

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD
61.77	5.9 (Trailing: 5.7, Median: 11.0)	0.35	2.3%

VALUE LINE

TIMELINESS **3** Lowered 1/27/06
SAFETY **2** Raised 12/20/02
TECHNICAL **2** Raised 9/15/06
BETA .95 (1.00 = Market)

High:	18.6	22.9	26.1	26.6	28.6	35.0	34.0	32.1	33.0	45.6	71.5	72.5
Low:	15.0	15.6	18.7	20.1	18.8	18.0	25.0	22.0	22.6	32.2	41.4	57.6



2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	80	(+30%)	9%
Low	60	(-5%)	2%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	2	0	1	0
Options	2	1	2	1	0	0	2	2	0
to Sell	1	1	0	1	0	0	2	1	0

Institutional Decisions

	4Q2005	1Q2006	2Q2006
to Buy	552	613	518
to Sell	475	430	699
Hld's(000)	1004854	1116237	1250046

% TOT. RETURN 8/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	-1.7	7.1
3 yr.	143.5	49.4
5 yr.	—	70.4

Phillips Petroleum acquired Conoco on August 30, 2002 and changed its name to ConocoPhillips. Consequently, all prior data is that of Phillips. Under the terms of the merger, each Phillips share was converted to one share of ConocoPhillips, and each Conoco share was exchanged for .4677 shares of the new entity. Phillips issued 293,284,982 shares to complete the deal.

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
29.87	28.90	22.91	26.76	40.99	34.97	41.51	76.30	93.95	123.25	113.90	112.45	Sales per sh	94.20
3.17	3.27	2.65	2.86	6.09	4.06	2.73	5.91	8.28	10.27	13.25	12.65	"Cash Flow" per sh	8.40
1.70	1.72	.75	1.08	3.74	2.90	1.56	3.35	5.79	9.35	10.40	9.75	Earnings per sh A	5.00
.63	.67	.68	.68	.68	.70	.74	.82	.90	1.18	1.44	1.50	Div'ds Decl'd per sh B■	1.56
2.93	3.88	4.07	3.33	3.98	4.04	3.21	2.56	6.60	7.98	5.15	3.95	Cap'l Spending per sh	3.35
8.05	9.15	8.37	8.97	11.99	18.76	21.59	25.17	29.72	36.22	42.70	51.35	Book Value per sh	62.80
526.60	526.36	503.99	507.23	508.24	764.32	1367.3	1365.6	1437.7	1455.9	1645.0	1645.0	Common Shs Outst'g C	1645.0
11.8	13.2	30.9	22.3	7.0	9.8	17.5	8.1	6.6	6.2	Bold figures are		Avg Ann'l P/E Ratio	14.0
.74	.76	1.61	1.27	.46	.50	.96	.46	.35	.33	Value Line		Relative P/E Ratio	.95
3.1%	3.0%	2.9%	2.8%	2.6%	2.5%	2.7%	3.0%	2.3%	2.0%	estimates		Avg Ann'l Div'd Yield	1.8%
15731	15210	11545	13571	20835	26729	56748	104196	135076	179442	187400	185000	Sales ($mill)	155000
17.7%	18.1%	15.8%	16.3%	24.4%	19.0%	9.4%	12.2%	12.5%	13.8%	17.5%	16.5%	Operating Margin	12.5%
776.0	810.0	945.0	902.0	1179.0	1391.0	2223.0	3485.0	3798.0	4253.0	4600	4700	Depreciation ($mill)	5500
891.0	911.0	389.0	548.0	1916.0	1709.0	1511.1	4591.1	8108.0	10695	17230	16140	Net Profit ($mill)	8280
51.3%	51.6%	51.0%	51.7%	49.6%	50.2%	49.0%	39.8%	43.6%	42.1%	43.0%	43.0%	Income Tax Rate	43.0%
5.7%	6.0%	3.4%	4.0%	9.2%	6.4%	2.7%	4.4%	6.0%	6.0%	9.2%	8.7%	Net Profit Margin	5.3%
169.0	203.0	217.0	253.0	d886.0	d179.0	2114.0	d2819	d565.0	d1747	d750	d500	Working Cap'l ($mill)	d500
2555.0	2775.0	4106.0	4271.0	6622.0	8645.0	18917	16340	14370	10758	22000	20000	Long-Term Debt ($mill)	22000
4884.0	5464.0	4869.0	5199.0	6743.0	14990	29517	34366	42723	52731	70280	84470	Shr. Equity ($mill)	103290
14.0%	12.8%	5.7%	7.1%	16.2%	8.3%	3.7%	9.8%	14.6%	17.2%	18.5%	15.5%	Return on Total Cap'l	6.5%
18.2%	16.7%	8.0%	10.5%	28.4%	11.4%	5.1%	13.4%	19.0%	20.3%	24.5%	19.0%	Return on Shr. Equity	8.0%
13.3%	11.6%	.9%	4.5%	25.8%	9.1%	2.8%	10.1%	16.1%	17.2%	21.5%	17.0%	Retained to Com Eq	6.0%
37%	39%	91%	63%	18%	24%	45%	24%	15%	15%	11%	12%	All Div'ds to Net Prof	24%

CAPITAL STRUCTURE as of 6/30/06
Total Debt $29.5 bill. **Due in 5 Yrs** $7.0 bill.
LT Debt $24.9 bill. **LT Interest** $1.5 bill.
(Total interest coverage: 25.8x) (24% of Cap'l)

Leases, Uncapitalized Annual rentals $494.0 mill.
Pension Assets-12/05 $3.9 bill. **Oblig.** $6.2 bill.

Pfd Stock None.
Common Stock 1,647,803,761 shs.
as of 6/30/06

MARKET CAP: $102 billion (Large Cap)

CURRENT POSITION ($MILL.)	2004	2005	6/30/06
Cash Assets	1387	2214	654
Receivables	5449	11168	11802
Inventory (LIFO)	3666	3724	6435
Other	4519	2506	2847
Current Assets	15021	19612	21738
Accts Payable	8727	11732	13839
Debt Due	632	1758	4571
Other	6227	7869	8610
Current Liab.	15586	21359	27020

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	15.0%	26.5%	-.5%
"Cash Flow"	13.5%	16.0%	.5%
Earnings	23.0%	27.0%	-3.5%
Dividends	5.5%	7.0%	8.5%
Book Value	18.5%	25.5%	13.0%

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	26942	25319	26105	25830	104196
2004	29813	31528	34350	39385	135076
2005	37631	41808	48745	51258	179442
2006	47927	47100	46300	46073	187400
2007	46000	47000	45500	46500	185000

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.94	.79	.91	.71	3.35
2004	1.16	1.44	1.44	1.75	5.79
2005	1.77	2.21	2.68	2.69	9.35
2006	2.34	2.87	2.60	2.59	10.40
2007	2.41	2.50	2.45	2.40	9.75

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.18	.18	.18	.20	.74
2003	.20	.20	.20	.22	.82
2004	.22	.22	.22	.25	.91
2005	.25	.31	.31	.31	1.18
2006	.36	.36	.36		

BUSINESS: ConocoPhillips is an integrated oil and petrochemicals company with operations around the globe. It is organized into four primary operating segments: exploration and production, midstream, refining and marketing, and chemicals. Average worldwide production in '05: 1,543,000 barrels/day, compared with 1,542,000 barrels/day in '04; 2005 average realized crude price was $37.60, vs. $36.06 in '04. Total refining capacity was 2,610,000 barrels/day in '05, vs. 2,588,000 barrels/day in '04. Employs 38,000 (12/05). Offs./dirs. own less than 1.0% of comm. stock. Vanguard Fiduciary Tr. owns, 8.3%; Barclays Globla, 5.4% (4/06 proxy). Chairman: A. Dunham, Pres. & CEO: J. J. Mulva. Inc.: DE. Addr.: Bartlesville, OK 74004. Tel.: 918-661-6600. Internet: www.conocophillips.com.

ConocoPhillips continues to display strong operating fundamentals. The integrated petroleum company generated earnings of $2.87 in the June quarter on revenues of $47.1 billion. This compared with share net of $2.21 and revenues of $41.8 billion a year earlier.

The Exploration & Production segment has been the key growth driver. The unit posted just over $3.3 billion in profits during the June interval, versus $1.9 billion in the second quarter of 2005. The sharp increase was attributable to higher realized crude oil prices, the net benefit of newly enacted tax legislation, and a rise in output mainly due to the recent acquisition of Burlington Resources.

The company's downstream and midstream operations have also experienced meaningful bottom-line advances. Downstream, net income from the Refining & Marketing unit rose to $1.7 billion, from $1.1 billion. A decline in refinery utilization caused by downtime for repairs was more than offset by an increase in worldwide refining margins. Meanwhile, earnings from the Midstream division grew to $108 million, from $68 million, as a result of higher natural gas liquids prices and a greater ownership interest in Duke Energy Field Services.

Earnings in the second half of the year should remain solid, though not as strong as ConocoPhillips' second-quarter showing. Upstream production will be impacted by maintenance activity in Alaska, the United Kingdom, and Venezuela. Also, the U.K. has imposed higher income taxes on exploration and production. Still, we have raised our full-year 2006 share-net estimate by $0.70, to $10.40, to reflect the company's second-quarter performance and a continuation of higher oil and natural gas prices than we had previously expected. For the same reasons, we have upward-adjusted our 2007 call by $0.75, to $9.75.

These shares are ranked 3 (Average) for Timeliness. Although we expect the company to generate robust profits for some time, we believe that earnings may have already peaked. Accordingly, this issue's potential share-price gains from here is low in comparison to the *Value Line* universe.

Michael P. Maloney *September 15, 2006*

(A) Pri. egs. thru 1996, dil. after. Excl. nonrec. items: '93, 7¢; '94, 29¢; '95, d42¢; '96, $1.57; '97, 18¢; '98, d58¢; '99, 24¢; '00, d21¢; '01, d22¢; '02, d$3.68; '03, 35¢; '04, 3¢. Next egs. report due late Oct. **(B)** Dividends historically paid early March, June, September, and December. ■ Dividend reinvestment plan available. **(C)** In mill., adj. for stock split.

Company's Financial Strength	A
Stock's Price Stability	85
Price Growth Persistence	100
Earnings Predictability	40

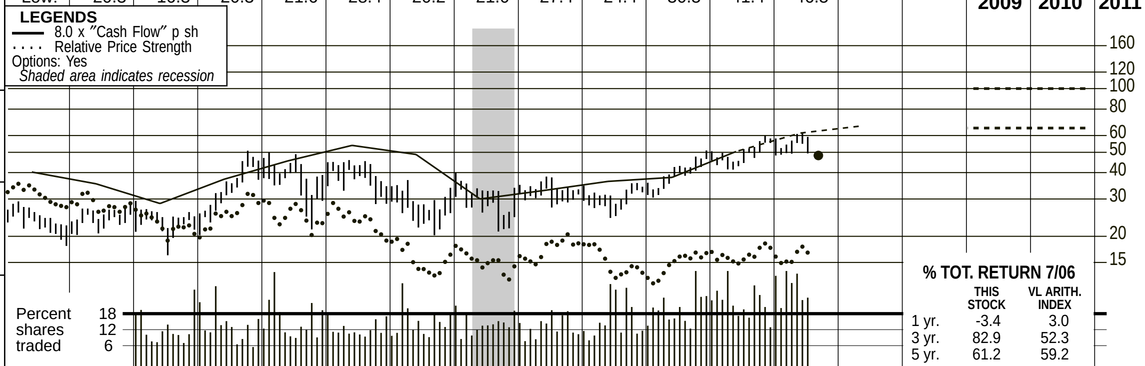
CON-WAY INC. NYSE-CNW

RECENT PRICE **48.24** | P/E RATIO **10.9** (Trailing: 11.5 / Median: 16.0) | RELATIVE P/E RATIO **0.64** | DIV'D YLD **0.8%** | **VALUE LINE**

TIMELINESS 3 Lowered 10/1/04
SAFETY 3 Raised 6/23/95
TECHNICAL 4 Lowered 9/8/06
BETA 1.10 (1.00 = Market)

High:	28.8	29.4	50.9	49.9	45.9	36.9	39.9	38.3	35.8	51.0	59.8	61.9	
Low:	20.3	16.3	20.3	21.6	28.4	20.2	21.0	27.4	24.4	30.5	41.4	46.5	

Target Price Range
2009 | 2010 | 2011



2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	100	(+105%)	*21%*
Low	65	(+35%)	*9%*

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	9	0	0	0	0	0	2	0
to Sell	0	10	0	0	0	0	0	3	0

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	103	116	96
to Sell	88	87	112
Hld's(000)	47222	46226	45181

% TOT. RETURN 7/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	-3.4	3.0
3 yr.	82.9	52.3
5 yr.	61.2	59.2

1990	1991	1992	1993	1994	1995	1996	1997[A]	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
120.24	116.34	114.80	117.41	128.75	120.29	82.17	90.03	103.22	115.43	114.53	99.46	96.24	102.13	71.15	79.76	***94.90***	***104.35***	Revenues per sh	***118.10***
3.72	3.29	4.17	4.87	5.03	4.43	3.57	4.66	5.69	6.73	6.11	3.75	4.12	4.54	4.74	6.29	***7.70***	***8.35***	"Cash Flow" per sh	***10.20***
d1.16	d1.52	d.44	.77	1.00	1.04	1.47	2.19	2.45	2.98	2.79	.42	1.28	1.67	2.57	3.85	***4.40***	***4.80***	Earnings per sh [A]	***5.90***
.53	--	--	--	.10	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	***.40***	***.50***	Div'ds Decl'd per sh [B]■	***.70***
4.05	2.79	4.21	5.64	5.00	6.36	4.51	5.11	5.59	6.91	5.23	3.93	1.71	2.75	3.11	4.18	***7.65***	***5.85***	Cap'l Spending per sh	***5.95***
12.35	11.35	8.86	10.03	11.26	13.15	8.42	11.11	13.50	17.34	19.25	10.54	12.10	15.21	13.67	16.34	***17.55***	***21.60***	Book Value per sh	***36.50***
35.00	35.09	35.33	35.70	36.35	43.90	44.57	47.39	47.88	48.45	48.66	48.89	49.48	49.98	52.18	52.28	***47.00***	***46.00***	Common Shs Outst'g [C]	***47.00***
--	--	--	22.9	23.9	23.4	16.0	15.7	15.5	13.0	9.9	NMF	25.3	18.3	15.4	12.8	*Bold figures are*		Avg Ann'l P/E Ratio	***14.0***
--	--	--	1.35	1.57	1.57	1.00	.90	.81	.74	.64	NMF	1.38	1.04	.81	.68	*Value Line*		Relative P/E Ratio	***.95***
3.3%	--	--	--	.4%	1.6%	1.7%	1.2%	1.1%	1.0%	1.4%	1.3%	1.2%	1.3%	1.0%	.8%	*estimates*		Avg Ann'l Div'd Yield	***.9%***

CAPITAL STRUCTURE as of 6/30/06
Total Debt $578.9 mill. **Due in 5 Yrs** $261.4 mill.
LT Debt $560.3 mill. **LT Interest** $33.3 mill.
(Total interest coverage: 12.2x) (42% of Cap'l)

Leases, Uncapitalized Annual rentals $52.8 mill.
Pension Assets-12/05 $864 mill. **Oblig.** $1.0 bill.

Pfd Stock $57.9 mill. **Pfd Div'd** $7.2 mill.
632,850 shares 8.5% cumulative, each convertible into 4.71 shrs. of common stock. (4% of Cap'l)

Common Stock 51,732,923 shs. as of 4/30/06.

MARKET CAP: $2.5 billion (Mid Cap)

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
3662.2	4266.8	4941.5	5592.8	5572.4	4862.7	4762.1	5104.3	3712.4	4169.6	***4460***	***4800***	Revenues ($mill)	***5550***
7.6%	8.8%	8.8%	8.9%	8.3%	5.4%	6.3%	6.5%	10.4%	11.6%	***11.5%***	***12.0%***	Operating Margin	***12.5%***
87.4	111.1	144.7	167.0	164.4	165.2	139.4	132.6	102.4	113.2	***135***	***145***	Depreciation ($mill)	***180***
80.2	120.9	139.0	170.1	143.7	28.8	75.2	98.7	150.4	222.3	***235***	***245***	Net Profit ($mill)	***310***
45.5%	45.5%	44.5%	43.5%	46.4%	55.1%	39.1%	39.5%	39.0%	36.7%	***37.5%***	***38.0%***	Income Tax Rate	***38.0%***
2.2%	2.8%	2.8%	3.0%	2.6%	.6%	1.6%	1.9%	4.1%	5.3%	***5.3%***	***5.1%***	Net Profit Margin	***5.6%***
.8	203.3	192.9	151.0	281.4	443.8	395.4	507.1	802.1	812.5	***555***	***575***	Working Cap'l ($mill)	***700***
477.2	473.5	467.6	433.4	534.6	565.8	557.6	536.3	601.3	581.5	***560***	***545***	Long-Term Debt ($mill)	***490***
508.3	783.1	901.4	1092.9	1186.9	763.1	843.0	943.8	777.4	910.9	***825***	***995***	Shr. Equity ($mill)	***1715***
9.7%	10.9%	11.3%	12.1%	9.2%	3.3%	6.2%	7.7%	12.4%	16.2%	***18.0%***	***17.0%***	Return on Total Cap'l	***14.5%***
15.8%	15.4%	15.4%	15.6%	12.1%	3.8%	8.9%	10.5%	19.4%	24.4%	***28.5%***	***25.0%***	Return on Shr. Equity	***18.0%***
14.4%	17.3%	16.8%	16.6%	12.1%	NMF	7.5%	9.8%	17.5%	22.8%	***25.0%***	***21.5%***	Retained to Com Eq	***15.5%***
33%	25%	22%	18%	21%	105%	40%	24%	17%	12%	***12%***	***12%***	All Div'ds to Net Prof	***13%***

CURRENT POSITION ($MILL.)	2004	2005	6/30/06
Cash Assets	833.2	716.7	529.4
Receivables	425.8	548.9	516.1
Other	255.9	178.4	174.0
Current Assets	1514.9	1444.0	1219.5
Accts Payable	252.9	276.1	288.8
Debt Due	112.7	15.0	18.6
Other	347.2	340.4	345.8
Current Liab.	712.8	631.5	653.2

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Revenues	-3.5%	-5.5%	*5.5%*
"Cash Flow"	1.0%	-3.5%	*12.0%*
Earnings	11.0%	-.5%	*14.0%*
Dividends	9.0%	--	*9.5%*
Book Value	3.0%	-2.0%	*16.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.)[A] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	1206	1237	1306	1355	5104.3
2004	846.9	924.4	973.6	967.5	3712.4
2005	947.7	1033.9	1099.1	1088.9	4169.6
2006	1046.0	1100.1	***1165***	***1148.9***	***4460***
2007	***1110***	***1200***	***1250***	***1240***	***4800***

Cal-endar	EARNINGS PER SHARE [A] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.22	.31	.57	.57	1.67
2004	.50	.61	.72	.74	2.57
2005	.69	1.07	1.12	.97	3.85
2006	.83	1.27	***1.25***	***1.05***	***4.40***
2007	***.85***	***1.35***	***1.40***	***1.20***	***4.80***

Cal-endar	QUARTERLY DIVIDENDS PAID [B]■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.10	.10	.10	.10	.40
2003	.10	.10	.10	.10	.40
2004	.10	.10	.10	.10	.40
2005	.10	.10	.10	.10	.40
2006	.10	.10			

BUSINESS: Con-way Inc. (formerly CNF Inc.) provides freight transportation & services. Con-Way Freight and Transportation (68% of 2005 revs., 88% of op. inc.) owns a regional less-than-truckload carrier and other services. Menlo Worldwide and Vector SCM, a joint venture with GM (32%, 12%) provides logistics and supply chain management. Owns Road Systems trailer manufacturing mostly serving Con-way. Spun off Consolidated Freightways 12/96. Sold Menlo Forwarding 12/04. Officers/directors own 1.1% of common; Wellington, 11.7% (3/06 proxy). Has about 21,800 employees. Chairman: Dr. W. Keith Kennedy, Jr. CEO: Douglas W. Stotlar. Incorporated: DE. Address: 2855 Campus Drive, San Mateo, CA 94403. Tel.: 650-378-5200. Internet: www.cnf.com.

We can't view Con-way's loss of Vector in a positive light, as others have been tempted to do. The Vector SCM joint venture was formed in late 2000 with the purpose of providing logistics management for General Motors. But the company received notice from GM that it will be exercising its right to purchase full interest in the collaboration. We had thought that the operation would extend well beyond domestic service (an international project was completed in the June quarter) and even into non-GM businesses (the potential tie-in with GM and Nissan/Renault makes that all the more apparent). We know that GM is having financial troubles, but not with respect to its distribution network, in which Vector played such a big role. It appears now that GM wants more direct control over its logistics network. Terms of the buyout were under negotiation as we went to press, but we think that Con-Way will receive between $60 million and $80 million in cash. Since there are not any similar deals to judge by, we're going by discounted-cash-flow analysis. Vector contributed $20.3 million in equity income in 2005. The tax liability will be negligible due to tax-loss carry-forwards from the sale of other operations in 2004.

Putting the cash infusion to good use could also ease the pain. In late May, Con-Way announced that it bought back 3.75 million shares of common stock for $221 million, representing over 7% of outstanding shares at that time. The continuation of a share-repurchase program is more likely with the prospective asset sale. Share buybacks and/or investments in the growing truckload business should help offset the earnings shortfall from the absence of Vector.

The less-than-truckload (LTL) business remains king of the road. The carrier provides quality service that shippers have been willing to pay up for. The recent rise in fuel prices is a concern, but only with respect that it slows the general economy; Con-Way has an effective fuel surcharge program.

In sum, these shares offer good capital-gains potential to 2009-2011. Be aware, though, that trucking is a cyclical business and things could turn soar if the economy falters.

Craig Sirois *September 8, 2006*

(A) 1996 data are pro forma. Based on diluted shares. Excl. net nonrec. gains (losses): '92, ($2.34); '96, ($1.05); '98, $0.26; '99, $0.37; '00, ($0.43); '01, ($8.68); '02, $0.46; '03, ($0.10); '04, ($4.94); '05, $0.11; '06, $0.13; disc. ops: '04, $0.22; '05, ($0.11); '06, ($0.13).
Next earnings report due late October.

(B) Dividends historically paid mid-March, June, September, and December.
■ Dividend reinvestment plan availiable.
(C) In millions.

Company's Financial Strength	B+
Stock's Price Stability	60
Price Growth Persistence	75
Earnings Predictability	40

COOPER COS. NYSE-COO

RECENT PRICE **46.89** | P/E RATIO **18.0** (Trailing: 26.3, Median: 15.0) | RELATIVE P/E RATIO **1.07** | DIV'D YLD **0.1%** | VALUE LINE

TIMELINESS **5** Lowered 6/16/06
SAFETY **3** New 12/10/99
TECHNICAL **5** Lowered 9/1/06
BETA .75 (1.00 = Market)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
High:	5.6	8.7	21.0	25.8	15.9	20.8	27.9	31.5	48.2	75.8	84.7	56.8				
Low:	2.6	3.2	7.9	7.0	5.9	12.5	17.5	19.2	23.1	45.8	44.8	41.8				

Target Price Range 2009 | 2010 | 2011

2009-11 PROJECTIONS

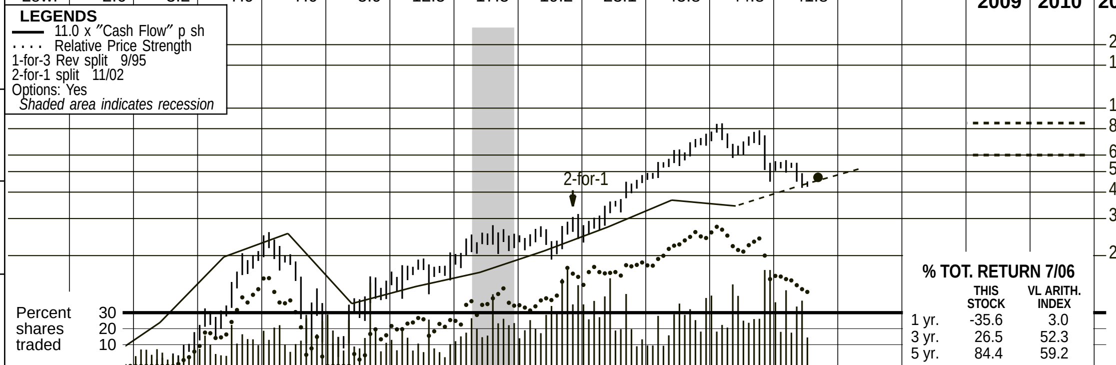
	Price	Gain	Ann'l Total Return
High	85	(+80%)	*16%*
Low	60	(+30%)	*7%*

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	3	0	0	0	1	0	0
Options	3	3	0	0	0	1	1	0	0
to Sell	3	0	1	0	0	1	3	0	1

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	140	142	123
to Sell	121	142	124
Hld's(000)	42724	44646	46499



% TOT. RETURN 7/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	-35.6	3.0
3 yr.	26.5	52.3
5 yr.	84.4	59.2

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
2.83	2.07	3.15	4.61	4.24	4.19	4.68	4.78	5.10	5.88	6.82	7.39	10.00	12.60	15.04	17.97	*19.45*	*20.75*	Sales per sh A	*25.60*
d.17	d1.47	d.73	d1.12	d.08	.12	.88	1.79	2.32	1.08	1.30	1.51	1.91	2.49	3.33	3.13	*3.55*	*4.30*	"Cash Flow" per sh	*6.20*
d.39	d1.58	d.96	d1.25	d.23	.01	.71	1.85	1.92	.77	1.00	1.22	1.57	2.13	2.59	2.04	*2.35*	*3.00*	Earnings per sh B	*4.85*
- -	- -	- -	- -	- -	- -	- -	- -	- -	.02	.04	.04	.05	.06	.06	.06	*.06*	*.06*	Div'ds Decl'd per sh E	*.06*
.03	.09	.19	.09	.04	.09	.17	.26	.68	.36	.51	.53	.74	1.04	1.24	2.61	*2.60*	*2.65*	Cap'l Spending per sh	*2.90*
1.92	.71	2.30	.02	d.16	d.08	.66	3.77	5.03	5.84	6.85	8.07	9.88	12.91	16.70	28.36	*31.10*	*34.70*	Book Value per sh D	*46.95*
17.02	17.13	20.12	20.08	22.58	23.15	23.34	29.60	28.85	28.13	28.95	31.76	31.53	32.68	32.59	44.90	*46.00*	*47.00*	Common Shs Outst'g C	*52.00*
- -	- -	- -	- -	- -	NMF	7.0	6.3	9.3	13.6	16.0	17.8	15.3	15.1	21.2	34.5	*Bold figures are*		Avg Ann'l P/E Ratio	*15.0*
- -	- -	- -	- -	- -	NMF	.44	.36	.48	.78	1.04	.91	.84	.86	1.12	1.82	*Value Line*		Relative P/E Ratio	*1.00*
- -	- -	- -	- -	- -	- -	- -	- -	- -	.2%	.2%	.2%	.2%	.2%	.1%	.1%	*estimates*		Avg Ann'l Div'd Yield	*.1%*

CAPITAL STRUCTURE as of 4/30/06
Total Debt $756.8 mill. **Due in 5 Yrs** $450.0 mill.
LT Debt $698.2 mill. **LT Interest** $25.0 mill.
(LT interest earned: 5.3x; total interest coverage: 4.9x) (33% of Cap'l)

Leases, Uncapitalized: $18.25 mill.

Pension Assets-10/05 $19.0 mill. **Oblig.** $30.5 mill.

Common Stock 44,952,083 shs.
as of 5/31/06

MARKET CAP: $2.1 billion (Mid Cap)

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
109.1	141.5	147.2	165.3	197.3	234.6	315.3	411.8	490.2	806.6	*895*	*975*	Sales ($mill) A	*1330*
19.0%	21.5%	25.8%	29.7%	28.2%	28.0%	24.9%	26.2%	27.0%	23.9%	*23.5%*	*24.5%*	Operating Margin	*30.0%*
3.9	4.7	8.2	8.4	8.7	11.0	11.4	12.5	15.7	48.6	*50.0*	*55.0*	Depreciation ($mill)	*70.0*
16.6	48.4	58.6	22.0	28.9	37.1	48.9	68.8	92.8	91.7	*110*	*140*	Net Profit ($mill)	*250*
- -	- -	- -	32.7%	32.4%	28.8%	25.0%	24.0%	17.5%	15.4%	*15.5%*	*15.5%*	Income Tax Rate	*15.0%*
15.2%	34.2%	39.8%	13.3%	14.6%	15.8%	15.5%	16.7%	18.9%	11.4%	*12.3%*	*14.4%*	Net Profit Margin	*18.9%*
9.2	35.0	69.4	58.6	47.4	87.2	72.2	145.9	188.0	186.1	*200*	*210*	Working Cap'l ($mill)	*100*
47.9	9.1	78.7	57.1	40.3	60.6	127.3	165.2	144.9	632.7	*600*	*400*	Long-Term Debt ($mill)	*50.0*
15.3	111.5	145.3	164.1	198.4	256.3	311.4	422.0	544.2	1273.2	*1410*	*1580*	Shr. Equity ($mill)	*2440*
30.4%	41.8%	27.5%	11.3%	12.9%	12.2%	11.8%	12.2%	13.8%	5.5%	*6.0%*	*7.5%*	Return on Total Cap'l	*10.0%*
108.3%	43.4%	40.4%	13.4%	14.6%	14.5%	15.7%	16.3%	17.1%	7.2%	*8.0%*	*9.0%*	Return on Shr. Equity	*10.5%*
108.3%	43.4%	40.4%	13.1%	14.0%	14.1%	15.2%	15.8%	16.7%	7.0%	*7.5%*	*8.5%*	Retained to Com Eq	*10.0%*
- -	- -	- -	3%	4%	3%	3%	3%	2%	3%	*3%*	*2%*	All Div'ds to Net Prof	*1%*

CURRENT POSITION ($MILL.)	2004	2005	4/30/06
Cash Assets	39.4	30.8	16.6
Receivables	99.3	152.6	148.2
Inventory (FIFO)	107.6	185.7	214.7
Other	58.2	74.6	61.0
Current Assets	304.5	443.7	440.5
Accts Payable	21.7	36.0	46.0
Debt Due	20.9	72.3	58.6
Other	73.9	149.3	139.2
Current Liab.	116.5	257.6	243.8

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	13.5%	20.5%	*9.0%*
"Cash Flow"	- -	14.0%	*14.5%*
Earnings	- -	13.0%	*15.5%*
Dividends	- -	25.0%	*Nil*
Book Value	- -	26.5%	*17.0%*

Fiscal Year Ends	QUARTERLY SALES ($ mill.) A Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2003	94.0	96.4	108.4	113.0	411.8
2004	109.7	120.6	129.1	130.8	490.2
2005	147.6	215.5	222.9	220.6	806.6
2006	205.7	211.4	*235*	*242.9*	*895*
2007	*225*	*245*	*250*	*255*	*975*

Fiscal Year Ends	EARNINGS PER SHARE A B Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2003	.44	.48	.58	.63	2.13
2004	.52	.61	.67	.79	2.59
2005	.46	.59	.80	.19	2.04
2006	.39	.30	*.82*	*.84*	*2.35*
2007	*.50*	*.45*	*1.00*	*1.05*	*3.00*

Cal-endar	QUARTERLY DIVIDENDS PAID E Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.025	- -	.025	- -	.05
2003	.03	- -	.03	- -	.06
2004	.03	- -	.03	- -	.06
2005	.03	- -	.03	- -	.06
2006	.03	- -	.03		

BUSINESS: The Cooper Companies develops, manufactures, and markets niche health-care products. Segments: CooperVision (86% of 2005 revenues, 88% of operating income) products include toric, cosmetic, multifocal, and spherical contact lenses; CooperSurgical (14%, 12%) develops and markets diagnostic and surgical instruments for the women's health-care market. Sold last part of Hospital Group of America, 4/99. Purchased Ocular Sciences, 1/05. Has about 7,035 employees. Officers and directors own 7.5% of common stock; FMR Corporation, 15.0% (2/06 Proxy). Chairman, CEO, and President: A. Thomas Bender. Incorporated: Delaware. Address: 6140 Stoneridge Mall Road, Suite 590, Pleasanton, CA 94588. Telephone: 949-597-4700. Internet: www.coopercos.com.

Our projections for The Cooper Companies require some explanation. The Pleasanton (CA) contact-lens maker and surgical-instrument supplier purchased Ocular Sciences in January, 2005. Cooper is now engaged in the multiyear process of integrating Ocular with its own operations. We've opted to include the associated restructuring costs due, partly, to their ongoing nature. Accordingly, the good margin expansion and profit growth that we envision for Cooper over the next several years reflects not only merger-related cost savings and factors such as favorable industry trends but also a gradual reduction in integration costs.

Rationalization of the merged companies' distribution facilities is under way. Upon scheduled completion in December, 2007, the number of shipping locations in the U.S. and Europe will drop from 21 to five, yielding more than $10 million in annual cost savings. Cooper likely completed the U.S. portion of the consolidation as we went to press.

We've lowered our fiscal 2006 and 2007 projections. (Years end October 31st.) Notably, our 2006 sales estimate, at $895 million, is 4% lower than in early June while our share-earnings assessment has been reduced by $0.35 (13%), to $2.35. The reductions reflect, in part, recent weakness in Japan. Capacity constraints meant that CooperVision Japan was unable to meet strong demand for single-use lenses in new strip blister packages. That said, production capacity for the strip-pack lenses is expected to increase by 60% over the next five months or so.

Favorable trends and continued product innovation should support decent growth out to 2009-2011. For whatever reasons, myopia (nearsightedness) is more common these days, necessitating vision correction. Newly introduced lenses, meanwhile, are safer and more comfortable, owing partly to increased permeability and high water content. This is enabling longer use of contacts as a primary means of vision correction.

Cooper shares carry our lowest rank for relative year-ahead price performance. However, capital appreciation potential out to 2009–2011 is slightly above the *Value Line* median.

Nils C. Van Liew *September 1, 2006*

(A) Fiscal years end October 31st.
(B) Basic earnings through fiscal year 1997, diluted thereafter. Excludes non-recurring charges: '00, $0.01; '05 1Q. $0.10.
Next earnings report due early Sept.
Quarterly figures may not add due to rounding.
(C) In millions, adjusted for split and reverse split.
(D) Includes intangibles. In 2005: $1320.5 million, $29.41/share.
(E) Dividends paid early January and early July.

Company's Financial Strength	B++
Stock's Price Stability	55
Price Growth Persistence	85
Earnings Predictability	65

CORN PROD. INT'L. NYSE-CPO

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD
32.04	22.1 (Trailing: 24.1 / Median: NMF)	1.28	1.0%

VALUE LINE

TIMELINESS 3 Raised 8/4/06
SAFETY 3 Lowered 11/4/05
TECHNICAL 1 Raised 7/14/06
BETA .85 (1.00 = Market)

2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+25%)	7%
Low	30	(-5%)	Nil

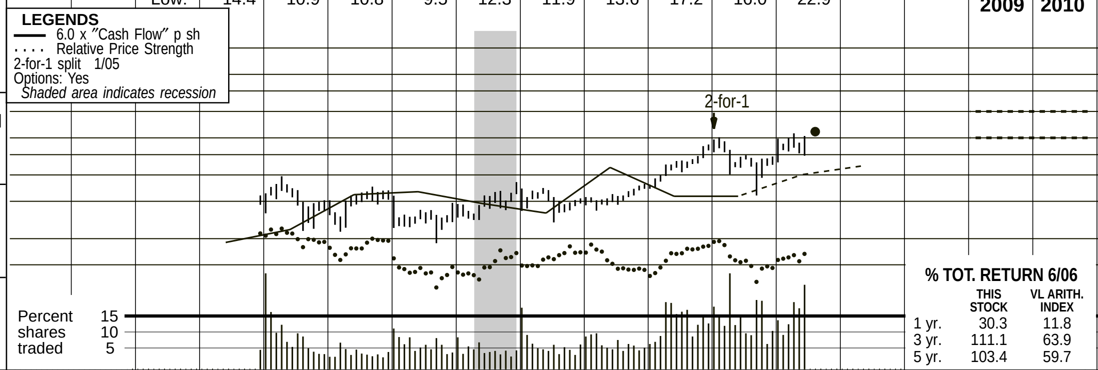
Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	90	82	94
to Sell	90	80	72
Hld's(000)	64166	62719	64514

High:	16.0	19.8	17.6	16.0	18.5	17.4	18.1	27.9	30.2	32.2
Low:	14.4	10.9	10.8	9.5	12.3	11.9	13.6	17.2	16.0	22.9



Target Price Range
2009 | 2010 | 2011

% TOT. RETURN 6/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	30.3	11.8
3 yr.	111.1	63.9
5 yr.	103.4	59.7

Corn Products International, Inc., formed in March 1997 to assume the operations of the corn refining business of Bestfoods, Inc., (formerly CPC International Inc.), was spun off from its parent on December 31, 1997. Bestfoods transferred the assets and liabilities of its Corn Refining Business to CPO and then distributed all of the common stock of CPO to holders of common stock of Bestfoods. 35,594,360 shares were issued for the new company.

1996D	1997D	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
- -	19.92	19.28	23.47	26.44	25.05	24.84	29.40	30.81	31.85	*34.45*	*35.55*	Sales per sh	*45.35*
- -	1.60	1.84	2.69	2.78	2.44	2.20	3.62	2.65	2.65	*3.20*	*3.50*	"Cash Flow" per sh	*4.95*
- -	.14	.60	1.03	.86	.75	.89	1.06	1.25	1.19	*1.45*	*1.70*	Earnings per sh A	*2.60*
- -	- -	.04	.17	.20	.20	.20	.20	.25	.28	*.31*	*.34*	Div'ds Decl'd per sh B	*.42*
- -	1.63	1.21	2.19	2.03	1.25	1.04	1.16	1.40	1.93	*1.75*	*1.75*	Cap'l Spending per sh	*1.85*
- -	13.85	14.02	13.89	13.61	11.38	10.99	12.74	14.59	16.33	*17.55*	*19.00*	Book Value per sh	*24.80*
- -	71.19	75.12	73.91	70.54	75.32	75.32	71.49	74.09	74.09	*74.00*	*74.00*	Common Shs Outst'g C	*75.00*
- -	NMF	25.7	14.3	14.4	19.3	17.0	15.0	17.7	20.1	*Bold figures are*		Avg Ann'l P/E Ratio	*13.5*
- -	NMF	1.34	.82	.94	.99	.93	.86	.94	1.08	*Value Line*		Relative P/E Ratio	*.90*
- -	- -	.3%	1.2%	1.6%	1.4%	1.3%	1.3%	1.1%	1.2%	*estimates*		Avg Ann'l Div'd Yield	*1.2%*
1524.0	1418.0	1448.0	1735.0	1865.0	1887.0	1871.0	2102.0	2283.0	2360.7	*2550*	*2630*	Sales ($mill)	*3400*
9.4%	10.6%	11.4%	16.0%	16.4%	14.7%	12.6%	17.0%	13.1%	11.9%	*12.5%*	*14.0%*	Operating Margin	*14.4%*
88.0	103.0	95.0	122.0	135.0	127.0	103.0	183.0	102.0	106.0	*127*	*135*	Depreciation ($mill)	*170*
23.0	11.0	43.0	77.0	61.0	57.0	63.0	76.0	94.0	90.0	*110*	*125*	Net Profit ($mill)	*195*
32.4%	35.0%	35.2%	35.4%	35.2%	35.3%	35.9%	36.3%	31.4%	37.2%	*35.0%*	*35.0%*	Income Tax Rate	*32.0%*
1.5%	.8%	3.0%	4.4%	3.3%	3.0%	3.4%	3.6%	4.1%	3.8%	*4.3%*	*4.8%*	Net Profit Margin	*5.7%*
147.0	d73.0	60.0	116.0	69.0	d120.0	138.0	153.0	199.0	261.0	*315*	*380*	Working Cap'l ($mill)	*700*
188.0	13.0	154.0	322.0	453.0	312.0	516.0	452.0	480.0	471.0	*460*	*450*	Long-Term Debt ($mill)	*400*
1025.0	986.0	1053.0	1027.0	960.0	857.0	828.0	911.0	1081.0	1210.0	*1300*	*1400*	Shr. Equity ($mill)	*1860*
2.3%	1.6%	3.8%	6.3%	5.3%	5.9%	6.0%	7.0%	7.0%	6.2%	*7.0%*	*7.5%*	Return on Total Cap'l	*9.5%*
2.2%	1.1%	4.1%	7.5%	6.4%	6.7%	7.6%	8.3%	8.7%	7.4%	*8.5%*	*9.0%*	Return on Shr. Equity	*10.5%*
2.2%	1.1%	3.8%	6.2%	4.9%	4.0%	5.3%	6.1%	6.6%	5.6%	*6.5%*	*7.0%*	Retained to Com Eq	*9.0%*
- -	- -	7%	17%	23%	40%	30%	26%	24%	24%	*22%*	*19%*	All Div'ds to Net Prof	*16%*

CAPITAL STRUCTURE as of 6/30/06

Total Debt $525.0 mill. **Due in 5 Yrs** $520.0 mill.
LT Debt $454.0 mill. **LT Interest** $18.0 mill.
(Total interest coverage: 5.2x)
(28% of Cap'l)
Leases, Uncapitalized Annual rentals $16.2 mill.
No Defined Benefit Pension Plan
Pfd Stock None

Common Stock 74,092,774 shs

Market Cap: $2.4 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2004	2005	6/30/06
Cash Assets	101	116	57
Receivables	291	287	292
Inventory (LIFO)	258	258	294
Other	11	24	26
Current Assets	661	685	669
Accts Payable	374	263	360
Debt Due	88	57	71
Other	- -	104	1
Current Liab.	462	424	432

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	- -	6.0%	6.5%
"Cash Flow"	- -	4.0%	9.0%
Earnings	- -	7.0%	11.0%
Dividends	- -	12.0%	11.0%
Book Value	- -	1.0%	6.0%

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	479.4	539.3	540.7	542.6	2102.0
2004	550.4	572.0	587.4	573.7	2283.5
2005	566.5	596.2	612.0	586.0	2360.7
2006	614.8	644.9	*660*	*630.3*	*2550*
2007	*630*	*660*	*680*	*660*	*2630*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.19	.26	.28	.33	1.06
2004	.35	.40	.32	.19	1.25
2005	.22	.35	.31	.31	1.19
2006	.31	.40	*.35*	*.39*	*1.45*
2007	*.32*	*.48*	*.42*	*.48*	*1.70*

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.05	.05	.05	.05	.20
2003	.05	.05	.05	.05	.20
2004	.06	.06	.06	.06	.24
2005	.07	.07	.07	.07	.28
2006	.07	.08			

BUSINESS: Corn Products International, Inc., one of the world's largest corn refiners, produces high-quality food ingredients (high fructose, glucose, and maltose corn syrups) and industrial products (starches, enzymes, co-products) derived from the wet milling of corn and other starch-based materials. Operates 37 plants in 19 countries. North American operations account for 64% of 2005 company's sales, 99% of profits. 2005 Depreciation rate 3.4%. Has about 6,000 employees, 21,000 shareholders. FMR Corporation, 11.8% of common stock; officers/directors, 3.5% (3/06 proxy). Chairman, President and CEO: Samuel C. Scott III. Inc.: DE. Address: 6500 South Archer Road, Bedford Park, IL 60501. Telephone: 708-563-2400. Internet:www.cornproducts.com.

Corn Products' North American business will likely continue to drive both top and bottom lines in the coming quarters. In fact, recent operating margins of 9% were the best they have been in over 10 years in that region, even with higher-than-normal energy costs (discussed below). In particular, pricing of high fructose corn syrup (HFCS) was especially strong in the U.S. and Canada, due to the double-digit increase the company was able to lock in for 2006. Also, favorable currency trends in Canada gave profits a boost. Overall, we look for 2006 share net to improve at a 20%–25% rate. For next year, we look for earnings to advance by about 15%–20%, although a better indication will be had when HFCS contract prices are set at the beginning of 2007. That said,

The company's operations in other regions of the world have not been as bright. Notably, operating income was down in both South America and South Korea in the second quarter. Higher net prices for corn and energy hurt results in Argentina. In South Korea, a weak economy tempered demand for beverage products in that part of the world, resulting in operating income falling by over 6%, to $15 million.

Higher energy costs will likely be a drag on the bottom line until at least the end of the third quarter. By then, the company expects that its new coal-burning boiler will be in place at its Argo, Illinois plant. Corn Products locked in a relatively high price for natural gas at the end of 2005, which has dampened earnings some in the first half and will likely do so into the beginning of the fourth quarter. In sum, we look for the increased energy costs to cut into earnings by between $0.08 and $0.10 per share in full-year 2006.

These shares are ranked to match the broader market averages over the coming six to 12 months. We look for mid- to high-teen annual earnings growth out to 2009–2011. However, the recent popularity of corn-related companies (due to the move towards the use of ethanol as fuel) likely helped the stock rise by over 25% in the past year, leaving this equity already trading within the 3- to 5-year price range we foresee.

George Y. Lee *August 4, 2006*

(A) Diluted shares. Excludes nonrecurring gains/(losses): '97, ($2.41); '00, ($0.37); '01, $0.10; '02, $0.14. Quarters may not add due to rounding. Next earnings report due early October.
(B) Dividends historically paid in January, April, July, and October.
(C) In millions, adjusted for split.
(D) Pro forma figures for 1996 and 1997.

Company's Financial Strength	B+
Stock's Price Stability	80
Price Growth Persistence	70
Earnings Predictability	70

COSTCO WHOLESALE NDQ-COST

RECENT PRICE	52.44	P/E RATIO	21.9 (Trailing: 23.6) (Median: 24.0)	RELATIVE P/E RATIO	1.26	DIV'D YLD	1.0%	VALUE LINE

TIMELINESS 3 Raised 12/16/05
SAFETY 2 Raised 5/12/06
TECHNICAL 3 Lowered 8/4/06
BETA .85 (1.00 = Market)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
High:	9.8	13.0	22.6	38.1	49.4	60.5	46.4	46.9	39.0	50.5	51.2	57.9
Low:	6.0	7.3	11.9	20.6	32.7	25.9	29.8	27.1	27.0	35.1	39.5	48.5

2009-11 PROJECTIONS

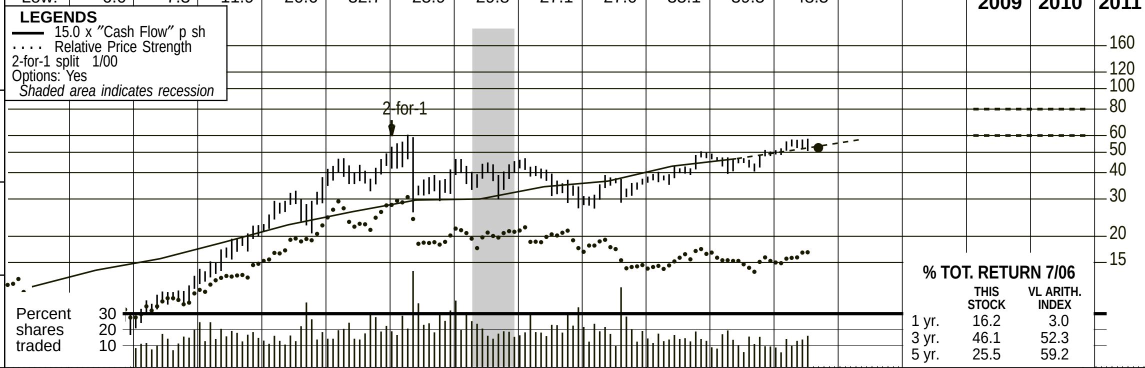
	Price	Gain	Ann'l Total Return
High	80	(+55%)	12%
Low	60	(+15%)	5%

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	6	3	2	1	0	7	6	0
to Sell	0	6	3	3	1	0	9	6	1

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	268	272	267
to Sell	266	274	303
Hld's(000)	370183	369824	372609



1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
19.88	22.91	28.15	35.70	37.84	46.75	49.77	51.21	55.77	62.01	71.83	77.03	85.13	93.00	103.98	112.04	124.84	136.20	Revenues per sh A D	170.55
.33	.48	.63	.77	.77	.92	1.04	1.25	1.51	1.74	1.98	2.00	2.29	2.43	2.86	3.11	3.45	3.85	"Cash Flow" per sh	4.90
.23	.37	.47	.50	.44	.53	.61	.82	1.02	1.18	1.35	1.29	1.48	1.53	1.86	2.03	2.33	2.65	Earnings per sh B	3.50
--	--	--	--	--	--	--	--	--	--	--	--	--	--	.20	.43	.52	.55	Div'ds Decl'd per sh F■	.60
1.89	2.97	3.45	4.14	3.87	3.92	4.52	5.78	6.82	7.98	9.47	10.81	12.51	14.33	16.48	18.80	20.85	23.25	Book Value per sh C	31.95
207.87	231.61	235.19	434.15	435.59	390.33	393.15	427.19	435.18	442.74	447.76	451.75	455.33	457.48	462.64	472.48	473.00	473.50	Common Shs Outst'g E	475.00
25.2	28.4	35.5	21.3	19.6	14.1	14.9	16.9	24.4	30.7	31.1	29.7	26.8	21.2	20.0	22.4	Bold figures are	Value Line	Avg Ann'l P/E Ratio	20.0
1.87	1.81	2.15	1.26	1.29	.94	.93	.97	1.27	1.75	2.02	1.52	1.46	1.21	1.06	1.18	estimates		Relative P/E Ratio	1.35
--	--	--	--	--	--	--	--	--	--	--	--	--	--	.5%	.9%			Avg Ann'l Div'd Yield	.9%
						19566	21874	24270	27456	32164	34797	38762	42546	48107	52935	59050	64500	Revenues ($mill) A D	81000
						12.2%	12.5%	12.7%	12.8%	12.6%	12.7%	13.0%	13.3%	13.4%	13.2%	13.2%	13.3%	Gross Margin	13.3%
						3.5%	4.0%	4.2%	4.3%	4.0%	3.7%	3.8%	3.6%	3.8%	3.7%	3.8%	3.9%	Operating Margin	4.0%
						252	261	278	292	313	365	374	397	417	433	455	485	Number of Stores	550
						248.8	350.9	459.8	545.3	631.4	602.1	700.0	721.0	882.4	989.3	1150	1305	Net Profit ($mill)	1725
						41.3%	41.1%	40.0%	40.0%	40.0%	40.0%	38.5%	37.8%	37.0%	35.5%	37.5%	37.5%	Income Tax Rate	37.5%
						1.3%	1.6%	1.9%	2.0%	2.0%	1.7%	1.8%	1.7%	1.8%	1.9%	1.9%	2.0%	Net Profit Margin	2.1%
						56.7	145.9	431.3	449.7	65.7	d229.7	180.8	700.4	1098.5	1477.4	1500	1525	Working Cap'l ($mill)	1600
						1229.2	917.0	930.0	918.9	790.1	859.4	1210.6	1289.6	993.7	710.7	550	550	Long-Term Debt ($mill)	500
						1777.8	2468.1	2965.9	3532.1	4240.3	4882.9	5694.2	6555.0	7624.8	8881.1	9875	11010	Shr. Equity ($mill)	15185
						9.4%	11.2%	12.4%	12.8%	12.9%	10.8%	10.3%	9.4%	10.4%	10.5%	11.0%	11.5%	Return on Total Cap'l	11.0%
						14.0%	14.2%	15.5%	15.4%	14.9%	12.3%	12.3%	11.0%	11.6%	11.1%	11.5%	12.0%	Return on Shr. Equity	11.5%
						14.0%	14.2%	15.5%	15.4%	14.9%	12.3%	12.3%	11.0%	10.4%	8.8%	9.0%	10.0%	Retained to Com Eq	9.5%
						--	--	--	--	--	--	--	--	10%	21%	22%	20%	All Div'ds to Net Prof	17%

CAPITAL STRUCTURE as of 5/7/06
Total Debt $599.0 mill. **Due in 5 Yrs** $540.0 mill.
LT Debt $229.9 mill. **LT Interest** $35.0 mill.
Incl. $449.6 mill. zero coupon conv. sub. notes 3.5%, ea. conv. into com. at $22.00.
(Total interest coverage: 45.5x) (2% of Cap'l)
Leases, Uncapitalized Annual rentals $114.7 mill.
Pension Assets N/A **Oblig.** N/A

Pfd Stock None

Common Stock 467,970,555 shs. as of 6/2/06

MARKET CAP: $24.5 billion (Large Cap)

CURRENT POSITION ($MILL.)	2004	2005	5/7/06
Cash Assets	3129.9	3459.9	3301.7
Receivables	335.2	400.0	354.2
Inventory (FIFO)	3643.6	4014.7	4415.9
Other	160.4	211.8	275.3
Current Assets	7269.1	8086.4	8347.1
Accts Payable	3600.2	4213.7	4439.3
Debt Due	327.2	57.6	369.1
Other	2243.2	2337.7	2683.9
Current Liab.	6170.6	6609.0	7492.3

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	10.0%	10.5%	9.0%
"Cash Flow"	13.0%	10.0%	10.0%
Earnings	14.0%	9.0%	11.5%
Dividends	--	--	NMF
Book Value	15.5%	15.5%	11.5%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A D Nov.Per	Feb.Per	May Per	Aug.Per	Full Fiscal Year
2003	9199	10114	9543	13690	42546
2004	10522	11549	10897	15139	48107
2005	11578	12658	11997	16702	52935
2006	12927	14054	13273	18796	59050
2007	14100	15350	14500	20550	64500

Fiscal Year Ends	EARNINGS PER SHARE A B Nov.Per	Feb.Per	May Per	Aug.Per	Full Fiscal Year
2003	.31	.39	.33	.51	1.53
2004	.34	.48	.42	.62	1.86
2005	.40	.54	.43	.66	2.03
2006	.45	.62	.49	.77	2.33
2007	.52	.68	.55	.90	2.65

Cal-endar	QUARTERLY DIVIDENDS PAID F■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	--	--	--	--	--
2003	--	--	--	--	--
2004	--	--	.10	.10	.20
2005	.10	.10	.115	.115	.43
2006	.115	.13	.13		

BUSINESS: Costco Wholesale Corp., formerly known as Costco Companies, Inc., was formed by the merger of Price Co. and Costco Wholesale in October '93. Company operates wholesale-membership warehouses in the U.S. (338 as of 8/05), Canada (65), United Kingdom (16), Korea (5), Taiwan (4), Japan (5), and 27 warehouses in Mexico through a joint partnership. Sells merchandise directly from warehouses to a restricted membership. Food and sundries account for 60% of sales. Employs 118,000. Off. & Dir. own 2.4% of stock; Davis Selected Advisors, 10.7%; Barclays, 7.5% (12/05 proxy). Chrmn.: Jeffrey H. Brotman. Pres. & CEO: James D. Sinegal. Inc.: WA. Address: 999 Lake Drive, Issaquah, WA 98027. Tel.: 425-313-8100. Internet: www.costco.com.

Costco stock has come under selling pressure. Since early July, the issue has lost over 10% of its value. Importantly, we think the decline is not a reflection of any particular change in the company's fundamentals (see below). Rather, it was a reaction to some negative news by Wal-Mart and Target. Specifically, these discount retailers reported disappointing June same-store sales results, which, in turn, has investors wondering whether consumer spending will continue to weaken and, if so, to what degree the retail malaise will affect Costco.

Our opinion of the company's near-term business remains positive. Even if consumers become more cautious, we think Costco ought to weather the storm better than its warehouse club peers. For years, the company has consistently generated higher same-store sales gains than both Sam's Club and BJ's, and we think this will continue. That's because we're confident in Costco's ability to deliver a pleasant shopping experience, a high level of customer service and, most importantly, a compelling assortment of merchandise. It's done a particularly good job in the food department, in our view, recently introducing some organic food items (e.g., milk, bagged salad, yogurt), increasing the selection of ready-to-eat meals, and broadening its wine offerings.

We like the company's long-term prospects, as well. Indeed, we look for earnings to advance at an annualized rate of 10% over the next 3 to 5 years. Fueling these gains will be an expansion of the store base that will add between 30 and 35 warehouses in 2007 and 2008, up from 26 this year. (Fiscal years end around August 31st.) An increase in the assortment of higher-margin private-label goods should also help. *Kirkland Signature* merchandise currently accounts for about 16% of sales, but we expect this figure to move north, perhaps to over 20%, in the years ahead.

Meanwhile, the company is buying back stock. It recently speeded up repurchasing of shares under a buyback authorization that was raised by $2 billion.

Although the recent pullback has made this neutrally ranked stock's long-term appeal a little more attractive, it is still below average.

Deborah Y. Fung *August 11, 2006*

(A) Fiscal year ends on Sunday nearest Aug. 31st. Interim periods cover 12, 12, 12, 16 weeks. (B) Primary egs. through '93, thereafter diluted. Next earnings report due late Sept. '03 quarterly eps don't sum to total due to rounding. Excludes n/r gains: '90, 3¢; '94, $1.38; '95, 37¢; '97, 20¢; '99, 64¢; '05, 15¢. (C) Incl. intangibles. In fiscal '05, $71.8 mill., 15¢/sh. (D) Incl. membership fees. (E) In mill. adjusted for splits. (F) Div'ds historically paid in late Feb., May, Aug., Nov. ■ Div'd reinvestment plan available.

Company's Financial Strength	A
Stock's Price Stability	75
Price Growth Persistence	95
Earnings Predictability	95

COUNTRYWIDE FIN. NYSE-CFC

RECENT PRICE 34.62 | P/E RATIO 7.7 (Trailing: 8.0, Median: 10.0) | RELATIVE P/E RATIO 0.44 | DIV'D YLD 1.7% | VALUE LINE

TIMELINESS 3 Raised 5/6/05
SAFETY 3 Raised 3/7/97
TECHNICAL 2 Raised 8/11/06
BETA 1.05 (1.00 = Market)

2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	85	(+145%)	26%
Low	55	(+60%)	13%

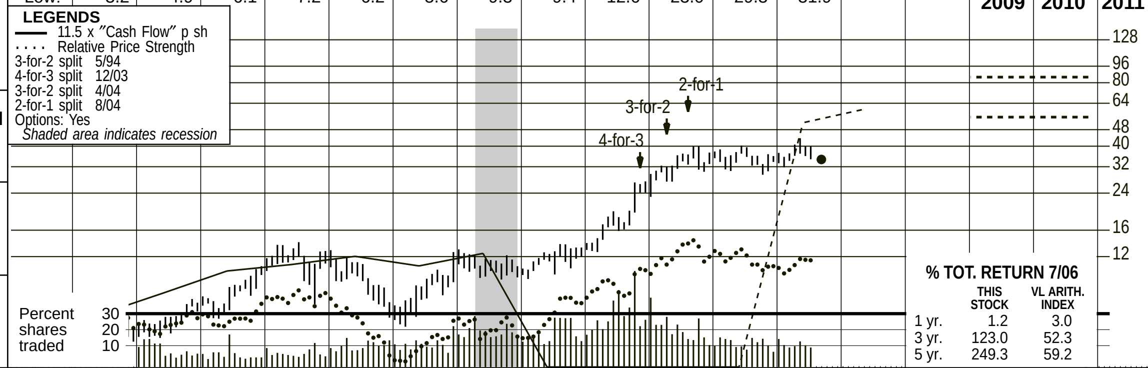
Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	4	8	7	3	5	4	7	11	8
to Sell	4	9	7	4	6	5	8	14	5

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	205	207	202
to Sell	217	186	198
Hld's(000)	551444	563345	565240

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
High:	6.7	7.6	10.8	14.1	12.9	12.6	13.0	13.8	27.3	39.9	40.3	43.7
Low:	3.2	4.9	6.1	7.2	6.2	5.6	9.3	9.4	12.6	23.0	29.3	31.9



% TOT. RETURN 7/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	1.2	3.0
3 yr.	123.0	52.3
5 yr.	249.3	59.2

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
1.27	1.03	1.96	2.83	2.39	2.79	3.37	3.45	4.39	4.45	4.37	5.37	8.93	14.50	14.73	16.69	***19.65***	***21.95***	Revenues per sh A	***28.00***
.15	.20	.43	.54	.31	.55	.70	.89	.96	1.05	.94	1.08	3.24	6.65	3.78	4.21	***4.60***	***5.20***	"Cash Flow" per sh	***6.25***
.12	.22	.38	.49	.24	.49	.61	.80	.82	.88	.79	.97	1.62	4.15	3.63	4.11	***4.50***	***5.00***	Earnings per sh B A	***6.20***
.03	.04	.06	.07	.08	.08	.08	.08	.08	.10	.10	.08	.12	.20	.37	.59	***.64***	***.68***	Div'ds Decl'd per sh C ■	***.80***
1.20	2.63	3.12	3.13	3.88	4.84	5.70	7.17	8.39	9.55	11.34	12.62	10.20	14.61	17.73	21.36	***25.60***	***30.50***	Book Value per sh	***46.50***
100%	163%	189%	201%	141%	148%	163%	155%	212%	132%	128%	115%	115%	73%	183%	164%			Price To Book	***150%***
163.54	317.98	334.01	364.25	364.25	408.96	424.37	436.81	450.47	453.84	470.92	490.81	506.24	553.47	581.65	600.03	***610.00***	***610.00***	Common Shs Outst'g D	***620.00***
6.8	12.9	10.3	10.0	15.2	10.8	10.5	10.9	14.0	9.7	11.5	11.2	7.3	4.4	8.6	8.5	*Bold figures are*	*Value Line estimates*	Avg Ann'l P/E Ratio	***11.5***
.51	.82	.62	.59	1.00	.72	.66	.63	.73	.55	.75	.57	.40	.25	.48	.45			Relative P/E Ratio	***.75***
3.7%	1.4%	1.4%	1.4%	2.1%	1.5%	1.3%	.9%	.7%	1.2%	1.1%	.7%	1.0%	1.1%	1.1%	1.7%			Avg Ann'l Div'd Yield	***1.1%***

CAPITAL STRUCTURE as of 6/30/06
Total Debt $76527.4 mill.
Total Interest $5800.0 mill. (80% of Cap'l)

Leases, Uncapitalized Annual rentals $157.5 mill.

Pension Assets-12/05 $220.6 mill. **Oblig.** $373.4 mill.

Common Stock 610,744,980 shs.

MARKET CAP: $21.1 billion (Large Cap)

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
1429.2	1509.0	1979.0	2018.7	2056.3	2635.7	4521.1	8026.8	8566.6	10016.7	***12000***	***13400***	Revenues ($mill) A	***17350***
37811	48772	92881	66740	68900	83500	251900	435750	363006	494872	***480000***	***500000***	Loan Production ($mill)	***580000***
424.3	565.2	669.7	689.8	769.3	881.4	1930	2816	3137	3615.5	***3900***	***4300***	Salary Expense ($mill)	***4700***
257.4	345.0	385.4	410.2	374.2	486.0	841.8	2373.0	2198.0	2528.1	***2750***	***3035***	Net Profit ($mill)	***3840***
39.0%	39.0%	39.0%	35.0%	36.2%	38.4%	37.3%	38.3%	42.0%	39.1%	***38.0%***	***38.0%***	Income Tax Rate	***38.0%***
18.0%	22.9%	19.5%	20.3%	18.2%	18.4%	18.6%	29.6%	25.7%	25.2%	***23.0%***	***22.6%***	Net Profit Margin	***22.0%***
158585	182888	215489	250200	294000	350000	452405	581964	758975	1111000	***1200000***	***1300000***	Mortgages Serviced	***1400000***
300.0	7475.2	4870.8	7649.5	11048	20455	13617	19104	32646	34l53	***40000***	***45000***	Total Debt ($mill)	***60000***
1611.5	2587.9	3018.9	2887.9	3559.3	4087.6	5161.1	8084.7	10310.1	12815.9	***15625***	***18600***	Shr. Equity ($mill)	***28820***
21.7%	3.4%	4.9%	3.9%	2.6%	2.0%	4.5%	8.7%	5.1%	9.7%	***5.0%***	***5.0%***	Return on Total Cap'l	***4.5%***
16.0%	13.3%	12.8%	14.2%	10.5%	11.9%	16.3%	29.4%	21.3%	19.7%	***17.5%***	***16.5%***	Return on Shr. Equity	***13.5%***
13.9%	14.9%	13.9%	12.6%	9.2%	11.1%	15.2%	28.4%	19.3%	17.0%	***15.0%***	***14.0%***	Retained to Com Eq	***11.5%***
13%	10%	9%	11%	12%	7%	7%	3%	10%	14%	***14%***	***14%***	All Div'ds to Net Prot	***13%***

MORTGAGE BANKING ($Mill.)

	2004	2005	6/30/06
Loan Held For Sale	37350	36818	35390
Revenue From:			
Loan Servicing Fees	465.7	280.7	444.7
Mtg. Servicing Rights	8729.9	12610.8	15320.6
Balances—End of Period:			
Servicing Portfolio	3838322	1111090	1196720
Loans-In-Process	47322.0	58803.0	64979.0

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	17.5%	21.0%	*8.5%*
"Cash Flow"	11.0%	5.0%	*NMF*
Earnings	20.0%	25.0%	*8.5%*
Dividends	9.0%	10.0%	*21.0%*
Book Value	18.0%	18.5%	*18.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	1450.6	1635.6	2934.4	2006.2	8026.8
2004	1965.2	2474.7	2109.5	2017.2	8566.6
2005	2404.9	2307.9	2711.6	2592.3	10016.7
2006	2835.9	3000.2	***3250***	***2913.9***	***12000***
2007	***3150***	***3300***	***3750***	***3200***	***13400***

Cal-endar	EARNINGS PER SHARE A B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.61	.69	1.93	.92	4.15
2004	.92	1.29	.81	.61	3.63
2005	1.13	.92	1.03	1.03	4.11
2006	1.10	1.15	***1.20***	***1.05***	***4.50***
2007	***1.20***	***1.25***	***1.35***	***1.20***	***5.00***

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.025	.028	.03	.033	.12
2003	.039	.044	.048	.066	.20
2004	.074	.075	.10	.12	.37
2005	.14	.15	.15	.15	.59
2006	.15	.15	.15		

BUSINESS: Countrywide Financial Corp. is the world's largest independent residential mortgage lender and servicer. The company subsequently securitizes and sells its loan production (10% marketshare) to investors, retaining the servicing rights (9% marketshare). It conducts business through branch offices. Also operates an insurance agency and a securities broker-dealer. As of 12/05, the mortgage servicing rights portfolio was $12.6 billion; delinquency, 0.22%; pipeline $64 billion. Has 2,650 shareholders; 42,140 employees. Off. & dir. own 4.4% of stock; Wellington Management Company. 5.7%. (4/06 proxy). Chairman, President and CEO: Angelo Mozilo. Inc.: DE. Addr.: 4500 Park Granada Calabasas, CA 91302. Tel.: 818-225-3000. Internet: www.countrywide.com.

Countrywide Financial should have a solid second half of 2006. After somewhat of a slow start to the year, the company's diversified revenues and solid lending margins helped improve second-quarter share net by 20%. We look for these trends to continue over the next few quarters despite a weakening mortgage environment as the company has done a good job of business diversification. In particular, CFC's banking division has been growing at a solid pace. Notably, Countrywide Bank increased its assets by 7.7% in the June period compared to the prior quarter. Also, the insurance segment increased earnings by 54% with help from increases in premium growth in voluntary homeowners, and auto insurance. All told, we look for 2006 and 2007 share net to both improve at a high-single to low-double-digit rate.

Management is looking to reduce costs in the slowing mortgage market. The company is trying to identify upwards of $500 million in cost savings from its mortgage division. That said, we expect Countrywide to reinvest any cost savings, so there would likely not be a boost to earnings right away.

The increasing number of mortgage defaults is somewhat of a concern. According to industry data, defaults of mortgage payments hit a three year high in California in the second quarter. Lenders sent out over 20,750 default notices to homeowners in California in the June period, an increase of 10.5% and 67%, sequentially and year over year, respectively. Credit quality softened some in the June period as loan loss provisions increased more than threefold to $61.9 million, year over year. However, credit quality is still relatively solid compared to historical numbers.

These neutrally ranked shares are down over 15% since our last report. This is largely due to Wall Street's concern with a long cyclical downturn in the mortgage industry. However, we believe CFC has done a good job of diversifying its revenue stream, which should cushion the slowdown. This equity offers above-average 3- to 5-year appreciation potential as a result, but investors are probably best to sit this one out for now.

George Y. Lee *August 25, 2006*

(A) Fiscal year 2001 was a 10-month year, ended Dec. 31. From 2001, year ends Dec. 31; year ended Feb. 28 of the following year before '01. Total Rev. as reported beginning in '97. **(B)** Dil. egs. Excl. extraord. tax benefit: '99, $0.22. Next egs. rpt due late October. **(C)** Div'd historically paid in late Jan., Apr, July, and Oct. Plus stock: '89, 5%. $0.03 nonrecur. div'd declared for Dec. '01 due to changes in rpting periods. ■Div'd reinvestment plan avail. **(D)** In mill., adjusted for stock splits.

