

FORM 10-K
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(MARK ONE)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
FOR THE FISCAL YEAR ENDED APRIL 30, 1997
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NO. 1-7707
[LOGO] MEDTRONIC
MEDTRONIC, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

MINNESOTA
(STATE OF INCORPORATION)

41-0793183
(I.R.S. EMPLOYER IDENTIFICATION NO.)

7000 CENTRAL AVENUE N.E.
MINNEAPOLIS, MINNESOTA 55432
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)
TELEPHONE NUMBER: (612) 514-4000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK, PAR VALUE \$.10 PER SHARE	NEW YORK STOCK EXCHANGE, INC.
PREFERRED STOCK PURCHASE RIGHTS	NEW YORK STOCK EXCHANGE, INC.

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
NONE

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 NO

INDICATE BY CHECK MARK IF DISCLOSURE OF DELINQUENT FILERS PURSUANT TO ITEM 405 OF REGULATION S-K IS NOT CONTAINED HEREIN, AND WILL NOT BE CONTAINED, TO THE BEST OF THE REGISTRANT'S KNOWLEDGE, IN DEFINITIVE PROXY OR INFORMATION STATEMENTS INCORPORATED BY REFERENCE IN PART III OF THIS FORM 10-K OR ANY AMENDMENT TO THIS FORM 10-K. (X)

AGGREGATE MARKET VALUE OF VOTING STOCK OF MEDTRONIC, INC. HELD BY NONAFFILIATES OF THE REGISTRANT AS OF JULY 3, 1997, BASED ON THE CLOSING PRICE OF \$89.875 AS REPORTED ON THE NEW YORK STOCK EXCHANGE: \$20.80 BILLION.

SHARES OF COMMON STOCK OUTSTANDING ON JULY 3, 1997: 234,662,051

DOCUMENTS INCORPORATED BY REFERENCE

PORTIONS OF REGISTRANT'S 1997 ANNUAL SHAREHOLDERS REPORT ARE INCORPORATED BY REFERENCE INTO PARTS I, II AND IV; PORTIONS OF REGISTRANT'S PROXY STATEMENT FOR ITS 1997 ANNUAL MEETING ARE INCORPORATED BY REFERENCE INTO PART III.

ITEM 1. BUSINESS

GENERAL DEVELOPMENT OF BUSINESS. Medtronic, Inc. (together with its subsidiaries, "Medtronic" or the "company") was incorporated as a Minnesota corporation in 1957. Medtronic is the world's leading medical technology company specializing in implantable and interventional therapies. Primary products include implantable pacemaker systems used for the treatment of bradycardia, implantable tachyarrhythmia management devices, ablation systems, mechanical and tissue heart valves, balloon and guiding catheters used in angioplasty, coronary and peripheral stents and stented grafts, interventional neuroradiology products, implantable neurostimulation and drug delivery systems, hydrocephalic shunts and other neurosurgical devices, urological and digestive diagnostic systems, perfusion systems including blood oxygenators, centrifugal blood pumps, cannulae products, and autotransfusion and blood monitoring systems, and minimally invasive cardiac surgery products.

In fiscal 1997, the company continued to enhance its strategic position by taking advantage of additional growth opportunities through acquisitions. In May 1996, the company acquired AneuRx, Inc., which provides a minimally invasive endovascular stented graft and delivery system used to repair life-threatening abdominal aortic aneurysms. In June 1996, the company acquired InStent Inc., which develops, manufactures and markets a variety of self-expanding and balloon-expandable stents used in a broad range of medical indications. In August 1996, the company acquired Avalon Laboratories, Inc., which develops, manufactures and sells cannulae and other surgical products.

Medtronic operates in a single industry segment, that of providing medical products and services. Its revenues, operating profits and assets for the past three fiscal years (1995-1997) have been attributable to this single industry segment. The company does business in more than 120 countries and reports on three business units -- Pacing, Other Cardiovascular, and Neurological and Diversified Businesses -- and three geographic areas -- the Americas, Europe/Middle East/Africa (Europe), and Asia/Pacific.

BUSINESS DESCRIPTION. Pacing is the company's largest business unit, consisting primarily of Bradycardia Pacing, which produces products for treating patients with slow or irregular heartbeats, Tachyarrhythmia Management, which develops products to treat abnormally fast heart rhythms, and Ablation Systems. The bradycardia pacing systems include pacemakers, leads and accessories. The pacemakers can be noninvasively programmed by the physician to adjust sensing, electrical pulse intensity, rate, duration and other characteristics, and can produce impulses to cause contractions in either the upper or lower heart chamber, or both, in appropriate relation to heart activity. The company's Model 9790 programmer can be used interchangeably with all of the company's bradycardia pacemakers as well as with its Jewel(R) and Micro Jewel(R) line of tachyarrhythmia management devices. Advances in bradycardia pacing in fiscal 1997 include the commercial release of the new Medtronic.Kappa 400 series of pacemakers in Europe, which is a new generation of pacemakers designed to adjust heart rate to match patient activity without requiring a hospital or clinic visit. The Kappa 400 series is currently in clinical trials in the U.S. Medtronic also markets the CapSure(R) Z and CapSureFix(R) steroid-eluting leads, which deliver more concentrated levels of electrical energy that extend device life. Nearly half of Medtronic's revenues are generated from the sale of implantable cardiac pacemaker systems for treatment of bradycardia.

The Tachyarrhythmia Management business produces implantable devices and transvenous lead systems for treating ventricular tachyarrhythmias, which are abnormally fast, and sometimes fatal, heart rhythms. The systems offer a tiered therapy of pacing, cardioversion and defibrillation, and may be implanted pectorally, which reduces patient trauma and hospitalization time and costs. The company's Jewel(R) line of devices was expanded in July 1996 with the commercial release in the U.S. of the Micro Jewel(R) implantable defibrillator, which offers expanded diagnostic capabilities in a smaller size device. The Micro Jewel(R) II, currently the world's smallest and lightest implantable defibrillator, was commercially released in the U.S. in November 1996. The Jewel(R) AF for treatment of atrial arrhythmias is currently in clinical trials in the U.S. The entire line of tachyarrhythmia devices, like the bradycardia pacemakers, are programmed with the Model 9790 pacing programmer.

The Ablation Systems business develops and markets EP catheters and ablation systems that are used to neutralize heart cells involved in conducting arrhythmias.

The company's Pacing business unit accounted for 65.6% of Medtronic's net sales during the fiscal year ended April 30, 1997 ("fiscal 1997"), 67.9% of net sales in fiscal 1996 and 66.0% of net sales in fiscal 1995.

The Other Cardiovascular business unit is comprised of the Vascular and Cardiac Surgery businesses. The Vascular business was established in fiscal 1996 to focus the company's involvement in minimally invasive therapies for the treatment of disease and damage to cerebral, coronary and peripheral blood vessels. Medtronic's previous involvement in the vascular area has been in coronary angioplasty. The company offers coronary angioplasty balloon and guide catheters worldwide. The company's Wiktor(R) and Wiktor(R)-i stents, designed for coronary applications, are widely used outside the U.S., as is Medtronic's beStent(TM). In late June 1997, the FDA cleared the Wiktor(R) Prime coronary stent system for commercial release in the U.S. Adding to the company's previous expertise in the vascular area are three companies acquired in fiscal 1996 and 1997: AneuRx, Inc., which provides minimally invasive abdominal aortic aneurysm repair therapy; InStent Inc., which develops self-expanding and balloon expandable stents used in several of the body's fluid passageways; and Micro Interventional Systems, which develops products for the minimally invasive treatment of stroke and peripheral vascular diseases.

The Cardiac Surgery business includes the Heart Valves, Cardiopulmonary, DLP Cannulae and Blood Management businesses. Through a series of strategic acquisitions over the past decade, Medtronic now markets through its Cardiopulmonary, DLP Cannulae and Blood Management businesses a complete line of blood-handling products that form a life-saving circuit by maintaining and monitoring blood circulation, oxygen supply and body temperature while the patient is undergoing emergency treatment or open-heart surgery. The company's Heart Valve business produces tissue and mechanical valves and repair products for damaged or diseased heart valves. The Blood Management business markets the Sequestra(TM) 1000 autotransfusion system, which recovers and processes a patient's blood during major surgery, minimizing concern about the transmission of bloodborne diseases.

The company's Other Cardiovascular business unit accounted for 22% of net sales in fiscal 1997, 23.6% of net sales in fiscal 1996 and 26.5% of net sales for fiscal 1995.

The company's Neurological and Diversified business unit consists of the Neurological business and Corporate Ventures. The Neurological business includes the Neurostimulation, Drug Delivery, Diagnostic Systems and Neurosurgery businesses. The Neurostimulation business produces implantable systems for spinal cord and brain stimulation to treat pain and tremor. Neurostimulation products include the Itrel(R) 3 spinal cord stimulation system, which features a patient-operated control unit, and the Matrix(R) stimulator, which offers a dual stimulation mode for more effective pain management. The new Activa(TM) therapy for essential tremor and tremor associated with Parkinson's disease has been recommended for marketing clearance by an advisory panel to the FDA. The Activa(TM) allows stimulation levels to be adjusted according to the needs of each patient.

The company's Drug Delivery business produces implantable programmable drug delivery systems that are used in treating chronic intractable pain, tremor and spasticity, including the SynchroMed(R) drug delivery system. The business is collaborating with several biotechnology companies to develop therapies for neurodegenerative disorders such as Alzheimer's disease, Parkinson's disease, Huntington's disease and amyotrophic lateral sclerosis or Lou Gehrig's disease. Compounds for treating these diseases, called neurotrophic factors, are still in development by these companies. Once they are proven to be safe and effective, Medtronic believes its drug delivery technology could be effective in administering these agents directly to their site of action in precise doses. In fiscal 1996, the company added two new growth platforms in this sector by acquiring PS Medical, which manufactures and distributes cerebrospinal fluid shunts and neurosurgical implants, and Synectics Medical AB of Stockholm, Sweden, a world leader in computer-supported systems to diagnose urological and digestive disorders and sleep apnea.

Corporate Ventures focuses on using the company's core technologies to meet unmet medical needs that are beyond the immediate areas of focus of the other sectors, such as minimally invasive cardiac surgery and upper airway stimulation.

The Neurological and Diversified business unit accounted for 12.4% of net sales

for fiscal 1997, 8.5% of net sales for fiscal 1996 and 7.5% of net sales for fiscal 1995.

GOVERNMENT REGULATION. Government and private sector initiatives to limit the growth of health care costs, including price regulation and competitive pricing, are continuing in many countries in which the company does business, including the United States. These changes are causing the marketplace to put increased emphasis on the delivery of more cost-effective medical therapies. Although the company believes it is well positioned to respond to changes resulting from this worldwide trend toward cost containment, the uncertainty as to the outcome of any proposed legislation or changes in the marketplace precludes the company from predicting the impact these changes may have on future operating results.

In the United States, the Food and Drug Administration (the "FDA"), among other governmental agencies, is responsible for regulating the introduction of new medical devices, including laboratory and manufacturing practices, labeling and recordkeeping for medical devices, and review of manufacturers' required reports of adverse experience to identify potential problems with marketed medical devices. The FDA can ban certain medical devices, detain or seize adulterated or misbranded medical devices, order repair, replacement, or refund of such devices, and require notification of health professionals and others with regard to medical devices that present unreasonable risks of substantial harm to the public health. The FDA may also enjoin and restrain certain violations of the Food, Drug and Cosmetic Act and the Safe Medical Devices Act pertaining to medical devices, or initiate action for criminal prosecution of such violations. Many of the devices that Medtronic develops and markets are in a category for which the FDA has implemented stringent clinical investigation and pre-market clearance requirements. Moreover, the FDA administers certain controls over the export of such devices from the United States.

Medical device laws are also in effect in many of the countries in which Medtronic does business outside the United States. These range from comprehensive device approval requirements for some or all of Medtronic's medical device products to requests for product data or certifications. The number and scope of these requirements is increasing.

In the early 1990's the review time by the FDA to clear medical devices for commercial release lengthened and the number of clearances, both of 510(k) submissions and pre-market approval applications ("PMA's"), decreased. In response to public and congressional concern, the FDA has attempted to address these issues by clearing more 510(k) submissions and clearing them more quickly. Some progress has also been made in the number of PMA's and PMA-Supplements cleared, but review times for leading-edge, innovative products remain long. While the trend is in the right direction, the lengthy clearance time remains a significant issue and various legislative solutions to resolve this are currently before the U.S. Congress.

In keeping with the increased emphasis on cost effectiveness in health care delivery, the current trend among hospitals and other customers of medical device manufacturers is to consolidate into larger purchasing groups to enhance purchasing power. The medical device industry has also been consolidating rapidly, partly in order to offer a broader range of products to large purchasers. As a result, transactions with customers are more significant, more complex and tend to involve more long-term contracts than in the past. This enhanced purchasing power may also increase the pressure on product pricing, although management is unable to estimate the potential impact at this time. Management believes that in this climate it is increasingly important to offer a full line of products in order to better serve the many requirements of multi-hospital purchasers.

Medtronic is also subject to various environmental laws and regulations both in the United States and abroad. The operations of the company, like those of other medical device companies, involve the use of substances regulated under environmental laws, primarily in manufacturing and sterilization processes. While it is difficult to quantify the potential impact of compliance with environmental protection laws, management believes that such compliance will not have a material impact on the company's financial position, results of operations or liquidity.

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. During the past year, United States District Courts in California, Florida and

Kentucky have refused to certify class actions in cases brought against the company. This is consistent with the trend in class action law as it applies to the medical device industry generally. 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.

SALES, MARKETS AND DISTRIBUTION METHODS. The primary markets for Medtronic's products are hospitals, other medical institutions and physicians in the United States and other countries around the world. No one customer individually accounts for a material amount of Medtronic's total sales.

Medtronic sells most of its products and services directly through its staff of trained, full-time sales representatives. Sales by these representatives accounted for approximately 93.1% of Medtronic's U.S. sales and approximately 66.1% of its sales from other countries in fiscal 1997. The remaining sales were made through independent distributors.

RAW MATERIALS AND PRODUCTION. Medtronic generally has vertically integrated manufacturing operations, and makes its own lithium batteries, feedthroughs, integrated and hybrid circuits, microprocessors, and certain other components. Medtronic purchases many of the parts and materials used in manufacturing its components and products from external suppliers. Medtronic's single- and sole-sourced materials include biomaterials such as adhesives, polymers, elastomers and resins; certain integrated circuits and other electrical/electronic/mechanical components; power sources, battery anodes, pyrolytic carbon discs, pharmaceutical preparations such as Lioresal(R) (baclofen, USP) Intrathecal (registered trademark of Novartis Pharmaceutical Corporation), and computer and other peripheral equipment.

Certain of the raw materials and components used in Medtronic products are available only from a sole supplier. Materials are purchased from single sources for reasons of quality assurance, sole source availability or cost effectiveness. Medtronic works closely with its suppliers to assure continuity of supply while maintaining high quality and reliability. However, in an effort to reduce potential product liability exposure, certain suppliers have terminated or are planning to terminate sales of certain materials and parts to companies that manufacture implantable medical devices. Medtronic believes that various design, material or supplier alternatives can be found for these materials and components without a significant interruption in production.

PATENTS AND LICENSES. Medtronic owns patents on certain of its inventions, and obtains licenses from others as it deems necessary to its business. Medtronic's policy is to obtain patents on its inventions whenever practical. Technological advancement characteristically has been rapid in the medical device industry, and Medtronic does not consider its business to be materially dependent upon any individual patent.

COMPETITION AND INDUSTRY. Medtronic sells therapeutic and diagnostic medical devices in the United States and around the world. In the businesses in which Medtronic competes, the company faces a mixture of competitors ranging from large multi-national industrial manufacturers to national or regional manufacturers that offer a limited selection of products. Important factors to

Medtronic's customers include product reliability and performance, product technology that provides for improved patient benefits, product price, and breadth of product lines and related product services provided by the manufacturer. Major shifts in industry market share have occurred in connection with product problems, physician advisories and safety alerts, reflecting the importance and risks of product quality in the medical device industry.

