



Stock Selection Guide [®]

The most widely used aid to good investment judgment

Company MEDTRONIC INC Date 04/06/06

Prepared by jah Data taken from NAIC Data

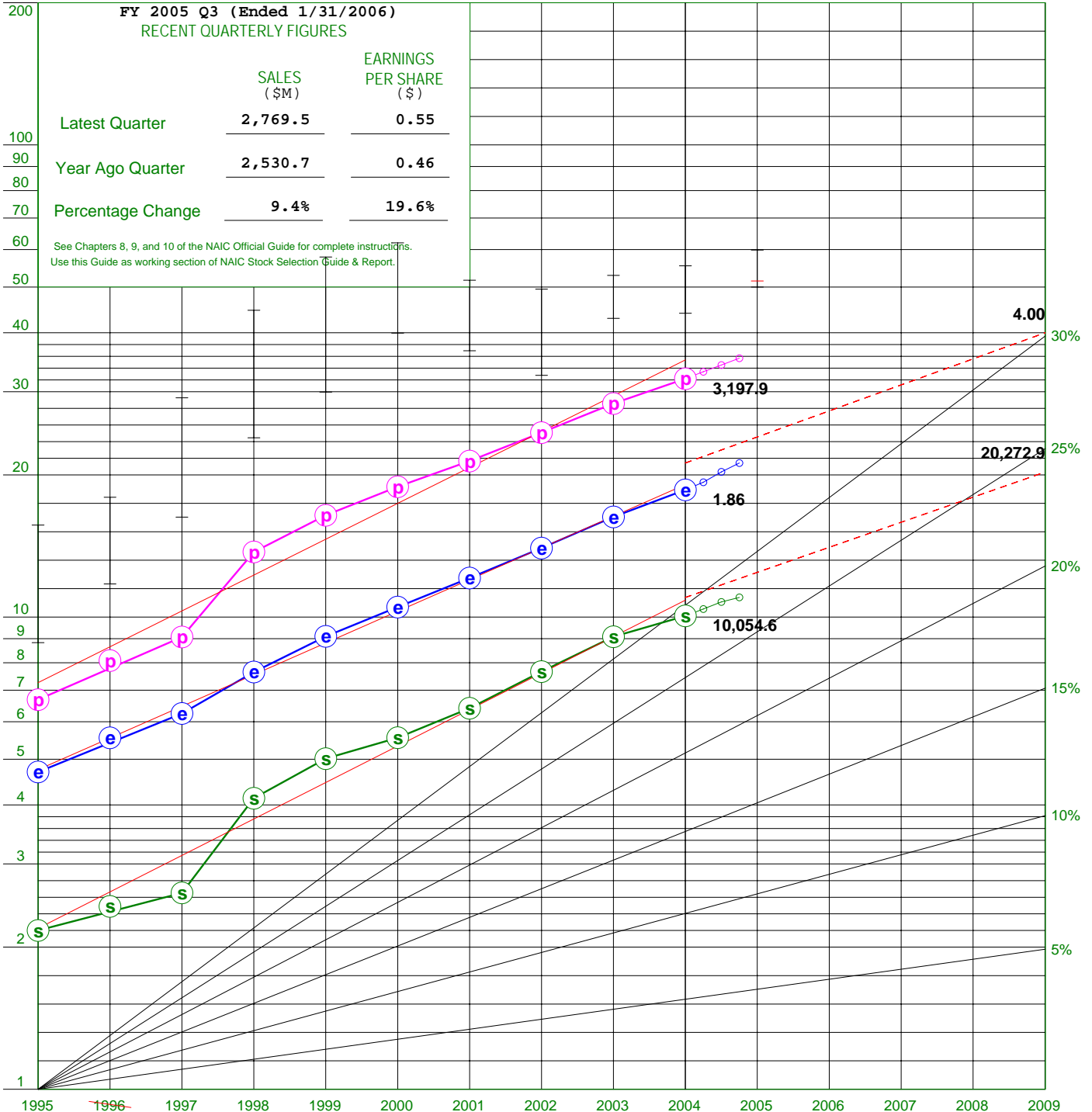
Where traded NYSE Major product/service Health Care

CAPITALIZATION --- Outstanding Amounts Reference _____

Preferred (\$M)	0.0	% Insiders	% Institution
Common (M Shares)	1,209.0	0.0	0.0
Debt (\$M)	4,025.7	% to Tot.Cap.	27.8
		% Potential Dil.	None