Company's Financial Strength	B++
Stock's Price Stability	65
Price Growth Persistence	90
Earnings Predictability	55

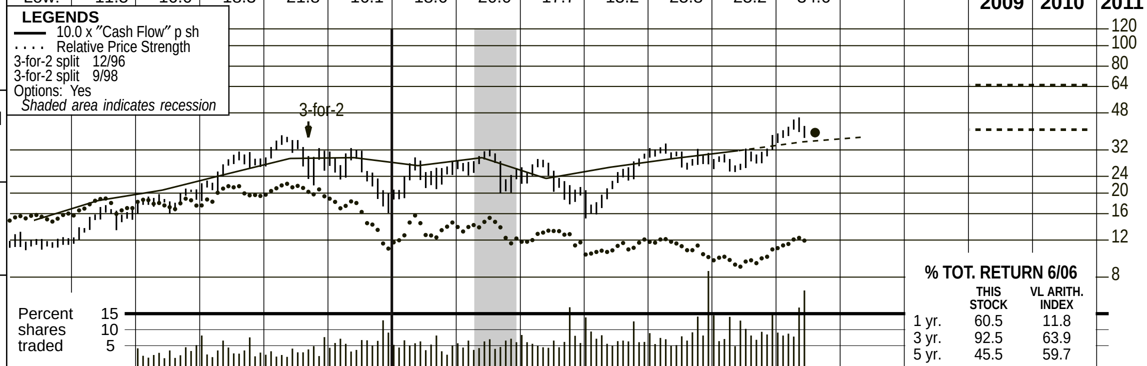
CRANE CO. NYSE-CR

RECENT PRICE 38.74 | P/E RATIO 14.6 (Trailing: 15.9; Median: 15.0) | RELATIVE P/E RATIO 0.84 | DIV'D YLD 1.3% | VALUE LINE

TIMELINESS 3 Raised 8/5/05
SAFETY 3 New 7/27/90
TECHNICAL 3 Lowered 7/21/06
BETA 1.05 (1.00 = Market)

High:	17.6	21.0	31.5	37.6	32.8	29.5	32.3	29.0	30.8	34.4	37.8	45.8
Low:	11.5	16.0	18.3	21.8	16.1	18.6	20.0	17.7	15.2	25.8	25.2	34.6

Target Price Range
2009 | 2010 | 2011



2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(+70%)	*15%*
Low	40	(+5%)	*2%*

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	0	0	1
Options	0	1	1	0	3	3	1	2	5
to Sell	0	3	1	0	5	1	0	2	5

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	78	80	118
to Sell	78	75	64
Hld's(000)	40314	38902	39506

% TOT. RETURN 6/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	60.5	11.8
3 yr.	92.5	63.9
5 yr.	45.5	59.7

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999E	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
20.46	18.83	19.39	19.50	24.46	26.29	26.98	29.82	33.12	24.74	24.68	26.59	25.51	27.41	31.93	34.12	*36.65*	*38.50*	Sales per sh	*42.60*
1.32	1.06	1.15	1.17	1.49	1.85	2.07	2.46	2.92	2.94	2.70	2.94	2.35	2.65	2.92	3.17	*3.70*	*3.95*	"Cash Flow" per sh	*4.70*
.87	.63	.70	.72	.83	1.11	1.34	1.63	2.00	1.83	1.76	1.68	1.50	1.75	1.98	2.25	*2.65*	*3.00*	Earnings per sh A	*3.50*
.33	.33	.33	.33	.33	.33	.33	.33	.37	.40	.40	.40	.40	.40	.40	.45	*.50*	*.50*	Div'ds Decl'd per sh B■	*.62*
.36	.31	.34	.58	.42	.39	.74	.60	.79	.46	.50	.54	.43	.47	.38	.45	*.50*	*.60*	Cap'l Spending per sh	*.75*
4.51	4.34	4.03	4.33	4.85	5.53	6.76	7.80	9.39	9.05	10.04	10.91	10.92	13.18	11.21	12.47	*14.75*	*17.20*	Book Value per sh D	*25.40*
70.30	69.17	67.41	67.19	67.61	67.78	68.49	68.31	68.50	62.80	60.43	59.69	59.45	59.68	59.20	60.41	*60.75*	*61.00*	Common Shs Outst'g C	*61.00*
11.7	17.6	15.7	16.8	14.2	13.4	13.8	16.1	15.5	13.8	13.5	15.9	15.6	12.9	15.1	12.9	*Bold figures are*		Avg Ann'l P/E Ratio	*15.0*
.87	1.12	.95	.99	.93	.90	.86	.93	.81	.79	.88	.81	.85	.74	.80	.69	*Value Line*		Relative P/E Ratio	*1.00*
3.3%	3.0%	3.0%	2.8%	2.8%	2.2%	1.8%	1.3%	1.2%	1.6%	1.7%	1.5%	1.7%	1.8%	1.3%	1.5%	*estimates*		Avg Ann'l Div'd Yield	*1.2%*

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
1847.7	2036.8	2268.5	1553.7	1491.2	1587.2	1516.3	1636.0	1890.3	2061.2	*2225*	*2350*	Sales ($mill)	*2600*
11.7%	12.4%	13.2%	17.1%	14.4%	15.5%	13.0%	13.6%	12.8%	13.1%	*14.0%*	*14.0%*	Operating Margin	*15.0%*
49.4	55.4	61.5	61.3	55.3	74.6	49.8	54.0	55.7	55.7	*60.0*	*62.0*	Depreciation ($mill)	*67.0*
92.1	112.8	138.4	123.5	107.8	101.1	89.9	104.3	117.3	136.0	*165*	*180*	Net Profit ($mill)	*220*
36.5%	35.9%	35.5%	35.3%	35.0%	34.8%	32.0%	31.0%	34.7%	30.8%	*31.0%*	*31.0%*	Income Tax Rate	*31.0%*
5.0%	5.5%	6.1%	7.9%	7.2%	6.4%	5.9%	6.4%	6.2%	6.6%	*7.4%*	*7.7%*	Net Profit Margin	*8.5%*
286.1	312.0	347.8	271.7	268.2	274.2	221.1	243.2	292.8	399.8	*520*	*700*	Working Cap'l ($mill)	*1075*
267.8	260.7	359.1	286.8	213.8	302.4	205.3	295.9	296.6	293.2	*275*	*250*	Long-Term Debt ($mill)	*150*
462.7	532.5	643.2	568.1	606.8	651.3	649.1	786.3	663.7	753.3	*895*	*1050*	Shr. Equity ($mill)	*1550*
14.0%	15.5%	15.0%	15.6%	14.1%	11.5%	11.5%	10.6%	13.4%	14.0%	*14.5%*	*14.5%*	Return on Total Cap'l	*13.0%*
19.9%	21.2%	21.5%	21.7%	17.8%	15.5%	13.9%	13.3%	17.7%	18.1%	*18.5%*	*17.0%*	Return on Shr. Equity	*14.0%*
15.0%	16.9%	17.6%	17.0%	13.8%	11.9%	10.2%	10.2%	14.1%	14.5%	*15.0%*	*14.0%*	Retained to Com Eq	*11.5%*
25%	20%	18%	22%	23%	24%	27%	23%	20%	20%	*18%*	*17%*	All Div'ds to Net Prof	*18%*

CAPITAL STRUCTURE as of 3/31/06
Total Debt $293.8 mill. **Due in 5 Yrs** $100.0 mill.
LT Debt $293.6 mill. **LT Interest** $19.0 mill.

(LT interest earned: 9.9x; total interest coverage: 9.8x) (27% of Cap'l)

Leases, Uncapitalized Annual rentals $13.0 mill.
Pension Assets-12/05 $565.6 mill. **Oblig.** $579.2 mill

Pfd. Stock None
Common Stock 60,771,343 shares
MARKET CAP: $2.4 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2004	2005	3/31/06
Cash Assets	50.7	180.4	96.5
Receivables	308.1	289.5	315.1
Inventory (LIFO)	284.3	272.4	284.9
Other	59.7	56.1	58.6
Current Assets	702.8	798.4	755.1
Accts Payable	161.5	149.6	150.7
Debt Due	.4	.3	.2
Other	248.1	248.7	240.0
Current Liab.	410.0	398.6	397.9

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	3.0%	2.5%	*5.5%*
"Cash Flow"	7.0%	0.5%	*8.5%*
Earnings	8.5%	1.5%	*10.0%*
Dividends	2.5%	1.5%	*7.0%*
Book Value	9.5%	5.5%	*13.0%*

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	376.5	406.0	425.3	428.2	1636.0
2004	448.3	479.1	477.3	485.6	1890.3
2005	507.1	525.6	522.2	506.3	2061.2
2006	549.4	*560*	*565*	*550.6*	*2225*
2007	*580*	*590*	*595*	*585*	*2350*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.28	.44	.47	.56	1.75
2004	.37	.53	.56	.52	1.98
2005	.42	.59	.66	.58	2.25
2006	.61	*.65*	*.72*	*.67*	*2.65*
2007	*.69*	*.73*	*.82*	*.76*	*3.00*

Cal-endar	QUARTERLY DIVIDENDS PAID■ B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.10	.10	.10	.10	.40
2003	.10	.10	.10	.10	.40
2004	.10	.10	.10	.10	.40
2005	.10	.10	.125	.125	.45
2006	.125	.125			

BUSINESS: Crane Co. is a diversified manufacturer and distributor of products for construction, aerospace, defense, and other industries. Crane mfrs. industrial pumps, valves, and other fluid control devices; vending machines; fiberglass reinforced panels; and aircraft brake systems. Spun off Huttig subsidiary (distributor of millwork), 12/99. Acquired Lasco Composites (5/02), Corva Corp. (7/02), General Technology Corp. (11/02), Signal Technology Corp. (5/03),. 2005 depr. rate: 7.6%. Has 10,500 employees, about 4,500 common stkhldrs. Ownership: Off. & Dir, 6.6%; Crane Fund, 12.8%; GAMCO Investors, 7.3%; (3/06 Proxy). Chrmn.: R.S. Evans. CEO & Pres.: Eric C. Fast. Inc.: DE. Addr: 100 First Stamford Pl., Stamford, CT 06902. Tel: 203-363-7300. Internet: www.craneco.com.

Crane's Fluid Handling (FH) business continues to be the source of our optimism for the remainder of the year. Indeed, the segment, which makes up 45% of the company's total revenue, has been on the mend in recent months, showing steady sales growth and significant margin improvement. In fact, headway in the segment helped Crane report earnings of $0.61 in the first quarter (second quarter results were released while this report was on its way to subscribers), 19% better than the previous year, and $0.09 above our original estimate. We suspect that this is just the tip of the iceberg and that FH will continue to benefit from recently implemented cost-cutting initiatives and price increases going forward.

And now the Aerospace business is showing some signs of taking off. The company's second-largest division (26%) has been in a major tailspin in recent memory, dealing with slow demand trends and an unfavorable product mix. However, it appears as though things are getting better, as demand is starting to pick up and operational improvements are kicking in. In all, we have raised our full-year earnings estimate for Crane Co. by a dime, to $2.65 a share, and our 2007 figure by $0.20, to $3.00. We think that the recent additions of CashCode and Automatic Products International to the Merchandising Systems division (10%) will be an additional boon in 2007.

Nevertheless, we do not think that there is a reason to rush into buying Crane shares at this juncture. They are not timely and hold below average 3- to 5-year appreciation potential, despite falling roughly 10% in value since our April review. Meanwhile, we have some concerns regarding ongoing asbestos litigation. Higher claims and legal costs could pressure profit margins further than we have accounted for and perhaps discourage further acquisitions.

Andre J. Costanza *July 28, 2006*

Sales (and operating margin*) by Business Line

	2004	2005	2006	2007
Fluid Handling	861.9(8.5%)	953.7(8.0%)	*1025(9.0%)*	*1085(10.0%)*
Aerospace	511.6(18.1%)	554.3(15.5%)	*600(15.0%)*	*635(14.5%)*
Eng.d Materials	276.2(19.6%)	304.8(20.7%)	*330(21.0%)*	*350(21.0%)*
Crane Controls	71.9(7.7%)	82.1(8.9%)	*90.0(9.0%)*	*95(9.5%)*
Merch. Systems	169.2(5.8%)	166.3(7.7%)	*180(8.0%)*	*185(8.5%)*
Company Total	1890.3(11.3%)	2061.2(10.4%)	*2225(10.5%)*	*2350(11.0%)*

* Includes depreciation et al.

(A) Diluted egs. (primary prior to '97). Excl. nonrec. gains/(losses): '91, (47¢); '92, (52¢); '99, (34¢); '00, 26¢; '01, (21¢); '02, ($1.71); '04 ($3.76). Next earnings report late October. **(B)** Dividends historically paid in mid-March, June, Sept., and Dec. ■ Div. reinv. plan available. **(C)** In mill., adj. for stk. splits & divs. **(D)** Incl. intang. In '05: $629.1 mill., $10.41/sh. **(E)** Spun off Huttig subsidiary in 12/99.

Company's Financial Strength	B+
Stock's Price Stability	75
Price Growth Persistence	65
Earnings Predictability	80

CULLEN/FROST NYSE-CFR

RECENT PRICE **58.90** | P/E RATIO **16.8** (Trailing: 17.9; Median: 15.0) | RELATIVE P/E RATIO **0.95** | DIV'D YLD **2.4%** | **VALUE LINE**

TIMELINESS 3 New 8/26/05
SAFETY 2 Raised 11/25/05
TECHNICAL 3 Raised 7/7/06
BETA .85 (1.00 = Market)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
High:	12.9	18.3	31.4	30.6	30.4	43.4	41.9	40.8	43.8	49.2	56.4	59.5	
Low:	7.4	11.7	16.3	20.4	22.7	19.6	23.6	28.3	29.0	38.8	41.9	52.0	

2009-11 PROJECTIONS

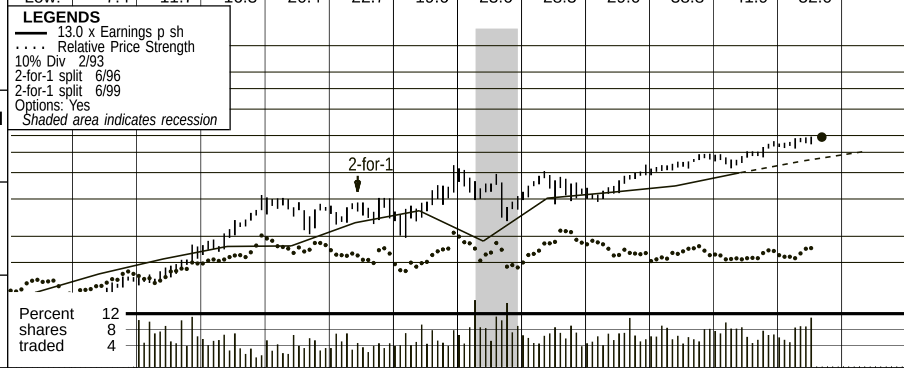
	Price	Gain	Ann'l Total Return
High	80	(+35%)	*10%*
Low	60	(Nil)	*3%*

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	1	0	0	0	0
Options	0	0	0	0	5	1	0	4	0
to Sell	0	0	0	0	5	0	0	4	0

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	74	101	95
to Sell	84	66	69
Hld's(000)	36063	36487	37620



Target Price Range

2009	2010	2011

160 · 120 · 100 · 80 · 60 · 50 · 40 · 30 · 20 · 15

% TOT. RETURN 7/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	20.0	3.0
3 yr.	72.2	52.3
5 yr.	89.4	59.2

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
d.21	- -	.42	.87	.83	1.02	1.20	1.38	1.39	1.78	2.03	1.46	2.33	2.48	2.66	3.07	***3.50***	***3.90***	Earnings per sh A	***5.50***
- -	- -	- -	.04	.17	.29	.41	.48	.58	.68	.76	.84	.88	.94	1.04	1.17	***1.32***	***1.45***	Div'ds Decl'd per sh B■	***1.80***
4.45	4.39	4.95	6.21	6.64	7.62	8.43	9.06	9.70	9.64	11.14	11.58	13.72	14.87	15.84	18.03	***21.45***	***23.95***	Book Value per sh	***33.95***
39.00	40.18	41.65	44.04	44.49	44.80	44.96	45.08	52.86	52.82	51.43	51.36	51.30	51.78	51.92	54.48	***56.00***	***56.00***	Common Shs Outst'g C	***56.00***
- -	NMF	13.6	10.1	10.6	10.2	11.5	15.7	19.4	14.7	13.9	22.8	14.8	14.1	16.6	15.8	***Bold figures are***	***Value Line***	Avg Ann'l P/E Ratio	***13.0***
- -	NMF	.82	.60	.70	.68	.72	.90	1.01	.84	.90	1.17	.81	.80	.88	.83	***estimates***		Relative P/E Ratio	***.85***
- -	- -	- -	.4%	1.9%	2.7%	2.9%	2.2%	2.1%	2.6%	2.7%	2.5%	2.5%	2.7%	2.3%	2.4%			Avg Ann'l Div'd Yield	***2.7%***

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
4888.4	5230.6	6869.6	6996.7	7660.4	8369.6	9552.3	9672.1	9952.8	11741	***13790***	***15520***	Total Assets ($mill)	***21000***
2215.8	2601.7	3593.0	4108.4	4471.4	4445.7	4436.3	4507.2	5089.2	6004.7	***6850***	***7500***	Net Loans ($mill)	***9000***
179.1	204.9	268.0	297.0	322.8	316.2	314.0	313.8	331.4	391.3	***500***	***575***	Net Interest Inc ($mill)	***730***
7.3	7.9	10.4	12.4	14.1	40.0	22.5	10.5	2.5	10.3	***20.0***	***30.0***	Loan Loss Prov'n ($mill)	***50.0***
94.5	109.3	138.7	157.1	170.9	192.9	200.7	215.4	225.1	230.4	***240***	***250***	Noninterest Inc ($mill)	***375***
180.6	207.6	278.5	293.0	313.3	352.6	312.1	326.0	345.0	367.0	***425***	***460***	Noninterest Exp ($mill)	***590***
55.0	63.5	75.7	97.6	108.8	77.9	122.2	130.5	141.3	165.4	***200***	***225***	Net Profit ($mill)	***315***
35.9%	35.7%	35.7%	34.3%	34.5%	33.1%	32.1%	32.2%	32.4%	32.3%	***32.5%***	***32.5%***	Income Tax Rate	***32.5%***
1.12%	1.21%	1.10%	1.40%	1.42%	.93%	1.28%	1.35%	1.42%	1.41%	***1.45%***	***1.45%***	Return on Total Assets	***1.50%***
- -	- -	- -	- -	- -	278.4	265.7	255.8	377.7	415.4	***390***	***375***	Long-Term Debt ($mill)	***300***
378.9	408.4	512.9	509.3	573.0	594.9	703.8	770.0	822.4	982.2	***1200***	***1340***	Shr. Equity ($mill)	***1900***
7.8%	7.8%	7.5%	7.3%	7.5%	7.1%	7.4%	8.0%	8.3%	8.4%	***8.5%***	***8.5%***	Shr. Eq. to Total Assets	***9.0%***
45.3%	49.7%	52.3%	58.7%	58.4%	53.1%	46.4%	46.6%	51.1%	51.1%	***50.0%***	***48.5%***	Loans to Tot Assets	***43.0%***
14.5%	15.5%	14.7%	19.2%	19.0%	13.1%	17.4%	16.9%	17.2%	16.8%	***16.5%***	***17.0%***	Return on Shr. Equity	***16.5%***
9.7%	10.3%	8.8%	12.1%	12.1%	5.8%	11.0%	10.7%	10.6%	10.6%	***10.5%***	***10.5%***	Retained to Com Eq	***11.5%***
33%	34%	40%	37%	36%	56%	37%	37%	38%	37%	***37%***	***36%***	All Div'ds to Net Prof	***32%***

CAPITAL STRUCTURE as of 6/30/06
Total Debt $402.4 mill.

Leases, Uncapitalized Annual rentals $15.0 mill.

Pension Assets-12/05 $83 mill. **Oblig.** $113 mill.

Preferred Stock None

Common Stock 55,568,715 shs.
(as of 7/20/06)

MARKET CAP: $3.3 billion (Mid Cap)

ASSETS($MILL.)	2004	2005	6/30/06
Loans, Net	5089.2	6004.7	6491.5
Funds Sold	744.7	1034.0	664.7
Securities	2978.7	3078.0	2828.2
Other Earning	549.1	879.4	567.6
Other	591.1	745.3	850.8
LIABILITIES($MILL.)			
Deposits	8105.7	9146.4	9078.4
Funds Purchased	506.3	740.5	761.0
Borrowings	377.7	415.4	402.4
Shr. Equity	822.4	982.2	1028.1
Other	140.7	456.9	132.9
Total	9952.8	11741.4	11402.8
Loan Loss Reserve	75.8	80.3	85.6
Net Interest Margin	4.05%	4.45%	4.70% D

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Loans	11.5%	5.0%	*8.5%*
Earnings	11.5%	9.5%	*12.5%*
Dividends	20.5%	9.5%	*9.5%*
Book Value	9.0%	10.0%	*13.0%*
Total Assets	8.5%	7.5%	*7.5%*

Cal-endar	NET LOANS ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31
2003	4427	4378	4442	4507
2004	4643	4732	4870	5089
2005	5326	5512	5632	6005
2006	6427	6492	***6650***	***6850***
2007	***7100***	***7250***	***7350***	***7500***

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.60	.65	.62	.61	2.48
2004	.62	.65	.68	.71	2.66
2005	.70	.77	.79	.81	3.07
2006	.83	.86	***.90***	***.91***	***3.50***
2007	***.92***	***.95***	***1.00***	***1.03***	***3.90***

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.215	.22	.22	.22	.88
2003	.22	.24	.24	.24	.94
2004	.24	.265	.265	.265	1.04
2005	.265	.30	.30	.30	1.17
2006	.30	.34			

BUSINESS: Cullen/Frost Bankers, Inc., is a financial holding company based in San Antonio, Texas, with $11.4 billion in assets. Net charge-offs were .13% of average loans in Q2'06. At 6/30/06, loan loss reserve was 1.30% of loans; nonperforming assets, .72% of loans and foreclosed property. Loans breakdown at 6/30/06: commercial and industrial, 46.4%; commercial mortgage, 23.7%; construction real estate, 10.3%; home equity & other consumer, 12.2%; land, 5.5%; 1-4 family, 1.6%; other, 0.3%. Had 3,386 employees at 12/31/05. Officers and directors own 6.2% of common stock (4/06 Proxy). Chairman and CEO: Richard W. Evans, Jr. Incorporated: Texas. Address: 100 W. Houston Street, San Antonio, Texas 78205. Telephone: (210) 220-4011. Internet: www.frostbank.com.

Cullen/Frost has been active on the acquisition front. Last month, it signed a definitive agreement to purchase Texas-based Summit Bank, for about $143 million in cash and 3.8 million shares of Cullen's common stock. Upon completion of the deal, each Summit shareholder will receive $11.50 and .2933 common shares of CFR. We view this addition as a positive for Cullen, since it will add over $1.1 billion in assets, and expand its market share in the high-growth Fort Worth area. This transaction is scheduled to be completed in the fourth quarter, and we estimate that Summit will add $0.03–$0.05 to share net in 2007, with greater gains being realized thereafter. However, since this deal still awaits shareholder and regulatory approval, it is not included in our financial presentation. Furthermore,

The company continues to seek additional purchases. It currently has over $550 million in cash, more than enough for several more acquisitions. In our view, CFR will continue to look for expansion opportunities in the growing Dallas, Houston, and San Antonio markets.

Cullen continues to generate healthy loan growth. In the June period, net loans increased by approximately 18%. The increase was mostly attributed to strong commercial loan operations. For the year, we estimate that net loans will advance by 10%–15%, since commercial lending activities should continue to perform well. However, looking towards the 2009–2011 period, we believe that annual net loan growth will slow to a mid-single-digit rate, since the housing market has been weak of late, and may well be less robust for a few more years.

These neutrally ranked shares are holding their own in a choppy market. Strong loan growth should lead to a share-net advance of almost 15% this year, which is providing support. However, long-term accounts may want to remain on the sidelines, since this issue already trades near the low end of our projected Target Price Range for the 2009–2011 period. That said, our earnings projections out to that timeframe may be enhanced if the company can complete the purchase of Summit Bank, and make additional acquisitions over the next few years.

Ian Gendler *August 25, 2006*

(A) Diluted earnings. Next earnings report due late Oct.
(B) Dividends historically paid mid-March, June, September, and December.
(C) In millions, adjusted for stock splits.
(D) Net interest margin for the quarter ended 6/30/06.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	100
Earnings Predictability	80

CURTISS-WRIGHT NYSE-CW

RECENT PRICE	28.40	P/E RATIO	15.4 (Trailing: 17.1 / Median: 14.0)	RELATIVE P/E RATIO	0.89	DIV'D YLD	0.9%	VALUE LINE

TIMELINESS 3 Lowered 5/6/05

SAFETY 3 Lowered 7/28/06

TECHNICAL 2 Raised 7/28/06

BETA .80 (1.00 = Market)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
High:	6.7	6.9	10.0	12.1	10.2	12.8	13.4	20.0	23.6	30.1	33.7	35.1
Low:	4.4	6.2	6.2	8.3	7.6	8.4	10.0	11.3	13.0	21.8	24.4	26.8

Target Price Range

2009 | 2010 | 2011

2009-11 PROJECTIONS

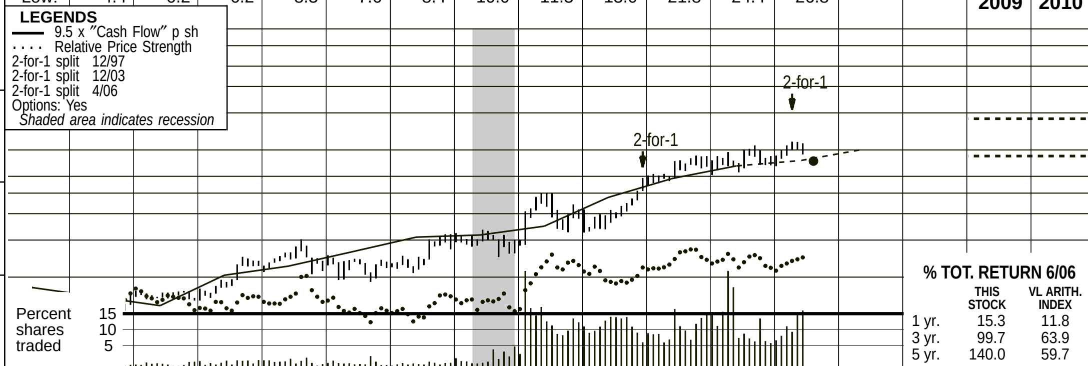
	Price	Gain	Ann'l Total Return
High	45	(+60%)	*13%*
Low	30	(+5%)	*3%*

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	1	1	0
to Sell	0	0	0	0	0	0	1	1	1

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	75	65	77
to Sell	61	73	59
Hld's(000)	31362	30500	24720



% TOT. RETURN 6/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	15.3	11.8
3 yr.	99.7	63.9
5 yr.	140.0	59.7

1990E	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
4.93	4.72	4.44	3.92	3.83	3.80	4.20	5.39	6.12	7.30	8.23	8.26	12.49	17.95	22.27	26.00	*27.85*	*30.00*	Sales per sh	*36.00*
.81	.79	.79	.63	.75	.68	.62	.86	.95	1.11	1.30	1.33	1.47	2.01	2.47	2.83	*3.00*	*3.40*	"Cash Flow" per sh	*4.20*
.52	.49	.49	.35	.48	.45	.40	.63	.71	.78	.93	.99	1.00	1.25	1.51	1.72	*1.85*	*2.15*	Earnings per sh A	*2.90*
.16	.13	.13	.13	.13	.13	.13	.13	.13	.13	.13	.14	.15	.16	.18	.20	*.24*	*.28*	Div'ds Decl'd per sh B■	*.40*
.29	.19	.17	.12	.11	.17	.35	.28	.26	.50	.24	.47	.85	.80	.76	.98	*1.10*	*1.10*	Cap'l Spending per sh	*1.15*
3.05	3.46	3.83	3.56	3.92	4.24	4.51	5.03	5.63	6.43	7.24	8.43	10.01	11.52	13.43	14.67	*16.20*	*18.10*	Book Value per sh C	*25.05*
40.34	40.49	40.49	40.49	40.49	40.62	40.65	40.70	40.76	40.16	40.07	41.53	41.09	41.57	42.88	43.49	*44.50*	*45.00*	Common Shs Outst'g D	*46.50*
6.7	7.9	7.7	12.7	9.0	11.7	16.6	12.7	13.9	11.6	10.9	11.9	15.8	13.2	17.2	16.6	*Bold figures are*		Avg Ann'l P/E Ratio	*13.5*
.50	.50	.47	.75	.59	.78	1.04	.73	.72	.66	.71	.61	.86	.75	.91	.89	*Value Line*		Relative P/E Ratio	*.90*
4.7%	3.2%	3.3%	2.8%	2.9%	2.4%	1.9%	1.6%	1.3%	1.4%	1.3%	1.1%	1.0%	1.0%	.7%	.7%	*estimates*		Avg Ann'l Div'd Yield	*1.1%*

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
170.5	219.4	249.4	293.3	329.6	343.2	513.3	746.1	955.0	1130.9	*1240*	*1350*	Sales ($mill)	*1675*
16.5%	19.3%	17.8%	17.8%	20.2%	17.2%	15.6%	16.2%	16.5%	16.3%	*16.4%*	*16.5%*	Operating Margin	*17.0%*
8.9	9.1	9.7	12.9	14.3	14.7	18.7	31.3	40.7	47.9	*50.0*	*54.0*	Depreciation ($mill)	*60.0*
16.1	25.9	29.1	31.7	37.9	40.6	41.6	52.3	65.1	75.3	*83.0*	*100*	Net Profit ($mill)	*135*
33.2%	32.7%	38.9%	43.4%	39.6%	35.8%	39.7%	37.8%	34.1%	36.4%	*37.0%*	*37.0%*	Income Tax Rate	*37.0%*
9.4%	11.8%	11.6%	10.8%	11.5%	11.8%	8.1%	7.0%	6.8%	6.7%	*6.7%*	*7.4%*	Net Profit Margin	*8.1%*
115.4	132.8	130.8	124.5	149.8	149.9	137.2	238.6	212.2	269.0	*360*	*435*	Working Cap'l ($mill)	*680*
10.3	10.3	20.2	34.2	24.7	21.4	119.0	224.2	340.9	364.0	*375*	*350*	Long-Term Debt ($mill)	*225*
183.4	204.9	229.6	258.4	290.2	350.0	411.2	478.9	575.6	638.2	*720*	*815*	Shr. Equity ($mill)	*1165*
8.4%	12.1%	11.7%	11.0%	12.2%	11.1%	8.0%	7.8%	7.8%	8.3%	*8.5%*	*9.0%*	Return on Total Cap'l	*10.0%*
8.8%	12.6%	12.7%	12.3%	13.1%	11.6%	10.1%	10.9%	11.3%	11.8%	*11.5%*	*12.0%*	Return on Shr. Equity	*12.0%*
6.0%	10.1%	10.3%	10.2%	11.3%	10.1%	8.6%	9.6%	10.0%	10.5%	*10.0%*	*10.5%*	Retained to Com Eq	*10.0%*
32%	20%	18%	17%	14%	13%	15%	12%	12%	11%	*13%*	*13%*	All Div'ds to Net Prof	*14%*

CAPITAL STRUCTURE as of 3/31/06
Total Debt $383.4 mill. **Due in 5 Yrs** $130.0 mill.
LT Debt $377.5 mill. **LT Interest** $15.0 mill.
(Estimated Total interest coverage: 8.9x)
(36% of Capital)

Leases, Uncapitalized Annual rentals $15.5 mill.
Pension Assets-12/05 $229.1 mill. **Oblig.** $137.5 mill.

Preferred Stock None
Common Stock 43,804,922 shares
as of 4/30/06
MARKET CAP: $1.2 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2004	2005	3/31/06
Cash Assets	41.0	59.0	39.7
Receivables	214.1	244.7	258.5
Inventory (Avg Cst)	116.0	146.3	166.9
Other	38.2	40.5	35.1
Current Assets	409.3	490.5	500.2
Accts Payable	65.4	80.5	72.6
Debt Due	1.6	.9	5.9
Other	130.1	140.1	116.4
Current Liab.	197.1	221.5	194.9

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	19.0%	25.0%	*8.5%*
"Cash Flow"	13.5%	17.0%	*9.5%*
Earnings	13.5%	13.0%	*11.5%*
Dividends	3.5%	6.5%	*14.5%*
Book Value	13.0%	15.5%	*11.5%*

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	179.9	182.9	189.6	193.7	746.1
2004	214.9	222.4	236.6	281.1	955.0
2005	258.5	283.2	271.3	317.9	1130.9
2006	282.6	*307.4*	*315*	*335*	*1240*
2007	*315*	*330*	*340*	*365*	*1350*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.34	.26	.30	.35	1.25
2004	.37	.34	.34	.46	1.51
2005	.34	.41	.40	.57	1.72
2006	.28	*.45*	*.46*	*.66*	*1.85*
2007	*.46*	*.49*	*.54*	*.66*	*2.15*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	- -	.038	.038	.075	.15
2003	- -	.038	.038	.083	.16
2004	- -	.045	.045	.09	.18
2005	- -	.045	.045	.105	.20
2006	- -	.06	.06		

BUSINESS: Curtiss-Wright Corporation provides engineered products and services to three industries: Flow Control (41% of '05 sales) provides highly-engineered flow-control products for military and commercial applications; Motion Control (41%) provides mechanical and drive systems, embedded computing solutions, and electronic controls and sensors for defense, aerospace, and industrial markets; Metal Treatment (18%) provides a variety of metal-improvement services. 2005 depreciation rate: 9.8%. Officers & directors own 1.1% of common; major shareholders, 29.1% (3/06 proxy). Has about 5,895 employees. Chairman & CEO: Martin R. Benante. Inc.: DE. Address: 4 Becker Farm Road, Roseland, NJ 07068. Telephone: 973-597-4700. Internet: www.curtisswright.com.

Curtiss-Wright likely got off to a slow start this year . . . Indeed, in the six months ended June 30th, it probably posted a slight share-earnings decline on a 9% revenue advance. Although sales and new order growth should have been strong, margins were likely squeezed some. Higher raw material and transportation costs seem to be the main culprits for the narrower operating margin. Interest rate increases associated with long-term debt refinancing and the inclusion of stock-based compensation expenses probably compressed operating and profit margins, as well.

. . . but the second half looks bright. The strong growth in new orders should give Curtiss-Wright some momentum heading into the rest of the year. In fact, the company's backlog is looking stronger than ever, with about half of the sales expected for the remainder of the year included in the recent figure. Good revenue gains appear on tap for the Flow Control segment due to the strength of the oil & gas and naval-defense markets. Increased repair and overhaul sales in the commercial aerospace market should be realized in the coming six months, too. Lastly, higher global shot-peening revenues in the commercial aerospace market, along with strong demand in the heat-treating business within the general industrial market, also augur well in the second half. All told, we look for a share-net gains of about 15% in both the September and December quarters.

We think 2007 will be another banner year. Curtiss-Wright ought to continue seeing increased demand for its new technologies, many of which are still at the beginning of their life cycles. The company is also progressing on developmental contracts that could provide substantial growth opportunities next year. Finally, the aerospace, defense, and oil & gas markets should remain somewhat robust in 2007. To sum, share earnings seem set to advance more than 15% over our 2006 figure.

These shares do not offer much investment appeal at this juncture. The stock is an average choice for the year ahead and offers below-average 3- to 5-year price appreciation potential.

Erik A. Antonson *July 28, 2006*

(A) Primary earnings through '96, then diluted. Excludes net nonrecurring: '90, d$.35; '91, 4¢; '92, 5¢; '93, d$.49; '94, d1¢; '97, 5¢; '99, 18¢; '00, d8¢; '01, $.54; '02, 9¢. Includes options expenses from '06. Next earnings report due late October. (B) Dividends historically paid in April, July, October, and December. ■ Dividend reinvestment plan available. (C) Includes intangibles. In '05: $546.4 million or $12.56 a share. (D) In millions, adjusted for stock splits. (E) Special dividend of $3.75 a share was paid 8/15/90.

Company's Financial Strength	B++
Stock's Price Stability	75
Price Growth Persistence	100
Earnings Predictability	100

CVS CORPORATION NYSE-CVS

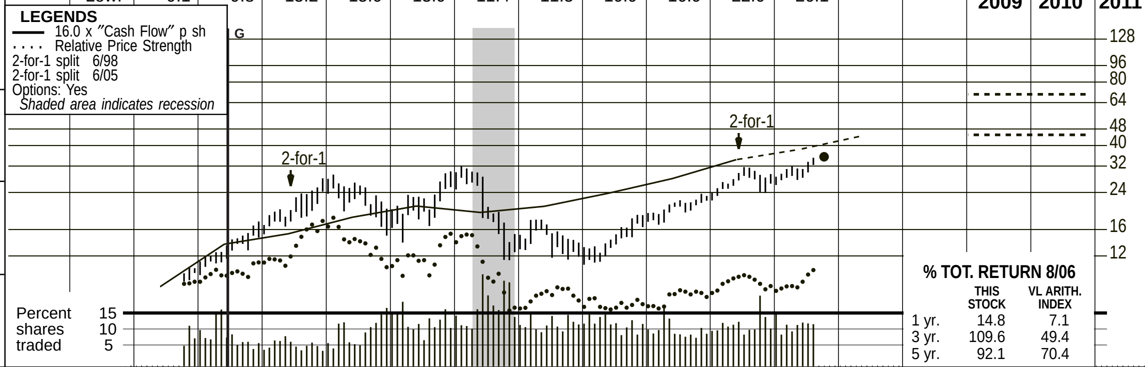
RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD
35.43	22.1 (Trailing: 23.6 / Median: 24.0)	1.26	0.5%

VALUE LINE

TIMELINESS 3 Lowered 9/3/04
SAFETY 3 New 1/10/97
TECHNICAL 3 Lowered 9/22/06
BETA .90 (1.00 = Market)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
High:	10.5	17.5	28.0	29.2	30.2	31.9	17.8	18.8	23.7	31.6	36.1
Low:	9.1	9.8	15.2	15.0	13.9	11.4	11.5	10.9	16.9	22.0	26.1

Target Price Range 2009 | 2010 | 2011



2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	70	(+100%)	19%
Low	45	(+25%)	7%

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	1	0	0	0	0	0	0	0	0

Institutional Decisions

	4Q2005	1Q2006	2Q2006
to Buy	399	354	381
to Sell	295	350	322
Hld's(000)	663852	655609	661570

% TOT. RETURN 8/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	14.8	7.1
3 yr.	109.6	49.4
5 yr.	92.1	70.4

"Consumer Value Stores" began as a health and beauty aids chain in '63. It grew to 17 stores in '64. The first pharmacy opened in '67. In '69, the chain was sold to Melville, which aggressively expanded the operation, and coupled that with an aggressive acquisition strategy that included Revco and Arbor Drug. Melville restructured in '95, and changed its name to CVS on 11/19/96.

1996	1997E	1998	1999	2000F	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
12.96	18.47	19.57	23.08	25.60	28.45	30.76	33.62	38.15	45.44	**53.05**	**59.70**	Sales per sh A	**73.95**
.54	.85	.96	1.15	1.30	1.21	1.29	1.49	1.75	2.28	**2.40**	**2.80**	"Cash Flow"per sh	**3.75**
.36	.54	.63	.78	.90	.78	.88	1.03	1.10	1.38	**1.52**	**1.85**	Earnings per sh B	**2.60**
.03	.11	.11	.12	.12	.12	.12	.12	.14	.14	**.15**	**.15**	Div'ds Decl'd per sh C■	**.18**
2.22	3.01	3.63	4.34	5.15	5.51	6.29	7.31	8.43	10.23	**11.90**	**13.75**	Book Value per sh	**20.30**
426.40	689.60	780.42	783.99	784.64	781.77	786.14	790.77	801.92	814.31	**823.00**	**825.00**	Common Shs Outst'g D	**825.00**
27.7	24.5	32.3	29.3	23.7	28.3	16.8	14.1	18.4	18.4	*Bold figures are*		Avg Ann'l P/E Ratio	**22.5**
1.74	1.41	1.68	1.67	1.54	1.45	.92	.80	.97	.96	*Value Line*		Relative P/E Ratio	**1.50**
.3%	.8%	.6%	.5%	.5%	.5%	.8%	.8%	.7%	.5%	*estimates*		Avg Ann'l Div'd Yield	**.3%**
5528.1	12738	15274	18098	20088	22241	24182	26588	30594	37006	**43675**	**49250**	Sales ($mill) A	**61000**
28.0%	27.6%	27.0%	26.9%	26.7%	25.6%	25.1%	25.8%	26.3%	26.8%	**27.0%**	**27.0%**	Gross Margin	**27.5%**
6.8%	7.4%	7.7%	7.8%	8.0%	6.5%	6.3%	6.6%	6.4%	7.1%	**7.0%**	**7.0%**	Operating Margin	**7.5%**
1408	3888	4122	4098	4133	4191	4087	4179	5375	5471	**6250**	**6600**	Number of Stores	**7200**
167.5	380.0	510.1	635.1	734.5	638.0	718.6	847.3	918.8	1172.1	**1285**	**1600**	Net Profit ($mill)	**2250**
40.6%	43.5%	41.3%	41.0%	40.0%	39.4%	38.0%	38.4%	34.2%	38.6%	**38.5%**	**38.5%**	Income Tax Rate	**38.5%**
3.0%	3.0%	3.3%	3.5%	3.7%	2.9%	3.0%	3.2%	3.0%	3.2%	**2.9%**	**3.3%**	Net Profit Margin	**3.7%**
790.8	830.0	1165.9	1718.1	1972.5	2388.2	2876.2	3007.3	3060.7	3808.8	**2000**	**2500**	Working Cap'l ($mill)	**3750**
303.7	272.6	275.7	558.5	536.8	810.4	1076.3	753.1	1925.9	1594.1	**3300**	**2300**	Long-Term Debt ($mill)	**1750**
1245.1	2361.4	3110.6	3679.7	4304.6	4566.9	5197.0	6021.8	6987.2	8331.2	**9800**	**11350**	Shr. Equity ($mill)	**16750**
11.7%	14.8%	15.4%	15.4%	15.6%	12.4%	11.8%	12.8%	10.6%	12.9%	**10.5%**	**12.0%**	Return on Total Cap'l	**12.5%**
13.5%	16.1%	16.4%	17.3%	17.1%	14.0%	13.8%	14.1%	13.1%	14.1%	**13.0%**	**14.0%**	Return on Shr. Equity	**13.5%**
11.3%	14.7%	14.4%	15.6%	15.6%	12.4%	12.4%	12.8%	11.8%	12.5%	**12.0%**	**13.0%**	Retained to Com Eq	**12.5%**
36%	20%	20%	16%	14%	16%	15%	12%	13%	11%	**10%**	**8%**	All Div'ds to Net Prof	**7%**

CAPITAL STRUCTURE as of 7/1/06
Total Debt $6289.5 mill. **Due in 5 Yrs** $6200.0 mill.
LT Debt $1780.2 mill. **LT Interest** $215.0 mill.
(Total interest coverage; 12.1x)
(16% of Cap'l)
Leases, Uncapitalized Annual rentals $1276.5 mill.
Pension Assets-1/05 $275.6 mill. **Oblig.** $421.2 mill.

Pfd Stock $220.7 mill. **Pfd Div'd** $14.0 mill.
Incl. 4.1 mill. ESOP cum. conv. shs. ($53.45 liquidating value.) Each conv. into 2.314 com. shs.
Common Stock 821,421,000 shs.
as of 8/3/06
MARKET CAP: $29.1 billion (Large Cap)

CURRENT POSITION ($MILL.)	2004	2005	7/1/06
Cash Assets	392.3	513.4	532.3
Receivables	1764.2	1839.6	2031.5
Inventory (FIFO)	5453.9	5719.8	6638.8
Other	309.1	319.9	347.1
Current Assets	7919.5	8392.7	9549.7
Accts Payable	2275.9	2467.5	2707.1
Debt Due	916.2	594.0	4509.3
Other	1666.7	1521.4	1415.7
Current Liab.	4858.8	4583.9	8632.1

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	- -	11.0%	11.0%
"Cash Flow"	- -	9.0%	13.0%
Earnings	- -	9.0%	14.0%
Dividends	- -	1.5%	5.5%
Book Value	- -	15.0%	15.5%

Cal-endar	QUARTERLY SALES ($ mill.) Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2003	6312	6444	6378	7452	26588
2004	6819	6943	7909	8923	30594
2005	9182	9121	8971	9732	37006
2006	9979	10561	**11235**	**11900**	**43675**
2007	**12100**	**12250**	**12125**	**12775**	**49250**

Cal-endar	EARNINGS PER SHARE B Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2003	.24	.25	.23	.31	1.03
2004	.30	.28	.22	.30	1.10
2005	.35	.33	.30	.41	1.38
2006	.39	.40	**.31**	**.42**	**1.52**
2007	**.47**	**.44**	**.41**	**.53**	**1.85**

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.029	.029	.029	.029	.12
2003	.029	.029	.029	.029	.12
2004	.033	.033	.033	.033	.13
2005	.036	.036	.036	.036	.14
2006	.0375	.0375	.0375		

BUSINESS: CVS Corporation is the nation's largest drug chain, in number of locations, with 5,471 drugstores (as of 12/05) in 36 states, mainly in Northeast, Mid-Atlantic, Southeast, and Midwest regions, and D.C. New stores avgerage about 11,500 square feet. Holds leading share in most of its markets. Major acqs. include Sav-On and Osco (6/06) and Eckerd (8/04). Pharmacy (Rx) contributes abt. 70% of sales; 3rd-party, about 94% of Rx sales. Its PharmaCare business covers over 30 million lives. Has about 145,500 employees, 12,000 shareholders. FMR Corp. owns 10.9% of common stock; Off: & Dir:, 1.7% (3/06 proxy). Chrmn., Pres. & CEO: Thomas M. Ryan. Inc.: DE. Address.: One CVS Drive, Woonsocket, RI 02895. Tele.: 401-765-1500. Web: www.cvs.com.

CVS continues to roll on . . . Indeed, the drug store chain posted second-quarter share earnings of $0.40, 22% higher than the year before. Sales increased roughly 16%, to $10.6 billion, thanks to the development of Medicare Part D and aggressive store expansion, while margins continued to benefit from strict cost management. Both front-end and pharmacy sales remained strong through August.

. . . and should be a major player out to late decade. The company is one of the nation's largest drug store chains in terms of stores, and is well positioned to post above-average earnings gains out to 2009-2011. Indeed, it continues to use an aggressive acquisition strategy to strengthen its position and grab market share in key areas of the country. During the second quarter, it completed the purchase of 701 Sav-On and Osco drugstores. The acquisition particularly strengthens CVS' position in California, a typically difficult and expensive area to enter.

However, there appear to be some speed bumps on the road. Although the aforementioned acquisition ought to be accretive long term, the integration of the stores is expected to be dilutive over the next few months. In fact, it will take time to bridge the performance gap between these underperforming units and existing CVS stores. Meanwhile, the financing of the deal creates some speculation, as well. In order to fund the purchase, CVS was forced to take on considerable debt. Such financing has resulted in much higher interest expense. Nevertheless, the company has more recently announced its intentions to buy MinuteClinic. Although CVS is a leader in retail-based health clinics, the bankrolling of this pending purchase would require additional financing, further pressuring profits. Consequently, we have reduced our second-half share-net estimates by a penny and our 2007 number by a nickel, to $1.85.

Still, we think that CVS shares are a strong investment option for more-patient investors. Although up 19% since our June review, the shares still hold above-average 3- to 5-year appreciation potential. The company's strong cash flow should enable it to bring debt back to more normal levels by decade's end.

Andre J. Costanza *September 29, 2006*

(A) Pro forma (CVS only) prior to 10/16/96. **(B)** From continuing oper.; based on avg. shrs. thru '96, diluted after. Excl. net nonrecurring items: '95, (60¢); '96, 34¢; '97, (95¢); '98, (28¢); '00, 3¢; '01, (56¢); '05 (7¢). Excl. extraordinary charge: '97, 5¢. May not add due to rounding. Next egs. report due late Oct. **(C)** Dividends are historically paid in early Feb., May, Aug., Nov. ■ Div'd reinvest. plan avail. **(D)** In mill., adj. for stock splits. **(E)** Pro forma for Revco. **(F)** Incl. Arbor, a/o 3/31/98. **(G)** Merged with Revco, 5/29/97.

Company's Financial Strength	A
Stock's Price Stability	65
Price Growth Persistence	55
Earnings Predictability	80

CYTEC INDS. NYSE-CYT

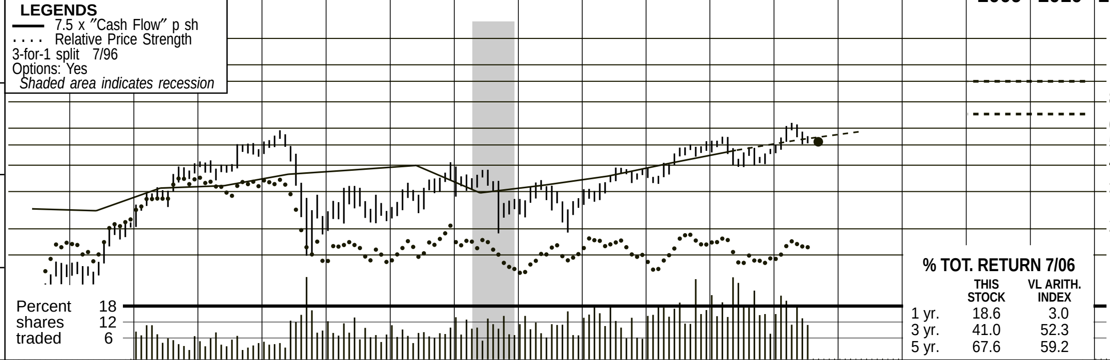
RECENT PRICE **51.70** | P/E RATIO **14.4** (Trailing: 16.8; Median: 15.0) | RELATIVE P/E RATIO **0.85** | DIV'D YLD **0.8%** | VALUE LINE

TIMELINESS **4** Lowered 5/12/06
SAFETY **3** New 11/28/97
TECHNICAL **2** Raised 7/21/06
BETA 1.15 (1.00 = Market)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
High:	21.4	40.9	50.9	58.6	31.9	41.3	39.5	34.0	38.9	51.9	54.6	63.7
Low:	10.6	20.4	33.9	14.9	19.5	22.4	19.0	19.2	26.0	32.7	39.3	45.6

Target Price Range
2009 | 2010 | 2011

LEGENDS
7.5 x "Cash Flow" p sh
.... Relative Price Strength
3-for-1 split 7/96
Options: Yes
Shaded area indicates recession



2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	100	(+95%)	18%
Low	70	(+35%)	9%

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	1	0	0	0	0	0
Options	0	0	1	4	0	4	3	0	1
to Sell	0	0	0	4	0	4	3	0	0

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	89	83	108
to Sell	95	78	72
Hld's(000)	36943	36597	37537

Percent shares traded 18 / 12 / 6

% TOT. RETURN 7/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	18.6	3.0
3 yr.	41.0	52.3
5 yr.	67.6	59.2

Cytec Industries, a former business unit of American Cyanamid, was formed and became an independent public company in December of 1993. At that time Cyanamid distributed all of Cytec's common stock to existing Cyanamid shareholders, retaining 100% of the preferred stock issued by Cytec. In 1995, Cytec repurchased all of its Series A cumulative adjustable preferred stock and Series B cumulative convertible preferred stock.

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
27.67	28.59	33.45	33.95	37.16	35.01	34.71	37.75	43.21	63.19	*70.75*	*74.20*	Sales per sh	*93.00*
4.15	4.26	4.84	5.06	5.32	3.95	4.29	4.73	5.48	6.29	*7.05*	*7.75*	"Cash Flow" per sh	*11.60*
2.01	2.31	2.62	2.60	2.85	1.71	2.04	2.27	2.91	3.07	*3.60*	*4.10*	Earnings per sh A	*7.10*
--	--	--	--	--	--	--	--	.40	.40	*.40*	*.40*	Div'ds Decl'd per sh	*.40*
1.59	2.03	2.40	1.86	1.90	1.61	1.60	2.41	2.24	2.27	*2.25*	*3.00*	Cap'l Spending per sh	*3.60*
6.90	8.58	9.98	12.15	15.34	16.07	16.06	19.37	22.76	26.74	*29.80*	*32.25*	Book Value per sh	*40.30*
45.52	45.14	43.19	41.61	40.17	39.62	38.78	38.99	39.83	46.30	*47.00*	*46.50*	Common Shs Outst'g B	*43.00*
15.5	18.2	14.6	9.7	10.5	18.3	13.4	14.8	14.6	15.0	*Bold figures are*		Avg Ann'l P/E Ratio	*12.0*
.97	1.05	.76	.55	.68	.94	.73	.84	.77	.80	*Value Line*		Relative P/E Ratio	*.80*
--	--	--	--	--	--	--	--	.9%	.9%	*estimates*		Avg Ann'l Div'd Yield	*.5%*
1259.6	1290.6	1444.5	1412.5	1492.5	1387.1	1346.2	1471.8	1721.3	2925.7	*3325*	*3450*	Sales ($mill)	*4000*
17.9%	15.3%	18.9%	20.6%	18.3%	15.6%	16.2%	16.2%	16.0%	12.9%	*14.0%*	*15.0%*	Operating Margin	*16.5%*
89.0	78.8	87.2	95.1	96.6	90.3	83.7	93.6	98.8	149.8	*160*	*165*	Depreciation ($mill)	*180*
100.1	113.6	121.9	115.5	117.0	66.2	82.5	91.0	119.5	141.4	*170*	*195*	Net Profit ($mill)	*320*
40.0%	24.1%	37.0%	35.1%	32.6%	34.5%	33.6%	28.0%	31.7%	51.7%	*27.5%*	*27.5%*	Income Tax Rate	*27.5%*
7.9%	8.8%	8.4%	8.2%	7.8%	4.8%	6.1%	6.2%	6.9%	4.8%	*5.2%*	*5.7%*	Net Profit Margin	*8.0%*
103.5	77.8	83.2	125.0	208.9	227.9	174.0	374.9	408.1	496.7	*625*	*650*	Working Cap'l ($mill)	*700*
89.0	324.0	419.5	422.5	311.2	314.7	216.0	416.2	300.1	1225.5	*1175*	*1150*	Long-Term Debt ($mill)	*1075*
314.4	387.4	431.0	505.8	616.2	636.9	622.9	755.4	906.5	1238.1	*1400*	*1500*	Shr. Equity ($mill)	*1725*
25.3%	16.4%	15.6%	13.9%	14.0%	8.0%	10.8%	8.5%	10.6%	7.4%	*8.0%*	*8.5%*	Return on Total Cap'l	*12.5%*
31.8%	29.3%	28.3%	22.8%	19.0%	10.4%	13.3%	12.0%	13.2%	11.4%	*12.5%*	*13.0%*	Return on Shr. Equity	*18.5%*
31.8%	29.3%	28.3%	22.8%	19.0%	10.4%	13.3%	12.0%	11.5%	10.0%	*11.0%*	*12.0%*	Retained to Com Eq	*17.5%*
--	--	--	--	--	--	--	--	13%	13%	*11%*	*10%*	All Div'ds to Net Prof	*6%*

CAPITAL STRUCTURE as of 6/30/06
Total Debt $1219.6 mill. **Due in 5 Yrs** $805.0 mill.
LT Debt $1178.8 mill. **LT Interest** $55.0 mill.
(48% of Cap'l)

Leases, Uncapitalized Annual rentals $13.6 mill.

Pension Assets-12/05 $554.7 mill.
Oblig. $830.5 mill.

Common Stock 47,180,240 shs.
MARKET CAP: $2.4 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2004	2005	6/30/06
Cash Assets	323.8	68.6	41.4
Receivables	248.2	493.8	568.5
Inventory (FIFO)	222.1	446.6	468.2
Other	110.7	113.6	107.8
Current Assets	904.8	1122.6	1185.9
Accts Payable	138.1	278.6	304.4
Debt Due	297.1	85.5	40.8
Other	61.5	261.8	240.2
Current Liab.	496.7	625.9	585.4

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	6.0%	6.5%	11.5%
"Cash Flow"	29.5%	1.5%	13.5%
Earnings	--	.5%	17.0%
Dividends	--	--	7.0%
Book Value	21.5%	13.0%	10.0%

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	367.4	374.9	367.7	361.8	1471.8
2004	415.2	422.0	433.5	450.6	1721.3
2005	564.0	813.4	760.8	787.5	2925.7
2006	819.4	853.1	*830*	*822.5*	*3325*
2007	*835*	*860*	*870*	*885*	*3450*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.73	.64	.55	.33	2.27
2004	.78	.79	.66	.68	2.91
2005	.88	.91	.72	.56	3.07
2006	.79	1.00	*.90*	*.91*	*3.60*
2007	*.95*	*1.00*	*1.05*	*1.10*	*4.10*

Cal-endar	QUARTERLY DIVIDENDS PAID C Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	--	--	--	--	--
2003	--	--	--	--	--
2004	.10	.10	.10	.10	.40
2005	.10	.10	.10	.10	.40
2006	.10	.10			

BUSINESS: Cytec Industries, Inc. is an industrial chemicals manufacturer of value-added specialty products. Surface Specialties (46% of '05 sales) consists of coatings and resin products. Performance Chemicals (28%) includes water water-treating and mining chemicals, and polymer additives. Engineered Materials (17%) primarily includes advanced composites and film adhesives. Building Block Chemicals (9%) includes acrylonitrile and melamine. '05 depreciation rate: 7.3%. Has about 7,300 employees, 8,900 stkhldrs. Off. & Dir. own 6.3% of com. shs.; UCB S.A@ 12.5%: Wellington Mgmt., 7.6%. (3/06 proxy). Chairman, Pres. & CEO: David Lilley. Inc.: DE. Address: Five Garrett Mountain Plaza, West Paterson, NJ 07424. Tel.: (973) 357-3100. Internet: www.cytec.com.

Cytec Industries should be able to maintain good profit momentum in the remainder of 2006. Quarterly earnings returned to the positive side with a 10% advance in the June period, as sales increased 5%. For the most part, we look for the industrial chemicals manufacturer to benefit from continued strength in such markets as mining and aerospace. The latter remains particularly strong, thanks to rising demand for commercial, business, and military aircraft. Also, because Cytec's advanced carbon composites can be used to replace metal, and thus help make planes lighter, it's putting more content into each plane. Relatedly, the company is expanding its capacity to make carbon fiber, which is used to reinforce advanced composites. Overall, we look for earnings growth in the range of 15%–20% in 2006, moderating to 10%–15% next year.

The company is fine-tuning its portfolio. As part of a recently announced strategic and operational plan, Cytec will be selling its water treatment chemicals and acrylamide product lines for about $240 million in cash. These businesses generate about $300 million in sales, but the company lacks the presence to be competitive in that sector. The $200 million in estimated aftertax proceeds will go toward reducing debt and investing in the company's growth businesses. Although the deal will be about $0.04 and $0.15 dilutive to 2006 and 2007 share earnings, respectively, savings from restructuring actions being taken this year should provide an approximate offset.

Recovering raw material cost increases continues to be an issue, particularly in the case of crude oil, which impacts the cost of propylene and its derivatives. The company is working to preserve margins by selectively raising prices. The aforementioned restructuring and debt reduction plans are also helping, as is an ongoing focus on manufacturing efficiency and cost control

The stock's recent performance has continued to lag that of the broader market, and the issue remains ranked below average (4) for the year ahead. However, based on our earnings-growth projections, the shares hold good appreciation potential out to 2009–2011.

Mario Ferro *August 18, 2006*

(A) Based on primary earnings through Dec. '97, diluted thereafter. Excludes net nonrecurring gains/(charges): '97, 32¢; '98, 6¢; '99, 14¢; '00, $1.30; '02, (8¢); '04, (7¢); '05, ($1.80). Excl. disc. ops.;'05, 2¢. Earnings may not sum due to rounding. Next earnings report due late October.
(B) In millions, adjusted for stock split.
(C) Quarterly dividend, initiated 2/04, paid in late Feb., May., Aug., and Nov.

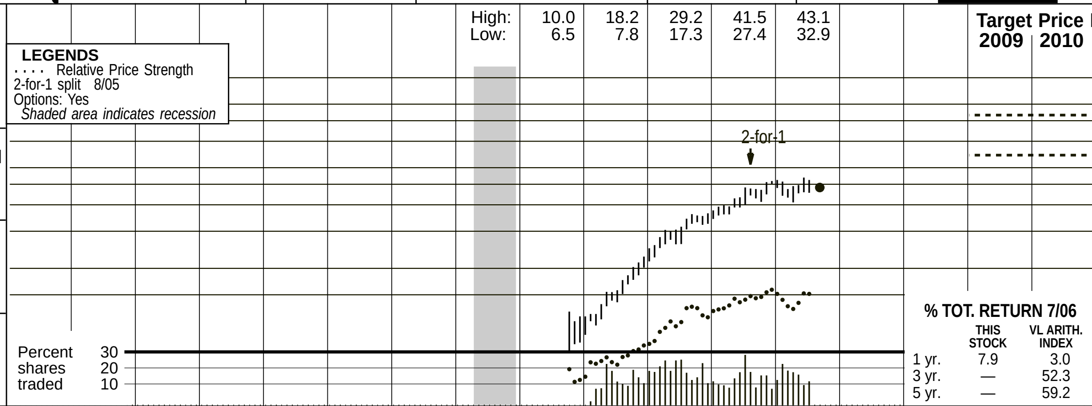
Company's Financial Strength	B+
Stock's Price Stability	60
Price Growth Persistence	45
Earnings Predictability	70

DADE BEHRING NDQ-DADE

RECENT PRICE **38.68** | P/E RATIO **23.6** (Trailing: 24.8 Median: NMF) | RELATIVE P/E RATIO **1.40** | DIV'D YLD **0.6%** | VALUE LINE

TIMELINESS **3** Lowered 3/17/06
SAFETY **3** New 6/3/05
TECHNICAL **3** Raised 7/28/06
BETA .90 (1.00 = Market)

	2002	2003	2004	2005	2006
High:	10.0	18.2	29.2	41.5	43.1
Low:	6.5	7.8	17.3	27.4	32.9



Target Price Range 2009 | 2010 | 2011

2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	85	(+120%)	22%
Low	55	(+40%)	10%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	2	1	2	4	1	0	2	0	0
to Sell	2	2	2	4	1	0	2	0	1

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	96	100	116
to Sell	90	87	94
Hld's(000)	84116	84190	81135

% TOT. RETURN 7/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	7.9	3.0
3 yr.	—	52.3
5 yr.	—	59.2

Dade Behring Holdings, Inc. filed for bankruptcy protection under Chapter 11 on August 1, 2002. Under the terms of the reorganization, all existing equity was canceled and about $678.2 million of debt was exchanged for 40,000,000 shares of common stock in the reorganized company. New senior notes of $315.3 million were also issued. The company emerged from bankruptcy protection on October 3, 2002.

1996	1997	1998	1999	2000	2001	2002^D	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
- -	- -	- -	- -	- -	- -	4.35	17.34	17.85	18.84	*20.15*	*21.50*	Sales per sh	*25.90*
- -	- -	- -	- -	- -	- -	d.23	2.23	2.66	3.34	*3.50*	*3.85*	"Cash Flow" per sh	*5.30*
- -	- -	- -	- -	- -	- -	d.61	.58	.88	1.43	*1.60*	*1.80*	Earnings per sh A	*2.55*
- -	- -	- -	- -	- -	- -	- -	- -	- -	.09	*.20*	*.28*	Div'ds Decl'd per sh	*.56*
- -	- -	- -	- -	- -	- -	.45	1.36	1.51	1.69	*2.00*	*2.10*	Cap'l Spending per sh	*2.70*
- -	- -	- -	- -	- -	- -	7.36	8.41	9.67	10.32	*10.40*	*11.45*	Book Value per sh B	*15.60*
- -	- -	- -	- -	- -	- -	79.86	82.82	87.39	88.03	*85.75*	*85.25*	Common Shs Outst'g C	*84.00*
- -	- -	- -	- -	- -	- -	- -	21.7	27.2	23.8	*Bold figures are*		Avg Ann'l P/E Ratio	*27.0*
- -	- -	- -	- -	- -	- -	- -	1.24	1.44	1.27	*Value Line*		Relative P/E Ratio	*1.80*
- -	- -	- -	- -	- -	- -	- -	- -	- -	.3%	*estimates*		Avg Ann'l Div'd Yield	*.9%*
- -	- -	- -	- -	- -	- -	347.1	1436.4	1559.8	1658.1	*1730*	*1835*	Sales ($mill)	*2175*
- -	- -	- -	- -	- -	- -	NMF	19.7%	22.1%	23.5%	*22.8%*	*23.4%*	Operating Margin	*26.5%*
- -	- -	- -	- -	- -	- -	30.3	136.7	152.8	163.0	*160*	*175*	Depreciation ($mill)	*225*
- -	- -	- -	- -	- -	- -	d48.6	48.1	79.9	130.9	*140*	*160*	Net Profit ($mill)	*220*
- -	- -	- -	- -	- -	- -	- -	35.3%	33.6%	33.6%	*34.0%*	*34.5%*	Income Tax Rate	*35.0%*
- -	- -	- -	- -	- -	- -	NMF	3.3%	5.1%	7.9%	*8.1%*	*8.7%*	Net Profit Margin	*10.1%*
- -	- -	- -	- -	- -	- -	210.3	218.1	174.8	264.3	*270*	*345*	Working Cap'l ($mill)	*660*
- -	- -	- -	- -	- -	- -	760.7	643.4	433.6	386.0	*420*	*420*	Long-Term Debt ($mill)	*435*
- -	- -	- -	- -	- -	- -	588.1	696.3	845.2	908.4	*890*	*975*	Shr. Equity ($mill)	*1310*
- -	- -	- -	- -	- -	- -	NMF	6.5%	8.8%	11.4%	*11.5%*	*12.0%*	Return on Total Cap'l	*13.5%*
- -	- -	- -	- -	- -	- -	NMF	6.9%	9.5%	14.4%	*16.0%*	*16.0%*	Return on Shr. Equity	*17.0%*
- -	- -	- -	- -	- -	- -	NMF	6.9%	9.5%	13.5%	*14.0%*	*13.5%*	Retained to Com Eq	*13.0%*
- -	- -	- -	- -	- -	- -	- -	- -	- -	6%	*12%*	*15%*	All Div'ds to Net Prof	*21%*

CAPITAL STRUCTURE as of 6/30/06
Total Debt $427.9 mill. **Due in 5 Yrs** $400.0 mill.
LT Debt $418.6 mill. **LT Interest** $35.0 mill.
(LT interest earned: 6.8x; total interest coverage: 6.6x) (32% of Capital)

Leases, Uncapitalized Annual rentals $34.5 mill.
Pension Assets-12/05 $203.5 mill. **Oblig.** $342.1 mill.

Preferred Stock None
Common Stock 85,937,518 shares as of 7/31/06

MARKET CAP: $3.3 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2004	2005	6/30/06
Cash Assets	30.0	34.6	23.4
Receivables	318.1	315.7	355.2
Inventory (FIFO)	168.8	165.0	187.2
Other	22.9	78.7	73.3
Current Assets	539.8	594.0	639.1
Accts Payable	81.5	75.4	68.0
Debt Due	8.6	5.5	9.3
Other	274.9	248.8	249.2
Current Liab.	365.0	329.7	326.5

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	- -	- -	6.0%
"Cash Flow"	- -	- -	12.0%
Earnings	- -	- -	18.0%
Dividends	- -	- -	NMF
Book Value	- -	- -	8.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	342.7	361.7	340.4	391.6	1436.4
2004	381.8	388.6	369.4	420.0	1559.8
2005	412.9	423.5	400.9	420.8	1658.1
2006	415.7	444.5	*419.8*	*450*	*1730*
2007	*450*	*470*	*445*	*470*	*1835*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.13	.18	.12	.15	.58
2004	.19	.24	.19	.26	.88
2005	.27	.41	.37	.38	1.43
2006	.38	.43	*.38*	*.41*	*1.60*
2007	*.42*	*.50*	*.43*	*.45*	*1.80*

Cal-endar	QUARTERLY DIVIDENDS PAID Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	- -	- -	- -	- -	- -
2003	- -	- -	- -	- -	- -
2004	- -	- -	- -	- -	- -
2005	- -	.03	.03	.03	.09
2006	.05	.05			

BUSINESS: Dade Behring Holdings, Inc. is a leading manufacturer and distributor of diagnostic products and services to clinical laboratories. Serves about $12 billion of the $27 billion a year worldwide market. Diagnostic products and services include: medical diagnostic instruments, reagents and consumables, and maintenance services. 2005 depreciation rate: 23.5%. 2005 R&D: 8.5% of sales. Has about 6,300 employees. Officers and directors own 2.7% of common; Morgan Stanley, 8.5%; JGD, 7.2%; AXA, 6.1%; Janus Capital, 5.5% (4/06 proxy). Chairman, President & CEO: James P. Reid-Anderson. Inc.: Delaware. Address: 1717 Deerfield Road, Deerfield, Illinois, 60015. Telephone: (847) 267-5300. Internet: www.dadebehring.com.

Dade Behring Holdings is having a good year. Sales of the *Dimension* line of products continue to fuel the company's growth. The performance of the hemostasis and *MicroScan* product lines was also strong. In fact, the installed base of instruments climbed about 7.5% since this time last year. Moreover, Dade's recent results are even more noteworthy, given the reimbursement challenges it faces in Germany and Japan. All told, we think Dade is well positioned in this market to gain new customers and drive top- and bottom-line gains. Share earnings should approximate $1.60 this year on revenues of about $1.7 million.

The company is buying back stock. During the second quarter, Dade repurchased about $57 million worth of its shares. Year to date, it has spent well over $120 million on buybacks, reducing its stock float by just over two million shares. This will likely benefit share earnings a bit this year. Looking ahead, the company will probably continue using the current authorization to offset the increasing number of exercised options and limit the stock float.

Dade remains on track to commercialize the *Dimension Vista* in late October. Dade is currently working on software enhancements, system-verification testing, service- and training-procedure development, etc. Also, while the company has clearances for a bit more than 50 tests, it thinks it will be able to roll out the system with a menu of about 85 tests. Once launched, Dade will ship only a limited number of analyzers to a small number of sites in the upcoming December and March quarters. The full-scale rollout is planned for the second quarter of next year. The *Dimension Vista* will likely become the key growth driver for the company over the pull to 2009-2011.

