UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended January 31, 1997

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______ to ______

Commission File Number 1-7707

MEDTRONIC, INC.
(Exact name of registrant as specified in its charter)

Minnesota	41-0793183
(State of incorporation)	(I.R.S. Employer Identification No.)

7000 Central Avenue N.E.
Minneapolis, Minnesota 55432
(Address of principal executive offices)

Telephone number: (612) 574-4000

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes __X__ No ____

Shares of common stock, $.10 par value, outstanding on February 28, 1997:

238,226,085

PART I--FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

MEDTRONIC, INC.
CONSOLIDATED STATEMENT OF EARNINGS
(Unaudited)

	Three months ended		Nine months ended	
	Jan. 31, 1997	Jan. 26, 1996	Jan. 31, 1997	Jan. 26, 1996

(in thousands, except per share data)

Net sales	$ 598,749	$ 530,070	$1,797,771	$1,574,993
Costs and expenses:				
Cost of products sold	152,314	143,640	458,955	440,710
Research and development expense	69,531	63,318	203,459	173,038
Selling, general, and administrative expense	188,517	164,248	569,191	505,686
Interest expense	1,536	1,842	6,148	5,850
Interest income	(9,650)	(7,031)	(26,971)	(21,606)
Total costs and expenses	402,248	366,017	1,210,782	1,103,678
Earnings before income taxes	196,501	164,053	586,989	471,315
Provision for income taxes	67,793	57,491	202,511	164,624
Net earnings	$ 128,708	$ 106,562	$ 384,478	$ 306,691
Weighted average shares outstanding	239,957	238,469	239,703	236,903
Earnings per share	$ 0.54	$ 0.45	$ 1.60	$ 1.29

See accompanying notes to condensed consolidated financial statements.

MEDTRONIC, INC.
CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

ASSETS	January 31, 1997	April 30, 1996
	(in thousands)	
Current assets:		
Cash and cash equivalents	$ 61,136	$ 151,050
Short-term investments	454,872	355,741
Accounts receivable, less allowance for doubtful accounts of $17,456 and $18,094	490,095	458,090
Inventories:		
Finished goods	133,485	118,952
Work in process	70,457	61,000
Raw materials	88,615	77,526
Total inventories	292,557	257,478
Prepaid expenses and other current assets	205,964	168,914
Total current assets	1,504,624	1,391,273
Property, plant, and equipment	930,196	835,739
Accumulated depreciation	(467,570)	(418,826)
Net property, plant, and equipment	462,626	416,913
Goodwill and other intangible assets, net	482,704	473,027
Long-term investments	181,638	219,964
Other assets	63,638	53,523
Total assets	$ 2,695,230	$ 2,554,700

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Short-term borrowings	$ 87,160	$ 60,690
Accounts payable	94,675	100,149
Accrued liabilities	306,556	368,309
Total current liabilities	488,391	529,148
Long-term debt	17,734	15,336
Other long-term liabilities	137,668	128,181
Deferred tax liabilities	18,240	45,744
Shareholders' equity:		
Common stock--par value $.10	23,970	23,931
Retained earnings	2,070,252	1,843,707
Cumulative translation adjustment	(32,353)	(2,675)
	2,061,869	1,864,963
Receivable from Employee Stock Ownership Plan	(28,672)	(28,672)
Total shareholders' equity	2,033,197	1,836,291
Total liabilities and shareholders' equity	$ 2,695,230	$ 2,554,700

See accompanying notes to condensed consolidated financial statements.

MEDTRONIC, INC.
CONDENSED STATEMENT OF CONSOLIDATED CASH FLOWS
(Unaudited)

	Nine months ended	
	Jan. 31, 1997	Jan. 26, 1996
	(in thousands)	
OPERATING ACTIVITIES:		
Net earnings	$ 384,478	$ 306,691
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	98,351	91,735
Change in assets and liabilities:		
Increase in accounts receivable	(42,869)	(19,882)
Increase in inventories	(50,195)	(27,482)
Decrease in accounts payable and accrued liabilities	(70,305)	(52,249)
Changes in other operating assets and liabilities	(21,675)	19,337
Net cash provided by operating activities	297,785	318,150
INVESTING ACTIVITIES:		
Additions to property, plant, and equipment	(119,738)	(95,253)
Purchases of marketable securities	(499,640)	(418,948)
Sales and maturities of marketable securities	398,375	280,987
Acquisition of subsidiary, net of cash acquired	(18,873)	0
Other investing activities (net)	(66,474)	(18,859)
Net cash used in investing activities	(306,350)	(252,073)