Medtronic is the leading manufacturer and supplier of pacemakers in both the U.S. and non-U.S. markets. Worldwide, approximately ten manufacturers compete in the pacemaker industry. In the U.S., Medtronic and three other manufacturers account for a significant portion of pacemaker sales. Medtronic and five other manufacturers account for most of the non-U.S. pacemaker sales.

In the tachyarrhythmia management device market, Medtronic and two other manufacturers based in the U.S. account for most sales of implantable defibrillators within and outside the U.S. Medtronic's Jewel(R) and Micro Jewel(R) family of implantable cardioverter-defibrillators is commercially available with the company's Sprint(TM) leads in U.S. and non-U.S. markets. At least three other companies have devices in various stages of development and clinical evaluation.

In the vascular market, which includes balloon and guiding catheters, and implantable stents and grafts, there are numerous competitors worldwide. Medtronic and four other manufacturers account for most balloon and guiding catheter sales. In stents, Medtronic and several competitors account for most sales worldwide, with one competitor holding a dominant market position and many new competitors emerging.

Medtronic is the second largest manufacturer and supplier of both tissue and mechanical heart valves within and outside the U.S. A large manufacturer and distributor of hospital products and services is the major competitor in tissue heart valves and another company is the major competitor in mechanical heart valves. These two companies and Medtronic are the primary manufacturers and suppliers of heart valves within the U.S. These three companies plus a few other competitors account for most of the worldwide heart valve sales.

In the blood oxygenator market, there are approximately seven companies that account for a significant portion of the U.S. and non-U.S. markets. Medtronic is the market leader in cannulae products. Medtronic and three competitors account for a significant portion of cannulae sales in the U.S. Medtronic and three competitors account for a significant portion of autotransfusion sales in both U.S. and non-U.S. markets.

In neurological devices, Medtronic is the leading manufacturer and supplier of implantable neurostimulation and drug delivery systems, and shunts for the treatment of hydrocephalus. Medtronic and two competitors account for most sales worldwide.

Market complexity continues to intensify in the medical device industry. Factors such as relative patent portfolios, government regulation (including the regulatory approval process for medical devices), a more rigorous enforcement climate at the FDA, anticipated health care reform, buyer groups, government reimbursement systems for health care costs, product liability litigation and the rapid rate of technological change are increasingly important considerations for existing medical device manufacturers and any potential entrants to the industry.

RESEARCH AND DEVELOPMENT. Medtronic spent \$280.2 million on research and development (11.5% of sales) in fiscal 1997, \$243.8 million on research and development (11.2% of net sales) in fiscal 1996 and \$191.4 million (11.0% of net sales) in fiscal 1995. These amounts have been applied toward improving existing products, expanding their applications, and developing new products. Medtronic's research and development projects span such areas as sensing and treatment of cardiovascular disorders (including bradycardia and tachyarrhythmia, fibrillation, and sinus node abnormalities); improved heart valves, membrane oxygenators and centrifugal blood pump systems; implantable drug delivery systems for pain, spasticity and other neurological applications; muscle and neurological stimulators; therapeutic catheters; coronary and peripheral stents and stented grafts, and treatments for restenosis; implantable physiologic sensors; treatments for heart failure; and materials and coatings to enhance the

blood/device interface.

Medtronic has not engaged in significant customer or government sponsored research.

EMPLOYEES. On April 30, 1997, Medtronic and its subsidiaries employed 11,722 people on a regular, full-time basis and, including temporary and part-time employees, a total of 13,719 employees on a full-time equivalent basis.

U.S. AND NON-U.S. OPERATIONS AND EXPORT SALES. Medtronic sells products in more than 120 countries in three geographic areas: the Americas, Europe/Middle East/Africa (Europe), and Asia/Pacific.

For financial reporting purposes, revenues, profitability, and identifiable assets attributable to significant geographic areas are presented in Note 13 to the consolidated financial statements, incorporated herein by reference to Medtronic's 1997 Annual Shareholders Report on page 58. U.S. export sales to unaffiliated customers comprised less than two percent of Medtronic's consolidated sales in each of fiscal 1997, 1996 and 1995.

Operation in countries outside the U.S. is accompanied by certain financial and other risks. Relationships with customers and effective terms of sale frequently vary by country, often with longer-term receivables than are typical in the U.S. Inventory management is an important business concern due to the potential for rapidly changing business conditions and currency exposure. Currency exchange rate fluctuations can affect income from, and profitability of, non-U.S. operations. Medtronic attempts to hedge these exposures to reduce the effects of foreign currency fluctuations on net earnings. Certain countries also limit or regulate the repatriation of earnings to the United States. Non-U.S. operations in general present complex tax and money management issues requiring sophisticated analysis to meet the company's financial objectives.

EXECUTIVE OFFICERS OF MEDTRONIC

Set forth below are the names and ages of current executive officers of Medtronic, Inc., as well as information regarding their positions with Medtronic, Inc., their periods of service in these capacities, and their business experience for the past five or more years. Executive officers generally serve terms of office of approximately one year. There are no family relationships among any of the officers named, nor is there any arrangement or understanding pursuant to which any person was selected as an officer.

WILLIAM W. GEORGE, age 54, has been Chairman and Chief Executive Officer since August 1996, was President and Chief Executive Officer from May 1991 to August 1996, and was President and Chief Operating Officer from March 1989 to April 1991. He has been a director since March 1989. Prior to joining the company, Mr. George was President, Space and Aviation Systems Business, at Honeywell Inc. from December 1987 to March 1989. During his 11 years with Honeywell, Mr. George served in several other executive positions including President, Industrial Automation and Control, from May 1987 to December 1987; and Executive Vice President of that business from January 1983 to May 1987.

GLEN D. NELSON, M.D., age 60, has been Vice Chairman since July 1988, and has been a director since 1980. From August 1986 to July 1988, he was Executive Vice President of the company. Dr. Nelson was Chairman and Chief Executive Officer of American MedCenters, Inc., an HMO management corporation, from July 1984 to August 1986.

ARTHUR D. COLLINS, JR., age 49, has been President and Chief Operating Officer since August 1996, was Chief Operating Officer from January 1994 to August 1996 and from June 1992 to January 1994 was Executive Vice President and President of Medtronic International. He has been a director since August 1994. Prior to joining the company, Mr. Collins was Corporate Vice President, Diagnostic Products, at Abbott Laboratories from October 1989 to May 1992 and Divisional Vice President, Diagnostic Products, from May 1984 to October 1989. During his 14 years with Abbott, Mr. Collins served in various general management positions both in the United States and Europe.

BOBBY I. GRIFFIN, age 60, has been Executive Vice President since July 1988, and President, Pacing, since March 1991. From September 1985 to July 1988,

Mr. Griffin was Vice President of the Pacing Business Unit.

BILL K. ERICKSON, age 53, has been Senior Vice President and President, Americas, since January 1994. From May 1992 to January 1994, Mr. Erickson was Senior Vice President and President, U.S. Cardiovascular Sales and Marketing Division. Mr. Erickson was Senior Vice President, U.S. Cardiovascular Division, from January 1990 to May 1992 and was Vice President, U.S. Cardiovascular Distribution, from January 1982 to December 1989.

JANET S. FIOLA, age 55, has been Senior Vice President, Human Resources since March 1994. She was Vice President, Human Resources, from February 1993 to March 1994, and was Vice President, Corporate Human Resources, from February 1988 to February 1993.

B. KRISTINE JOHNSON, age 45, has been Senior Vice President and President, Vascular Business since May 1996. She was Vice President and President, Tachyarrhythmia Management from May 1995 to April 1996, and Vice President and General Manager, Tachyarrhythmia Management from January 1990 to April 1995. She served in various general management positions at the company from April 1982 to December 1989. Prior to joining the company, Ms. Johnson served in several management positions at Cargill, Inc. from 1973 to 1982.

PHILIP M. LAUGHLIN, age 50, joined the company as Senior Vice President and President, Cardiac Surgery, in July 1995. Prior to that he served with Clintec Nutrition company (worldwide joint venture of Baxter International and Nestle S.A. in the field of clinical nutrition) as President, North America, from 1994 through July 1995 and as President, United States, from 1989 to 1993. From 1976 to 1989, he held numerous general management positions at Baxter International in Europe and the Far East, and was most recently Vice President, Operations, Global Business Group.

RONALD E. LUND, age 62, has been Senior Vice President and General Counsel since November 1990, and Secretary since July 1992, and was Vice President and General Counsel from February 1989 to November 1990. Prior to joining the company, Mr. Lund served as Vice President and Associate General Counsel of The Pillsbury Company from 1984 to February 1989.

JOHN A. MESLOW, age 58, has been Senior Vice President and President, Neurological Business, since March 1994. He was Vice President and President, Neurological Business, from March 1991 to March 1994, and was Vice President, Neurological Division, from March 1985 to March 1991.

ROBERT L. RYAN, age 54, has been Senior Vice President and Chief Financial Officer since April 1993. Prior to joining the company, Mr. Ryan was Vice President, Finance, and Chief Financial Officer of Union Texas Petroleum Corp. from May 1984 to April 1993, Controller from May 1983 to May 1984, and Treasurer from March 1982 to May 1983.

ITEM 2. PROPERTIES

Medtronic's principal offices are owned by the company and located in the Minneapolis, Minnesota metropolitan area. Manufacturing or research facilities are located in Arizona, California, Colorado, Massachusetts, Michigan, Minnesota, Texas, Puerto Rico, Canada, France, Germany, Israel, Italy, the Netherlands, Sweden, Switzerland and Japan. The company's total manufacturing and research space is approximately 1.8 million square feet, of which approximately 79% is owned by the company and the balance is leased.

Medtronic also maintains sales and administrative offices in the United States at 83 locations in 26 states or jurisdictions and outside the United States at 109 locations in 30 countries. Most of these locations are leased. Medtronic is utilizing substantially all of its currently available productive space to develop, manufacture and market its products. The company's facilities are in good operating condition, suitable for their respective uses and adequate for current needs.

ITEM 3. LEGAL PROCEEDINGS

Note 11 to the consolidated financial statements appearing on page 57 of Medtronic's 1997 Annual Shareholders Report is incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET FOR MEDTRONIC'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The information in the sections entitled "Price Range of Medtronic Stock" and "Investor Information" on page 64 of Medtronic's 1997 Annual Shareholders Report is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The information for the fiscal years 1987 through 1997 on page 59 of Medtronic's 1997 Annual Shareholders Report is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information on pages 42 through 45 of Medtronic's 1997 Annual Shareholders Report is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements, together with the report thereon of independent accountants dated May 22, 1997 appearing on pages 46 through 58 of Medtronic's 1997 Annual Shareholders Report, are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF MEDTRONIC

The information on pages 1 through 5 of Medtronic's Proxy Statement for its 1997 Annual Shareholders' Meeting and on page 8 of such Proxy Statement entitled "Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated herein by reference. See also "Executive Officers of Medtronic" on pages 6 and 7 hereof.

ITEM 11. EXECUTIVE COMPENSATION

The sections entitled "Election of Directors -- Director Compensation" and "Executive Compensation" on pages 6 and 7, and 14 through 19, respectively, of Medtronic's Proxy Statement for its 1997 Annual Shareholders' Meeting are incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

"Shareholdings of Certain Owners and Management" on page 8 of Medtronic's Proxy Statement for its 1997 Annual Shareholders' Meeting is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information on page 7 of Medtronic's Proxy Statement for its 1997 Annual Shareholders' Meeting concerning services provided to the company by directors and executive officers in fiscal 1997 is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. FINANCIAL STATEMENTS

Report of Independent Accountants (incorporated herein by reference to page 46 of Medtronic's 1997 Annual Shareholders Report)

Statement of Consolidated Earnings -- years ended April 30, 1997, 1996, and 1995 (incorporated herein by reference to page 47 of Medtronic's 1997 Annual Shareholders Report)

Consolidated Balance Sheet -- April 30, 1997 and 1996 (incorporated herein by reference to page 48 of Medtronic's 1997 Annual Shareholders Report)

Statement of Consolidated Shareholders' Equity -- years ended April 30, 1997, 1996, and 1995 (incorporated herein by reference to page 49 of Medtronic's 1997 Annual Shareholders Report)

Statement of Consolidated Cash Flows -- years ended April 30, 1997, 1996, and 1995 (incorporated herein by reference to page 50 of Medtronic's 1997 Annual Shareholders Report)

Notes to Consolidated Financial Statements (incorporated herein by reference to pages 51 through 58 of Medtronic's 1997 Annual Shareholders Report)

2. FINANCIAL STATEMENT SCHEDULES

II Valuation and Qualifying Accounts -- years ended April 30, 1997, 1996, and 1995

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

3. EXHIBITS

- 3.1 Medtronic Restated Articles of Incorporation, as amended to date (Exhibit 3.1).(a)
- 3.2 Medtronic Bylaws, as amended to date (Exhibit 3.2).(b)
- 4 Form of Rights Agreement dated as of June 27, 1991 between Medtronic and Norwest Bank Minnesota, National Association, including as Exhibit A thereto the form of Preferred Stock Purchase Right Certificate.
- *10.1 1994 Stock Award Plan (Appendix A).(c)
- *10.2 Management Incentive Plan (Appendix B).(c)
- *10.3 1979 Restricted Stock and Performance Share Award Plan, as amended to date (Exhibit 10.1).(d)
- *10.4 1979 Nonqualified Stock Option Plan, as amended (Exhibit 10.4).(b)
- *10.5 Form of Employment Agreement for Medtronic executive officers (Exhibit 10.5).(e)
- *10.6 1991 Restricted Stock Plan for Non-Employee Directors (Exhibit 10.6).(b)
- *10.7 Capital Accumulation Plan Deferral Program (Exhibit 10.7).(b)
- *10.8 Postretirement Survivor Benefit Plan (Exhibit 10.7).(d)
- *10.9 Amendment effective October 1, 1993 to the Directors' Retirement Plan (Exhibit 10.9).(f)
- *10.10 Executive Nonqualified Supplemental Benefit Plan (Restated May 1, 1997).
- *10.11 Management Incentive Plan Stock Option Replacement Program (Exhibit 10.11).(e)
- 11 Computation of Earnings Per Share.
- 13 Those portions of Medtronic's 1997 Annual Shareholders Report expressly incorporated by reference herein, which shall be deemed filed with the Commission.
- 21 List of Subsidiaries.
- 23 Consent and Report of Price Waterhouse LLP (set forth on page 12 of this report).
- 24 Powers of Attorney.
- 27 Financial Data Schedule.

(a) Incorporated herein by reference to the cited exhibit in Medtronic's Quarterly Report on Form 10-Q for the quarter ended July 28, 1995, filed with the Commission on September 8, 1995.

(b) Incorporated herein by reference to the cited exhibit in Medtronic's Annual Report on Form 10-K for the year ended April 30, 1996, filed with the Commission on July 24, 1996.

- (c) Incorporated herein by reference to the cited appendix in Medtronic's Proxy Statement for its 1994 Annual Meeting of Shareholders, filed with the Commission on July 27, 1994.
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- (e) Incorporated herein by reference to the cited exhibit in Medtronic's Annual Report on Form 10-K for the year ended April 30, 1995, filed with the Commission on July 25, 1995.
- (f) Incorporated herein by reference to the cited exhibit in Medtronic's Annual Report on Form 10-K for the year ended April 30, 1994, filed with the Commission on July 27, 1994.

*Items that are management contracts or compensatory plans or arrangements required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K.