Dade stock offers worthwhile 3- to 5-year price appreciation potential. We expect the company to record good top- and bottom-line advances out to late decade. The likelihood of an increased dividend and further share repurchases also augurs well for long-term total-return potential. Meanwhile, we rank this equity in the middle of the pack for year-ahead relative price performance (Timeliness: 3).

Erik A. Antonson *September 1, 2006*

(A) Diluted earnings. Quarterly share earnings may not sum. Excludes nonrecurring loss: '05, 7¢. Includes options expenses from '06. Next earnings report due late October.
(B) Includes intangibles: In '05: $544.7 million or $6.19 a share.
(C) In millions, adjusted for split.
(D) Fiscal 2002 contains less than 3 months of data.

Company's Financial Strength	B+
Stock's Price Stability	70
Price Growth Persistence	NMF
Earnings Predictability	NMF

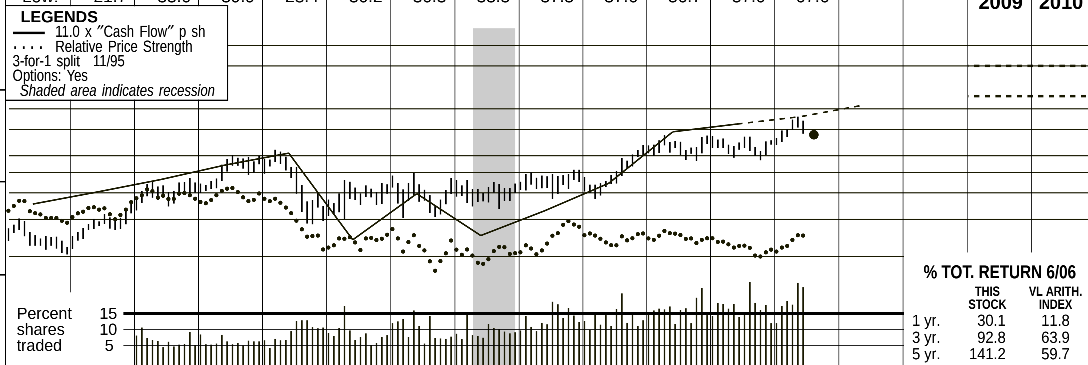
DEERE & CO. NYSE-DE

RECENT PRICE **75.47** | P/E RATIO **12.1** (Trailing: 13.3; Median: 16.0) | RELATIVE P/E RATIO **0.70** | DIV'D YLD **2.1%** | VALUE LINE

TIMELINESS 3 Raised 2/24/06
SAFETY 2 Raised 1/28/05
TECHNICAL 2 Raised 6/23/06
BETA 1.05 (1.00 = Market)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
High:	36.0	47.1	60.5	64.1	45.9	49.6	46.1	51.6	67.4	74.9	74.4	92.0
Low:	21.7	33.0	39.9	28.4	30.2	30.3	33.5	37.5	37.6	56.7	57.0	67.6

Target Price Range 2009 | 2010 | 2011



2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	160	(+110%)	22%
Low	115	(+50%)	13%

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	0	0	0
Options	1	0	0	1	0	6	1	4	4
to Sell	0	0	1	0	0	6	1	4	5

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	252	217	214
to Sell	224	241	234
Hld's(000)	185932	187037	188300

% TOT. RETURN 6/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	30.1	11.8
3 yr.	92.8	63.9
5 yr.	141.2	59.7

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
29.69	25.57	25.00	25.26	29.56	33.71	37.47	44.27	51.34	41.50	47.62	46.67	48.99	54.82	71.59	81.91	**86.30**	**95.50**	Sales per sh A	**118.00**
2.62	.91	1.17	1.57	3.22	3.67	4.21	4.92	5.61	2.18	3.60	2.28	2.99	4.04	7.08	7.70	**8.35**	**9.50**	"Cash Flow" per sh	**12.30**
1.81	.06	.16	.73	2.34	2.71	3.14	3.78	4.16	1.02	2.06	.64	1.33	2.64	5.48	5.87	**6.20**	**7.15**	Earnings per sh B	**9.15**
.67	.67	.67	.67	.68	.75	.80	.80	.88	.88	.88	.88	.88	.88	1.06	1.21	**1.56**	**1.56**	Div'ds Decl'd per sh C ■	**1.90**
1.44	1.35	1.34	.89	.83	.93	1.00	1.89	1.81	1.30	1.77	2.05	1.48	1.25	1.40	1.97	**2.30**	**2.50**	Cap'l Spending per sh	**2.80**
13.17	12.40	11.58	8.13	9.87	11.78	13.83	16.57	17.56	17.51	18.34	16.82	13.24	16.43	25.90	28.93	**31.75**	**36.70**	Book Value per sh D	**56.00**
228.32	228.70	228.96	256.51	259.26	261.97	257.27	250.29	232.31	233.76	234.56	237.33	238.89	243.52	246.86	236.87	**230.00**	**220.00**	Common Shs Outst'g E	**195.00**
11.8	NMF	93.8	26.3	10.6	9.8	12.3	12.9	11.9	36.8	19.0	62.9	33.5	17.9	11.8	11.4	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	**15.0**
.88	NMF	5.69	1.55	.70	.66	.77	.74	.62	2.10	1.24	3.22	1.83	1.02	.62	.60			Relative P/E Ratio	**1.00**
3.1%	3.9%	4.4%	3.5%	2.8%	2.8%	2.1%	1.6%	1.8%	2.3%	2.3%	2.2%	2.0%	1.9%	1.6%	1.8%			Avg Ann'l Div'd Yield	**1.4%**
						9640.0	11082	11926	9701.2	11169	11077	11703	13349	17673	19401	**19850**	**21000**	Sales ($mill) A	**23000**
						12.8%	13.6%	13.2%	3.8%	7.9%	4.8%	6.9%	7.9%	12.4%	11.1%	**12.0%**	**12.5%**	Operating Margin	**12.5%**
						264.9	272.0	282.6	269.9	359.0	389.5	394.8	341.6	362.7	377.4	**470**	**485**	Depreciation ($mill)	**525**
						817.3	960.1	1021.4	239.2	485.5	152.6	319.2	643.1	1384.1	1446.8	**1455**	**1610**	Net Profit ($mill)	**1875**
						38.0%	36.8%	35.5%	49.4%	38.5%	NMF	57.1%	34.7%	33.4%	32.5%	**35.0%**	**35.0%**	Income Tax Rate	**35.0%**
						8.5%	8.7%	8.6%	2.5%	4.3%	1.4%	2.7%	4.8%	7.8%	7.5%	**7.3%**	**7.7%**	Net Profit Margin	**8.2%**
						2355.1	2400.8	1853.7	2558.1	2786.4	1709.4	2920.8	3135.3	3661.1	2970.7	**3275**	**3225**	Working Cap'l ($mill)	**3900**
						625.9	539.9	552.9	1036.1	1717.7	2210.2	2988.8	2727.5	2728.5	2423.4	**2300**	**2100**	Long-Term Debt ($mill)	**1200**
						3557.2	4147.2	4079.8	4094.3	4301.9	3992.2	3163.2	4002.1	6392.8	6851.5	**7525**	**8075**	Shr. Equity ($mill)	**10950**
						20.2%	21.0%	22.5%	5.3%	9.1%	3.5%	6.3%	10.7%	16.0%	16.5%	**15.5%**	**16.0%**	Return on Total Cap'l	**16.0%**
						23.0%	23.2%	25.0%	5.8%	11.3%	3.8%	10.1%	16.1%	21.7%	21.1%	**19.5%**	**20.0%**	Return on Shr. Equity	**17.0%**
						17.1%	18.2%	19.8%	.8%	6.5%	NMF	3.5%	10.8%	17.8%	16.9%	**14.5%**	**15.5%**	Retained to Com Eq	**13.5%**
						26%	21%	21%	86%	42%	NMF	65%	33%	18%	20%	**25%**	**22%**	All Div'ds to Net Prof	**20%**

CAPITAL STRUCTURE as of 4/30/06
Total Debt $2205 mill. **Due in 5 Yrs** $1000 mill.
LT Debt $1961 mill. **LT Interest** $137 mill.
Excl. unconsol. debt of subs.: LT, $9519 mill.; ST, $7340 mill. (Total interest coverage: 9.2x; LT earned: 13.6x) (21% of Cap'l)

Leases, Uncapitalized Annual rentals $93 mill.
Pension Assets-10/05 $8.3 bill. **Oblig.** $8.5 bill.
Pfd Stock None

Common Stock 235,271,079 shs.

Market Cap: $17.8 billion (Large Cap)

CURRENT POSITION F ($MILL.)	4/04	4/05	4/06
Cash Assets	2868	2964	993
Receivables	1009	2408	1649
Inventory (LIFO)	2226	2890	2712
Other	1451	228	1960
Current Assets	7554	8490	7314
Accts Payable	3366	4107	4056
Debt Due	599	551	244
Other	335	337	401
Current Liab.	4300	4995	4701

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	9.0%	8.0%	9.0%
"Cash Flow"	8.5%	10.5%	12.0%
Earnings	9.5%	14.0%	12.0%
Dividends	4.0%	3.5%	10.5%
Book Value	9.0%	6.0%	15.5%

Fiscal Year Ends	QUARTERLY SALES ($ mill.) A Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2003	2274	3867	3833	3375	13349
2004	2912	5296	4854	4611	17673
2005	3526	6020	5370	4485	19401
2006	3692	6029	**5429**	**4700**	**19850**
2007	**3800**	**6450**	**5800**	**4950**	**21000**

Fiscal Year Ends	EARNINGS PER SHARE AB Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2003	.28	1.07	1.02	.27	2.64
2004	.60	1.88	1.58	1.42	5.48
2005	.89	2.43	1.59	.96	5.87
2006	.94	2.17	**1.80**	**1.29**	**6.20**
2007	**1.10**	**2.50**	**2.05**	**1.50**	**7.15**

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.22	.22	.22	.22	.88
2003	.22	.22	.22	.22	.88
2004	.22	.28	.28	.28	1.06
2005	.28	.31	.31	.31	1.21
2006	.39	.39			

BUSINESS: Deere & Co. is the largest manufacturer of farm equipment in the world. Also makes a broad range of industrial equip., primarily used by the construction & forestry industries. Consumer products include lawn & garden tractors and outdoor power equip. Overseas sales: about 28% of revenues. Has plants in the United States, Canada, France, Germany, Mexico, South Africa, Argentina, and Spain. Affiliates in Australia, Brazil, Mexico, and U.S. R&D, 3.5%. 2005 deprec. rate: 5.9%. Has 47,400 empls., 31,250 stkhldrs. Capital Research & Mgmt. Co. holds 9.3%; Lord Abbett, 5.9%; off./dir. control less than 1% of stock (1/06 Proxy). Chrmn., Pres. & CEO: Robert W. Lane. Inc.: DE. Address: John Deere Rd., Moline, IL 61265. Tel.: 309-765-8000. Internet: www.deere.com.

Deere's April-quarter share earnings were well below our estimate. (Fiscal years end October 31st.) This partly reflected somewhat weaker sales than we had looked for. In addition, the Agricultural Equipment (Ag) division's operating profitability was narrowed by 230 basis points, in the important early spring period, by the production cutbacks instituted to reduce inventories at both the corporate and dealer levels.

But we've made only a small cut in our earnings estimate for the current fiscal year. That's in line with company guidance, which looks for good gains throughout the year for the other segments. Both of the other major operations' sales are less skewed by quarterly variations than Ag. We've also reduced our fiscal 2007 earnings estimate a bit.

The stock-repurchase plan is proceeding full steam, although heavy option exercising in the second period sent shares outstanding up slightly. In fact, in the first six months, Deere spent $566 million to reacquire 7.7 million shares. Inasmuch as the company is a strong generator of excess "Cash Flow", and its current repurchase authorization had nearly 20 million shares to go at April 30th, we think the program will continue.

These shares have been quite weak since our April report. That probably reflects a combination of the general market malaise and the weak April-quarter earnings report. In addition, the fact that Deere serves markets that have been very volatile in the past probably makes some investors quick to sell at the first sign of an earnings disappointment and/or of economic sluggishness. In fact, higher fuel and fertilizer prices and farmer fears about the 2007 Farm Bill are clearly making some Ag-equipment buyers cautious. But farmers are benefiting from the increasing use of corn in the production of ethanol fuel. In fact, the U.S. Department of Agriculture estimates that ethanol production will consume 2.15 billion bushels of the 2006/2007 corn crop, up 550 million bushels from the year before. In summing up, we look for a good bottom-line gain in fiscal 2006, with a further pickup next year. Meanwhile, these shares have wide 3- to 5-year appreciation potential.

Morton L. Siegel *July 28, 2006*

(A) Fiscal year ends Oct. 31st.
(B) Primary egs. thru 1997, then diluted. Excl. nonrecur. gains (losses): '91, (15¢); '93, ($4.70); '98, 42¢; '01, (91¢); '04, 9¢; '06, $1.00. Finance and insurance subs. incl. on equity basis. Next earnings report due mid-Aug.
(C) Dividends historically paid on first business day in Feb., May, Aug., Nov. ■ Div'd reinv. plan avail.
(D) Incl. intang. In 2005: $1107 mill., $4.67/sh.
(E) In millions, adjusted for stock split.
(F) *Value Line* Classification.

Company's Financial Strength	A
Stock's Price Stability	80
Price Growth Persistence	55
Earnings Predictability	35

DELPHI FINL GROUP NYSE-DFG

RECENT PRICE	35.05	P/E RATIO	12.7 (Trailing: 14.0 / Median: 12.0)	RELATIVE P/E RATIO	0.73	DIV'D YLD	0.9%	VALUE LINE

TIMELINESS 3 Raised 2/17/06
SAFETY 3 New 1/29/99
TECHNICAL 3 Raised 6/16/06
BETA .95 (1.00 = Market)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
High:	8.0	11.9	18.8	26.4	24.8	18.8	18.8	20.1	24.6	31.7	33.0	36.6
Low:	5.4	7.1	11.8	13.5	11.7	10.2	11.8	14.6	14.5	24.0	26.0	30.4

Target Price Range 2009 | 2010 | 2011

2009-11 PROJECTIONS

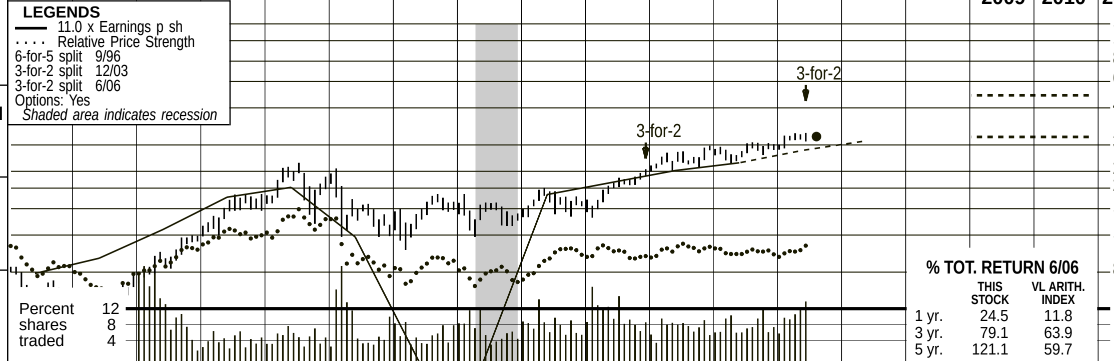
	Price	Gain	Ann'l Total Return
High	55	(+55%)	13%
Low	35	(Nil)	1%

Insider Decisions

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

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	72	71	78
to Sell	75	68	62
Hld's(000)	37372	37618	37575



% TOT. RETURN 6/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	24.5	11.8
3 yr.	79.1	63.9
5 yr.	121.1	59.7

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
5.73	6.33	7.06	6.89	7.08	7.45	7.52	7.78	8.72	10.60	10.53	11.06	13.53	15.43	17.59	20.34	**23.00**	**25.90**	Premium Inc per sh	**35.20**
5.24	4.67	4.65	5.20	3.04	3.34	3.47	3.45	3.53	3.95	4.17	3.43	3.49	4.00	4.25	4.59	**4.80**	**5.10**	Investment Inc per sh	**5.85**
.55	.48	.80	1.46	.72	.85	1.16	1.65	1.83	1.07	d.07	d.02	1.70	1.93	2.21	2.40	**2.75**	**3.05**	Earnings per sh AE	**4.25**
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	.12	.13	.16	.21	.24	**.31**	**.32**	Div'ds Decl'd per sh B	**.44**
3.43	4.02	4.49	5.90	4.86	6.34	8.23	8.21	11.87	10.95	12.14	12.69	14.69	17.13	19.73	21.22	**24.00**	**27.05**	Book Value per sh	**38.45**
28.48	28.48	28.72	34.08	35.08	35.13	44.58	46.37	47.73	45.80	44.30	45.88	46.39	46.61	47.62	48.68	**50.00**	**51.00**	Common Shs Outst'g D	**54.00**
119%	71%	76%	115%	137%	96%	116%	192%	174%	142%	125%	119%	117%	117%	139%	141%	**140%**	**135%**	Price to Book Value	**120%**
7.5	6.0	4.3	4.6	9.3	7.2	8.3	9.5	11.3	14.6	- -	- -	10.1	10.4	12.4	12.5	Bold figures are		Avg Ann'l P/E Ratio	**11.0**
.56	.38	.26	.27	.61	.48	.52	.55	.59	.83	- -	- -	.55	.59	.66	.67	Value Line		Relative P/E Ratio	**.75**
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	.8%	.8%	.8%	.8%	.8%	estimates		Avg Ann'l Div'd Yield	**.9%**
						335.2	360.9	416.4	485.3	466.4	507.2	627.9	719.1	837.6	990.2	**1150**	**1320**	Premium Inc ($mill) C	**1900**
						154.8	160.2	168.7	180.9	184.6	157.5	162.0	186.4	202.3	223.6	**240**	**260**	Investment Inc ($mill)	**315**
						- -	- -	41.5	- -	d138.0	d70.3	- -	- -	d70.3	- -	**Nil**	**Nil**	Other Income ($mill)	**Nil**
						490.0	521.1	626.6	666.2	512.9	594.4	789.9	905.5	1039.9	1213.8	**1390**	**1580**	Total Income ($mill)	**2215**
						280.6	290.8	343.0	378.4	342.8	417.0	472.0	530.6	619.1	725.2	**860**	**975**	Benefits & Reserves ($m)	**1400**
						33.8%	32.4%	33.9%	37.9%	59.8%	84.4%	37.7%	30.8%	28.1%	30.9%	**31.0%**	**31.0%**	Income Tax Rate	**31.0%**
						53.9	79.6	87.0	50.3	d3.3	d.9	79.4	90.5	109.0	120.7	**140**	**160**	Net Profit ($mill)	**235**
						49.2	57.0	68.4	66.2	66.7	.1	.1	.1	.1	.1	**120**	**130**	Insur in Force ($bill)	**150**
						2858	3204	3396	3396	3440	3336	3735	4178	4829	5276	**5700**	**6200**	Total Assets ($mill)	**7500**
						367.0	509.5	666.4	601.4	637.6	618.0	717.7	854.5	939.8	1033.0	**1175**	**1380**	Shr. Equity ($mill)	**2075**
						14.7%	15.6%	13.1%	8.4%	NMF	NMF	11.1%	10.6%	11.6%	11.7%	**11.5%**	**11.5%**	Return on Shr. Equity	**11.5%**
						14.7%	20.9%	15.4%	10.0%	NMF	NMF	10.3%	9.9%	10.5%	10.6%	**10.5%**	**10.5%**	Retained to Com Eq	**10.0%**
						- -	- -	- -	- -	- -	- -	12%	13%	9%	10%	**11%**	**10%**	All Div'ds to Net Prof	**10%**

CAPITAL STRUCTURE as of 3/31/06
Total Debt $317.5 mill. **Due in 5 Yrs** None
(23% of Cap'l)
Leases, Uncapitalized Annual Rentals $11.5 mill.
Pfd. Stock None

No Defined Pension Plan
Common Stock 32,362,386 shs.
(Includes 3,781,163 shs. of Class B)
as of 4/30/06
(Options Exercisable 6.5%)
MARKET CAP: $1.1 billion (Mid Cap)

FINANCIAL POSITION ($MILL.)	2004	2005	3/31/06
Bonds	3144.8	3339.1	3512.4
Other Invest.	396.3	573.5	566.8
Reinsurance Rec.	428.7	413.1	410.2
Other	859.7	950.5	990.4
Total Assets	4829.5	5276.2	5479.8
Polcy Res'ves	913.7	1066.8	1137.2
Sep Accts	1024.6	1049.5	1094.0
Other	1951.3	2126.8	2213.9
Total Liab'ties	3889.6	4243.1	4445.1

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Premium Inc	9.5%	12.5%	12.0%
Invest Income	1.0%	2.0%	5.5%
Earnings	8.0%	18.5%	12.0%
Dividends	- -	- -	13.5%
Book Value	13.0%	10.5%	12.0%

Cal-endar	QUARTERLY PREMIUMS ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	171.8	174.9	181.2	191.2	719.1
2004	200.7	207.0	210.3	219.5	837.5
2005	239.6	249.9	257.3	257.6	990.2F
2006	263.0	**285**	**295**	**307**	**1150**
2007	**315**	**325**	**335**	**345**	**1320**

Cal-endar	EARNINGS PER SHARE AE Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.47	.49	.49	.48	1.93
2004	.55	.53	.54	.59	2.21
2005	.56	.57	.61	.66	2.40
2006	.66	**.67**	**.70**	**.72**	**2.75**
2007	**.73**	**.76**	**.77**	**.79**	**3.05**

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.031	.031	.031	.035	.13
2003	.035	.035	.035	.053	.16
2004	.053	.053	.053	.053	.21
2005	.06	.06	.06	.06	.24
2006	.067	.08			

BUSINESS: Delphi Financial Group is a leading provider of group employee benefits, including life, short-term and long-term disability, excess workers compensation, special accident and dental insurance, and asset accumulation products (fixed annuities). Acquired Matrix in June of 1998. Sold Unicover in 1999. Premium breakdown: life (30%), disability (42%), excess workers compensation (24%), personal accident and other (4%). Has approx. 1,170 emplys.; 3,900 shrhldrs. Directors & officers own approximately 2.8% of Class A shrs. outst. (4/06 proxy). Chairman of the Board, President, and Chief Executive Officer; Robert Rosenkranz. Inc.: DE. Address: 1105 North Market Street, Suite 1230, Wilmington DE. 19801. Tel.: 302-478-5142. Internet: www.delphifin.com.

Delphi Financial Group's earnings may well advance by 15% this year. The company started off the year on a positive note, achieving a 20% bottom-line increase in the first quarter over the same period in 2005. It likely experienced similar results in the second quarter, thanks to strength in the company's core Employee Benefits business, especially from its disability and excess workers' compensation lines. Delphi has been able to raise prices and to write new business with attractive margins, which should help this division continue to grow nicely. The company began a strategic alliance with several life and health insurers, and established a new division in April to service this business, which should also help improve earnings by providing Delphi with access to a distribution alternative to its target market of employers with less than 300 employees.

Further salesforce expansion should enable premium growth to remain strong. The company has grown its salesforce at a compound annual rate of 11% over the past six years, and is likely to add another 10% this year. The consistently larger agent count has helped Delphi to steadily increase the number of new cases sold each year. We look for this trend to continue, auguring well for the advancement of premium income.

The rising cost of workers' compensation is likely to boost revenues in the coming years. Traditional workers' compensation is required and is regulated on a state-to-state basis. As insurance costs have risen in recent years, they have made excess workers' compensation benefits more attractive. Employers are pushed toward buying cheaper, high-deductible plans, and combining them with excess workers' compensation in the occurrence of a catastrophic event. As one of the few providers of this product, the company stands to gain from the rising costs in traditional workers' compensation, as more employers take advantage of this service.

Delphi's shares are now trading within our 3- to 5-year Target Price Range. The stock is up about 20% in the last year, eliminating much appreciation potential. DFG is likely to keep pace with the market in the year ahead.

Jerry W. Gray Jr. *July 21, 2006*

(A) Basic earnings until '03; dil. thereafter. Includes capital gains/(losses): '98, $0.17; '99, ($0.52); '00, ($2.90); '01, $(1.45). Excludes net nonrecurring items: '01, $0.24; '02, ($0.59); '03, $0.27; '04, $0.44; '05, $0.13. Operating profits starting in '02 excludes investment gains and losses. Next earnings report due in late-July. (B) Dividends historically paid in mid-March, mid-June, mid- Sept. and early Dec. (C) Incl. fee income after '98. (D) In millions. Adj. for stock splits. (E) Incl. option expense starting 2003. (F) Does not add due to discont. operat.

Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	85
Earnings Predictability	15

DENTSPLY INTERNT'L NDQ-XRAY

RECENT PRICE 32.30 | P/E RATIO 22.0 (Trailing: 23.2 / Median: 19.0) | RELATIVE P/E RATIO 1.31 | DIV'D YLD 0.5% | VALUE LINE

TIMELINESS 3 Lowered 1/16/04

SAFETY 2 Raised 6/8/01

TECHNICAL 3 Lowered 8/11/06

BETA .70 (1.00 = Market)

High:	6.7	8.2	10.6	11.7	9.8	14.5	17.3	21.8	23.7	28.4	29.2	33.8
Low:	5.2	6.2	7.4	6.7	6.8	7.7	10.8	15.6	16.0	20.9	25.4	26.1

2009-11 PROJECTIONS

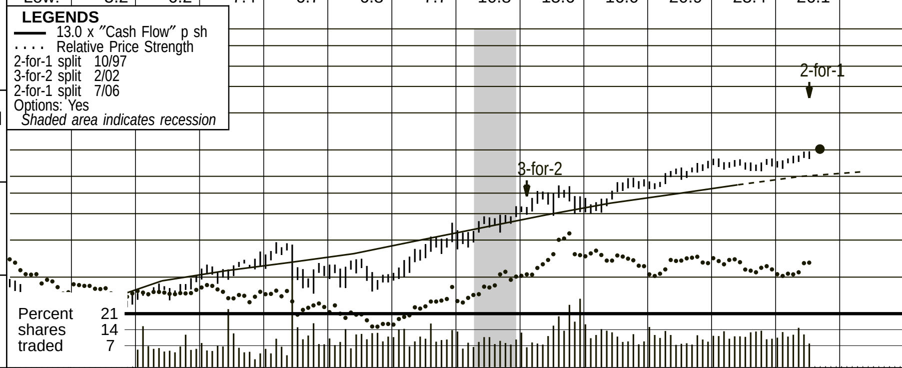
	Price	Gain	Ann'l Total Return
High	40	(+25%)	6%
Low	30	(-5%)	-1%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	1	5	0	0	0	1	0	7	1
to Sell	1	6	0	0	0	1	0	7	0

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	209	182	200
to Sell	126	150	148
Hld's(000)	116234	115790	119794



Target Price Range

2009 | 2010 | 2011

120, 100, 80, 64, 48, 32, 24, 20, 16, 12, 8

% TOT. RETURN 7/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	12.8	3.0
3 yr.	45.8	52.3
5 yr.	117.1	59.2

1990	1991[E]	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
1.12	1.41	3.49	3.33	3.15	3.53	4.07	4.44	4.88	5.10	5.74	7.25	9.65	9.91	10.51	10.87	**12.20**	**13.00**	Sales per sh	**16.30**
.11	.14	.35	.39	.45	.47	.59	.66	.72	.80	.92	1.05	1.21	1.38	1.52	1.69	**1.85**	**1.95**	"Cash Flow" per sh	**2.50**
.07	.10	.24	.30	.33	.33	.42	.46	.50	.57	.64	.70	.92	1.07	1.20	1.34	**1.44**	**1.57**	Earnings per sh A	**2.00**
- -	- -	- -	- -	.01	.05	.06	.07	.07	.08	.08	.09	.09	.10	.11	.12	**.14**	**.16**	Div'ds Decl'd per sh B	**.23**
.02	.02	.11	.07	.08	.11	.13	.17	.19	.21	.18	.32	.37	.48	.35	.29	**.30**	**.30**	Cap'l Spending per sh	**.40**
.59	.95	.69	1.42	1.80	1.95	2.27	2.61	2.54	2.88	3.36	3.91	5.33	7.07	8.96	7.87	**8.35**	**9.30**	Book Value per sh D	**13.45**
48.81	59.82	145.47	166.19	166.55	162.00	161.40	162.30	162.90	162.90	155.10	155.80	156.80	158.60	161.20	157.80	**150.00**	**147.50**	Common Shs Outst'g C	**142.50**
16.2	22.0	22.8	21.9	18.8	17.8	16.8	19.2	18.3	14.7	16.2	20.1	20.3	18.8	20.6	20.4	*Bold figures are*		Avg Ann'l P/E Ratio	**18.0**
1.20	1.41	1.38	1.29	1.23	1.19	1.05	1.11	.95	.84	1.05	1.03	1.11	1.07	1.09	1.09	*Value Line*		Relative P/E Ratio	**1.20**
- -	- -	- -	- -	.2%	.9%	.8%	.7%	.8%	.9%	.8%	.7%	.5%	.5%	.4%	.4%	*estimates*		Avg Ann'l Div'd Yield	**.6%**

CAPITAL STRUCTURE as of 6/30/06
Total Debt $802.0 mill. **Due in 5 Yrs** $700.0 mill.
LT Debt $413.3 mill. **LT Interest** $18.1 mill.
(LT earned: 18.1x; tot. cov.: 17.5x) (25% of Cap'l)

Leases, Uncapitalized Annual rentals $20.2 mill.
Pension Assets-12/05 $68.4 mill. **Oblig.** $151.8 mill.

Pfd Stock None
Common Stock 153,826,504 shs.
as of 7/28/06

MARKET CAP: $5.0 billion (Mid Cap)

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
656.6	720.8	795.1	830.9	889.8	1129.1	1513.7	1570.9	1694.2	1715.1	**1830**	**1915**	Sales ($mill)	**2325**
22.5%	22.9%	22.5%	22.8%	23.1%	21.1%	19.7%	20.2%	20.7%	20.8%	**20.5%**	**21.0%**	Operating Margin	**22.5%**
28.1	32.4	37.5	39.6	41.4	54.3	43.9	45.7	49.3	50.6	**48.0**	**50.0**	Depreciation ($mill)	**62.0**
67.2	74.6	80.2	89.9	101.0	109.9	146.1	172.6	195.8	215.5	**230**	**240**	Net Profit ($mill)	**295**
39.4%	38.9%	36.7%	34.9%	33.5%	34.4%	33.0%	32.3%	30.4%	29.1%	**30.0%**	**30.0%**	Income Tax Rate	**31.0%**
10.2%	10.3%	10.1%	10.8%	11.4%	9.7%	9.7%	11.0%	11.6%	12.6%	**12.6%**	**12.5%**	Net Profit Margin	**12.7%**
113.6	107.7	128.1	138.5	157.4	125.7	175.2	389.8	651.8	288.8	**420**	**475**	Working Cap'l ($mill)	**740**
75.1	105.5	217.5	145.3	109.5	723.5	769.8	790.2	779.9	270.1	**450**	**450**	Long-Term Debt ($mill)	**400**
365.6	423.9	413.8	468.9	520.4	609.5	835.9	1122.1	1444.0	1241.6	**1250**	**1375**	Shr. Equity ($mill) D	**1915**
16.5%	15.2%	13.8%	15.5%	16.6%	9.0%	10.0%	9.7%	9.4%	14.8%	**13.5%**	**13.0%**	Return on Total Cap'l	**12.5%**
18.4%	17.6%	19.4%	19.2%	19.4%	18.0%	17.5%	15.4%	13.6%	17.4%	**18.5%**	**17.5%**	Return on Shr. Equity	**15.5%**
16.0%	15.2%	16.7%	16.6%	16.9%	15.7%	15.8%	14.0%	12.5%	15.8%	**15.5%**	**15.0%**	Retained to Com Eq	**13.0%**
13%	14%	14%	13%	13%	13%	10%	9%	8%	9%	**10%**	**10%**	All Div'ds to Net Prof	**12%**

CURRENT POSITION ($MILL.)	2004	2005	6/30/06
Cash Assets	506.4	434.5	475.4
Receivables	238.9	254.8	299.0
Inventory (FIFO)	213.7	208.2	229.4
Other	97.4	132.5	155.2
Current Assets	1056.4	1030.0	1159.1
Accts Payable	91.6	82.3	76.7
Debt Due	72.9	412.2	388.7
Other	240.1	246.7	250.8
Current Liab.	404.6	741.2	716.2

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	12.0%	15.0%	7.5%
"Cash Flow"	13.5%	13.5%	8.5%
Earnings	14.0%	16.0%	9.0%
Dividends	17.5%	7.0%	13.5%
Book Value	16.5%	22.0%	9.0%

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	371.2	394.5	375.5	429.7	1570.9
2004	414.4	424.4	390.0	465.5	1694.2
2005	407.0	444.8	416.0	447.4	1715.1
2006	431.0	472.4	*443.6*	*483*	*1830*
2007	*455*	*495*	*465*	*500*	*1915*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.24	.27	.26	.30	1.07
2004	.28	.30	.29	.33	1.20
2005	.30	.35	.32	.38	1.34
2006	.33	.39	*.34*	*.38*	*1.44*
2007	*.36*	*.41*	*.38*	*.42*	*1.57*

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.023	.023	.023	.023	.09
2003	.023	.023	.023	.027	.10
2004	.027	.027	.027	.027	.11
2005	.03	.03	.03	.03	.12
2006	.035	.035	.035		

BUSINESS: Dentsply International Inc. develops, manufactures, and markets products for the dental industry. Dental consumable and laboratory products include artificial teeth, root canal instruments, impression materials, dental sealants, and anesthetics. Dental equipment includes dental x-ray systems, intraoral cameras, computer imaging systems and related software. Divested medical equip. unit 12/94. Foreign sales accounted for about 59% of '05 total. Has about 8,000 emplys. Dentsply ESOP owns 6.3% of common; Fidelity, 8.7%; Off. & Dir., 3.3% (4/06 Proxy). Chairman: John C. Miles II. CEO: Gerald K. Kunkle, Jr. Inc.: Delaware. Address: 570 West College Avenue, P.O. Box 872, York, PA 17405. Tel.: 717-845-7511. Internet: www.dentsply.com.

Dentsply performed well in the first six months of this year . . . Difficult year-over-year comparisons, a volatile German market, and timing issues made for an interesting first half. The U.S. market, for example, generated organic growth of only 1.2% in the first quarter, hurt by the initial stocking of *Oraqix* in 2005's opening quarter and distributor purchases in advance of announced price hikes. The domestic growth figure rose to 6.1% in the June period as conditions normalized. By contrast, organic growth in Europe fell from 13.2% to 5.0%, mainly because Germany went from double-digit growth to a decline of 1.5%. The gyrations notwithstanding, Dentsply posted solid, aggregate base business growth of 6.4% and 5.2% in the first and second quarters, respectively. Significantly, too, adjusted for stock-based compensation, both gross and operating margins continued to expand nicely in the six-month period, reflecting an improved product mix, manufacturing efficiencies, and the closing of a facility in Chicago.

. . . and we've raised our bottom-line estimate for 2006. Revenues were $7.4 million above our estimate last quarter, reflecting continued strength in orthodontics and implants in both the U.S. and Europe. Share earnings, meantime, topped our split-adjusted figure by two pennies, aided by the aforementioned margin gains and the company's ongoing stock-repurchase program; 4.7 million shares were bought back in the quarter for $139 million. We've added $0.03 to our full-year figure, now $1.44, which falls within management's guidance of $1.40–$1.44.

The dental equipment and consumables maker has decent long-term prospects . . . Dentsply has a solid product portfolio to which its R&D program adds some 25 new products annually. Moreover, a robust cash flow affords management the flexibility to boost share net through acquisitions and/or stock repurchases. Meantime, favorable socioeconomic and demographic trends around the world promise to support a healthy operating environment for the foreseeable future.

. . . but we don't have a strong position on this equity. It is neutrally ranked, and valuations likely preclude worthwhile long-term price appreciation.

George Rho *September 1, 2006*

(A) Diluted earnings. Prior to '97, egs. based on avg. shares out. Prior to '92, years ended 3/31 of following year, cal. year thereafter. Excl. nonrec. gains/(losses): '93, (12¢); '94, 4¢; '98, (29¢); '01, 8¢; '02, 1¢; '03, 2¢; '04, 8¢. Extra. chg.: '93, (10¢). Disc. op.: '94, 1¢; '03, 3¢; '04, 27¢; '05, ($1.05); '06, 4¢. Next egs. report due late Oct. (B) Dividends historically paid in early January, April, July, and October. (C) In millions, adjusted for stock splits. (D) Incl. intang. In '05, $1001.8 mill., $6.35/sh. (E) Pre-1992 figures for GENDEX only.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	80
Earnings Predictability	100

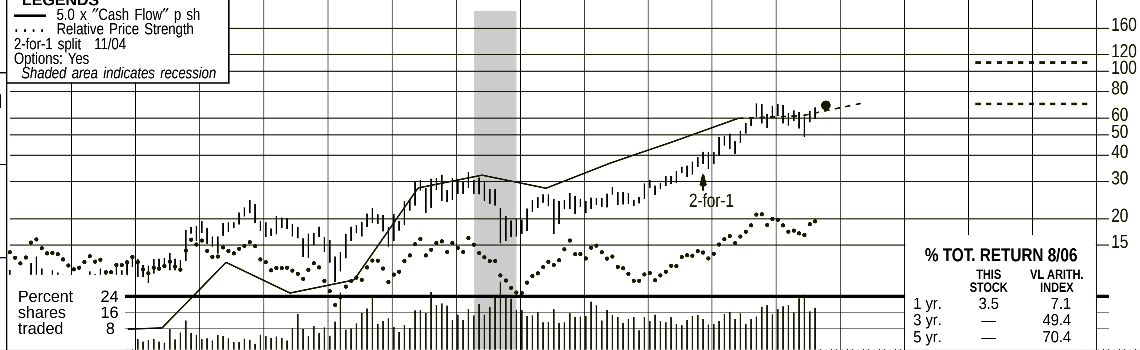
DEVON ENERGY NYSE-DVN

RECENT PRICE 69.01 | P/E RATIO 10.2 (Trailing: 9.2; Median: 12.0) | RELATIVE P/E RATIO 0.60 | DIV'D YLD 0.7% | VALUE LINE

TIMELINESS 3 Lowered 3/24/06
SAFETY 3 New 6/26/98
TECHNICAL 1 Raised 9/8/06
BETA 1.10 (1.00 = Market)

High:	13.0	18.5	24.6	20.6	22.5	32.4	33.4	26.5	29.4	41.6	70.4	74.8
Low:	8.4	9.9	13.7	13.1	10.1	15.7	15.3	16.9	21.2	25.9	36.5	48.9

LEGENDS
— 5.0 x "Cash Flow" p sh
.... Relative Price Strength
2-for-1 split 11/04
Options: Yes
Shaded area indicates recession



2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	110	(+60%)	13%
Low	70	(Nil)	1%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	2	0	1	2	0	0	2	1	0
to Sell	1	0	1	3	0	0	2	1	0

Institutional Decisions

	4Q2005	1Q2006	2Q2006
to Buy	291	290	280
to Sell	315	314	313
Hld's(000)	346103	351328	350408

% TOT. RETURN 8/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	3.5	7.1
3 yr.	—	49.4
5 yr.	—	70.4

Devon Energy was incorporated on March 23, 1988 as a successor to Devon Energy Corp. (Nev.). The businesses, assets, and operations of Devon Resource Investors and Devon-Smedvig Oil & Gas Ltd. were consolidated in the new company. It began operating as a publicly traded corporation on September 29, 1988 when it offered approximately 8.6 million shares of common stock. Since then, it has grown principally through acquisitions.

1996	1997	1998	1999D	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
2.55	4.84	4.00	4.27	10.82	12.56	13.77	15.33	19.17	23.45	*25.00*	*27.90*	Sales per sh	*31.70*
1.22	2.48	1.78	2.06	5.60	6.43	5.58	7.33	9.32	11.70	*12.30*	*13.65*	"Cash Flow" per sh	*15.15*
.79	1.09	.50	.67	2.73	2.52	1.71	4.00	4.38	6.68	*6.85*	*7.50*	Earnings per sh A	*8.20*
.07	.10	.10	.10	.10	.10	.10	.10	.20	.30	*.45*	*.45*	Div'ds Decl'd per sh B	*.45*
1.54	2.02	3.88	1.83	4.98	7.35	5.42	5.39	6.47	8.95	*11.00*	*11.40*	Cap'l Spending per sh	*11.70*
7.35	8.41	5.40	10.89	12.16	12.70	14.36	22.74	28.21	32.10	*38.80*	*45.45*	Book Value per sh	*67.65*
64.28	64.64	96.85	172.17	257.28	244.76	313.51	479.53	479.42	458.00	*440.00*	*430.00*	Common Shs Outst'g C	*410.00*
16.7	17.3	34.0	25.4	9.2	9.9	13.4	6.2	7.5	7.8	Bold figures are		Avg Ann'l P/E Ratio	*11.0*
1.05	1.00	1.77	1.45	.60	.51	.73	.35	.40	.41	Value Line		Relative P/E Ratio	*.75*
.5%	.5%	.6%	.6%	.4%	.4%	.4%	.4%	.6%	.6%	estimates		Avg Ann'l Div'd Yield	*.4%*
164.0	313.1	387.5	734.5	2784.1	3075.0	4316.0	7352.0	9189.0	10741.0	*11000*	*12000*	Sales ($mill)	*13000*
68.7%	69.2%	61.0%	66.8%	75.2%	72.6%	55.7%	60.3%	65.2%	69.2%	*67.5%*	*67.5%*	Operating Margin	*66.0%*
43.4	85.3	123.8	270.4	734.7	910.0	1211.0	1793.0	2290.0	2191.0	*2350*	*2600*	Depreciation ($mill)	*2800*
34.8	75.3	48.4	87.2	714.9	674.0	549.0	1731.0	2186.0	3159.0	*3060*	*3275*	Net Profit ($mill)	*3420*
41.3%	38.0%	39.8%	40.5%	40.7%	38.9%	20.8%	22.9%	33.6%	35.5%	*36.0%*	*36.0%*	Income Tax Rate	*36.0%*
21.2%	24.0%	12.5%	11.9%	25.7%	21.9%	12.7%	23.5%	23.8%	29.4%	*27.8%*	*27.3%*	Net Profit Margin	*26.3%*
19.8	62.4	30.0	189.8	305.1	162.0	22.0	293.0	772.0	1272.0	*525*	*550*	Working Cap'l ($mill)	*1510*
157.5	149.5	554.8	1787.1	2048.8	6589.0	7562.0	8580.0	7031.0	5957.0	*7255*	*6755*	Long-Term Debt ($mill)	*5555*
472.4	543.6	523.0	2025.5	3277.6	3259.0	4653.0	11056	13674	14862.0	*17215*	*19690*	Shr. Equity ($mill)	*27890*
6.3%	11.6%	6.0%	3.3%	14.9%	8.0%	6.7%	10.2%	11.8%	16.4%	*13.0%*	*13.0%*	Return on Total Cap'l	*11.0%*
7.4%	13.9%	9.2%	4.3%	21.8%	20.7%	11.8%	15.7%	16.0%	21.3%	*18.0%*	*16.5%*	Return on Shr. Equity	*12.5%*
6.7%	12.7%	7.9%	3.8%	21.8%	20.6%	11.3%	15.4%	15.4%	20.5%	*16.5%*	*15.5%*	Retained to Com Eq	*11.5%*
9%	9%	15%	19%	4%	5%	7%	3%	5%	5%	*7%*	*6%*	All Div'ds to Net Prof	*6%*

CAPITAL STRUCTURE as of 6/30/06
Total Debt $8.1 bill. **Due in 5 Yrs** $2.7 bill.
LT Debt $6.0 bill. **LT Interest** $400 mill.
(Total interest coverage: 13.0x) (30% of Cap'l)
Includes $718 mill. debentures due 2008, exchangeable into ChevronTexaco common stock at $107.20 per share, callable starting 8/2000
Leases, Uncapitalized Annual rentals $35.0 mill.
Pension Assets-12/05 $518.0 mill.
Oblig. $707.0 mill
Pfd Stock $150 mill. **Pref. Div.** $9.7 mill.
1.5 mill shares 6.49% series A (1% of Cap'l)
Common Stock 439,987,000 shares

MARKET CAP: $30.4 billion (Large Cap)

CURRENT POSITION ($MILL.)	2004	2005	6/30/06
Cash Assets	2119.0	2286.0	1362.0
Receivables	1320.0	1601.0	1404.0
Inventory (Avg Cst)	1.0	- -	- -
Other	432.0	319.0	279.0
Current Assets	3872.0	4206.0	3045.0
Accts Payable	1202.0	1613.0	1629.0
Other	1898.0	1321.0	2569.0
Current Liab.	3100.0	2934.0	4198.0

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '02-'04 to '09-'11
Sales	22.5%	30.0%	*8.5%*
"Cash Flow"	22.0%	28.5%	*8.0%*
Earnings	23.0%	35.0%	*8.5%*
Dividends	14.5%	6.0%	*14.0%*
Book Value	18.0%	21.5%	*16.0%*

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	1671	1813	1948	1920	7352
2004	2238	2219	2267	2465	9189
2005	2351	2468	2704	3218	10741
2006	2717	2617	*2750*	*2916*	*11000*
2007	*2965*	*2855*	*3000*	*3180*	*12000*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	1.24	.79	.86	1.11	4.00
2004	1.00	1.01	1.06	1.31	4.38
2005	1.14	1.38	1.87	2.33	6.72
2006	1.76	1.57	*1.65*	*1.87*	*6.85*
2007	*1.65*	*1.85*	*1.95*	*2.05*	*7.50*

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.025	.025	.025	.025	.10
2003	.025	.025	.025	.025	.10
2004	.05	.05	.05	.05	.20
2005	.075	.075	.075	.075	.30
2006	.113	.113			

BUSINESS: Devon Energy Corp. is a major North American independent oil and gas exploration and production company, with properties concentrated in: the Permian Basin in TX and NM; the San Juan Basin in NM; the Rocky Mt. region in WY; OK and north Texas; the Gulf of Mexico; and Canada. Proved reserves at 12/31/05: 2.1 billion barrels of oil equivalent; nat. gas, 60%; oil and gas liq., 40%. Has about 4075 employees, 35,000 stkhldrs. Insiders own 1.4% of common stock; Capital Research & Mgmt., 6.6%; Davis Selected Advisors, 6.5%; Barclays Global Investors, 5.7% (4/06 proxy). Chairman & CEO: J. Larry Nichols. President: John Richels. Inc.: OK. Address: 20 North Broadway, Oklahoma City, OK 73102. Telephone: 405-235-3611. Internet: www.devonenergy.com.

Devon Energy's results have been helped by persistently strong energy prices. Supported by a 6% increase in revenues during the second quarter, to over $2.6 billion, earnings advanced 14%, to $1.57 a share. The realized commodity prices remained the primary driver of earnings growth, helping to offset the year-over-year production decline (5%) attributable to asset sales and ongoing project deferrals in Gulf of Mexico operations. Indeed, the average selling price for the company's oil equivalent products (crude oil, natural gas, natural gas liquids) jumped to $42.19 per barrel of oil equivalent, versus $35.66/Boe a year ago.

The company is focusing on the Barnett Shale. Devon Energy completed its acquisition of Chief Holding on June 29th, for $2.2 billion. Chief's oil and gas properties in north Texas are estimated to contain proved reserves of 617 billion cubic feet of natural gas equivalent spread over 169,000 net acres. Devon currently has 25 rigs operating there, and it plans to add another five by yearend. The targeted 2006 exit rate, including Chief's assets, will likely reach 710 million cubic feet per day. Moreover, on August 9th, the company, in partnership with Petrobras America, bought BHP Billiton's working interest in the Cascade Unit in the deepwater Gulf of Mexico. This play provides some near-term upside potential. We look for production to rebound in 2007 as Devon fully resumes its Gulf of Mexico operations (Red Hawk Field, Eugene Island, and West Cameron). In the meantime, we are raising our full-year earnings estimate by a nickel to $6.85 in 2006. Our outlook for 2007 calls for earnings to reach $7.50 a share.

A large potential addition to reserves has bolstered the price of these neutrally ranked shares. Devon Energy recently announced that some promising Gulf of Mexico wells in which it has an interest were close to being declared commercial. While expensive to develop, these wells could boost overall reserves by 40%, or more. We note that production is still a few years away. Meanwhile, Devon has an aggressive share-repurchase program that should return some value back to shareholders.

William W. Lee *September 15, 2006*

(A) Diluted earnings; primary before 1997. Excludes nonrecurring gains/(losses): '93, $0.06; '98, ($2.16); '99, ($3.01); '00, 5¢; '01, ($4.31); '02, ($1.97); '05, $0.43; '06, $0.15.
Next earnings report due early Nov.
(B) Dividends historically paid at the end of March, June, September, and December.
(C) In millions. Adjusted for stock split.
(D) Includes Northstar, acquired 12/98 in a pooling of interests.

Company's Financial Strength	B++
Stock's Price Stability	55
Price Growth Persistence	95
Earnings Predictability	40

DIEBOLD, INC. NYSE-DBD

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
39.69	22.7	(Trailing: 23.5 Median: 19.0)	1.28	2.2%	VALUE LINE

TIMELINESS 4 Raised 6/23/06
SAFETY 2 Raised 1/16/04
TECHNICAL 3 Raised 7/7/06
BETA .95 (1.00 = Market)

2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	75	(+90%)	*18%*
Low	55	(+40%)	*10%*

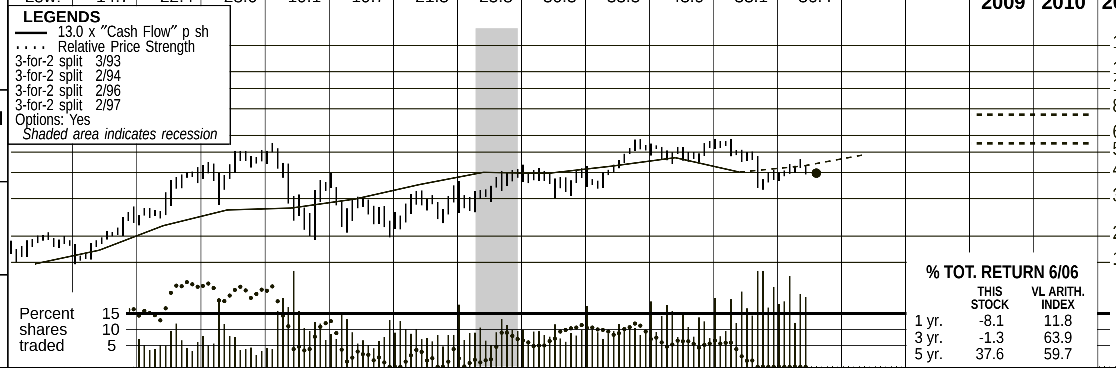
Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	0	0	0	1	0	0
Options	0	0	0	0	1	0	5	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	145	125	143
to Sell	182	182	137
Hld's(000)	52050	50789	52050

High:	27.6	42.3	50.9	55.3	39.9	34.8	41.5	43.6	57.4	56.4	57.8	46.3
Low:	14.7	22.4	28.0	19.1	19.7	21.5	25.8	30.3	33.5	43.9	33.1	36.4



% TOT. RETURN 6/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	-8.1	11.8
3 yr.	-1.3	63.9
5 yr.	37.6	59.7

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
7.11	7.51	8.02	9.15	11.09	12.57	14.96	17.78	17.21	17.71	24.37	24.67	26.91	29.04	33.26	37.65	**38.50**	**41.05**	Revenues per sh	**51.60**
.66	.72	.79	.91	1.13	1.32	1.72	2.05	2.09	2.30	2.70	3.08	3.04	3.29	3.62	3.09	**3.30**	**3.75**	"Cash Flow" per sh	**4.85**
.47	.53	.61	.71	.93	1.11	1.42	1.76	1.70	1.85	1.92	1.96	2.19	2.40	2.54	1.92	**1.75**	**2.25**	Earnings per sh (A)	**3.65**
.30	.32	.33	.36	.39	.43	.45	.50	.56	.60	.62	.64	.66	.68	.74	.82	**.86**	**.90**	Div'ds Decl'd per sh (B)■	**1.05**
.33	.14	.18	.27	.33	.51	.49	.98	.45	.57	.60	.96	.70	1.00	.86	.66	**.85**	**.85**	Cap'l Spending per sh	**1.10**
5.64	5.89	5.90	6.27	6.70	7.37	8.36	9.69	10.15	11.88	13.08	12.66	13.05	15.81	17.61	16.78	**17.40**	**18.30**	Book Value per sh	**21.85**
66.99	67.43	67.77	68.08	68.54	68.71	68.84	69.00	68.88	71.10	71.55	71.36	72.11	72.65	71.59	68.72	**66.50**	**64.50**	Common Shs Outst'g (C)	**60.00**
16.9	15.9	17.9	21.2	19.8	17.7	22.1	24.4	20.7	14.5	14.4	16.9	17.2	18.6	19.7	24.5	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	**18.0**
1.26	1.02	1.09	1.25	1.30	1.18	1.38	1.41	1.08	.83	.94	.87	.94	1.06	1.04	1.29			Relative P/E Ratio	**1.20**
3.7%	3.8%	3.1%	2.4%	2.1%	2.2%	1.4%	1.2%	1.6%	2.2%	2.2%	1.9%	1.8%	1.5%	1.5%	1.7%			Avg Ann'l Div'd Yield	**1.5%**

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
1030.2	1226.9	1185.7	1259.2	1743.6	1760.3	1940.2	2109.7	2380.9	2587.0	**2690**	**2815**	Revenues ($mill)	**3250**
15.7%	16.5%	16.3%	17.5%	16.3%	17.5%	15.6%	15.5%	14.8%	11.7%	**10.5%**	**12.2%**	Operating Margin	**12.5%**
21.0	18.7	25.6	34.7	55.9	79.0	61.3	64.3	75.0	76.2	**90.0**	**90.0**	Depreciation ($mill)	**90.0**
97.4	122.5	118.0	128.9	136.9	140.5	158.1	174.8	184.0	136.3	**120**	**150**	Net Profit ($mill)	**225**
33.5%	34.0%	34.8%	36.0%	33.0%	33.0%	32.0%	32.0%	31.6%	33.3%	**35.0%**	**35.0%**	Income Tax Rate	**35.0%**
9.5%	10.0%	10.0%	10.2%	7.9%	8.0%	8.1%	8.3%	7.7%	5.3%	**4.5%**	**6.0%**	Net Profit Margin	**6.6%**
251.4	307.7	308.1	265.5	237.6	294.4	359.9	486.5	506.0	847.9	**925**	**975**	Working Cap'l ($mill)	**1100**
- -	20.8	20.8	20.8	20.8	20.8	13.3	- -	13.3	454.7	**625**	**600**	Long-Term Debt ($mill)	**450**
575.6	668.6	699.1	844.4	936.1	903.1	940.8	1148.2	1260.5	1152.8	**1180**	**1165**	Shr. Equity ($mill)	**1250**
16.9%	17.8%	16.4%	14.9%	14.3%	15.2%	16.6%	15.2%	14.6%	9.0%	**7.5%**	**9.5%**	Return on Total Cap'l	**14.0%**
16.9%	18.3%	16.9%	15.3%	14.6%	15.6%	16.8%	15.2%	14.6%	11.8%	**10.0%**	**13.0%**	Return on Shr. Equity	**18.0%**
11.5%	13.2%	11.4%	10.3%	9.9%	10.5%	11.7%	10.9%	10.4%	6.8%	**5.0%**	**8.0%**	Retained to Com Eq	**12.5%**
32%	28%	33%	32%	32%	33%	30%	28%	29%	42%	**49%**	**40%**	All Div'ds to Net Prof	**30%**

CAPITAL STRUCTURE as of 3/31/06
Total Debt $642.4 mill. **Due in 5 Yrs** $642.4 mill.
L/T Debt 628.3 mill. **L/T Interest** 36.0 mill.
Total interest coverage: 6.0X) (28% of Cap'l)

Leases, Uncapitalized Annual rentals $55.0 mill.

Pension Assets-12/05 $366 mill. **Oblig.** $409 mill.

Pfd Stock None
Common Stock 67,492,800 shs.

MARKET CAP: $2.7 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2004	2005	3/31/06
Cash Assets	215.7	260.8	368.4
Receivables	583.7	676.4	648.6
Inventory (LIFO)	322.3	341.6	387.9
Other	112.9	149.1	150.4
Current Assets	1234.6	1427.9	1565.3
Accts Payable	140.3	180.7	154.1
Debt Due	289.5	34.5	14.1
Other	298.8	364.8	425.8
Current Liab.	728.6	580.0	594.0

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Revenues	12.0%	11.0%	*7.5%*
"Cash Flow"	13.5%	9.0%	*6.5%*
Earnings	12.0%	6.0%	*8.0%*
Dividends	7.0%	4.5%	*7.5%*
Book Value	9.5%	8.0%	*4.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	410.2	480.9	570.2	648.4	2109.7
2004	498.3	552.0	613.4	717.2	2380.9
2005	535.1	619.0	622.3	810.6	2587.0
2006	623.7	***660***	***660***	***746.3***	***2690***
2007	***650***	***685***	***700***	***780***	***2815***

Cal-endar	EARNINGS PER SHARE (A) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.36	.57	.66	.81	2.40
2004	.40	.60	.67	.87	2.54
2005	.45	.52	.30	.65	1.92
2006	.22	***.34***	***.44***	***.75***	***1.75***
2007	***.35***	***.50***	***.55***	***.85***	***2.25***

Cal-endar	QUARTERLY DIVIDENDS PAID■(B) Mar.31	June30	Sep.30	Dec.31	Full Year
2002	.165	.165	.165	.165	.66
2003	.17	.17	.17	.17	.68
2004	.185	.185	.185	.185	.74
2005	.205	.205	.205	.205	.82
2006	.215	.215			

BUSINESS: Diebold, Inc. manufactures, markets, and services automated transaction systems, including the leading line of automated teller machines (ATMs) in the U.S., and point-of-sale (POS) systems for retailers. Also is the leading domestic manufacturer of electronic and physical security products, such as vaults and surveillance systems. Entered the electronic voting machine field in the U.S. in 1/02; co. has a similar operation in Latin Amer. Foreign sales accounted for 39% of revenues in 2005. Services were 50% of revs. and 45% of gross profit. R&D 2.3% of revenues. Has 14,400 employees. Off./Dir. own 2.6% of common (3/06 Proxy). CEO & Pres: Thomas W. Swidarski. Inc. Ohio. Addr.: P.O. Box 8230, Canton, Ohio 44711. Tel.: 330-490-4000. Net: diebold.com.

Diebold has launched a major restructuring program under a new senior management team. It recently merged the inventory procurement and manufacturing operations, which should help reduce order turnaround time and per-unit costs. Another cost-savings measure is the planned transfer of European manufacturing operations from France to Hungary. Meanwhile, the company has reversed course on the outsourcing (four years ago) of the Information Technolgy (IT) function, and is in the process of rehiring most of its former IT employees. Finally, management has just contracted with a leading provider of cost-efficiency consulting and software services to supplement its efforts in this area.

We look for earnings to rebound by at least 25% in both 2007 and 2008. Our estimates assume that much of the $100 million in annual savings target will be reached by the close of 2008. Also, management expects domestic revenues of Diebold's core automated teller machine (ATM) business to begin to improve next year, following a downturn that started in 2005's second quarter. This prospect partly reflects the ramp-up of technologically advanced deposit automation modules. Meanwhile, Security Solutions should continue to benefit from an increased share of an expanding federal budget for this service. Towards that end, a divisional office was recently opened in Washington D.C.

The brightest growth prospects for Diebold's ATM operations are in China and India. In both countries, the company has assembly operations and the largest share of fast-expanding ATM markets. Based on the assumption of placement potential in China of one machine per 5,000 people versus the current ratio of 1 to about 825 in the U.S., that ATM market is about 20% saturated. On that basis, the percentage in India is much lower. Also, Diebold has received a number of sizable ATM orders lately from banks in South America.

Although this stock is untimely at present, it may appeal to investors with a longer-term focus. Our projections to 2009–2011 indicate that average earnings during that period might be more than twice this year's estimated level.

David R. Cohen *July 14, 2006*

(A) Based on diluted shares starting in 1997; primary shares in prior years. Next earnings report due late July. Excludes nonrecurring losses: in '90, $0.34; '91, $1.28; '92, $0.89; '98, $0.60; '01, $1.03; '02, $0.82; '05, $0.75; '06-Q1, $0.4. Excludes gains on discont. opers. in '04, $0.01; '05, $0.19.
(B) Dividends historically paid in early March, June, September, and December.
■ Dividend reinvestment plan available.
(C) In millions, adjusted for stock splits.

Company's Financial Strength	A
Stock's Price Stability	75
Price Growth Persistence	45
Earnings Predictability	80

DIONEX CORP. NDQ-DNEX

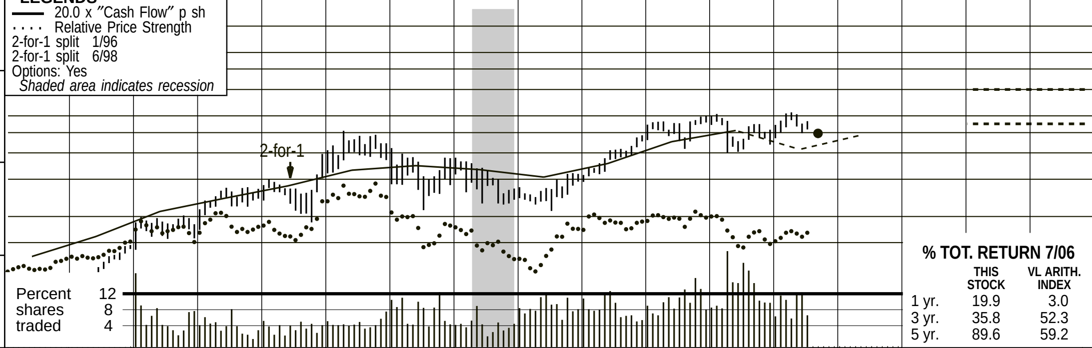
RECENT PRICE 49.55 | P/E RATIO 27.2 (Trailing: 28.5 Median: 22.0) | RELATIVE P/E RATIO 1.62 | DIV'D YLD Nil | VALUE LINE

TIMELINESS 5 Lowered 8/11/06
SAFETY 3 New 7/27/90
TECHNICAL 2 Raised 8/25/06
BETA .90 (1.00 = Market)

High:	14.6	20.2	27.5	39.6	51.0	42.1	38.0	32.1	48.5	60.1	61.2	62.3
Low:	9.3	13.9	17.3	18.8	32.0	21.4	22.8	21.3	29.1	41.8	40.0	45.8

Target Price Range 2009 2010 2011

LEGENDS
— 20.0 x "Cash Flow" p sh
.... Relative Price Strength
2-for-1 split 1/96
2-for-1 split 6/98
Options: Yes
Shaded area indicates recession



2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	80	(+60%)	12%
Low	55	(+10%)	3%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	4	0	0	7	1	0	2	0
to Sell	0	5	0	0	8	1	0	4	2

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	65	50	60
to Sell	67	68	53
Hld's(000)	17568	17387	17825

% TOT. RETURN 7/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	19.9	3.0
3 yr.	35.8	52.3
5 yr.	89.6	59.2

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
2.27	2.71	3.00	3.47	3.62	4.38	5.38	6.00	6.74	7.75	8.12	8.42	8.65	10.27	12.42	13.85	**14.56**	**16.30**	Sales per sh A	**20.85**
.42	.48	.52	.60	.65	.80	1.06	1.22	1.40	1.66	1.74	1.67	1.54	1.78	2.26	2.55	**2.08**	**2.45**	"Cash Flow" per sh	**3.40**
.36	.42	.45	.51	.55	.66	.85	1.03	1.18	1.40	1.46	1.42	1.24	1.45	1.89	2.13	1.74	**2.10**	Earnings per sh B	**2.95**
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	**Nil**	Div'ds Decl'd per sh	**Nil**
.11	.14	.27	.04	.26	.07	.12	.11	.11	.33	.23	.32	.23	.17	.20	.61	**.45**	**.55**	Cap'l Spending per sh	**.70**
2.36	2.59	2.96	3.12	3.67	3.79	3.32	3.55	3.17	4.29	5.35	5.86	6.25	7.61	8.80	9.08	**9.26**	**8.95**	Book Value per sh C	**14.15**
35.49	32.92	32.10	30.39	30.28	27.43	24.74	23.69	22.32	22.31	22.12	22.18	21.09	20.93	20.84	20.16	**20.00**	**19.00**	Common Shs Outst'g D	**18.00**
15.5	13.8	15.7	17.3	15.0	14.5	18.0	20.0	21.9	23.9	26.3	21.9	20.9	21.2	24.9	24.5	*Bold figures are*		Avg Ann'l P/E Ratio	**23.0**
1.15	.88	.95	1.02	.98	.97	1.13	1.15	1.14	1.36	1.71	1.12	1.14	1.21	1.32	1.29	*Value Line*		Relative P/E Ratio	**1.55**
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	*estimates*		Avg Ann'l Div'd Yield	**Nil**

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
133.0	142.1	150.5	172.9	179.5	186.8	182.4	214.9	258.8	279.3	291.3	**310**	Sales ($mill)	**375**
27.6%	29.1%	29.7%	30.5%	30.4%	26.2%	23.7%	25.0%	26.1%	25.3%	**22.2%**	**22.5%**	Operating Margin	**24.0%**
2.9	2.6	2.5	3.7	4.5	5.3	4.8	5.9	5.8	6.0	**6.0**	**6.0**	Depreciation ($mill)	**7.0**
23.3	26.2	28.7	33.2	34.0	31.8	27.6	31.4	41.4	45.5	35.7	**41.0**	Net Profit ($mill)	**54.0**
34.7%	34.5%	34.0%	33.0%	32.5%	32.5%	32.5%	32.5%	33.1%	31.7%	**39.0%**	**35.0%**	Income Tax Rate	**35.0%**
17.5%	18.5%	19.0%	19.2%	19.0%	17.0%	15.1%	14.6%	16.0%	16.3%	12.3%	**13.5%**	Net Profit Margin	**14.5%**
47.9	48.2	35.8	34.8	48.4	68.1	62.1	87.1	103.7	102.0	98.4	**80**	Working Cap'l ($mill)	**150**
--	--	--	1.0	--	1.0	1.0	.5	.5	--	--	**Nil**	Long-Term Debt ($mill)	**Nil**
82.2	84.2	70.7	95.7	118.4	129.9	131.7	159.3	183.5	183.0	185.4	**170**	Shr. Equity ($mill)	**255**
28.3%	31.2%	40.5%	34.4%	28.7%	24.3%	20.8%	19.7%	22.6%	24.9%	**19.3%**	**24.0%**	Return on Total Cap'l	**21.0%**
28.3%	31.2%	40.5%	34.7%	28.7%	24.5%	21.0%	19.7%	22.6%	24.9%	**19.3%**	**24.0%**	Return on Shr. Equity	**21.0%**
28.3%	31.2%	40.5%	34.7%	28.7%	24.5%	21.0%	19.7%	22.6%	24.9%	**19.3%**	**24.0%**	Retained to Com Eq	**21.0%**
--	--	--	--	--	--	--	--	--	--	--	**Nil**	All Div'ds to Net Prof	**Nil**

CAPITAL STRUCTURE as of 6/30/06
Total Debt None
LT Debt None

No Defined Benefit Pension Plan

Pfd Stock None

Common Stock 19,991,771 shs.
as of 5/9/06
MARKET CAP: $1.0 Billion (Mid Cap)

CURRENT POSITION ($MILL.)	2004	2005	6/30/06
Cash Assets	58.8	53.8	51.0
Receivables	53.1	55.5	63.0
Inventory (FIFO)	24.8	26.5	28.4
Other	14.2	16.3	15.7
Current Assets	150.9	152.1	158.1
Accts Payable	8.1	10.0	9.4
Debt Due	1.5	--	--
Other	37.6	40.1	50.3
Current Liab.	47.2	50.1	59.7

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	12.5%	10.0%	9.5%
"Cash Flow"	12.5%	6.5%	7.5%
Earnings	12.5%	6.0%	8.5%
Dividends	--	--	Nil
Book Value	9.0%	15.0%	9.0%

Fiscal Year Ends	QUARTERLY SALES ($ mill.) A Sep.30	Dec.31	Mar.31	Jun.30	Full Fiscal Year
2003	47.3	54.5	56.0	57.1	214.9
2004	53.3	65.5	70.7	69.3	258.8
2005	63.2	74.1	70.8	71.2	279.3
2006	68.1	74.3	73.7	75.2	291.3
2007	**73.0**	**81.0**	**78.0**	**78.0**	**310**

Fiscal Year Ends	EARNINGS PER SHARE A B Sep.30	Dec.31	Mar.31	Jun.30	Full Fiscal Year
2003	.29	.41	.35	.40	1.45
2004	.35	.49	.56	.49	1.89
2005	.45	.59	.56	.53	2.13
2006	.44	.53	.50	.27	1.74
2007	**.40**	**.60**	**.55**	**.55**	**2.10**

Cal-endar	QUARTERLY DIVIDENDS PAID Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	NO DIVIDENDS BEING PAID				
2003					
2004					
2005					
2006					

BUSINESS: Dionex Corp., manufactures, markets, and services chromatography systems that are used to identify contaminants in manufacture of electronic devices, isolate corrosion sources in electrical power plants, monitor process chemicals in paper & chemical industries, characterize constituents of foods and pharmaceuticals, etc. Marketed by company force in U.S., Europe, Canada, & Japan. Foreign sales: 72% of total. R&D: 8.1% of sales. '05 depr. rate: 6.9%. Has 1064 employees, 950 holders of record. Off. & dir. own 8.6% of stock; Neuberger Berman, 11.2%; Fidelity, 7.8%; Royce & Associates, 5.3% (10/05 proxy). Chrmn: A. B. Bowman. President & CEO: L. Braunschweiler. Inc.: Del. Addr.: 1228 Titan Way, Sunnyvale, CA 94085. 408-737-0700. Internet: www.dionex.com.