FINANCING ACTIVITIES:		
Increase in short-term borrowings (net)	31,836	1,003
Decrease in long-term debt (net)	(317)	(1,592)
Proceeds from stock offering of acquired subsidiary	0	41,538
Dividends to shareholders	(68,153)	(45,217)
Repurchases of common stock	(74,533)	(33,574)
Issuance of common stock	35,673	25,376
Net cash used in financing activities	(75,494)	(12,466)
Effect of exchange rate changes on cash and cash equivalents	(5,855)	(1,482)
Net increase (decrease) in cash and cash equivalents	(89,914)	52,129
Cash and cash equivalents at beginning of period	151,050	98,292
Cash and cash equivalents at end of period	$ 61,136	$ 150,421
Supplemental Noncash Investing and Financing Activities		
Issuance of common stock for acquisition of subsidiary, net of cash acquired	$ 0	$ 68,951

See accompanying notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands, except per share data)

Note 1 - Basis of Presentation

The unaudited condensed consolidated financial statements include the accounts of Medtronic, Inc. and all of its subsidiaries, after elimination of all significant intercompany transactions and accounts. In the opinion of management, all adjustments necessary for a fair presentation of operating results have been made. All such adjustments are of a normal recurring nature. Operating results for interim periods are not necessarily indicative of results that may be expected for the year as a whole. The fiscal year 1996 amounts have been restated to reflect the May and June 1996 acquisitions of AneuRx, Inc. and InStent Inc. which were accounted for as poolings of interests.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Net Earnings

Net earnings for the third quarter ended January 31, 1997 were $128.7 million, or $0.54 per share. Earnings per share reflect an increase of 20.0 percent over the $0.45 per share reported on earnings of $106.6 million for the third quarter last year. Net earnings increased 25.4 percent to $384.5 million for the nine-month period ended January 31, 1997, compared to $306.7 million for the same period last year. Earnings per share for the nine-month period ended January 31, 1997 were $1.60, an increase of 24.0 percent over the $1.29 reported in the prior year.

Sales

Sales for the quarter and nine-month period ended January 31, 1997 increased 13.0 percent and 14.1 percent, respectively, compared to the same periods last year. Exclusive of the effects of foreign currency translation, sales for the quarter and nine-month period ended January 31, 1997 increased 15.0 percent and

16.7 percent, respectively, over the comparable periods last year. Sales growth in the quarter and nine-month period was negatively impacted by $10.8 million and $40.6 million, respectively, of unfavorable exchange rate movements caused primarily by the strengthening of the U.S. dollar versus major European currencies and the Japanese Yen.

The growth over last year was led by strong contributions from the Pacing business, which consists primarily of Bradycardia Pacing, Tachyarrhythmia Management and Ablation Systems. After removing the impact of foreign exchange rate fluctuations, worldwide sales of the Pacing business grew 11.2 percent and 12.6 percent during the quarter and nine-month period ended January 31, 1997, respectively, compared to the same periods a year ago. Bradycardia pacemaker sales of Thera(R) and Thera(R) i-series(TM) pacemakers, combined with CapSure(R) leads, continued to reflect strong growth in both U.S. and non-U.S. markets. Pacemakers of the new Medtronic.Kappa(TM) generation were released in Europe at the end of the quarter. Tachyarrhythmia management's Micro Jewel(TM) II device, currently the world's smallest and lightest defibrillator, which received U.S. Food and Drug Administration (FDA) approval in November 1996, continued to gain market share position in the highly competitive defibrillator marketplace.