(b) REPORTS ON FORM 8-K

For the purpose of updating the company's outstanding Registration Statements on Form S-3, the company filed a Report on Form 8-K dated February 18, 1997 reporting under Item 5 the announcement of financial results for the quarter ended January 31, 1997.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: July 23, 1997

BY: /s/ WILLIAM W. GEORGE

 WILLIAM W. GEORGE
 CHAIRMAN AND
 CHIEF EXECUTIVE OFFICER

Pursuant to the requirements of the Securities Exchange Act of 1934, the report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Dated: July 23, 1997

BY: /s/ WILLIAM W. GEORGE

 WILLIAM W. GEORGE
 CHAIRMAN AND
 CHIEF EXECUTIVE OFFICER

Dated: July 23, 1997

BY: /s/ ROBERT L. RYAN

 ROBERT L. RYAN
 SENIOR VICE PRESIDENT AND
 CHIEF FINANCIAL OFFICER
 (PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER)

- F. CALEB BLODGETT
- ARTHUR D. COLLINS, JR.
- WILLIAM W. GEORGE
- ANTONIO M. GOTTO, JR., M.D.
- BERNADINE P. HEALY, M.D.
- THOMAS E. HOLLORAN
- GLEN D. NELSON, M.D.
- RICHARD L. SCHALL

DIRECTORS

JACK W. SCHULER
GERALD W. SIMONSON
GORDON M. SPRENGER
RICHARD W. SWALIN, PH.D.

Ronald E. Lund, by signing his name hereto, does hereby sign this document on behalf of each of the above named directors of the registrant pursuant to powers of attorney duly executed by such persons.

Dated: July 23, 1997

BY: /s/ RONALD E. LUND

Ronald E. Lund
Attorney-In-Fact

REPORT OF INDEPENDENT ACCOUNTANTS
ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors of Medtronic, Inc.

Our audits of the consolidated financial statements referred to in our report dated May 22, 1997 appearing on page 46 of the 1997 Annual Shareholders Report of Medtronic, Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 14(a) of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PRICE WATERHOUSE LLP

Minneapolis, Minnesota
May 22, 1997

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in each Registration Statement on Form S-8 (Registration Nos. 2-65157, 2-68408, 33-169, 33-36552, 2-65156, 33-24212, 33-37529, 33-44230, 33-55329, 33-63805, 33-64585, 333-04099 and 333-07385) and in each Prospectus constituting part of the Registration Statements on Form S-3 (Registration Nos. 33-64455, 33-64521, 333-01585 and 333-04101) and Form S-4 (Registration Nos. 33-52751 and 333-04591) of Medtronic, Inc. of our report dated May 22, 1997 appearing on page 46 of the 1997 Annual Shareholders Report which is incorporated by reference in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule as shown above.

PRICE WATERHOUSE LLP

Minneapolis, Minnesota
July 22, 1997

MEDTRONIC, INC. AND SUBSIDIARIES
SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS OF DOLLARS)

BALANCE AT BEGINNING OF PERIOD -----	CHARGES/ (CREDITS) TO EARNINGS -----	OTHER CHANGES (DEBIT) CREDIT -----	BALANCE AT END OF PERIOD -----
---	---	--	---

Allowance for doubtful accounts:

Year ended 4/30/97	\$18,094	\$ (1,952)	\$ (1,448) (a) (1,021) (b)	\$13,673
Year ended 4/30/96	22,416	(189)	(1,371) (a) (857) (b) (1,905) (c)	18,094
Year ended 4/30/95	20,123	2,501	(1,464) (a) 1,256 (b)	22,416

-
- (a) Uncollectible accounts written off, less recoveries.
- (b) Reflects primarily the effects of foreign currency fluctuations.
- (c) Uncollectible accounts written off related to 1993 divestiture.

Commission File Number 1-7707

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

EXHIBITS

TO

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13

OF

THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED APRIL 30, 1997

EXHIBITS INDEX	METHOD OF FILING
3.1 Medtronic Restated Articles of Incorporation, as amended to date (Exhibit 3.1).(a)	--
3.2 Medtronic Bylaws, as amended to date (Exhibit 3.2).(b)	--
4 Form of Rights Agreement dated as of June 27, 1991 between Medtronic and Norwest Bank Minnesota, National Association, including as Exhibit A thereto the form of Preferred Stock Purchase Right Certificate.	E
10.1 1994 Stock Award Plan (Appendix A).(c)	--
10.2 Management Incentive Plan (Appendix B).(c)	--
10.3 1979 Restricted Stock and Performance Share Award Plan, as amended to date (Exhibit 10.1).(d)	--
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13 Those portions of Medtronic's 1997 Annual Shareholders Report	

expressly incorporated by reference herein, which shall be deemed
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of this report). --
24 Powers of Attorney. E
27 Financial Data Schedule. E

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MEDTRONIC, INC.
and
NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION
Rights Agent

Rights Agreement
Dated as of June 27, 1991

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RIGHTS AGREEMENT

Agreement, dated as of June 27, 1991, between MEDTRONIC, INC., a Minnesota corporation (the "Company"), and NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION, a national banking association (the "Rights Agent").

The Board of Directors of the Company has authorized and declared a dividend of one preferred share purchase right (individually a "Right" and collectively the "Rights") for each Common Share (as defined in this Agreement) of the Company outstanding on July 10, 1991 (the "Record Date"), each Right initially representing the right to purchase one one-hundredth of a Preferred Share (as defined in this Agreement), upon the terms and subject to the conditions set forth in this Agreement, and has further authorized the issuance of one Right (as such number may hereafter be adjusted pursuant to the provisions of Section 11) with respect to each Common Share that shall become outstanding (i) at any time between the Record Date and the earliest of the Distribution Date, the Redemption Date or the Final Expiration Date (as such terms are defined in this Agreement) or (ii) upon the exercise or conversion, prior to the earlier of the Redemption Date or the Final Expiration Date, of any option or other security exercisable for or convertible into Common Shares, which option or other such security is outstanding on the Distribution Date.

Accordingly, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1. Certain Definitions. For purposes of this Agreement, the following terms have the meanings indicated:

(a) "Acquiring Person" shall mean any Person (as such term is defined in this Agreement) who or which, together with all Affiliates and Associates (as such terms are defined in this Agreement) of such Person, shall be the Beneficial Owner (as such term is defined in this Agreement) of 15% or more of the Common Shares of the Company then outstanding, but shall not include (i) the Company, (ii) any Subsidiary (as such term is defined in this Agreement) of the Company, (iii) any employee benefit plan of the Company or of any Subsidiary of the Company, or (iv) any entity holding Common Shares for or pursuant to the terms of any such plan described in clause (iii) of this sentence. Notwithstanding the foregoing, no Person shall become an "Acquiring Person" as the result of an acquisition of Common Shares by the Company which,

by reducing the number of Common Shares outstanding, increases the proportionate number of shares beneficially owned by such Person to 15% or more of the Common Shares of the Company then outstanding; provided, however, that if a Person shall, together with all Affiliates or Associates of such Person, become the Beneficial Owner of 15% or more of the Common Shares of the Company then outstanding by reason of share acquisitions by the Company and if such Person or such Person's Affiliates or Associates shall, after such share acquisitions by the Company, become the Beneficial Owner of any additional Common Shares of the Company, and, immediately after becoming the Beneficial Owner of such additional Common Shares, such Person shall, together with all Affiliates and Associates of such Person, be the Beneficial Owner of 15% or more of the Common Shares of the Company then outstanding, then such Person (unless such Person shall be (1) the Company, (2) any Subsidiary of the Company, (3) any employee benefit plan of the Company or of any Subsidiary of the Company, or (4) any entity holding Common Shares for or pursuant to the terms of any such plan described in clause (3) of this sentence) shall be deemed an "Acquiring Person". An entity other than the Company or any Subsidiary of the Company holding Common Shares for or pursuant to the terms of an employee benefit plan of the Company or of any Subsidiary of the Company and in addition being the Beneficial Owner of Common Shares that are not held for or pursuant to the terms of any such plan shall be deemed to constitute an Acquiring Person, notwithstanding anything herein stated, if, but only if, it, together with its Affiliates and Associates, shall be the Beneficial Owner of 15% or more, exclusive of those Common Shares held by it for or pursuant to the terms of any such plan, of the Common Shares then outstanding. Notwithstanding the foregoing, if the Board of Directors of the Company determines in good faith that a Person who would otherwise be an "Acquiring Person", as defined pursuant to the foregoing provisions of this paragraph (a), has become such inadvertently, and such Person divests as promptly as practicable a sufficient number of Common Shares so that such Person would no longer be an Acquiring Person, as defined pursuant to the foregoing provisions of this paragraph (a), then such Person shall not be deemed to be an "Acquiring Person" for any purposes of this Agreement.

(b) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on the date of this Agreement.

(c) A Person shall be deemed the "Beneficial Owner" of, and shall be deemed to "beneficially own" or have "beneficial ownership" of, any securities:

(i) which such Person or any of such Person's Affiliates or Associates beneficially owns, directly or indirectly, including without limitation securities with respect to which such Person or any of such Person's Affiliates or Associates has "beneficial ownership" pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act;

(ii) which such Person or any of such Person's Affiliates or Associates has, directly or indirectly, (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, whether or not in writing (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities), or upon the exercise of conversion rights, exchange rights, other rights (other than the Rights), warrants or options, or otherwise; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, or to have beneficial ownership of, any securities pursuant to subparagraph (i), (ii) or (iii) of this paragraph (c) solely because such securities are tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange; or (B) the right to vote or dispose of (including without limitation pursuant to any agreement, arrangement or understanding (whether or not in writing)); provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, or to have beneficial ownership of, any securities pursuant to subparagraph (i), (ii) or (iii) of this paragraph (c) solely because of the right to vote such securities pursuant to an agreement, arrangement or understanding if the agreement, arrangement or understanding to vote such securities (1) arises solely from a revocable proxy or consent given to such Person or any of such Person's Affiliates or Associates in response to a public proxy or consent

solicitation made pursuant to, and in accordance with, the applicable rules and regulations under the Exchange Act and (2) is not also then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report) as being beneficially owned by such Person; or

(iii) which are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person (or any of such Person's Affiliates or Associates) has any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in the proviso to subparagraph (ii) of this paragraph (c)) or disposing of any voting securities of the Company.

Notwithstanding anything in these definitions of Beneficial Owner, beneficially own or beneficial ownership to the contrary, the phrase "then outstanding," when used with reference to a Person's beneficial ownership of securities of the Company, shall mean the number of such securities then issued and outstanding together with the number of such securities not then actually issued and outstanding which such Person would be deemed to beneficially own under this Agreement.

(d) "Business Day" shall mean any day other than a Saturday, Sunday or a day on which banking institutions in the State of New York or Minnesota are authorized or obligated by law or executive order to close.

(e) "Close of Business" on any given date shall mean 5:00 P.M., Minneapolis, Minnesota time, on such date; provided, however, that if such date is not a Business Day it shall mean 5:00 P.M., Minneapolis, Minnesota time, on the next succeeding Business Day.

(f) "Common Shares", when used with reference to the Company, shall mean Common Shares of the par value of \$.10 per share (as such par value may be changed from time to time) of the Company. "Common Shares", when used with reference to any Person other than the Company, shall mean the capital stock (or equity interest) with the greatest voting power of such other Person.

(g) "Distribution Date" shall have the meaning set forth in Section 3.

(h) "Final Expiration Date" shall have the meaning set forth in Section 7.

(i) "Person" shall mean any individual, firm, corporation, partnership or other entity, and shall include any successor (by merger or otherwise) of any such entity.

(j) "Preferred Shares" shall mean Series A Junior Participating Preferred Shares of the par value of \$1.00 per share (as such par value may be changed from time to time) of the Company having the rights and preferences set forth in the "Form of Certificate of Designation, Preferences and Rights" attached to this Agreement as Exhibit A hereto.

(k) "Redemption Date" shall have the meaning set forth in Section 7.

(l) "Section 11(a)(ii) Event" shall mean an event described in the first sentence of Section 11(a)(ii).

(m) "Section 13 Event" shall mean any event described in clauses (w), (x), (y) or (z) of Section 13(a).

(n) "Shares Acquisition Date" shall mean the first date of public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to Section 13(d) of the Exchange Act) by the Company or an Acquiring Person that an Acquiring Person has become such.

(o) "Subsidiary" of any Person shall mean any corporation or other entity of which a majority of the voting power of the voting equity securities or other equity interests entitled to vote in the election of directors (or Persons with comparable responsibilities if the entity has no directors) is beneficially owned, directly or indirectly, by such Person, or

otherwise controlled by such Person.

Section 2. Appointment of Rights Agent. The Company hereby appoints the Rights Agent to act as agent for the Company and the holders of the Rights (who, in accordance with Section 3, shall prior to the Distribution Date also be the holders of the Common Shares) in accordance with the terms and conditions of this Agreement, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such co-Rights Agents as it may deem necessary or desirable.

Section 3. Issue of Right Certificates. (a) Until the earlier of (i) the Close of Business on the 15th day after the Shares Acquisition Date or (ii) the Close of Business on the 15th day (or such later date as may be determined by action of the Board of Directors of the Company prior to such time as any Person becomes an Acquiring Person) after the date of the commencement by any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company or any entity holding Common Shares for or pursuant to the terms of any such plan) of, or of the first public announcement of the intention of any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company or any entity holding Common Shares for or pursuant to the terms of any such plan) to commence (which intention shall not have been withdrawn within five business days (as defined in Rule 14d-1 of the General Rules and Regulations under the Act) after such public announcement), a tender or exchange offer the consummation of which would result in beneficial ownership by a Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company or any entity holding Common Shares for or pursuant to the terms of any such plan) of 15% or more of the then outstanding Common Shares (including any such date that is after the date of this Agreement and prior to the issuance of the Rights, the earlier of such dates being herein referred to as the "Distribution Date"), (x) the Rights will be evidenced (subject to the provisions of Section 3(b) hereof) by the certificates for Common Shares registered in the names of the holders thereof (which certificates shall also be deemed to be Right Certificates where the context so requires) and not by separate Right Certificates, and (y) the right to receive Right Certificates will be transferable only in connection with the transfer of Common Shares. As soon as practicable after the Distribution Date, the Company will prepare and execute, the Rights Agent will countersign, and the Company will send or cause to be sent (and the Rights Agent will, if requested, send) by first-class, postage-prepaid mail, to each record holder of Common Shares as of the close of business on the Distribution Date, at the address of such holder shown on the records of the Company, one or more Right Certificates, in substantially the form of Exhibit B hereto (the "Right Certificates"), evidencing one Right for each Common Share so held, subject to adjustment pursuant to Section 11(i). In the event that an adjustment in the number of Rights per Common Share has been made pursuant to Section 11(i), at the time Right Certificates are distributed, the Company may, to the extent provided in Section 14(a), make the necessary and appropriate rounding adjustments (as set forth in Section 14(a)) so that Right Certificates are distributed representing only whole numbers of Rights and pay cash in lieu of fractional Rights pursuant to Section 14(a). As of and after the Distribution Date, the Rights will be evidenced solely by such Right Certificates.

(b) On the Record Date, or as soon as practicable thereafter, the Company will send a copy of a Summary of Rights to Purchase Preferred Shares, in substantially the form of Exhibit C hereto (the "Summary of Rights"), by first-class, postage-prepaid mail, to each record holder of Common Shares as of the Close of Business on the Record Date, at the address of such holder shown on the records of the Company. With respect to certificates for Common Shares outstanding as of the Record Date, until the Distribution Date, the Rights will be evidenced by such certificates registered in the names of the holders thereof together with a copy of the Summary of Rights attached thereto, and the registered holders of the Common Shares shall also be the registered holders of the associated Rights. Until the Distribution Date (or the earlier of the Redemption Date or the Final Expiration Date), the surrender for transfer of any certificate for Common Shares outstanding on the Record Date, with or without a copy of the Summary of Rights attached thereto, shall also constitute the transfer of the Rights associated with the Common Shares represented thereby.