Fiscal 2006 (ended June 30th) was a disappointing year for Dionex. Despite record sales, earnings fell by 18% compared to the prior year, largely due to stock option expenses, which clipped $0.19 from share net. A higher tax rate and currency fluctuations were further drags on earnings. Orders were strong in the fourth quarter for the company's *Summit* high-performance liquid chromatography (HPLC) product, which is being replaced by the *UltiMate 3000*. Demand for both products at the same time increased manufacturing costs and required higher inventory reserves, however. We believe these factors caught management off guard and created some manufacturing inefficiencies that were a drag on margins. Pressure on the supply chain caused by this problem also led to production delays. As a result, the company was not able to clear its backlog of orders for *Summit* in the quarter. The majority of remaining *Summit* orders are likely to ship in the first quarter of this year, but they will carry lower margins due to promotional discounts and higher production costs.

Operating margins ought to remain lower in fiscal 2007. Lower-margin *Summit* sales in the first quarter and the effect of stock option expensing is likely to keep margins below the levels achieved during the first half of this decade. Margins may well begin trending upward after the first quarter, thanks to Dionex's new manufacturing plant in Germany. The company should also complete the centralization of its support structures in North America and Europe by the second half of this fiscal year. This initiative may save approximately $2 million in operating expenses annually. However, these savings will not offset the cost of stock options, making comparisons to the years before fiscal 2006 difficult, as stock option expense was previously excluded. As a result, we have lowered our fiscal 2007 earnings estimate to $2.10, from $2.45.

These shares are untimely. With earnings down in fiscal 2006 and our estimate for this year similar to results of fiscal 2005, Dionex stock is likely to lag the market in the year ahead. Further, at its recent price DNEX offers below-average appreciation potential to 2009–2011.

Jerry W. Gray Jr. *September 1, 2006*

(A) Fiscal year ends June 30th.
(B) Primary earnings through fiscal 1997; diluted thereafter. Excludes nonrecurring gains (losses): '95, 2¢; '96, 3¢; '99, (20¢); '01, (5¢). Next earnings report due early Nov.
(C) Incl. intangibles. In 2006: $29.5 mill., $1.48 per share.
(D) In millions, adjusted for stock splits.

Company's Financial Strength	B+
Stock's Price Stability	80
Price Growth Persistence	65
Earnings Predictability	80

DOLLAR GENERAL NYSE-DG

RECENT PRICE **13.28** | P/E RATIO **12.6** (Trailing: 12.8 / Median: 25.0) | RELATIVE P/E RATIO **0.73** | DIV'D YLD **1.5%** | **VALUE LINE**

TIMELINESS 4 Lowered 3/31/06
SAFETY 3 Raised 11/16/01
TECHNICAL 4 Lowered 8/11/06
BETA 1.05 (1.00 = Market)

2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+200%)	33%
Low	25	(+90%)	19%

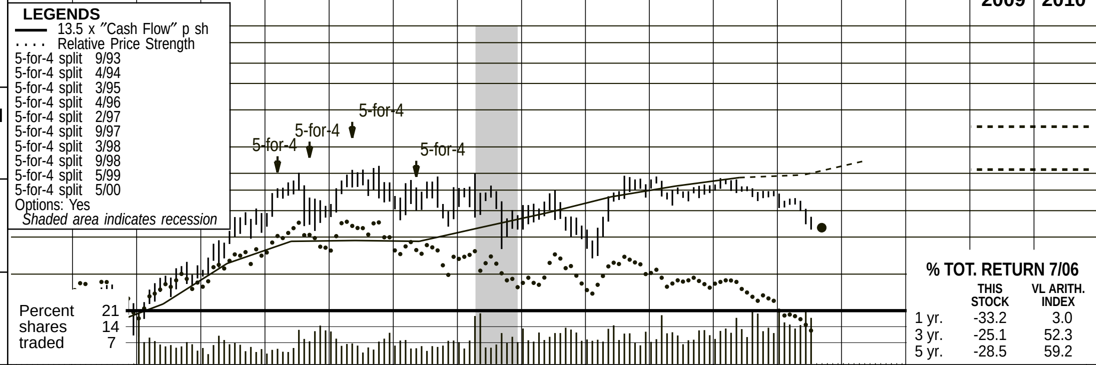
Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	1	0	1	0	0	0	0
to Sell	0	0	0	0	1	0	1	0	0

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	148	148	128
to Sell	146	125	149
Hld's(000)	238661	240169	237737

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
High:	7.1	9.1	16.4	24.2	26.1	23.2	24.0	20.0	23.4	23.2	22.8	19.2	
Low:	4.1	4.0	7.8	12.8	14.9	13.4	10.5	11.7	9.5	16.9	17.8	13.0	



Target Price Range 2009 | 2010 | 2011

% TOT. RETURN 7/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	-33.2	3.0
3 yr.	-25.1	52.3
5 yr.	-28.5	59.2

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
2.23	2.54	3.02	3.60	4.30	5.13	6.25	9.55	11.61	11.75	13.74	16.00	18.31	20.45	23.34	27.19	*30.00*	*33.75*	Sales per sh A	*50.00*
.07	.09	.14	.19	.27	.33	.43	.67	.85	.86	.85	.99	1.16	1.38	1.55	1.70	*1.75*	*2.05*	"Cash Flow" per sh	*2.95*
.05	.07	.11	.15	.22	.26	.34	.43	.54	.65	.51	.62	.75	.92	1.04	1.08	*1.05*	*1.20*	Earnings per sh AB	*1.85*
.01	.02	.02	.02	.03	.04	.05	.09	.08	.10	.13	.13	.13	.14	.16	.18	*.20*	*.20*	Div'ds Decl'd per sh C	*.30*
.45	.51	.62	.77	.96	1.22	1.42	2.12	2.61	2.80	2.60	3.13	3.87	4.69	5.13	5.45	*6.20*	*7.00*	Book Value per sh	*11.35*
293.32	297.38	304.92	314.42	336.59	343.89	341.24	275.14	277.37	330.87	331.20	332.61	333.20	336.04	328.17	315.68	*310.00*	*305.00*	Common Shs Outst'g D	*300.00*
11.0	16.4	17.9	21.4	19.2	21.5	21.6	29.4	33.2	32.5	35.3	27.6	20.0	19.5	19.0	18.5	*Bold figures are*		Avg Ann'l P/E Ratio	*18.5*
.82	1.05	1.09	1.26	1.26	1.44	1.35	1.69	1.73	1.85	2.29	1.41	1.09	1.11	1.00	.99	*Value Line*		Relative P/E Ratio	*1.25*
2.3%	1.5%	.9%	.7%	.8%	.7%	.7%	.7%	.5%	.5%	.7%	.8%	.9%	.8%	.8%	.9%	*estimates*		Avg Ann'l Div'd Yield	*.9%*

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
2134.4	2627.3	3221.0	3888.0	4550.6	5322.9	6100.4	6872.0	7660.9	8582.2	*9300*	*10300*	Sales ($mill) A	*15000*
29.8%	29.7%	29.8%	29.9%	29.9%	30.7%	30.5%	31.6%	31.7%	30.9%	*30.7%*	*31.0%*	Gross Margin	*31.5%*
10.3%	10.4%	10.6%	10.6%	9.4%	9.3%	9.2%	9.8%	9.4%	8.7%	*8.8%*	*9.3%*	Operating Margin	*10.0%*
2734	3169	3687	4294	5000	5540	6113	6100	7320	7929	*8720*	*9520*	Number of Stores	*12500*
115.1	144.6	182.0	219.4	169.7	207.5	250.9	311.0	344.2	350.2	*360*	*385*	Net Profit ($mill)	*565*
37.8%	37.6%	35.2%	36.2%	37.3%	36.7%	35.6%	36.5%	35.6%	35.7%	*37.0%*	*37.0%*	Income Tax Rate	*37.0%*
5.4%	5.5%	5.7%	5.6%	3.7%	3.9%	4.1%	4.5%	4.5%	4.1%	*3.9%*	*3.7%*	Net Profit Margin	*3.8%*
280.1	359.0	423.8	623.2	587.0	422.5	659.4	908.4	905.2	829.1	*800*	*850*	Working Cap'l ($mill)	*1120*
2.6	1.3	.8	1.2	720.8	339.5	330.3	265.3	258.5	270.0	*260*	*260*	Long-Term Debt ($mill)	*450*
485.5	583.9	725.8	925.9	861.8	1041.7	1288.1	1576.9	1684.5	1720.8	*1925*	*2140*	Shr. Equity ($mill)	*3400*
24.0%	25.0%	25.1%	23.7%	10.8%	15.9%	16.4%	17.7%	18.4%	18.2%	*17.0%*	*16.5%*	Return on Total Cap'l	*15.0%*
23.7%	24.8%	25.1%	23.7%	19.7%	19.9%	19.5%	19.7%	20.4%	20.4%	*19.0%*	*18.0%*	Return on Shr. Equity	*16.5%*
20.3%	21.0%	21.3%	20.0%	14.8%	15.8%	16.2%	16.7%	17.3%	17.1%	*15.5%*	*15.0%*	Retained to Com Eq	*14.0%*
15%	16%	15%	16%	25%	20%	17%	15%	15%	16%	*19%*	*17%*	All Div'ds to Net Prof	*16%*

CAPITAL STRUCTURE as of 5/5/06

Total Debt $342.3 mill. **Due in 5 Yrs** $258.8 mill.
LT Debt $333.5 mill. **LT Interest** $25.5 mill.
(Total interest coverage: 21.8x) (17% of Cap'l)

Leases, Uncapitalized Annual rentals $281.6 mill.
No Defined Benefit Pension Plan

Common Stock 311,756,653 shares
as of 5/26/06
(Options Exerciseable: 6.0%)

MARKET CAP: $4.1 billion (Large Cap)

CURRENT POSITION ($MILL.)	2004	2005	5/5/06
Cash Assets	275.8	209.5	90.7
Receivables	- -	- -	- -
Inventory (LIFO)	1376.5	1474.4	1636.1
Other	78.6	79.0	82.0
Current Assets	1730.9	1762.9	1808.8
Accts Payable	409.3	508.4	569.5
Debt Due	12.8	8.8	8.8
Other	403.6	416.6	401.2
Current Liab.	825.7	933.8	979.5

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	18.5%	14.0%	*13.5%*
"Cash Flow"	19.5%	12.5%	*11.5%*
Earnings	17.0%	12.5%	*10.5%*
Dividends	17.0%	8.5%	*11.0%*
Book Value	18.0%	14.0%	*14.5%*

Fiscal Year Begins	QUARTERLY SALES ($ mill.) A Apr.30	Jul.31	Oct.31	Jan.31	Full Fiscal Year
2003	1569.1	1651.1	1685.3	1966.5	6872.0
2004	1748.0	1836.2	1879.2	2197.5	7660.9
2005	1977.8	2066.0	2057.9	2480.5	8582.2
2006	2151.4	2244.2	*2219.4*	*2685*	*9300*
2007	*2370*	*2520*	*2530*	*2880*	*10300*

Fiscal Year Begins	EARNINGS PER SHARE A B Apr.30	Jul.31	Oct.31	Jan.31	Full Fiscal Year
2003	.18	.18	.23	.33	.92
2004	.20	.22	.22	.40	1.04
2005	.20	.23	.20	.46	1.08
2006	.15	*.20*	*.20*	*.50*	*1.05*
2007	*.17*	*.24*	*.24*	*.55*	*1.20*

Cal-endar	QUARTERLY DIVIDENDS PAID C Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.032	.032	.032	.032	.13
2003	.032	.035	.035	.035	.14
2004	.035	.04	.04	.04	.16
2005	.04	.04	.045	.045	.17
2006	.045	.05	.05		

BUSINESS: Dollar General Corporation operates a chain of about 8,164 self-service discount stores, located in both rural and urban areas in the South, East, and Midwest. Over 50% of the stores serve communities with populations of 20,000 or less. Stores, all leased, average 6,800 sq. ft. Sales mix: Highly Consumable, 63.0%; Seasonal, 16.5%; Basic Clothing, 9.0%; Home Products, 11.5%. Most merchandise is priced between $1 and $35. Has 64,500 employees, 12,112 shareholders. Wellington, owns 7.1%; FMR, 5.5%. Officers & Directors, own 1.1% of common (4/06 Proxy). Chairman. & CEO: David A. Perdue. Incorporated: KY. Address: 100 Mission Ridge, Goodlettsville, TN 37072. Telephone: 615-855-5525. Internet: www.dollargeneral.com.

We've knocked a dime off Dollar General's fiscal 2006 (ends February 2, 2007) share-earnings estimate. Management started the year with a profit target of $1.14 - $1.21 a share. Subsequently, this guidance was reduced to $1.09 - $1.16 (implying double-digit second-half earnings gains, compared with easy year-earlier figures). We're taking a more cautious stance reflecting high gasoline and heating oil prices, stagnant wage growth for low-income families (DG's core customers), slower sales of higher-margin discretionary goods, and higher interest rates. Furthermore, the company has an undisclosed amount of aged inventory (likely requiring significant markdowns). Also, numerous initiatives are being introduced, which will take time to work out.

The real estate department will be busy through year-end 2007. The company is likely to increase its square footage by 9% this year and next. Also, about 2,000 leases (over 20% of the total) are up for renewal during this timespan.

Dollar's merchandising strategy is being updated. The company intends to increase its level of top-tier national brands, particularly in food, along with its own better-margin private-label brands. Dollar's apparel mix is slated to become more basic by including more everyday items with less fashion. This strategy will reduce markdown risk. But the move could backfire since we think low-income customers would prefer affordable-priced fashionable items.

A store manager training program benefits the company in two ways. The first is that fewer managers who go through this program quit. Second, better-trained managers have a stronger record in controlling shrinkage. Shrink is one of the measurements used in calculating the managers' quarterly incentive plan.

Despite recent disappointments, untimely Dollar shares offer healthy appreciation potential to 2009-2011. Near-term earnings visibility remains limited. Yet, there are several early stage initiatives that, if successful, could lead to significant profit potential over time. Note that the appreciation potential remains lofty even after we cut Dollar's projected P/E multiple from 20.0 to 18.5.

Jerome H. Kaplan *August 11, 2006*

(A) Fiscal year ends on Friday nearest to Jan. 31st of the following calendar year.
(B) Fully dil. earnings. Next egs. report due Aug. 31st. Restated egs. for '98, '99, & '00. Original pro-forma egs. were 54¢, 65¢, & 62¢, respectively. Excl. litigation exp. of 30¢ in '00, and non-recurring loss '03, ($0.03). Earnings do not sum due to change in share count.
(C) Dividends historically paid in mid-January, April, July, and October.
(D) In mill., adjusted for stock splits.

Company's Financial Strength	B+
Stock's Price Stability	55
Price Growth Persistence	60
Earnings Predictability	85

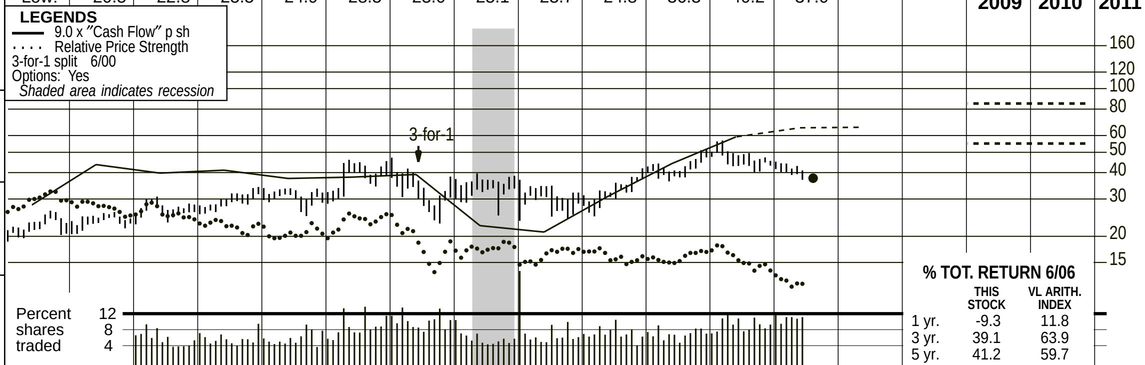
DOW CHEMICAL NYSE-DOW

RECENT PRICE **37.63** | P/E RATIO **7.5** (Trailing: 8.8; Median: 16.0) | RELATIVE P/E RATIO **0.43** | DIV'D YLD **4.1%** | **VALUE LINE**

TIMELINESS 3 Raised 2/6/04
SAFETY 3 Lowered 1/25/02
TECHNICAL 2 Raised 7/21/06
BETA 1.15 (1.00 = Market)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
High:	26.0	30.8	34.2	33.8	46.0	47.2	39.7	37.0	42.0	51.3	56.8	45.2
Low:	20.5	22.8	25.5	24.9	28.5	23.0	25.1	23.7	24.8	36.3	40.2	37.0

Target Price Range
2009 | 2010 | 2011



2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	85	(+125%)	25%
Low	55	(+45%)	13%

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	1	0	0	0	0	0	1	0	0
Options	4	0	0	0	0	1	0	0	0
to Sell	2	0	0	0	0	2	0	0	0

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	358	373	393
to Sell	399	375	378
Hld's(000)	611010	615574	594831

% TOT. RETURN 6/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	-9.3	11.8
3 yr.	39.1	63.9
5 yr.	41.2	59.7

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
24.41	23.16	23.20	21.93	24.07	26.83	27.72	29.59	27.89	28.26	33.96	30.73	30.25	35.18	42.15	47.88	*51.55*	*53.50*	Sales per sh	*58.80*
3.33	2.99	2.51	2.56	3.13	4.86	4.42	4.57	4.18	4.24	4.36	2.49	2.33	3.43	4.92	6.58	*7.25*	*7.30*	"Cash Flow" per sh	*7.00*
1.70	1.19	.70	.67	1.30	2.76	2.57	2.60	2.04	2.07	2.22	.52	.33	1.38	2.72	4.38	*5.00*	*4.95*	Earnings per sh A E	*4.50*
.87	.87	.87	.87	.87	.93	1.00	1.12	1.16	1.16	1.16	1.30	1.34	1.34	1.34	1.34	*1.50*	*1.60*	Div'ds Decl'd per sh B■	*1.80*
2.62	2.37	1.97	1.72	1.42	1.88	1.86	1.77	2.34	2.11	1.99	1.75	1.78	1.19	1.40	1.65	*2.10*	*1.60*	Cap'l Spending per sh	*2.20*
10.78	11.46	9.71	9.61	9.74	10.05	10.86	11.16	11.12	12.33	13.56	11.04	8.36	9.89	12.88	15.84	*19.25*	*22.10*	Book Value per sh C	*30.70*
809.97	812.12	817.77	823.46	831.37	752.87	723.42	676.40	661.13	669.85	677.50	904.84	912.66	927.45	952.93	967.16	*955.00*	*935.00*	Common Shs Outst'g D	*910.00*
10.8	14.6	27.1	27.9	17.2	8.6	10.4	11.3	15.1	18.4	15.0	NMF	NMF	23.7	15.6	10.7	*Bold figures are*		Avg Ann'l P/E Ratio	*15.5*
.80	.93	1.64	1.65	1.13	.58	.65	.65	.79	1.05	.98	NMF	NMF	1.35	.82	.57	*Value Line*		Relative P/E Ratio	*1.05*
4.7%	5.0%	4.6%	4.6%	3.9%	3.9%	3.7%	3.8%	3.8%	3.0%	3.5%	3.8%	4.4%	4.1%	3.2%	2.9%	*estimates*		Avg Ann'l Div'd Yield	*2.6%*

CAPITAL STRUCTURE as of 3/31/06
Total Debt $10643 mill. **Due in 5 Yrs** $6261 mill.
LT Debt $9180 mill. **LT Interest** $525.0 mill.
Incl. $40 mill. capitalized leases.
(LT interest earned: 11.3x; total interest coverage: 10.2x) (36% of Cap'l)
Leases, Uncapitalized Annual rentals $236.0 mill.
Pension Assets-12/05 $13.3 bill. **Oblig.** $15.6 bill.
Pfd Stock None
Common Stock 961,711,055 shs. as of 3/31/06

MARKET CAP: $36.2 billion (Large Cap)

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
20053	20018	18441	18929	23008	27805	27609	32632	40161	46307	*49250*	*50000*	Sales ($mill) F	*53500*
21.9%	19.5%	18.8%	18.8%	15.6%	10.4%	10.7%	12.0%	13.6%	16.6%	*18.5%*	*18.5%*	Operating Margin	*16.0%*
1298.0	1287.0	1393.0	1447.0	1440.0	1815.0	1825.0	1903.0	2088.0	2079.0	*2000*	*2050*	Depreciation ($mill)	*2125*
1907.0	1808.0	1374.0	1396.0	1513.0	438.0	299.0	1278.0	2597.0	4280.6	*4825*	*4675*	Net Profit ($mill)	*4140*
36.1%	35.3%	39.5%	35.3%	34.3%	46.2%	20.8%	21.6%	25.8%	27.3%	*26.0%*	*28.0%*	Income Tax Rate	*30.0%*
9.5%	9.0%	7.5%	7.4%	6.6%	1.6%	1.1%	3.9%	6.5%	9.2%	*9.8%*	*9.4%*	Net Profit Margin	*7.7%*
3826.0	1300.0	1198.0	2552.0	1387.0	2183.0	2825.0	3468.0	5384.0	6741.0	*8025*	*9325*	Working Cap'l ($mill)	*11750*
4196.0	4196.0	4051.0	5022.0	4865.0	9266.0	11659	11763	11629	9186.0	*8500*	*8000*	Long-Term Debt ($mill)	*5500*
7988.0	7675.0	7472.0	8373.0	9186.0	9993.0	7626.0	9175.0	12270	15324	*18370*	*20685*	Shr. Equity ($mill)	*27955*
17.4%	16.7%	13.5%	11.6%	12.0%	3.9%	3.3%	7.9%	12.3%	18.7%	*19.0%*	*17.0%*	Return on Total Cap'l	*13.0%*
23.9%	23.6%	18.4%	16.7%	16.5%	4.4%	3.9%	13.9%	21.2%	27.9%	*26.5%*	*22.5%*	Return on Shr. Equity	*15.0%*
14.7%	13.9%	8.0%	7.6%	7.9%	NMF	NMF	.5%	11.0%	19.5%	*18.5%*	*15.5%*	Retained to Com Eq	*9.0%*
39%	42%	57%	55%	52%	NMF	NMF	96%	48%	30%	*30%*	*33%*	All Div'ds to Net Prof	*41%*

CURRENT POSITION ($MILL.)	2004	2005	3/31/06
Cash Assets	3192	3838	3424
Receivables	4753	5124	5104
Inventory (LIFO)	4957	5319	5982
Other	2988	3123	2751
Current Assets	15890	17404	17261
Accts Payable	5895	5760	4993
Debt Due	965	1520	1463
Other	3646	3383	3459
Current Liab.	10506	10663	9915

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	5.5%	7.0%	*6.0%*
"Cash Flow"	3.5%	3.0%	*6.0%*
Earnings	6.0%	6.0%	*8.0%*
Dividends	4.0%	3.0%	*5.0%*
Book Value	3.0%	1.0%	*15.5%*

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	8081	8242	7977	8332	32632
2004	9309	9844	10072	10936	40161
2005	11679	11450	11261	11917	46307
2006	12020	*12200*	*12200*	*12830*	*49250*
2007	*12200*	*12500*	*12300*	*13000*	*50000*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.09	.43	.36	.50	1.38
2004	.50	.72	.65	.85	2.72
2005	1.34	1.20	.82	1.02	4.38
2006	1.24	*1.40*	*1.00*	*1.36*	*5.00*
2007	*1.30*	*1.45*	*.95*	*1.25*	*4.95*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.335	.335	.335	.335	1.34
2003	.335	.335	.335	.335	1.34
2004	.335	.335	.335	.335	1.34
2005	.335	.335	.335	.335	1.34
2006	.335	.375			

BUSINESS: Dow Chemical Co. manufactures basic chemicals and plastics like ethylene, propylene, benzene, styrene, acetone, chlorine/caustic soda, ethylene oxide/glycol, vinyl chloride, propylene oxide/glycol, polyethylene, and polystyrene. Specialty products include surfactants, polyurethanes, polycarbonates, films, solvents, latexes, and epoxies. Merged with Union Carbide in Feb. 2001. Sold Marion Merrell Dow in '95. R&D, 2.3% of 2005 sales; exports, 62%. 2005 deprec. rate: 5.0%. Employs 42,413; has about 105,560 stockholders. Capital Research & Management owns 7.2% of common (3/06 Proxy). Chairman, President & CEO: Andrew Liveris. Incorporated: Delaware. Address: 2030 Dow Center, Midland, MI 48674. Telephone: 989-636-1463. Internet: www.dow.com.

Sales at Dow Chemical exceeded $12 billion in the first quarter, the highest quarterly top line figure ever recorded by the company. Share earnings of $1.24 were also strong during the quarter, the second highest in Dow's history. Despite this, share net was roughly 7% below that achieved in the prior year's period, due to higher feedstock and energy costs and planned downtime at the company's facilities. For full-year 2006, strength in global demand is likely to afford Dow pricing power. Impressive results in the Performance Plastics segment (discussed below) should also provide support. Consequently, sales and earnings per share should advance by about 6% and 14%, respectively. From 2007 to late decade, we anticipate continued growth in sales but a gradual decline in share net. We expect a downturn in the chemical cycle, resulting in excess capacity. Increases in costs should outpace sales gains.

We expect continued strength in the Performance Plastics segment in the current year. First-quarter sales increased by 17% over the prior year's period. Strength in the Specialty Plastics and Elastomers business continues to be fueled by growth in global demand. Increasing sales at Dow Automotive should also benefit growth.

Dow Chemical recently agreed to acquire Omex Environmental Engineering (OEE), a water treatment technologies business based in China. This deal will allow Dow to expand its water purification portfolio and fuel its growth in the water business.

This stock is ranked 3 (Average) for year-ahead price performance. Although we project declining earnings from 2006 to late decade, Dow Chemical shares have above-average appreciation potential over this timespan. With a dividend yield of 4.1%, the shares may also interest income-oriented investors.

Michael F. Napoli *July 21, 2006*

Restated Sales (and Operating Margins) by Business Line

	2004	2005	2006	2007
Chemicals	5454(29.0%)	5600(20.0%)	*6300(22.5%)*	*6400(21.5%)*
Performance Chem.	6667(9.0%)	7713(15.7%)	*8100(19.0%)*	*8500(18.0%)*
Plastics	19534(14.2%)	23203(21.0%)	*24850(23.0%)*	*25050(22.5%)*
Agriculture	3368(17.4%)	3364(16.1%)	*3450(18.0%)*	*3600(17.0%)*
Hydrocarbons	4876(NMF)	6061(NMF)	*6200(NMF)*	*6300(NMF)*
Divers. & Unalloc.	262(NMF)	366(NMF)	*350(NMF)*	*150(NMF)*
Company Total	40161(11.1%)	46307(15.0%)	*49250(18.5%)*	*50000(18.5%)*

(A) Based on weighted avg. shares outstanding through 1997; then dil. Excl. nonrecur. gains (losses):'92, ($4.31); '93, 31¢; '94, (54¢); '95, ($1.24); '98, (52¢); '02. (60¢); '03,(49¢); '04 21¢; '05, 24¢. Next egs. report due late July. **(B)** Divd's historically paid in late-Jan., April, July, and Oct. ■Div'd reinvestment plan available. **(C)** Includes intangibles. At 3/31/06: $3.6 billion, $3.73/share. **(D)** In mill., adj. for stock split. **(E)** 2001 rev. and EPS figures are restated to include Union Carbide.

Company's Financial Strength	B++
Stock's Price Stability	65
Price Growth Persistence	75
Earnings Predictability	40

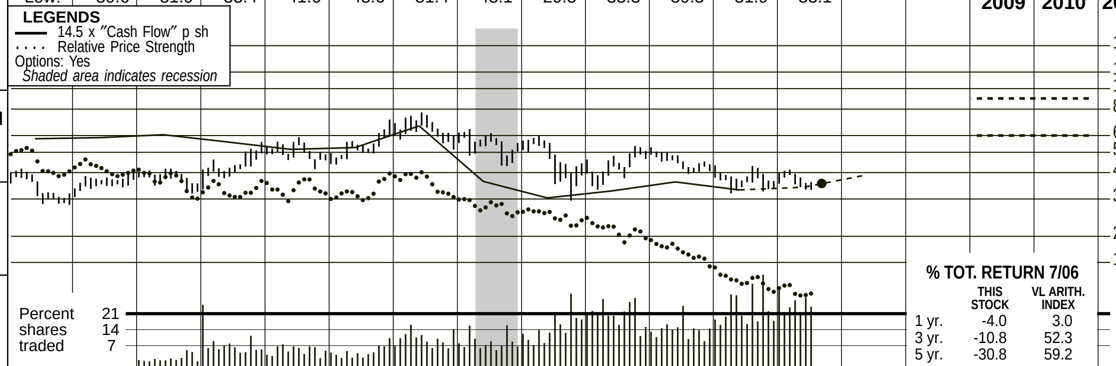
DOW JONES & CO. NYSE-DJ

RECENT PRICE 35.58 | P/E RATIO 30.9 (Trailing: 33.6 / Median: 34.0) | RELATIVE P/E RATIO 1.82 | DIV'D YLD 2.8% | VALUE LINE

TIMELINESS 3 Raised 3/18/05
SAFETY 3 Lowered 5/19/06
TECHNICAL 3 Raised 7/14/06
BETA 1.10 (1.00 = Market)

High:	40.1	41.9	55.9	59.0	71.4	77.3	64.3	60.2	53.6	52.7	43.3	41.4
Low:	30.6	31.9	33.4	41.6	43.6	51.4	43.1	29.5	33.3	39.5	31.9	33.1

Target Price Range 2009 | 2010 | 2011



2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	90	(+155%)	27%
Low	60	(+70%)	16%

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	4	4	0	3	5	0	1	1

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	93	117	100
to Sell	126	100	121
Hld's(000)	59663	60196	61143

% TOT. RETURN 7/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	-4.0	3.0
3 yr.	-10.8	52.3
5 yr.	-30.8	59.2

1990	1991	1992	1993	1994	1995	1996	1997	1998E	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
17.06	17.06	18.07	19.36	21.64	23.48	26.00	26.61	23.47	22.29	25.37	20.95	19.03	18.95	20.37	21.29	***22.75***	***24.70***	Sales per sh	***34.60***
2.96	2.57	3.04	3.37	4.00	4.05	4.18	3.86	3.56	3.63	4.59	2.51	2.10	2.26	2.49	2.29	***2.35***	***2.70***	"Cash Flow" per sh	***4.50***
1.06	.71	1.25	1.48	1.83	1.95	1.87	1.27	1.92	2.44	3.32	1.24	.74	.96	1.21	.98	***1.15***	***1.40***	Earnings per sh A	***3.00***
.76	.76	.76	.80	.84	.92	.96	.96	.96	.96	1.00	1.00	1.00	1.00	1.00	1.00	***1.00***	***1.00***	Div'ds Decl'd per sh B■	***1.10***
1.22	1.05	1.25	1.60	2.30	2.25	2.43	3.60	2.46	2.12	2.15	1.52	.95	.68	.93	.79	***.90***	***1.00***	Cap'l Spending per sh	***1.05***
14.24	14.20	14.41	14.96	15.33	16.47	17.22	8.08	5.54	6.16	1.83	.49	.37	1.59	1.83	1.95	***2.65***	***3.05***	Book Value per sh C	***6.25***
100.83	101.12	100.60	99.78	96.62	97.25	95.45	96.67	91.97	89.82	86.83	84.63	81.92	81.71	82.04	83.11	***83.50***	***82.00***	Common Shs Outst'g D	***78.00***
23.4	36.4	24.5	21.4	18.6	18.4	20.2	34.2	26.3	21.8	19.4	43.8	NMF	45.4	37.4	37.9	*Bold figures are*		Avg Ann'l P/E Ratio	***25.0***
1.74	2.32	1.49	1.26	1.22	1.23	1.27	1.97	1.37	1.24	1.26	2.24	NMF	2.59	1.98	2.03	*Value Line*		Relative P/E Ratio	***1.70***
3.1%	2.9%	2.5%	2.5%	2.5%	2.6%	2.5%	2.2%	1.9%	1.8%	1.6%	1.8%	2.1%	2.3%	2.2%	2.7%	*estimates*		Avg Ann'l Div'd Yield	***1.7%***

CAPITAL STRUCTURE as of 6/30/06
Total Debt $674.4 mill. **Due in 5 Yrs** $525.0 mill.
LT Debt $224.9 mill. **LT Interest** $5.0 mill.
(53% of Cap'l)

Leases, Uncapitalized Annual rentals $49.1 mill.
Pension Assets-12/05 $157.7 mill.
Oblig. $208.1 mill.
Pfd Stock None
Common Stock 83,312,864 shs.
(comprised of about 63.1 mill. Class A shs., one vote per sh. and about 20.2 mill. Class B shs., ten votes per sh.)
MARKET CAP: $3.0 billion (Mid Cap)

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
2481.6	2572.5	2158.1	2001.8	2202.6	1773.1	1559.2	1548.5	1671.5	1769.7	***1900***	***2025***	Sales ($mill)	***2700***
22.4%	19.8%	20.3%	24.8%	27.5%	16.3%	13.4%	14.9%	16.0%	13.6%	***14.0%***	***15.0%***	Operating Margin	***18.5%***
217.8	250.7	142.4	103.7	107.9	105.7	109.7	106.0	104.9	108.3	***100***	***105***	Depreciation ($mill)	***115***
181.2	122.4	185.0	222.3	290.8	106.8	61.9	78.4	99.5	81.8	***95.0***	***115***	Net Profit ($mill)	***235***
44.9%	42.7%	32.4%	39.7%	40.5%	40.8%	43.4%	42.3%	37.5%	39.0%	***39.0%***	***39.0%***	Income Tax Rate	***39.0%***
7.3%	4.8%	8.6%	11.1%	13.2%	6.0%	4.0%	5.1%	6.0%	4.6%	***5.1%***	***5.7%***	Net Profit Margin	***8.7%***
d197.5	d165.8	d157.5	d122.5	d219.0	d355.9	d371.9	d367.6	d462.6	d734.3	***d700***	***d625***	Working Cap'l ($mill)	***d200***
332.3	228.8	149.9	149.9	150.9	174.0	92.9	153.1	135.8	224.9	***225***	***200***	Long-Term Debt ($mill)	***175***
1644.0	780.8	509.3	553.5	158.8	41.8	30.6	129.7	150.5	162.3	***220***	***250***	Shr. Equity ($mill)	***500***
9.6%	12.8%	28.4%	31.9%	94.1%	49.6%	50.9%	28.1%	35.4%	23.6%	***25.0%***	***28.0%***	Return on Total Cap'l	***37.0%***
11.0%	15.7%	36.3%	40.2%	183.2%	255.8%	202.5%	60.5%	66.1%	50.4%	***44.0%***	***47.0%***	Return on Shr. Equity	***48.0%***
5.4%	3.9%	18.3%	24.4%	127.7%	50.4%	NMF	NMF	11.8%	NMF	***6.0%***	***12.0%***	Retained to Com Eq	***31.0%***
51%	75%	50%	39%	30%	80%	NMF	104%	82%	101%	***87%***	***75%***	All Div'ds to Net Prof	***37%***

CURRENT POSITION ($MILL.)	2004	2005	6/30/06
Cash Assets	17.2	10.6	20.4
Receivables	168.5	205.1	206.4
Inventory (LIFO)	9.4	8.8	8.8
Other	58.8	59.7	63.8
Current Assets	253.9	284.2	299.4
Accts Payable	68.2	70.1	52.8
Debt Due	10.0	247.5	449.5
Other	638.3	700.9	470.5
Current Liab.	716.5	1018.5	972.8

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	-.5%	-3.0%	*8.0%*
"Cash Flow"	-4.5%	-10.0%	*9.5%*
Earnings	-5.0%	-16.5%	*17.0%*
Dividends	1.5%	0.5%	*1.5%*
Book Value	-19.5%	-17.0%	*23.0%*

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	358.2	393.6	376.0	420.7	1548.5
2004	401.6	437.8	394.9	437.2	1671.5
2005	412.1	454.2	421.2	482.2	1769.7
2006	452.2	481.2	***455***	***511.6***	***1900***
2007	***480***	***520***	***490***	***535***	***2025***

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.12	.27	.14	.43	.96
2004	.22	.41	.15	.43	1.21
2005	.11	.34	.12	.41	.98
2006	.14	.39	***.15***	***.47***	***1.15***
2007	***.21***	***.46***	***.20***	***.53***	***1.40***

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.25	.25	.25	.25	1.00
2003	.25	.25	.25	.25	1.00
2004	.25	.25	.25	.25	1.00
2005	.25	.25	.25	.25	1.00
2006	.25	.25			

BUSINESS: Dow Jones & Co., Inc. is a provider of global business and financial news and information. Publishes *The Wall Street Journal* (daily circ.: 1.7 mill.) and its intl. and interactive editions (combined avg. circ.:937,000), *Barron's* and *SmartMoney* magazines. Ottaway Newspapers, its community newspapers subsidiary, publishes 15 general interest dailies. Provides newswire and computer data retrieval services. Sold American Demographics, '97; Dow Jones Markets Inc., '98. Acqd. MarketWatch, '05. Has about 7,500 employees. Off. & Dir. control about 50% of voting rights thr. Class B common sh. (10 votes per sh.), (3/06 proxy). Chrmn: Peter R. Kann. CEO: Richard F. Zannino. Inc.: DE. Address: 200 Liberty St., New York, NY 10281. Tel.: 212-416-2000. Internet: www.dj.com.

Dow Jones remains on track to show 10%–15% earnings growth for 2006. Through the first half, the bottom line was up 18%, on a revenue increase of 8%. Results continue to be driven by improving business at the U.S. edition of *The Wall Street Journal*, Dow Jones Online, and Dow Jones Newswires, as well as expense reductions (see below). In light of this performance, our share-net estimate for the year has been increased by a nickel, to $1.15.

Restructuring gains should provide a big boost to profitability next year. Structural reorganizations conducted in February are on target to trim $15 million in annual costs. Meanwhile, the company expects the recent outsourcing of various back office positions to yield an additional $15 million a year in savings starting in 2007. Next year will also see the introduction of the redesigned and reformatted version of the *Journal*'s print edition. The narrower size, scheduled to launch in January, is targeted to save about $18 million a year in newsprint and other production costs. Combined with various other initiatives, the company is looking to realize about $0.33 a share in expense reductions next year. Our estimate calls for a 20%–25% increase in earnings.

The company should reap increasing benefits from the *Weekend Edition* of *The Journal* in the years ahead. Introduced in September of last year, the Saturday issue is attracting a growing number of advertisers, most of which are new to the publication. More importantly, the edition has been particularly successful in its goal of diversifying the company's revenues away from financial and technology advertising by doing more business in the consumer sector. It's also helping to generate incremental advertising dollars for the weekday issues of the paper. Although *Weekend Edition* will be about $0.15 a share dilutive in 2006, it will likely reach breakeven next year.

These shares have largely performed in line with the broader averages over the past three months, and we expect this trend to continue. However, the long-term growth prospects remain in place to support solid price appreciation potential out to 2009–2011.

Mario Ferro *August 18, 2006*

(A) Primary egs through '96, diluted thereafter. Excludes nonrecurring gains (losses): '92, (19¢); '94, (3¢); '95, 1¢; '96, 9¢; '97, ($9.63); '98, ($1.83); '99, 55¢; '00, ($4.67); '01, (10¢); '02, $1.66; '03, $1.12; '05, (25¢); 'Q1 '06, 55¢; Q2, (5¢). Next earnings report due mid-October.
(B) Dividends historically paid in early March, June, September, and December. ■ Dividend reinvestment plan available.
(C) Incl. intang. In '05: $777.2 mill., $9.35/sh.
(D) In mill. (E) pro forma.

Company's Financial Strength	B++
Stock's Price Stability	75
Price Growth Persistence	30
Earnings Predictability	50

DOWNEY FINANCIAL NYSE-DSL

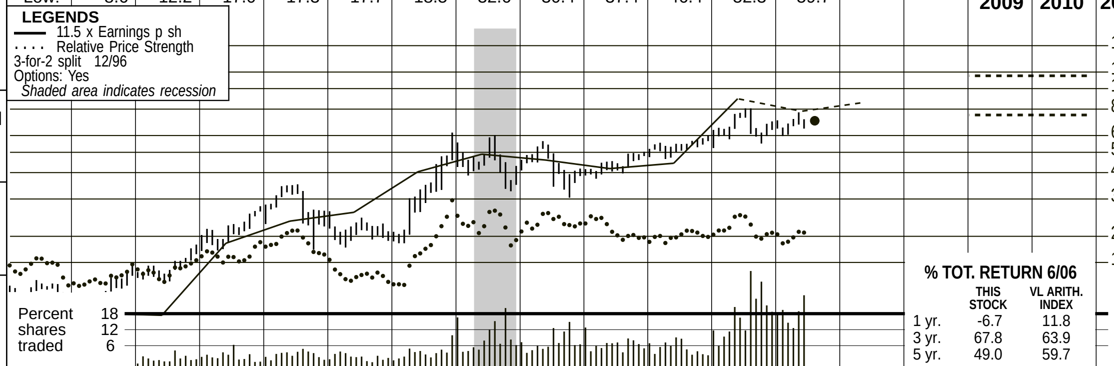
RECENT PRICE **70.41** | P/E RATIO **10.4** (Trailing: 9.3; Median: 12.0) | RELATIVE P/E RATIO **0.60** | DIV'D YLD **0.6%** | VALUE LINE

TIMELINESS 4 Lowered 2/17/06
SAFETY 3 New 4/25/03
TECHNICAL 3 Lowered 7/7/06
BETA 1.00 (1.00 = Market)

High:	14.7	18.3	27.7	35.3	26.3	61.9	60.1	56.4	50.3	60.0	80.8	77.3	
Low:	8.6	12.2	17.0	17.3	17.7	18.5	32.6	30.4	37.4	46.4	52.3	59.7	

Target Price Range 2009 | 2010 | 2011

LEGENDS
— 11.5 x Earnings p sh
.... Relative Price Strength
3-for-2 split 12/96
Options: Yes
Shaded area indicates recession



2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	115	(+65%)	*14%*
Low	75	(+5%)	*3%*

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	1	0	0	0	0	0

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	93	77	84
to Sell	68	86	67
Hld's(000)	16947	17420	16784

% TOT. RETURN 6/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	-6.7	11.8
3 yr.	67.8	63.9
5 yr.	49.0	59.7

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
94.76	94.69	97.79	103.43	149.21	148.08	168.05	189.77	189.86	305.88	348.61	341.45	369.69	358.30	480.71	551.51	***600.00***	***660.00***	Mortgage Loans per sh	***780.00***
119.78	119.54	110.74	109.33	126.74	135.03	148.67	173.35	179.15	233.15	286.56	305.52	330.78	293.74	346.74	426.40	***465.00***	***505.00***	Savings Deposits per sh	***560.00***
1.50	.89	1.49	1.01	.84	.75	.73	1.61	2.05	2.26	3.51	4.25	3.99	3.64	3.86	7.80	***6.80***	***7.50***	Earnings per sh A	***8.20***
.16	.18	.18	.20	.28	.28	.29	.30	.32	.35	.36	.36	.36	.36	.40	.40	***.50***	***.60***	Div'ds Decl'd per sh B	***.80***
9.15	9.86	11.17	12.52	13.05	13.68	13.95	15.32	17.08	18.91	22.15	26.01	29.47	32.48	36.18	43.38	***47.85***	***50.00***	Book Value per sh	***57.85***
28.06	28.07	28.07	28.07	28.07	28.07	28.07	28.09	28.13	28.15	28.21	28.21	27.93	28.24	27.85	27.85	***28.00***	***28.00***	Common Shs Outst'g C	***28.00***
5.8	9.7	5.5	11.0	12.8	14.5	19.5	13.5	13.9	9.4	9.0	10.5	11.0	12.0	13.8	8.4	*Bold figures are*		Avg Ann'l P/E Ratio	***11.5***
.43	.62	.33	.65	.84	.97	1.22	.78	.72	.54	.59	.54	.60	.68	.73	.45	*Value Line*		Relative P/E Ratio	***.75***
1.9%	2.1%	2.3%	1.8%	2.6%	2.6%	2.0%	1.4%	1.1%	1.7%	1.1%	.8%	.8%	.8%	.8%	.6%	*estimates*		Avg Ann'l Div'd Yield	***.8%***

CAPITAL STRUCTURE as of 3/31/06
FHLB Advances $3825.8 mill. (70% of Cap'l)
Other LT Debt $198.1 mill. (5% Cap'l)

No Defined Pension Benefit Plan

Pfd Stock None

Common Stock 27,853,783 shs.

MARKET CAP: $2.0 billion (Mid Cap)

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
371.6	455.6	487.8	593.0	834.9	876.9	699.7	613.4	659.1	1032.8	***1240***	***1360***	Gross Income ($mill)	***1680***
57.0%	58.4%	54.5%	55.0%	62.5%	57.3%	45.4%	38.1%	37.9%	41.3%	***42.0%***	***42.0%***	Int Cost to Gross Inc	***42.0%***
20.7	45.2	58.0	63.8	99.3	120.2	112.3	101.7	107.7	217.4	***190***	***210***	Net Profit ($mill)	***230***
43.2%	43.1%	42.7%	42.3%	42.4%	42.3%	42.3%	42.3%	39.1%	41.3%	***42.0%***	***42.0%***	Income Tax Rate	***42.0%***
5.6%	9.9%	11.9%	10.8%	11.9%	13.7%	16.0%	16.6%	16.3%	21.1%	***15.5%***	***15.5%***	Net Profit Margin	***14.0%***
5198.2	5835.8	6270.4	9407.5	10894	11105	11978	11646	15649	17094	***18800***	***20400***	Total Assets ($mill)	***25000***
386.9	352.5	695.0	2122.4	1978.4	1522.7	1624.1	2125.2	4559.6	3557.5	***4000***	***3500***	FHLB Advances ($mill)	***3000***
391.6	430.4	480.6	532.4	624.6	733.9	823.1	917.0	1007.7	1208.2	***1340***	***1400***	Shr. Equity ($mill)	***1620***
--	--	--	--	--	--	--	--	--	--	***NMF***	***NMF***	New Loan Volume ($mill)	***NMF***
--	--	--	--	--	--	--	--	--	--	***NMF***	***NMF***	Problem Assets to Lns	***NMF***
7.5%	7.4%	7.7%	5.7%	5.7%	6.6%	6.9%	7.9%	6.4%	7.1%	***7.0%***	***7.0%***	Shr. Eq. to Total Assets	***6.5%***
23.3%	21.9%	23.8%	24.3%	16.3%	18.5%	26.7%	33.9%	34.1%	22.6%	***24.0%***	***22.0%***	G&A Exp to Gross Inc	***22.0%***
.40%	.78%	.92%	.68%	.91%	1.08%	.94%	.87%	.69%	1.27%	***1.00%***	***1.00%***	Return on Total Assets	***0.90%***
5.3%	10.5%	12.1%	12.0%	15.9%	16.4%	13.6%	11.1%	10.7%	18.0%	***14.0%***	***15.0%***	Return on Shr. Equity	***14.0%***

ASSETS($Mill.)	2004	2005	3/31/06
Loans	13424.0	15361.7	15867.8
Funds Sold	- -	- -	- -
Securities	497.0	626.3	730.4
Other Earning	1118.5	458.6	561.5
Other	609.3	647.7	643.1
LIABILITIES($Mill.)			
Deposits	9658.0	11752.2	12198.9
Funds Borrowed	4559.6	3557.5	3825.8
Long-Term Debt	197.9	198.1	198.1
Net Worth	1007.7	1208.2	1249.4
Other	225.6	378.3	330.6
Total	15648.8	17094.3	17802.8
Loan Loss Resrv.	34.7	35.9	44.5

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Mortgage Lns	13.0%	10.5%	*14.0%*
Savings Dep	11.0%	9.0%	*8.0%*
Earnings	19.5%	14.5%	*8.0%*
Dividends	4.5%	2.5%	*13.0%*
Book Value	11.0%	14.0%	*6.5%*

Cal-endar	SAVINGS DEPOSITS ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2003	8998	8895	8608	8293	
2004	8817	8948	9551	9658	
2005	10309	11042	11752	11876	
2006	12199	***12500***	***12700***	***13000***	
2007	***13200***	***13500***	***13800***	***14200***	

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2003	1.08	.66	1.05	.85	3.64
2004	.32	.99	.88	1.67	3.86
2005	1.86	2.29	2.14	1.50	7.80
2006	1.61	***1.78***	***1.75***	***1.66***	***6.80***
2007	***1.80***	***1.90***	***1.90***	***1.90***	***7.50***

Cal-endar	QUARTERLY DIVIDENDS PAID C Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.09	.09	.09	.09	.36
2003	.09	.09	.09	.09	.36
2004	.10	.10	.10	.10	.40
2005	.10	.10	.10	.10	.40
2006	.10	.10			

BUSINESS: Downey Financial Corp is a holding company for Downey Savings and Loan Association. Downey Savings primarily originates or purchases residential mortgages. It also provides construction, commercial, automobile, and consumer loans. Downey Savings has over 170 branches in California and Arizona. Downey also offers online banking and home loans nationwide via the Internet. Loans at 3/31/06: 1-4 family mortgages, 94%; other, 6%. Has about 2,500 employees. Chairman: Maurice L. McAlister. CEO & president: Daniel D. Rosenthal. McAlister owns 20.2% of comm. shares; other off. and dir., 4.5% (3/06 proxy). Inc.: DE. Addr.: 3501 Jamboree Road, North Tower, Newport Beach, CA 92660. Tel.: 949-854-0300. Web: www.downeysavings.com.

Downey Financial's March-quarter earnings declined 13% year over year. A significant portion of the shortfall was due to a decrease in gains on sales of loans and mortgage-backed securities caused by a lower volume of loans sold and a smaller gain per dollar on loans sold. Furthermore, the company sharply raised its provisions for credit losses because of signs of slowing sales and a flattening in home values in certain areas of the California residential real estate market. Greater selling and administrative costs also hurt the bottom line. On a bright note, the net interest margin climbed 10% because of a higher level of average interest-earning assets and a wider interest-rate spread.

We do not expect 2006's share earnings to beat last year's record high. A stronger asset base will likely benefit Downey's net interest margin over the coming months. Nonetheless, the yield on the 10-year Treasury note is currently below the fed funds rate, causing a contraction in the spread between the rate at which the bank borrows and the rate at which it prices mortgages. Additionally, since Downey has a sizable amount of option-adjusted rate mortgages, the rising interest rate environment may lead to greater credit risk. We believe that a higher level of loan loss provisions will be needed to cushion against the threat of higher delinquencies, thus trimming earnings. All told, we project a 13% decrease in the company's bottom line this year.

Earnings should rebound in 2007. By then, the effects of the recent interest-rate hikes should be more favorable as the yield on interest-earning assets increases and the spread between long- and short-term rates widens. Any downturn in the economy, though, will add a greater level of risk to earnings growth, as it may well lead to lower loan demand and greater defaults and delinquencies.

This stock is not a favorable selection for the year ahead or the pull to 2009–2011. The share price has not yet fully recovered from the dip it took late last year, and we do not foresee strong price appreciation over the next year. What's more, Downey's dividend yield, in comparison to the majority of its peers, is below average.

Randy Shrikishun *July 21, 2006*

(A) Diluted earnings. Next earnings report due in late July.
(B) Dividends historically paid in late February, May, August, November.
(C) In millions, adjusted for split.

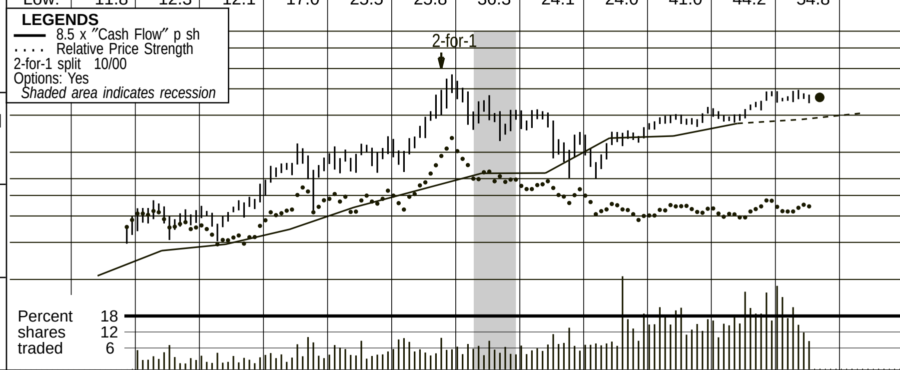
Company's Financial Strength	B++
Stock's Price Stability	70
Price Growth Persistence	95
Earnings Predictability	55

DST SYSTEMS, INC NYSE-DST

RECENT PRICE	58.40	P/E RATIO	19.5 (Trailing: 20.4 / Median: 28.0)	RELATIVE P/E RATIO	1.10	DIV'D YLD	Nil	VALUE LINE

TIMELINESS 3 Lowered 2/3/06
SAFETY 3 New 12/4/98
TECHNICAL 3 Raised 7/28/06
BETA 1.15 (1.00 = Market)

High:	15.9	19.0	22.7	35.3	38.2	74.9	69.9	51.2	42.1	52.5	62.3	63.3
Low:	11.8	12.3	12.1	17.0	25.5	25.8	36.3	24.1	24.0	41.0	44.2	54.8



Target Price Range

2009	2010	2011

2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	80	(+35%)	9%
Low	55	(-5%)	-1%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	1	0	0	0	0	0
Options	0	2	0	0	0	0	0	0	0
to Sell	0	3	0	0	0	0	0	0	0

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	105	138	124
to Sell	133	114	127
Hld's(000)	53905	54242	56233

% TOT. RETURN 7/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	10.9	3.0
3 yr.	53.2	52.3
5 yr.	19.2	59.2

Formed in 1969 by Kansas City Southern Industries (KCSI), DST Systems, Inc. was a pioneer in the development of on-line, automated recordkeeping and accounting for mutual fund shareowner accounts. Since then, it has grown to become the largest provider of these services in the United States. On October 31, 1995, the company went public with the sale of 44 million shares of its common stock at an offer price of $10.50 a share.

1996	1997	1998 [C]	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
5.85	6.51	8.72	9.53	10.92	13.79	19.93	28.83	29.26	35.08	***35.00***	***38.10***	Revenues per sh	***49.30***
1.29	1.38	1.63	2.07	2.49	3.00	3.01	4.40	4.50	5.17	***5.40***	***5.80***	"Cash Flow" per sh	***7.60***
.50	.59	.75	1.07	1.40	1.60	1.77	1.88	2.50	2.70	***3.00***	***3.35***	Earnings per sh [A]	***4.75***
--	--	--	--	--	--	--	--	--	--	***Nil***	***Nil***	Div'ds Decl'd per sh [B]	***Nil***
.75	.67	1.06	1.10	1.41	1.61	1.81	3.15	2.20	1.91	***2.35***	***2.50***	Cap'l Spending per sh	***4.00***
7.01	8.36	9.27	11.59	12.55	12.23	11.89	8.16	8.99	6.91	***9.10***	***10.30***	Book Value per sh	***11.35***
99.21	100.00	125.74	126.25	124.73	120.40	119.60	83.80	83.00	71.70	***66.00***	***63.00***	Common Shs Outst'g [D]	***73.00***
31.7	29.0	36.1	28.4	31.6	31.7	22.7	18.6	18.3	18.9	*Bold figures are*	*Value Line estimates*	Avg Ann'l P/E Ratio	***14.0***
1.99	1.67	1.88	1.62	2.05	1.62	1.24	1.06	.97	1.01			Relative P/E Ratio	***.95***
--	--	--	--	--	--	--	--	--	--			Avg Ann'l Div'd Yield	***Nil***
580.8	650.7	1096.1	1203.3	1362.1	1660.0	2383.8	2416.3	2428.6	2515.1	***2310***	***2400***	Revenues ($mill)	***3600***
25.7%	26.4%	23.8%	26.8%	28.9%	27.3%	18.8%	19.0%	19.5%	19.7%	***20.0%***	***20.5%***	Operating Margin	***24.0%***
78.6	79.3	108.8	122.8	128.6	159.4	143.8	150.4	158.5	158.1	***140***	***145***	Depreciation ($mill)	***210***
49.4	59.0	95.8	138.1	181.5	201.2	215.8	218.0	215.2	212.6	***215***	***220***	Net Profit ($mill)	***345***
68.2%	32.9%	38.3%	35.9%	35.9%	35.4%	34.0%	34.0%	30.8%	36.7%	***35.0%***	***36.0%***	Income Tax Rate	***38.5%***
8.5%	9.1%	8.7%	11.5%	13.3%	12.1%	9.1%	9.0%	8.9%	8.5%	***9.3%***	***9.2%***	Net Profit Margin	***9.5%***
75.6	90.3	107.2	178.7	234.5	133.4	118.6	109.6	82.5	d861.9	***80.0***	***95.0***	Working Cap'l ($mill)	***140***
75.9	92.0	49.7	44.4	68.7	243.4	379.5	1437.8	1373.7	541.4	***1340***	***1300***	Long-Term Debt ($mill)	***1000***
695.2	835.7	1166.2	1463.6	1565.8	1472.4	1422.0	683.7	745.8	495.7	***600***	***650***	Shr. Equity ($mill)	***830***
6.9%	6.8%	8.2%	9.3%	11.3%	11.9%	12.4%	10.9%	11.3%	23.4%	***13.0%***	***13.5%***	Return on Total Cap'l	***20.5%***
7.1%	7.1%	8.2%	9.4%	11.6%	13.7%	15.2%	31.9%	28.9%	42.9%	***36.0%***	***34.0%***	Return on Shr. Equity	***41.5%***
7.1%	7.1%	8.2%	9.4%	11.6%	13.7%	15.2%	31.9%	28.9%	42.9%	***36.0%***	***34.0%***	Retained to Com Eq	***41.5%***
--	--	--	--	--	--	--	--	--	--	***Nil***	***Nil***	All Div'ds to Net Prof	***Nil***

CAPITAL STRUCTURE as of 6/30/06

Total Debt $1394.0 mill. **Due in 5 Yrs** $500.0 mill.
LT Debt $1332.0 mill. **LT Interest** $60.0 mill.
(Total int. coverage: 6.0x) (70% of Cap'l)
Leases, Uncapitalized Annual rentals $25.6 mill.

No Defined Benefit Pension Plan

Pfd Stock None

Common Stock 69,511,542 shs.

MARKET CAP: $4.1 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2004	2005	6/30/06
Cash Assets	107.0	80.2	72.8
Receivables	462.0	386.2	370.0
Other	227.0	294.0	180.6
Current Assets	796.0	760.4	623.4
Accts Payable	178.9	97.6	92.3
Debt Due	109.2	863.1	62.0
Other	425.4	661.6	508.3
Current Liab.	713.5	1622.3	662.6

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Revenues	20.5%	26.0%	*8.0%*
"Cash Flow"	17.0%	18.0%	*8.5%*
Earnings	20.0%	17.0%	*12.5%*
Dividends	--	--	*Nil*
Book Value	5.5%	-6.5%	*6.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	619.8	617.0	569.7	609.8	2416.3
2004	609.5	593.3	599.5	626.3	2428.6
2005	628.3	670.3	600.8	615.7	2515.1
2006	576.0	570.5	***575***	***588.5***	***2310***
2007	***583***	***595***	***605***	***617***	***2400***

Cal-endar	EARNINGS PER SHARE [A E] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.43	.44	.44	.59	1.88
2004	.58	.57	.61	.74	2.50
2005	.60	.65	.69	.78	2.70
2006	.69	.70	***.75***	***.86***	***3.00***
2007	***.77***	***.79***	***.86***	***.93***	***3.35***

Cal-endar	QUARTERLY DIVIDENDS PAID [B] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	NO CASH DIVIDENDS BEING PAID				
2003					
2004					
2005					
2006					

BUSINESS: DST Systems, Inc. provides info. processing and computer software services and products to mutual funds and other financial services organizations, telecom companies, and utilities. It specializes in shareholder accounting, portfolio accounting, automated work management, network management, and high-volume printing and mailing. Acquired USCS Intl., 9/98; 75% interest in EquiServe, 3/01 (purchased remaining 25%, 7/01). Sold EquiServe, 6/05; Customer Management unit, 7/05. Domestic operations comprised 92% of 2005 revenues. Officers/directors own 20.7% of common stock (3/06 proxy). CEO: Thomas A. McDonnell. Incorporated: Delaware. Address: 333 West 11th Street, Kansas City, Missouri 64105. Telephone: 816-435-1000. Internet: www.dstsystems.com.

DST Systems continues to deliver good earnings-per-share growth in 2006. The Financial Services division is benefiting nicely from increased U.S. mutual fund shareowner processing revenues (arising from higher accounts serviced), greater income from the DST International segment (due to increased professional services fees), plus cost-containment initiatives. Purchases of the company's common stock have also helped matters, to a certain degree. But the performance of the Output Solutions unit continues to suffer from costs stemming partly from the implementation of new printing technologies. What's more, DST Systems is without EquiServe, which generated annual revenues of around $230 million, but was sold last year. Nonetheless, we believe that 2006 share net will advance about 11%, to $3.00. Further expansion in operating margins ought to enable the bottom line to increase an additional 11%, to $3.35 a share, next year.

We believe that good things are in store for the company out to 2009-2011, as well. DST is a leader in providing mutual fund processing services in the United States. This augurs well for future results because it seems that the mutual fund industry will continue to expand in order to accommodate growing investor demand. The company also boasts an established domestic bill and statement processing business, which has healthy prospects (present difficulties aside) because it caters to a number of key industries, including utilities, transportation, and financial services. Moreover, the international operations, accounting for nearly 10% of total revenues at present, have promising expansion possibilities. Product enhancements and additional restructuring efforts ought to aid DST's operating performance, too. Excluding future acquisitions, earnings per share may advance between 10% and 15% annually over the 3- to 5-year timeframe.

But the equity doesn't stand out for relative price action in the year ahead. Furthermore, long-term capital appreciation potential is much lower than the *Value Line* median, since the current quotation is within our 2009-2011 Target Price Range.

Frederick L. Harris, III *August 25, 2006*

(A) Based on diluted shrs outst'g. Excludes nonrecurring gains (losses): 1996, $1.16; 1998, (19¢); 2000, 27¢; 2001, 20¢; 2002, (6¢); 2003, 96¢; 2004, 9¢; 2005, $2.69; Q1 2006, 42¢; Q2, 6¢. Next egs report due late Oct. (B) In 2nd qtr. 1995, $150 million in cash dividends were paid to KCSI, the sole stockholder prior to the company going public. (C) 1998 figures are pro forma for merger with USCS and not comparable with prior years. (D) In mill., adj. for stock split. (E) Qtrs. may not add to total due to anti-dilution or rounding.

Company's Financial Strength	B++
Stock's Price Stability	65
Price Growth Persistence	75
Earnings Predictability	90

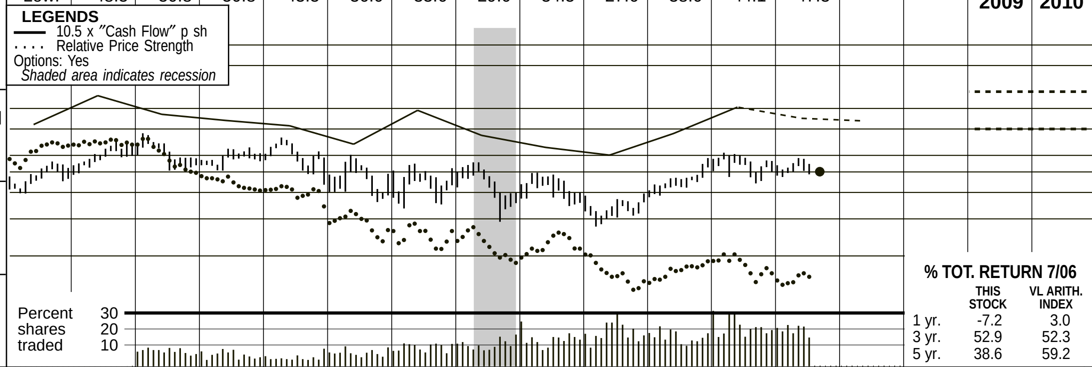
EASTMAN CHEMICAL NYSE-EMN

RECENT PRICE **50.20** | P/E RATIO **10.2** (Trailing: 9.7 / Median: 20.0) | RELATIVE P/E RATIO **0.60** | DIV'D YLD **3.5%** | VALUE LINE

TIMELINESS	3 Lowered 9/2/05
SAFETY	3 New 6/3/94
TECHNICAL	3 Lowered 8/18/06
BETA 1.05 (1.00 = Market)	

High:	69.5	76.3	65.4	72.9	60.3	54.8	55.7	49.6	39.6	58.2	61.8	58.2
Low:	48.5	50.8	50.8	43.5	36.0	33.6	29.0	34.5	27.6	38.0	44.1	47.3

Target Price Range 2009 | 2010 | 2011



2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	120	(+140%)	26%
Low	80	(+60%)	15%

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	1	1	0	0	0
Options	0	0	3	0	0	0	0	0	2
to Sell	0	0	1	0	0	0	0	0	1

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	157	152	100
to Sell	125	140	175
Hld's(000)	65411	65922	67427

% TOT. RETURN 7/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	-7.2	3.0
3 yr.	52.9	52.3
5 yr.	38.6	59.2

Effective midnight December 31, 1993, Eastman Chemical was spun off from Kodak, creating an independent, publicly held company. Prior to January 1, 1994, Eastman Chemical operated as a wholly owned business of Kodak. Eastman assumed $1.8 billion of debt in the spinoff. Kodak agreed to retain employee benefit obligations for substantially all of Eastman's retired participants.

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
61.61	59.78	56.65	58.78	68.96	69.94	68.78	75.09	92.28	86.58	*89.75*	*90.35*	Sales per sh	*97.05*
8.94	8.35	7.88	6.46	9.34	7.09	6.23	5.72	7.25	9.68	*8.55*	*8.30*	"Cash Flow" per sh	*9.60*
4.80	4.18	3.42	1.54	3.89	1.42	1.10	.98	2.50	5.93	*4.90*	*4.50*	Earnings per sh A	*5.55*
1.70	1.76	1.76	1.76	1.76	1.76	1.76	1.76	1.76	1.76	*1.76*	*1.76*	Div'ds Decl'd per sh B	*1.86*
10.17	9.57	6.32	3.74	2.94	3.04	5.52	2.98	3.48	4.21	*5.10*	*4.45*	Cap'l Spending per sh	*4.45*
21.12	22.40	24.45	22.53	23.61	17.90	16.43	13.50	16.61	19.77	*22.30*	*22.60*	Book Value per sh	*20.65*
77.62	78.26	79.11	78.09	76.74	76.98	77.35	77.24	71.30	81.53	*83.00*	*83.00*	Common Shs Outst'g C	*85.00*
12.7	13.9	17.6	30.3	11.4	31.5	38.4	34.1	18.2	9.1	*Bold figures are*		Avg Ann'l P/E Ratio	*18.0*
.80	.80	.92	1.73	.74	1.61	2.10	1.94	.96	.49	*Value Line*		Relative P/E Ratio	*1.20*
2.8%	3.0%	2.9%	3.8%	4.0%	3.9%	4.2%	5.3%	3.9%	3.3%	*estimates*		Avg Ann'l Div'd Yield	*1.9%*
4782.0	4678.0	4481.0	4590.0	5292.0	5384.0	5320.0	5800.0	6580.0	7059.0	*7450*	*7500*	Sales ($mill)	*8250*
20.4%	19.1%	18.0%	14.4%	18.7%	14.0%	11.5%	10.2%	10.6%	15.5%	*13.5%*	*13.0%*	Operating Margin	*14.0%*
314.0	327.0	351.0	383.0	418.0	435.0	397.0	367.0	322.0	304.0	*300*	*310*	Depreciation ($mill)	*345*
380.0	326.3	272.0	121.2	298.8	111.0	84.9	75.0	195.0	485.0	*410*	*375*	Net Profit ($mill)	*470*
37.4%	35.8%	29.0%	19.2%	27.8%	- -	9.7%	21.1%	23.5%	29.5%	*35.0%*	*35.0%*	Income Tax Rate	*35.0%*
7.9%	7.0%	6.1%	2.6%	5.6%	2.1%	1.6%	1.3%	3.0%	6.9%	*5.5%*	*5.0%*	Net Profit Margin	*5.7%*
558.0	536.0	430.0	d119.0	265.0	500.0	305.0	533.0	669.0	873.0	*975*	*875*	Working Cap'l ($mill)	*625*
1523.0	1714.0	1649.0	1506.0	1914.0	2143.0	2054.0	2089.0	2061.0	1621.0	*1500*	*1375*	Long-Term Debt ($mill)	*1075*
1639.0	1753.0	1934.0	1759.0	1812.0	1378.0	1271.0	1043.0	1184.0	1612.0	*1850*	*1875*	Shr. Equity ($mill)	*1750*
13.1%	10.7%	8.9%	5.3%	9.7%	5.1%	4.4%	4.4%	7.8%	16.5%	*13.5%*	*13.0%*	Return on Total Cap'l	*18.0%*
23.2%	18.6%	14.1%	6.9%	16.5%	8.1%	6.7%	7.2%	16.5%	30.1%	*22.0%*	*20.0%*	Return on Shr. Equity	*27.0%*
15.0%	10.7%	6.9%	NMF	9.0%	NMF	NMF	NMF	4.9%	21.3%	*14.0%*	*12.0%*	Retained to Com Eq	*18.0%*
35%	42%	51%	114%	45%	122%	NMF	NMF	70%	29%	*37%*	*40%*	All Div'ds to Net Prof	*34%*

CAPITAL STRUCTURE as of 3/31/06

Total Debt $1591 mill. **Due in 5 Yrs** $300 mill.