1 VISUAL ANALYSIS of Sales, Earnings and Price

MDT



- (1) Historical Sales Growth 19.5 %
- (2) Estimated Future Sales Growth 13.0 %
- (3) Historical Earnings Per Share Growth 16.7 %
- (4) Estimated Future Earnings Per Share Growth 13.5 %

2 EVALUATING MANAGEMENT

Company **MEDTRONIC INC (MDT)**

04/06/06

		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	LAST 5 YEAR AVG.	TREND	
													UP	DOWN
A	% Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	30.8	33.2	34.8	33.2	32.8	34.0	33.4	32.1	31.2	31.8	32.5		DOWN
B	% Earned on Equity (E/S ÷ Book Value)	24.6	29.7	28.7	24.5	24.3	23.1	22.9	21.6	21.7	21.5	22.1		DOWN

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.

		PRESENT PRICE			51.490			HIGH THIS YEAR			59.870			LOW THIS YEAR			50.000		
Year		PRICE		C Earnings Per Share	D Price Earnings Ratio		E	F Dividend Per Share	G % Payout F ÷ C X 100	H % High Yield F ÷ B X 100									
		HIGH	LOW		A ÷ C	B ÷ C													
1	2000	62.0	40.0	1.05	59.0	38.1	0.200	19.0	0.5										
2	2001	51.7	36.6	1.21	42.7	30.2	0.230	19.0	0.6										
3	2002	49.5	32.5	1.40	35.4	23.2	0.250	17.9	0.8										
4	2003	52.9	42.9	1.63	32.5	26.3	0.290	17.8	0.7										
5	2004	55.4	44.0	1.86	29.8	23.7	0.335	18.0	0.8										
6	TOTAL		196.0		97.7	73.2		91.7											
7	AVERAGE		39.2		32.6	24.4		18.3											
8	AVERAGE PRICE EARNINGS RATIO				28.5				9	CURRENT PRICE EARNINGS RATIO				24.3					

4 EVALUATING RISK AND REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE -- NEXT 5 YEARS

Avg. High P/E ~~32.6~~ 30.0 X Estimate High Earnings/Share 4.00 = Forecast High Price \$ 120.0 (4A1)

B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E ~~24.4~~ 24.0 X Estimated Low Earnings/Share ~~1.86~~ 2.12 = \$ 50.9 (3E7 as adj.)
 (b) Avg. Low Price of Last 5 Years = 39.2 (3B7)
 (c) Recent Severe Market Low Price = 42.9

(d) Price Dividend Will Support $\frac{\text{Present Divd.}}{\text{High Yield (H)}} = \frac{0.385}{0.008} = 50.0$
 Selected Estimate Low Price = 42.9 (4B1)

C ZONING

120.0 (4A1) High Forecast Price Minus 42.9 (4B1) Low Forecast Price Equals 77.1 (C) Range. 1/3 of Range = 19.3 (4CD)
 (4C2) Lower 1/3 = 42.9 (4B1) to 62.2 (Buy) Note: Ranges changed to 25%/50%/25%
 (4C3) Middle 1/3 = 62.2 to 100.7 (Maybe)
 (4C4) Upper 1/3 = 100.7 to 120.0 (4A1) (Sell)

Present Market Price of 51.490 is in the Buy (4C5) Range

D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)

High Price (4A1) 120.0 Minus Present Price 51.490
 Present Price 51.490 Minus Low Price (4B1) 42.9 = $\frac{68.5}{8.6} = 8.0$ To 1 (4D)

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

High Price (4A1) 120.0
 Present Market Price 51.490 = $(\frac{2.331}{51.490}) \times 100 = (233.1) - 100 = 133.1$ % Appreciation (4E)

Relative Value: 85.3% Proj. Relative Value: 75.1%

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

Note: Results are expressed as a simple rate: use the table below to convert to a compound rate.

A Present Full Year's Dividend \$ 0.385
 Present Price of Stock \$ 51.490 = $\frac{0.007}{51.490} \times 100 = \frac{0.7}{51.490}$ Present Yield or % Returned on Purchase Price (5A)

B AVERAGE YIELD OVER NEXT 5 YEARS
 Avg. Earnings Per Share Next 5 Years 3.10 X Avg. % Payout (3G7) 18.3 = 56.7 = 1.1 % (5B)
 Present Price \$ 51.490

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

	5 Year Appreciation Potential (4E)		P.A.R.	Tot. Ret.
	<u>133.1</u>	<u>26.6</u> %	<u>0.7</u> %	<u>0.6</u> %
Average Yield (5B)		<u>1.1</u> %	<u>16.0</u> %	<u>18.4</u> %
Average Total Annual Return Over the Next 5 Years (5C)		<u>27.7</u> %	% Compd Ann Rate of Ret <u>16.6</u> %	<u>19.0</u> %