(c) Certificates for Common Shares which become outstanding after the Record Date and (i) prior to the earliest of the Distribution Date, the Redemption Date or the Final Expiration Date or (ii) upon the exercise or conversion, prior to the earlier of the Redemption Date or the Final Expiration Date, of any option or other security exercisable for or convertible into Common Shares, which option or other security is outstanding on the Distribution Date,

shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

This certificate also evidences and entitles the holder hereof to certain Rights as set forth in a Rights Agreement between Medtronic, Inc. and Norwest Bank Minnesota, National Association, dated as of June 27, 1991 (the "Rights Agreement"), the terms of which (including restrictions on the transfer of such Rights) are hereby incorporated herein by reference and a copy of which is on file with the Secretary at the principal executive offices of Medtronic, Inc. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. Medtronic, Inc. will mail to the holder of this certificate a copy of the Rights Agreement without charge after receipt of a written request therefor to its Secretary from such holder. Under certain circumstances, as set forth in the Rights Agreement, Rights that are or were acquired or beneficially owned by an Acquiring Person or any Associate or Affiliate thereof (as such terms are defined in the Rights Agreement), may become null and void.

With respect to certificates containing the foregoing legend, until the earliest of the Distribution Date, the Redemption Date or the Final Expiration Date, the Rights associated with the Common Shares represented by such certificates shall be evidenced by such certificates alone, the registered holders of the Common Shares shall also be the registered holders of the associated Rights and the surrender for transfer of any such certificate shall also constitute the transfer of the Rights associated with the Common Shares represented thereby. In the event that the Company purchases or acquires any Common Shares after the Record Date but prior to the Distribution Date, any rights associated with such Common Shares shall be deemed cancelled and retired so that the Company shall not be entitled to exercise any Rights associated with the Common Shares which are no longer outstanding.

Section 4. Form of Right Certificates. The Right Certificates (and the forms of election to purchase Preferred Shares and of assignment to be printed on the reverse thereof) shall be in substantially the form of Exhibit B hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law, rule or regulation (including, without limitation, any rule or regulation of any stock exchange on which the Rights may from time to time be listed) or to conform to usage or to reflect adjustments to the Rights made pursuant to this Agreement. Subject to the provisions of Section 11 and Section 22, the initial Right Certificates, whenever distributed, shall entitle the holders thereof to purchase such number of one one-hundredths of a Preferred Share as shall be set forth therein at the price per one one-hundredth of a Preferred Share set forth therein (the "Purchase Price"), but the amount and type of securities purchasable upon the exercise of each Right and the Purchase Price shall be subject to adjustment as provided in this Agreement.

Section 5. Countersignature and Registration.

(a) The Right Certificates shall be executed on behalf of the Company by its Chairman of the Board, its Chief Executive Officer, its President, its Chief Financial Officer or any of its Vice Presidents, either manually or by facsimile signature. The Right Certificates shall be countersigned, either manually or by facsimile signature, by the Rights Agent and shall not be valid for any purpose unless so countersigned. In case any officer of the Company who shall have signed any of the Right Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Right Certificates, nevertheless, may be countersigned by the Rights Agent and issued and delivered by the Company with the same force and effect as though the person who signed such Right Certificates had not ceased to be such officer of the Company; and any Right Certificate may be signed on behalf of the Company by any person who, at the actual date of the signing of such Right Certificate, shall be a proper officer of the Company to sign such Right Certificate, although at the date of the execution of this Rights Agreement any such person was not such an officer.

(b) Following the Distribution Date, the Rights Agent will keep or cause to be kept, at its principal office or the office or offices designated as the appropriate place for surrender of Right Certificates upon exercise or transfer, books for registration and transfer of the Right Certificates. Such books shall show the names and addresses of the respective

holders of the Right Certificates, the number of Rights evidenced on its face by each of the Right Certificates and the date of each of the Right Certificates.

Section 6. Transfer, Split-Up, Combination and Exchange of Right Certificates; Lost, Stolen, Destroyed or Mutilated Right Certificates. (a) Subject to the provisions of Section 14 hereof, at any time after the Close of Business on the Distribution Date, and at or prior to the Close of Business on the earlier of the Redemption Date or the Final Expiration Date, any Right Certificate or Right Certificates (other than Right Certificates representing Rights that have become void pursuant to Section 11(a)(ii) hereof or that have been exchanged pursuant to Section 24 hereof) may be transferred, split up, combined or exchanged for another Right Certificate or Right Certificates, entitling the registered holder to purchase a like number of one one-hundredths of a Preferred Share as the Right Certificate or Right Certificates surrendered then entitled such holder (or former holder in the case of a transfer) to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Right Certificate or Rights Certificates shall make such request in writing delivered to the Rights Agent, and shall surrender the Right Certificate or Right Certificates to be transferred, split up, combined or exchanged at the office or offices of the Rights Agent designated for such purpose. Thereupon the Rights Agent shall, subject to Section 14 hereof, countersign and deliver to the Person entitled thereto a Right Certificate or Right Certificates, as the case may be, as so requested. The Company may require payment by the registered holder of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split-up, combination or exchange of Right Certificates. Neither the Rights Agent nor the Company shall be obligated to take any action whatsoever with respect to the transfer of any such surrendered Right Certificate until the registered holder shall have duly completed and executed the form of assignment on the reverse side of such Right Certificate and shall have provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) of such Right Certificate or Affiliates or Associates thereof as the Company shall reasonably request.

(b) Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Right Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to them, and, at the Company's request, reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Right Certificate if mutilated, the Company will make and deliver a new Right Certificate of like tenor to the Rights Agent for countersignature and delivery to the registered owner in lieu of the Right Certificate so lost, stolen, destroyed or mutilated.

Section 7. Exercise of Rights; Purchase Price; Expiration Date of Rights. (a) Subject to Section 11(a)(ii) hereof, the registered holder of any Right Certificate may exercise the Rights evidenced thereby (except as otherwise provided in this Agreement) in whole or in part at any time after the Distribution Date upon surrender of the Right Certificate, with the form of election to purchase on the reverse side thereof duly completed and executed, to the Rights Agent at the office or offices of the Rights Agent designated for such purpose, together with payment of the Purchase Price for each one one-hundredth of a Preferred Share as to which the Rights are exercised, at or prior to the earliest of (i) the close of business on July 10, 2001 (the "Final Expiration Date"), (ii) the time at which the Rights are redeemed as provided in Section 23 (the "Redemption Date"), or (iii) the time at which such Rights are exchanged as provided in Section 24.

(b) The Purchase Price for each one one-hundredth of a Preferred Share purchaseable pursuant to the exercise of a Right shall initially be \$600, shall be subject to adjustment from time to time as provided in Sections 11 and 13 hereof and shall be payable in lawful money of the United States of America in accordance with paragraph (c) below.

(c) Upon receipt of a Right Certificate representing exercisable Rights, with the form of election to purchase duly completed and executed, accompanied by payment of the Purchase Price for the shares to be purchased and an amount equal to any applicable transfer tax required to be paid by the holder of such Right Certificate in accordance with Section 9 in cash, or by certified check or bank cashier's check or money order payable to the order of the Company, the Rights Agent shall, subject to Section 20(k), thereupon promptly (i) (A) requisition from any transfer agent of the Preferred Shares (or make available, if the Rights Agent is the transfer agent for such shares) certificates for the number of Preferred Shares to be purchased and the Company hereby irrevocably authorizes its transfer agent to comply with all such

requests, or (B) if the Company shall have elected to deposit the total number of Preferred Shares issuable upon exercise of the Rights under this Agreement with a depositary agent, requisition from the depositary agent depositary receipts representing such number of one one-hundredths of a Preferred Share as are to be purchased (in which case certificates for the Preferred Shares represented by such receipts shall be deposited by the transfer agent with the depositary agent) and the Company hereby directs the depositary agent to comply with such request, (ii) when appropriate, requisition from the Company the amount of cash to be paid in lieu of issuance of fractional interests in shares in accordance with Section 14, (iii) after receipt of such certificates or depositary receipts, cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder and (iv) when appropriate, after receipt, deliver such cash for fractional interests in shares to or upon the order of the registered holder of such Right Certificate.

(d) In case the registered holder of any Right Certificate shall exercise less than all the Rights evidenced thereby, a new Right Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent and delivered to the registered holder of such Right Certificate or to such holder's duly authorized assigns, subject to the provisions of Section 14 hereof.

(e) Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Company shall be obligated to undertake any action with respect to a registered holder upon the occurrence of any purported exercise as set forth in this Section unless such registered holder shall have (i) duly completed and executed the form of election to purchase set forth on the reverse side of the Right Certificate surrendered for such exercise and (ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) of such Right Certificate or Affiliates or Associates thereof as the Company shall reasonably request.

Section 8. Cancellation and Destruction of Right Certificates. All Right Certificates surrendered for the purpose of exercise, transfer, split-up, combination or exchange shall, if surrendered to the Company or to any of its agents, be delivered to the Rights Agent for cancellation or in cancelled form, or, if surrendered to the Rights Agent, shall be cancelled by it, and no Right Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Rights Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Right Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all cancelled Right Certificates to the Company, or shall, at the written request of the Company, destroy such cancelled Right Certificates after any retention period required by the Securities and Exchange Commission has lapsed, and in such case shall deliver a certificate of destruction thereof to the Company.

Section 9. Reservation and Availability of Preferred Shares.

(a) The Company covenants and agrees that it will cause to be reserved and kept available out of its authorized and unissued Preferred Shares, the number of Preferred Shares that will be sufficient to permit the exercise in full of all outstanding Rights.

(b) The Company will prepare and file, as soon as practicable following expiration of the Company's right of redemption pursuant to Section 23, a registration statement under the Securities Act of 1933, as amended (the "Act"), with respect to the Rights and the Company's securities purchasable upon exercise of the Rights on an appropriate form, and use its best efforts to cause such registration statement to (i) become effective as soon as practicable after such filing, and (ii) remain effective (with a prospectus at all times meeting the requirements of the Act) until the earlier of (A) the date as of which the Rights are no longer exercisable for such securities or (B) the Final Expiration Date. The Company will also take such action as may be appropriate under, or to ensure compliance with, the securities or "blue sky" laws of the various states in connection with the exercisability of the Rights. The Company may temporarily suspend, for a period of time not to exceed 90 days after the date the registration statement is filed, the exercisability of the Rights in order to permit the registration statement to become effective. Upon any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. Notwithstanding any provision of this Agreement to the contrary, the Rights shall not be exercisable in any jurisdiction if the requisite qualification in such jurisdiction shall

not have been obtained or the exercise thereof is not permitted under applicable law.

(c) The Company covenants and agrees that it will take all such action as may be necessary to ensure that all Preferred Shares delivered upon exercise of Rights shall, at the time of delivery of the certificates for such Preferred Shares (subject to payment of the Purchase Price and any applicable transfer taxes), be duly and validly authorized and issued and fully paid and nonassessable shares.

(d) The Company further covenants and agrees that it will pay when due and payable any and all federal and state transfer taxes and charges that may be payable in respect of the issuance or delivery of the Right Certificates or of any Preferred Shares upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax that may be payable in respect of any transfer or delivery of Right Certificates to a person other than, or the issuance or delivery of certificates or depositary receipts for the Preferred Shares in a name other than that of, the registered holder of the Right Certificate evidencing Rights surrendered for exercise, or to issue or to deliver any certificates or depositary receipts for Preferred Shares upon the exercise of any Rights, until any such tax shall have been paid (any such tax being payable by the holder of such Right Certificate at the time of surrender) or until it has been established to the Company's satisfaction that no such tax is due.

Section 10. Preferred Shares Record Date. Each person in whose name any certificate for Preferred Shares is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the Preferred Shares represented thereby on, and such certificate shall be dated, the date upon which the Right Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and any applicable transfer taxes) was made; provided, however, that if the date of such surrender and payment is a date upon which the Preferred Shares transfer books of the Company are closed, such person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the Preferred Shares transfer books of the Company are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Right Certificate as such shall not be entitled to any rights of a holder of Preferred Shares for which the Rights shall be exercisable, including without limitation, the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

Section 11. Adjustment of Purchase Price, Number and Kind of Shares or Number of Rights. The Purchase Price, the number and kind of shares covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a) (i) In the event the Company shall at any time after the date of this Agreement (A) declare a dividend on the Preferred Shares payable in Preferred Shares, (B) subdivide the outstanding Preferred Shares, (C) combine the outstanding Preferred Shares into a smaller number of Preferred Shares or (D) issue any shares of its capital stock in a reclassification of the Preferred Shares (including any such reclassification in connection with a consolidation, merger or statutory share exchange in which the Company is the continuing, surviving or acquiring corporation), except as otherwise provided in this Section 11(a), the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of shares of capital stock issuable on such date pursuant to the exercise of the Rights, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive, upon payment of the Purchase Price then in effect (and any applicable transfer taxes), the aggregate number and kind of shares of capital stock which, if such Right had been exercised immediately prior to such date and at a time when the Preferred Shares transfer books of the Company were open, such holder would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right. If an event occurs which would require an adjustment under both Section 11(a)(i) and Section 11(a)(ii), the adjustment provided for in this Section 11(a)(i) shall be in addition to, and shall be made prior to, any adjustment required pursuant to Section 11(a)(ii).

(ii) Subject to Section 24 of this Agreement, in the event any Person shall become an Acquiring Person, other than pursuant to any transaction set forth in Section 13(a), proper provision shall be made so that each holder of a Right, subject to paragraph 11(a)(iii), shall thereafter have a right to receive, upon exercise thereof by payment of the amount equal to the product of the number of one one-hundredths of a Preferred Share which would otherwise be issuable upon exercise of a Right and the then current Purchase Price in accordance with the terms of this Agreement, in lieu of Preferred Shares, such number of Common Shares of the Company as shall equal the result obtained by (x) multiplying the then current Purchase Price by the number of one one-hundredths of a Preferred Share for which a Right is exercisable immediately prior to the occurrence of the Section 11(a)(ii) Event and (y) dividing that product by 50% of the current per share market price of the Company's Common Shares (determined pursuant to Section 11(d) hereof) on the date of such occurrence.

From and after the first occurrence of a Section 11(a)(ii) Event, any Rights that are or were acquired or beneficially owned by any Acquiring Person or any Associate or Affiliate of such Acquiring Person shall become null and void without any further action and no holder of such Rights shall thereafter have any rights to exercise such Rights or any other rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise. No Right Certificate shall be issued pursuant to Section 3 that represents Rights that would be void pursuant to the preceding sentence; no Right Certificate shall be issued at any time upon the transfer of any Rights to an Acquiring Person whose Rights would be void pursuant to the preceding sentence or any Associate or Affiliate of such an Acquiring Person or to any nominee of such Acquiring Person, Associate or Affiliate; and any Right Certificate delivered to the Rights Agent for transfer to an Acquiring Person whose Rights would be void pursuant to the preceding sentence shall be cancelled. The Company shall use all reasonable efforts to insure that the provisions hereof are complied with, but shall have no liability to any holder of a Right Certificate or other Person as a result of its failure in good faith to make any determinations with respect to an Acquiring Person or its Affiliates or Associates.

(iii) If, on the date of the occurrence of a Section 11(a)(ii) Event (the "Adjustment Date"), the Company does not have sufficient authorized, unissued and unreserved Common Shares available to permit the exercise in full of all Rights that are exercisable on the Adjustment Date for the number of Common Shares per Right provided for in Section 11(a)(ii), then the Exercise Price (as defined below) and the number of Common Shares to be delivered by the Company upon exercise of a Right shall be further adjusted as provided in this subparagraph (iii).