LT Debt $1587 mill. **LT Interest** $75.0 mill.
(Total interest coverage: 8.5x)
(46% of Cap'l)

Leases, Uncapitalized Annual rentals $44.0 mill

Pension Assets-12/05 $1.05 bill. **Oblig.** $1.48 bill.

Pfd Stock None

Common Stock 80,375,562 shs.
MARKET CAP: $4.0 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2004	2005	3/31/06
Cash Assets	325	524	485
Receivables	675	575	635
Inventory (LIFO)	582	671	683
Other	186	154	126
Current Assets	1768	1924	1929
Accts Payable	1098	1047	993
Debt due	1	4	4
Other	- -	- -	- -
Current Liab.	1099	1051	997

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	4.5%	6.5%	*3.5%*
"Cash Flow"	-1.0%	-1.0%	*7.0%*
Earnings	-3.5%	1.0%	*24.0%*
Dividends	5.0%	- -	*1.0%*
Book Value	.5%	-6.5%	*5.0%*

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	1441	1481	1444	1434	5800
2004	1597	1676	1649	1658	6580
2005	1762	1752	1816	1729	7059
2006	1803	1929	*1900*	*1818*	*7450*
2007	*1800*	*1850*	*1900*	*1950*	*7500*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	d.02	.61	.26	.13	.98
2004	.52	.82	.79	.37	2.50
2005	1.91	1.59	1.53	.90	5.93
2006	1.36	1.40	*1.20*	*.94*	*4.90*
2007	*1.20*	*1.25*	*1.15*	*.90*	*4.50*

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.44	.44	.44	.44	1.76
2003	.44	.44	.44	.44	1.76
2004	.44	.44	.44	.44	1.76
2005	.44	.44	.44	.44	1.76
2006	.44	.44	.44		

BUSINESS: Eastman Chemical manufactures plastic, chemical, and fiber products. Sells polyester plastics such as polyethylene terephthalate (PET), a plastic used in soft-drink containers; coatings and paint raw materials; industrial chemicals; and filter tow. Business categorized into two divisions: Eastman: Coatings, performance chemicals and specialty plastics. (52% of sales in '05), Voridian: Polymers and fibers (48%). Foreign sales: 42% of total. Has about 12,000 employees and 31,655 shrhldrs. Barclays Global Inv. owns 11.1% of common stock; Lord Abbett & Co., 11.0%. Off. & dir. own 1.2% (3/06 proxy). Chrm. & CEO: Brian Ferguson. Inc.: DE. Address: 100 North Eastman Road, P.O. Box 511, Kingsport, TN 37662. Telephone: 423-229-2000. Internet: www.eastman.com.

Eastman Chemical is faring comparatively well in a challenging environment. On the plus side, the company continues to report strong performance from its core segments, namely Fibers, CASPI, and Specialty Products. Although together only accounting for about 40% of total sales, they're generating three-quarters of operating earnings. On the other side of the ledger, the Performance Polymers segment continues to struggle. Specifically, although global sales were up, volume for PET polymers in North America were off, due to increased competition from lower-cost Asian imports. Combined with difficult conditions in Europe and Latin America, operating earnings for the segment are down nearly 80% through the first half, to $29 million. Largely because of this continued weakness, we look for 2006 earnings to come in 15%–20% lower than last year's tally. Nonetheless, this would still represent a historically high profit level for the company.

Raw material and energy costs are likely to continue to weigh on margins. Through the first half, these expenses were up over $200 million from last year, and more than $1.3 billion since the end of 2003. With the likelihood that these costs remain elevated at least into next year, we look for earnings to continue trending lower, and we've reduced our 2007 share-earnings estimate by $0.30.

New proprietary technology coming on line should lend some support to margins. The company's new polyethylene terephthalate (PET) facility in Columbia, South Carolina is nearing completion, and is scheduled to be fully operational in early 2007. In addition to bringing on 350,000 metric tons of new capacity, the site is also designed to lower costs.

Although only an average choice for the year ahead, Eastman shares may be of interest to long-term investors. High input costs will likely remain a challenge, but demand for most of the company's products is strong and growing. Based on our projections that overall business will remain at comparatively elevated levels, we believe the stock has the potential to nearly double in price over the next 3 to 5 years.

Mario Ferro *August 18, 2006*

(A) Primary earnings through 1996, diluted thereafter. Excludes nonrecurring gain/(charges): '95, (14¢); '97, (41¢); '98, (65¢); '99, ($1.57); '01, ($1.04); '02, (31¢): '03, ($4.48); '04, (31¢); '05, 88¢ . Next earnings report due late October. **(B)** Dividends historically paid in early January, April, July, and October. **(C)** In millions.

Company's Financial Strength	B+
Stock's Price Stability	75
Price Growth Persistence	10
Earnings Predictability	40

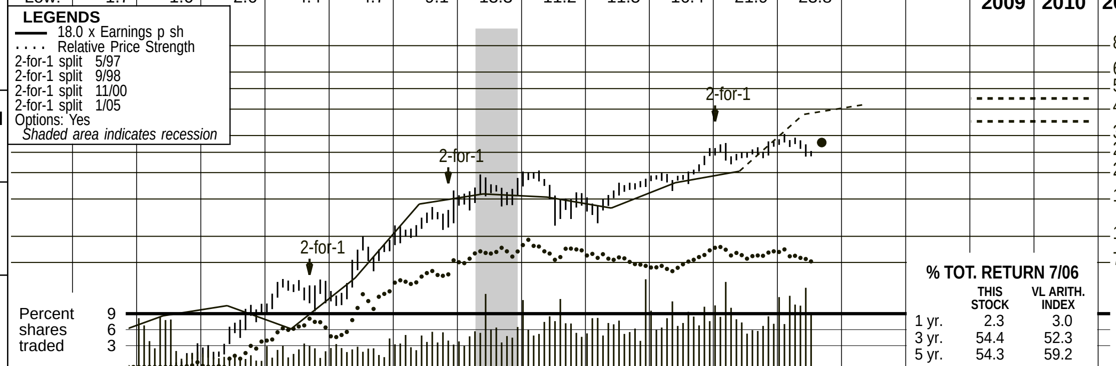
EATON VANCE CORP. NYSE-EV

RECENT PRICE **27.82** | P/E RATIO **21.4** (Trailing: 24.0 / Median: 19.0) | RELATIVE P/E RATIO **1.21** | DIV'D YLD **1.4%** | **VALUE LINE**

TIMELINESS 3 Lowered 9/28/01
SAFETY 2 Raised 2/25/05
TECHNICAL 3 Raised 7/21/06
BETA 1.20 (1.00 = Market)

High:	2.5	3.1	4.8	6.3	10.0	16.5	19.6	20.5	18.7	26.2	28.2	30.5
Low:	1.7	1.6	2.6	4.4	4.7	9.1	13.3	11.2	11.5	16.4	21.9	23.8

Target Price Range
2009 | 2010 | 2011



2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+60%)	14%
Low	35	(+25%)	7%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	1	0
Options	3	1	2	0	0	1	0	0	4
to Sell	0	0	1	0	0	0	0	0	1

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	109	113	114
to Sell	93	98	109
Hld's(000)	84932	84577	86114

% TOT. RETURN 7/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	2.3	3.0
3 yr.	54.4	52.3
5 yr.	54.3	59.2

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
.80	1.01	1.27	1.29	1.50	1.13	1.20	1.36	1.75	2.47	3.10	3.54	3.78	3.82	4.95	5.81	6.65	7.35	Revenues per sh A	9.75
.24	.32	.42	.49	.59	.52	.58	.64	.68	.84	1.45	1.41	1.52	1.44	1.70	1.78	2.05	2.35	"Cash Flow" per sh	2.95
.06	.11	.16	.19	.19	.18	.23	.26	.20	.35	.79	.88	.85	.76	1.00	1.13	1.25	1.50	Earnings per sh AB	2.25
.01	.02	.02	.03	.04	.04	.04	.05	.06	.08	.10	.13	.15	.20	.28	.34	.40	.44	Div'ds Decl'd per sh C	.56
.00	.01	.03	.02	.02	.01	.02	.01	.01	.08	.02	.02	.02	.01	.03	.03	.05	.05	Cap'l Spending per sh	.05
.41	.50	.64	.99	1.14	1.31	1.39	1.53	1.48	1.38	1.84	2.19	2.69	3.04	3.37	3.51	4.90	6.50	Book Value per sh D	11.40
116.98	118.55	120.22	146.15	145.45	149.05	151.21	148.06	142.66	141.04	138.78	137.23	138.51	136.81	133.58	129.55	128.50	129.00	Common Shs Outst'g E	128.00
11.4	6.2	7.1	10.7	10.4	11.0	9.1	12.6	26.1	18.8	13.6	17.7	19.5	20.3	19.0	21.6	Bold figures are		Avg Ann'l P/E Ratio	18.0
.85	.40	.43	.63	.68	.74	.57	.73	1.36	1.07	.88	.91	1.07	1.16	1.00	1.14	Value Line		Relative P/E Ratio	1.20
2.0%	2.7%	2.0%	1.5%	1.9%	2.0%	2.1%	1.6%	1.2%	1.2%	.9%	.8%	.9%	1.3%	1.5%	1.4%	estimates		Avg Ann'l Div'd Yield	1.3%

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
181.4	200.9	250.0	349.0	429.6	486.4	523.0	523.1	661.8	753.2	855	950	Revenues ($mill) A	1250
61.5%	58.9%	46.2%	41.1%	62.3%	55.1%	52.1%	48.5%	46.9%	43.9%	42.0%	44.0%	Operating Margin	47.0%
52.6	54.5	66.7	65.7	84.9	76.9	88.8	90.7	87.8	70.4	70.0	70.0	Depreciation ($mill) F	70.0
35.8	40.2	30.5	52.4	116.1	116.0	121.1	106.1	138.9	159.9	175	210	Net Profit ($mill)	310
40.2%	40.4%	39.0%	39.0%	38.0%	35.0%	35.0%	35.2%	36.0%	37.3%	38.0%	39.0%	Income Tax Rate	39.0%
19.8%	20.0%	12.2%	15.0%	27.0%	23.9%	23.1%	20.3%	21.0%	21.2%	20.5%	22.1%	Net Profit Margin	24.8%
106.0	124.2	81.4	41.6	58.4	153.7	145.3	189.5	300.5	252.2	435	665	Working Cap'l ($mill)	1240
54.6	51.0	35.7	28.6	21.4	215.5	124.1	118.7	74.3	75.5	75.0	75.0	Long-Term Debt ($mill)	75.0
210.8	226.3	211.8	194.3	255.0	301.1	372.3	416.3	449.5	455.0	630	840	Shr. Equity ($mill) D	1460
14.2%	15.2%	12.9%	24.0%	42.3%	22.6%	25.0%	20.3%	27.1%	30.3%	25.0%	23.0%	Return on Total Cap'l	20.0%
17.0%	17.8%	14.4%	27.0%	45.5%	38.5%	32.5%	25.5%	30.9%	35.1%	28.0%	25.0%	Return on Shr. Equity	21.0%
14.0%	14.3%	10.3%	21.4%	40.3%	33.0%	27.1%	19.5%	23.2%	25.9%	19.5%	18.0%	Retained to Com Eq	16.5%
18%	19%	29%	21%	12%	14%	17%	23%	25%	26%	29%	27%	All Div'ds to Net Prof	25%

CAPITAL STRUCTURE as of 4/30/06
Total Debt $76.0 mill. **Due in 5 Yrs** None
LT Debt $76.0 mill. **LT Interest** $2.0 mill.
(13% of Cap'l)
Leases, Uncapitalized Annual rentals $7.7 mill.

Pension Liability None - no defined benefit plan

Pfd Stock None

Common Stock 127,613,900 Non-voting shs.
309,760 Voting (not publicly traded) shs.

MARKET CAP: $3.6 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2004	2005	4/30/06
Cash & Securities	357.6	274.2	286.5
Receivables	32.2	83.9	90.1
Other	4.9	10.5	6.0
Current Assets	394.7	368.6	382.6
Accts Payable	23.8	28.0	30.9
Debt Due	- -	- -	- -
Other	70.4	88.4	60.7
Current Liab.	94.2	116.4	91.6

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Revenues	14.0%	15.0%	12.0%
"Cash Flow"	12.0%	10.5%	10.5%
Earnings	18.0%	16.5%	16.0%
Dividends	22.5%	27.5%	14.0%
Book Value	11.0%	16.0%	22.0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.)A Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2003	124.9	120.9	133.9	143.4	523.1
2004	157.0	165.3	165.9	173.6	661.8
2005	181.8	182.5	190.8	198.1	753.2
2006	206.4	211.5	216	221.1	855
2007	229	233	240	248	950

Fiscal Year Ends	EARNINGS PER SHARE A B G Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2003	.19	.18	.19	.20	.76
2004	.22	.25	.25	.28	1.00
2005	.27	.27	.29	.30	1.13
2006	.28	.29	.33	.35	1.25
2007	.33	.37	.39	.41	1.50

Cal-endar	QUARTERLY DIVIDENDS PAID C Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.037	.037	.037	.04	.15
2003	.04	.04	.06	.06	.20
2004	.06	.06	.075	.08	.28
2005	.08	.08	.08	.10	.34
2006	.10	.10	.10		

BUSINESS: Eaton Vance Corp. manages mutual funds and provides investment management and counseling services to institutions and individuals. Assets equaled $108.5 billion as of 10/31/05. EV provides services through three wholly owned subs., Eaton Vance Mgt., Boston Mgt. and Research, and Eaton Vance Investment Counsel, and three majority-owned subs., Atlanta Capital, Fox Asset Mgt., and Parametric Portfolio Associates. The funds are marketed through Eaton Vance Distributors. Has 757 employees. Off. & dir. control 100% of voting common stock and own 10.3% of non-voting common stock (2005 10-K). Chrmn, CEO & Pres.: James B. Hawkes. Inc.: MD. Addr.: 255 State St., Boston, MA 02109. Tel: 617-482-8260. Internet: www.eatonvance.com.

Eaton Vance probably registered a 13% year-to-year revenue gain in the July quarter, benefiting mainly from a higher level of assets under management (AUM). Aided by wider operating margins, profits advanced an estimated 30% on a comparable cash basis. But after including stock option expense of about $0.05 a share in 2006, reported share earnings may have been up about 14%.

We are estimating revenue growth of 13%-14% for fiscal 2006 (ends October 31st). The primary growth factor would be higher sales of tax-efficient equity products. Helped by higher interest income, profits could expand by some 28% on a comparable basis. However, with stock option expense of about $0.20 a share in 2006, share earnings may rise 10%-11%.

We are projecting an 11% expansion on the top line for fiscal 2007. While the company should build on its strong position in the tax-managed segment of the investment services market, EV is expected to expand its product offerings outside the tax-managed sector. With operating margins widening on the higher volume, we anticipate a profit gain on the order of 20%.

AUM rose 20%, year to year, to $119 billion at the end of the fiscal second quarter. Assets were boosted by long-term fund and separate account net inflows of $9 million and market price appreciation of $10 million. The breakdown of AUM at April 30th was 42% equity funds, 25% separately-managed accounts, 17% fixed-income funds, 15% bank loan funds, and 1% money market funds.

The company has a healthy balance sheet, with $286 million ($2.23 a share) in cash assets and a low level of debt (13% of total capital). In the last 12 months, EV repurchased 5.2 million common shares for $136 million. EV also used its free cash flow to raise the dividend.

These shares are ranked to perform in line with the market over the next six to 12 months. But they do have some appeal as a defensive holding, given their high scores for Financial Strength (A) and Price Growth Persistence (100) and an Above-Average Safety ranking (2). EV has compiled a positive long-term record with good growth and high profitability.

Lester Ratcliff *August 25, 2006*

(A) Fiscal year ends October 31.
(B) Diluted earnings. Excluding nonrecur. charges: '99, ($0.26); '00, ($0.06). Next egs. report due late November.
(C) Dividends historically paid mid Feb., May, Aug., and Nov.
(D) Includes intangibles: at 10/31/05; $130.3 million, $1.01 a share.
(E) In millions, adjusted for stock splits.
(F) Incl. amort. of deferred sales commissions.
(G) Stock option expense would have reduced F'05 profits by 14¢.

Company's Financial Strength	A
Stock's Price Stability	80
Price Growth Persistence	100
Earnings Predictability	45

ECOLAB INC. NYSE-ECL

RECENT PRICE **42.92** | P/E RATIO **29.6** (Trailing: 32.8; Median: 25.0) | RELATIVE P/E RATIO **1.74** | DIV'D YLD **1.0%** | VALUE LINE

TIMELINESS **3** Lowered 10/29/04
SAFETY **1** Raised 3/17/06
TECHNICAL **2** Raised 9/8/06
BETA .85 (1.00 = Market)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
High:	7.9	9.9	14.0	19.0	22.2	22.8	22.1	25.2	27.9	35.6	37.2	45.4
Low:	5.0	7.3	9.1	13.1	15.8	14.0	14.3	18.3	23.1	26.1	30.7	33.6

Target Price Range
2009 | 2010 | 2011

2009-11 PROJECTIONS

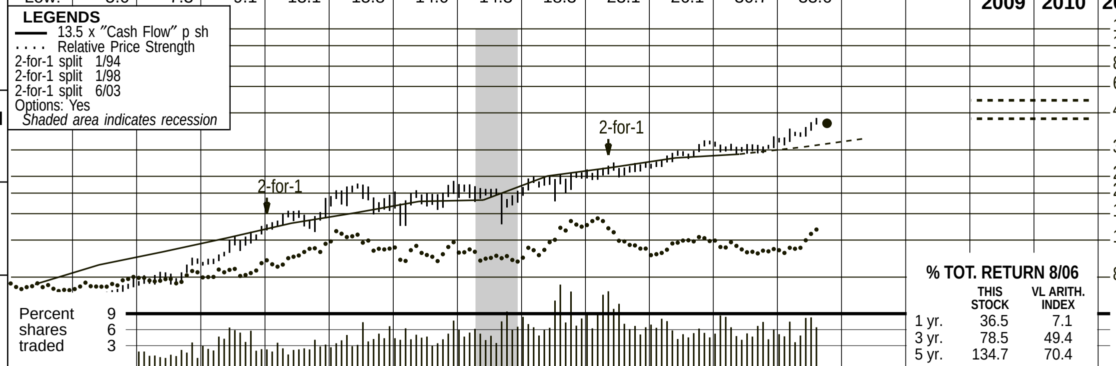
	Price	Gain	Ann'l Total Return
High	55	(+30%)	8%
Low	45	(+5%)	3%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	1	0	0	1	0
Options	0	1	6	0	1	0	0	0	0
to Sell	0	0	3	0	1	0	0	0	0

Institutional Decisions

	4Q2005	1Q2006	2Q2006
to Buy	170	161	153
to Sell	188	195	186
Hld's(000)	133861	134202	136280



% TOT. RETURN 8/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	36.5	7.1
3 yr.	78.5	49.4
5 yr.	134.7	70.4

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
7.36	3.59	3.98	4.13	4.46	5.18	5.75	6.35	7.29	8.04	8.90	9.21	13.10	14.61	16.25	17.84	**19.40**	**21.25**	Sales per sh	**28.00**
.68	.42	.49	.54	.55	.68	.78	.91	1.07	1.19	1.35	1.37	1.79	1.96	2.18	2.27	**2.45**	**2.70**	"Cash Flow" per sh	**3.75**
.24	.24	.26	.30	.34	.38	.44	.50	.58	.65	.75	.73	.92	1.03	1.19	1.23	**1.40**	**1.60**	Earnings per sh A	**2.30**
.08	.09	.09	.10	.12	.13	.15	.16	.19	.21	.24	.26	.27	.29	.32	.35	**.40**	**.44**	Div'ds Decl'd per sh B ■	**.60**
.34	.20	.23	.27	.33	.42	.43	.47	.57	.56	.59	.62	.82	.82	1.07	1.06	**1.10**	**1.10**	Cap'l Spending per sh	**1.60**
1.82	1.17	1.36	1.48	1.71	1.76	2.01	2.14	2.67	2.94	2.98	3.44	4.23	5.03	6.07	6.49	**7.00**	**7.50**	Book Value per sh D	**9.35**
188.76	255.43	252.21	252.44	270.68	258.81	259.20	258.25	258.96	258.83	254.32	255.80	259.88	257.42	257.54	254.14	**250.00**	**247.00**	Common Shs Outst'g C	**257.00**
12.1	14.5	16.5	17.3	16.1	17.0	18.8	22.3	26.2	29.6	25.0	27.3	24.6	24.9	25.6	26.8	*Bold figures are*		Avg Ann'l P/E Ratio	**22.0**
.90	.93	1.00	1.02	1.06	1.14	1.18	1.29	1.36	1.69	1.63	1.40	1.34	1.42	1.35	1.43	*Value Line*		Relative P/E Ratio	**1.45**
2.8%	2.5%	2.1%	1.9%	2.1%	2.0%	1.8%	1.4%	1.3%	1.1%	1.3%	1.3%	1.2%	1.1%	1.1%	1.1%	*estimates*		Avg Ann'l Div'd Yield	**1.2%**

CAPITAL STRUCTURE as of 6/30/06

Total Debt $807.4 mill. **Due in 5 Yrs** $590.0 mill.
LT Debt $544.8 mill. **LT Interest** $30.0 mill.
(LT interest earned: 13.2x; total interest coverage: 12.3x) (24% of Cap'l)

Leases, Uncapitalized Annual rentals $41.2 mill.
Pension Assets-12/05 $899.4 mill. **Oblig.** $1,141.1 mill.

Pfd Stock None
Common Stock 251,626,948 shrs. as of 7/31/06
MARKET CAP: $10.8 billion (Large Cap)

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
1490.0	1640.4	1888.2	2080.0	2264.3	2354.7	3403.6	3761.8	4184.9	4534.8	**4850**	**5250**	Sales ($mill)	**7200**
18.4%	19.5%	20.3%	20.4%	20.8%	20.5%	19.3%	18.9%	18.8%	17.6%	**18.5%**	**19.5%**	Operating Margin	**24.5%**
89.5	100.9	122.0	134.5	148.4	163.0	223.4	229.7	247.4	256.9	**265**	**275**	Depreciation ($mill)	**375**
113.2	134.0	154.5	174.4	195.8	188.2	240.6	274.7	312.9	319.5	**350**	**395**	Net Profit ($mill)	**590**
41.4%	41.5%	42.4%	41.1%	40.7%	40.5%	39.8%	38.1%	36.5%	35.9%	**36.0%**	**36.0%**	Income Tax Rate	**39.0%**
7.6%	8.2%	8.2%	8.4%	8.6%	8.0%	7.1%	7.3%	7.5%	7.1%	**7.2%**	**7.5%**	Net Profit Margin	**8.2%**
107.7	105.0	103.7	106.6	68.6	101.6	149.5	298.4	339.5	302.3	**320**	**350**	Working Cap'l ($mill)	**450**
148.7	259.4	227.0	169.0	234.4	512.3	539.7	604.4	645.4	519.4	**550**	**550**	Long-Term Debt ($mill)	**700**
520.0	551.7	690.5	762.0	757.0	880.4	1099.8	1295.4	1562.5	1649.2	**1750**	**1850**	Shr. Equity ($mill)	**2400**
18.1%	17.2%	17.3%	19.3%	20.4%	14.1%	15.3%	15.4%	15.1%	15.7%	**16.0%**	**17.0%**	Return on Total Cap'l	**20.0%**
21.8%	24.3%	22.4%	22.9%	25.9%	21.4%	21.9%	21.2%	20.0%	19.4%	**20.0%**	**21.5%**	Return on Shr. Equity	**24.5%**
14.8%	16.8%	15.3%	15.8%	17.7%	13.8%	15.6%	15.4%	14.8%	13.9%	**14.5%**	**15.5%**	Retained to Com Eq	**18.0%**
32%	31%	32%	31%	31%	35%	29%	27%	26%	28%	**29%**	**28%**	All Div'ds to Net Prof	**26%**

CURRENT POSITION ($MILL.)	2004	2005	6/30/06
Cash Assets	71.2	229.4	105.9
Receivables	738.3	743.5	831.8
Inventory (LIFO)	338.6	325.6	348.1
Other	131.0	123.2	132.6
Current Assets	1279.1	1421.7	1418.4
Accts Payable	269.6	277.6	274.8
Debt Due	56.1	226.9	262.6
Other	613.9	614.9	603.8
Current Liab.	939.6	1119.4	1141.2

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	13.5%	15.0%	9.5%
"Cash Flow"	14.0%	12.0%	10.0%
Earnings	13.0%	12.0%	12.5%
Dividends	11.0%	8.5%	11.0%
Book Value	13.5%	15.5%	8.0%

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	875.8	946.7	982.8	956.5	3761.8
2004	979.4	1042.7	1090.3	1072.5	4184.9
2005	1069.9	1158.6	1164.8	1141.5	4534.8
2006	1120.1	1225.9	**1265**	**1239**	**4850**
2007	**1315**	**1315**	**1315**	**1305**	**5250**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.21	.25	.32	.26	1.03
2004	.26	.30	.36	.27	1.19
2005	.27	.31	.38	.27	1.23
2006	.30	.36	**.42**	**.32**	**1.40**
2007	**.35**	**.40**	**.45**	**.40**	**1.60**

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.068	.068	.068	.068	.27
2003	.073	.073	.073	.073	.29
2004	.08	.08	.08	.08	.32
2005	.088	.088	.088	.088	.35
2006	.10	.10	.10		

BUSINESS: Ecolab Inc. develops and markets chemicals and services for cleaning, pest elimination, sanitizing, and maintenance. It sells to the hospitality, institutional, and industrial markets. Began a 50-50 European joint venture with Henkel KGaA, 7/91 (bought remaining 50%, 11/01). Acquired Stove Parts Supply, 8/00; Spartan, 2/00; Blue Coral Systems, 2/99; GCS Service, 7/98 and others. Foreign ops.: 49% of '05 sales; R&D, 1.5%. '05 deprec. rate: 12.6%. Has around 22,400 employees. Henkel KGaA owns about 17.1% of stock; Henkel Corp., 11.6%; Officers & Directors, 2.4% (3/06 proxy). CEO: Douglas M. Baker. Incorporated: Delaware. Address: Ecolab Ctr., 370 N. Wabasha Street, St. Paul, MN 55102. Tel.: 651-293-2233. Web: www.ecolab.com.

Things are going well for Ecolab, overall, these days. This can be attributed mainly to healthy sales in the North American, Latin American, and Asia-Pacific regions (made possible by aggressive efforts to attract new accounts and product introductions). Pricing initiatives, improvements in operating efficiency, and repurchases of the company's common stock have also been beneficial. But the performance of operations in Germany, France, and Italy has been lackluster (reflecting sluggish economies). Too, raw material costs remain high. Still, we expect share net to grow 14%, to $1.40, in 2006. Assuming that positive business trends hold, the bottom line may advance another 14%, to $1.60 a share, next year.

Management has been quite successful at boosting market share via a well-defined strategy. Ecolab's diverse product line (which includes commercial kitchen equipment, pest elimination, and water care services) enhances cross-selling opportunities and allows it to secure the accounts of the bigger players in the target industries. Furthermore, a significant presence in the foreign markets, accounting for roughly half of total sales at present, enables it to capture global accounts by assuring them that they will receive the same high degree of customer service enjoyed domestically.

Good things appear to be in store for the company over the 3- to 5-year horizon. Since sanitation and food safety will likely remain major priorities for the government, Ecolab is poised to play a key role in helping firms comply with additional regulations. Too, niche acquisitions should continue to aid the company's expansion, though many uncertainties prevent us from including future purchases in our figures. In the present configuration, the bottom line ought to advance between 10% and 15% annually out to 2009-2011.

These high-quality shares have been a favorite of Wall Street, as evidenced by their steady climb in price over the past several years. That is largely because of the cleaning product firm's ability to deliver healthy results on a consistent basis. But the equity is not a standout for relative price performance in the year ahead or over the 3- to 5-year period.

Frederick L. Harris, III September 15, 2006

(A) Diluted egs. Primary egs. thru '96. Excl. gns (loss) fr. disc. op's: '91, ($1.30); '98, 14¢; '02, 1¢. Excl. nonrec. gns (losses): '91, (12¢); '93, 1¢; '94, (3¢); '99, 1¢; '00, 4¢; '02, (13¢); '03, 1¢; '04, (1¢). Qtrs. for '03 don't add up to total due to rounding. Qtrs. for '05 restated for expensing stock options. Next egs. rpt. late Oct. (B) Dividends paid in the middle of Jan., Apr., July & Oct. ■Div'd reinv. plan. (C) In mill., adj. for stk. splits. (D) Incl. intang., '05: $1,140.0 mill., $4.49/sh.

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	95
Earnings Predictability	95

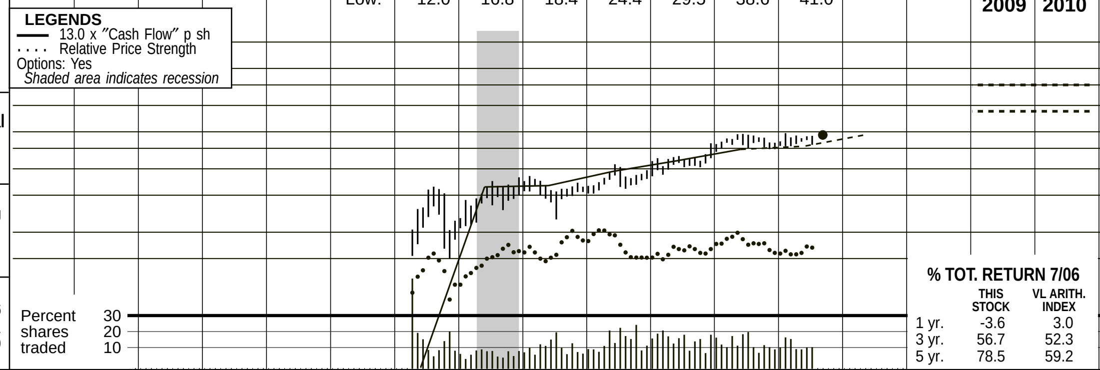
EDWARDS LIFESCI. NYSE-EW

RECENT PRICE **46.36** | P/E RATIO **21.9** (Trailing: 22.8 Median: NMF) | RELATIVE P/E RATIO **1.30** | DIV'D YLD **Nil** | **VALUE LINE**

TIMELINESS 3 New 12/3/04
SAFETY 2 Raised 9/1/06
TECHNICAL 3 Raised 4/7/06
BETA .75 (1.00 = Market)

	2000	2001	2002	2003	2004	2005	2006
High:	26.4	29.2	29.6	33.6	42.3	46.9	47.3
Low:	12.0	16.8	18.4	24.4	29.5	38.6	41.0

Target Price Range
2009 | 2010 | 2011



% TOT. RETURN 7/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	-3.6	3.0
3 yr.	56.7	52.3
5 yr.	78.5	59.2

2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	80	(+75%)	*15%*
Low	60	(+30%)	*7%*

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	1	1	1	1	1	1	2	3	1
to Sell	1	2	1	1	1	1	2	3	1

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	131	114	121
to Sell	91	103	99
Hld's(000)	56503	53419	52039

Edwards Laboratories was founded in the early 1960s by Miles "Lowell" Edwards, after he co-developed the first artificial heart valve. In 1966, Edwards Labs. was bought by American Hospital Supply Corp., which was later purchased by Baxter International, Inc. in 1985. Baxter established the Edwards organization as its CardioVascular Group. On April 3, 2000, Edwards Lifesciences Corp. was spun off from Baxter, with each Baxter shareholder receiving one share of EW per five shares of BAX owned.

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
--	--	--	--	13.70	11.67	11.70	14.47	15.67	16.76	***18.25***	***20.20***	**Revenues per sh**	***28.25***
--	--	--	--	.28	2.02	2.05	2.39	2.69	3.04	***3.15***	***3.60***	**"Cash Flow" per sh**	***5.40***
--	--	--	--	d1.06	1.03	1.35	1.58	1.67	1.98	***2.05***	***2.35***	**Earnings per sh A**	***3.55***
--	--	--	--	--	--	--	--	--	--	***Nil***	***Nil***	**Div'ds Decl'd per sh**	***Nil***
--	--	--	--	.78	.64	.68	.64	.72	.81	***.85***	***.90***	**Cap'l Spending per sh**	***1.15***
--	--	--	--	7.50	7.74	8.96	10.68	10.57	11.59	***12.75***	***14.85***	**Book Value per sh B**	***23.65***
--	--	--	--	58.67	59.33	60.18	59.48	59.44	59.52	***58.40***	***58.20***	**Common Shs Outst'g C**	***57.50***
--	--	--	--	--	22.3	18.9	18.0	20.7	21.7	***Bold figures are***		**Avg Ann'l P/E Ratio**	***20.0***
--	--	--	--	--	1.14	1.03	1.03	1.09	1.16	***Value Line***		**Relative P/E Ratio**	***1.35***
--	--	--	--	--	--	--	--	--	--	***estimates***		**Avg Ann'l Div'd Yield**	***Nil***
--	--	--	--	804.0	692.1	704.0	860.5	931.5	997.9	***1065***	***1175***	**Revenues ($mill)**	***1625***
--	--	--	--	19.3%	21.5%	21.6%	21.4%	22.6%	23.2%	***22.5%***	***23.0%***	**Operating Margin**	***24.5%***
--	--	--	--	74.0	57.0	40.4	45.6	55.7	56.2	***60.0***	***65.0***	**Depreciation ($mill)**	***85.0***
--	--	--	--	d57.5	62.9	82.9	96.6	104.1	125.0	***125***	***145***	**Net Profit ($mill)**	***225***
--	--	--	--	NMF	28.0%	26.0%	25.6%	26.0%	24.7%	***26.0%***	***26.0%***	**Income Tax Rate**	***26.0%***
--	--	--	--	NMF	9.1%	11.8%	11.2%	11.2%	12.5%	***11.7%***	***12.3%***	**Net Profit Margin**	***13.8%***
--	--	--	--	63.0	109.0	128.5	193.0	172.1	320.0	***410***	***555***	**Working Cap'l ($mill)**	***1160***
--	--	--	--	367.0	310.0	245.5	255.8	267.1	316.1	***325***	***340***	**Long-Term Debt ($mill)**	***400***
--	--	--	--	440.0	459.0	539.4	635.1	628.1	690.0	***745***	***865***	**Shr. Equity ($mill)**	***1360***
--	--	--	--	NMF	9.2%	11.3%	11.6%	12.4%	13.0%	***12.5%***	***12.5%***	**Return on Total Cap'l**	***13.0%***
--	--	--	--	NMF	13.7%	15.4%	15.2%	16.6%	18.1%	***17.0%***	***17.0%***	**Return on Shr. Equity**	***16.5%***
--	--	--	--	NMF	13.7%	15.4%	15.2%	16.6%	18.1%	***17.0%***	***17.0%***	**Retained to Com Eq**	***16.5%***
--	--	--	--	--	--	--	--	--	--	***Nil***	***Nil***	**All Div'ds to Net Prof**	***Nil***

CAPITAL STRUCTURE as of 6/30/06
Total Debt $279.6 mill. **Due in 5 Yrs** $279.6 mill.
LT Debt $279.6 mill. **LT Interest** $12.0 mill.
(Total interest coverage: 14.5x) (Includes $150.0 mill. of 3.875% convertible notes due 2033. Initial conversion price of $54.66.)
(28% of Capital)
Leases, Uncapitalized: Annual rentals $10.1 mill.
Pension Assets-12/05 $35.3 mill. **Oblig.** $53.8 mill.
Common Stock 58,400,737 shares as of 7/31/06
MARKET CAP: $2.7 billion (Mid Cap)

CURRENT POSITION ($MILL.)	**2004**	**2005**	**6/30/06**
Cash Assets	48.9	178.6	167.1
Receivables	119.4	118.5	133.7
Inventory (FIFO)	127.7	131.5	139.0
Other	71.5	85.6	102.5
Current Assets	367.5	514.2	542.3
Accts Payable	62.0	60.7	*70.0*
Debt Due	--	--	--
Other	133.4	133.5	*156.5*
Current Liab.	195.4	194.2	226.5

ANNUAL RATES of change (per sh)	**Past 10 Yrs.**	**Past 5 Yrs.**	**Est'd '03-'05 to '09-'11**
Revenues	--	2.5%	*11.0%*
"Cash Flow"	--	NMF	*12.0%*
Earnings	--	--	*13.0%*
Dividends	--	--	*Nil*
Book Value	--	8.0%	*14.0%*

Cal-endar	**QUARTERLY REVENUES ($ mill.) Mar.31**	**Jun. 30**	**Sep. 30**	**Dec. 31**	**Full Year**
2003	212.5	217.8	206.1	224.1	860.5
2004	235.0	234.6	224.8	237.1	931.5
2005	249.1	258.2	240.9	249.7	997.9
2006	256.7	267.3	***260***	***281***	***1065***
2007	***285***	***295***	***290***	***305***	***1175***

Cal-endar	**EARNINGS PER SHARE A Mar.31**	**Jun. 30**	**Sep. 30**	**Dec. 31**	**Full Year**
2003	.41	.39	.34	.44	1.58
2004	.42	.41	.38	.46	1.67
2005	.48	.51	.46	.53	1.98
2006	.50	.54	***.46***	***.55***	***2.05***
2007	***.57***	***.60***	***.55***	***.63***	***2.35***

Cal-endar	**QUARTERLY DIVIDENDS PAID Mar.31**	**Jun.30**	**Sep.30**	**Dec.31**	**Full Year**
2002	NO CASH DIVIDENDS BEING PAID				
2003					
2004					
2005					
2006					

BUSINESS: Edwards Lifesciences Corporation is a global leader in products and technologies designed to treat advanced cardiovascular disease. Primary areas of focus include: heart valve disease, peripheral vascular disease and critical care technologies. Operates in five segments: Heart Valve Therapy (47.0% of '05 revenues), Critical Care (32.5%), Cardiac Surgery Systems (10.5%), Vascular (6.6%), and Other Distributed Products (3.4%). '05 R&D: $99.0 mill. '05 International revenues: $542.0 mill. Employs about 5,400. Indian Asset Management owns 6.7% of shares; T. Rowe Price, 6.6%; officers & directors, 5.4% (4/06 proxy). Chairman & CEO: Michael A. Mussallem. Address: One Edwards Way, Irvine, CA., 92614. Telephone: (949) 250-2500. Internet: www.edwards.com.

Edwards Lifesciences is having a solid year. Excluding some nonrecurring items footnoted below, the company posted earnings of $0.54 a share in the June quarter. This figure includes about a nickel's worth of equity-based compensation expenses. The strength of Edwards' *Magna* valves has persisted, and we look for these products to continue driving the growth of the Heart Valve Therapy unit. The *FloTrac* monitoring system ought to continue enjoying strong adoption in all regions, especially in Japan. Lastly, the success of other recently introduced Critical Care products and certain Vascular products should also continue to fuel the growth we expect. In sum, we have bumped up our 2006 share-earnings call by a nickel, to $2.05.

Our full-year, share-net estimate is better than it appears. Indeed, the marginal 4% earnings gain we expect includes more than $0.20 worth of likely stock option costs. Without the new accounting requirements, the company is on pace to record about a 14% share-net gain.

Edwards should post a quality top- and bottom-line advance next year. We think the final approvals for *Magna Mitral Valve* with *ThermaFix* and some valve-repair products are just on the horizon. The continuing momentum from *FloTrac* and *LifeStent* also represents solid opportunities for the company to achieve growth. All told, we think share earnings will be about $2.35 in 2007.

The company accelerated the rate at which it repurchases shares. Management continues to believe Edwards' stock is a good investment, and bought back about 1.3 million shares in the June quarter for about $56 million. Year to date, it has repurchased some two million shares. With that, the board of directors authorized a new, four-million-share initiative, which the company will probably gradually use to maintain the stock float.

Shares of Edwards are not particularly exciting at this time. This neutrally ranked stock ought to perform in line with broader market averages in the coming six to 12 months. Looking out to 2009-2011, we think the issue offers decent capital gains potential that falls in line with the *Value Line* median.

Erik A. Antonson *September 1, 2006*

(A) Diluted earnings per share. Excludes nonrecurring gain/(losses): '01: ($1.22); '02: (44¢); '03: (29¢); '04: ($1.64); '05, (71¢); '06, 10¢. Includes options expense from '06. Next earnings report due late October.
(B) Includes intangibles. In 2005: $475.4 million or $7.99 a share.
(C) In millions.

Company's Financial Strength	B++
Stock's Price Stability	85
Price Growth Persistence	85
Earnings Predictability	25

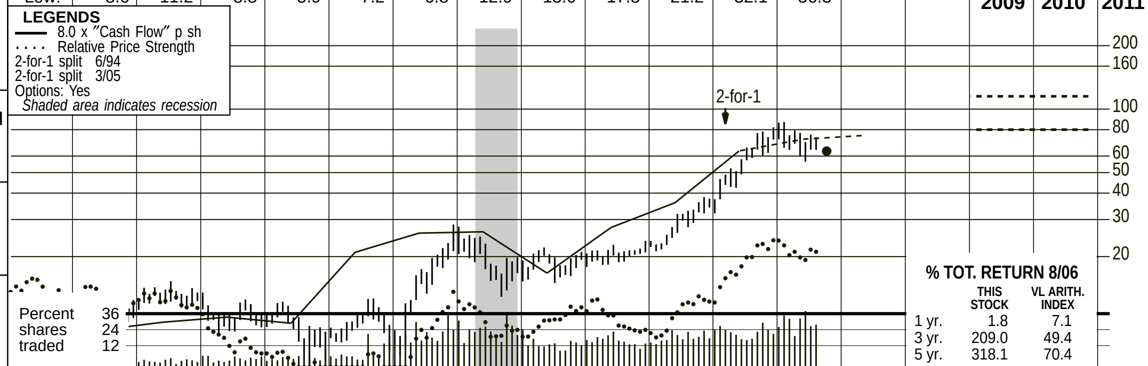
EOG RESOURCES NYSE-EOG

RECENT PRICE	63.15	P/E RATIO	11.1 (Trailing: 9.8; Median: 16.0)	RELATIVE P/E RATIO	0.65	DIV'D YLD	0.4%	VALUE LINE

TIMELINESS 3 Lowered 4/21/06
SAFETY 3 New 3/23/01
TECHNICAL 2 Raised 9/8/06
BETA 1.05 (1.00 = Market)

High:	12.7	15.3	13.5	12.3	12.7	28.3	27.8	22.1	23.8	38.3	82.0	86.9
Low:	8.6	11.2	8.8	5.9	7.2	6.8	12.9	15.0	17.8	21.2	32.1	56.3

Target Price Range
2009 | 2010 | 2011



% TOT. RETURN 8/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	1.8	7.1
3 yr.	209.0	49.4
5 yr.	318.1	70.4

2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	115	(+80%)	*16%*
Low	80	(+25%)	*6%*

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	2	0	1	0	0	2	1
to Sell	0	1	2	0	2	1	0	2	1

Institutional Decisions

	4Q2005	1Q2006	2Q2006
to Buy	207	192	190
to Sell	207	217	202
Hld's(000)	219675	223719	220557

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
1.22	1.28	1.42	1.78	1.90	2.03	2.29	2.53	2.50	3.21	6.37	6.66	4.77	6.99	9.55	14.96	***16.65***	***18.45***	Sales per sh	***20.80***
.66	.71	.87	1.21	1.29	1.12	1.22	1.29	1.21	2.62	3.23	3.28	2.09	3.44	4.50	7.92	***9.00***	***9.40***	"Cash Flow" per sh	***10.80***
.15	.18	.32	.43	.47	.45	.44	.39	.18	.67	1.62	1.60	.40	1.83	2.42	5.21	***5.75***	***6.00***	Earnings per sh A	***6.50***
.05	.05	.05	.06	.06	.06	.06	.06	.06	.06	.07	.08	.08	.09	.12	.15	***.24***	***.28***	Div'ds Decl'd per sh B	***.36***
.86	.70	1.13	1.20	1.47	1.39	1.69	2.02	2.25	1.61	2.58	4.17	3.11	4.83	5.96	7.13	***10.70***	***11.05***	Cap'l Spending per sh	***11.45***
2.01	2.14	2.61	2.92	3.46	3.64	3.96	4.14	4.16	3.94	5.28	6.44	6.64	8.32	11.97	17.42	***23.60***	***29.55***	Book Value per sh	***48.25***
303.60	303.60	320.00	319.68	301.65	319.70	319.51	309.52	307.45	249.46	233.81	233.81	229.44	249.46	237.85	242.07	***243.00***	***244.00***	Common Shs Outst'g C	***245.00***
39.5	28.8	20.4	23.7	22.9	24.3	29.2	27.2	NMF	14.4	9.6	12.3	47.4	11.2	11.8	10.9	*Bold figures are*		Avg Ann'l P/E Ratio	***15.0***
2.93	1.84	1.24	1.40	1.50	1.63	1.83	1.57	NMF	.82	.62	.63	2.59	.64	.62	.58	*Value Line*		Relative P/E Ratio	***1.00***
.8%	1.0%	.8%	.6%	.6%	.6%	.5%	.6%	.6%	.6%	.4%	.4%	.4%	.4%	.4%	.3%	*estimates*		Avg Ann'l Div'd Yield	***.4%***

CAPITAL STRUCTURE as of 6/30/06
Total Debt $892.5 mill. **Due in 5 Yrs** $511.1 mill.
LT Debt $768.4 mill. **LT Interest** $52.0 mill.

(Total interest coverage: over 25x) (13% of Cap'l)

Leases, Uncapitalized: Annual Rentals $166 mill.
Pension Assets-12/05 $5.3 mill. **Oblig.** $6.4 mill.

Pfd Stock $99.2 mill. **Pfd Div'd** $7.4 mill. (2% of Cap'l)

Common Stock 242,609,724 shs. as of 7/25/06

MARKET CAP: $15.3 billion (Large Cap)

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
730.7	783.5	769.2	801.4	1489.9	1557.9	1095.0	1744.7	2271.2	3620.2	***4050***	***4500***	Sales ($mill)	***5100***
69.6%	71.2%	66.6%	59.7%	71.6%	63.5%	48.9%	65.3%	65.3%	73.4%	***69.0%***	***66.5%***	Operating Margin	***68.0%***
251.3	278.2	315.1	459.9	370.0	392.4	398.0	441.8	504.4	654.3	***740***	***775***	Depreciation ($mill)	***990***
140.0	122.0	56.2	195.2	396.9	385.7	92.6	426.4	577.0	1271.5	***1410***	***1475***	Net Profit ($mill)	***1605***
26.7%	25.4%	6.8%	- -	37.3%	30.3%	24.8%	34.8%	32.6%	35.7%	***32.0%***	***33.0%***	Income Tax Rate	***35.0%***
19.2%	15.6%	7.3%	24.4%	26.6%	24.8%	8.5%	24.4%	25.4%	35.1%	***34.8%***	***32.8%***	Net Profit Margin	***31.5%***
8.5	d9.0	d16.2	d18.1	24.7	d38.5	118.4	d80.5	d45.4	391.2	***440***	***620***	Working Cap'l ($mill)	***730***
466.1	741.3	1142.8	990.3	859.0	856.0	1145.1	1108.9	1077.6	859.0	***740***	***650***	Long-Term Debt ($mill)	***500***
1265.1	1281.1	1280.3	1129.6	1380.9	1652.7	1672.4	2223.4	2945.4	4316.3	***5730***	***7215***	Shr. Equity ($mill)	***11825***
8.5%	6.7%	3.3%	10.7%	19.0%	16.4%	4.4%	13.8%	15.1%	25.1%	***22.0%***	***19.0%***	Return on Total Cap'l	***13.0%***
11.1%	9.5%	4.4%	17.3%	28.7%	23.3%	5.5%	19.2%	19.6%	29.5%	***24.5%***	***20.5%***	Return on Shr. Equity	***13.5%***
9.6%	8.0%	2.9%	18.0%	30.0%	23.7%	4.2%	19.0%	18.9%	29.1%	***23.5%***	***19.5%***	Retained to Com Eq	***13.0%***
14%	16%	33%	9%	7%	7%	31%	7%	7%	3%	***4%***	***5%***	All Div'ds to Net Prof	***6%***

CURRENT POSITION ($MILL.)	2004	2005	6/30/06
Cash Assets	21.0	643.8	759.1
Receivables	447.7	762.2	597.6
Inventory (Avg Cst)	40.0	63.2	98.4
Other	78.1	94.0	143.6
Current Assets	586.8	1563.2	1598.7
Accts Payable	424.6	679.5	680.6
Debt Due	- -	126.1	124.1
Other	207.6	366.4	277.8
Current Liab.	632.2	1172.0	1082.5

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	18.5%	21.0%	*12.0%*
"Cash Flow"	16.0%	17.5%	*12.5%*
Earnings	21.5%	31.0%	*13.0%*
Dividends	7.0%	14.0%	*19.5%*
Book Value	14.0%	23.0%	*25.0%*

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2003	464.7	424.8	458.7	396.5	1744.7
2004	464.3	519.0	594.2	693.7	2271.2
2005	688.2	783.9	934.4	1213.7	3620.2
2006	977.5	828.1	***1000***	***1244.4***	***4050***
2007	***1100***	***1000***	***1050***	***1350***	***4500***

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2003	.60	.47	.40	.36	1.83
2004	.53	.52	.56	.81	2.42
2005	.86	.98	1.40	1.97	5.21
2006	1.53	1.16	***1.30***	***1.76***	***5.75***
2007	***1.45***	***1.20***	***1.40***	***1.95***	***6.00***

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.02	.02	.02	.02	.08
2003	.02	.02	.025	.025	.09
2004	.03	.03	.03	.03	.12
2005	.03	.04	.04	.04	.15
2006	.04	.06	.06		

BUSINESS: EOG Resources, formerly Enron Oil & Gas, engages in the exploration, development, and production of natural gas and crude oil. It utilizes producing basins primarily in the United States, Canada, and Trinidad & Tobago. It also negotiates short- and long-term sales contracts with third-party producers. In '05, the company's total net proved reserves were 6.2 trillion cubic feet equivalent, and net proved crude oil and natural gas liquid reserves were 106.2 million barrels. Has about 1,400 employees. Officers and directors own approximately 1.2% of out. comm. stock; Davis Selected Advrs. owns 9.9% of com. shs. (3/06 Proxy). Chrmn. & CEO: Mark Papa. Pres.: Edmund Segner. Inc.: DE. Addr.: 333 Clay St., Houston, TX 77002. Tel.: (713) 651-7000. Web: www.eogresources.com.

EOG Resources reported encouraging results in the second quarter. Earnings per share came in at $1.16, an increase of 18% over last year's tally. For the first six months of the year, the company achieved over 10% internal growth in natural gas and natural gas liquids production, helped by strength in the Fort Worth Barnett Shale play as well as the Rocky Mountain operation. This solid performance should continue for the remainder of the year. We project sales and earnings per share will advance by roughly 12% and 10%, respectively, for 2006.

From 2007 to the end of the decade, we expect growth to continue, albeit at a more moderate pace. As a result of increased industrywide drilling activity, production advances should be largely offset by lower natural gas price realizations. Corporate returns will likely decline as growth in shareholders' equity should outpace incremental earnings. Net profit margins should narrow, as well. On the bright side, we anticipate lower long-term debt in the coming years, unless a promising acquisition were to come along.

EOG Resources enjoys bright prospects in the Barnett Shale, where estimates of recoverable natural gas have increased significantly over the past few years. The company is currently operating 15 rigs in central Texas. Eleven of these rigs are located in Johnson County, where EOG has reaped aftertax returns of roughly 90% in recent times. The company expects to drill roughly 225 wells at the Barnett Shale in the current year and approximately double that figure in 2007. We are optimistic about Barnett, as strength on this front could augment EOG's bottom line for years to come. In addition, the company will continue to look for other drilling areas with significant reserve potential.

Shares of EOG Resources are not a standout for the months ahead, given lower natural gas prices lately, and is ranked 3 (Average) for Timeliness. Patient investors might find this issue somewhat more attractive, however. We project modest growth in sales and earnings for the pull to late decade. The stock appears to have worthwhile total return potential for this period.

Michael F. Napoli *September 15, 2006*

(A) Primary earnings through 1996, diluted thereafter. Excludes nonrecurring gains (losses): '00, 6¢; '01, 11¢; '02, (14¢); '03, (12¢); '04, 16¢; '05, (8¢). Next earnings report due early November.
(B) Dividends historically paid late January, April, July, and October.
(C) In millions, adjusted for stock splits.

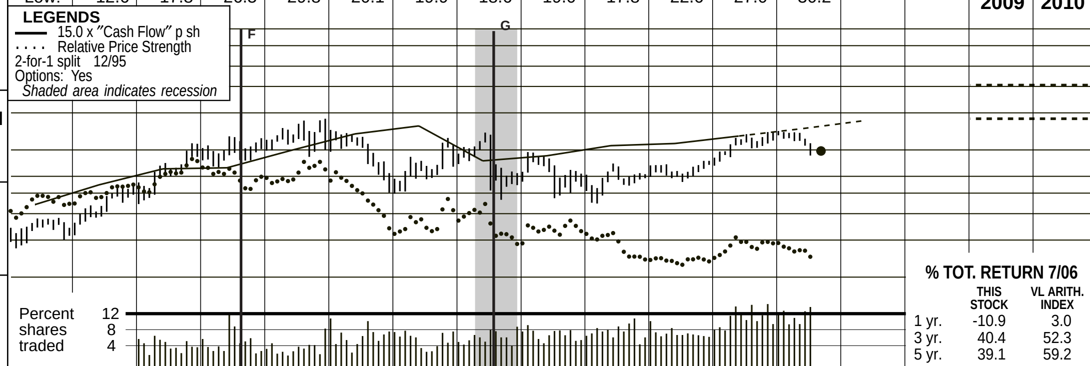
Company's Financial Strength	B++
Stock's Price Stability	55
Price Growth Persistence	95
Earnings Predictability	35

EQUIFAX INC. NYSE-EFX

RECENT PRICE **31.70** | P/E RATIO **15.3** (Trailing: 16.5, Median: 20.0) | RELATIVE P/E RATIO **0.89** | DIV'D YLD **0.5%** | VALUE LINE

TIMELINESS **4** Lowered 2/24/06
SAFETY **3** Lowered 6/24/94
TECHNICAL **3** Raised 8/25/06
BETA 1.05 (1.00 = Market)

High:	21.8	34.5	37.2	45.0	39.9	36.5	38.8	31.3	27.6	28.5	39.0	39.4
Low:	12.6	17.8	26.5	29.8	20.1	19.9	18.6	19.0	17.8	22.6	27.0	30.2



Target Price Range

2009	2010	2011
120	100	80
64	48	32
24	20	16
12	8	

2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(+105%)	20%
Low	45	(+40%)	10%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	1	1	1	0	2	1	5	1	0
to Sell	1	2	1	0	0	1	0	1	0

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	137	143	124
to Sell	144	137	168
Hld's(000)	101455	101265	100441

% TOT. RETURN 7/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	-10.9	3.0
3 yr.	40.4	52.3
5 yr.	39.1	59.2

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
6.64	6.66	7.48	7.81	8.97	10.54	11.96	9.16	11.58	13.23	14.47	8.36	8.17	9.23	9.84	10.92	*12.25*	*12.90*	Revenues per sh A	*15.60*
.83	.67	.92	.96	1.18	1.46	1.74	1.76	2.12	2.55	2.77	1.90	2.00	2.24	2.29	2.38	*2.80*	*3.00*	"Cash Flow" per sh	*3.75*
.50	.33	.52	.63	.81	.98	1.22	1.26	1.34	1.55	1.68	1.09	1.38	1.48	1.62	1.80	*2.02*	*2.20*	Earnings per sh B	*2.90*
.24	.26	.26	.28	.31	.32	.33	.35	.35	.36	.37	.23	.08	.08	.11	.15	*.16*	*.16*	Div'ds Decl'd per sh C ■	*.20*
.36	.19	.34	.35	.20	.38	.66	.58	.85	.90	.81	.10	.09	.11	.13	.13	*.15*	*.15*	Cap'l Spending per sh	*.15*
2.30	2.13	1.70	1.63	2.28	2.30	2.81	2.34	2.62	1.61	2.82	1.79	1.63	2.80	4.05	6.20	*8.40*	*10.40*	Book Value per sh D	*17.50*
162.44	164.29	151.55	155.82	158.59	153.96	151.43	149.16	140.04	134.00	135.84	136.20	135.70	132.70	129.40	132.20	*126.00*	*127.00*	Common Shs Outst'g E	*130.00*
17.1	26.3	16.3	17.5	16.8	17.9	20.7	25.2	28.1	20.7	15.6	21.7	18.3	15.5	15.8	18.7	*Bold figures are*		Avg Ann'l P/E Ratio	*19.0*
1.27	1.68	.99	1.03	1.10	1.20	1.30	1.45	1.46	1.18	1.01	1.11	1.00	.88	.83	.98	*Value Line*		Relative P/E Ratio	*1.25*
2.8%	3.0%	3.1%	2.5%	2.2%	1.8%	1.3%	1.1%	.9%	1.1%	1.4%	1.0%	.3%	.3%	.4%	.4%	*estimates*		Avg Ann'l Div'd Yield	*.4%*

CAPITAL STRUCTURE as of 6/30/06
Total Debt $529.4 mill. **Due in 5 Yrs** $385.1 mill.
LT Debt $433.8 mill. **LT Interest** $35.0 mill.
(LT int. earned: 15.2x; total int. coverage: 12.1x)
(35% of Cap'l)
Leases, Uncapitalized Annual rentals $17.4 mill.
Pension Assets-12/06 $579.3 mill.
Pension Oblig. $529.4 mill.
Pfd Stock None
Common Stock 126,629,022 shs.

(Excl. 4,600,000 shs. held by employee benefit trusts, not counted in earnings per. sh. calc.)
MARKET CAP: $4.0 billion (Mid-Cap)

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
1811.2	1366.1	1621.0	1772.7	1965.9	1139.0	1109.3	1225.4	1272.8	1443.4	*1545*	*1640*	Revenues ($mill) A	*2025*
22.1%	29.4%	29.0%	30.5%	30.7%	36.9%	38.9%	35.7%	36.1%	34.9%	*36.5%*	*36.5%*	Operating Margin	*37.5%*
85.9	77.1	103.8	125.3	148.8	106.2	80.5	95.3	81.1	82.2	*95.0*	*100*	Depreciation ($mill)	*110*
177.6	185.5	193.4	215.9	228.0	152.3	191.3	201.8	215.8	232.3	*260*	*280*	Net Profit ($mill)	*375*
41.5%	42.6%	40.9%	41.0%	40.8%	42.1%	39.3%	35.7%	38.5%	38.3%	*40.0%*	*40.0%*	Income Tax Rate	*40.0%*
9.8%	13.6%	11.9%	12.2%	11.6%	13.4%	17.2%	16.5%	17.0%	16.1%	*16.9%*	*17.0%*	Net Profit Margin	*18.6%*
62.3	73.3	101.2	104.6	178.7	82.1	d142.3	d68.9	d157.3	d14.1	*305*	*650*	Working Cap'l ($mill)	*1860*
306.0	339.3	869.5	933.7	993.6	693.6	690.6	663.0	398.5	465.0	*465*	*465*	Long-Term Debt ($mill)	*465*
424.9	349.4	366.5	215.6	383.6	243.5	221.0	371.5	523.6	820.0	*1060*	*1320*	Shr. Equity ($mill)	*2275*
25.6%	28.4%	17.3%	21.4%	19.0%	18.5%	23.1%	21.3%	24.6%	19.0%	*18.0%*	*16.5%*	Return on Total Cap'l	*14.5%*
41.8%	53.1%	52.8%	100.1%	59.4%	62.5%	86.6%	54.3%	41.2%	28.3%	*24.5%*	*21.0%*	Return on Shr. Equity	*16.5%*
30.1%	38.2%	38.6%	76.0%	45.8%	49.3%	81.4%	51.3%	38.3%	25.9%	*22.5%*	*19.5%*	Retained to Com Eq	*15.5%*
28%	28%	27%	24%	23%	21%	6%	6%	7%	9%	*8%*	*7%*	All Div'ds to Net Prof	*7%*

CURRENT POSITION ($MILL.)

	2004	2005	6/30/06
Cash Assets	52.1	37.5	48.2
Receivables	195.1	216.0	239.0
Other	52.4	26.9	35.3
Current Assets	299.6	280.4	322.5
Accts Payable	9.7	5.9	16.8
Debt Due	255.7	92.3	95.6
Other	191.5	196.3	200.2
Current Liab.	456.9	294.5	312.6

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Revenues	1.0%	-4.5%	*7.5%*
"Cash Flow"	8.0%	.5%	*8.0%*
Earnings	8.5%	1.5%	*10.0%*
Dividends	-11.0%	-24.0%	*10.0%*
Book Value	4.0%	5.0%	*26.0%*

QUARTERLY REVENUES ($ mill.) A

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	301.6	317.0	309.8	297.0	1225.4
2004	303.3	318.9	323.0	327.6	1272.8
2005	343.4	363.4	375.3	361.3	1443.4
2006	374.0	387.7	*395*	*388.3*	*1545*
2007	*395*	*415*	*420*	*410*	*1640*

EARNINGS PER SHARE B

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.33	.36	.39	.40	1.48
2004	.38	.41	.41	.42	1.62
2005	.44	.45	.47	.46	1.80
2006	.48	.51	*.51*	*.52*	*2.02*
2007	*.53*	*.55*	*.57*	*.55*	*2.20*

QUARTERLY DIVIDENDS PAID C ■

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.02	.02	.02	.02	.08
2003	.02	.02	.02	.02	.08
2004	.02	.03	.03	.03	.11
2005	.03	.04	.04	.04	.15
2006	.04	.04			

BUSINESS: Equifax Inc. enables and secures global commerce through its information management, consumer credit, marketing services, business information, authentication, and e-commerce businesses. Acquired Naviant, 8/02. Insurance Services group spun off, 8/97 (Equifax stkhldrs. received 1/10 sh. of ChoicePoint per sh. of EFX). Payment Services division spun off, 7/01 (Equifax stockholders received one share of Certegy common stock for every two shares of EFX stock owned). Has about 4,600 employees. Barclays Global owns 7.1% of common stock; off./dir., 1.8% (3/06 Proxy). Chairman/CEO: Richard Smith. Inc.: GA. Address: 1550 Peachtree Street, N.W. Atlanta, Georgia 30309. Telephone: 404-885-8000. Internet: www.equifax.com.

Equifax should benefit from decent market fundamentals. The economy may be slowing, but it appears to be an orderly slowdown, which still presents a relatively good backdrop for EFX's earnings growth. As corporations increasingly feel the pinch of consumer retrenchment from high gas prices and interest rates, demand for sales-generation solutions, like those offered by EFX, should rise. Risk assessment products that weed out undersirables also stand to do well.

Expansion prospects at Information Services (IS) are good. Although rising interest rates have hurt the mortgage-related business, strength in other areas have more than offset this shortfall. *InterConnect* is gaining traction and should boost IS's enabling technologies. The response among customers has so far been encouraging. New predictive analytic software products should help drive expansion here, too. Demand at this segment should build as additional projects are released. There are currently 15 in the pipeline.

Marketing Services should continue to experience good growth. *TargetPoint* and *Decision Power*, which use the company's database of consumers' credit activity to identify cross-selling opportunities for large financial corporations, should continue to be a large contributor to growth. A slimmed-down version of *TargetPoint* is in the works. It promises to expand the addressable customer base to include smaller financial institutions and regional banks.

The Latin America operation is growing appreciably. Although still a relatively small unit, growth here has been impressive. Receipts rose by 26%, to $38.5 million, in the recent June quarter, versus the year-ago period. We look for good growth in the years to come as the business transitions from a simple credit bureau to more of a solutions provider.

EFX stock is untimely. Interested investors should hold off on a purchase for now.

Warren Thorpe *September 8, 2006*

Revenues (and percentage of total) by Business Line

	2004	2005	2006	2007
Information Svcs.	707.1 (56%)	806.3 (56%)	*854 (55%)*	*900 (55%)*
Marketing Svcs.	236.1 (19%)	253.7 (18%)	*270 (18%)*	*280 (17%)*
Personal Svcs.	96.1 (8%)	114.7 (8%)	*131 (9%)*	*145 (9%)*
EFX Latin Amer.	142.0 (11%)	142.0 (10%)	*145 (9%)*	*150 (9%)*
EFX Europe	91.5 (7%)	126.7 (9%)	*145 (9%)*	*165 (10%)*
Company Total	1272.8 (100%)	1443.4 (100%)	*1545 (100%)*	*1640 (100%)*

(A) Telecredit incl. since '90. (B) Dil. egs. Excl. n/r gain/(loss): '90, (20¢); '91, (60¢); '93, (41¢); '97, (2¢); '01, (25¢); '03, (17¢); '04, (14¢); '05, 6¢. Excl. disc. g/(l): '01, 4¢; '02, (10¢); '03, (10¢). Next egs. rpt. due late Oct. Egs. may not sum due to chng. in shrs. outstanding.
(C) Dividends historically paid in mid-Mar., June, Sept., Dec. ■ Div'd reinvest. plan avail.
(D) Incl. intang. In '05: $886.2 mill., $6.70/sh.
(E) In mill., adj. for splts.
(F) ChoicePoint spun off, 8/97; excl. as of 1/97.
(G) Certegy spin off, 7/01; excl. as of 1/01.

Company's Financial Strength	B++
Stock's Price Stability	80
Price Growth Persistence	45
Earnings Predictability	80

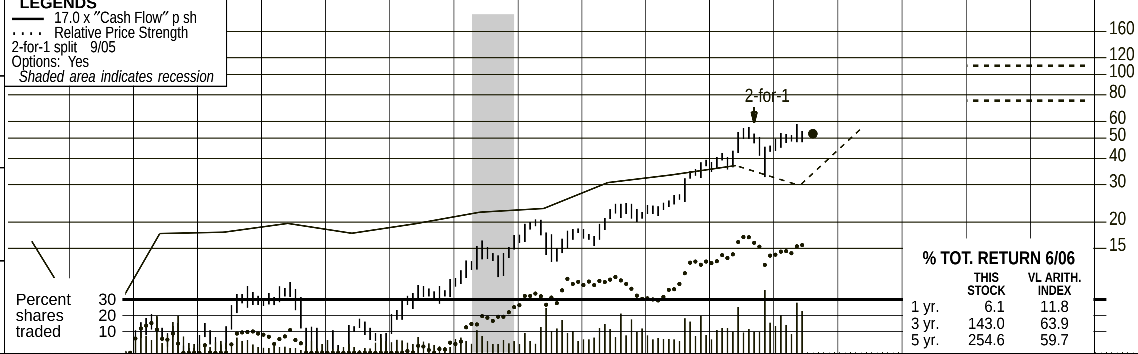
ESCO TECHNOLOGIES NYSE-ESE

RECENT PRICE 52.37 | P/E RATIO 31.7 (Trailing: 41.6 / Median: 16.0) | RELATIVE P/E RATIO 1.82 | DIV'D YLD Nil | VALUE LINE

TIMELINESS 5 Lowered 11/25/05
SAFETY 3 New 1/31/03
TECHNICAL 2 Lowered 7/21/06
BETA .90 (1.00 = Market)

High:	4.9	7.3	10.0	10.4	7.0	10.8	17.3	20.6	24.5	39.5	56.2	58.0
Low:	3.3	4.3	4.8	4.3	4.3	5.9	9.9	12.9	15.4	21.3	32.6	43.5

LEGENDS
—— 17.0 x "Cash Flow" p sh
.... Relative Price Strength
2-for-1 split 9/05
Options: Yes
Shaded area indicates recession



Target Price Range
2009 | 2010 | 2011

2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	110	(+110%)	21%
Low	75	(+45%)	10%

Insider Decisions

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

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	74	78	79
to Sell	77	89	74
Hld's(000)	22974	23534	24083

% TOT. RETURN 6/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	6.1	11.8
3 yr.	143.0	63.9
5 yr.	254.6	59.7

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
24.10	21.54	18.08	21.07	20.57	20.04	18.51	15.17	14.71	16.81	12.23	13.88	14.66	15.46	16.37	16.79	*17.80*	*23.35*	Sales per sh A	*36.65*
1.52	d2.07	.93	1.15	.95	.31	1.04	1.05	1.16	1.04	1.15	1.31	1.36	1.81	1.97	2.18	*1.75*	*3.35*	"Cash Flow" per sh	*5.45*
.56	d3.02	.06	.24	.36	d.33	.48	.48	.45	.34	.56	.68	.84	1.26	1.46	1.66	*1.15*	*2.65*	Earnings per sh AB	*4.45*
--	--	--	--	--	--	1.50	--	--	--	--	--	--	--	--	--	*Nil*	*Nil*	Div'ds Decl'd per sh	*Nil*
.79	.45	.50	.45	.44	.51	.36	.42	.52	.33	.42	.48	.53	.55	.47	.67	*.60*	*.70*	Cap'l Spending per sh	*.95*
21.61	17.46	17.40	7.98	8.13	8.28	8.07	8.21	9.03	10.05	10.57	11.56	12.22	10.73	11.93	12.95	*14.10*	*17.05*	Book Value per sh C	*28.95*
22.33	22.33	22.47	21.82	23.04	22.01	23.70	24.96	24.82	24.76	24.54	24.85	25.07	25.66	25.78	25.56	*25.85*	*26.10*	Common Shs Outst'g D	*26.75*
5.4	--	NMF	17.9	14.8	--	11.6	12.3	18.9	16.2	13.9	17.4	19.6	15.4	17.0	25.6	*Bold figures are*		Avg Ann'l P/E Ratio	*21.0*
.40	--	NMF	1.06	.97	--	.73	.71	.98	.92	.90	.89	1.07	.88	.90	1.34	*Value Line*		Relative P/E Ratio	*1.40*
--	--	--	--	--	--	27.0%		--	--	--	--	--	--	--	--	*estimates*		Avg Ann'l Div'd Yield	*Nil*

CAPITAL STRUCTURE as of 3/31/06	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
	438.5	378.5	365.1	416.1	300.2	344.9	367.5	396.7	422.1	429.1	*460*	*610*	Sales ($mill)	*980*
	3.4%	11.1%	12.8%	10.1%	13.4%	12.2%	13.3%	17.1%	17.5%	17.3%	*14.0%*	*21.0%*	Operating Margin	*22.0%*
	13.5	14.4	17.5	17.0	14.2	15.1	12.4	13.5	11.9	12.2	*15.0*	*17.0*	Depreciation ($mill)	*24.0*
	11.1	11.8	11.3	8.7	14.1	17.4	21.8	32.9	38.8	43.5	*30.5*	*71.0*	Net Profit ($mill)	*120*
	--	33.9%	30.9%	36.4%	31.4%	--	37.1%	35.7%	37.2%	31.9%	*42.0%*	*38.0%*	Income Tax Rate	*38.0%*
	2.5%	3.1%	3.1%	2.1%	4.7%	5.0%	5.9%	8.3%	9.2%	10.1%	*6.6%*	*11.6%*	Net Profit Margin	*12.2%*
	86.2	62.3	60.3	95.4	55.7	87.3	112.6	120.5	165.2	202.2	*125*	*200*	Working Cap'l ($mill)	*530*
	11.4	50.0	50.1	41.9	.6	8.3	8.3	.5	.4	--	*Nil*	*Nil*	Long-Term Debt ($mill)	*Nil*
	191.1	205.0	224.1	248.7	259.4	287.3	306.3	275.4	307.6	331.0	*365*	*445*	Shr. Equity ($mill)	*775*
	6.5%	5.7%	5.5%	4.1%	5.5%	5.9%	7.0%	11.9%	12.6%	13.2%	*8.5%*	*16.0%*	Return on Total Cap'l	*15.5%*
	5.8%	5.8%	5.0%	3.5%	5.4%	6.1%	7.1%	12.0%	12.6%	13.2%	*8.5%*	*16.0%*	Return on Shr. Equity	*15.5%*
	NMF	5.8%	5.0%	3.5%	5.4%	6.1%	7.1%	12.0%	12.6%	13.2%	*8.5%*	*16.0%*	Retained to Com Eq	*15.5%*
	NMF	--	--	--	--	--	--	--	--	--	*Nil*	*Nil*	All Div'ds to Net Prof	*Nil*

Total Debt None

Leases, Uncapitalized: Annual rentals $5.4 mill.
Pension Assets-9/05 $32.7 mill. **Oblig.** $50.2 mill.