MEDTRONIC, INC

NYSE-MDT

RECENT PRICE **54.30**

P/E RATIO **22.8** (Trailing: 25.6; Median: 34.0)

RELATIVE P/E RATIO **1.23**

DIV'D YLD **0.8%**

VALUE LINE

TIMELINESS 1 Raised 11/25/05
SAFETY 1 Raised 3/4/05
TECHNICAL 3 Lowered 2/24/06
BETA .80 (1.00 = Market)

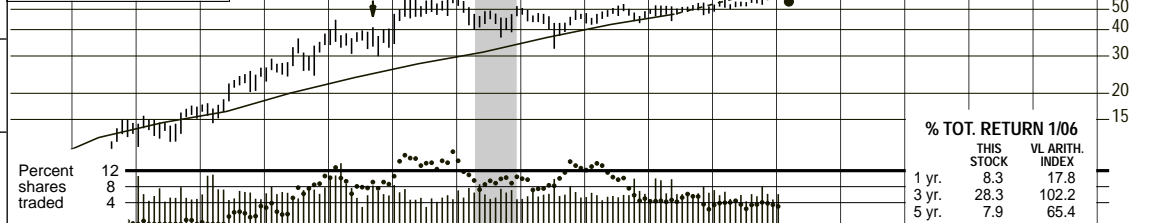
High: 15.0 17.5 26.4 38.4 44.6 62.0 60.8 50.7 52.9 53.7 58.9 59.9
 Low: 6.5 11.1 14.4 22.7 29.9 34.3 36.6 32.5 42.2 44.0 48.7 54.2

LEGENDS
 — 21.0 x "Cash Flow" p sh
 ... Relative Price Strength
 2-for-1 split 9/94
 2-for-1 split 9/95
 2-for-1 split 9/97
 2-for-1 split 9/99
 Options: Yes
 Shaded area indicates recession

2009-11 PROJECTIONS
 Price Gain Ann'l Total
 High 115 (+110%) 21%
 Low 95 (+75%) 16%

Insider Decisions
 A M J J A S O N D
 to Buy 0 0 1 0 0 0 0 0 0 0
 Options 1 0 3 1 3 2 3 1 2
 to Sell 0 0 3 1 2 4 3 1 5

Institutional Decisions
 102005 202005 302005
 to Buy 530 512 571
 to Sell 454 466 431
 Hld's(000) 859269 862709 863347



1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB, INC.	09-11
1.07	1.24	1.44	1.50	1.89	2.31	2.61	2.78	3.53	4.19	4.59	5.28	6.29	7.51	8.31	9.40	10.65	12.10	Sales per sh ^A	17.55
.19	.23	.29	.33	.43	.59	.69	.78	.96	1.13	1.31	1.49	1.75	2.02	2.26	2.70	3.05	3.50	"Cash Flow" per sh	5.00
.15	.17	.21	.25	.32	.47	.56	.63	.77	.92	1.05	1.21	1.40	1.63	1.86	2.22	2.55	2.95	Earnings per sh ^B	4.35
.03	.03	.04	.04	.05	.07	.10	.11	.13	.16	.19	.22	.24	.27	.31	.37	.43	.49	Div'ds Decl'd per sh ^C	.77
.07	.08	.08	.07	.10	.17	.18	.16	.19	.29	.36	.32	.31	.35	.37	.40	.40	.40	Cap'l Spending per sh	.45
.72	.84	.91	1.13	1.44	1.91	1.87	2.18	3.12	3.75	4.56	5.29	6.49	7.51	8.63	10.20	12.00	13.75	Book Value per sh ^D	21.40
952.50	950.90	925.12	930.06	924.08	937.27	935.25	938.09	1170.5	1197.7	1209.5	1215.2	1218.1	1209.5	1210.2	1208.0	1200.0	1185.0	Common Shs Outst'g ^E	1150.0
19.0	26.4	25.2	18.0	20.4	26.4	27.5	37.9	42.8	43.9	49.0	37.5	31.6	29.6	27.2				Avg Ann'l P/E Ratio	24.0
1.41	1.69	1.53	1.06	1.34	1.77	1.72	2.18	2.23	2.50	3.19	1.92	1.73	1.69	1.44				Relative P/E Ratio	1.60
.9%	.7%	.7%	.9%	.8%	.5%	.6%	.5%	.4%	.4%	.4%	.5%	.5%	.6%	.6%				Avg Ann'l Div'd Yield	.7%