(1) Definitions:

- (A) The "Aggregate Market Value" is the product of (i) the number of Available Shares and (ii) the current per share market price of the Common Shares on the Adjustment Date, determined as provided in Section 11(d) hereof.
- (B) The "Available Shares" are all unreserved Common Shares which are authorized and unissued immediately prior to the Adjustment Date.
- (C) The "Exercise Price" is the amount of the payment that must be made by the holder of a Right in connection with the exercise of one Right immediately prior to the Adjustment Date.
- (D) The "Deficiency" is the amount by which (i) two times the Exercise Price exceeds (ii) the quotient obtained by dividing the Aggregate Market Value by the number of Rights remaining outstanding immediately prior to the Adjustment Date (the "Remaining Rights") (which number shall not include the Rights that are or were beneficially owned by any Acquiring Person (or any Associate or Affiliate thereof) that shall have become void pursuant to Section 11(a)(ii) hereof).

- (2) If the Deficiency is less than or equal to the Exercise Price, then
- (A) the number of Common Shares to be delivered by the Company upon exercise of a Right shall be adjusted to be equal to the number of Available Shares divided by the number of Remaining Rights; and
 - (B) the amount of cash required to be delivered by the holder of a Right upon the exercise thereof shall be adjusted (the "New Exercise Price") to equal the Exercise Price minus the Deficiency; provided, however, that in no event will the New Exercise Price be less than the aggregate par value of the Common Shares required to be delivered upon the exercise of one Right pursuant to subparagraph (2) (A) above.
- (3) If the Deficiency is greater than the Exercise Price, then
- (A) the number of Common Shares to be delivered by the Company upon exercise of a Right shall be adjusted to equal the quotient obtained by dividing the Exercise Price by the current per share market price of the Common Shares on the Adjustment Date;
 - (B) the New Exercise Price shall equal the aggregate par value of the Common Shares required to be delivered upon the exercise of one Right pursuant to subparagraph (3) (A) above; and
 - (C) in lieu of issuing Common Shares (in whole or in part upon the exercise of Rights) the Company may issue, upon the exercise of Rights at the New Exercise Price, other equity securities of the Company (including, without limitation, shares, or units or fractions of shares, of preferred stock which the Board of Directors of the Company has determined to have substantially the same value, voting rights and other rights as Common Shares (such equity securities are herein called "common share equivalents")). To the extent that such common share equivalents (or fractions thereof) are substituted for Common Shares upon exercise of the Rights following the occurrence of a Section 11(a) (ii) Event, they shall be substituted on a pro-rata basis with respect to all Rights (other than Rights that are or were beneficially owned by any Acquiring Person (or any Associate or Affiliate thereof) that shall have become void pursuant to Section 11(a) (ii) hereof). Such common share equivalents shall not be included in Available Shares, and all of the Available Shares shall be reserved, as of the Adjustment Date, for issuance, on a pro-rata basis, upon exercise of the Rights and may not be substituted for with common share equivalents upon the exercise of any Right except to the extent that the number of Common Shares required to be delivered under subparagraph (3) (A) upon the exercise of such Right exceeds the quotient of the number of Available Shares divided by the number of Remaining Rights.
- (4) If, at the time any adjustment is required pursuant

to this Section 11(a)(iii), the Common Shares shall have no par value, then for the purposes of this Section 11(a)(iii) the par value of the Common Shares shall be deemed to be \$.10 per share.

- (5) In the event that there shall not be sufficient authorized but unissued and unreserved Common Shares (or common share equivalents the issuance of which is permitted under Section 11(a)(iii)(3)(C)) to permit the exercise in full of the Rights in accordance with this subparagraph (iii), the Company shall use its best efforts to cause the authorization of sufficient additional Common Shares or common share equivalents to permit such exercise and, if the Board of Directors of the Company shall determine in good faith that it is likely that sufficient additional Common Shares or common share equivalents could be authorized to permit such exercise, the Company may suspend the exercisability of the Rights for a period not to exceed 90 days in order to seek any authorization of additional Common Shares or other common share equivalents. In the event of any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect.

(b) In case the Company shall fix a record date for the issuance of rights, options or warrants to all holders of Preferred Shares entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Preferred Shares (or shares having the same rights, privileges and preferences as the Preferred Shares ("equivalent preferred shares")) or securities convertible into Preferred Shares or equivalent preferred shares at a price per Preferred Share or equivalent preferred share (or having a conversion price per share, if a security convertible into Preferred Shares or equivalent preferred shares) less than the current per share market price of the Preferred Shares (as determined pursuant to Section 11(d) hereof) on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of Preferred Shares outstanding on such record date, plus the number of Preferred Shares which the aggregate offering price of the total number of Preferred Shares and/or equivalent preferred shares so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase, at such current per share market price, and the denominator of which shall be the number of Preferred Shares outstanding on such record date, plus the number of additional Preferred Shares and/or equivalent preferred shares to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible); provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right. In case such subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors of the Company), whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of the Rights. Preferred Shares owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed; and in the event that such rights or warrants are not so issued, the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In case the Company shall fix a record date for the making of a distribution to all holders of the Preferred Shares (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing or surviving corporation or in a statutory share exchange) of evidences of indebtedness or cash or non-cash assets (other than a regular quarterly cash dividend or a dividend payable in Preferred Shares) or subscription rights or warrants (excluding those referred to in Section 11(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the then current per

share market price of the Preferred Shares (as determined pursuant to Section 11(d) hereof) on such record date, less the fair market value (as determined in good faith by the Board of Directors of the Company), whose determination shall be described in a statement filed with the Rights Agent) of the portion of the evidences of indebtedness or cash or non-cash assets so to be distributed on, or of such subscription rights or warrants applicable to, one Preferred Share, and the denominator of which shall be such then current per share market price of the Preferred Shares; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company to be issued upon exercise of one Right. Such adjustments shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, the Purchase Price shall again be adjusted to be the Purchase Price that would then be in effect if such record date had not been fixed.

(d) (i) For the purpose of any computation hereunder, the "current per share market price" of any security (a "Security" for the purpose of this Section 11(d)(i)) on any date shall be deemed to be the average of the daily closing prices per share of such Security for the 30 consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date; provided, however, that in the event that the current per share market price of the Security is determined during a period following the announcement by the issuer of such Security of (A) a dividend or distribution on such Security payable in such Security or securities convertible into such Security (other than the Rights) or (B) any subdivision, combination or reclassification of such Security, and prior to the expiration of 30 Trading Days after the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the current per share market price shall be appropriately adjusted to reflect the current market price per share equivalent of such Security. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Security is not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Security is listed or admitted to trading or, if the Security is not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ") or such other system then in use, or, if on any such day the Security is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Security selected by the Board of Directors of the Company). Except as provided in Section 11(d)(ii) with respect to Preferred Shares, if on any such day the Security is not publicly held or no market maker is making a market in the Security, the fair value of such securities on such day as determined in good faith by the Board of Directors of the Company (whose determination shall be described in a statement filed with the Rights Agent) shall be used in lieu of the closing price for such day. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the Security is listed or admitted to trading is open for the transaction of business or, if the Security is not listed or admitted to trading on any national securities exchange, a Business Day.

(ii) If the Preferred Shares are not publicly held or traded in a manner described in Section 11(d)(i) hereof, then, notwithstanding anything to the contrary provided in Section 11(d)(i) hereof, then, notwithstanding anything to the contrary provided in Section 11(d)(i) hereof, the "current per share market price" of the Preferred Shares shall be conclusively deemed to be the current per share market price of the Common Shares as determined pursuant to Section 11(d)(i) (appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date of this Agreement) multiplied by one hundred. If neither the Common Shares nor the Preferred Shares are publicly held or so traded, the "current per share market price" of the Preferred Shares shall mean the fair value per share as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent.

(e) Except as provided in the third sentence of this Section 11(e), no adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Purchase Price; provided, however, that any adjustments which by reason of this Section

11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest one one-millionth of a Preferred Share or one ten-thousandth of any other share or security, as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11, but for the first sentence of this Section 11(e), shall be made no later than the earlier of (i) three years from the date of the transaction that requires such adjustment or (ii) the Final Expiration Date.

(f) If as a result of an adjustment made pursuant to Section 11(a) or Section 13(a), the holder of any Right thereafter exercised shall become entitled to receive any shares of capital stock other than Preferred Shares, thereafter the number of such other shares so receivable upon exercise of any Right shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preferred Shares contained in Section 11(a) through (c), inclusive and the provisions of Sections 7, 9, 10, 13 and 14 with respect to the Preferred Shares shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price under this Agreement shall evidence the right to purchase, at the adjusted Purchase Price, the number of one one-hundredths of a Preferred Share (or other securities) purchasable from time to time under this Agreement upon exercise of the Rights, all subject to further adjustment as provided in this Agreement.

(h) Unless the Company shall have exercised its election as provided in Section 11(i), upon each adjustment of the Purchase Price as a result of the calculations made in Section 11(b) and (c), each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of one one-hundredths of a Preferred Share (calculated to the nearest one one-millionth of a Preferred Share) obtained by (i) multiplying (x) the number of one one-hundredths of a share covered by a Right immediately prior to this adjustment by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

(i) The Company may elect on or after the date of any adjustment of the Purchase Price to adjust the number of Rights, in substitution for any adjustment in the number of one one-hundredths of a Preferred Share purchasable upon the exercise of a Right. Each of the Rights outstanding after such adjustment of the number of Rights shall be exercisable for the number of one one-hundredths of a Preferred Share for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest one ten-thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Right Certificates have been issued on or after the Distribution Date, shall be at least 10 days later than the date of the public announcement. If Right Certificates have been issued on or after the Distribution Date, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Right Certificates on such record date Right Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Right Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Right Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Right Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for in this Agreement, shall bear the adjusted Purchase Price, and shall be registered in the names of the holders of record of Right Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or the number of one one-hundredths of a Preferred Share issuable upon the

exercise of the Rights, the Right Certificates theretofore issued may continue to express the Purchase Price and the number of one one-hundredths of a Preferred Share which were expressed at the time of the issuance of such Right Certificates under this Agreement.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below one one-hundredth of the then par value, if any, of the Preferred Shares issuable upon exercise of the Rights, the Company shall take such corporate action, if any, which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable Preferred Shares at such adjusted Purchase Price.

(l) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuing to the holder of any Right exercised after such record date of the Preferred Shares and other capital stock or securities of the Company, if any, issuable upon such exercise over and above the Preferred Shares and other capital stock or securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares upon the occurrence of the event requiring such adjustment.

(m) Anything in this Section 11 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that the Board of Directors of the Company shall determine to be advisable in order that any (i) consolidation or subdivision of the Preferred Shares, (ii) issuance wholly for cash of any of the Preferred Shares at less than the current per share market price, (iii) issuance wholly for cash of Preferred Shares or securities which by their terms are convertible into or exchangeable for Preferred Shares, (iv) dividends on Preferred Shares payable in Preferred Shares or (v) issuance of rights, options or warrants referred to in Section 11(b) hereof, hereafter made by the Company to holders of its Preferred Shares shall not be taxable to such shareholders.

(n) The Company covenants and agrees that, after the Distribution Date, it will not, except as permitted by Section 23, 24 or 27, take (or permit any Subsidiary of the Company to take) any action if at the time such action is taken it is reasonably foreseeable that such action will eliminate or diminish substantially the benefits intended to be afforded by the Rights.

(o) Anything in this Agreement or the Rights to the contrary notwithstanding, in the event that at any time after the date of this Agreement and prior to the Distribution Date, the Company shall (i) declare or pay any dividend on the Common Shares payable in Common Shares (including without limitation the dividend declared on the date of this Agreement that is payable on August 30, 1991) or (ii) effect a subdivision, combination or consolidation of the Common Shares (by reclassification or otherwise) into a greater or lesser number of Common Shares, then in any such case (x) the number of one one-hundredths of a Preferred Share purchasable after such event upon proper exercise of each Right shall be determined by multiplying the number of one one-hundredths of a Preferred Share so purchasable immediately prior to such event by a fraction, the numerator of which is the number of Common Shares outstanding immediately before such event and the denominator of which is the number of Common Shares outstanding immediately after such event and (y) each Common Share outstanding immediately after such event shall have issued with respect to it that number of Rights which each Common Share outstanding immediately prior to such event had issued with respect to it. The adjustments provided for in this Section 11(o) shall be made successively whenever such a dividend is declared or paid or such a subdivision, combination or consolidation is effected. If an event occurs which would require an adjustment under Section 11(a)(ii) and this Section 11(o), the adjustments provided for in this Section 11(o) shall be in addition and prior to any adjustment required pursuant to Section 11(a)(ii).

(p) If any adjustment in the Purchase Price pursuant to paragraph (b) or (c) of this Section 11 would not be permitted by law, under the Company's Articles of Incorporation or under the Certificate of Designation, Preferences and Rights establishing the Preferred Shares, no such issuance of securities or distribution of evidences of indebtedness or other assets or subscription rights or warrants, as the case may be, that would require such an adjustment but for the limitations established by law, the Company's Articles of

Incorporation or such Certificate of Designation, Preferences and Rights shall be made by the Company.

Section 12. Certificate of Adjusted Purchase Price or Number of Shares. Whenever an adjustment is made as provided in Sections 11 and 13, the Company shall (a) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment, (b) promptly file with the Rights Agent and with each transfer agent for the Common Shares or the Preferred Shares a copy of such certificate and (c) if such adjustment is made after the Distribution Date, mail a brief summary thereof to each holder of record of a Right Certificate in accordance with Section 25. The Rights Agent shall be fully protected in relying on such certificate and on any adjustment therein contained.

Section 13. Consolidation, Merger, Statutory Share Exchange or Sale or Transfer of Assets or Earning Power.

(a) In the event, directly or indirectly,

(w) the Company shall consolidate with, or merge with and into, any other Person (other than a wholly owned Subsidiary of the Company), and the Company shall not be the continuing or surviving corporation of such consolidation or merger,

(x) any Person (other than a wholly owned Subsidiary of the Company) shall consolidate with the Company, or merge with and into the Company and the Company shall be the continuing or surviving corporation of such merger and, in connection with such consolidation or merger, all or part of the outstanding Common Shares of the Company held by existing shareholders of the Company shall be changed into or exchanged for stock or other securities of any other Person (or the Company) or money or any other property,

(y) the Company shall effect a statutory share exchange with the outstanding Common Shares of the Company being exchanged for stock or other securities of any other Person, money or other property, or

(z) the Company shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer), in one or a series of related transactions, assets or earning power aggregating 50% or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person or Persons (other than the Company or one or more of its wholly owned Subsidiaries),

then, and in each such case, proper provision shall be made so that (i) each holder of a Right (except as otherwise provided herein) shall thereafter have the right to receive, upon the exercise thereof by payment of the amount equal to the product of the number of one one-hundredths of a Preferred Share which would otherwise be issuable upon exercise of a Right and the then current Purchase Price in accordance with the terms of this Agreement and in lieu of Preferred Shares, such number of validly authorized and issued, fully paid, nonassessable and freely tradeable Common Shares of the Principal Party (as hereinafter defined), not subject to any liens, encumbrances, rights of first refusal or adverse claims, as shall be equal to the result obtained by (x) multiplying the then current Purchase Price by the number of one one-hundredths of a Preferred Share for which a Right is, immediately prior to the occurrence of the Section 13 Event, exercisable and (y) dividing that product by 50% of the then current per share market price of the Common Shares of such Principal Party (determined pursuant to Section 11(d) hereof) on the date of consummation of such Section 13 Event; (ii) such Principal Party shall thereafter be liable for, and shall assume, by virtue of such merger, consolidation, statutory share exchange, sale or transfer, all the obligations and duties of the Company pursuant to this Agreement; (iii) the term "Company" shall thereafter be deemed to refer to such Principal Party; and (iv) such Principal Party shall take such steps (including, but not limited to, the reservation of a sufficient number of its Common Shares to permit the exercise of all outstanding Rights) in connection with the consummation of any such transaction as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to its Common Shares thereafter deliverable upon the exercise of the Rights.