Preferred Stock None
Common Stock 25,790,112 shares
as of 4/30/06

MARKET CAP: $1.4 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2004	2005	3/31/06
Cash Assets	72.3	104.5	20.9
Receivables	77.7	68.8	81.5
Inventory (FIFO)	44.3	48.6	52.9
Other	39.2	43.1	42.8
Current Assets	233.5	265.0	198.1
Accts Payable	32.5	29.3	43.5
Debt Due	.2	--	--
Other	35.6	33.5	40.8
Current Liab.	68.3	62.8	84.3

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	-2.5%	2.0%	14.5%
"Cash Flow"	9.5%	12.0%	18.5%
Earnings	32.5%	26.5%	20.5%
Dividends	--	--	Nil
Book Value	4.0%	3.5%	16.0%

Fiscal Year Ends	QUARTERLY SALES ($ mill.) A Dec. 31	Mar. 31	Jun. 30	Sep. 30	Full Fiscal Year
2003	98.3	102.0	90.8	105.6	396.7
2004	96.4	102.2	107.9	115.6	422.1
2005	104.4	106.2	108.8	109.8	429.1
2006	90.6	122.9	*121.5*	*125*	*460*
2007	*140*	*145*	*155*	*170*	*610*

Fiscal Year Ends	EARNINGS PER SHARE AB Dec. 31	Mar.31	Jun. 30	Sep. 30	Full Fiscal Year
2003	.33	.34	.26	.33	1.26
2004	.27	.30	.42	.47	1.46
2005	.40	.40	.47	.39	1.66
2006	.08	.28	*.36*	*.43*	*1.15*
2007	*.58*	*.62*	*.67*	*.78*	*2.65*

Cal-endar	QUARTERLY DIVIDENDS PAID Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	NO CASH DIVIDENDS BEING PAID				
2003					
2004					
2005					
2006					

BUSINESS: ESCO Technologies, Inc. produces engineered products and systems for industrial and commercial applications sold to customers world-wide. Operates in three industry segments: Filtration/Fluid Flow (40% of '05 sales), Communications (32%), and Test (28%). The company is engaged in the research, development, manufacture, sale, and support of its products and systems. 2005 depreciation rate: 9.6%. Has about 2,365 employees. Officers & directors own 4.1% of common stock; Columbia Wanger Asset Management, 14.3% (12/05 Proxy). Chrmn. & CEO: Victor L. Richey, Jr. Pres. & COO: Charles J. Kretschmer. Inc.: Missouri. Address: 9900A Calyton Road, St. Louis, MO 63124. Telephone: 314-213-7200. Internet: www.escotechnologies.com.

ESCO Technologies is having a down year. In the most recently ended quarter, year-over-year share-earnings comparisons were probably unfavorable, likely down more than 20%. This ought to mark the fourth-straight quarter in which share net failed to better the previous year's tally. The company is in the midst of a small pocket of softness, with operating margins being squeezed at the Communications segment. ESCO has also been focused on integration activities related to the recent acquisition of Hexagram. Too, we think management is positioning the company to compete for its first major automatic-meter-reading (AMR) contract under the newly consolidated AMR offering. All told, fiscal 2006 (ends September 30th) will probably be a bit weaker than we previously expected, and we have lowered our share-earnings estimate by $0.15, to $1.15. But we think that fiscal 2006 will likely end up representing a period of transition. Indeed,

A dramatic share-net gain appears to be on tap for fiscal 2007. ESCO has been selected as the AMR vendor for PG&E's AMR project worth about $525 million. The company should begin recognizing orders this fall, after the utility approves the final version of the software.

ESCO shares have wide 3- to 5-year price appreciation potential, but we think momentum-oriented investors should probably look elsewhere for now. Indeed, due to the grim share-earnings outlook for fiscal 2006 and weak share-price momentum of late, this stock is ranked 5 (Lowest) for relative price performance in the year ahead. We believe that patient, long-term investors may do well with this issue. Major utilities appear poised to increase spending on advanced-metering infrastructure in the coming years, and ESCO seems well positioned to take advantage. With that, we look for share earnings to improve by almost 20% a year between fiscal 2007 and 2009-2011.

Erik A. Antonson *July 28, 2006*

Sales (and Operating Margins*) by Business Line

	2004	2005	2006	2007
Filt./Fluid	173.9(9.8%)	171.7(10.4%)	*176(8.5%)*	*180(10.5%)*
Communications	137.8(25.3%)	138.0(25.5%)	*157(20.0%)*	*300(27.5%)*
Test	110.4(7.6%)	119.4(7.6%)	*127(8.5%)*	*130(8.5%)*
Company Total	422.1(14.3%)	429.1(14.4%)	*460(11.0%)*	*610(18.0%)*

*After depreciation and corporate expenses

(A) Fiscal years end September 30th. Next earnings report due early August.
(B) Excludes gains/(losses) from nonrecurring and extraordinary: '99, $0.68; '00, $0.11; '01, $0.50; '03 ($0.29); '04, ($0.04). Excludes gains/(losses) from discontinued operations: '03, ($2.53); '04, ($0.08). Includes equity-based compensation expenses beginning in fiscal '06.
(C) Includes intangibles: In '05: $68.9 million, $2.70 a share.
(D) In millions, adjusted for split.

Company's Financial Strength	B++
Stock's Price Stability	65
Price Growth Persistence	95
Earnings Predictability	75

FAMILY DOLLAR NYSE-FDO

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD
21.90	14.8 (Trailing: 15.6; Median: 22.0)	0.86	1.9%

VALUE LINE

TIMELINESS 3 Raised 3/31/06
SAFETY 3 New 7/27/90
TECHNICAL 3 Lowered 7/28/06
BETA .90 (1.00 = Market)

2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+130%)	24%
Low	35	(+60%)	14%

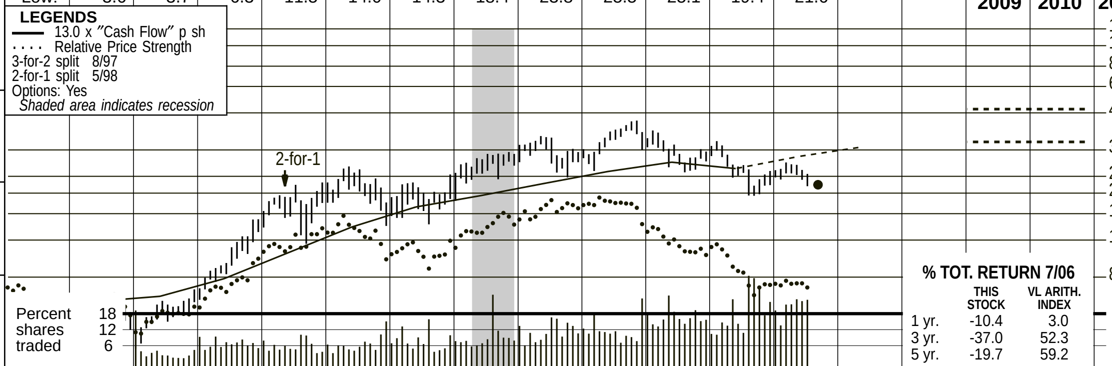
Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	1	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	1
to Sell	1	0	0	0	1	0	0	0	1

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	131	120	119
to Sell	141	153	144
Hld's(000)	152137	150658	154229

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
High:	6.6	7.0	15.1	22.4	26.8	24.5	31.3	37.3	44.1	39.7	35.3
Low:	3.6	3.7	6.3	11.5	14.0	14.3	18.4	23.8	25.5	25.1	19.4



High 27.9, Low 21.6 (2006)

% TOT. RETURN 7/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	-10.4	3.0
3 yr.	-37.0	52.3
5 yr.	-19.7	59.2

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
5.25	5.91	6.89	7.67	8.41	9.09	10.06	11.62	13.72	15.93	18.31	21.31	24.20	27.58	31.55	35.25	***42.25***	***47.40***	Sales per sh [A]	***62.00***
.25	.32	.42	.48	.48	.47	.50	.60	.80	1.06	1.32	1.50	1.71	1.95	2.15	2.01	***2.30***	***2.55***	"Cash Flow" per sh	***3.50***
.17	.24	.33	.38	.37	.34	.36	.44	.60	.81	1.00	1.10	1.25	1.43	1.53	1.31	***1.42***	***1.60***	Earnings per sh [B]	***2.25***
.07	.07	.08	.10	.11	.13	.14	.16	.18	.20	.22	.24	.26	.29	.33	.37	***.42***	***.44***	Div'ds Decl'd per sh [C]	***.46***
1.18	1.36	1.62	1.91	2.18	2.40	2.61	2.91	3.36	4.00	4.66	5.57	6.71	7.61	8.13	8.64	***8.80***	***9.85***	Book Value per sh	***14.30***
166.46	167.28	168.11	169.05	169.76	170.23	170.51	171.70	172.20	172.75	171.13	172.04	172.04	172.21	167.40	165.26	***151.50***	***151.00***	Common Shs Outst'g [D]	***150.00***
11.4	11.6	16.3	16.7	14.1	12.7	14.6	17.8	26.5	25.4	18.6	21.8	25.1	22.5	22.7	21.5	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	***19.0***
.85	.74	.99	.99	.92	.85	.91	1.03	1.38	1.45	1.21	1.12	1.37	1.28	1.20	1.14			Relative P/E Ratio	***1.25***
3.3%	2.6%	1.5%	1.5%	2.1%	3.0%	2.7%	2.0%	1.1%	.9%	1.2%	1.0%	.8%	.9%	.9%	1.3%			Avg Ann'l Div'd Yield	***1.1%***

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
	1714.6	1995.0	2361.9	2751.2	3132.6	3665.4	4162.7	4750.2	5281.9	5824.8	***6400***	***7100***	Sales ($mill) [A]	***9300***
	34.0%	33.8%	34.2%	33.4%	35.4%	35.3%	35.4%	35.6%	35.7%	34.9%	***34.5%***	***34.5%***	Gross Margin	***34.5%***
	7.2%	7.5%	8.5%	9.7%	10.4%	10.0%	10.1%	10.1%	9.7%	7.9%	***7.5%***	***7.5%***	Operating Margin	***8.0%***
	2581	2820	3017	3324	3689	4141	4616	5027	5466	5898	***6185***	***6575***	Number of Stores	***7850***
	60.6	74.7	103.3	140.1	172.0	189.5	216.9	247.5	262.7	217.5	***215***	***245***	Net Profit ($mill)	***340***
	38.7%	38.5%	37.8%	37.1%	36.5%	36.5%	36.5%	36.5%	36.6%	36.5%	***36.5%***	***36.5%***	Income Tax Rate	***36.5%***
	3.5%	3.7%	4.4%	5.1%	5.5%	5.2%	5.2%	5.2%	5.0%	3.7%	***3.4%***	***3.5%***	Net Profit Margin	***3.7%***
	273.7	283.5	303.3	341.4	338.7	417.0	525.1	561.2	511.7	460.2	***450***	***425***	Working Cap'l ($mill)	***350***
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	***250***	***250***	Long-Term Debt ($mill)	***250***
	445.0	500.2	578.2	690.7	798.0	959.0	1154.9	1311.0	1360.4	1428.1	***1330***	***1490***	Shr. Equity ($mill)	***2145***
	13.6%	14.9%	17.9%	20.3%	21.6%	19.8%	18.8%	18.9%	19.3%	15.2%	***14.0%***	***14.5%***	Return on Total Cap'l	***14.5%***
	13.6%	14.9%	17.9%	20.3%	21.6%	19.8%	18.8%	18.9%	19.3%	15.2%	***16.5%***	***16.5%***	Return on Shr. Equity	***16.0%***
	8.3%	9.6%	12.8%	15.5%	17.0%	15.6%	15.0%	15.2%	15.3%	11.0%	***11.0%***	***12.0%***	Retained to Com Eq	***12.5%***
	39%	36%	28%	23%	21%	21%	20%	19%	21%	28%	***31%***	***28%***	All Div'ds to Net Prof	***20%***

CAPITAL STRUCTURE as of 5/27/06

Total Debt $250.0 mill. **Due in 5 Yrs.** Nil
LT Debt $250.0 mill. **LT Interest** $13.0 mill.
(17% of Cap'l)
Leases, Uncapitalized Annual rentals $239.5 mill.

No Defined Benefit Pension Plan

Pfd Stock None

Common Stock 151,634,254 shs.
as of 6/23/06

MARKET CAP: $3.3 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2004	2005	5/27/06
Cash Assets	149.6	105.2	69.7
Receivables	- -	- -	- -
Inventory (FIFO)	980.1	1090.8	1028.2
Other	95.6	158.8	283.6
Current Assets	1225.3	1354.8	1381.5
Accts Payable	476.1	574.8	499.3
Debt Due	- -	- -	- -
Other	237.5	319.8	427.1
Current Liab.	713.6	894.6	926.4

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	14.0%	14.5%	*12.0%*
"Cash Flow"	15.5%	14.0%	*9.5%*
Earnings	14.5%	12.0%	*8.0%*
Dividends	11.5%	11.0%	*5.5%*
Book Value	14.0%	15.0%	*10.0%*

Fiscal Year Ends	QUARTERLY SALES ($ mill.) [A] Nov.Per	Feb.Per	May Per	Aug.Per	Full Fiscal Year
2003	1108.6	1256.2	1176.9	1208.5	4750.2
2004	1244.7	1402.8	1310.2	1324.2	5281.9
2005	1380.3	1586.8	1428.0	1429.7	5824.8
2006	1511.5	1735.7	1569.5	***1583.3***	***6400***
2007	***1650***	***1950***	***1745***	***1755***	***7100***

Fiscal Year Ends	EARNINGS PER SHARE [A B] Nov.Per	Feb.Per	May Per	Aug.Per	Full Fiscal Year
2003	.33	.42	.40	.28	1.43
2004	.37	.47	.43	.26	1.53
2005	.33	.48	.32	.18	1.31
2006	.32	.53	.37	***.20***	***1.42***
2007	***.38***	***.60***	***.40***	***.22***	***1.60***

Cal-endar	QUARTERLY DIVIDENDS PAID [C] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.06	.065	.065	.065	.26
2003	.065	.075	.075	.075	.29
2004	.075	.085	.085	.085	.33
2005	.085	.095	.095	.095	.37
2006	.095	.105			

BUSINESS: Family Dollar Stores, Inc. is a self-service discount store chain located principally in rural areas/small towns. The company operates 5,898 units in 44 states (as of 8/27/05). Distribution centers located in AR, VA, OK, KY, IA, TX, FL. Hardline merchandise (electronics, paper items, detergents, etc.) accounted for 78.8% of 2005 sales. Softline goods (clothing, shoes, towels, etc.) made up the remainder. Most goods under $10. Typical store size: 7,500 sq. ft.–9,500 sq. ft. Has 42,000 empl. Off./dir. own 7.7% of stock; Bank of America, 9.8%; T. Rowe Price, 7.7% (11/05 Proxy). Chrm. & CEO: Howard R. Levine. Pres.: R. David Alexander. Inc.: DE. Address: P.O. Box 1017, Charlotte, NC 28201. Telephone: 704-847-6961. Internet: www.familydollar.com.

Family Dollar wants to keep the ball rolling. In the last few years, it's installed refrigerators in stores, improved its hiring and training programs, and upgraded its security and IT systems. These efforts have gone a long way to strengthen operations, as evidenced by the company's recent financial and operational results. Indeed, in the fiscal third quarter (ended May 27th) comparable-store sales were solid, employee and manager retention was improved, merchandise shrinkage was contained, and inventory levels were well controlled. Moreover, we expect these positive trends to remain in place over the remainder of 2006 and into next year, as Family Dollar embarks on a few more initiatives. First, **the company is expanding its food assortment.** Most of the items currently sold are household basics (e.g., milk, juice, eggs). Also, **a more aggressive stance is being taken with regard to marking down merchandise.** By taking price cuts early, the company should be able to better control inventory levels, as well as improve in-store presentation. Lastly, **Family Dollar is stepping up its use of zone pricing.** In markets where competition is limited, we believe that the company can raise prices on select goods, while still maintaining its value image. Zone pricing is currently employed in a limited number of stores and on just a few SKUs, but it will be expanded in 2007.

Meanwhile, unit growth in fiscal 2006 will fall short of the initial plan. The company will open 350 new stores, which equates to square-footage growth of 5%, versus an original target of 400 to 500 last year. Importantly, management expects this slowdown to be temporary and reiterated its dedication to achieving square-footage growth of between 8% and 10%, though we think 6%-7% is more likely in 2007.

This issue ought to appeal to investors with an eye toward 2009-2011. High-single-digit square-footage growth, combined with good comparable-store sales gains and modest margin expansion, ought to lead to meaningful share-price appreciation potential by decade's end. For the coming six to 12 months, Family Dollar stock is ranked to perform in line with the broader market averages.

Deborah Y. Fung *August 11, 2006*

(**A**) Fiscal year ends last Saturday in August. Same-store sales gain: '00, 5.2%; '01, 4.1%; '02, 5.8%; '03, 3.8%; '04, 1.9%; '05, 2.3%.
(**B**) Diluted earnings. Primary earnings through fiscal 1997. Next egs. report due late September.
(**C**) Dividends historically paid in the middle of January, April, July, and October.
(**D**) In millions, adjusted for stock splits.

Company's Financial Strength	A
Stock's Price Stability	60
Price Growth Persistence	75
Earnings Predictability	85

FEDERATED DEPT. NYSE-FD

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
34.17	16.7 (Trailing: 15.5, Median: 13.0)	0.97	1.5%	

TIMELINESS 5 Lowered 5/19/06
SAFETY 3 Raised 11/25/94
TECHNICAL 3 Lowered 8/4/06
BETA 1.20 (1.00 = Market)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
High:	15.1	18.5	24.4	28.1	28.5	26.9	25.0	22.1	25.3	29.1	39.0	39.7
Low:	9.0	12.5	15.0	16.4	18.2	10.5	13.0	11.8	11.8	21.4	27.1	32.4

Target Price Range 2009 | 2010 | 2011

2009-11 PROJECTIONS

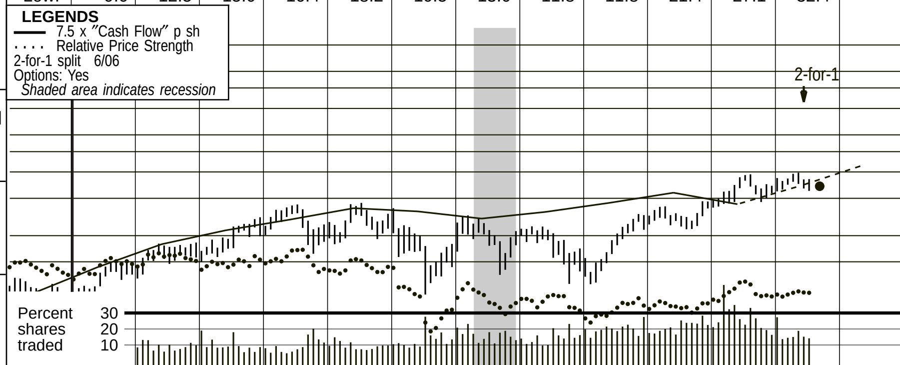
	Price	Gain	Ann'l Total Return
High	70	(+105%)	21%
Low	45	(+30%)	10%

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	1	0	0
Options	0	1	0	1	0	5	6	1	0
to Sell	0	2	0	1	0	6	6	0	0

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	219	233	225
to Sell	332	222	234
Hld's(000)	478848	483766	496936



% TOT. RETURN 7/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	-6.4	3.0
3 yr.	81.7	52.3
5 yr.	88.9	59.2

Federated Department Stores and its predecessors have been operating department stores since 1830. The current entity is a combination of two companies formerly owned by Campeau Corp. — Allied Stores Corp. (acquired in 1986) and Federated Department Stores (1988)—that emerged from bankruptcy proceedings on February 4, 1992. The common stock, which was held mainly by creditors, began trading at that time. In May, 1992, Federated sold 46 million common shares at $11.50 per share.

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
36.61	36.20	37.01	41.49	46.58	38.97	40.58	42.76	46.77	40.95	**40.95**	**53.70**	Sales per sh A	**63.10**
2.43	2.82	3.17	3.60	3.47	3.21	3.45	3.81	4.26	3.76	**4.60**	**5.80**	"Cash Flow" per sh	**7.30**
1.05	1.29	1.53	1.81	1.54	1.52	1.61	1.76	1.93	2.56	**2.05**	**3.00**	Earnings per sh AB	**4.35**
--	--	--	--	--	--	--	.19	.26	.33	**.51**	**.55**	Div'ds Decl'd per sh C	**.75**
11.22	12.50	13.75	15.34	14.73	13.85	15.15	16.64	18.45	24.72	**23.95**	**28.50**	Book Value per sh D	**37.30**
416.00	420.40	415.20	427.00	395.20	401.60	380.40	357.00	334.20	546.80	**540.00**	**525.00**	Common Shs Outst'g E	**485.00**
15.8	15.5	15.3	12.8	10.9	13.0	11.1	11.0	13.0	13.0	*Bold figures are*		Avg Ann'l P/E Ratio	**13.5**
.99	.89	.80	.73	.71	.67	.61	.63	.69	.70	*Value Line*		Relative P/E Ratio	**.85**
--	--	--	--	--	--	--	1.0%	1.0%	1.0%	*estimates*		Avg Ann'l Div'd Yield	**1.5%**
15229	15220	15365	17716	18407	15651	15435	15264	15630	22390	**27500**	**28200**	Sales ($mill) A	**30600**
42.5%	43.3%	43.9%	44.8%	44.5%	43.3%	44.4%	45.0%	45.2%	44.9%	**44.5%**	**45.0%**	Gross Margin	**45.5%**
11.4%	12.7%	13.5%	13.8%	12.2%	12.8%	13.1%	13.4%	13.7%	13.8%	**11.8%**	**13.0%**	Operating Margin	**14.0%**
411	400	401	404	440	459	455	459	459	861	**865**	**870**	Number of Stores F	**890**
452.7	575.0	685.0	795.0	638.0	605.0	638.0	655.0	689	1111	**1150**	**1635**	Net Profit ($mill)	**2200**
39.6%	40.0%	41.1%	40.9%	40.7%	39.2%	39.1%	39.6%	38.3%	36.8%	**37.5%**	**37.5%**	Income Tax Rate	**38.0%**
3.0%	3.8%	4.5%	4.5%	3.5%	3.9%	4.1%	4.3%	4.4%	5.0%	**4.2%**	**5.8%**	Net Profit Margin	**7.6%**
2831.6	3134.0	2904.0	3970.0	3831.0	3566.0	3553.0	3569.0	3209	2555	**2500**	**2800**	Working Cap'l ($mill)	**3400**
4605.9	3919.0	3057.0	4589.0	4374.0	3859.0	3408.0	3151.0	2637	8860	**8500**	**8100**	Long-Term Debt ($mill)	**6000**
4669.2	5256.0	5709.0	6552.0	5822.0	5564.0	5762.0	5940.0	6167.0	13519	**14200**	**14950**	Shr. Equity ($mill)	**18100**
7.0%	8.0%	9.3%	8.5%	8.0%	7.9%	8.4%	8.4%	9.1%	5.8%	**6.5%**	**8.5%**	Return on Total Cap'l	**10.0%**
9.7%	10.9%	12.0%	12.1%	11.0%	10.9%	11.1%	11.0%	11.2%	8.2%	**8.0%**	**11.0%**	Return on Shr. Equity	**12.0%**
9.7%	10.9%	12.0%	12.1%	11.0%	10.9%	11.1%	9.9%	9.7%	7.1%	**6.0%**	**9.0%**	Retained to Com Eq	**10.0%**
--	--	--	--	--	--	--	11%	13%	14%	**25%**	**18%**	All Div'ds to Net Prof	**17%**

CAPITAL STRUCTURE as of 4/29/06
Total Debt $10183 mill. **Due in 5 Yrs** $3180 mill.
LT Debt $8837 mill. **LT Interest** $585 mill.
(Total interest coverage: 5.0x) (40% of Cap'l)

Leases, Uncapitalized Annual rentals $245.0 mill.

Pension Assets-1/06 $2.4 bill. **Oblig.** $2.8 bill.
Pfd Stock None
Common Stock 553,218,000 mill. shs.
As of 5/26/09; adj. to reflect 2-for-1 split effective 6/9/06
MARKET CAP: $18.9 billion (Large Cap)

CURRENT POSITION ($MILL.)	2004	2005	4/29/06
Cash Assets	868	248	241
Receivables	3418	2522	2300
Inventory (LIFO)	3120	5459	5432
Other	104	1916	2529
Current Assets	7510	10145	10502
Accts Payable	2707	5246	5154
Debt Due	1242	1323	1346
Other	352	1021	1049
Current Liab.	4301	7590	7549

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	4.0%	1.0%	6.5%
"Cash Flow"	9.5%	3.0%	11.0%
Earnings	11.0%	5.0%	13.0%
Dividends	--	--	19.5%
Book Value	7.5%	6.5%	11.0%

Fiscal Year Begins	QUARTERLY SALES ($ mill.) A Apr.Per	Jul.Per	Oct.Per	Jan.Per	Full Fiscal Year
2003	3291	3434	3486	5054	15264
2004	3517	3548	3491	5074	15630
2005	3641	3623	5555	9571	22390
2006	5930	**6160**	**6180**	**9230**	**27500**
2007	**6100**	**6300**	**6325**	**9475**	**28200**

Fiscal Year Begins	EARNINGS PER SHARE AB Apr.Per	Jul.Per	Oct.Per	Jan.Per	Full Fiscal Year
2003	.12	.32	.18	1.14	1.76
2004	.27	.22	.21	1.23	1.93
2005	.36	.42	.41	1.37	2.56
2006	.01	**.30**	**.27**	**1.47**	**2.05**
2007	**.29**	**.45**	**.41**	**1.85**	**3.00**

Cal-endar	QUARTERLY DIVIDENDS PAID C Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	--	--	--	--	
2003	--	--	.063	.063	.13
2004	.063	.063	.068	.068	.26
2005	.068	.068	.068	.125	.33
2006	.125	.128			

BUSINESS: Federated Department Stores operates about 880 department stores, 50 furniture outlets and 15 clearance units in 47 states, the District of Columbia, and Puerto Rico. It plans to divest Lord & Taylor (55 stores) and the Bridal Group, which were included in the 8/30/05 acquisition of May Department Stores. Main nameplates are Macy's (two divisions), Bloomingdale's, and Marshall Fields. MF and five regional May chains will become part of Macy's or Bloomingdales in 2006. Acquired Macy's in 12/94. Private-label and "exclusive" goods account for 23% of sales. Has about 232,000 employees. Off./Dir. own 1.5% of stock (4/06 Proxy). Chrmn. & CEO: Terry Lundgren. Inc. DE. Addr.: 7 W. Seventh St., Cincinnati, OH 45202. Tel.: 513-579-7000. Net: Federated-fds.com.

Federated Department Stores has made considerable progress in its post-acquisition restructuring program thus far in fiscal 2006 (ends February 3, 2007). The sale of most of the 130 stores (including the 55-unit Lord & Taylor chain) that were placed on the block following the mid-2005 acquisition of May Department Stores, was completed in the first half of this year. Too, bids have been received for May's Bridal Group, and that divestiture should be competed in the third quarter. Management estimates total aftertax proceeds of $1.3 billion for these divestitures. Meanwhile, the final portion of May's credit card portfolio was sold on July 17th, for $1.1 billion. On the operating front, with a few exceptions, administrative and IT functions have been consolidated. On the agenda is the renaming, on September 10th, of all remaining May nameplates to Macy's. Shortly prior to that event, Federated's private-label brands, notably its fall apparel, will be introduced into these stores.

Year-to-year earnings comparisons ought to turn positive in this year's final quarter . . . Clearance sales in the April interim at locations being divested hurt results at nearby sister stores, and transitional issues, including inventory, merchandising, and systems conversions, will be obstacles through the third quarter. On the other hand, consolidation savings ought to ramp up considerably in the January, 2007 period. A reduction in interest expense, thanks to a planned repayment, prior to October, of $1.7 billion of the debt is another plus.

. . . and we think share net will be around $3.00 in fiscal 2007. Key underlying assumptions behind this forecast are pretax consolidation savings of over $400 million per annum, a 2%–3% same-store sales gain, and a declining share count. Cash flow, net of dividends and capital expenditures, may well be around $1.6 billion next year. These funds might support stock repurchases, debt repayment, and/or a relatively modest acquisition. We project earnings advances of 15% and 12% in fiscal 2008 and 2009, respectively.

This stock is untimely at present. However, it might appeal to investors with a 3- to 5-year timeframe.

David R. Cohen *August 11, 2006*

(A) Fiscal year ends on the Sat. nearest Jan. 31st of the following cal. year.
(B) Excl. nonrecur. (losses) gains: '95, (42¢); '96, (41¢); '97, (9¢); '98, (5¢); '00, ($1.99); '01, (25¢); '03, 10¢; '05, 60¢; '06-Q1, 4¢. Excl. gains (loss) on discontinued oper.: '01, ($1.96); '02, 46¢; '05, 8¢; '06-Q1, 4¢. Next erngs. report due late-Aug. (C) Divs. historically paid in early Jan., April, July, and Oct. (D) Incl. intang. At 1/28/06: $10.6 bill., $19.39 per share.
(E) In millions; adj. for split. (F) Excl. pending divestitures.

Company's Financial Strength	B+
Stock's Price Stability	65
Price Growth Persistence	80
Earnings Predictability	85

FEDEX CORPORATION NYSE-FDX

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
100.54	15.1	(Trailing: 16.8) (Median: 18.0)	0.88	0.4%	VALUE LINE

TIMELINESS	**2**	Raised 12/30/05
SAFETY	**3**	New 7/27/90
TECHNICAL	3	Lowered 6/2/06

BETA 1.05 (1.00 = Market)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
High:	21.5	22.5	42.3	46.6	61.9	49.8	53.5	61.3	78.1	100.9	105.8	120.0
Low:	14.6	16.7	21.0	21.8	34.9	30.6	33.2	42.8	47.7	64.8	76.8	96.5

Target Price Range
2009 | 2010 | 2011

2009-11 PROJECTIONS

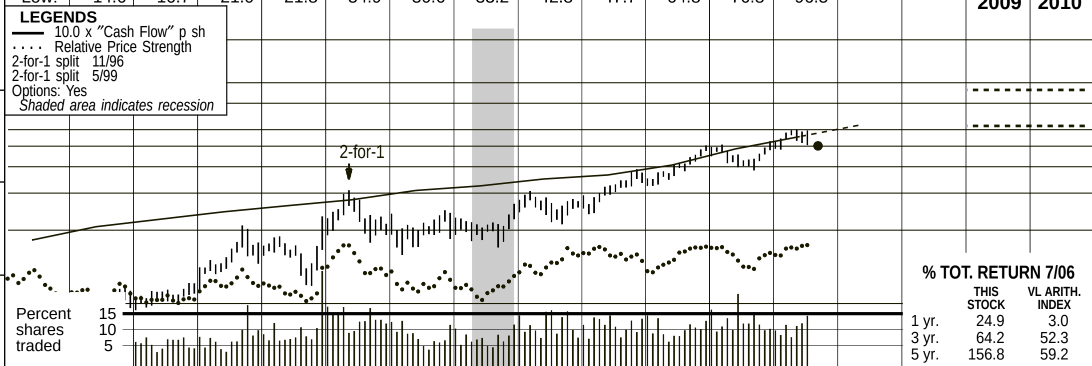
	Price	Gain	Ann'l Total Return
High	185	(+85%)	*17%*
Low	125	(+25%)	*6%*

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	1	0	3	5	1	0	0	0	2
to Sell	2	0	2	7	0	1	0	0	3

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	307	362	324
to Sell	314	261	326
Hld's(000)	219019	222685	224286



% TOT. RETURN 7/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	24.9	3.0
3 yr.	64.2	52.3
5 yr.	156.8	59.2

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
33.00	35.84	34.89	35.66	37.93	41.80	45.15	50.13	53.84	56.24	61.15	65.74	69.02	75.33	82.37	97.23	105.54	*114.30*	Revenues per sh A	*132.25*
2.80	2.98	2.96	3.15	3.60	4.16	4.52	4.90	5.23	5.59	6.17	6.49	7.00	7.31	8.15	9.74	11.13	*12.70*	"Cash Flow" per sh	*14.95*
.55	.50	.30	.50	.91	1.25	1.35	1.51	1.95	2.10	2.32	2.26	2.39	2.74	3.52	4.82	5.98	*6.80*	Earnings per sh A B	*8.65*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	.05	.20	.24	.29	.33	*.38*	Div'ds Decl'd per sh E	*.48*
5.48	4.79	4.23	4.68	4.87	4.72	6.21	6.40	6.38	5.93	5.45	6.34	5.41	5.06	4.24	7.40	8.23	*9.40*	Cap'l Spending per sh	*9.70*
7.76	7.78	7.30	7.63	8.61	9.99	11.32	12.89	13.44	15.64	16.03	19.76	21.92	24.42	26.79	31.75	37.62	*43.75*	Book Value per sh C	*65.60*
212.58	214.53	216.40	218.97	223.54	224.70	227.54	229.81	294.82	298.26	298.57	298.57	298.57	298.50	300.00	302.00	306.00	*308.00*	Common Shs Outst'g D	*310.00*
23.0	19.2	34.7	24.0	17.8	13.0	13.7	14.9	17.0	17.8	18.0	18.4	19.7	19.3	19.6	18.5	16.3		Avg Ann'l P/E Ratio	*18.0*
1.71	1.23	2.10	1.42	1.17	.87	.86	.86	.88	1.01	1.17	.94	1.08	1.10	1.04	.99	.86		Relative P/E Ratio	*1.20*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	.1%	.4%	.3%	.3%	.3%		Avg Ann'l Div'd Yield	*.3%*
						10274	11520	15873	16773	18257	19629	20607	22487	24710	29363	32294	*35200*	Revenues ($mill) A	*41000*
						13.1%	12.8%	12.9%	13.1%	13.0%	12.6%	13.0%	12.5%	13.2%	13.4%	14.4%	*15.0%*	Operating Margin	*15.5%*
						719.6	777.4	963.7	1035.1	1154.9	1275.8	1364.0	1351.0	1375.0	1462.0	1550.0	*1725*	Depreciation ($mill)	*1850*
						307.8	348.5	577.9	631.3	688.3	663.0	725.0	830.0	1070.0	1479.0	1855.0	*2130*	Net Profit ($mill)	*2725*
						43.0%	43.0%	40.5%	40.5%	39.5%	37.0%	37.5%	38.0%	39.0%	37.4%	37.7%	*37.5%*	Income Tax Rate	*38.0%*
						3.0%	3.0%	3.6%	3.8%	3.8%	3.4%	3.5%	3.7%	4.3%	5.0%	5.7%	*6.0%*	Net Profit Margin	*6.6%*
						109.9	169.8	76.3	356.2	393.7	199.6	723.0	606.0	238.0	535.0	991.0	*730*	Working Cap'l ($mill)	*1415*
						1325.3	1398.0	1385.2	1359.7	1776.3	1900.1	1800.0	1709.0	2837.0	2427.0	1592.0	*1500*	Long-Term Debt ($mill)	*2560*
						2576.1	2962.5	3961.2	4663.7	4785.2	5900.4	6545.0	7288.0	8036.0	9588.0	11511	*13470*	Shr. Equity ($mill)	*20340*
						9.4%	9.4%	11.9%	11.5%	11.4%	9.5%	9.5%	9.9%	10.4%	12.9%	14.5%	*14.5%*	Return on Total Cap'l	*12.0%*
						11.9%	11.8%	14.6%	13.5%	14.4%	11.2%	11.1%	11.4%	13.3%	15.4%	16.1%	*16.0%*	Return on Shr. Equity	*13.5%*
						11.9%	11.8%	14.6%	13.5%	14.4%	11.2%	11.1%	10.6%	12.5%	14.5%	15.3%	*15.0%*	Retained to Com Eq	*12.5%*
						- -	- -	- -	- -	- -	- -	- -	7%	6%	6%	5%	*6%*	All Div'ds to Net Prof	*6%*

CAPITAL STRUCTURE as of 5/31/06
Total Debt $2442 mill. **Due in 5 Yrs** $1841 mill.
LT Debt $1592 mill. **LT Interest** $90.0 mill.
(LT interest earned: 14.5x. Total interest coverage: 12.9x)
(12% of Cap'l)
Leases, Uncapitalized $1.672 billion.
Pension Assets-5/05 $10.1 bill. **Oblig.** $12.15 bill.

Pfd Stock None.
Common Stock 306,410,446 shs.
as of 7/10/06
MARKET CAP: $30.8 billion (Large Cap)

CURRENT POSITION ($MILL.)	2004	2005	5/31/06
Cash Assets	1046	1039	1937
Receivables	3027	3297	3516
Inventory (FIFO)	249	250	308
Other	648	683	703
Current Assets	4970	5269	6464
Accts Payable	1615	1739	1908
Debt Due	750	369	850
Other	2367	2626	2715
Current Liab.	4732	4734	5473

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '09-'11
Revenues	8.5%	9.5%	*7.0%*
"Cash Flow"	9.0%	9.5%	*9.0%*
Earnings	15.0%	16.5%	*12.5%*
Dividends	- -	- -	*11.0%*
Book Value	12.5%	13.5%	*15.5%*

Fiscal Year Ends	QUARTERLY REVENUES($ mill.) A Aug.31	Nov.30	Feb.28	May 31	Full Fiscal Year
2003	5445	5667	5545	5830	22487
2004	5687	5920	6062	7041	24710
2005	6975	7334	7339	7715	29363
2006	7707	8090	8003	8494	32294
2007	***8450***	***8900***	***8750***	***9100***	***35200***

Fiscal Year Ends	EARNINGS PER SHARE A B Aug.31	Nov.30	Feb.28	May31	Full Fiscal Year
2003	.52	.81	.49	.92	2.74
2004	.61	.87	.71	1.33	3.52
2005	1.08	1.25	1.03	1.46	4.82
2006	1.25	1.53	1.38	1.82	5.98
2007	***1.55***	***1.80***	***1.50***	***1.95***	***6.80***

Cal-endar	QUARTERLY DIVIDENDS PAID E Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	- -	- -	.05	.05	.10
2003	.05	.05	.05	.05	.20
2004	.06	.06	.07	.07	.26
2005	.07	.07	.08	.08	.30
2006	.08	.08	.09	.09	

BUSINESS: FedEx Corp. provides overnight, door-to-door delivery of packages and documents through its own air-ground transportation system. Operates about 41,000 ground vehicles, 671 aircraft. In fiscal 2006, Express segment accounted for 66% of total revenues; Ground, 16%; Freight, 11%; Kinko's, 7%. Serves over 220 countries. Acq. Caliber System, 1/98; American Freightways, 2/01; Kinko's 2/04. '06 depr. rate: 6.4%. Labor exp.: 39% of rev's. Has more than 260,000 empls. Officers/directors own 6.7% of common stock; ; Marsico Capital, 7.7%; PRIMECAP, 7.1%; Dodge & Cox, 7.1% (Proxy 7/06). Chairman. & CEO: Frederick W. Smith. Inc.: DE. Address: 942 South Shady Grove Road, Memphis, TN 38120. Telephone: 901-818-7500. Internet: www.fedex.com.

FedEx Corp. will likely continue to perform well during fiscal 2007 (ends May 31st). The Express division, which contributes about two-thirds of FedEx's total revenues, is likely to realize solid margin expansion this fiscal year. International shipment volumes should continue to climb, thanks in part to network growth, supporting operating leverage. Management's planned purchase of the remaining 50% of the FedEx-DTW network in China, set to close in late fiscal 2007, should assist solid growth in Asia. Price yields ought to remain solid, too, thanks to rate increases and fuel surcharges. Domestic Express could well experience volume weakness, but revenues ought to still grow, as FedEx is focusing on business that will produce higher yields.

Profits from the Ground and Freight segments are apt to climb nicely. Demand for residential ground deliveries should rise at a healthy rate, due to expansion measures. FedEx Freight, which provides less-than-truckload (LTL) services, should see strong growth, stemming, in part, from its pending purchase of Watkins Motor Lines (we will not include the impact of acquisitions in our estimates until their completion.) Yield hikes and cost containment ought to allow margins in Freight to widen. Meantime, FedEx Kinko's is struggling from declining copy revenues and higher costs related to product offerings and technology initiatives.

Capital spending is pegged at $2.9 billion for this year, up from $2.5 billion in fiscal 2006. Management noted that about 75% of this amount is earmarked for growth initiatives, primarily investments in the international network. It will also add capacity and deploy new technology at Ground and broaden the geographical scope of Freight. Furthermore, FedEx will significantly expand FedEx Kinko's retail presence, as a means of adding shipment locations. Cash on hand, and from operations, should be sufficient to meet funding requirements.

FedEx shares are ranked to outperform the broader market over the next six to 12 months. Additionally, despite a likely slowdown in earnings growth, at the current valuation they have appeal as a 3- to 5-year holding.

Damon Churchwell *September 8, 2006*

(A) Fiscal year ends May 31st. Incl. Tiger Int'l. beg. 2/89. **(B)** Primary egs. through 1997, dil. thereafter. Excl. nonrec. gains/ (losses): '91, (94¢); '92, ($1.15); '93, (52¢); '95, 14¢; '97, 11¢; '98, (53¢); '02, (5¢); '04, (72¢); '05, (10¢); '06, ($0.15). Excl. gains on discont. ops.: '98, 3¢. '02, incl. $0.21 gain from gov. assistance. Next egs. report due late September. **(C)** Incl. intangibles. At 5/31/06: $1.282 bill., $4.19/sh. **(D)** In millions, adjusted for stock splits. **(E)** Dividends historically paid in early January, April, July, and October.

Company's Financial Strength	B++
Stock's Price Stability	75
Price Growth Persistence	90
Earnings Predictability	85

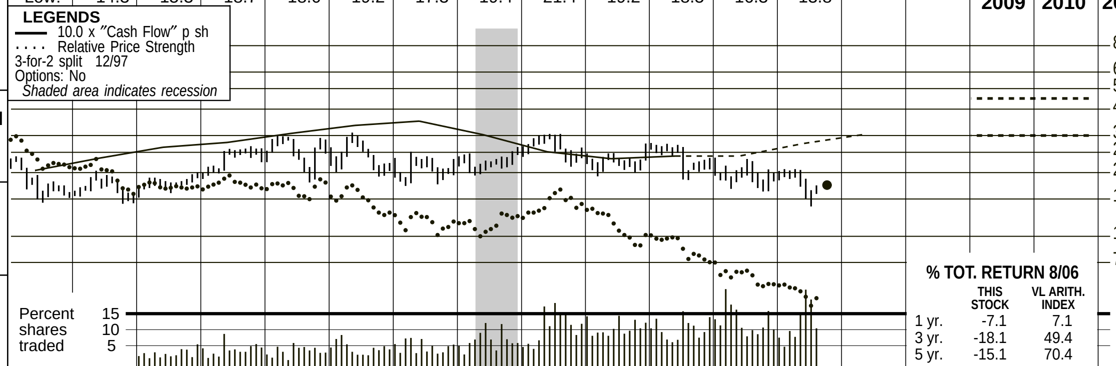
FERRO CORP. NYSE-FOE

RECENT PRICE **17.45** | P/E RATIO **17.8** (Trailing: 24.2 / Median: 17.0) | RELATIVE P/E RATIO **1.05** | DIV'D YLD **3.4%** | **VALUE LINE**

TIMELINESS 3 Raised 6/10/05
SAFETY 3 Lowered 9/17/04
TECHNICAL 3 Raised 9/1/06
BETA 1.10 (1.00 = Market)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
High:	20.4	20.1	26.7	30.1	30.9	25.1	26.5	30.5	27.5	27.6	23.5	20.8
Low:	14.3	15.3	18.7	18.0	19.2	17.3	19.4	21.4	19.2	18.5	16.3	13.8

Target Price Range
2009 | 2010 | 2011



2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+160%)	29%
Low	30	(+70%)	18%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	4Q2005	1Q2006	2Q2006
to Buy	65	60	73
to Sell	58	50	46
Hld's(000)	34070	35108	35254

% TOT. RETURN 8/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	-7.1	7.1
3 yr.	-18.1	49.4
5 yr.	-15.1	70.4

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
26.42	24.63	25.28	24.39	28.61	32.83	35.26	37.01	38.55	38.54	42.36	43.72	37.72	39.13	43.75	44.41	**47.45**	**48.40**	Sales per sh	**57.75**
1.44	1.59	2.10	2.13	2.05	2.34	2.64	2.78	3.07	3.35	3.51	3.03	2.51	2.33	2.40	**2.40**	**2.75**	**3.05**	"Cash Flow" per sh	**4.00**
.55	.77	1.27	1.19	.97	1.11	1.23	1.44	1.67	1.85	1.92	1.04	.97	.64	.62	.60	**.95**	**1.20**	Earnings per sh A	**1.90**
.28	.28	.30	.34	.36	.36	.39	.43	.50	.55	.58	.58	.58	.58	.58	.58	**.58**	**.60**	Div'ds Decl'd per sh B■	**.66**
1.40	.91	1.03	1.00	1.43	1.23	1.21	1.21	1.71	2.17	1.91	1.57	1.00	.86	.93	**1.15**	**1.20**	**1.20**	Cap'l Spending per sh	**1.45**
5.52	5.47	6.32	6.60	7.10	7.73	8.16	5.43	6.02	6.44	6.99	6.70	9.92	10.99	12.39	**11.55**	**13.35**	**13.85**	Book Value per sh C	**19.55**
42.58	42.91	43.42	43.70	41.74	40.29	38.45	37.32	35.33	35.17	34.16	34.34	40.52	41.46	42.14	42.38	**43.00**	**44.00**	Common Shs Outst'g D	**45.00**
17.9	15.6	14.5	17.1	19.0	15.3	14.5	16.2	15.2	13.0	10.9	21.7	27.3	35.1	38.4	32.0	*Bold figures are*		Avg Ann'l P/E Ratio	**20.0**
1.33	1.00	.88	1.01	1.25	1.02	.91	.93	.79	.74	.71	1.11	1.49	2.00	2.03	1.71	*Value Line*		Relative P/E Ratio	**1.35**
2.9%	2.4%	1.6%	1.7%	2.0%	2.1%	2.2%	1.8%	1.9%	2.3%	2.8%	2.6%	2.2%	2.6%	2.4%	3.0%	*estimates*		Avg Ann'l Div'd Yield	**1.8%**

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
1355.7	1381.3	1361.8	1355.3	1447.3	1501.1	1528.5	1622.4	1843.7	1882.0	**2040**	**2130**	Sales ($mill)	**2600**
11.5%	11.9%	12.6%	13.7%	13.1%	10.1%	10.9%	8.8%	7.9%	**8.0%**	**8.5%**	**9.0%**	Operating Margin	**11.0%**
49.6	45.0	43.1	48.5	50.4	67.8	64.3	70.4	75.0	**76.0**	**78.0**	**80.0**	Depreciation ($mill)	**95.0**
55.5	62.7	69.3	73.0	73.1	39.2	40.0	28.2	27.8	25.5	**40.0**	**55.0**	Net Profit ($mill)	**85.0**
38.1%	39.9%	37.3%	37.1%	37.3%	36.2%	31.5%	28.3%	33.0%	**33.0%**	**35.0%**	**35.0%**	Income Tax Rate	**35.0%**
4.1%	4.5%	5.1%	5.4%	5.1%	2.6%	2.6%	1.7%	1.5%	1.4%	**2.0%**	**2.6%**	Net Profit Margin	**3.3%**
164.2	149.3	174.3	152.9	78.1	195.4	81.4	168.9	211.4	77.0	**300**	**275**	Working Cap'l ($mill)	**250**
127.9	115.8	156.3	236.8	350.8	829.7	443.6	516.2	497.3	360.1	**630**	**600**	Long-Term Debt ($mill)	**700**
384.2	273.2	283.3	297.0	309.2	300.4	472.5	525.9	545.1	490.8	**575**	**610**	Shr. Equity ($mill)	**880**
11.6%	17.1%	17.0%	14.8%	12.6%	4.8%	6.0%	3.9%	4.6%	4.3%	**5.0%**	**6.0%**	Return on Total Cap'l	**7.0%**
14.4%	23.0%	24.5%	24.6%	23.7%	13.0%	8.5%	5.4%	5.1%	5.2%	**7.0%**	**9.0%**	Return on Shr. Equity	**9.5%**
11.4%	20.7%	22.2%	22.0%	20.8%	7.1%	4.0%	.6%	.3%	**NMF**	**2.5%**	**4.5%**	Retained to Com Eq	**6.0%**
36%	33%	32%	32%	32%	59%	60%	91%	94%	**103%**	**66%**	**50%**	All Div'ds to Net Prof	**36%**

CAPITAL STRUCTURE as of E3/31/06
Total Debt $648.7 mill. **Due in 5 Yrs** $350.0 mill.
LT Debt $641.0 mill. **LT Interest** $35.0 mill.

(Total interest coverage: 2.0x) (56% of Cap'l)

Pension Assets-12/04 $312.1 mill. **Oblig.** $488.7 mill.
Pfd Stock $18.5 mill. **Div'd** $1.3 mill.
Owned by ESOP; 1,520,215 shs. each convertible into 2.60 common shs. at a price of $46.38 per sh.
Common Stock 42,672,310 shs.

MARKET CAP: $750 million (Small Cap)

CURRENT POSITION ($MILL.)	2004	E2005	E3/31/06
Cash Assets	13.9	18.2	16.3
Receivables	184.5	181.4	211.7
Inventory (FIFO)	220.1	213.2	230.6
Other	193.8	201.7	279.8
Current Assets	612.3	614.5	738.4
Accts Payable	260.2	236.8	246.5
Debt Due	9.7	193.5	7.7
Other	131.1	107.2	114.0
Current Liab.	401.0	537.5	368.2

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '02-'04 to '09-'11
Sales	4.5%	1.0%	5.5%
"Cash Flow"	1.5%	-4.5%	7.5%
Earnings	-4.0%	-15.0%	14.5%
Dividends	5.5%	3.5%	2.0%
Book Value	5.0%	13.0%	8.5%

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	401.8	416.2	397.0	407.4	1622.4
2004	461.6	482.6	451.6	447.9	1843.7
2005	461.7	496.6	466.1	457.6	1882.0
2006	505.0	**535**	**505**	**495**	**2040**
2007	**520**	**550**	**535**	**525**	**2130**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.23	.15	.15	.11	.64
2004	.20	.27	.14	- -	.62
2005	.13	.25	.22	- -	.60
2006	.25	**.27**	**.22**	**.21**	**.95**
2007	**.28**	**.36**	**.30**	**.26**	**1.20**

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.145	.145	.145	.145	.58
2003	.145	.145	.145	.145	.58
2004	.145	.145	.145	.145	.58
2005	.145	.145	.145	.145	.58
2006	.145	.145	.145		

BUSINESS: Ferro Corp. is a worldwide producer of specialty materials (such as frit, powder coatings, plastic coatings, and polymer additives) for industrial applications. Operating segments: Performance Coatings, Electronic Materials, Color and Glass Performance Materials, Polymer Additives, and Specialty Plastics. Markets include: construction, appliances, household furnishings, industrial products, and automotive & aircraft. 2004 international sales: 51%. Has about 6,800 employees. Officers & Directors own 1.7% of common shares; Mario J. Gabelli, 12.9%; DePrince, Race & Zollo, 6.6%; Mac-Per-Wolf Company, 6.0% (3/06 Proxy). CEO: James F. Kirsch. Inc.: OH. Address: 1000 Lakeside Avenue, Cleveland, OH 44114. Telephone: 216-641-8580. Internet: www.ferro.com.

Ferro expects to complete the filing of its 2005 10-K and 10-Q financial documents with the SEC by the end of September, 2006. The delay is attributable to the restatement of certain previously filed information (including the 10-K for 2004) resulting from an accounting investigation. That being the case, this year's documents will be available at a later date, to be specified.

The company has posted good earnings of late. The Color and Glass Performance Materials unit is benefiting from a rise in construction spending and increased global auto output, while growing acceptance of new derivative product offerings is aiding the Polymer Additives segment. Profits for the Electronic Materials business are being driven by robust demand from multilayer capacitor and solar cell customers, and price hikes are helping the Performance Coatings operation. Though raw material and energy costs remain high, share net may surge about 58%, to $0.95, this year. Assuming further improvement in the business environment, the bottom line ought to jump another 26%, to $1.20 a share, in 2007.

A series of restructuring moves is under way. One of them involves the recent completion of a new $700 million credit facility (consisting of $250 million in revolving credit and $450 million in term loans). Furthermore, there will be a streamlining of the European operations of the Inorganic Specialties business, estimated to create pre-tax savings of between $40 million and $50 million annually, to be fully realized by 2010. Also in the works is the divestiture of non-strategic assets, including the Specialty Plastics division (which generated 2005 revenues of about $275 million). These initiatives stand to boost Ferro's future performance quite nicely, from both an operational and financial standpoint.

But these shares continue to hover at relatively low levels. This is partly attributable to the late filing of the company's financial reports. For now, the stock's Timeliness rank is just 3 (Average).

But our 2009-2011 projections indicate that the equity will bounce back greatly in time. That said, patient investors may wish to take a look here.

Frederick L. Harris, III September 15, 2006

(A) Based on diluted shares out. Excl. nonrecurring losses: '91, 74¢; '93, 49¢; '95, 7¢; '96, 2¢; '97, $2.53; '05, 25¢; Q1 '06, 9¢. Excl. disc. losses: '90, 19¢; '04, 7¢; '05, 2¢. Qtrs. for '04 don't equal total due to rounding. Next earnings report late Oct. (B) Div'd paid in mid-Mar., June, Sept., and Dec.■ Div'd reinvest. plan avail. (C) Includes intangibles. At 12/31/04: $412.5 mill., $9.79/sh. (D) In mill., adjusted for stock splits. (E) Unaudited. 2005 10-K and Q1, Q2, Q3 2005 10-Q; Q1 2006 10-Q not yet filed.

Company's Financial Strength	B+
Stock's Price Stability	65
Price Growth Persistence	25
Earnings Predictability	65

FIRST HORIZON NATL. NYSE-FHN

RECENT PRICE **38.69** | P/E RATIO **13.3** (Trailing: 14.8, Median: 13.0) | RELATIVE P/E RATIO **0.76** | DIV'D YLD **4.9%** | **VALUE LINE**

TIMELINESS	4	Lowered 12/3/04
SAFETY	2	Raised 3/24/06
TECHNICAL	3	Lowered 8/18/06

BETA .85 (1.00 = Market)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
High:	15.4	19.4	34.8	38.4	45.4	29.3	37.5	41.0	48.5	48.7	44.8	43.1
Low:	9.8	14.3	18.4	23.4	27.4	15.9	27.1	29.8	35.6	40.8	34.8	37.1

Target Price Range 2009 | 2010 | 2011

2009-11 PROJECTIONS

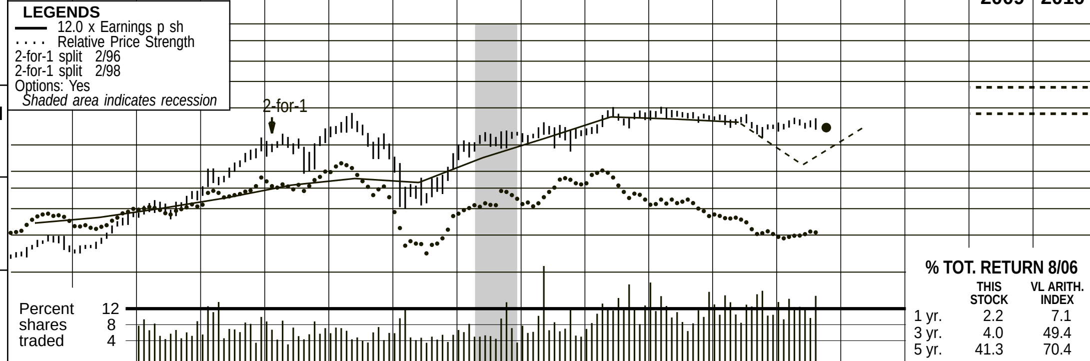
	Price	Gain	Ann'l Total Return
High	60	(+55%)	15%
Low	45	(+15%)	8%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	1	1
Options	0	0	0	0	2	3	1	0	0
to Sell	0	0	0	0	1	0	2	0	0

Institutional Decisions

	4Q2005	1Q2006	2Q2006
to Buy	144	138	112
to Sell	140	145	151
Hld's(000)	55298	56946	56646



% TOT. RETURN 8/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	2.2	7.1
3 yr.	4.0	49.4
5 yr.	41.3	70.4

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
.50	.67	.80	1.07	1.14	1.21	1.34	1.50	1.72	1.85	1.77	2.32	2.89	3.62	3.54	3.42	**2.15**	**3.30**	Earnings per sh A	**4.30**
.27	.29	.32	.38	.43	.49	.55	.62	.69	.79	.88	.91	1.05	1.30	1.63	1.74	**1.82**	**1.90**	Div'ds Decl'd per sh B■	**2.15**
4.22	4.61	5.31	5.99	5.88	6.50	7.14	7.44	8.53	9.56	10.75	11.74	13.46	15.14	16.52	18.32	**20.10**	**21.45**	Book Value per sh	**27.45**
94.26	95.00	112.49	113.30	127.41	134.36	133.72	128.21	128.97	129.88	128.74	125.87	125.60	124.83	123.53	126.22	**123.90**	**123.50**	Common Shs Outst'g C	**123.00**
7.5	7.9	10.8	9.4	9.3	10.0	12.3	16.9	18.4	19.3	12.0	14.4	12.6	11.6	12.5	11.8	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	**12.0**
.56	.50	.66	.56	.61	.67	.77	.97	.96	1.10	.78	.74	.69	.66	.66	.63			Relative P/E Ratio	**.80**
7.1%	5.4%	3.7%	3.7%	4.1%	4.0%	3.3%	2.4%	2.2%	2.2%	4.1%	2.7%	2.9%	3.1%	3.7%	4.3%			Avg Ann'l Div'd Yield	**4.2%**

CAPITAL STRUCTURE as of 6/30/06

LT Debt $5606.3 mill. **Due in 5 Yrs** $2578.0 mill.
LT Interest $280.0 mill.

Pension Assets-12/05 $401.9 mill. **Oblig.** $379.8 mill.

Pfd Stock None

Common Stock 123,947,391 shs.

MARKET CAP: $4.8 billion (Large Cap)

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
13059	14388	18734	18373	18555	20617	23823	24507	29772	36579	**39000**	**42500**	Total Assets ($mill)	**55000**
7610.5	8185.5	8421.1	9223.6	10096	10128	11201	13830	16270	20411	**22500**	**24500**	Loans ($mill) D	**33000**
451.2	483.1	540.5	589.5	598.4	686.3	752.5	805.8	856.3	984.0	**1010**	**1100**	Net Interest Inc ($mill)	**1550**
35.7	51.1	51.4	57.9	67.4	93.5	92.2	86.7	48.3	67.7	**95.0**	**110**	Loan Loss Prov'n ($mill)	**160**
571.1	668.1	985.5	1123.1	1063.4	1177.5	1541.1	1640.0	1363.2	1399.8	**1120**	**1270**	Noninterest Inc ($mill)	**1600**
704.5	785.0	1121.8	1275.3	1257.4	1315.4	1643.3	1640.1	1504.3	1670.9	**1675**	**1650**	Noninterest Exp ($mill)	**2200**
179.9	197.5	226.4	247.5	232.6	305.3	376.5	473.3	454.4	441.1	**275**	**420**	Net Profit ($mill)	**540**
36.2%	37.3%	35.9%	34.8%	31.0%	32.9%	32.5%	34.2%	31.9%	31.6%	**30.0%**	**32.0%**	Income Tax Rate	**32.0%**
1.38%	1.37%	1.21%	1.35%	1.25%	1.48%	1.58%	1.93%	1.53%	1.21%	**.70%**	**1.00%**	Return on Total Assets	**1.00%**
234.6	268.9	514.5	458.7	548.1	694.5	1074.1	1727.2	2616.8	3732.9	**5600**	**5300**	Long-Term Debt ($mill)	**7000**
954.5	954.1	1099.5	1241.5	1384.2	1477.8	1691.2	1890.3	2041.0	2312.3	**2490**	**2650**	Shr. Equity ($mill)	**3375**
7.3%	6.6%	5.9%	6.8%	7.5%	7.2%	7.1%	7.7%	6.9%	6.3%	**6.5%**	**6.0%**	Shr. Eq. to Total Assets	**6.0%**
58.3%	56.9%	45.0%	50.2%	54.4%	49.1%	47.0%	56.4%	54.6%	55.8%	**57.5%**	**57.5%**	Loans to Tot Assets	**60.0%**
18.8%	20.7%	20.6%	19.9%	16.8%	20.7%	22.3%	25.0%	22.3%	19.1%	**11.0%**	**16.0%**	Return on Shr. Equity	**16.0%**
11.1%	12.4%	12.6%	11.7%	8.6%	12.9%	14.5%	16.4%	12.4%	9.7%	**1.5%**	**6.5%**	Retained to Com Eq	**8.0%**
41%	40%	39%	42%	49%	38%	35%	35%	44%	49%	**85%**	**58%**	All Div'ds to Net Prof	**50%**

ASSETS($MILL.)	2004	2005	6/30/06
Loans	16269.5	20411.2	21499.9
Funds Sold	682.3	1485.2	1572.1
Securities	3669.0	5045.9	5291.7
Other Earning	5.3	10.7	75.9
Other	9145.6	9626.1	9029.6
LIABILITIES($MILL.)			
Deposits	19782.2	23437.8	21693.4
Funds Borrowed	3813.2	5331.3	5038.6
Long-Term Debt	2616.8	3732.9	5606.3
Net Worth	2040.9	2312.3	2442.2
Other	1518.6	1764.8	2688.7
Total	29771.7	36579.1	37469.2
Loan Loss Resrv.	158.2	189.7	199.8

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Loans	10.0%	13.5%	12.5%
Earnings	12.0%	14.5%	3.5%
Dividends	13.5%	14.5%	5.5%
Book Value	10.5%	11.5%	8.5%
Total Assets	11.0%	11.0%	10.5%

Cal-endar	QUARTERLY LOANS ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31
2003	11765	12608	13188	13830
2004	14051	15141	16242	16270
2005	17020	18259	19027	20411
2006	20992	21500	**22000**	**22500**
2007	**23000**	**23500**	**24000**	**24500**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.91	.90	.91	.90	3.62
2004	.92	.92	.89	.81	3.54
2005	.85	.80	.90	.87	3.42
2006	.03	.82	**.55**	**.75**	**2.15**
2007	**.78**	**.82**	**.84**	**.86**	**3.30**

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.25	.25	.25	.25	1.00
2003	.30	.30	.30	.30	1.20
2004	.40	.40	.40	.40	1.60
2005	.43	.43	.43	.43	1.72
2006	.45	.45	.45		

BUSINESS: First Horizon National owns First Tennessee Bank N.A. In addition to retail and commercial banking operations, conducts mortgage banking and bond distribution & underwriting in over 40 states. Loan portfolio 12/31/05: commercial, 32%; commercial real estate, 16%; residential, 41%; residential construction, 9%; consumer, 3%. Net loan losses in '05, .21% of average loans. Loan loss reserve, .92% of loans (6/30/06); problem assets & 90-day past due loans (excl. guaranteed portion), .65%. About 13,000 employees. Directors and officers own 3.0% of stock; Barclays Global, 5.66% (proxy 3/06). Chairman & CEO: Ken Glass. Inc.: TN. Address: 165 Madison Ave., Memphis, TN 38103. Tel.: 901-523-4444. Internet: www.firsthorizon.com.

First Horizon expects several items to reduce its mortgage division's pretax profits by $35 million in the September quarter. It believes the unfavorable interest-rate climate caused gain-on-loan-sale margins in the secondary mortgage market to contract sharply from the June-period level, reducing pretax profits by about $20 million. Recent application volume also suggests that First Horizon's mortgage originations declined by about $1 billion in the historically seasonally stronger third quarter, lowering pretax earnings by $10 million. And the costs to hedge mortgage servicing risks rose about $5 million from the June-period level.

The company also plans to take a $21 million pretax charge to settle a class action lawsuit in the period. The case concerns the charging of mortgage loan fees allegedly not permitted in Missouri.

Although the legal charge may not recur, the mortgage banking climate may remain difficult in the December quarter, and possibly in 2007. In addition, First Horizon may need to increase provisions to its loan loss reserve at some point, since its national lending activities in recent years could be the source of problem loans as economic growth slows, and since the loan loss reserve-to-loans ratio has run down since 2001. Moreover, profits generated by the capital markets division may be lumpy, as the size and volume of investment banking transactions fluctuate from period to period. We now look for full-year earnings from continuing operations (*excluding* a big gain on the sale of a processing business in the March quarter, but *including* sizable securities losses and other somewhat unusual costs) of $2.15 a share, down from our previous estimate of $2.65 and have lowered our 2007 estimate by $0.35 a share, to $3.30.

Concerns regarding First Horizon's ability to offset cyclical swings in the mortgage business have depressed the stock's valuation in recent years. Measures taken to diversify the company's businesses have helped offset some, but evidently not all, of the cyclicality. The issue is ranked unfavorably for Timeliness and, in spite of the above-average dividend yield, total return potential to 2009-2011 is only about average.