Sales within the Other Cardiovascular business, (consisting of balloon and guiding catheters, stents, interventional neuroradiology, heart valves, perfusion and blood management systems, cannulae and surgical accessories) increased 8.1 percent and 10.5 percent, respectively, on a comparable operations basis for the quarter and nine-month periods ended January 31, 1997. This increase was primarily attributable to continued growth made by the Medtronic Wiktor(R) coronary stent in Japan, and gains in Europe by the Wiktor(R)-i and beStent(TM), which was commercially released in Europe and other world markets outside the U.S. in November 1996. The stent market is becoming increasingly competitive, particularly outside the U.S. Also contributing to the revenue growth were strong sales gains in devices for interventional neuroradiology. Strong revenue contributions were also made by surgical cannulae and heart valves during the quarter. Unit sales of balloon and guiding catheters remain solid, however, continued downward pricing pressures for balloon catheters more than offset the unit growth. Sales of perfusion products were flat compared to last year's comparable quarter. The Maxima Forte(TM) blood oxygenator received FDA approval in January 1997.

Exclusive of the effects of foreign currency translation, sales of the Neurological and Other Businesses, consisting primarily of implantable neurostimulation devices, drug administration systems, neurosurgery and developing businesses, grew 58.4 percent and 68.3 percent, respectively, for the quarter and nine-month periods ended January 31, 1997 compared to the same periods last year. A strong contributing growth factor was rapid sales growth in Europe of neurostimulation therapy for control of essential tremor and tremor associated with Parkinson's disease. This therapy is currently in clinical evaluation in the U.S. Another therapy, delivery of Lioresal(R) (baclofen, USP) Intrathecal by the SynchroMed(R) drug infusion system for spasticity of cerebral origin, continues to gain increasing worldwide acceptance. In addition, the Mattrix(R) and Itrel(R) 3 spinal cord stimulation systems continue to hold strong market share positions. In December 1996, the AlgoMed(TM) implantable drug infusion system, a new patient-activated device for cancer patients, was launched in European markets. Also, PS Medical and Synectics, which were acquired in November 1995 and April 1996, respectively, contributed to the strong growth.

Costs of Products Sold

Cost of products sold as a percent of sales for the quarter and nine-month periods ended January 31, 1997 was 25.4 percent and 25.5 percent, respectively, compared to 27.1 percent and 28.0 percent for the comparative periods last year. The decrease in the cost of products sold as a percent of sales resulted primarily from the impact of favorable product and geographic mixes combined with substantially increased volumes.

Research and Development Expense

Research and development expense as a percent of sales was 11.6 percent and 11.3 percent, respectively, for the quarter and nine-month periods ended January 31, 1997, compared to 11.9 percent and 11.0 percent, respectively, for the comparative periods last year. Research and development expense was $69.5 million for the quarter and $203.5 million for the nine-month period ended January 31, 1997, an increase of 9.8 percent and 17.6 percent, respectively, over the comparable periods last year. This increase reflects the company's continued financial commitment and strategy to grow revenue and market share by developing technological enhancements and new indications for existing products as well as developing minimally invasive and new technologies to address unmet patient needs and to help reduce procedural cost and length of hospital stay.

Selling, General, and Administrative Expense (SG&A)

SG&A expense for the quarter ended January 31, 1997, was $188.5 million compared to $164.2 million for the comparable period last year. SG&A as a percent of sales for the quarter ended January 31, 1997 was 31.5 percent compared to 31.0 percent for the comparative period last year. The increase in SG&A as a percent of sales is attributable to a decrease in the dollar amount of gains recognized in the current quarter from hedging activities as compared to the comparative period last year partially offset by gains recognized in the current quarter from the sale of certain available-for-sale equity securities.

Interest

Interest expense of $1.5 million for the quarter was slightly lower than the $1.8 million for the same period last year. Interest income of $9.7 million for the quarter increased $2.7 million from the $7.0 million for the same period last year, and was primarily the result of increased average investment balances over the prior year.

Income Taxes

The estimated effective tax rate for the company's current fiscal year is 34.5 percent compared to an effective rate of 35.0 percent, after restatement for the acquisitions of AneuRx and InStent, for the fiscal year ended April 30, 1996. However, the company continues to experience upward pressure on the tax rate, resulting from recent tax legislation which reduces U.S. tax benefits derived from operations in Puerto Rico. Management believes that the adverse impact can be minimized by other tax planning initiatives.