(b) "Principal Party" shall mean:

(i) in the case of any transaction described in clauses (w), (x) or (y) of the first sentence of Section 13(a), the Person (including, without limitation, the Company as successor thereto or as the surviving corporation) that is the issuer of any securities into which Common Shares of the Company are converted in such merger, consolidation or exchange, or if no securities are so issued, the Person that is the other party to such merger, consolidation or exchange; and

(ii) in the case of any transaction described in clause (z) of the first sentence of Section 13(a), the Person that is the party receiving the greatest portion of the assets or earning power transferred pursuant to such transaction or transactions;

provided, however, that in any such case, (1) if the Common Shares of such Person are not at such time or have not been continuously over the preceding 12 month period registered under Section 12 of the Exchange Act, and such Person is a direct or indirect Subsidiary of another Person the Common Shares of which are and have been so registered, "Principal Party" shall refer to such other Person, and (2) in case such Person is a Subsidiary, directly or indirectly, of more than one Person, the Common Shares of two or more of which are and have been so registered, "Principal Party" shall refer to whichever of such Persons is the issuer of the Common Shares having the greatest aggregate market value.

(c) The Company shall not consummate any Section 13 Event unless the Principal Party shall have a sufficient number of authorized, unreserved Common Shares which have not been issued or are held in treasury to permit the exercise in full of the Rights in accordance with this Section 13 and unless prior thereto the Company and such Principal Party shall have executed and delivered to the Rights Agent a supplemental agreement providing for the terms set forth in paragraphs (a) and (b) of this Section 13 and further providing that, as soon as practicable after the date of any Section 13 Event, the Principal Party will:

(i) prepare and file a registration statement under the Act, with respect to the Rights and the securities purchasable upon exercise of the Rights, on an appropriate form, and use its best efforts to cause such registration statement to (A) become effective as soon as practicable after such filing and (B) remain effective (with a prospectus at all times meeting the requirements of the Act) until the earlier of (1) the date as of which the Rights are no longer exercisable for such securities or (2) the Final Expiration Date;

(ii) take such action as may be appropriate under, or to ensure compliance with, the securities or "blue sky" laws of the various states in connection with the exercisability of the Rights; and

(iii) deliver to holders of the Rights historical financial statements for the Principal Party and each of its Affiliates which comply in all respects with the requirements for registration on Form 10 under the Exchange Act.

(d) The Company shall not enter into any transaction of the kind referred to in this Section 13 if at the time of such transaction there are any rights, warrants, instruments or securities outstanding or any agreements or arrangements which, as a result of the consummation of such transaction, would eliminate or substantially diminish the benefits intended to be afforded by the Rights.

The provisions of this Section 13 shall similarly apply to successive mergers, consolidations, statutory share exchanges or sales or other transfers.

Section 14. Fractional Rights and Fractional Shares. (a) The Company shall not be required to issue fractions of Rights or to distribute Right Certificates which evidence fractional Rights. In lieu of such fractional Rights, there may be paid to the registered holders of the Right Certificates with regard to which such fractional Rights would otherwise be issuable an amount in cash equal to the same fraction of the current market value of a whole Right. For the purposes of this Section 14(a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price for any day shall be the last sale price,

regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading or, if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by NASDAQ or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Company. If on any such date no such market maker is making a market in the Rights, the fair value of the Rights on such date as determined in good faith by the Board of Directors of the Company shall be used in lieu of the closing price for such day.

(b) The Company shall not be required to issue fractions of Preferred Shares (other than fractions that are integral multiples of one one-hundredth of a Preferred Share, or, if a Right shall then be exercisable for a fraction other than one one-hundredth of a Preferred Share, integral multiples of that fraction,) upon exercise of the Rights or to distribute certificates which evidence fractions of Preferred Shares (other than fractions that are integral multiples of one one-hundredth of a Preferred Share or, if a Right shall then be exercisable for a fraction other than one one-hundredth of a Preferred Share, integral multiples of that fraction). Fractions of Preferred Shares in integral multiples of one one-hundredth of a Preferred Share or, if a Right shall then be exercisable for a fraction other than one one-hundredth of a Preferred Share, integral multiples of that fraction may, at the election of the Company, be evidenced by depositary receipts pursuant to an appropriate agreement between the Company and a depositary selected by it, provided, that such agreement shall provide that the holders of such depositary receipts shall have all the rights, privileges and preferences to which they are entitled as beneficial owners of the Preferred Shares represented by such depositary receipts. In lieu of fractional Preferred Shares that are not integral multiples of one one-hundredth of a Preferred Share, or, if a Right shall then be exercisable for a fraction other than one one-hundredth of a Preferred Share, integral multiples of that fraction, the Company may pay to the registered holders of Right Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one Preferred Share. For purposes of this Section 14(b), the current market value of a Preferred Share shall be the closing price of a Preferred Share (as determined pursuant to Section 11(d)(ii)) for the Trading Day immediately prior to the date of such exercise.

(c) The holder of a Right by the acceptance of the Rights expressly waives such holder's right to receive any fractional Rights or any fractional shares (except as provided above) upon exercise of a Right.

Section 15. Rights of Action. All rights of action in respect of this Agreement, excepting the rights of action given to the Rights Agent under Section 18, are vested in the respective registered holders of the Right Certificates (and, prior to the Distribution Date, the registered holders of the Common Shares); and any registered holder of any Right Certificate (or, prior to the Distribution Date, of any Common Share), without the consent of the Rights Agent or of the holder of any other Right Certificate (or, prior to the Distribution Date, of any other Common Share), may, in such holder's own behalf and for such holder's own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, such holder's right to exercise the Rights evidenced by such Right Certificate (or, prior to the Distribution Date, the associated Common Shares certificate) in the manner provided in such Right Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of the obligations of any Person subject to, this Agreement.

Section 16. Agreement of Right Holders. Every holder of a Right, by accepting the same, consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

(a) prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of the Common Shares;

(b) after the Distribution Date, the Right Certificates are transferable only on the registry books of the Rights Agent if surrendered at the office or offices of the Rights Agent designated for such purposes, duly endorsed or accompanied by a proper instrument of transfer;

(c) the Company and the Rights Agent may deem and treat the person in whose name the Right Certificate (or, prior to the Distribution Date, the associated Common Shares certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Right Certificate or the associated Common Shares certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent shall be affected by any notice to the contrary;

(d) the Company may issue Rights after the Record Date as provided in this Agreement; and

(e) notwithstanding anything in this Agreement or the Rights to the contrary, the Company, the Rights Agent and the Board of Directors of the Company shall not have any liability to any holder of a Right or other Person as a result of the inability of the Company or the Rights Agent to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority prohibiting or otherwise restraining performance of such obligation.

Section 17. Right Certificate Holder Not Deemed a Shareholder. No holder, as such, of any Right Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of the Preferred Shares or any other securities of the Company which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained in this Agreement or in any Right Certificate be construed to confer upon the holder of any Right Certificate, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in Section 25), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Right Certificate shall have been exercised in accordance with the provisions of this Agreement.

Section 18. Concerning the Rights Agent. (a) The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it under this Agreement and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties under this Agreement. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability or expense (including the costs and expenses of defending against any claim of liability), incurred without negligence, bad faith or willful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement.

(b) The Rights Agent shall be protected and shall incur no liability for, or in respect of any action taken, suffered or omitted by it in connection with, its administration of this Agreement in reliance upon any Right Certificate or certificate for the Preferred Shares or Common Shares or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper person or persons, or otherwise upon the advice of its counsel as set forth in Section 20 hereof.

Section 19. Merger or Consolidation or Change of Name of Rights Agent. (a) Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to

the corporate trust or stock transfer business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties to this Agreement; provided, however, that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. If at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

(b) In case at any time the name of the Rights Agent shall be changed and at such time any of the Right Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

Section 20. Duties of Rights Agent. The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Right Certificates (or, prior to the Distribution Date, the Common Shares certificates), by their acceptance of the Rights, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter (including, without limitation, the identity of any Acquiring Person and the determination of the "current per share market price") be proved or established by the Company prior to taking or suffering any action under this Agreement, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by any one of the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Secretary or the Treasurer of the Company and delivered to the Rights Agent; and such certificate shall be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder to the Company and any other Person only for its own negligence, bad faith or willful misconduct.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Right Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery of this Agreement (except the due execution by the Rights Agent) or in respect of the validity or execution of any Right Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Right Certificate; nor shall it be responsible for any change in the exercisability of the Rights (including the Rights becoming void pursuant to Section 11(a)(ii) hereof) or any adjustment in the terms of the Rights (including the manner, method or amount thereof) provided for in Section 3, 11, 13 or 23 or 24, or the ascertaining of the existence of facts that would require any such change or adjustment (except with respect to the exercise of Rights evidenced by Right Certificates after actual notice that such change or adjustment is required); nor shall it by any act under this Agreement be deemed to make any representation or warranty as to

the authorization or reservation of any Preferred Shares or Common Shares to be issued pursuant to this Agreement or any Right Certificate or as to whether any Preferred Shares or Common Shares will, when issued, be validly authorized and issued, fully paid and nonassessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties under this Agreement from any one of the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Secretary or the Treasurer of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered to be taken by it in good faith in accordance with instructions of any such officer or for delay in acting while waiting for those instructions.

(h) The Rights Agent and any shareholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company or its Subsidiaries may be interested, or contract with or lend money to the Company or its Subsidiaries or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing in this Agreement shall preclude the Rights Agent from acting in any other capacity for the Company or its Subsidiaries or for any other legal entity.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty under this Agreement either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

(j) No provision of this Agreement shall require the Rights Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under this Agreement or in the exercise of its rights or powers if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to it.

(k) If, with respect to any Right Certificate surrendered to the Rights Agent for exercise or transfer, the form of assignment or form of election to purchase, as the case may be, has either not been duly completed and executed or indicates an affirmative response to enumerated clause 1 and/or 2 on the reverse side of the applicable Right Certificate, the Rights Agent shall not take any further action with respect to such requested exercise or transfer without first consulting with the Company.

Section 21. Change of Rights Agent. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon 30 days' notice in writing mailed to the Company and to each transfer agent of the Common Shares and Preferred Shares by registered or certified mail, and, if such notice is mailed after the Distribution Date, to the holders of the Right Certificates by first-class mail. The Company may remove the Rights Agent or any successor Rights Agent upon 30 days' notice in writing mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Shares and Preferred Shares by registered or certified mail, and, if such notice is mailed after the Distribution Date, to the holders of the Right Certificates by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of 30 days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Right Certificate (who shall, with such notice, submit such holder's Right Certificate for inspection by the Company), then the registered holder of any Right Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be (a) a corporation organized and doing business under the laws of the United States or of the State

of Minnesota or New York (or of any other state of the United States so long as such corporation is authorized to do business as a banking institution in the State of Minnesota or New York), in good standing, having an office in the State of Minnesota or New York which is authorized under such laws to exercise corporate trust or stock transfer powers and is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least \$50 million or (b) an affiliate of a corporation described in clause (a) of this sentence. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it under this Agreement, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Shares and Preferred Shares, and, if such notice is filed after the Distribution Date, mail a notice thereof in writing to the registered holders of the Right Certificates. Failure to give any notice provided for in this Section, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. Issuance of New Right Certificates.

Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Right Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Purchase Price and the number or kind or class of shares or other securities or property purchasable under the Right Certificates made in accordance with the provisions of this Agreement.

Section 23. Redemption. (a) Subject to the provisions of Section 27, the Board of Directors of the Company may, at its option, at any time prior to the earlier of (x) such time as any person becomes an Acquiring Person or (y) the Close of Business on the Final Expiration Date, redeem all but not less than all of the then outstanding Rights at a redemption price of \$.01 per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date of this Agreement, including without limitation the dividend declared on the date of this Agreement that is payable on August 30, 1991, (such redemption price being hereinafter referred to as the "Redemption Price"). The Redemption Price shall be payable in cash by the Company. The redemption of the Rights by the Board of Directors of the Company may be made effective at such time and on such basis and with such conditions as the Board of Directors of the Company in its sole discretion may establish. The Board of Directors and the Company shall not have any liability to any Person as a result of the redemption of Rights pursuant to the terms of this Section 23.

(b) Immediately upon the action of the Board of Directors of the Company ordering the redemption of the Rights pursuant to paragraph (a) of this Section 23, and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price for each Right so held. Promptly after the action of the Board of Directors of the Company ordering the redemption of the Rights, the Company shall give notice of such redemption to the Rights Agent and the holders of the then outstanding Rights by mailing such notice to all such holders at their last addresses as they appear upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the Common Shares; provided, however, that the failure to give, or any defect in, any such notice shall not affect the validity of such redemption. Any notice which is mailed in the manner provided in this paragraph shall be deemed given whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made. Neither the Company nor any of its Affiliates or Associates may redeem, acquire or purchase for value any Rights at any time in any manner except as specifically set forth in this Section or in Section 24 or in connection with the purchase of Common Shares prior to the Distribution Date.

Section 24. Exchange. (a) The Board of Directors of the Company may, at its option, at any time after the Adjustment Date (as defined in Section 11(a)(iii)), exchange all or part of the then outstanding and exercisable Rights (which shall not include Rights that have become void pursuant to the provisions of Section 11(a)(ii) hereof) for Common Shares, with each Right to be exchanged for such number of Common Shares as shall equal the result obtained by dividing (x) the Exercise Price (as defined in Section

11(a)(iii)) by (y) the current per share market price of the Common Shares (determined pursuant to Section 11(d) hereof on the Adjustment Date (such number of shares being hereinafter referred to as the "Exchange Ratio")). The Exchange Ratio shall be appropriately adjusted to reflect any stock split, stock dividend or similar transaction affecting the Common Shares that occurs after the Adjustment Date. Notwithstanding the foregoing, the Board of Directors of the Company shall not be empowered to effect such exchange at any time after any Person (other than (1) the Company, (2) any Subsidiary of the Company, (3) any employee benefit plan of the Company or of any Subsidiary of the Company or (4) any entity holding Common Shares for or pursuant to the terms of any plan described in clause (3) of this sentence), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of 50% or more of the Common Shares then outstanding.

(b) Immediately upon the action of the Board of Directors of the Company ordering the exchange of any Rights pursuant to paragraph (a) of this Section 24 and without any further action and without any notice, the right to exercise such Rights shall terminate and the only right thereafter of a holder of such Rights shall be to receive that number of Common Shares equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. The Company shall promptly give public notice of any such exchange; provided, however, that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. The Company shall promptly mail a notice of any such exchange to all of the holders of such Rights at their last addresses as they appear upon the registry books of the Rights Agent. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the Common Shares for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights which have become void pursuant to the provisions of Section 11(a)(ii) hereof) held by each holder of Rights.

(c) In the event that there shall not be sufficient Common Shares authorized, unissued and unreserved to permit the exchange of Rights as contemplated in accordance with this Section 24, the Company, at its option, may substitute Preferred Shares (or equivalent preferred shares, as such term is defined in Section 11(b), or common share equivalents, as such term is defined in Section 11(a)(iii)(3)(C) hereof), for Common Shares exchangeable for Rights, at the initial rate of one one-hundredth of a Preferred Share (or equivalent preferred share) or one common share equivalent for each Common Share, as appropriately adjusted to reflect stock splits, stock dividends or similar transactions affecting the Common Shares that occur after the date of this Agreement.

(d) In the event that there shall not be sufficient Common Shares, Preferred Shares, equivalent preferred shares or common share equivalents, authorized, unissued and unreserved to permit the exchange of Rights as contemplated in accordance with this Section 24, the Company shall take all such action as may be necessary to authorize additional Common Shares or Preferred Shares, equivalent preferred shares or common share equivalents for issuance upon exchange of the Rights.