CAPITAL STRUCTURE as of 1/27/06
 Total Debt \$4025.7 mill. Due in 5 Yrs \$3025 mill.
 LT Debt \$1002.5 mill. LT Interest \$41.2 mill.
 (8% of Cap'l)
 Leases, Uncapitalized Annual rentals \$56.3 mill.
 Pension Assets: \$873.3 mill.
 Pension Obligations: \$935.6 mill.
 Pfd Stock None
 Common Stock 1,209,595,362 shs.
 as of 11/30/05
 MARKET CAP: \$66 billion (Large Cap)

2438.2	2604.8	4134.1	5014.6	5551.8	6410.8	7665.2	9087.2	10055	11340	12750	14320	Sales (\$mill) ^A	20190
37.0%	39.5%	37.8%	37.3%	39.2%	38.7%	39.9%	39.9%	38.9%	38.0%	39.0%	39.5%	Operating Margin	40.5%
116.9	137.6	213.1	243.3	297.3	329.8	408.1	442.6	463.3	540	575	610	Depreciation (\$mill)	700
530.0	595.3	905.2	1110.7	1291.2	1477.2	1720.7	1997.4	2270.5	2720	3095	3550	Net Profit (\$mill)	5045
34.5%	34.4%	34.1%	32.4%	31.9%	29.9%	30.0%	29.5%	29.0%	26.0%	26.0%	26.0%	Income Tax Rate	26.0%
21.7%	22.9%	21.9%	22.1%	23.3%	23.0%	22.4%	22.0%	22.6%	24.0%	24.3%	24.8%	Net Profit Margin	25.0%
719.2	979.6	1404.9	2021.9	2397.5	4096.9	2792.2	1072.1	4041.5	4100	4350	4725	Working Cap'l (\$mill)	5750
14.0	16.2	17.6	14.1	13.3	9.5	1980.3	1.1	1973.2	2000	2000	1800	Long-Term Debt (\$mill)	1200
1746.2	2044.2	3654.6	4491.5	5509.5	6431.1	7906.4	9077.0	10450	12300	14385	16275	Shr. Equity (\$mill)	24610
30.1%	28.9%	24.7%	24.7%	23.4%	23.0%	17.4%	22.3%	18.5%	19.0%	19.0%	19.5%	Return on Total Cap'l	19.5%
30.4%	29.1%	24.8%	24.7%	23.4%	23.0%	21.8%	22.0%	21.7%	22.0%	21.5%	22.0%	Return on Shr. Equity	20.5%
25.2%	24.1%	21.2%	20.5%	19.1%	18.6%	17.9%	18.1%	17.9%	18.0%	17.5%	18.0%	Retained to Com Eq	16.5%
17%	17%	15%	17%	19%	19%	18%	18%	18%	17%	17%	17%	All Div'ds to Net Prof	18%

CURRENT POSITION 2003 2004 1/27/06 (\$MILL.)
 Cash Assets 1927.5 3391.6 4926.8
 Receivables 1994.3 2292.7 2364.6
 Inventory (FIFO) 877.7 981.4 1177.2
 Other 513.2 755.8 456.9
 Current Assets 5312.7 7421.5 8925.5
 Accts Payable 346.2 371.8 310.9
 Debt Due 2358.2 478.6 3023.2
 Other 1536.2 2529.6 1537.4
 Current Liab. 4240.6 3380.0 4871.5

BUSINESS: Medtronic, Inc. is the world's largest manufacturer of implantable biomedical devices, with sales to over 120 countries. Cardiac Rhythm Management products (bradycardia & tachycardia) accounted for 45.9% of '04 sales; Neurological, Spinal, and Diabetes, 38.9%; Vascular products (stents), 8.5%; and Cardiac Surgery (heart valves, perfusion systems), 6.7%. Int'l: 33.3% of '04 sales (36.6% of profits). Acq. five companies in '98. '04 depr. rate: 12.8%; R&D, 9.5% of sales. Est'd plant age: 13 years. Has 33,000 emps.; 51,500 stkhldrs. Off. & dir. control .7% of common (7/05 proxy). Chairman & Chief Executive Officer: Arthur D. Collins, Jr. Inc.: MN. Addr.: 710 Medtronic Pkwy. N.E., Minneapolis, MN 55432. Tel.: 763-514-4000. Internet: www.medtronic.com

Uro units will likely rebound shortly, once the supplier issues that constrained product availability in the January quarter are resolved. Revenues should also get a lift from the launch of several major new products later this calendar year.