Liquidity and Capital Resources

Operating activities provided $297.8 million of cash and cash equivalents for the nine-month period ended January 31, 1997 compared to $318.2 million for the same period a year ago. Working capital was $1,016.2 million at January 31, 1997, an increase of $154.1 million over the $862.1 million at April 30, 1996. The current ratio increased to 3.1:1 at January 31, 1997, compared to 2.6:1 at April 30, 1996. Cash and cash equivalents decreased $89.9 million during the nine-month period ended January 31, 1997, compared with an increase of $52.1 million during the same period last year. The prior year comparative period includes $41.5 million of proceeds from the stock offering of a subsidiary which was acquired in June 1996, and accounted for as a pooling of interests. Significant uses of cash during the nine-month period ended January 31, 1997 included the reduction of accounts payable and accrued liabilities, purchases of marketable securities, purchases of property, plant and equipment, dividends paid to shareholders, and repurchases of common stock.

Government Regulation and Other Matters

The company operates in an industry susceptible to significant product liability claims. In recent years, there has been an increased public interest in product liability claims for implanted medical devices, including pacemakers and leads. These claims may be brought by individuals seeking relief for themselves or, increasingly, by groups seeking to represent a class, and the company has experienced an increase in such claims. In June 1996, the company lost a case (Lohr v. Medtronic) before the U.S. Supreme Court to determine whether a device cleared by the FDA for commercial release can later be challenged as unsafe. While this outcome could potentially increase the cost to the company, and other medical device makers, to defend product liability claims, it is not expected to have a material adverse financial impact on the company. In addition, product liability claims may be asserted against the company in the future relative to events not known to management at the present time. Management believes that the company's risk management practices, including insurance coverage, are reasonably adequate to protect against potential product liability losses.

In 1994, governmental authorities in Germany began an investigation into certain business and accounting practices by heart valve manufacturers. As part of this investigation, documents were seized from the Company and certain other manufacturers. Subsequently, the United States Securities and Exchange Commission (the "SEC") also began an inquiry into this matter. In August 1996, the SEC issued a formal non-public order of investigation to the Company, as it had to at least one other manufacturer. Based upon currently available information, the Company does not expect these investigations to have a materially adverse impact on the Company's financial position, results of operations or liquidity.

PART II -- OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

11 - Statement on computation of per share earnings

27 - Financial Data Schedule (For SEC use only)

(b) Reports on Form 8-K

During the quarter ended January 31, 1997, the company filed a Report on Form 8-K dated November 19, 1996 reporting under Item 5 the announcement of financial results for the fiscal second quarter ended November 1, 1996. Subsequent to the quarter ended January 31, 1997, the company filed a Report on Form 8-K dated February 18, 1997 reporting under Item 5 the announcement of financial results for the fiscal third quarter ended January 31, 1997.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Medtronic, Inc.
(Registrant)

Date: March 13, 1997

/S/ WILLIAM W. GEORGE

William W. George
Chairman
and Chief Executive Officer

Date: March 13, 1997

/S/ ROBERT L. RYAN

Robert L. Ryan
Senior Vice President
and Chief Financial Officer

EXHIBIT 11

STATEMENT RE COMPUTATION OF
PER SHARE EARNINGS

MEDTRONIC, INC.
(Unaudited)
(in thousands)

	Three months ended		Nine months ended	
	Jan. 31, 1997	Jan. 26, 1996	Jan. 31, 1997	Jan. 26, 1996
PRIMARY				
Shares outstanding:				
Weighted average outstanding	239,957	238,469	239,703	236,903
Share equivalents (1)(2)	4,432	4,526	4,136	4,175
Adjusted shares outstanding (2)	244,389	242,995	243,839	241,078
FULLY DILUTED				
Shares outstanding:				
Weighted average outstanding	239,957	238,469	239,703	236,903
Share equivalents (1)(2)	4,655	4,837	4,655	4,837
Adjusted shares outstanding (2)	244,612	243,306	244,358	241,740

(1) Share equivalents consist primarily of nonqualified stock options.

(2) This calculation is submitted in accordance with Regulation S-K item 601(b)(11) although not required by footnote 2 to paragraph 14 of APB Opinion No. 15 because it results in dilution of less than 3%.

<ARTICLE> 5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENT OF EARNINGS AND CONDENSED CONSOLIDATED BALANCE SHEET FOR THE QUARTERLY PERIOD ENDED JANUARY 31, 1997 FILED WITH THE SEC ON FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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