(e) The Company shall not be required to issue fractions of Common Shares or to distribute certificates which evidence fractional Common Shares. In lieu of such fractional Common Shares, the Company may pay to the registered holders of the Right Certificates with regard to which such fractional Common Shares would otherwise be issuable an amount in cash equal to the same fraction of the current market value of a whole Common Share. For the purposes of this paragraph (e), the current market value of a whole Common Share shall be the closing price of a Common Share (as determined pursuant to the second sentence of Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of exchange pursuant to this Section. The Board of Directors and the Company shall not have any liability to any Person as a result of the exchange of Rights pursuant to the terms of this Section.

Section 25. Notice of Certain Events. (a) In case the Company shall propose, at any time after the Distribution Date, (i) to pay any dividend payable in stock of any class to the holders of its Preferred Shares or to make any other distribution to the holders of its Preferred Shares (other than a regular quarterly cash dividend), or (ii) to offer to the holders of its Preferred Shares rights or warrants to subscribe for or to purchase any additional Preferred Shares or shares of stock of any class or any other securities, rights or options, or (iii) to effect any reclassification of its Preferred Shares (other than a reclassification involving only the subdivision

of outstanding Preferred Shares), or (iv) to effect any consolidation or merger into or with any other Person (other than a wholly owned Subsidiary of the Company), or to effect any sale or other transfer (or to permit one or more of its Subsidiaries to effect any sale or other transfer), in one or a series of related transactions, of 50% or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to, any other Person or Persons (other than the Company and/or any of its wholly owned Subsidiaries), or (v) to effect any statutory share exchange with the outstanding Common Shares of the Company being exchanged for stock or other securities of any other corporation or money or other property, or (vi) to effect the liquidation, dissolution or winding up of the Company, or (vii) to declare or pay any dividend on the Common Shares payable in Common Shares or to effect a subdivision, combination or consolidation of the Common Shares (by reclassification or otherwise), then, in each such case, the Company shall give to each holder of a Right Certificate, to the extent feasible and in accordance with Section 26, a notice of such proposed action, which shall specify the record date for the purposes of such stock dividend or distribution of rights or warrants, or the date on which such reclassification, consolidation, merger, exchange, sale, transfer, liquidation, dissolution, or winding up is to take place and the date of participation therein by the holders of the Common Shares and/or Preferred Shares, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least 10 days prior to the record date for determining holders of the Preferred Shares for purposes of such action, and in the case of any such other action, at least 10 days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the Common Shares and/or Preferred Shares, whichever shall be the earlier.

(b) In case any Section 11(a)(ii) Event shall occur, then, in any such case, the Company shall as soon as practicable thereafter give to each holder of a Right Certificate, in accordance with Section 26 hereof, a notice of the occurrence of such event, which shall specify the event and the consequences of the event to holders of Rights under Section 11(a)(ii).

Section 26. Notices. Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Right Certificate to or on the Company shall be sufficiently given or made if sent by first-class mail, postage-prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

Medtronic, Inc.
7000 Central Avenue N.E.
Minneapolis, Minnesota 55432
Attention: Corporate Secretary

Subject to the provisions of Section 21, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Right Certificate to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage-prepaid, addressed (until another address is filed in writing with the Company) as follows:

Norwest Bank Minnesota, National Association
161 North Concord Exchange
Post Office Box 738
South St. Paul, Minnesota 55075-0738
Attention: Stock Transfer Manager

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Right Certificate shall be sufficiently given or made if sent by first-class mail, postage-prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

Section 27. Supplements and Amendments. The Company may and the Rights Agent shall, if so directed by the Company, from time to time supplement or amend this Agreement without the approval of any holders of Common Shares or Right Certificates in order (i) to extend the Final Expiration Date or, provided that at the time of such amendment no Person has become an Acquiring Person, the period during which the Rights may be redeemed, notwithstanding anything to the contrary provided in clause (iv) hereof, (ii) to cure any ambiguity, or to correct or supplement any provision contained in this Agreement which may be defective or inconsistent with any other provisions in this Agreement, (iii) prior to the Distribution Date, to otherwise change or supplement any provision in this Agreement in any manner which the Company may deem necessary or desirable, or (iv) following the Distribution Date, to

otherwise change or supplement any provision in this Agreement in any manner which the Company may deem necessary or desirable and which shall not adversely affect the interests of the holders of Right Certificates (other than Right Certificates evidencing Rights that shall have become null and void pursuant to Section 11(a)(ii)). Without limiting the foregoing, the Company may at any time prior to such time as any Person becomes an Acquiring Person amend this Agreement to lower the thresholds set forth in Sections 1(a) and 3(a) hereof from 15% to not less than the greater of (i) the sum of .001% and the largest percentage of the outstanding Common Shares then known by the Company to be beneficially owned by any Person (other than (1) the Company, (2) any Subsidiary of the Company, (3) any employee benefit plan of the Company or any Subsidiary of the Company, or (4) any entity holding Common Shares for or pursuant to the terms of any plan described in clause (3) of this sentence) or (ii) 10%.

Section 28. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 29. Benefits of this Agreement.

(a) Nothing in this Agreement shall be construed to give to any Person other than the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the registered holders of Common Shares) any legal or equitable right, remedy or claim under this Agreement. This Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the registered holders of Common Shares).

(b) The Board of Directors of the Company shall have the exclusive power and total and complete authority to administer this Agreement and to exercise all rights and powers specifically granted to the Board of Directors or the Company or necessary or advisable in the administration of this Agreement, including without limitation the right and power to interpret this Agreement and to make conclusively all determinations deemed necessary or advisable for the administration of this Agreement. All such acts, calculations, interpretations and determinations (including, for purposes of clause (y) below, all omissions with respect to the foregoing) that are done or made by the Board of Directors of the Company in good faith shall (x) be final, conclusive and binding on the Company, the Rights Agent and the holders of the Rights and all other parties and (y) not subject the Board of Directors to any liability to the holders of the Rights or any other party.

Section 30. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 31. Governing Law. This Agreement and each Right Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Minnesota and for all purposes shall be governed by and construed in accordance with the laws of the State of Minnesota applicable to contracts to be made and performed entirely within such state.

Section 32. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 33. Descriptive Headings. Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

MEDTRONIC, INC.

By /s/ William E. Drake

Its Vice President

NORWEST BANK MINNESOTA,
NATIONAL ASSOCIATION

By /s/ Kenneth P. Swanson

Its Asst. Vice President -- Stock
Transfer Department

EXHIBIT A

[Form of Right Certificate]

Certificate No. R- _____ Rights

NOT EXERCISABLE AFTER JULY 10, 2001 OR SUCH EARLIER DATE AS THE BOARD OF DIRECTORS ORDERS REDEMPTION OR EXCHANGE OF THE RIGHTS. THE RIGHTS ARE SUBJECT TO REDEMPTION, AT THE OPTION OF THE COMPANY, AT \$.01 PER RIGHT (SUBJECT TO ADJUSTMENT) AND TO EXCHANGE ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. UNDER CERTAIN CIRCUMSTANCES SET FORTH IN THE RIGHTS AGREEMENT, RIGHTS THAT ARE OR WERE ACQUIRED OR BENEFICIALLY OWNED BY AN ACQUIRING PERSON OR AN AFFILIATE OR ASSOCIATE OF AN ACQUIRING PERSON (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT) MAY BECOME NULL AND VOID.

Right Certificate

MEDTRONIC, INC.

This certifies that _____, or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Rights Agreement dated as of June 27, 1991 (the "Rights Agreement") between Medtronic, Inc., a Minnesota corporation (the "Company"), and Norwest Bank Minnesota, National Association, a national banking association (the "Rights Agent"), to purchase from the Company at any time after the Distribution Date (as such term is defined in the Rights Agreement) and prior to 5:00 P.M. (Minneapolis, Minnesota time) on July 10, 2001 at the office or offices of the Rights Agent designated for such purpose, or of its successor as Rights Agent, one one-hundredth of a fully paid, nonassessable Series A Junior Participating Preferred Share of the par value of \$1.00 per share (the "Preferred Shares") of the Company, at a purchase price of \$ per one one-hundredth of a Preferred Share (the "Purchase Price"), upon presentation and surrender of this Right Certificate with the Form of Election to Purchase duly completed and executed. The number of Rights evidenced by this Right Certificate (and the number of one one-hundredths of a Preferred Share which may be purchased upon exercise thereof) set forth above, and the Purchase Price set forth above, are, except for adjustments required pursuant to the Rights Agreement, the number and Purchase Price as of _____, based on the Preferred Shares as constituted at such date.

As provided in the Rights Agreement, the Purchase Price and the number of one one-hundredths of a Preferred Share which may be purchased upon the exercise of the Rights evidenced by this Right Certificate are subject to modification and adjustment upon the happening of certain events.

This Right Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and

conditions are hereby incorporated herein by reference and made a part hereof and which contains a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Right Certificates (which limitations of rights include the voiding of the Rights under certain circumstances specified in the Rights Agreement). Copies of the Rights Agreement are on file with the Secretary at the principal executive office of the Company and will be mailed without charge by the Company or the Rights Agent to the holder of this certificate promptly following receipt by the Company or the Rights Agent of a written request therefor.

Upon the occurrence of a Section 11(a)(ii) Event (as such term is defined in the Rights Agreement), any Rights evidenced by this Right Certificate that are or were acquired or beneficially owned by an Acquiring Person or an Associate or Affiliate of such Acquiring Person (as such terms are defined in the Rights Agreement) shall be null and void from and after the occurrence of such Section 11(a)(ii) Event.

This Right Certificate, with or without other Right Certificates, upon surrender at the office or offices of the Rights Agent designated for such purpose, may be exchanged for another Right Certificate or Right Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of one one-hundredths of a Preferred Share as the Rights evidenced by the Right Certificate or Right Certificates surrendered then entitled such holder to purchase. If this Right Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Right Certificate or Right Certificates for the number of Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate (i) may, but are not required to, be redeemed by the Company at a redemption price of \$.01 per Right, subject to adjustment as provided in the Rights Agreement, payable in cash and (ii) may, but are not required to, be exchanged by the Company in whole or in part for Common Shares or other shares of capital stock of the Company. The Board of Directors of the Company and the Company shall not have any liability to any person as a result of the redemption or exchange of the Rights pursuant to the provisions of the Rights Agreement.

No fractional Preferred Shares will be issued upon the exercise of any Right or Rights evidenced hereby (other than fractional shares which are integral multiples of one one-hundredth of a Preferred Share or, if a Right shall then be exercisable for a fraction other than one one-hundredth of a Preferred Share, integral multiples of that fraction, which may, at the election of the Company, be evidenced by depositary receipts), if in lieu thereof a cash payment is made, as provided in the Rights Agreement.

No holder of this Right Certificate, as such, shall be entitled to vote or receive dividends or be deemed for any purpose the holder of the Preferred Shares or of any other securities of the Company which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by this Right Certificate shall have been exercised as provided in the Rights Agreement.

This Right Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the manual or facsimile signature of the proper officer of the Company.

Dated:

MEDTRONIC, INC.

By:

Title: _____

Countersigned:

NORWEST BANK MINNESOTA,
NATIONAL ASSOCIATION

By: _____

Authorized Manual or
Facsimile Signature

[Form of Reverse Side of Right Certificate]

FORM OF ASSIGNMENT

(To be executed by the registered holder if such
holder desires to transfer the Right Certificate.)

FOR VALUE RECEIVED _____ hereby sells,
assigns and transfers unto _____

(Please print name and address of transferee)

_____ this Right Certificate, together with all right, title and interest therein, and
does hereby irrevocably constitute and appoint _____ Attorney, to
transfer the within Right Certificate on the books of the within-named Company,
with full power of substitution.

Dated: _____

Signature

Signature Guaranteed:

Signatures must be guaranteed by a member firm of a registered
national securities exchange, a member of the National Association of Securities
Dealers, Inc., or a commercial bank or trust company having an office or
correspondent in the United States.

CERTIFICATE

The undersigned hereby certifies (after due inquiry and to the
best of its knowledge) by checking the appropriate boxes that:

- (1) the Rights evidenced by this Right Certificate
 - are
 - or
 - are not

beneficially owned by an Acquiring Person or an Affiliate or Associate of an
Acquiring Person (as such terms are defined in the Rights Agreement); and

- (2) the undersigned
 - did

or
[] did not

acquire the Rights evidenced by this Right Certificate from any Person who, at the time of the acquisition, is or was an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

Signature

NOTICE

The signature of the foregoing Assignment and Certificate must correspond to the name as written upon the face of this Right Certificate in every particular, without alteration or enlargement or any change whatsoever.

FORM OF ELECTION TO EXERCISE

(To be executed if holder desires to exercise Rights represented by the Right Certificate.)

To MEDTRONIC, INC.:

The undersigned hereby irrevocably elects to exercise _____ Rights represented by this Right Certificate to purchase the Preferred Shares issuable upon the exercise of such Rights (or such other securities of the Company or of any other person which may be issuable upon exercise of the Rights) and requests that certificates for such shares be issued in the name of:

Please insert social security
or other identifying number

(Please print name and address)

If such number of Rights shall not be all the Rights evidenced by this Right Certificate, a new Right Certificate for the balance remaining of such Rights shall be registered in the name of and delivered to:

Please insert social security
or other identifying number

(Please print name and address)

Dated: _____

Signature

Signature Guaranteed:

Signatures must be guaranteed by a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States.

CERTIFICATE

The undersigned hereby certifies (after due inquiry and to the best of its knowledge) by checking the appropriate boxes that:

(1) the Rights evidenced by this Right Certificate

are
or
 are not

beneficially owned by an Acquiring Person or an Affiliate or Associate of an Acquiring Person (as such terms are defined in the Rights Agreement); and

(2) the undersigned

did
or
 did not

acquire the Rights evidenced by this Right Certificate from any Person who, at the time of the acquisition, is or was an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

Signature

NOTICE

The signature of the foregoing Election to Exercise and Certificate must correspond to the name as written upon the face of this Right Certificate in every particular, without alteration or enlargement or any change whatsoever.

MEDTRONIC, INC.
EXECUTIVE NONQUALIFIED
SUPPLEMENTAL BENEFIT PLAN
(AS RESTATED EFFECTIVE MAY 1, 1997)

Medtronic, Inc. (the "Company") previously adopted the Medtronic, Inc. Executive Nonqualified Supplemental Benefit Plan (the "Plan"), effective May 1, 1986. Effective May 1, 1994, the Company hereby amends and restates the Plan in its entirety as set forth herein.

I. PURPOSE & DESCRIPTION OF PLAN

1.01 Purpose. The purpose of the Plan is to provide eligible employees with benefits which supplement those provided under certain of the tax-qualified plans maintained by Medtronic, Inc. More specifically, this Plan is intended to provide certain benefits on a nonqualified plan basis which are not otherwise provided under the tax-qualified plans as a result of the application of certain legal limitations on contributions, benefits and includible compensation, and as a result of the deferral of compensation by eligible employees under the Medtronic, Inc. Capital Accumulation Plan Deferral Program or any other nonqualified deferred compensation plan which may be established by the Company from time to time.

1.02 Description of Plan. The Plan is intended to be (and shall be construed and administered as) an employee benefit pension plan under the provisions of the Employee Retirement Income Security Act of 1974, as amended, which is unfunded and maintained primarily for the purpose of providing deferred compensation for eligible employees who constitute a select group of management or highly-compensated employees. The Plan is not intended to be qualified under Internal Revenue Code Section 401(a), as amended.

The obligation of the Company to make payments under this Plan constitutes an unsecured (but legally enforceable) promise of the Company to make such payments and no person, including any participant or beneficiary under the Plan, shall have any lien, prior claim or other security interest in any property of the Company as a result of this Plan. The limitations set forth in this paragraph are subject to the provisions of Article VII, however.