ANNUAL RATES Past Past Est'd '02-'04 of change (per sh) 10 Yrs. 5 Yrs. to '09-'11

Sales	16.5%	16.0%	12.5%
"Cash Flow"	19.0%	16.0%	12.5%
Earnings	20.0%	16.0%	14.5%
Dividends	20.5%	16.0%	16.0%
Book Value	20.5%	20.0%	15.5%

Medtronic's top-line showing in the fiscal (third) quarter that ended on January 27th was disappointing ...

The year-over-year advance totaled 9.4%. By contrast, the gain in the October period was 15.2%, and we had anticipated a rise of 13.8% (Wall Street's consensus figure was 14.2%). Significantly, too, the shortfall was broadbased. Growth in ICD (implantable cardioverter defibrillators) sales slowed 13 percentage points (to \$723 million, up 21%), inhibited primarily by a slowdown in the U.S. Medtronic's drug-eluting stent *Endeavor* generated an uninspiring \$43 million in European sales. In all, excluding the Cardiac Rhythm Management and Spinal segments, all of its other businesses grew by less than 10%.

... but many of the depressants ought to prove ephemeral. Domestic ICD sales were undoubtedly hurt by dislocations associated with product recalls by Medtronic and Guidant and by Medicare reimbursement changes. Both the U.S. and international markets offer healthy long-term growth potential, however, given their still-low penetration rates. Meantime, business at the Physio Control and Gastro-

QUARTERLY SALES (\$mill.)^A

Fiscal Year Begins	Jul.Per	Oct.Per	Jan.Per	Apr.Per	Full Fiscal Year
2003	2064	2163	2194	2665	9087.2
2004	2346	2400	2531	2778	10054.6
2005	2690	2765	2770	3115	11340
2006	3050	3100	3125	3475	12750
2007	3425	3480	3515	3905	14320

... but many of the depressants ought to prove ephemeral. Domestic ICD sales were undoubtedly hurt by dislocations associated with product recalls by Medtronic and Guidant and by Medicare reimbursement changes. Both the U.S. and international markets offer healthy long-term growth potential, however, given their still-low penetration rates. Meantime, business at the Physio Control and Gastro-

Annual share-net gains of about 15% are likely in fiscal 2006 and 2007. Medtronic's bottom-line performance was in line with expectations in the third quarter, as cost containment efforts, increased interest income, and hedging benefits offset the revenue shortfall. Per-share profits were 19.5% ahead of the year-earlier tally after nine months, and a comparable advance is likely for all of fiscal 2005. For the following two years, we estimate revenue growth of roughly 12%-13%, which should yield earnings of about \$2.55 a share next year and \$2.95 in the subsequent year.

EARNINGS PER SHARE^{A, B}

Fiscal Year Begins	Jul.Per	Oct.Per	Jan.Per	Apr.Per	Full Fiscal Year
2003	.37	.39	.40	.47	1.63
2004	.43	.44	.46	.53	1.86
2005	.50	.54	.55	.63	2.22
2006	.59	.61	.63	.72	2.55
2007	.69	.70	.73	.83	2.95

This pure-play in the medical supply industry looks good for both the short and long haul. MDT is favorably ranked for the year ahead. Current valuations provide for above-average 3- to 5-year appreciation. Last, diversification and rock-solid finances attenuate the downside risk.

QUARTERLY DIVIDENDS PAID^C

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.058	.058	.063	.063	.24
2003	.063	.063	.073	.073	.27
2004	.073	.073	.084	.084	.31
2005	.084	.084	.096	.096	.36
2006	.096				

(A) Fiscal year ends April 30th of following calendar year. (B) Based on avg. shs. thru '96; diluted thereafter. Excludes nonrecr. items: '90, (1¢); '97, (15¢); '98, (37¢); '99, (2¢); '00, (3¢); '01, (41¢); '03, (2¢); '04, (38¢); '05, (11¢). Next egs. report due mid-May. (C) Dividends historically paid in late Jan., April, July, and Oct. (D) Div'd reinvestment plan available. (E) Includes intangibles. In '04: \$5,299 mill., \$4.38/share. (F) In millions, adj. for stock splits.

Company's Financial Strength A++
Stock's Price Stability 85
Price Growth Persistence 75
Earnings Predictability 100

To subscribe call 1-800-833-0046.

© 2006, Value Line Publishing, Inc. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.