Theresa Brophy *September 22, 2006*

(A) Based on average shares outstanding until '96; diluted thereafter. Includes merger-related costs of $0.14 a share in '92. Excl. extraord. gain (losses): '01,($0.06); '05, ($0.02); '06, $0.01. Excl. nonrecurring gain: '01, $0.10; '06, $1.63. Next earnings report due mid-October.
(B) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan available.
(C) In millions, adjusted for stock splits.
(D) Excludes mortgage warehouse loans held for sale from 1996.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	55
Earnings Predictability	75

FIRST MIDWEST BANC NDQ-FMBI

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
37.81	15.4 (Trailing: 17.2 Median: 15.0)	0.88	2.9%	

TIMELINESS 4 Raised 5/5/06
SAFETY 2 New 9/27/02
TECHNICAL 3 Raised 7/14/06
BETA .90 (1.00 = Market)

2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+30%)	*10%*
Low	35	(-5%)	*2%*

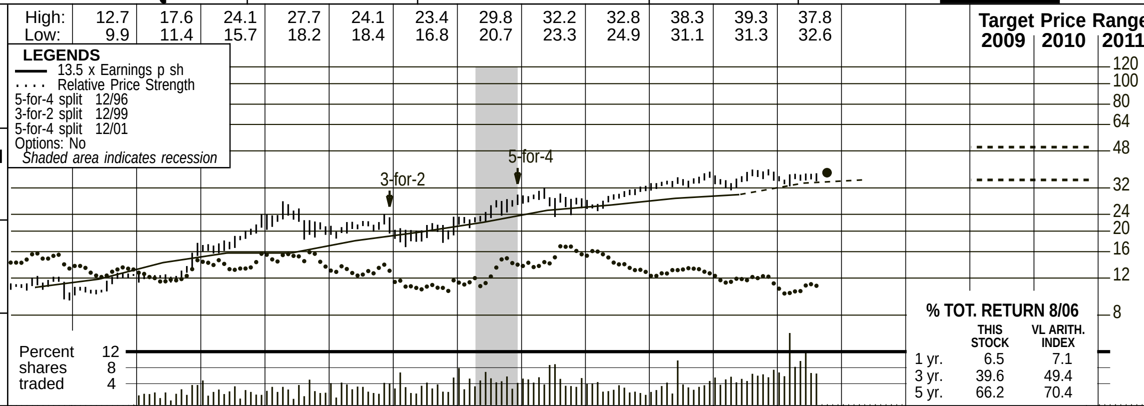
Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	1	0	0	0	0	0	0
Options	1	0	1	0	1	1	0	1	1
to Sell	0	0	0	0	1	0	0	0	1

Institutional Decisions

	4Q2005	1Q2006	2Q2006
to Buy	72	110	80
to Sell	63	54	73
Hld's(000)	22329	27629	29916

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
High:	12.7	17.6	24.1	27.7	24.1	23.4	29.8	32.2	32.8	38.3	39.3	37.8
Low:	9.9	11.4	15.7	18.2	18.4	16.8	20.7	23.3	24.9	31.1	31.3	32.6



% TOT. RETURN 8/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	6.5	7.1
3 yr.	39.6	49.4
5 yr.	66.2	70.4

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
.77	.61	.61	.72	.80	.88	1.05	1.17	1.17	1.34	1.46	1.63	1.86	1.97	2.12	2.21	***2.40***	***2.50***	Earnings per sh A	***3.20***
.22	.22	.22	.26	.29	.32	.38	.44	.49	.53	.59	.65	.68	.79	.90	.98	***1.10***	***1.15***	Div'd Decl'd per sh B■	***1.45***
5.65	6.07	6.46	6.98	6.51	7.87	8.58	8.97	8.32	7.19	8.75	9.18	10.42	11.22	11.55	11.86	***11.50***	***12.00***	Book Value per sh	***15.75***
29.39	29.36	29.21	28.63	28.59	31.67	30.57	37.64	54.44	51.39	51.08	48.73	47.21	46.58	46.07	46.86	***50.00***	***50.00***	Common Shs Outst'g C	***45.00***
10.0	11.5	11.6	14.5	13.9	12.8	12.2	15.6	19.2	15.6	13.4	15.1	15.2	14.7	16.2	16.1	*Bold figures are*	*Value Line*	Avg Ann'l P/E Ratio	***13.5***
.74	.73	.70	.86	.91	.86	.76	.90	1.00	.89	.87	.77	.83	.84	.86	.84	*estimates*		Relative P/E Ratio	***.90***
2.9%	3.2%	3.1%	2.5%	2.6%	2.9%	3.0%	2.4%	2.2%	2.5%	3.0%	2.6%	2.4%	2.7%	2.6%	2.8%			Avg Ann'l Div'd Yield	***3.0%***

CAPITAL STRUCTURE as of 6/30/06
Total Debt $1638.6 mill. **LT Interest** $55.0 mill.
Due in 5 Years $1294.5 mill.

Leases, Uncapitalized: Annual rentals $1.0 mill.

No Defined Benefit Pension Plan

Pfd Stock None

Common Stock 49,929,474 shares
as of 8/3/2006

MARKET CAP: $1.8 billion (Mid Cap)

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
3119.2	3614.2	5192.9	5511.6	5906.5	5667.9	5980.5	6906.7	6863.4	7210.2	***8700***	***9100***	Total Assets ($mill)	***10500***
2055.1	2295.9	2621.1	2919.8	3193.5	3337.5	3377.4	4003.4	4078.6	4306.2	***5200***	***5475***	Loans ($mill)	***6300***
122.7	144.7	187.6	192.7	189.6	204.4	218.8	209.8	228.9	235.9	***270***	***300***	Net Interest Inc ($mill)	***380***
7.5	8.8	5.5	5.8	9.1	19.1	15.4	10.8	12.9	8.9	***11.5***	***20.0***	Loan Loss Prov'n ($mill)	***20.0***
31.4	37.2	55.5	58.3	63.2	68.9	67.0	74.2	79.4	74.6	***80.0***	***85.0***	Noninterest Inc ($mill)	***100***
94.3	108.7	142.7	149.8	144.4	145.4	148.1	149.5	163.3	165.7	***180***	***190***	Noninterest Exp ($mill)	***255***
33.7	43.9	65.2	70.9	75.5	82.1	90.2	92.8	99.1	101.4	***120***	***125***	Net Profit ($mill)	***145***
35.6%	31.9%	31.2%	25.7%	23.9%	24.5%	26.3%	25.0%	24.9%	25.4%	***25.0%***	***25.0%***	Income Tax Rate	***25.0%***
1.08%	1.21%	1.26%	1.29%	1.28%	1.45%	1.51%	1.34%	1.44%	1.41%	***1.40%***	***1.40%***	Return on Total Assets	***1.40%***
--	--	--	--	--	270.0	575.0	620.1	643.0	651.0	***650***	***650***	Long-Term Debt ($mill)	***650***
262.1	337.5	452.9	369.3	446.7	447.3	492.0	522.5	532.0	544.1	***570***	***600***	Shr. Equity ($mill)	***710***
8.4%	9.3%	8.7%	6.7%	7.6%	7.9%	8.2%	7.6%	7.8%	7.5%	***6.5%***	***6.5%***	Shr. Eq. to Total Assets	***7.0%***
65.9%	63.5%	50.5%	53.0%	54.1%	58.9%	56.5%	58.0%	59.4%	59.7%	***60.0%***	***60.0%***	Loans to Tot Assets	***60.0%***
12.9%	13.0%	14.4%	19.2%	16.9%	18.4%	18.3%	17.8%	18.6%	18.6%	***21.0%***	***21.0%***	Return on Shr. Equity	***20.5%***
8.3%	8.7%	8.9%	11.8%	10.3%	11.1%	11.6%	10.7%	10.8%	10.1%	***11.5%***	***11.5%***	Retained to Com Eq	***11.5%***
36%	33%	38%	38%	39%	39%	36%	40%	42%	46%	***45%***	***45%***	All Div'ds to Net Prof	***45%***

ASSETS($Mill.)	2004	2005	6/30/06
Loans	4135.8	4550.0	5041.3
Funds Sold	4.6	5.9	7.4
Securities	2179.4	2286.6	2710.4
Other Earning	- -	- -	- -
Other	544.1	367.7	933.7
LIABILITIES($Mill.)			
Deposits	4905.4	5147.8	6258.2
Funds Borrowed	1218.3	1294.5	1412.6
Long-Term Debt	129.3	130.1	226.1
Net Worth	532.0	544.1	694.9
Other	78.4	93.7	101.0
Total	6863.4	7210.2	8692.8
Loan Loss Resrv.	56.7	56.4	62.4

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Loans	4.0%	8.0%	*8.0%*
Earnings	11.0%	10.0%	*7.5%*
Dividends	12.0%	10.0%	*8.0%*
Book Value	5.0%	6.5%	*5.5%*
Total Assets	4.5%	7.5%	*7.5%*

Cal-endar	LOANS ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31
2003	3391	3449	3439	4003
2004	4115	4173	4147	4079
2005	4153	4223	4287	4306
2006	5042	5041	***5150***	***5200***
2007	***5250***	***5350***	***5425***	***5475***

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2003	.48	.52	.45	.52	1.97
2004	.51	.53	.54	.54	2.12
2005	.55	.58	.59	.49	2.21
2006	.55	.57	***.64***	***.64***	***2.40***
2007	***.60***	***.60***	***.65***	***.65***	***2.50***

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.17	.17	.17	.17	.68
2003	.19	.19	.19	.22	.79
2004	.22	.22	.22	.24	.90
2005	.24	.24	.25	.25	.98
2006	.25	.275	.275		

BUSINESS: First Midwest Bancorp, Inc., through its subsidiary, First Midwest Bank, provides commercial and retail banking, trust, investment management, and related financial services in approximitally 70 offices located primarily in suburban metro-Chicago. Net loan losses: .22% of average loans in '05; nonperforming assets, .35% of loans at 12/05; loss reserve, 1.31% of gross loans at 12/05. Loan breakdown as of 12/05: real estate, 50%; consumer, 19%; commercial, 28%; and agricultural, 3%. Has about 1,600 employees. Officers & directors own 4.4% of common stock (4/06 proxy). Chairman & CEO: John M. O'Meara. Inc.: DE. Addr.: 300 Park Blvd., Suite 405, P.O. Box 459, Itasca, IL 60143-9768. Telephone: (630) 875-7450. Web: www.firstmidwest.com.

First Midwest Bancorp's second-quarter earnings were down slightly from a year earlier. Second-period share net came in at $0.57 versus $0.58 in 2005. Higher expenses were the main culprit in the decline, as merger integration costs associated with the recently completed Bank Calumet purchase took a $0.04 bite out of per-share earnings in the quarter.

The Calumet acquisition should be a long-term positive, despite that fact that near-term results have been hurt. The company issued some four million shares to help finance this merger, diluting near-term share net. Moreover, integration costs were a drag on second-quarter earnings and were higher than we had originally expected. Still, the deal should be beneficial over a longer-time horizon, as the marriage expands the bank's reach into its wealthy Chicago suburban markets. Still . . .

We have reduced our 2006 and 2007 earnings estimates. Expenses related to the merger and the difficulty of dealing with a flat yield curve (the difference between short-term and long-term interest rates) led management to trim its full-year 2006 guidance. We have, thus, adjusted our estimate accordingly, and now expect earnings to come in around $2.40 a share this year. This is, however, still a healthy increase over 2005's results. Moreover, we don't expect a quick resolve to the yield curve issue, and have, thus, cut our 2007 estimate by a nickel as well.

First Midwest isn't the type of investment you bring up at parties. The bank has a conservative culture and a long history of slow, but steady, growth. In fact, one of the most notable aspects of the stock is that the dividend distribution has been increased for 13 years. So, while the stock isn't ranked highly for price performance over the next six to 12 months, it still has some investment merit for those seeking a reliable and growing stream of income. The current share price, however, largely reflects our earnings growth expectations to 2009-2011, as First Midwest's good quality tends to result in investors affording its shares a high valuation. Frequent market noise about the bank being a possible acquisition target also could lend support to the shares.

Reuben Gregg Brewer September 22, 2006

(A) Diluted earnings. Next earnings report is due in October.

(B) Dividends historically paid in late January, April, July, and October. ■ Dividend reinvestment plan available.

(C) In millions, adjusted for splits.

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

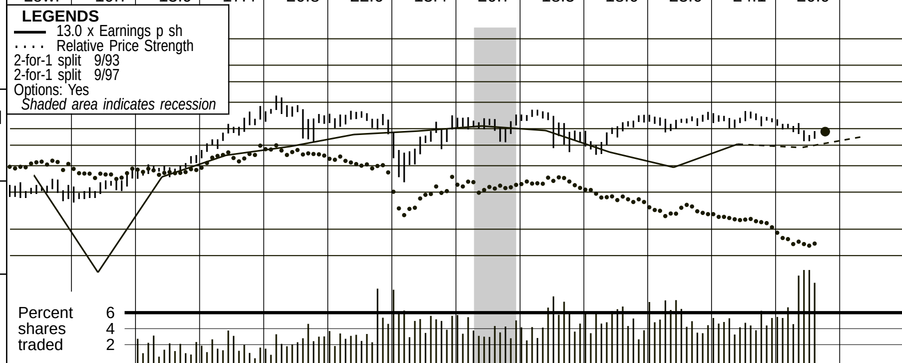
FIRSTMERIT CORP. NDQ-FMER

RECENT PRICE **23.22** | P/E RATIO **15.2** (Trailing: 15.5, Median: 16.0) | RELATIVE P/E RATIO **0.87** | DIV'D YLD **5.0%** | VALUE LINE

TIMELINESS 3 Raised 9/15/06
SAFETY 3 New 1/1/99
TECHNICAL 3 Raised 7/21/06
BETA .95 (1.00 = Market)

High:	15.3	18.0	30.8	34.4	29.1	27.8	28.0	29.5	27.9	28.8	29.1	26.5
Low:	10.7	13.9	17.4	20.8	22.6	13.4	20.7	18.5	18.0	23.0	24.1	20.9

Target Price Range
2009 | 2010 | 2011



2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+50%)	15%
Low	25	(+10%)	7%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	1	0	2	3	1	2	0	0
to Sell	0	2	0	1	0	0	1	0	0

Institutional Decisions

	4Q2005	1Q2006	2Q2006
to Buy	85	66	77
to Sell	54	71	65
Hld's(000)	37695	35961	36831

% TOT. RETURN 8/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	-13.8	7.1
3 yr.	3.1	49.4
5 yr.	17.3	70.4

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
.70	.79	1.01	1.10	1.11	.39	1.09	1.38	1.52	1.73	1.80	1.90	1.81	1.43	1.21	1.56	**1.50**	**1.70**	Earnings per sh A	**2.35**
.38	.40	.41	.45	.49	.51	.55	.61	.66	.76	.86	.93	.98	1.02	1.06	1.10	**1.14**	**1.18**	Div'ds Decl'd per sh B ■	**1.30**
6.13	6.50	7.11	7.76	7.94	8.10	7.73	8.59	10.23	9.01	10.48	10.70	11.40	11.65	11.66	11.39	**11.05**	**11.55**	Book Value per sh	**14.25**
50.22	50.36	50.39	50.50	54.33	67.00	67.72	61.76	75.16	92.05	87.03	84.99	84.51	84.72	84.19	82.34	**80.00**	**80.00**	Common Shs Outst'g C	**80.00**
8.7	9.1	10.2	11.3	11.1	32.8	14.2	17.0	18.3	15.3	11.3	13.2	14.0	16.2	21.5	17.1	*Bold figures are*		Avg Ann'l P/E Ratio	**13.0**
.65	.58	.62	.67	.73	2.20	.89	.98	.95	.87	.73	.68	.76	.92	1.14	.91	*Value Line*		Relative P/E Ratio	**.85**
6.4%	5.6%	4.0%	3.7%	4.0%	4.0%	3.6%	2.6%	2.4%	2.9%	4.2%	3.7%	3.9%	4.4%	4.1%	4.1%	*estimates*		Avg Ann'l Div'd Yield	**4.3%**

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
5228.0	5307.5	7127.4	10115	10215	10193	10688	10474	10123	10161	**10300**	**10700**	Total Assets ($mill)	**13000**
3606.7	3781.1	4766.4	6636.9	6846.6	7004.5	6885.1	6454.0	6335.8	6590.6	**6850**	**7200**	Loans ($mill)	**8700**
251.0	255.5	305.4	384.0	376.2	391.5	421.6	393.6	350.8	349.0	**350**	**365**	Net Interest Inc ($mill)	**425**
17.8	21.6	28.4	27.2	32.7	47.3	98.6	102.2	73.9	43.8	**38.0**	**40.0**	Loan Loss Prov'n ($mill)	**60.0**
82.5	83.6	110.5	154.7	163.9	185.0	186.4	210.1	174.3	190.5	**205**	**220**	Noninterest Inc ($mill)	**275**
209.7	191.1	242.7	282.9	275.2	286.7	287.0	327.0	311.9	313.5	**340**	**350**	Noninterest Exp ($mill)	**370**
70.9	86.4	108.4	158.0	159.8	163.7	154.4	121.7	103.2	130.5	**120**	**135**	Net Profit ($mill)	**190**
33.1%	31.7%	25.2%	30.9%	31.2%	32.5%	30.6%	30.3%	25.9%	28.4%	**30.5%**	**30.5%**	Income Tax Rate	**30.5%**
1.36%	1.63%	1.52%	1.56%	1.56%	1.61%	1.44%	1.16%	1.02%	1.28%	**1.15%**	**1.25%**	Return on Total Assets	**1.45%**
- -	- -	- -	- -	- -	- -	- -	295.5	300.2	401.1	**650**	**600**	Long-Term Debt ($mill)	**900**
523.7	530.3	768.6	833.6	914.9	910.8	964.7	987.2	981.3	937.6	**885**	**925**	Shr. Equity ($mill)	**1140**
10.0%	10.0%	10.8%	8.2%	9.0%	8.9%	9.0%	9.4%	9.7%	9.2%	**8.5%**	**8.5%**	Shr. Eq. to Total Assets	**9.0%**
69.0%	71.2%	66.9%	65.6%	67.0%	68.7%	64.4%	61.6%	62.6%	64.9%	**66.5%**	**67.5%**	Loans to Tot Assets	**67.0%**
13.5%	16.3%	14.1%	19.0%	17.5%	18.0%	16.0%	12.3%	10.5%	13.9%	**13.5%**	**14.5%**	Return on Shr. Equity	**16.5%**
6.6%	9.0%	8.1%	10.7%	9.1%	9.2%	7.3%	4.2%	1.4%	4.0%	**3.5%**	**4.5%**	Retained to Com Eq	**7.5%**
51%	45%	42%	44%	48%	49%	54%	66%	87%	71%	**76%**	**69%**	All Div'ds to Net Prof	**55%**

CAPITAL STRUCTURE as of 6/30/06

LT Debt $658.7 mill.. **Due in 5 Yrs** $22.0 mill.
LT Interest $24.0 mill.

Pension Assets-12/05 $133.1 mill.
Oblig. $169.2 mill.

Common Stock 80,058,315 shares

MARKET CAP: $1.9 billion (Mid Cap)

ASSETS($Mill.)	**2004**	**2005**	**6/30/06**
Loans	6335.8	6590.6	6717.0
Funds Sold	- -	- -	25.0
Securities	2862.0	2546.5	2436.1
Other Earning	48.4	- -	- -
Other	876.4	1024.2	1076.7
LIABILITIES($Mill.)			
Deposits	7365.4	7233.7	7402.2
Funds Borrowed	1336.5	1426.0	1156.3
Long-Term Debt	300.2	401.1	658.7
Net Worth	981.3	937.6	870.7
Other	139.2	162.9	166.9
Total	10122.6	10161.3	10254.8
Loan Loss Resrv.	97.3	90.7	87.7

ANNUAL RATES of change (per sh)	**Past 10 Yrs.**	**Past 5 Yrs.**	**Est'd '03-'05 to '09-'11**
Loans	3.5%	1.5%	*6.0%*
Earnings	5.0%	-3.5%	*9.0%*
Dividends	8.0%	7.0%	*3.5%*
Book Value	4.0%	3.0%	*3.5%*
Total Assets	4.0%	2.5%	*5.0%*

Cal-endar	LOANS ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31
2003	7006	7063	7121	6454
2004	6388	6412	6356	6336
2005	6433	6518	6603	6596
2006	6585	6717	***6775***	***6850***
2007	***6900***	***7000***	***7100***	***7200***

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.45	.44	.46	.08	1.43
2004	.15	.36	.37	.33	1.21
2005	.36	.43	.44	.34	1.56
2006	.37	.35	***.38***	***.40***	***1.50***
2007	***.40***	***.42***	***.43***	***.45***	***1.70***

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.24	.24	.25	.25	.98
2003	.25	.25	.26	.26	1.02
2004	.26	.26	.27	.27	1.06
2005	.27	.27	.28	.28	1.10
2006	.28	.28	.29		

BUSINESS: FirstMerit Corp. provides a wide range of banking, fiduciary, financial, insurance, and investment services to institutions and individuals. About 160 offices in Ohio & western Pennsylvania. Net loan losses: .76% of average loans in 2005. Loan loss reserve, 1.29% of loans (6/30/06); nonperforming assets (including loans 90 days past due), 1.12% of loans and other real estate. Loans (12/31/05): commercial, 53%; installment, 23%; mortgage, 9%; home equity, 12%; other, 3%. On 12/31/05, 3,050 employees. Officers and directors own 6.55% of stock (3/06 proxy). Chairman: John R. Cochran. Pres. & CEO: Paul G. Greig. Inc.: OH. Address: III Cascade Plaza, 7th Floor, Akron, OH 44308. Telephone: 330-996-6300. Internet: www.firstmerit.com.

FirstMerit turned in disappointing June-quarter results. A single credit relationship accounted for a $6.6 million loan charge-off that pushed up its credit costs. Net interest income came in modestly below the March-quarter level due to some contraction in assets that earn interest income and a bit more pressure on the net interest margin. Initiatives to realign the branch system and change the organizational structure pushed up expenses.

With the sizable loan charge-off behind it, the company expects its credit loss ratio to decline. The larger-than-normal loan loss in the June quarter entailed some unusual circumstances. Most of FirstMerit's credit-quality indicators seem to be pointing in a positive direction. But a moderation in economic growth could slow the company's progress in reducing its problem loan ratio, which is still a bit higher than peer banks'.

The outlook for revenue growth is mixed. Net interest income is likely to remain at about the 2005 level, with mid-single-digit loan growth offsetting continued pressure on the net interest margin due to the flat yield curve. On the other hand, service charge and credit card income are growing nicely, and are expected to support a 7% rise in fees in 2006. The organizational changes under way under the company's new CEO include incentives and other measures to accelerate revenue growth. But the initiatives are still in their early stages, and it's unclear when they will pay off.

Operating expense in the second half will still include some upfront costs tied to the organizational changes. The company has already identified $12 million of potential cost reductions, but the savings won't be realized until next year.

Although earnings might strengthen in the second half, we now expect full-year results in 2006 to fall short of the 2005 tally. But we tentatively look for some bottom-line improvement in 2007, as management's efforts to spur revenue growth and trim expenses gain traction.

FirstMerit shares are ranked 3 (Average) for Timeliness. Although the dividend yield exceeds that offered by many money market funds, the high payout ratio probably limits the disbursement's growth.

Theresa Brophy *September 22, 2006*

(A) Diluted earnings. Excludes extraordinary gain: '99, 6¢. Excludes nonrecurring losses: '98, 18¢; '99, 35¢; '01, 16¢; '03, 1¢. Next earnings report due mid-October.

(B) Dividends historically paid in mid-March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for stock splits.

Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	30
Earnings Predictability	65

FLORIDA ROCK INDS. NYSE-FRK

RECENT PRICE	P/E RATIO	(Trailing / Median)	RELATIVE P/E RATIO	DIV'D YLD
39.06	11.3	(Trailing: 12.8, Median: 14.0)	0.64	1.6%

VALUE LINE

TIMELINESS **3** Lowered 6/30/06
SAFETY **3** Lowered 4/7/06
TECHNICAL **4** Lowered 10/6/06
BETA 1.10 (1.00 = Market)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
High:	4.4	5.0	8.9	9.3	13.5	12.8	17.2	19.6	26.7	39.9	68.0	66.1
Low:	3.9	3.4	4.5	5.8	8.0	8.3	10.6	12.8	14.0	23.9	36.0	35.7

Target Price Range 2009 | 2010 | 2011

2009-11 PROJECTIONS

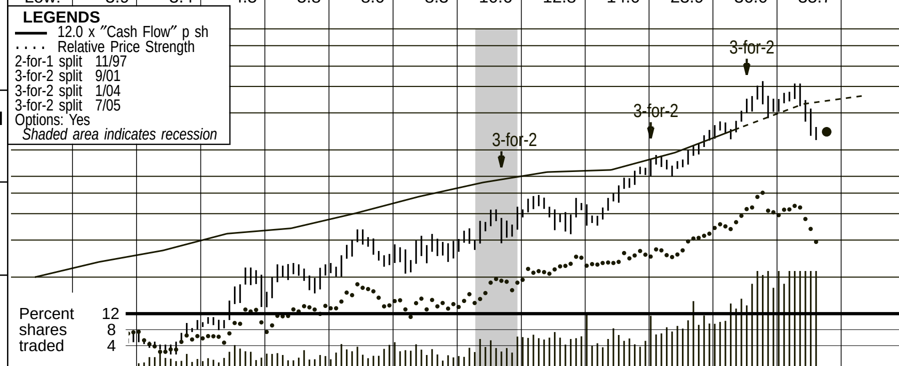
	Price	Gain	Ann'l Total Return
High	75	(+90%)	19%
Low	50	(+30%)	8%

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	2	2	0	0	0	1	0
to Sell	0	0	2	2	0	0	0	0	0

Institutional Decisions

	4Q2005	1Q2006	2Q2006
to Buy	129	149	131
to Sell	105	101	140
Hld's(000)	36211	35283	39142



% TOT. RETURN 8/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	-33.5	7.1
3 yr.	68.3	49.4
5 yr.	160.3	70.4

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
6.28	4.76	4.38	4.60	5.26	5.76	6.37	7.21	7.73	9.10	10.33	11.26	11.26	11.55	14.68	17.60	*21.50*	*24.00*	Sales per sh A	*28.15*
.77	.52	.49	.50	.67	.79	.89	1.07	1.14	1.34	1.61	1.87	2.10	2.15	2.59	3.39	*4.40*	*4.85*	"Cash Flow" per sh	*5.65*
.28	.03	.06	.10	.27	.37	.42	.59	.60	.72	.76	.87	1.06	1.16	1.57	2.36	*3.25*	*3.60*	Earnings per sh AB	*4.30*
.07	.07	.07	.07	.07	.07	.07	.07	.07	.07	.13	.15	.16	.24	.47	.57	*.60*	*.64*	Div'ds Decl'd per sh C	*.78*
.37	.39	.43	.51	.36	.63	.72	.73	1.50	1.61	1.71	1.09	.77	.70	1.62	1.92	*2.25*	*3.30*	Cap'l Spending per sh	*2.00*
2.77	2.73	2.71	2.68	3.00	3.30	3.64	4.18	4.71	5.31	6.06	7.02	7.94	8.89	9.61	11.41	*14.15*	*17.25*	Book Value per sh D	*27.85*
62.19	62.19	62.09	64.03	64.04	64.04	62.60	63.38	63.67	63.67	62.70	63.54	64.30	64.62	64.62	65.55	*66.00*	*66.30*	Common Shs Outst'g E	*67.50*
--	NMF	NMF	38.1	15.4	11.1	9.2	9.2	13.3	13.9	13.6	14.4	15.0	15.2	17.3	18.3	*Bold figures are*		Avg Ann'l P/E Ratio	*15.0*
--	NMF	NMF	2.25	1.01	.74	.58	.53	.69	.79	.88	.74	.82	.87	.91	.96	*Value Line*		Relative P/E Ratio	*1.00*
--	2.2%	2.1%	2.0%	1.8%	1.8%	1.9%	1.4%	.9%	.7%	1.2%	1.2%	1.0%	1.4%	1.7%	1.3%	*estimates*		Avg Ann'l Div'd Yield	*1.2%*

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
398.7	456.8	492.5	579.3	647.8	715.7	723.7	746.1	948.5	1153.5	*1420*	*1590*	Sales ($mill) A	*1900*
17.9%	19.0%	18.7%	18.9%	20.6%	21.9%	23.5%	23.0%	23.9%	26.7%	*28.7%*	*28.7%*	Operating Margin	*28.5%*
28.8	30.7	33.4	38.5	52.0	62.6	66.2	63.1	63.6	64.6	*72.0*	*78.0*	Depreciation ($mill)	*86.0*
27.0	37.1	38.9	46.6	48.8	56.4	68.9	75.6	103.8	157.7	*220*	*245*	Net Profit ($mill)	*295*
34.3%	34.1%	35.2%	35.2%	34.4%	35.2%	35.2%	35.0%	36.0%	38.3%	*36.5%*	*36.5%*	Income Tax Rate	*36.5%*
6.8%	8.1%	7.9%	8.0%	7.5%	7.9%	9.5%	10.1%	10.9%	13.7%	*15.5%*	*15.5%*	Net Profit Margin	*15.5%*
35.2	48.5	25.8	14.9	42.7	70.0	39.4	94.4	39.4	121.5	*175*	*245*	Working Cap'l ($mill)	*810*
16.9	10.9	23.9	97.0	163.6	138.5	43.7	119.0	41.9	18.4	*16.5*	*15.0*	Long-Term Debt ($mill)	*Nil*
228.1	264.6	299.9	338.3	379.9	446.2	510.6	574.4	620.9	747.9	*935*	*1145*	Shr. Equity ($mill)	*1880*
11.2%	13.6%	12.1%	10.8%	9.8%	10.5%	12.8%	11.0%	15.8%	20.6%	*23.0%*	*21.0%*	Return on Total Cap'l	*16.0%*
11.8%	14.0%	13.0%	13.8%	12.8%	12.6%	13.5%	13.2%	16.7%	21.1%	*23.0%*	*21.5%*	Return on Shr. Equity	*16.0%*
9.8%	12.3%	11.4%	12.4%	10.9%	10.6%	11.5%	11.2%	12.1%	16.3%	*19.0%*	*17.5%*	Retained to Com Eq	*13.0%*
17%	12%	12%	10%	15%	17%	15%	15%	28%	23%	*18%*	*17%*	All Div'ds to Net Prof	*18%*

CAPITAL STRUCTURE as of 6/30/06
Total Debt $19.8 mill. **Due in 5 Yrs** $5.5 mill.
LT Debt $16.5 mill. **LT Interest** $1.0 mill.
(2% of Capital)

Leases, Uncapitalized Annual rentals $1.5 mill.

Pension Assets-9/05 $23.4 mill. **Oblig.** $31.2 mill.

Preferred Stock None

Common Stock 65,808,876 shares
as of 7/27/06
MARKET CAP: $2.6 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2004	2005	6/30/06
Cash Assets	45.9	68.9	81.0
Receivables	107.0	146.5	165.8
Inventory (LIFO)	35.1	43.7	48.1
Other	10.3	7.7	12.6
Current Assets	198.3	266.8	307.5
Accts Payable	47.1	73.1	79.9
Debt Due	2.1	1.5	3.3
Other	109.7	70.7	72.1
Current Liab.	158.9	145.3	155.3

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	11.0%	10.0%	*11.5%*
"Cash Flow"	15.5%	15.0%	*13.0%*
Earnings	21.5%	19.5%	*17.0%*
Dividends	19.0%	36.0%	*10.5%*
Book Value	13.0%	13.0%	*18.5%*

Fiscal Year Ends	QUARTERLY SALES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2003	164.3	163.6	198.1	220.1	746.1
2004	225.4	228.6	251.6	242.9	948.5
2005	250.9	260.6	313.5	328.5	1153.5
2006	306.3	364.1	361.0	*388.6*	*1420*
2007	*350*	*390*	*415*	*435*	*1590*

Fiscal Year Ends	EARNINGS PER SHARE AB Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2003	.19	.25	.35	.37	1.16
2004	.37	.37	.47	.36	1.57
2005	.45	.53	.69	.69	2.36
2006	.63	.86	.87	*.89*	*3.25*
2007	*.80*	*.90*	*.90*	*1.00*	*3.60*

Cal-endar	QUARTERLY DIVIDENDS PAID C Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.038	.038	.045	.045	.17
2003	.045	.045	.045	.111	.25
2004	.111	.111	.111	.133	.47
2005	.133	.133	.15	.15	.57
2006	.15	.15	.15	.15	

BUSINESS: Florida Rock Industries, Inc. operates three business segments. Construction Aggregates: mines, processes, sells, and distributes sand, gravel, and crushed stone. Concrete Products: produces and sells ready-mix concrete, concrete block, prestressed and precast concrete, and building materials. Cement and Calcium Products: produces, imports, and sells masonry and portland cement. Operates in FL, VA, GA, MD, TN, NC, AL, IL, Wash. DC, & DE. Has about 3,425 employees. Baker family owns 25.4% of common stock; other off. & dir. 1.7%; FM&R Co. 6.5%; Royce & Assoc. 1.7% (12/05 Proxy). Chrmn.: Edward L. Baker. Pres. & CEO: John D. Baker II. Inc.: FL. Address: 155 E. 21st St., Jacksonville, FL 32206. Tel.: 904-355-1781. Web: www.flarock.com.

Florida Rock probably ended fiscal 2006 on a strong note . . . Fiscal years end September 30th. Product demand remained strong last year while pricing improvements helped to widen margins and increase profits to record levels. Our year-end share-earnings estimate currently stands at $3.25.

. . . but its stock did not. The once white-hot housing market has cooled off, and investors have taken notice. Most equities tied to the homebuilding industry have been hit hard, and this one is no different. Since early May, the stock price has dropped by more than 40%. Yet,

Next fiscal year should also be rock solid. Although fuel costs may remain high while residential construction ought to continue weakening, we think that an uptick in commercial and public works construction is on the horizon. Too, further product price hikes are probably on the way. All told, the company should post share net of $3.60 in fiscal 2007.

Florida Rock is generating lots of cash and has a strong balance sheet. It plans to spend about $165 million to double the capacity at its Newberry cement plant. The aggregate producer also stated that it is not opposed to taking on some long-term debt to finance acquisitions or other expansion projects. Lastly, management believes that the stock price may have fallen to a point where repurchasing shares is an enticing option.

The company is still defending the permit for its Miami quarry. A federal judge in south Florida ruled that this permit was issued improperly. The judge remanded the permits back to the U.S. Army Corps of Engineers for reconsideration. The company is appealing the ruling and seeking reissuance of the permit. Meanwhile, business in the area continues as usual pending further rulings. The litigation is costing the company about $1 million a quarter.

Shares of Florida Rock do not stand out at this juncture. This issue should perform in line with the broader market in the year ahead (Timeliness: 3). And, despite the tremendous drop in price experienced over the past four months, this stock only offers slightly above-average 3- to 5-year capital gains potential.

Erik A. Antonson *October 6, 2006*

(A) Fiscal years end September 30th. (B) Primary EPS through 1997, diluted thereafter. Excludes nonrecurring items: '93, 7¢; '00, 38¢; '01, 32¢; '03, 1¢; '04, 15¢. Includes options expense from '06. Next earnings report due late October. (C) Dividends historically paid in early January, April, July, and October. In 2004, a special, one-time dividend of $1.00 a share was declared on August 4th and paid October 1st. (D) Includes intangibles: In '05, $153.0 million, $2.33 a share. (E) In millions, adjusted for stock splits.

Company's Financial Strength	A
Stock's Price Stability	60
Price Growth Persistence	100
Earnings Predictability	85

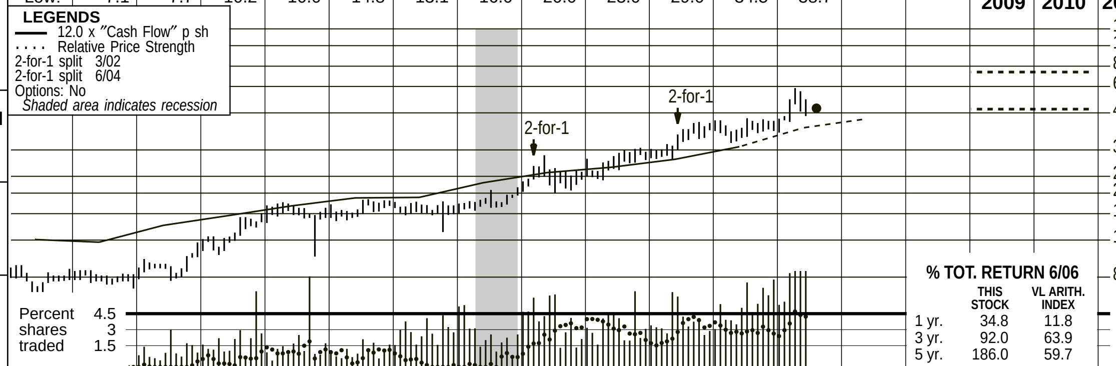
FRANKLIN ELECTRIC NDQ-FELE

RECENT PRICE **50.48** | P/E RATIO **19.0** (Trailing: 22.9 / Median: 16.0) | RELATIVE P/E RATIO **1.07** | DIV'D YLD **0.9%** | **VALUE LINE**

TIMELINESS 3 Raised 7/29/05
SAFETY 3 Lowered 10/14/05
TECHNICAL 2 Raised 7/7/06
BETA .85 (1.00 = Market)

High:	8.6	11.7	16.1	18.1	18.7	18.3	21.3	30.3	32.8	43.5	45.3	62.9
Low:	7.1	7.7	10.2	10.0	14.8	13.1	16.0	20.0	23.0	29.0	34.5	38.7

LEGENDS
— 12.0 x "Cash Flow" p sh
.... Relative Price Strength
2-for-1 split 3/02
2-for-1 split 6/04
Options: No
Shaded area indicates recession



Target Price Range

2009	2010	2011

2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	75	(+50%)	12%
Low	50	(Nil)	1%

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	0	0	0	0	0	0
Options	2	0	0	1	0	0	1	0	5
to Sell	2	0	0	1	0	0	1	0	5

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	47	54	62
to Sell	37	44	48
Hld's(000)	13737	14021	14222

% TOT. RETURN 6/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	34.8	11.8
3 yr.	92.0	63.9
5 yr.	186.0	59.7

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
7.44	7.56	8.02	8.28	9.74	11.05	11.80	12.97	12.22	13.54	14.80	15.13	16.39	16.47	18.34	19.55	*24.90*	*27.25*	Sales per sh A	*33.75*
.49	.58	.65	.79	1.00	.98	1.17	1.30	1.45	1.58	1.59	1.87	2.08	2.21	2.41	2.77	*3.40*	*3.75*	"Cash Flow" per sh	*5.05*
.32	.39	.46	.59	.71	.59	.81	.91	1.01	1.15	1.07	1.20	1.42	1.53	1.65	2.04	*2.65*	*2.95*	Earnings per sh B	*4.15*
- -	- -	- -	.04	.07	.10	.12	.14	.17	.19	.22	.24	.26	.28	.31	.38	*.46*	*.54*	Div'ds Decl'd per sh C	*.78*
.13	.18	.24	.26	.31	.24	.24	.37	1.10	.63	.64	.31	.72	.70	.96	.79	*.95*	*1.00*	Cap'l Spending per sh	*1.00*
.48	.94	1.37	2.01	2.62	3.22	3.92	3.97	4.11	4.45	5.27	5.78	7.07	8.84	10.63	11.90	*14.10*	*16.15*	Book Value per sh E	*24.15*
24.05	24.34	24.75	24.92	24.80	25.02	25.48	23.39	22.30	21.65	22.02	21.34	21.65	21.83	22.04	22.49	*22.70*	*23.50*	Common Shs Outst'g D	*26.50*
7.2	9.7	12.2	11.6	11.0	13.5	11.3	14.0	16.2	14.6	15.8	15.1	16.8	18.5	21.7	19.8	*Bold figures are*		Avg Ann'l P/E Ratio	*15.0*
.53	.62	.74	.69	.72	.90	.71	.81	.84	.83	1.03	.77	.92	1.05	1.15	1.06	*Value Line*		Relative P/E Ratio	*1.00*
- -	- -	- -	.5%	.9%	1.2%	1.3%	1.1%	1.0%	1.1%	1.3%	1.3%	1.1%	1.0%	.9%	.9%	*estimates*		Avg Ann'l Div'd Yield	*1.6%*

CAPITAL STRUCTURE as of 4/1/06
Total Debt $13.7 mill. **Due in 5 Yrs** $13.7 mill.
LT Debt $12.4 mill. **LT Interest** $1.0 mill.
(4% of Cap'l)

Pension Assets $132.7 mill. **Oblig.** $149.0 mill.

Pfd Stock None

Common Stock 22,646,412 shs.
as of 4/1/06

MARKET CAP: $1.1 billion (Mid Cap)

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
300.7	303.3	272.5	293.2	325.7	322.9	354.9	359.5	404.3	439.6	*565*	*640*	Sales ($mill) A	*895*
13.8%	14.4%	16.7%	17.0%	15.7%	18.0%	17.8%	18.3%	19.9%	19.9%	*20.5%*	*20.0%*	Operating Margin	*21.5%*
8.4	7.3	7.5	7.5	10.8	12.7	12.9	13.7	15.1	15.0	*17.0*	*18.0*	Depreciation ($mill)	*19.0*
21.5	23.2	24.8	26.8	24.2	27.2	32.2	34.5	38.1	47.3	*60.0*	*70.0*	Net Profit ($mill)	*115.0*
35.5%	37.3%	38.1%	36.8%	38.1%	37.4%	36.2%	32.8%	35.5%	35.3%	*36.0%*	*35.0%*	Income Tax Rate	*35.0%*
7.2%	7.7%	9.1%	9.1%	7.4%	8.4%	9.1%	9.6%	9.4%	10.7%	*10.6%*	*10.9%*	Net Profit Margin	*12.8%*
88.2	88.0	61.9	56.8	54.9	69.2	62.7	82.6	111.6	139.00	*170*	*220*	Working Cap'l ($mill)	*460*
20.3	19.2	18.1	17.1	15.9	14.5	25.9	15.0	13.8	12.3	*12.0*	*12.0*	Long-Term Debt ($mill)	*12.0*
99.8	92.8	91.6	96.3	116.0	123.3	153.1	192.9	234.3	267.6	*320*	*380*	Shr. Equity ($mill) E	*640*
18.5%	21.4%	23.2%	24.2%	18.8%	20.1%	18.3%	16.8%	15.4%	17.0%	*18.0%*	*18.0%*	Return on Total Cap'l	*17.5%*
21.5%	25.0%	27.1%	27.8%	20.9%	22.0%	21.0%	17.9%	16.3%	17.7%	*19.0%*	*18.5%*	Return on Shr. Equity	*18.0%*
17.5%	21.4%	22.9%	23.4%	16.8%	17.9%	17.4%	14.8%	13.3%	14.5%	*15.5%*	*15.5%*	Retained to Com Eq	*14.5%*
14%	15%	15%	16%	19%	19%	17%	17%	18%	18%	*17%*	*18%*	All Div'ds to Net Prof	*18%*

CURRENT POSITION ($MILL.)	2003	2004	4/1/06
Cash Assets	30.0	50.6	69.4
Receivables	29.2	39.3	42.4
Inventory (LIFO)	54.7	62.4	80.9
Other	14.1	13.8	15.0
Current Assets	128.0	166.1	207.7
Accts Payable	16.0	16.6	20.5
Debt Due	1.4	1.3	1.3
Other	28.0	36.5	32.1
Current Liab.	45.4	54.4	53.9

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	6.5%	6.0%	*11.0%*
"Cash Flow"	10.5%	10.0%	*12.5%*
Earnings	10.5%	10.0%	*15.5%*
Dividends	17.0%	11.0%	*16.0%*
Book Value	15.0%	18.0%	*15.0%*

Cal-endar	QUARTERLY SALES ($ mill.) A Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2003	69.8	93.8	99.7	96.2	359.5
2004	80.2	106.2	110.3	107.6	404.3
2005	82.4	123.6	119.1	114.5	439.6
2006	111.0	*150*	*155*	*149*	*565*
2007	*130*	*175*	*170*	*165*	*640*

Cal-endar	EARNINGS PER SHARE AB Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2003	.18	.42	.47	.46	1.53
2004	.22	.48	.48	.47	1.65
2005	.26	.60	.60	.58	2.04
2006	.42	*.71*	*.77*	*.75*	*2.65*
2007	*.49*	*.84*	*.82*	*.80*	*2.95*

Cal-endar	QUARTERLY DIVIDENDS PAID C Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.06	.065	.065	.065	.26
2003	.065	.07	.07	.07	.28
2004	.07	.08	.08	.08	.31
2005	.08	.10	.10	.10	.38
2006	.10	.11			

BUSINESS: Franklin Electric Company, Inc. is a leading manufacturer of submersible electric motors primarily for water well pumping systems and fueling systems. Also produces fractional horsepower electric motors and electronic controls. Sells primarily to original equipment manufacturers through a direct sales force. Foreign sales: 37% of '05 total. 2005 depreciation rate: 7.0%. Has 2,600 employees; 966 shareholders of record. Officers and directors own 4.8% of common stock; Select Equity Group, 14.8%; Wells Fargo, 7.9%; T. Rowe Price, 7.0%; 2 other large holders, 17.0% (3/06 Proxy). Chairman and Chief Executive Officer: Scott Trumbull. Inc.: Indiana. Address: 400 East Spring Street, Bluffton, Indiana 46714-3798. Telephone: 260-824-2900. Internet: www.franklinelect.com.

Franklin Electric posted a huge increase in earnings for the first quarter of 2006. Earnings were up more than 60% to $0.42 from $0.26 a year ago. This was driven by higher sales of $111 million versus $82 million. Core sales (revenues excluding acquisitions and foreign currency translation) were up 35%. However, we do not believe this is likely to continue through the rest of the year.

The surprisingly strong quarter was probably due to inventory builds at Pentair and ITT. This makes sense, considering that these customers were likely hedging against future supplier constraints resulting from Franklin's new distribution strategy of no longer selling some product directly to OEMs.

The Little Giant Pump Company acquisition has closed and is now included in our estimates. This company has product lines such as sump, sewage, and industrial submersible pumps. The submersible pump line is important because it is consistent with Franklin's strategy to grow in that segment of the pump market. The business has sales of about $110 million per year, and we think margins are in the double digits. Furthermore, the investment builds on JBD, which was purchased in 2004, and will likely allow for cross selling opportunities. Finally, we expect it to be highly accretive to earnings over the next year.

We are raising our estimates. The intensity of the prebuy from Pentair and ITT, and our forecast for earnings accretion resulting from the Little Giant transaction, should meaningfully benefit earnings. Therefore, we have increased our 2006 earnings forecast to $2.65 from $2.35. Our 2007 call is $2.95, up from $2.55.

These shares are trading at lofty levels. Franklin Electric is a strong company and management is taking all of the right steps to benefit shareholders, but we believe the stock price already reflects a significant amount of future earnings growth. Even though the stock price has declined since we urged caution in our April report, we still think there is some downside risk to owning these shares. We believe investors should wait for the stock price to pull back further before adding to positions here.

Greg McGowan *July 14, 2006*

(A) Yr. ends Sat. closest to Dec. 31st.
(B) Diluted earnings. Excl. net nonrecurring items: '89, 3¢; '90, 1¢; '91, 3¢; '92, 2¢; '93, 8¢; '97, 18¢; '00, (18¢). Next earnings report due late July.
(C) Dividends historically paid in late February, May, August, November. (D) In millions, adjusted for split. (E) Includes intangibles. At 12/31/05: $58.0 million, $2.57 a share.

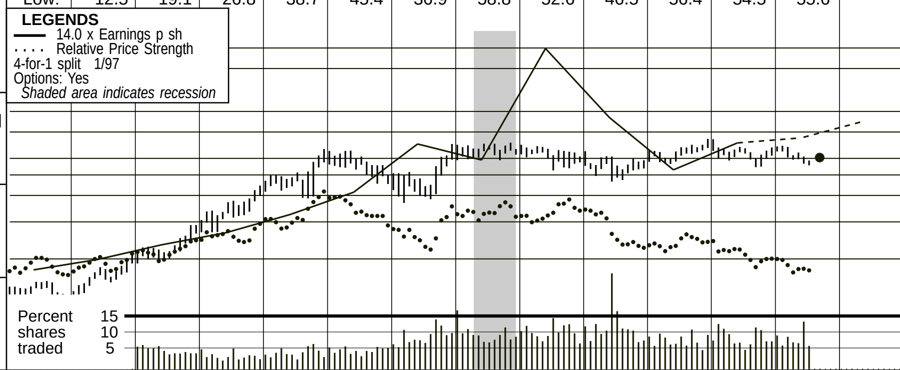
Company's Financial Strength	B++
Stock's Price Stability	60
Price Growth Persistence	100
Earnings Predictability	90

FREDDIE MAC NYSE-FRE

RECENT PRICE 60.41 | P/E RATIO 11.3 (Trailing: 11.9 Median: 15.0) | RELATIVE P/E RATIO 0.64 | DIV'D YLD 3.1% | VALUE LINE

TIMELINESS 4 New 5/27/05
SAFETY 2 New 5/27/05
TECHNICAL 4 Lowered 8/18/06
BETA .85 (1.00 = Market)

High:	20.9	29.0	44.6	66.4	65.3	70.1	71.3	69.5	64.8	74.2	73.9	68.8
Low:	12.5	19.1	26.8	38.7	45.4	36.9	58.8	52.6	46.5	56.4	54.5	55.6



Target Price Range 2009 | 2010 | 2011
200 / 160 / 100 / 80 / 60 / 50 / 40 / 30 / 20

2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	135	(+125%)	25%
Low	100	(+65%)	16%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	233	244	257
to Sell	297	278	284
Hld's(000)	601226	618972	642561

% TOT. RETURN 7/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	-5.9	3.0
3 yr.	26.7	52.3
5 yr.	-7.0	59.2

Federal Home Loan Mortgage Corp. (Freddie Mac) was created by an Act of Congress in 1970. In 1984, it issued approx. 15 mill. shs. of participating pfd. stk. to FHLB-member S&Ls. Trading was generally limited to FHLB members and mkt. makers. In 8/88, co. offered for each pfd. share plus $7, 4 shares of freely transferable senior part. pfd., which began "when-issued" trading on the NYSE in 12/88. In 8/89, the FIRREA law converted these shs. into voting com. shs. All of the share figures shown assume the prior cv. of pfd. stock into voting com., adj. for the 4-for-1 exchange.

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
1.67	1.90	2.32	2.96	5.01	4.21	14.18	6.69	3.78	5.07	**5.35**	**6.45**	Earnings per sh A	**8.40**
.35	.40	.48	.60	.68	.80	.88	1.04	1.20	1.52	**1.88**	**2.10**	Div'ds Decl'd per share B	**2.70**
7.68	8.74	11.71	16.77	16.81	21.61	38.80	39.03	38.66	33.97	**44.95**	**47.85**	Book Value per sh	**56.90**
694.48	678.89	685.30	695.09	692.70	695.30	688.62	688.57	690.61	693.00	**690.00**	**690.00**	Common shs Outs'g C	**680.00**
13.6	18.0	21.3	18.8	9.6	15.5	4.4	8.3	16.9	12.5	*Bold figures are*	*Value Line estimates*	Avg Ann'l P/E Ratio	**14.0**
.85	1.04	1.11	1.07	.62	.79	.24	.47	.89	.67			Relative P/E Ratio	**.95**
1.5%	1.2%	1.0%	1.1%	1.4%	1.2%	1.4%	1.9%	1.9%	2.4%			Avg Ann'l Div'd Yield	**1.3%**
137755	164421	57084	56676	59240	62792	589722	660357	664468	709400	**730000**	**745000**	Mortgage Loans ($mill)	**835000**
554260	600360	646459	749000	961794	1138167	716770	784520	852270	974200	**1025000**	**1080000**	PCs Outs'g ($mill)	**1275000**
1542.0	1882.0	1927.0	2540.0	2838.0	5480.0	8886.0	9498.0	9137.0	5370.0	**5775**	**6350**	Net Int Income ($mill)	**8400**
1249.0	1298.0	1307.0	1405.0	1489.0	1639.0	1516.0	1638.0	1382.0	1510.0	**1900**	**2050**	Guaranty Fees ($mill)	**2120**
6.94%	7.77%	6.77%	6.45%	6.79%	6.54%	5.89%	4.93%	4.66%	4.50%	**4.45%**	**4.45%**	Avg Portfolio Yield D	**5.00%**
5.95%	6.23%	6.17%	6.22%	6.31%	5.63%	4.61%	3.62%	3.54%	3.50%	**3.45%**	**3.45%**	Avg Interest Paid D	**3.80%**
30.0%	29.0%	27.8%	29.8%	29.1%	39.6%	31.8%	31.4%	24.1%	13.1%	**26.0%**	**27.0%**	Income Tax Rate	**30.0%**
1243.0	1395.0	1700.0	2218.0	3666.0	2937.0	10090	4816.0	2827.0	3732.0	**3910**	**4670**	Net Profit ($mill)	**5930**
80105	85128	193871	175525	183576	250338	244429	295262	282303	290174	**310000**	**285000**	Short-Term Debt ($mill)	**290000**
76876	83446	93363	185056	243178	311608	421267	444351	449394	454627	**460000**	**465500**	Long-Term Debt ($mill)	**482000**
6731	7521	10835	11655	14837	19624	31330	31487	31306	28140	**33500**	**35500**	Shr. Equity ($mill)	**41200**
3.9%	3.9%	3.4%	3.0%	3.2%	3.1%	4.2%	3.9%	3.9%	3.5%	**4.0%**	**4.5%**	Shr. Eq. to Total Assets	**5.0%**
.72%	.72%	.53%	.57%	.80%	.46%	1.34%	.60%	.36%	.46%	**.50%**	**.60%**	Return on Total Assets	**.70%**
18.5%	18.5%	15.7%	19.0%	24.7%	15.0%	32.2%	15.3%	9.0%	13.3%	**11.5%**	**13.0%**	Return on Shr. Equity F	**14.5%**
17.3%	17.3%	15.6%	14.1%	25.9%	14.4%	34.6%	14.4%	6.7%	10.3%	**7.5%**	**9.0%**	Retained to Com Eq	**10.0%**
26%	26%	26%	26%	18%	26%	8%	19%	37%	35%	**39%**	**36%**	All Div'ds to Net Prof	**35%**

CAPITAL STRUCTURE as of 12/31/05
ST Debt $290.2 bill. (38% of Cap'l)
LT Debt $454.6 bill. (59% of Cap'l)
No Defined Benefit Pension Plan
Pfd Stock $4.609 bill. **Pfd Div'd** $210.0 mill. (Less than 1% of Cap'l)
Common Stock 692,717,422 shs.
MARKET CAP: $41.8 billion (Large Cap)

ASSETS ($bill.)	2003	2004	12/31/05
Mortgages	660.4	664.5	709.4
Investments	109.1	97.3	67.8
Other	33.9	33.4	29.0
LIABILITIES ($bill.)			
Short-Term Debt	295.3	282.3	288.5
Long-Term Debt	444.3	449.4	460.2
Due PC Investors	13.2	13.7	10.6
Other Liab.	19.1	18.5	18.8
Net Worth	31.5	31.3	28.1
Total	803.4	795.2	806.2
PCs Outstanding	752.2	852.3	974.2

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Mortgage Lns	25.0%	48.5%	4.0%
Savings Dep	--	--	--
Earnings	15.5%	8.5%	8.0%
Dividends	17.0%	16.5%	14.0%
Book Value	20.0%	20.0%	7.0%

Cal-endar	LOANS OUTSTANDING ($ bill.) Mar.31	Jun.30	Sep.30	Dec.31
2003	- -	- -	- -	660.4E
2004	- -	- -	- -	664.5E
2005	661.4	673.9	694.8	709.4
2006	715.4	722.2	***725***	***730***
2007	***732***	***736***	***740***	***745***

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	3.22	3.28	d.49	.68	6.69
2004	1.68	3.89	d2.25	.46	3.78
2005	1.59	1.38	1.19	.91	5.07
2006	***1.30***	***1.30***	***1.35***	***1.40***	***5.35***
2007	***1.60***	***1.55***	***1.65***	***1.65***	***6.45***

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.22	.22	.22	.22	.88
2003	.26	.26	.26	.26	1.04
2004	.30	.30	.30	.30	1.20
2005	.35	.35	.35	.47	1.52
2006	.47	.35			

BUSINESS: Freddie Mac (known formally as Federal Home Loan Mortgage Corp.) maintains a secondary market in residential mortgages, primarily by securitizing and guaranteeing such loans. Also maintains a portfolio of residential mortgages for its own account. Debt enjoys favorable "government-agency" status, but not explicitly backed by the full faith and credit of the U.S. government. Pres. of the U.S. appoints 5 dirs. to 18-member board. Subject to explicit federal regulation. Has about 3,925 employees. Capital Research controls 7.8% of common stock; Officers and directors, less than 1% (6/05 Proxy). Chairman & CEO: Richard Syron. Incorporated: U.S. Address: 8200 Jones Branch Dr., McLean, VA 22102. Telephone: 703-903-2000. Internet: www.freddiemac.com.

Freddie Mac has agreed to impose growth limits on its retained portfolio. The mortgage giant, as per an agreement with the OFHEO (the company's regulator), will temporarily limit itself to 2% annual portfolio growth. Freddie will be placed under this restriction until it begins releasing quarterly reports on a timely basis, which management believes will happen by the end of next year. While the growth rate is much less than Freddie's initial target of 7–9%, it is an important step in returning credibility to the company. We view the restriction positively, as it affords the financial giant a decent degree of flexibility, and the OFHEO's imposition could have been a lot tougher.

Nevertheless, we have lowered our share-earnings estimates for 2006 and 2007 by $0.65 and $0.40, respectively. The reductions are mostly due to the portfolio limits, but also partly a result of higher expected expenses and lower interest margins. Freddie has been spending considerable capital on technology and distribution in order to expand its product lineup to include new offerings. The process is expected to take two to three years to complete. In fact, management recently stated that it does not expect expenses in the coming quarters to return to historical levels. Specifically, it pointed to the underinvestment in infrastructure as the primary contributor to the higher cost base. Meanwhile, we suspect Freddie's net interest margin will come under increasing pressure over the remainder of the year; currently compressed option-adjusted spread (OAS) levels are showing few signs of improvement. A widening OAS allows the company to pursue more opportunistic fixed-rate product additions. Instead, Freddie will likely stick to nonagency additions, like floating-rate securities, to make up the bulk of portfolio purchases in the coming months. These mortgages offer lower yields and profits than their fixed-rate counterparts.

These shares are ranked below average for year-ahead performance. However, our projections show total return potential for the years out to 2009–2011 to be appealing. Investors should expect continued volatility, though, until regulatory reform is finalized and put in place.

Praneeth Satish *August 25, 2006*

(A) Based on avg. voting common/preferred shrs. outstanding. Incl. extra. losses: '96, 2¢. Excludes adjustments of $1.53 in '01 and $2.77 in '02. Next earnings report date unknown. **(B)** Dividends historically paid Mar. 31, June 30, Sept. 30, Dec. 31. **(C)** In mill., adj. for exchange and splits. **(D)** Yield on interest earning assets and liabilities from 1998. **(E)** Only yr. end avail. **(F)** Return on Common: '05, 15.9%; '04, 10.6%; '03, 17.9%; '02, 31.5%; '01, 23.1%; '00, 22.9%; '99, 26.8%; '98, 28%.

Company's Financial Strength	A
Stock's Price Stability	90
Price Growth Persistence	70
Earnings Predictability	40

FULLER (H.B.) NYSE-FUL

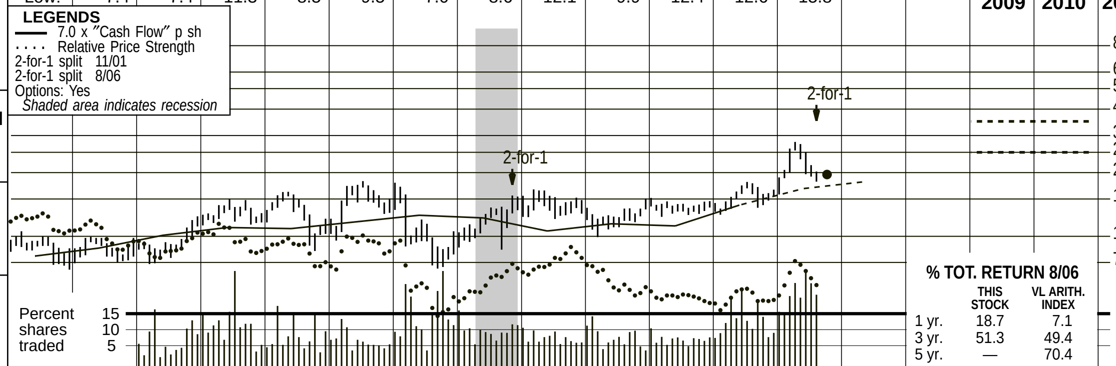
RECENT PRICE **19.64** | P/E RATIO **14.1** (Trailing: 15.8, Median: 17.0) | RELATIVE P/E RATIO **0.83** | DIV'D YLD **1.3%** | **VALUE LINE**

TIMELINESS **3** Lowered 7/7/06
SAFETY **3** New 7/27/90
TECHNICAL **3** Lowered 9/8/06
BETA 1.00 (1.00 = Market)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
High:	9.9	12.4	15.1	16.3	18.2	17.9	15.6	16.7	15.1	15.2	18.1	28.0
Low:	7.4	7.4	11.3	8.5	9.5	7.0	8.6	12.1	9.9	12.4	12.6	15.8

Target Price Range 2009 | 2010 | 2011

LEGENDS
— 7.0 x "Cash Flow" p sh
.... Relative Price Strength
2-for-1 split 11/01
2-for-1 split 8/06
Options: Yes
Shaded area indicates recession



2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+80%)	*19%*
Low	25	(+25%)	*11%*

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	1	1	1	2	1	1
to Sell	0	0	0	0	1	1	1	1	0

Institutional Decisions

	4Q2005	1Q2006	2Q2006
to Buy	74	89	83
to Sell	78	71	93
Hld's(000)	46402	46338	48503

% TOT. RETURN 8/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	18.7	7.1
3 yr.	51.3	49.4
5 yr.	—	70.4

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
14.65	15.56	16.88	17.54	19.69	22.20	22.67	23.60	24.09	24.22	23.95	22.49	22.15	22.64	24.61	25.91	*26.00*	*26.65*	Sales per sh A	*30.70*
.90	1.03	1.21	1.02	1.15	1.26	1.44	1.57	1.55	1.67	1.79	1.74	1.51	1.63	1.60	2.01	*2.40*	*2.60*	"Cash Flow" per sh	*3.60*
.38	.50	.64	.48	.55	.52	.61	.72	.68	.78	.87	.79	.49	.72	.61	1.06	*1.35*	*1.40*	Earnings per sh B	*1.70*
.10	.10	.12	.14	.15	.16	.16	.19	.20	.21	.21	.22	.22	.23	.23	.24	*.25*	*.26*	Div'ds Decl'd per sh C■	*.28*
.58	.55	.62	.75	1.17	1.62	1.60	1.25	1.11	1.00	.87	.54	.64	.69	.55	.44	*.60*	*.65*	Cap'l Spending per sh	*.80*
3.64	3.99	4.61	4.48	4.92	5.34	5.94	6.12	6.10	6.68	7.16	7.65	7.90	8.95	9.66	10.01	*11.20*	*12.30*	Book Value per sh E	*15.75*
54.09	54.83	55.30	55.59	55.74	56.03	56.26	55.36	55.94	56.33	56.47	56.66	56.72	56.87	57.28	58.37	*58.50*	*58.50*	Common Shs Outst'g D	*58.00*
10.6	14.4	17.7	19.3	16.2	16.6	14.7	17.9	19.3	18.4	12.6	14.7	29.2	18.2	22.4	14.3	*Bold figures are*		Avg Ann'l P/E Ratio	*18.0*
.79	.92	1.07	1.14	1.06	1.11	.92	1.03	1.00	1.05	.82	.75	1.60	1.04	1.18	.76	*Value Line*		Relative P/E Ratio	*1.20*
2.4%	1.4%	1.0%	1.5%	1.6%	1.8%	1.8%	1.4%	1.5%	1.4%	1.9%	1.9%	1.5%	1.8%	1.7%	1.6%	*estimates*		Avg Ann'l Div'd Yield	*1.4%*

CAPITAL STRUCTURE as of 6/3/06
Total Debt $307.0 mill. **Due in 5 Yrs** $42.4 mill.
LT Debt $264.6 mill. **LT Interest** $18.5 mill.
Incl. $8.4 mill. in capitalized leases.
(LT interest earned: 4.3x;
total interest coverage: 4.1x) (22% of Cap'l)
Pension Assets-11/04 $287 mill. **Oblig.** $395 mill.
Leases, Uncapitalized Annual rentals $13.2 mill.
(All per-share figures have been adjusted for a 2-for-1 split paid August 4th.)
Common Stock 58,836,076 shares.
as of 7/25/06
MARKET CAP: $1.2 billion (Mid Cap)

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
1275.7	1306.8	1347.2	1364.5	1352.6	1274.1	1256.2	1287.3	1409.6	1512.2	*1520*	*1560*	Sales ($mill) A	*1780*
9.6%	10.3%	10.2%	12.6%	11.4%	11.1%	9.4%	9.5%	8.7%	10.4%	*11.5%*	*11.5%*	Operating Margin	*11.5%*
47.0	46.8	49.5	50.8	52.2	54.4	57.6	54.3	56.0	55.5	*60.0*	*70.0*	Depreciation ($mill)	*110*
34.1	40.3	37.3	43.4	49.2	44.4	28.2	38.6	35.6	61.6	*80.0*	*82.0*	Net Profit ($mill)	*100*
41.0%	40.8%	29.1%	42.7%	37.0%	31.2%	30.1%	28.2%	30.6%	25.3%	*27.5%*	*30.0%*	Income Tax Rate	*30.0%*
2.7%	3.1%	2.8%	3.2%	3.6%	3.5%	2.2%	3.0%	2.5%	4.1%	*5.2%*	*5.3%*	Net Profit Margin	*5.6%*
141.6	171.6	172.7	174.2	208.4	199.7	193.7	248.5	260.3	280.9	*315*	*320*	Working Cap'l ($mill)	*350*
172.8	230.0	300.1	263.7	250.5	203.0	161.3	161.0	138.1	112.0	*300*	*300*	Long-Term Debt ($mill)	*300*
334.7	339.1	341.4	376.4	404.7	434.0	448.6	509.3	553.1	584.4	*655*	*720*	Shr. Equity ($mill)	*915*
8.3%	8.5%	7.8%	8.6%	9.1%	8.3%	5.9%	6.8%	6.1%	9.7%	*8.5%*	*8.0%*	Return on Total Cap'l	*8.0%*
10.2%	11.9%	10.9%	11.5%	12.1%	10.2%	6.3%	7.6%	6.4%	10.5%	*12.0%*	*11.5%*	Return on Shr. Equity	*11.0%*
7.5%	8.9%	7.7%	8.5%	9.2%	7.5%	3.5%	5.1%	4.1%	8.1%	*10.0%*	*9.5%*	Retained to Com Eq	*9.0%*
27%	25%	29%	26%	24%	27%	44%	33%	37%	23%	*19%*	*19%*	All Div'ds to Net Prof	*16%*

CURRENT POSITION ($MILL.)	2004	2005	6/3/06
Cash Assets	67.0	157.6	164.2
Receivables	262.9	238.6	236.5
Inventory (LIFO)	159.1	143.0	150.2
Other	64.7	16.4	26.5
Current Assets	553.7	555.6	577.4
Accts Payable	164.8	135.3	139.5
Debt Due	36.2	41.1	42.4
Other	92.4	98.3	91.9
Current Liab.	293.4	274.7	273.8

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	2.0%	- -	*4.0%*
"Cash Flow"	4.5%	1.0%	*13.0%*
Earnings	4.0%	- -	*14.0%*
Dividends	4.5%	2.5%	*3.0%*
Book Value	7.0%	7.5%	*8.5%*

Fiscal Year Ends	QUARTERLY SALES ($ mill.) A Feb.28	May31	Aug.31	Nov.30	Full Fiscal Year
2003	294.5	324.5	322.1	346.2	1287.3
2004	318.6	363.1	349.5	378.4	1409.6
2005	353.0	387.9	358.1	413.2	1512.2
2006	348.3	388.5	*365*	*418.2*	*1520*
2007	*360*	*400*	*380*	*420*	*1560*

Fiscal Year Ends	EARNINGS PER SHARE A B Feb.28	May 31	Aug.31	Nov.30	Full Fiscal Year
2003	.11	.18	.20	.23	.72
2004	.08	.18	.16	.19	.61
2005	.11	.28	.27	.40	1.06
2006	.26	.33	*.36*	*.40*	*1.35*
2007	*.30*	*.30*	*.40*	*.40*	*1.40*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.054	.055	.055	.055	.22
2003	.055	.057	.057	.057	.23
2004	.057	.058	.058	.058	.23
2005	.058	.062	.062	.062	.24
2006	.062	.063	.063		

BUSINESS: H.B. Fuller Co. formulates, manufactures, and markets adhesives, sealants, coatings, paints and other specialty chemical products. Estimated 2005 sales breakdown: adhesives, sealants and coatings, 95%; paints, 4%; other, 1%. 2005 sales by region: North America, 54%; Europe, 24%; Latin America, 14%; Asia/Pacific, 8%. Research and Development, 2.7% of 2005 sales. 2005 depreciation rate: 7.4%. Has approximately 3,980 employees. Officers and directors own 2.8% of the stock; Mairs & Powers 7.8%; Dimensional Fund Advisors 5.2% (3/06 Proxy). Chairman, President, and CEO: Albert P.L. Strouchen. Incorporated: Minnesota. Address: World HQ., P.O. Box 64683, St. Paul, MN 55164. Telephone: 651-236-5900. Internet: www.hbfuller.com.

Although we expect H.B. Fuller's top line to be basically flat in fiscal 2006 (ends November 30th), the bottom line should rise 27%, to $1.35. (All per-share figures have been adjusted for a 2-for-1 split paid August 4th.) Our flattish sales estimate is a result of Fuller's decision late last year to walk away from low-margin business, removal of the Japanese operations, and a weaker dollar against foreign currencies. Meantime, a 16% workforce reduction since the end of 2004 from 4,500, to 3,800, and an increased focus on higher-margin business in the medical, electronic, and aerospace industries will likely continue to aid share net. In addition, although we don't look for sales prices to improve in the second half of this fiscal year, due to a lackluster economic outlook, the cost of ethylene, a raw material that comprises 75% of the cost of goods sold, appears to have peaked and will therefore probably decline over the balance of the year, rather than increase. Lastly, higher income from equity investments should help to boost earnings.

Despite the better profit outlook, however, the stock price has softened somewhat. True, on a split-adjusted basis, the stock is still up about 12% since the start of the calender year, compared to around 6% for the Dow Jones Industrials, but it has fallen almost 30% since our May report. This is probably a result of investor concerns regarding cooling construction markets, and other cyclical risks pertaining to a weaker economic front including, declining consumer confidendce and higher energy prices. Still, we are pretty confident in our share-earnings estimate of $1.35 for this year.

The board of directors is wooing investors and implementing defensive corporate measures. In addition to the stock split, the cash dividend continues to be gradually ramped up. A new shareholder rights plan essentially gives each shareholder a right to purchase common stock for twice its value should an acquiring party accumulate 15% of the stock. The substantial dilutive effect of the rights would deter an outside party from continuing takeover moves. All said, the stock is an average selection for the near- and long-terms.

Jeremy J. Butler *September 15, 2006*

(A) Fiscal year ends Nov. 30.
(B) Diluted earnings. Primary thru '97. Excl. nonrecur. gains (losses): '97, (12¢); '01, 5¢. Next earnings report due late September.
(C) Dividend historically paid in mid-February, May, August, and November. ■ Dividend reinvestment plan available.
(D) In mill.; adj. for splits.
(E) Incl. intangibles, '05: $123.1 mill., $2.15/sh.

Company's Financial Strength	B+
Stock's Price Stability	65
Price Growth Persistence	55
Earnings Predictability	60

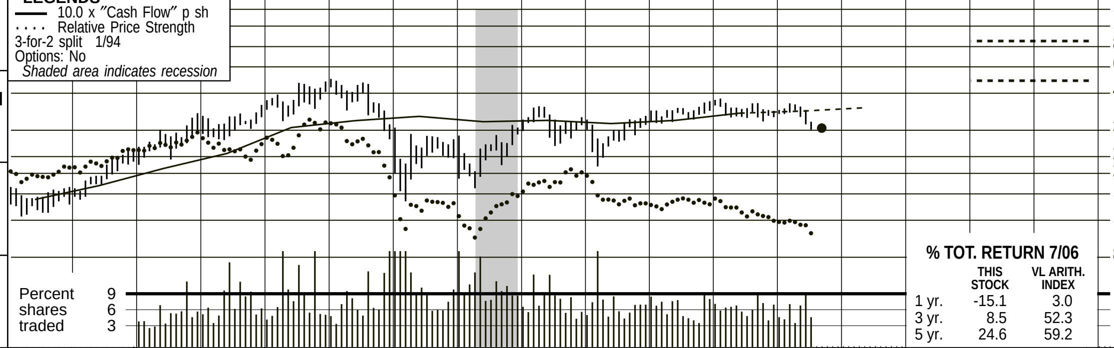
G&K SERVICES NDQ-GKSR

RECENT PRICE 32.84 | P/E RATIO 16.3 (Trailing: 16.7, Median: 21.0) | RELATIVE P/E RATIO 0.95 | DIV'D YLD 0.5% | VALUE LINE

TIMELINESS 4 Lowered 6/24/05
SAFETY 3 New 2/14/97
TECHNICAL 3 Raised 7/7/06
BETA 1.05 (1.00 = Market)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
High:	26.0	38.6	42.3	54.6	56.3	33.0	34.0	41.6	37.5	44.1	45.3	42.9
Low:	15.0	21.9	28.8	35.4	29.0	14.8	17.0	27.0	21.6	34.5	35.3	31.1

LEGENDS
— 10.0 x "Cash Flow" p sh
.... Relative Price Strength
3-for-2 split 1/94
Options: No
Shaded area indicates recession



Target Price Range 2009 | 2010 | 2011

2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	85	(+160%)	27%
Low	55	(+65%)	14%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	1	0	0	1	0
to Sell	0	1	0	0	1	1	0	0	0

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	53	59	56
to Sell	61	47	57
Hld's(000)	16676	17242	18047

Percent shares traded 9 6 3

% TOT. RETURN 7/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	-15.1	3.0
3 yr.	8.5	52.3
5 yr.	24.6	59.2

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
5.88	8.74	9.61	10.23	11.08	12.86	14.94	17.15	24.53	25.34	28.12	29.24	30.23	34.04	35.08	37.36	41.35	43.70	Revenues per sh A	52.25
.89	.81	1.12	1.22	1.50	1.75	2.11	2.49	3.30	3.56	3.73	3.52	3.57	3.44	3.57	3.86	3.95	4.10	"Cash Flow" per sh	5.80
.51	.25	.43	.50	.73	.90	1.11	1.42	1.57	1.81	1.85	1.65	1.85	1.63	1.69	1.88	1.97	2.10	Earnings per sh AB	3.70
.07	.07	.07	.07	.07	.07	.07	.07	.07	.07	.07	.07	.07	.07	.07	.07	.07	.07	Div'ds Decl'd per sh C	.07
1.06	.82	.76	.65	.86	1.79	1.77	1.74	1.83	1.85	2.13	1.65	1.41	1.52	.83	.92	1.50	1.25	Cap'l Spending per sh	1.05
3.46	3.81	4.07	4.44	4.96	5.81	6.88	8.26	9.67	11.48	13.22	14.60	16.43	18.34	20.35	22.52	24.20	26.05	Book Value per sh E	34.70
20.18	20.18	20.25	20.32	20.32	20.41	20.44	20.46	20.49	20.52	20.54	20.64	20.71	20.73	20.91	21.11	21.30	21.50	Common Shs Outst'g D	22.00
17.1	33.0	24.6	21.9	19.6	18.2	22.2	22.3	25.0	26.8	17.1	15.2	17.5	19.1	21.1	21.4	17.6		Avg Ann'l P/E Ratio	19.0
1.27	2.11	1.49	1.29	1.29	1.22	1.39	1.29	1.30	1.53	1.11	.78	.96	1.09	1.11	1.12	.93		Relative P/E Ratio	1.25
.8%	.8%	.6%	.6%	.5%	.4%	.3%	.2%	.2%	.1%	.2%	.3%	.2%	.2%	.2%	.2%	.2%		Avg Ann'l Div'd Yield	.1%
						305.4	350.9	502.6	520.0	577.4	603.6	625.9	705.6	733.4	788.8	880.7	940	Revenues ($mill) A	1150
						21.5%	21.3%	21.5%	21.8%	20.2%	18.5%	18.0%	15.1%	14.8%	14.8%	14.0%	13.9%	Operating Margin	16.5%
						20.4	22.0	35.6	36.0	38.7	38.9	35.7	37.7	39.3	41.5	42.0	43.5	Depreciation ($mill)	47.0
						22.7	29.0	32.1	37.0	37.8	33.8	38.3	33.7	35.4	39.9	41.3	45.0	Net Profit ($mill)	80.0
						39.0%	39.5%	39.2%	39.5%	40.0%	40.1%	39.5%	39.0%	38.0%	37.7%	37.5%	37.5%	Income Tax Rate	37.5%
						7.4%	8.3%	6.4%	7.1%	6.5%	5.6%	6.1%	4.8%	4.8%	5.1%	4.7%	4.8%	Net Profit Margin	7.0%
						49.9	40.8	73.3	73.2	49.7	49.6	95.8	75.2	79.0	93.8	142.2	200	Working Cap'l ($mill)	520
						75.1	54.3	234.8	194.0	167.3	149.0	215.0	236.7	184.3	210.5	195.1	195	Long-Term Debt ($mill)	235
						140.7	169.0	198.1	235.6	271.5	301.3	340.2	380.3	425.4	475.4	547.4	590	Shr. Equity ($mill)	765
						12.4%	14.5%	9.9%	10.6%	10.4%	9.4%	8.1%	6.5%	6.7%	6.6%	6.5%	6.5%	Return on Total Cap'l	9.0%
						16.2%	17.2%	16.2%	15.7%	13.9%	11.2%	11.2%	8.9%	8.3%	8.4%	7.6%	7.5%	Return on Shr. Equity	10.0%
						15.1%	16.3%	15.5%	15.1%	13.4%	10.7%	10.8%	8.5%	8.0%	8.1%	7.4%	7.5%	Retained to Com Eq	10.0%
						6%	5%	4%	4%	4%	4%	4%	4%	4%	4%	4%	3%	All Div'ds to Net Prof	2%

CAPITAL STRUCTURE as of 7/1/06
Total Debt $213.3 mill. **Due in 5 Yrs** $175.0 mill.
LT Debt $195.1 mill. **LT Interest** $10.1 mill.
(LT Int coverage, 6.1x; Tot Int coverage: 5.7x)
(17% of Cap'l)
Leases, Uncapitalized Annual Rentals $11.7 mill.
Pension Assets-6/05 $29.1 mill. **Oblig.** $59.3 mill.
Pfd Stock None

Common Stock 21,271,489 shares.
as of 5/1/06

MARKET CAP: $700 million (Small Cap)

CURRENT POSITION ($MILL.)	2004	2005	7/1/06
Cash Assets	26.9	15.3	19.7
Receivables	71.0	83.5	95.0
Inventory (FIFO)	94.5	121.1	141.0
Other	15.0	16.6	15.5
Current Assets	207.4	236.5	271.2
Accts Payable	20.5	25.7	27.4
Debt Due	24.0	26.5	18.2
Other	83.9	90.5	83.4
Current Liab.	128.4	142.7	129.0

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Revenues	12.0%	6.5%	6.5%
"Cash Flow"	9.5%	.5%	8.0%
Earnings	9.5%	- -	14.0%
Dividends	.5%		NMF
Book Value	15.0%	12.0%	9.0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Sep.Per.	Dec.Per.	Mar.Per.	Jun.Per.	Full Fiscal Year
2003	169.8	179.7	176.5	179.6	705.6
2004	178.6	182.5	179.0	193.3	733.4
2005	182.5	195.1	203.8	207.4	788.8
2006	207.9	219.3	226.1	227.4	880.7
2007	225	237	238	240	940

Fiscal Year Ends	EARNINGS PER SHARE AB Sep.Per.	Dec.Per.	Mar.Per.	Jun.Per.	Full Fiscal Year
2003	.47	.48	.31	.37	1.63
2004	.39	.42	.43	.45	1.69
2005	.45	.48	.49	.46	1.88
2006	.49	.48	.49	.51	1.97
2007	.45	.51	.55	.59	2.10

Cal-endar	QUARTERLY DIVIDENDS PAID C Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.0175	.0175	.0175	.0175	.07
2003	.0175	.0175	.0175	.0175	.07
2004	.0175	.0175	.0175	.0175	.07
2005	.0175	.0175	.0175	.0175	.07
2006	.0175	.0175	.0175		

BUSINESS: G&K Services, Inc. is the third largest North American supplier of uniforms for corporate sale and lease, as well as clean room services. The company operates over 130 processing facilities (avg. size: 43,000 sq.ft.) and services over 160,000 customers in North America. Recent acquisitions include Allied Clean-room Technologies, 9/96; 20 plants from National Linen Services, 7/97. Officers and directors control 26.9% of voting power (includes 26.2% owned by Richard Fink)(11/05 proxy). Has about 8,285 employees (20% of which are unionized) and 590 stockholders. Chairman/President/CEO: Richard Marcantonio. Address: 5995 Opus Parkway, Suite 500, Minnetonka, MN 55343. Inc.: MN. Telephone: 952-912-5500. Internet: www.gkservices.com.

Good economic fundamentals favor G&K Services. Relatively strong consumer spending, a decent labor market, and an increase in capital expenditures together suggest growth in corporate profits in the coming quarters. Activity in the commercial real estate market, which has experienced five straight quarters of sequential growth, is also promising. We figure vacancy rates will decline throughout 2007. These positives stand to benefit G&K's top line during this period.

Management is making progress in raising the organic sales growth rate. In the past, expansion came exclusively from acquisitions. In fact, excluding purchases, the company was actually experiencing contractions in many quarters. Roughly a year ago, the company adopted a plan to reduce its reliance on acquisitions. Management expanded the sales team and introduced strong incentives. The move has paid off. Organic growth during the recent June period was 4.5%, 700 basis points greater than the pace two years ago. A focus on winning national accounts should help to maintain this upward trend. We call for revenues of $940 million, an advance of 7.0%, this fiscal year (began June 25th).

Earnings stand to rise in the second half of fiscal 2007. G&K has accelerated the execution of several efficiency-enhancing and cost-cutting measures, which include IT spending, the consolidation of some domestic facilities, and the relocation of the remaining production to lower-cost countries, such as the Dominican Republic. Due to the temporary increase in spending, we look for near-term earnings comparisons to suffer. This measure stands to pick up later in the fiscal year, however. Share earnings should rise by 7%, to $2.10, in fiscal 2007.

Although G&K Services stock is ranked to be an underperformer over the next six to 12 months, the issue has good 3- to 5-year appeal, in our opinion. Investors reacted poorly to the news of expected near-term margin pressure. As a result, the stock has declined significantly since our June report. At the recent price, however, these shares do not reflect the good earnings growth that we project out to 2009–2011.

Warren Thorpe *September 8, 2006*

(A) Fiscal year ends last Saturday in June. 53-week fiscal year in 2000. Sales reclassified starting in 2003 to reflect change in acctg. for lost or damaged goods.
(B) Average shares through '97, diluted thereafter. Next earnings report due late October.
(C) Dividends historically paid in early January, early April, mid-June, and early October.
(D) In millions, adjusted for split.
(E) Including intangibles: in '05: $338.7 million, $16.04/sh.

Company's Financial Strength	B+
Stock's Price Stability	60
Price Growth Persistence	25
Earnings Predictability	90

GRACO INC. NYSE-GGG

RECENT PRICE 40.25 | P/E RATIO 18.7 (Trailing: 20.9 Median: 15.0) | RELATIVE P/E RATIO 1.07 | DIV'D YLD 1.4% | VALUE LINE

TIMELINESS 2 Raised 3/31/06
SAFETY 2 Raised 10/31/03
TECHNICAL 2 Raised 7/21/06
BETA .95 (1.00 = Market)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
High:	5.0	5.1	7.8	10.8	10.7	12.7	17.7	20.4	27.1	38.1	41.1	50.0
Low:	2.6	3.5	4.6	5.9	5.9	8.4	10.3	14.8	16.7	26.3	31.0	35.5

2009-11 PROJECTIONS

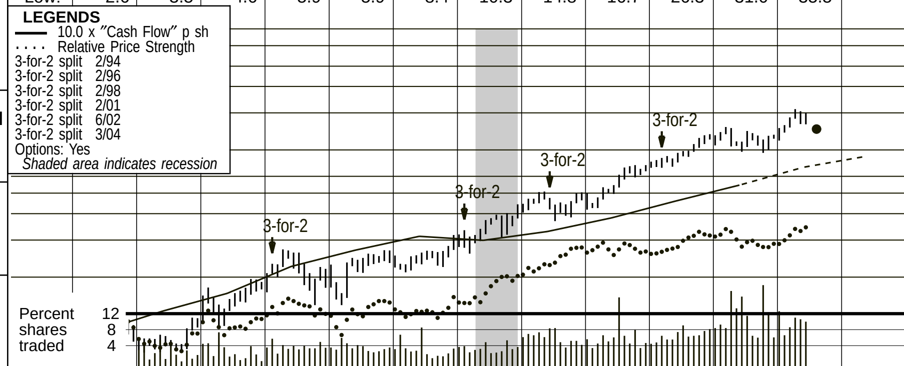
	Price	Gain	Ann'l Total Return
High	55	(+35%)	10%
Low	40	(Nil)	2%

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	3	0	0	0	0	0	0	0
Options	0	0	0	1	1	1	1	0	0
to Sell	2	0	0	0	2	1	1	2	0

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	111	104	103
to Sell	98	91	90
Hld's(000)	52893	53866	53511



Target Price Range 2009 | 2010 | 2011
120
100
80
64
48
32
24
20
16
12
8

% TOT. RETURN 6/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	36.9	11.8
3 yr.	124.0	63.9
5 yr.	233.5	59.7

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
3.93	3.68	3.73	3.71	4.17	4.42	4.54	4.80	6.37	6.42	7.23	6.75	6.83	7.75	8.77	10.70	12.10	13.45	Sales per sh sh A	17.50
.32	.22	.22	.22	.30	.44	.55	.67	.90	1.07	1.25	1.20	1.31	1.53	1.83	2.18	2.70	3.05	"Cash Flow" per sh	4.20
.21	.11	.12	.11	.17	.31	.40	.50	.60	.84	1.01	.92	1.05	1.23	1.55	1.80	2.15	2.40	Earnings per sh AB	3.40
.05	.06	.06	.07	.07	.09	.09	.11	.13	.13	.16	.18	.20	.26	.41	.54	.58	.70	Div'ds Decl'd per sh C■	1.00
.15	.10	.12	.19	.27	.23	.35	.23	.18	.13	.21	.43	.17	.22	.24	.29	.30	.30	Cap'l Spending per sh	.50
1.10	1.13	1.15	.84	.93	1.19	1.46	1.83	.14	.91	1.62	2.48	3.44	2.46	3.35	4.21	4.80	5.50	Book Value per sh	10.15
81.84	84.81	85.97	86.95	86.39	87.40	86.30	86.24	67.83	68.90	68.42	70.00	71.30	69.06	68.98	68.39	66.00	64.00	Common Shs Outst'g D	60.00
8.3	18.9	18.8	24.3	15.2	11.9	10.1	12.6	14.4	10.5	9.7	14.8	17.1	18.1	20.0	20.1	Bold figures are		Avg Ann'l P/E Ratio	13.5
.62	1.21	1.14	1.44	1.00	.80	.63	.73	.75	.60	.63	.76	.93	1.03	1.06	1.07	Value Line		Relative P/E Ratio	.90
3.1%	2.8%	2.9%	2.6%	2.8%	2.3%	2.3%	1.8%	1.5%	1.5%	1.7%	1.3%	1.1%	1.2%	1.3%	1.5%	estimates		Avg Ann'l Div'd Yield	2.2%

CAPITAL STRUCTURE as of 3/31/06
Total Debt None

Leases, Uncapitalized Annual rentals $1.7 mill.

Pension Assets-12/05 $185 mill. **Oblig.** $191 mill.

Pfd Stock None

Common Stock 68,424,000 shares
as of 4/21/06

MARKET CAP: $2.8 billion (Mid Cap)

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
391.8	413.9	432.2	442.5	494.4	472.8	487.0	535.1	605.0	731.7	800	860	Sales ($mill) A	1050
16.8%	19.1%	21.0%	24.4%	25.6%	25.1%	26.9%	27.6%	29.6%	29.3%	31.0%	31.0%	Operating Margin	34.0%
12.7	13.5	13.7	14.7	15.5	18.5	18.1	18.7	17.8	23.5	25.0	30.0	Depreciation ($mill)	40.0
35.1	44.3	47.3	59.3	70.1	65.3	75.6	86.7	108.7	125.9	145	155	Net Profit ($mill)	210
31.5%	29.6%	33.8%	33.2%	33.8%	33.0%	32.3%	32.2%	32.4%	33.5%	35.0%	35.0%	Income Tax Rate	34.5%
9.0%	10.7%	10.9%	13.4%	14.2%	13.8%	15.5%	16.2%	18.0%	17.2%	18.0%	18.1%	Net Profit Margin	20.0%
63.9	87.3	48.3	59.7	61.9	82.2	160.3	68.1	130.4	102.3	145	170	Working Cap'l ($mill)	470
8.1	6.2	112.6	65.7	18.1	- -	- -	- -	- -	- -	25.0	Nil	Long-Term Debt ($mill)	Nil
126.1	157.5	9.3	62.9	110.9	173.7	245.4	169.8	230.8	287.7	315	355	Shr. Equity ($mill)	610
26.4%	27.2%	39.6%	47.1%	55.6%	37.6%	30.8%	51.1%	47.1%	43.7%	42.0%	44.5%	Return on Total Cap'l	34.0%
27.9%	28.1%	507.6%	94.3%	63.2%	37.6%	30.8%	51.1%	47.1%	43.7%	45.5%	44.5%	Return on Shr. Equity	34.0%
21.3%	22.0%	392.7%	80.1%	53.0%	30.5%	25.2%	42.1%	36.0%	31.3%	33.0%	31.5%	Retained to Com Eq	24.5%
24%	22%	23%	15%	16%	19%	18%	18%	24%	28%	28%	29%	All Div'ds to Net Prof	29%

CURRENT POSITION ($MILL.)	2004	2005	3/31/06
Cash Assets	60.6	18.7	27.2
Receivables	109.1	122.9	129.1
Inventory (LIFO)	40.2	56.5	64.6
Other	17.3	15.8	17.5
Current Assets	227.2	213.9	238.4
Accts Payable	18.6	24.7	29.6
Debt Due	6.0	8.3	- -
Other	72.2	78.6	82.3
Current Liab.	96.8	111.6	111.9

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	8.5%	6.5%	11.5%
"Cash Flow"	19.0%	11.5%	14.5%
Earnings	22.5%	13.5%	14.5%
Dividends	18.5%	23.0%	16.5%
Book Value	13.0%	30.0%	20.5%

Cal-endar	QUARTERLY SALES ($ mill.) A Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2003	119.7	146.4	133.7	135.3	535.1
2004	135.0	160.2	149.0	160.8	605.0
2005	170.9	198.2	176.9	185.7	731.7
2006	192.2	215	190	202.8	800
2007	205	230	205	220	860

Cal-endar	EARNINGS PER SHARE AB Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2003	.25	.34	.33	.31	1.23
2004	.32	.43	.41	.39	1.55
2005	.38	.51	.44	.47	1.80
2006	.51	.58	.52	.54	2.15
2007	.58	.64	.58	.60	2.40

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.049	.049	.049	.049	.20
2003	.055	.055	.055	.055	.22
2004	.093	.093	.093	.093	.37
2005	.13	.13	.13	.145	.54
2006	.145	.145			

BUSINESS: Graco Inc. designs, manufactures, and sells equipment, including specialized pumps, air & airless spray guns, regulators, meters, and valves, for moving and applying fluids and semi-solid materials for the vehicular, construction, food, chemical, and plastic industries. Industrial/automotive unit accounted for 50% of sales in '05; Contractor, 42%; Lubrication, 8%. Foreign sales, 41% of total. Sold interest in Graco Robotics, Inc., 6/91; Lockwood Technical, Inc., 4/92. Has about 2,100 empls. '05 depr. rate: 9.2%. Barclays Global Investors, N.A. owns 10.9% of common; officers and directors, 2.7% (3/06 proxy). Chairman, CEO, and President: David A. Roberts. Inc.: MN. Addr.: 88 Eleventh Ave. N.E., Minneapolis, MN 55413. Tel.: (612) 623-6000. Net: www.graco.com.

This should be a pretty good year for Graco. Sales and earnings through the first six months probably grew by 10% and 22%, respectively (the June-quarter earnings report will be made available around the time this issue has reached the hands of our readers). Growth has come largely as a result of demand, which has been high for all operating segments among all geographic regions. Also, margins have been expanding because of expense controls and price increases, which have more than offset the cost of options (this expense is included in results for the first time this year). For the full year, we expect earnings per share of $2.15 (including a $0.09 charge from stock-based compensation); this represents a 19% increase over 2005's tally. We think growth will temper some next year to a rate that is more in line with the historical levels. We are expecting sales growth of 8%, and margin expansion will likely contribute a 12% share-net advance.

The company recently bought a subsidiary of IDEX Corporation. Lubriquip, an Ohio-based company with about 100 employees, was purchased in order to complement Graco's product line. Lubriquip generated about $30 million in revenue in 2005 through the manufacture of oil and grease lubrication, force-feed lubricators, metering devices, and related accessories. To help finance the deal, Graco took out a $25 million line of credit, which will be paid off in the second half of next year. The acquisition may boost earnings in the long run, but we think it will not have much effect on the bottom line either this year or next.

These high-quality shares have limited long-term capital appreciation potential. Despite a 16% drop in price since our April report, we think this stock is still overvalued. Indeed, GGG's price-to-earnings ratio remains considerably higher than its historic norm. As a result, the earnings growth that we are projecting over the 2009-2011 pull will likely be discounted by a normalization of the stock's P/E multiple. However,

These shares are an above-average choice for the year ahead. Momentum-oriented investors may wish to take this issue into consideration.

Tom Nikic *July 28, 2006*

(A) Fiscal year ends on last Friday of calendar year. (B) Primary earnings through '96, then diluted. Excludes nonrecurring items: '91, d5¢; '92, d29¢; '96, 3¢; '97, 2¢; '99, 13¢. Next earnings report due late Oct.
(C) Dividends historically paid on the first Wednesday in February, May, August, and November. Special dividend of $1.50 per share paid on 3/25/04.
■ Dividend reinvestment plan available.
(D) In millions, adjusted for stock splits.

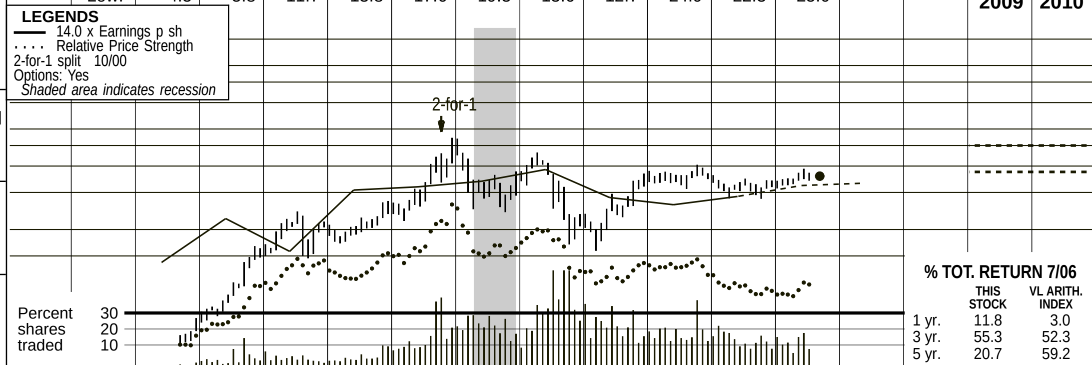
Company's Financial Strength	B++
Stock's Price Stability	85
Price Growth Persistence	100
Earnings Predictability	95

GREATER BAY BANC. NDQ-GBBK

RECENT PRICE 28.70 | P/E RATIO 15.5 (Trailing: 15.6 Median: 13.0) | RELATIVE P/E RATIO 0.88 | DIV'D YLD 2.3% | VALUE LINE

TIMELINESS 3 New 8/25/06
SAFETY 3 New 8/25/06
TECHNICAL 3 New 8/25/06
BETA 1.25 (1.00 = Market)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
High:	6.1	13.4	19.5	21.9	43.6	43.2	37.2	29.5	32.5	29.0	31.1
Low:	4.5	5.8	11.7	13.8	17.6	19.3	13.6	12.7	24.9	22.3	25.0



Target Price Range 2009 | 2010 | 2011
128 96 80 64 48 40 32 24 16 12

2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+40%)	10%
Low	30	(+5%)	3%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	1	0	0	0	0	1	0
Options	0	0	0	0	0	0	1	0	0
to Sell	0	2	0	0	1	0	0	0	1

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	80	68	87
to Sell	63	77	55
Hld's(000)	31992	31456	33170

% TOT. RETURN 7/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	11.8	3.0
3 yr.	55.3	52.3
5 yr.	20.7	59.2

Greater Bay Bancorp was formed on November 27, 1996, when Cupertino National Bancorp merged with Mid-Peninsula Bancorp. In December of 1999, it sold over 500,000 shares to the public at $37.00. The underwriting syndicate was led by Piper Jaffray Inc. and Keefe, Bruyette & Woods, Inc.

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
.80	1.29	.90	1.76	1.82	1.94	2.20	1.62	1.50	1.64	1.85	1.90	Earnings per sh A	2.50
.22	.15	.19	.24	.35	.43	.49	.54	.56	.59	.62	.65	Div'ds Decl'd per sh B	.75
6.90	8.27	4.82	6.28	7.69	9.31	11.64	12.54	12.88	13.52	16.75	17.95	Book Value per sh	22.40
6.48	8.06	19.22	25.61	41.93	49.83	51.58	52.53	51.18	49.91	49.50	49.00	Common Shs Outst'g C	48.00
6.4	6.7	17.0	9.5	14.3	14.0	11.7	12.6	19.0	15.7	Bold figures are	Value Line estimates	Avg Ann'l P/E Ratio	14.0
.40	.39	.88	.54	.93	.72	.64	.72	1.00	.84			Relative P/E Ratio	.95
4.3%	1.7%	1.2%	1.4%	1.3%	1.6%	1.9%	2.7%	2.0%	2.3%			Avg Ann'l Div'd Yield	2.1%
622.0	1092.4	1582.9	2625.0	5130.4	7877.1	8075.7	7601.4	6932.1	7121.0	7150	7150	Total Assets ($mill)	8500
441.6	660.7	984.5	1715.3	3517.4	4371.0	4661.5	4411.6	4361.6	4645.8	4750	4900	Net Loans ($mill)	5500
28.8	47.8	65.5	103.7	232.0	321.0	346.0	297.9	285.6	267.2	290	310	Net Interest Inc ($mill)	375
2.0	6.2	6.0	12.3	28.1	54.7	59.8	28.2	5.5	d13.3	15.0	20.0	Loan Loss Prov'n ($mill)	30.0
3.5	6.3	7.3	31.8	45.5	44.8	147.1	171.5	186.6	211.9	230	240	Noninterest Inc ($mill)	275
21.1	29.5	40.1	61.2	122.6	175.6	244.9	292.2	314.3	336.1	350	370	Noninterest Exp ($mill)	430
5.3	11.1	18.3	42.4	78.1	98.8	119.1	92.0	92.9	97.2	100	100	Net Profit ($mill)	120
42.4%	39.5%	31.2%	31.7%	38.4%	27.1%	36.8%	38.3%	39.0%	37.8%	37.0%	37.0%	Income Tax Rate	37.0%
.85%	1.01%	1.16%	1.62%	1.52%	1.25%	1.48%	1.21%	1.34%	1.37%	1.40%	1.40%	Return on Total Assets	1.40%
3.0	3.0	75.5	69.1	431.2	953.0	566.0	635.5	617.9	767.1	1200	1100	Long-Term Debt ($mill)	1000
44.7	66.6	92.7	160.8	322.4	463.7	681.1	750.5	763.1	776.0	830	880	Shr. Equity ($mill)	1075
7.2%	6.1%	5.9%	6.1%	6.3%	5.9%	8.4%	9.9%	11.0%	10.9%	11.5%	12.5%	Shr. Eq. to Total Assets	12.5%
71.0%	60.5%	62.2%	65.3%	68.6%	55.5%	57.7%	58.0%	62.9%	65.2%	66.5%	68.0%	Loans to Tot Assets	65.0%
11.9%	16.6%	19.8%	26.4%	24.2%	21.3%	17.5%	12.3%	12.2%	12.5%	12.0%	11.5%	Return on Shr. Equity	11.0%
8.8%	10.8%	14.2%	22.6%	19.2%	16.5%	15.0%	8.8%	8.7%	8.9%	8.5%	7.5%	Retained to Com Eq	8.0%
26%	35%	28%	14%	21%	23%	25%	37%	38%	39%	31%	32%	All Div'ds to Net Prof	30%

CAPITAL STRUCTURE as of 6/30/06
Total Debt $1258.0 mill. **Due in 5 Yrs** $200 mill.
LT Debt $1258.0 mill. **LT Interest** $5.9 mill.

Leases, Uncapitalized: Annual rentals $12.5 mill.

No Defined Benefit Pension Plan

Pfd Stock $103 mill. **Pfd Div'd** $1.8 mill.
10.5 mill. cum. redeemable variable-rate shs. (5% of Cap'l)

Common Stock 49,997,000 shs.

MARKET CAP: $1.4 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2004	2005	6/30/06
Cash Assets	171.7	152.2	234.7
Securities	1602.3	1493.6	1565.7
Net Loans	4380.7	4645.8	4702.9
Other	796.5	829.4	866.4
Total Assets	6951.2	7121.0	7369.7
Deposits	5102.8	5058.5	5022.2
Borrowings	789.0	1008.1	1258.0
Other	283.7	265.6	262.0
Total Liab.	6175.5	6332.2	6542.2

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Loans	8.5%	5.5%	4.5%
Earnings	6.5%	1.0%	8.0%
Dividends	11.0%	17.0%	4.5%
Book Value	6.5%	15.5%	9.5%
Total Assets	7.5%	6.5%	4.0%

Cal-endar	NET LOANS ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2003	4589	4578	4473	4412	
2004	4314	4322	4351	4362	
2005	4386	4621	4571	4646	
2006	4655	4703	4700	4750	
2007	4775	4850	4850	4900	

Cal-endar	EARNINGS PER SHARE Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2003	.45	.41	.39	.37	1.62
2004	.42	.39	.36	.33	1.50
2005	.34	.38	.44	.48	1.64
2006	.46	.46	.46	.47	1.85
2007	.47	.48	.47	.48	1.90

Cal-endar	QUARTERLY DIVIDENDS PAID Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.115	.125	.125	.125	.49
2003	.135	.135	.135	.135	.54
2004	.135	.143	.143	.143	.56
2005	.143	.15	.15	.15	.59
2006	.15	.158	.158		

BUSINESS: Greater Bay Bancorp is a financial holding company with one bank sub., Greater Bay Bank, and one commercial insurance brokerage subsidiary, ABD Insurance. It provides community banking services in the San Francisco Bay Area through its banking organization. Nationally, it provides customized lending services through its finance group, which includes Matsco Co. Inc. In 2005, commercial loans accounted for 74% of total, Construction, 14%; residential, 6%; other, 6%. Had 1,859 employees at 12/31/05. Ariel Cap'l Mgmt. owns 9.1% of common stock, off. and dir. 5.0% (4/06 proxy). Chrmn.: Duncan L. Matteson. Pres. and CEO: Byron A. Scordelis. Inc.: CA. Addr.: 1900 University Ave., 6th Floor. East Palo Alto, CA 94303. Tel.: (650) 813-8200. Web: www.gbbk.com.

Greater Bay Bancorp, a newcomer to *The Value Line Investment Survey*, continues to face a challenging operating environment. In the June period, due mainly to fierce competition from rival banks in the San Francisco Bay area, deposits fell by more than 2%, to about $5 billion, compared to the March quarter, as outflows in savings and money market accounts persisted. For the rest of the year, although we estimate that money market outflows will continue, they will be offset by increased institutional deposits, and we look for deposits to remain flat for the next several quarters, as heavy competition will continue to hamper growth. Also,

Loan growth may slow over the next few quarters. Although the company continues to grow its nonresidential construction loans, commercial real estate loans declined by more than 3% in the June period. Also, we believe that residential construction loans will be harder to come by, since the number of new housing projects in California will slow, and the competition for these loans will be intense. Management recently stated that it may reduce its credit standards or lower its rates to attract more loans, but this would most certainly lead to an increase in reserves and impact margins.

Greater Bay may be an acquisition target down the road. Merger and acquisition activity within the banking industry has picked up over the last few years, and we believe that Greater Bay may be of interest to one of the larger national banks that wants to enter or expand its presence in California, particularly the growing San Francisco metropolitan area.

These shares are not particularly appealing at this time. We believe that competition and the weak residential housing market will slow annual share-net growth to 5%–10% out to 2009–2011. Thus, long-term accounts may want to look elsewhere since this issue already trades near the low end of our projected Target Price Range for that period. Also, income-oriented investors should remain on the sidelines since GBBK's dividend yield is well below that of most other bank stocks. Moreover, acquisition rumors may cause this stock to be more volatile than our Safety rank of 3 (Average) suggests.

Ian Gendler *August 25, 2006*

(A) Diluted earnings. Next earnings report due early Nov.
(B) Dividends historically paid early Jan., Apr., July, and Oct.
(C) In millions, adjusted for splits.

Company's Financial Strength	B+
Stock's Price Stability	50
Price Growth Persistence	35
Earnings Predictability	65

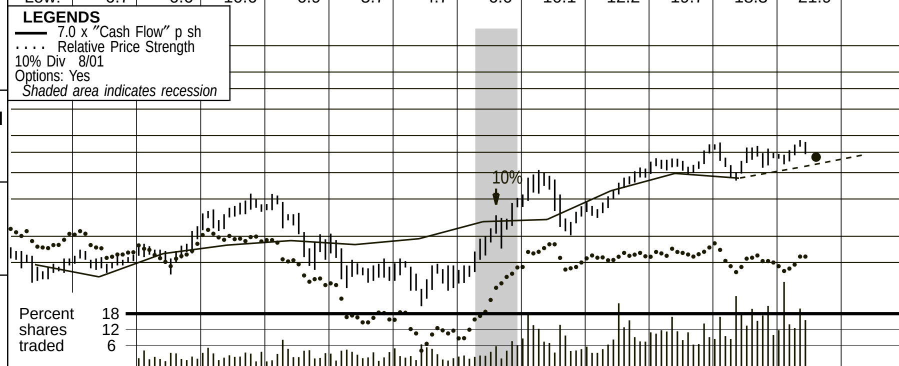
GRIFFON CORP. NYSE-GFF

RECENT PRICE 23.73 | P/E RATIO 11.2 (Trailing: 15.0, Median: 12.0) | RELATIVE P/E RATIO 0.64 | DIV'D YLD Nil | VALUE LINE

TIMELINESS 4 Lowered 2/10/06
SAFETY 3 New 1/31/03
TECHNICAL 3 Raised 7/28/06
BETA 1.00 (1.00 = Market)

High:	8.6	11.1	15.9	15.9	10.3	7.8	15.2	20.6	21.2	27.2	27.8	28.5
Low:	6.7	6.6	10.6	6.9	5.7	4.7	6.0	10.1	12.2	19.7	18.3	21.9

LEGENDS
— 7.0 x "Cash Flow" p sh
.... Relative Price Strength
10% Div 8/01
Options: Yes
Shaded area indicates recession



Target Price Range 2009 | 2010 | 2011
80
60
50
40
30
25
20
15
10
7.5

2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+130%)	23%
Low	35	(+45%)	10%

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	1	0	0	0
Options	0	0	1	0	0	0	0	0	0
to Sell	0	0	0	1	0	0	0	0	0

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	83	75	73
to Sell	76	76	80
Hld's(000)	30195	29523	29330

% TOT. RETURN 6/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	17.6	11.8
3 yr.	63.1	63.9
5 yr.	161.0	59.7

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
13.23	14.10	11.63	11.16	13.13	16.06	20.36	22.39	27.34	29.58	32.02	35.44	36.06	42.59	48.08	46.36	***55.95***	***61.20***	Sales per sh A	***85.20***
.56	.76	.82	.91	1.05	.92	1.18	1.30	1.36	1.30	1.39	1.67	1.71	2.35	2.84	2.69	***3.20***	***3.65***	"Cash Flow" per sh	***5.90***
.29	.46	.60	.64	.73	.65	.80	.96	.85	.66	.75	.92	.97	1.28	1.71	1.55	***1.90***	***2.30***	Earnings per sh B	***4.05***
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	***Nil***	***Nil***	Div'ds Decl'd per sh	***Nil***
.56	.43	.31	.22	.25	.24	.29	.75	1.43	.79	1.07	.81	.73	1.50	1.94	1.32	***1.35***	***1.55***	Cap'l Spending per sh	***1.90***
1.40	1.88	2.96	3.69	4.28	4.56	4.87	5.87	6.88	7.17	7.56	8.98	8.86	9.64	11.00	11.97	***13.40***	***15.50***	Book Value per sh	***23.70***
34.67	35.06	43.02	39.16	37.24	34.01	32.18	34.41	33.46	34.91	34.92	32.74	33.07	29.46	28.99	30.24	***29.50***	***29.00***	Common Shs Outst'g C	***27.00***
5.3	5.0	8.9	9.4	10.3	11.6	10.2	12.2	14.9	11.5	8.8	8.7	15.9	11.3	12.3	15.1	*Bold figures are*	*Value Line estimates*	Avg Ann'l P/E Ratio	***11.0***
.39	.32	.54	.56	.68	.78	.64	.70	.77	.66	.57	.45	.87	.64	.65	.79			Relative P/E Ratio	***.75***
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			Avg Ann'l Div'd Yield	***Nil***

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
655.1	770.2	914.9	1032.7	1118.4	1160.1	1192.6	1254.7	1393.8	1402.0	***1650***	***1775***	Sales ($mill) A	***2300***
8.8%	8.6%	7.2%	6.3%	7.0%	8.2%	8.4%	9.0%	10.0%	8.0%	***8.5%***	***9.0%***	Operating Margin	***10.0%***
10.3	11.5	16.3	23.0	23.7	24.2	22.6	26.2	28.3	32.6	***34.0***	***36.0***	Depreciation ($mill)	***44.0***
28.1	33.2	29.3	22.5	24.9	30.6	34.1	43.0	53.9	48.8	***60.0***	***70.0***	Net Profit ($mill)	***115***
38.9%	37.5%	37.0%	36.8%	40.0%	41.0%	34.9%	36.0%	37.0%	32.6%	***37.0%***	***37.0%***	Income Tax Rate	***37.0%***
4.3%	4.3%	3.2%	2.2%	2.2%	2.6%	2.9%	3.4%	3.9%	3.5%	***3.6%***	***3.9%***	Net Profit Margin	***5.0%***
123.2	135.0	168.5	189.0	191.6	205.8	193.1	249.6	270.0	273.2	***300***	***315***	Working Cap'l ($mill)	***425***
32.5	53.9	107.5	127.7	125.9	108.6	74.6	155.5	154.4	196.5	***190***	***175***	Long-Term Debt ($mill)	***125***
173.0	201.8	230.1	250.2	264.0	293.9	293.0	284.1	319.0	362.0	***395***	***450***	Shr. Equity ($mill)	***640***
14.5%	13.7%	9.3%	7.0%	7.9%	8.9%	9.9%	10.3%	12.0%	9.3%	***11.0%***	***12.0%***	Return on Total Cap'l	***15.5%***
16.2%	16.4%	12.7%	9.0%	9.4%	10.4%	11.6%	15.1%	16.9%	13.5%	***15.0%***	***15.5%***	Return on Shr. Equity	***18.0%***
17.6%	16.4%	12.7%	9.0%	9.4%	10.4%	11.6%	15.1%	16.9%	13.5%	***15.0%***	***15.5%***	Retained to Com Eq	***18.0%***
1%	--	--	--	--	--	--	--	--	--	***Nil***	***Nil***	All Div'ds to Net Prof	***Nil***

CAPITAL STRUCTURE as of 3/31/06
Total Debt $200.6 mill. **Due in 5 Yrs** $85.0 mill.
LT Debt $200.6 mill. **LT Interest** $9.5 mill.
(LT interest earned: 15.2x; total interest coverage: 14.1x) (35% of Cap'l)
Leases, Uncapitalized: Annual rentals $28.6 mill.
No Defined Benefit Pension Plan

Pfd Stock None

Common Stock 29,761,478 shs.
MARKET CAP: $700 million (Small Cap)

CURRENT POSITION ($MILL.)	2004	2004	3/31/06
Cash Assets	88.1	60.7	31.9
Receivables	174.9	189.9	176.3
Inventory (FIFO)	141.5	148.4	156.6
Other	76.1	84.3	99.7
Current Assets	480.6	483.2	464.5
Accts Payable	85.6	92.0	101.5
Debt Due	8.3	9.4	--
Other	116.7	108.6	86.4
Current Liab.	210.6	210.0	187.9

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	13.0%	9.0%	*11.0%*
"Cash Flow"	10.5%	14.0%	*14.5%*
Earnings	8.5%	15.0%	*18.0%*
Dividends	--	--	*Nil*
Book Value	10.0%	8.5%	*14.0%*

Fiscal Year Ends	QUARTERLY SALES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2003	302.2	277.3	312.6	362.6	1254.7
2004	338.5	317.6	368.0	369.7	1393.8
2005	340.2	322.5	350.9	388.4	1402.0
2006	358.5	366.2	***440***	***485.3***	***1650***
2007	***390***	***400***	***475***	***510***	***1775***

Fiscal Year Ends	EARNINGS PER SHARE AB Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2003	.32	.14	.33	.49	1.28
2004	.41	.27	.42	.61	1.71
2005	.29	.13	.41	.72	1.55
2006	.23	.23	***.55***	***.89***	***1.90***
2007	***.45***	***.33***	***.58***	***.94***	***2.30***

Cal-endar	QUARTERLY DIVIDENDS PAID Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	NO CASH DIVIDENDS BEING PAID				
2003					
2004					
2005					
2006					

BUSINESS: Griffon Corp. is a diversified manufacturer and service provider organized into four segments: Garage Doors (37% of sales and 39% of operating income in 2005), Installation Services (21%; 9%), Electronic Communications (16%; 19%), and Specialty Plastic Films (26%; 33%). International sales were about 25% of fiscal 2005 total. Acquired Clopay do Brasil, a Brazilian specialty plastic film producer, in 6/02. '05 depreciation rate 8.1%. Ownership: Officers & Directors own 10.2% of stock; Barclays Global Investors, 5.9% (Proxy, 12/05). Has about 5,700 employees. Chairman & CEO: Harvey R. Blau. President: Robert Balemian. Incorporated: DE. Address: 100 Jericho Quadrangle, Jericho, NY 11753. Telephone: 516-938-5544. Internet: www.griffoncorp.com.

We think that Griffon's Specialty Plastics business is on the verge of a turnaround. Although the segment had been struggling with slowing demand and high resin costs, recent results point to better days ahead. Volume from the segment's largest customer rebounded in the second quarter (fiscal year ends September 30th), as issues about product alterations appear to have subsided. In addition, resin costs have cooled off a bit in recent months. Meanwhile, capacity-expansion programs overseas seem to be working. European sales to new customers roughly doubled from the first quarter. Likewise, volume in Brazil was up 20% in the second period. We suspect that business with new customers will continue to increase throughout the next couple of years, benefiting from new product introductions and penetration into private-label products in Europe.

The Telephonics division ought to be the key driver of growth going forward, though. Revenue at this business segment increased 27% in the most recent quarter, while operating income climbed about 40%. And the business does not look as though it will be slowing anytime soon. Total backlog is currently at an all-time high of $350 million. Griffon recently announced that it had secured an additional $54 million in funding from the Syracuse Research Corp., bringing total funding to $175 million, 70% of which is scheduled to be realized in the second half of this year. The remaining 30% is slated to be fulfilled by mid-2007. Meanwhile, Griffon recently came to an agreement with Boeing for the production of integrated radio management systems for transport aircraft, totaling $35.5 million. The addition of the Mh60-R helicopter program, as well as the Canadian helicopter contracts, should boost revenues next year to the tune of $75 million. As a result, we have increased our full-year 2006 and 2007 share-net estimates by a dime each, to $1.90 and $2.30, respectively.

These untimely shares may appeal to those with a longer investment horizon. They offer wide 3- to 5-year appreciation potential based on the gains that we envision resulting from the aforementioned endeavors.

Andre J. Costanza *July 28, 2006*

(A) Fiscal year ends September 30th.
(B) Excludes non-recurring gains/(losses): '90 $0.17; '91 $0.02; '93 ($0.22); '96 ($0.16); '99 $(0.07); '00 ($0.15); '02 ($0.69). Quarterly figures may not add due to rounding. Next earnings report due late October.
(C) In millions

Company's Financial Strength	B+
Stock's Price Stability	60
Price Growth Persistence	60
Earnings Predictability	75

HAEMONETICS CORP. NYSE-HAE

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
47.04	26.1	(Trailing: 25.2) (Median: 23.0)	1.55	Nil	VALUE LINE

TIMELINESS	3	Raised 1/30/04
SAFETY	3	New 3/12/99
TECHNICAL	3	Raised 7/14/06

BETA .95 (1.00 = Market)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
High:	23.1	21.8	21.1	23.4	24.3	31.9	41.9	34.8	24.8	37.3	52.8	55.7
Low:	12.9	16.3	13.7	13.4	12.7	19.6	27.1	18.0	16.3	23.5	34.1	40.7

2009-11 PROJECTIONS

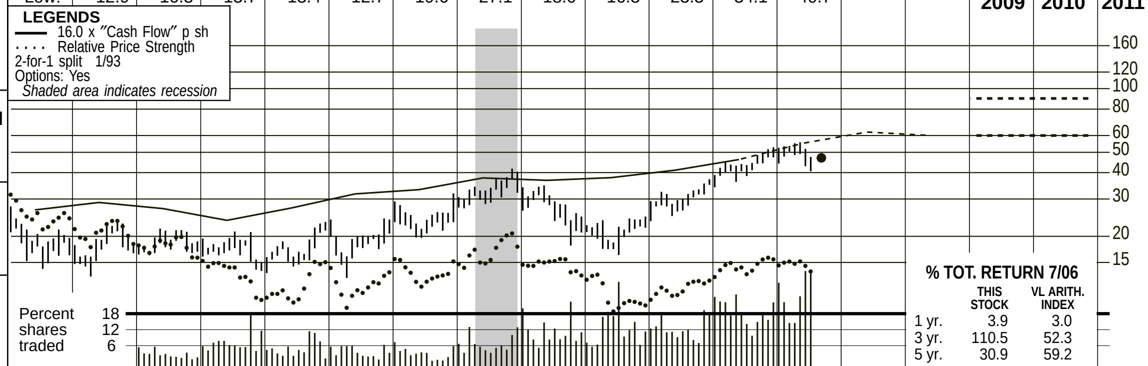
	Price	Gain	Ann'l Total Return
High	90	(+90%)	*18%*
Low	60	(+30%)	*7%*

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	10	0	0	1	0	0	1	1
Options	0	1	0	0	1	2	0	0	3
to Sell	0	2	0	0	1	0	0	0	4

Institutional Decisions

	3Q2005	4Q2005	1Q2006
to Buy	85	84	104
to Sell	66	81	71
Hld's(000)	25239	24999	25332



% TOT. RETURN 7/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	3.9	3.0
3 yr.	110.5	52.3
5 yr.	30.9	59.2

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
- -	6.33	7.76	8.85	9.24	10.24	11.56	10.79	10.47	11.00	11.40	12.48	14.02	14.52	14.65	15.64	*17.70*	*19.80*	Sales per sh A	*25.50*
- -	.74	1.19	1.50	1.67	1.81	1.69	1.49	1.70	1.98	2.08	2.36	2.30	2.37	2.57	2.88	*3.45*	*3.90*	"Cash Flow" per sh	*5.50*
- -	.64	.87	1.09	1.18	1.30	1.20	.62	.78	.96	1.14	1.29	1.07	1.19	1.52	1.90	*1.80*	*2.10*	Earnings per sh B E	*3.75*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	*Nil*	*Nil*	Div'ds Decl'd per sh	*Nil*
- -	.41	.63	.82	.88	.73	1.20	.77	.83	.92	.86	.84	.56	.55	.67	1.26	*1.35*	*1.20*	Cap'l Spending per sh	*1.00*
- -	3.25	4.54	5.73	6.80	7.99	8.41	7.35	8.23	8.17	8.36	9.24	9.29	11.15	13.57	16.46	*17.70*	*19.65*	Book Value per sh C	*27.50*
- -	27.87	27.87	28.06	28.40	27.16	26.80	26.48	26.95	25.28	25.78	25.64	24.04	25.08	26.18	26.83	*26.00*	*26.25*	Common Shs Outst'g D	*28.50*
- -	22.5	21.9	21.3	14.9	14.2	15.3	27.2	23.1	21.4	21.8	25.7	23.6	19.3	21.8	24.1	*Bold figures are*		Avg Ann'l P/E Ratio	*20.0*
- -	1.44	1.33	1.26	.98	.95	.96	1.57	1.20	1.22	1.42	1.32	1.29	1.10	1.15	1.29	*Value Line*		Relative P/E Ratio	*1.35*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	*estimates*		Avg Ann'l Div'd Yield	*Nil*

CAPITAL STRUCTURE as of 7/1/06
Total Debt $35.0 mill. **Due in 5 Yrs** $34.6 mill.
LT Debt $12.8 mill. **LT Interest** $1.5 mill.
(Total coverage: 43.0x) (3% of Cap'l)

Leases Uncapitalized: Annual rentals $6.3 million
Pension Assets-4/06 $4.1 mill. **Oblig.** $6.7 mill.

Pfd Stock None
Common Stock 27,006,004 shares
(Options exercisable: 8.0%)

MARKET CAP: $1.2 billion (Mid Cap)

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
309.8	285.8	282.2	277.9	293.9	320.0	337.0	364.2	383.6	419.7	*460*	*520*	Sales ($mill) A	*725*
19.6%	18.8%	19.9%	21.1%	20.8%	22.5%	19.6%	20.9%	22.8%	23.3%	*21.0%*	*22.0%*	Operating Margin	*27.5%*
12.3	22.9	24.6	24.9	24.5	25.6	28.4	30.1	27.6	25.2	*30.0*	*32.0*	Depreciation ($mill)	*34.0*
33.0	16.5	21.2	25.2	29.1	34.9	26.9	29.3	39.6	52.2	*48.0*	*57.0*	Net Profit ($mill)	*110*
35.0%	43.0%	35.0%	31.6%	28.2%	28.0%	30.3%	36.0%	33.8%	35.1%	*35.0%*	*35.5%*	Income Tax Rate	*35.0%*
10.6%	5.8%	7.5%	9.1%	9.9%	10.9%	8.0%	8.0%	10.3%	12.4%	*10.4%*	*11.0%*	Net Profit Margin	*15.2%*
94.1	112.8	162.2	121.4	139.7	148.7	122.9	185.7	255.7	330.3	*345*	*350*	Working Cap'l ($mill)	*525*
10.0	53.6	52.5	41.3	47.3	40.8	31.6	25.4	19.2	13.0	*13.0*	*13.0*	Long-Term Debt ($mill)	*25.0*
225.3	194.7	221.9	206.4	215.5	236.8	223.2	279.7	355.1	441.7	*460*	*515*	Shr. Equity ($mill)	*780*
14.4%	7.3%	8.5%	10.8%	11.6%	13.2%	11.1%	9.9%	10.8%	11.6%	*10.5%*	*11.0%*	Return on Total Cap'l	*14.0%*
14.6%	8.5%	9.5%	12.2%	13.5%	14.7%	12.1%	10.5%	11.2%	11.8%	*10.5%*	*11.0%*	Return on Shr. Equity	*14.0%*
14.6%	8.5%	9.5%	12.2%	13.5%	14.7%	12.1%	10.5%	11.2%	11.8%	*10.5%*	*11.0%*	Retained to Com Eq	*14.0%*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	*Nil*	*Nil*	All Div'ds to Net Prof	*Nil*

CURRENT POSITION ($MILL.)	2004	2005	7/1/06
Cash Assets	185.8	250.7	260.0
Receivables	80.7	86.9	89.3
Inventory (FIFO)	53.1	54.6	55.6
Other	24.0	26.2	28.4
Current Assets	343.6	418.4	433.3
Accts Payable	11.1	14.2	15.5
Debt Due	26.6	26.2	22.2
Other	50.2	47.7	51.9
Current Liab.	87.9	88.1	89.6

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	4.5%	6.5%	*9.5%*
"Cash Flow"	4.5%	6.5%	*13.0%*
Earnings	2.5%	10.0%	*16.0%*
Dividends	- -	- -	- -
Book Value	7.0%	10.5%	*12.5%*

Fiscal Year Begins	QUARTERLY SALES ($ mill.) A Jun.Per	Sep.Per	Dec.Per	Mar.Per	Full Fiscal Year
2003	88.3	87.5	90.7	97.7	364.2
2004	94.6	90.9	98.1	100.0	383.6
2005	103.2	100.5	105.7	110.3	419.7
2006	110.7	*114.3*	*115*	*120*	*460*
2007	*125*	*125*	*130*	*140*	*520*

Fiscal Year Begins	EARNINGS PER SHARE A B E Jun.Per	Sep.Per	Dec.Per	Mar.Per	Full Fiscal Year
2003	.21	.23	.38	.37	1.19
2004	.38	.34	.42	.38	1.52
2005	.47	.40	.41	.62	1.90
2006	.44	*.42*	*.45*	*.49*	*1.80*
2007	*.50*	*.52*	*.53*	*.55*	*2.10*

Cal-endar	QUARTERLY DIVIDENDS PAID Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	NO CASH DIVIDENDS BEING PAID				
2003					
2004					
2005					
2006					

BUSINESS: Haemonetics Corp. operates two divisions: Donor Products (66% of 2005 sales) provides disposable supplies used in the collection of plasma, whole blood, platelets, and red blood cells. Patient division (21%) offers disposable products used in blood salvage during surgery, notably orthopedic and cardiovascular. Equipment & services (13%). Int'l business: 61.5% of sales. '05 deprec. rate: 8.9%; R&D, 6.3% of sales. Acq'd Arryx, 6/06; Transfusion Tech, 9/00; Fifth Dimension Info. Sys., 1/02. Has 1,661 employees. Officers and directors own 3.7% of shares; other major investors, 17.4% (7/06 proxy). Chairman: R.A. Matricaria. Pres. & CEO: B. Nutter. Inc.: Mass. Address: 400 Wood Rd., Braintree, MA 02184. Tel.: 781-848-7100. Internet: www.haemonetics.com.

Haemonetics investors probably will require some patience. That's because share earnings will likely fall by about 5% in fiscal 2006 (ends March 31st), after excluding an estimated $0.56 nonrecurring charge related to the recent Arryx acquisition. The culprits damaging the operating performance will include stock option expenses, which should trim $0.25 from share net; higher raw material costs, stemming from the increase in oil prices; and about $6 million in expenditures for the global installation of an enterprise resource planning (ERP) system. (Note that about $11 million of this year's capital expenditure budget will be invested in the ERP software.) On the other hand, Haemonetics should post good sales growth. The patient division will likely record 17%-18% more business, thanks largely to the company's assumption of marketing responsibilities for the *OrthoPAT* blood salvage line from Zimmer. We think sales at the donor division will rise about 10%, on a 20%-25% larger contribution from automated red blood cell collection technology and a 15%-18% increase in shipments of plasma collection sets. Modest growth seems likely once again in the mature blood bank sector.

New products brighten the prospects for fiscal 2007 and beyond. The most important near-term entry will be *Cymbal*, a new system for automating red blood cell collection. Its portability should expand significantly Haemonetics' penetration of this huge market from today's 6%. Launch of the *CardioPAT* for open heart surgeries ought to leverage the patient division's salesforce, along with other entries, including the *SmartSuction* products for clearing surgical fields of debris. Meanwhile, the Arryx purchase garnered a novel, patented technology for cell sorting. Using laser "tweezers," new products might isolate a major cellular component(s) from whole blood faster and with less damage than existing technology. It also offers promise for isolating pathogen-free plasma, as well as stem cells. We figure that such new products will support 15%-20% annual profit growth in fiscal 2007 and over the 3- to 5-year pull.

This stock should prove a worthwhile long-term holding.

Keith A. Markey, Ph.D. September 1, 2006

(A) Fiscal year ends on the Saturday closest to March 31st of the next calendar year. (B) Diluted EPS. Excl. nonrecur. gain (losses): '97, ($1.55); '99, (24¢); '00, (86¢); '01, (17¢); '02, 6¢; '05, 61¢. Next earnings report due late October. (C) Includes intangibles. In '05: $41.4 million, $1.54 a share. (D) In millions, adjusted for stock split. (E) Our 2006 estimates exclude an expected charge of 56¢/share for the Arryx acquisition.

Company's Financial Strength	B++
Stock's Price Stability	55
Price Growth Persistence	80
Earnings Predictability	75

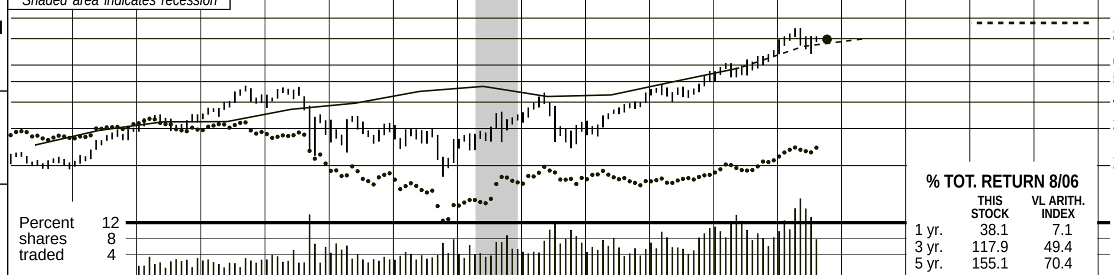
HARSCO CORP. NYSE-HSC

RECENT PRICE	79.15	P/E RATIO	16.6 (Trailing: 19.2; Median: 15.0)	RELATIVE P/E RATIO	0.95	DIV'D YLD	1.7%	VALUE LINE

TIMELINESS 3 Raised 10/29/04
SAFETY 3 Lowered 3/25/05
TECHNICAL 3 Lowered 7/28/06
BETA 1.20 (1.00 = Market)

High:	30.3	35.1	47.9	47.3	34.4	31.2	36.0	44.5	44.4	56.2	70.6	89.7
Low:	19.8	29.0	33.3	22.3	23.1	17.7	23.6	24.2	27.5	40.1	49.9	67.5

LEGENDS
— 7.0 x "Cash Flow" p sh
.... Relative Price Strength
2-for-1 split 2/97
Options: No
Shaded area indicates recession



Target Price Range

2009	2010	2011

2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	145	(+85%)	18%
Low	95	(+20%)	7%

Insider Decisions

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

Institutional Decisions

	4Q2005	1Q2006	2Q2006
to Buy	120	108	117
to Sell	90	119	108
Hld's(000)	27938	28150	28725

Percent shares traded 12 8 4

% TOT. RETURN 8/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	38.1	7.1
3 yr.	117.9	49.4
5 yr.	155.1	70.4

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
33.55	37.03	32.01	28.70	26.96	29.85	31.40	34.64	38.35	42.94	50.36	52.73	48.76	51.84	60.28	66.21	*80.95*	*88.10*	Sales per sh	*107.15*
2.41	2.56	2.88	2.80	3.58	4.20	4.60	4.62	5.28	5.65	6.43	6.79	6.07	6.18	7.18	8.49	*10.50*	*11.45*	"Cash Flow" per sh	*14.30*
1.33	1.46	1.72	1.41	1.54	2.09	2.39	2.64	2.36	2.22	2.42	2.37	2.22	2.04	2.73	3.52	*4.55*	*5.10*	Earnings per sh A	*7.10*
.60	.62	.66	.70	.70	.74	.77	.80	.89	.90	.95	.97	1.01	1.05	1.10	1.20	*1.30*	*1.40*	Div'ds Decl'd per sh B■	*1.70*
1.36	1.03	.84	1.68	1.81	2.27	3.03	3.05	3.53	4.37	4.52	3.90	2.82	3.52	4.92	6.95	*7.85*	*8.35*	Cap'l Spending per sh	*10.00*
8.33	9.14	9.75	10.56	11.54	12.49	13.74	16.64	15.14	16.22	16.94	17.16	15.90	19.01	22.03	23.79	*27.75*	*31.65*	Book Value per sh C	*47.60*
52.45	52.47	50.76	49.56	50.36	50.10	49.60	46.98	45.25	40.07	39.81	39.98	40.54	40.87	41.50	41.78	*42.00*	*42.00*	Common Shs Outst'g D	*42.00*
8.7	9.4	9.8	14.5	13.7	12.2	13.4	15.2	16.7	13.1	10.8	12.3	15.1	17.5	16.9	16.6	*Bold figures are*		Avg Ann'l P/E Ratio	*17.0*
.65	.60	.59	.86	.90	.82	.84	.88	.87	.75	.70	.63	.82	1.00	.89	.88	*Value Line*		Relative P/E Ratio	*1.15*
5.2%	4.5%	3.9%	3.4%	3.3%	2.9%	2.4%	2.0%	2.2%	3.1%	3.6%	3.3%	3.0%	3.0%	2.4%	2.0%	*estimates*		Avg Ann'l Div'd Yield	*1.6%*
						1557.6	1627.5	1735.4	1720.8	2004.7	2108.5	1976.7	2118.5	2502.1	2766.2	*3400*	*3700*	Sales ($mill)	*4500*
						17.8%	18.3%	18.4%	18.1%	17.7%	17.2%	17.0%	16.0%	16.0%	17.0%	*17.5%*	*17.5%*	Operating Margin	*18.0%*
						109.4	116.5	131.4	135.9	159.1	176.5	155.7	168.9	184.4	198.1	*250*	*265*	Depreciation ($mill)	*300*
						119.0	100.4	107.5	90.7	96.8	94.9	90.4	83.6	113.5	156.7	*190*	*215*	Net Profit ($mill)	*300*
						38.0%	38.0%	37.5%	35.0%	31.5%	27.2%	31.0%	30.7%	28.6%	28.1%	*33.0%*	*33.0%*	Income Tax Rate	*35.0%*
						7.6%	6.2%	6.2%	5.3%	4.8%	4.5%	4.6%	3.9%	4.5%	5.7%	*5.6%*	*5.8%*	Net Profit Margin	*6.7%*
						214.6	341.2	112.6	182.5	190.2	241.4	228.5	269.3	346.5	352.7	*400*	*425*	Working Cap'l ($mill)	*550*
						227.4	198.9	309.1	418.5	774.5	720.2	605.6	584.4	594.7	905.9	*850*	*775*	Long-Term Debt ($mill)	*500*
						681.3	781.7	685.3	650.1	674.2	686.2	644.5	777.0	914.2	993.9	*1165*	*1330*	Shr. Equity ($mill)	*2000*
						14.2%	11.1%	11.8%	9.7%	8.2%	8.6%	8.9%	7.5%	8.9%	8.3%	*9.5%*	*10.0%*	Return on Total Cap'l	*12.0%*
						17.5%	12.8%	15.7%	14.0%	14.4%	13.8%	14.0%	10.8%	12.4%	15.8%	*16.5%*	*16.0%*	Return on Shr. Equity	*15.0%*
						11.9%	7.8%	9.8%	8.3%	8.8%	8.3%	7.8%	5.3%	7.5%	10.7%	*11.5%*	*11.5%*	Retained to Com Eq	*11.5%*
						32%	39%	37%	41%	39%	40%	45%	49%	40%	32%	*29%*	*28%*	All Div'ds to Net Prof	*24%*

CAPITAL STRUCTURE as of 6/30/06

Total Debt $1007 mill. **Due in 5 Yrs** $850.0 mill.
LT Debt $931.3 mill. **LT Interest** $44.0 mill.
(Total interest coverage: 7.0x) (46% of Cap'l)

Leases, Uncapitalized Annual rentals $41.0 mill.
Pension Assets - 12/05 $916.8 mill.
Oblig. $1054 mill.
Pfd Stock None

Common Stock 42,011,159 shs.
as of 7/31/06
MARKET CAP: $3.3 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2004	2005	6/30/06
Cash Assets	94.1	120.9	88.3
Receivables	555.2	666.3	706.4
Inventory (Avg Cst)	217.0	251.1	269.9
Other	58.6	62.8	65.7
Current Assets	924.9	1101.1	1130.3
Accts Payable	220.3	247.2	251.8
Debt Due	31.1	104.0	75.8
Other	327.0	397.2	419.6
Current Liab.	578.4	748.4	747.2

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Sales	6.5%	7.0%	*10.5%*
"Cash Flow"	7.5%	4.5%	*12.0%*
Earnings	4.0%	-.5%	*17.0%*
Dividends	4.5%	4.0%	*7.5%*
Book Value	6.0%	3.5%	*14.0%*

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	487.9	536.5	530.2	563.9	2118.5
2004	556.3	617.6	617.3	710.9	2502.1
2005	640.1	696.1	697.5	732.5	2766.2
2006	769.6	865.5	*865*	*899.9*	*3400*
2007	*850*	*925*	*925*	*1000*	*3700*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.24	.61	.57	.62	2.04
2004	.41	.74	.74	.84	2.73
2005	.55	.94	.95	1.08	3.52
2006	.81	1.28	*1.20*	*1.26*	*4.55*
2007	*1.02*	*1.33*	*1.33*	*1.42*	*5.10*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.25	.25	.25	.263	1.01
2003	.263	.263	.263	.263	1.05
2004	.275	.275	.275	.275	1.10
2005	.30	.30	.30	.30	1.20
2006	.325	.325	.325		

BUSINESS: Harsco Corp. is a manufacturing and industrial service company. Has four operating groups: Mill Services (services for steel mills and metallurgical industries, 38% of '05 revenues); Access Services (incl. shoring and concrete forming equipment, 29%); Gas and Fluid Control (incl. gas control/containment products, 13%); Other Infrastructure (incl. railway maintenance equipment, grating, and roofing granules, 20%). Sold 40% stake in United Defense, 10/97. Acquired MultiServ, 8/93; SGB, 6/00; Hunnebeck, 11/05. 21,000 employees. Earnest Partners LLC owns 6.8% of common; officers & directors, 1.7% (3/06 Proxy). Chrmn. & CEO: Derek C. Hathaway. Inc.: DE. Add.: P.O. Box 8888, Camp Hill, PA 17001. Tel.: 717-763-7064. Internet: www.harsco.com.

Harsco's earnings may well advance by almost 30% in 2006. The company's second-quarter results were well above our estimate of $1.14 a share, prompting us to increase our share-net estimate for this year by a quarter. Income from operations grew by 36% over the prior-year period, thanks to improving margins. Continued strength from both the Mill and Access Services divisions is likely to be the key growth driver.

Management remains committed to growth. The company continues to commit a substantial amount of its free cash flow toward capital expenditures. Indeed, we expect Harsco's spending to rise by more than 10% this year. Further, over the first half, the company used 46% of its capital spending on growth expenditures, cash outlays above those required to sustain current business. We anticipate that this trend will continue, with management using about 50% of its capital budget to fund new projects in core segments over the next several years.

Harsco should continue to achieve strong results in 2007. Strength in global steel production and in nonresidential housing markets should enable Harsco to grow its top line by about 9% next year. The company may also use its large cash flow to add to its product portfolio in the year ahead. Management is always on the lookout for new technologies that can expand the scope of services that Harsco can offer to customers. This would allow the company to do more business with its current customers through the cross-selling of products. Also, we look for HSC to expand aggressively into emerging markets in 2007 and beyond. By late decade, Latin America, Asia/Pacific, the Middle East, Africa, and Eastern Europe may represent about 30% of total revenues, double the current proportion.

These shares offer decent total return potential to 2009–2011. Harsco still has much room to grow in a consolidating industrial services industry. Its broad global footprint and diverse portfolio of services should enable the company to achieve average annual earnings advances in the mid-teens to late decade. Note, though, this issue is ranked to only keep pace with the market in the year ahead.

Jerry W. Gray Jr. *September 22, 2006*

(A) Primary egs. through 1997; diluted thereafter. Excl. nonrecurring gains (losses): '92, (14¢); '93, 34¢; '94, 19¢; '95, (3¢); '01, (58¢); '02, (1¢); '03, 8¢; '05, 20¢. Excl. gains (losses) on disc. ops.: '90, 5¢; '92, 5¢; '97, $3.08; '03, 13¢; '04, 18¢. Next egs. rpt. due late Oct.
(B) Divs. historically paid in mid-Feb., May, Aug., and Nov. ■ Div'd reinv. plan available.
(C) Incl. intangibles. In 2005: $638.5 mill., $15.28/sh.
(D) In millions, adjusted for stock split.

Company's Financial Strength	A
Stock's Price Stability	65
Price Growth Persistence	70
Earnings Predictability	80