II. DEFINITIONS

2.01 Definitions. As used in the Plan, the following terms have the meanings indicated below:

(a) "Affiliate" means any corporation or other trade or business under common control with the Company, as further defined in the Company's qualified plans.

(b) "Capital Accumulation Plan" means the Medtronic, Inc. Capital Accumulation Plan Deferral Program, as amended from time to time and any successor plan.

(c) "Committee" means the Compensation Committee of the Board of Directors of the Company, or any successor committee appointed by the Board of Directors to perform substantially similar functions.

(d) "Company" means Medtronic, Inc. and its successors and assigns, by merger, purchase or otherwise.

(e) "Defined Contribution Supplemental Benefits" refer to those benefits earned by a participant under Article V of the Plan.

(f) "Eligible Employee" means an elected or appointed officer of the Company, or any other key employee of the Company or an Affiliate as designated by the Committee, but excludes any individual who is not either a United States citizen or resident.

(g) "ESOP" means the Medtronic, Inc. Employee Stock Ownership Plan, as amended from time to time, and any successor plan.

(h) "Event" means an event of change in control of the Company as defined in Section 3.1(b)(1) through (3) of the Trust.

(i) "Participant" means an eligible employee who accrues benefits under the Plan.

(j) "Plan Year" means the 12-month period commencing May 1 and ending the following April 30. The initial plan year shall commence May 1, 1986.

(k) "Qualified Plans" means the Retirement Plan and the ESOP.

(l) "Restatement Date" means May 1, 1994.

(m) "Retirement Plan" means the Medtronic, Inc. and Participating Employers Retirement Plan, as amended from time to time, and any successor plan.

(n) "Retirement Plan Supplemental Benefits" refer to those benefits earned by a participant under Article IV of the Plan.

(o) "Section 401(a)(17) Limitations" refer to the limitations on the dollar amount of compensation which may be taken into account under the qualified plans under Section 401(a)(17) of the Internal Revenue Code of 1986 or any successor provision.

(p) "Section 415 Limitations" refer to the limitations on benefits for defined benefit pension plans, the limitations on allocations for defined contribution plans, and the limitations on benefits and contributions for combinations of plans which are imposed by

Sections 415(b), 415(c) and 415(e), respectively, of the Internal Revenue Code of 1986 or any successor provisions.

(q) "Termination of Employment" means the complete termination of employment of the individual with the Company and with all Affiliates.

(r) "Trust" means the Medtronic, Inc. Compensation Trust Agreement, as amended from time to time.

III. ELIGIBILITY TO PARTICIPATE

3.01 Eligible Employees. Each eligible employee shall be eligible for benefits under the Plan in accordance with the otherwise applicable provisions of the Plan relating to the accrual and payment of benefits.

IV. RETIREMENT PLAN SUPPLEMENTAL BENEFITS

4.01 Calculation of Retirement Plan Supplemental Benefits. Eligible employees who are participants in the Retirement Plan shall earn Retirement Plan Supplemental Benefits as of any determination date in an amount equal to the lump sum actuarial equivalent value of the eligible employee's Unrestricted Retirement Plan Benefit less the lump sum actuarial equivalent value of the eligible employee's Actual Retirement Plan Benefit, determined as of the date of determination. For purposes hereof, the date of determination is the last day of each plan year commencing April 30, 1987. The lump sum actuarial equivalent value shall be determined in each case by use of the otherwise applicable interest rates and other assumptions under the Retirement Plan in determining actuarially equivalent benefits.

For purposes of this Plan, an eligible employee's Unrestricted Retirement Plan Benefit as of any determination date equals the vested benefit which such individual would have accrued under the Retirement Plan as of such date under the otherwise applicable provisions of the Retirement Plan, but determined for periods from and after May 1, 1986, without regard to the

limitations on such benefits which result from the application of the Section 415 Limitations. Further, the eligible employee's Unrestricted Retirement Plan Benefit shall be determined based upon such employee's compensation which is or would otherwise be taken into account under the Retirement Plan for purposes of calculating benefits thereunder, but without application of the Section 401(a)(17) Limitations and taking into account the compensation which would have been paid to the eligible employee during the plan year in question but for the employee's election to defer compensation under the Capital Accumulation Plan (or any other nonqualified deferred compensation plan which may be established by the Company from time to time). For purposes hereof, compensation which is deferred under the Capital Accumulation Plan (or other nonqualified deferred compensation plan) shall be taken into account for the plan year during which such compensation would have been paid to the eligible employee but for his or her election under said Plan and only to the extent that such compensation would otherwise be taken into account under the Retirement Plan in calculating

benefits thereunder had such compensation been paid directly to the eligible employee rather than deferred (but without regard to application of the Section 401(a)(17) Limitations).

For purposes of this Plan, an eligible employee's Actual Retirement Plan Benefit as of any determination date equals the vested benefit which the individual has actually accrued as of such date under the provisions of the Retirement Plan, after taking into account all applicable limitations on contributions, benefits and compensation.

4.02 Establishment of Nonqualified Retirement Plan Account. The participant's Retirement Plan Supplemental Benefit shall be determined as of the last day of the plan year in which the participant terminates employment and the lump sum value of such Retirement Plan Supplemental Benefit shall be credited as of such date to a bookkeeping account established for such participant on the books and records of the Company, which shall be referred to as the Nonqualified Retirement Plan Account. For purposes hereof, a participant who becomes disabled will not be considered to have terminated employment until such time as he or she is considered to have terminated employment under the provisions of the Retirement Plan. In the event the participant terminates employment as a result of death, the value of the benefits, if any, to be credited to such Account shall be based upon the lump sum actuarial equivalent value of the death benefits which would be paid under the Retirement Plan under the same assumptions used under Section 4.01 hereof in determining the participant's Unrestricted Retirement Plan Benefit (that is, without regard to the Section 415 Limitations and the Section 401(a)(17) Limitations and without regard to the participant's elections to defer compensation under the Capital Accumulation Plan) (or other nonqualified deferred compensation plan), if any, less the lump sum actuarial equivalent value of death benefits actually payable with respect to such participant under the Retirement Plan, if any, taking into account all applicable limitations on contributions, benefits and compensation.

Such Nonqualified Retirement Plan Account shall be used solely as a device to measure and determine the amount of Retirement Plan Supplemental Benefits to be paid to the participant under the Plan. All amounts which are credited to such Account (including any interest credited with respect to such amounts) are credited solely for accounting and computation purposes and are at all times assets and property of the Company and subject to the claims of the Company's creditors. No participant or beneficiary shall have any incidents of ownership in such Account or in amounts credited to such Account, and the participant's or beneficiary's position with respect to payments of Retirement Plan Supplemental Benefits under the Plan is that of a general unsecured creditor of the Company. Further, nothing contained in this Plan and no action taken under this Plan shall create or be construed to create a trust of any kind. The provisions of this paragraph, however, shall at all times be subject to the provisions of Article VII hereof, providing for contributions to and payments from the Trust under certain circumstances.

The Committee may establish any number of sub-accounts on behalf of a participant or beneficiary as the Committee considers necessary or advisable for purposes of maintaining a proper accounting of amounts to be credited under the Plan on behalf of a participant or beneficiary.

4.03 Interest Credited to the Nonqualified Retirement Plan Account. All amounts credited to the Nonqualified Retirement Plan Account from time to time

shall be credited with interest at a

rate which is equal to the pre-retirement interest rate or rates used by the Retirement Plan during the period for which interest is to be so credited for purposes of determining actuarially equivalent benefits under the Retirement Plan. Interest as so determined shall be compounded quarterly during the plan year.

4.04 Payment of Nonqualified Retirement Plan Account. The value of any Nonqualified Retirement Plan Account established hereunder as well as any interest credited thereto shall be paid to the participant (or beneficiary, as the case may be) on a monthly basis each plan year over a fifteen-year period commencing as soon as administratively practicable within the plan year commencing immediately after the date on which the Account is to be established under Section 4.02 hereof. The initial balance in such Account at the time benefits commence shall be paid in 180 equal monthly installments over the fifteen-year period. Interest shall continue to be credited on the declining balance in such Account in accordance with Section 4.03 hereof during the payout period and such additional interest will be paid monthly in addition to the regular monthly payments.

Notwithstanding the foregoing, the Committee (or any committee or individual to whom the Committee has delegated such authority) may, in its discretion, provide for an acceleration of payments under the payout schedule which is otherwise applicable. The Committee (or its delegate) shall exercise such discretion by taking into account factors including but not limited to the participant's financial and retirement needs as determined by the Committee (or its delegate), the Company's ability to make payment of such amounts, the total value of benefits to be paid with respect to such Account, and the defraying of costs and expenses associated with administration of the Plan.

4.05 Re-employment of Participant. In the event a participant with respect to whom a Nonqualified Retirement Plan Account is established upon or after termination of employment is subsequently re-employed by the Company or an Affiliate, the payment of any amounts remaining to the credit of such participant under his or her Nonqualified Retirement Plan Account (the "Original Account") shall be suspended during such period of re-employment, and the value of the Nonqualified Retirement Plan Account to be established on behalf of such individual upon or after a subsequent termination of employment (the "Subsequent Account") shall be determined with reference to the participant's aggregate Unrestricted Retirement Plan Benefit and aggregate Actual Retirement Plan Benefit, both determined as of the subsequent date of termination of employment, offset by the value of the Original Account which remains to the credit of such individual as of the subsequent date (including any interest credited thereto) and further offset by the sum of the actuarial equivalent values of the amounts, if any, which were previously paid from such Original Account to such individual. For purposes hereof, the actuarial equivalent values of the amounts which were previously paid from such Original Account, if any, shall be equal to the value of each such amount so paid, credited with interest at the rate specified in Section 4.03 for the period beginning with the date of payment of such amount to the individual and ending on the date of establishment of the Subsequent Account, compounded on a quarterly basis during the plan year.

V. DEFINED CONTRIBUTION SUPPLEMENTAL BENEFITS

5.01 Calculation of Defined Contribution Supplemental Benefits. For plan years beginning prior to May 1, 1996, Eligible Employees who are participants in the ESOP shall be credited hereunder with Defined Contribution Supplemental Benefits as of the end of each plan year commencing with the effective date of the ESOP in an amount equal to the Eligible Employee's Unrestricted Defined Contribution Allocation for such plan year less the Eligible Employee's Actual Defined Contribution Allocation for such plan year. For purposes hereof, the Eligible Employee's Unrestricted Defined Contribution Allocation for any plan year equals the value of the common stock of the Company which would have been allocated to the participant's account due to employer contributions, forfeitures used to reduce employer contributions and dividends on Company stock held in the unallocated reserve under the ESOP, determined under otherwise

applicable provisions of the ESOP, but without application of the Section 415 Limitations or the Section 401(a)(17) Limitations, and based upon the compensation which would have been paid to the Eligible Employee during the plan year in question but for the employee's election to defer compensation under the Capital Accumulation Plan (or any other nonqualified deferred compensation plan which may be established by the Company from time to time). For purposes hereof, compensation which is deferred under the Capital Accumulation Plan (or any other nonqualified deferred compensation plan which may be established by the Company from time to time) shall be taken into account for the plan year during which such compensation would have been paid to the Eligible Employee but for his or her election under said plan and only to the extent that such compensation would otherwise be taken into account under the ESOP in calculating the employee's allocation of employer contributions had such compensation been paid directly to the Eligible Employee rather than deferred (but without regard to application of the Section 401(a)(17) Limitations).

Effective for plan years beginning on or after May 1, 1996, the Eligible Employee's Unrestricted Defined Contribution Allocation for any plan year shall be expressed as the right to receive at the time set forth in Section 5.06 a number of shares of the Company's common stock equal to the number of such shares which would have been allocated on behalf of such Eligible Employee for the plan year under the ESOP, determined under otherwise applicable provisions of the ESOP, but without application of the Section 415 Limitations or the Section 401(a)(17) Limitations, and based upon the compensation which would have been paid to the Eligible Employee during the plan year in question but for the employee's election to defer compensation under the Capital Accumulation Plan (or any other nonqualified deferred compensation plan which may be established by the Company from time to time).

The employee's Actual Defined Contribution Allocation for any plan year equals the number of shares (or for plan years beginning prior to May 1, 1996, the value of such shares) of Company stock allocated to the Eligible Employee's account under the ESOP attributable to employer contributions, forfeitures allocated as reductions of employer contributions and dividends on employer stock held in the unallocated reserve under the ESOP.

5.02 Establishment of Nonqualified Defined Contribution Account. The Defined Contribution Supplemental Benefit to be credited to a participant for any plan year under Section

5.01 shall be credited as of the last day of such plan year to an account established on the books and records of the Company, which shall be referred to as the Nonqualified Defined Contribution Account.

Such Account shall be used solely as a device to measure and determine the amount of Defined Contribution Supplemental Benefits to be paid to such participant under the Plan and all amounts which are credited to such Account (including any interest credited with respect to such amounts) are credited solely for accounting and computation purposes and are at all times assets and property of the Company and subject to the claims of the Company's creditors. No participant shall have any incidents of ownership in the Account or in amounts credited to the Account. The participant's position with respect to payments of Defined Contribution Supplemental Benefits under the Plan is that of a general unsecured creditor of the Company. Further, nothing contained in this Plan and no action taken under this Plan shall create or be construed to create a trust of any kind. The provisions of this paragraph, however, are subject to the provisions of Article VII hereof, relating to contributions to and benefit payments from the Trust under certain circumstances.

The Committee may establish any number of sub-accounts on behalf of a participant or beneficiary as the Committee considers necessary or advisable for purposes of maintaining a proper accounting of amounts to be credited under the Plan on behalf of the participant or beneficiary. As of the Restatement Date, the value of the Defined Contribution Supplemental Nonqualified Benefit to be credited to a participant for any plan year under Section 5.01 (as in effect on and after the Restatement Date) shall be credited to a sub-account of the Nonqualified Defined Contribution Account referred to as the "Nonqualified ESOP Sub-Account." This Sub-Account shall also include amounts credited to a participant under Section 5.01 of the Plan, as in effect prior to the Restatement Date (the "Predecessor Plan"), attributable to contributions made with respect to the ESOP, including interest credited to such amounts prior to

the Restatement Date under Section 5.03 of the Predecessor Plan.

Effective May 1, 1996, solely for accounting and computation purposes the value credited to this Nonqualified ESOP Sub-Account on behalf of each participant or beneficiary shall be converted from a cash value to the right to receive whole and fractional shares of common stock of the Company based on the closing price as of April 30, 1996, as reported on the New York Stock Exchange. In no event shall the Nonqualified ESOP Sub-Account be credited with actual shares of Company stock. After May 1, 1996, the Defined Contribution Supplemental Nonqualified Benefit to be credited to a participant for a plan year shall be credited with the right to receive shares in accordance with Section 5.01.

5.03 Adjustment to Nonqualified ESOP Sub-Account. For plan years beginning prior to May 1, 1996, all amounts credited to a Nonqualified ESOP Sub-Account established for a participant hereunder shall be credited with gains and losses, generally, as if such Account were invested in the common stock of the Company. Effective May 1, 1996, the Nonqualified ESOP Sub-Account shall be expressed as the right to receive shares of the Company's common stock. The Nonqualified ESOP Sub-Account shall also be adjusted to reflect stock splits, stock dividends and recapitalizations in such manner as may be determined by the Committee. The Committee may adjust the Nonqualified ESOP Sub-Account to reflect dividends payable with respect to the

Company's common stock from time to time. The Committee shall determine the manner in which any such adjustment shall be made.

5.04 Vested Interest in Nonqualified ESOP Sub-Account. A participant's vested interest in any Nonqualified ESOP Sub-Account established for such participant's benefit hereunder shall be determined in the same manner as the participant's percentage vested interest in employer contributions is determined under the ESOP, and the Company may forfeit the nonvested portion of the participant's Nonqualified ESOP Sub-Account under the same rules and subject to the same limitations as provided under the ESOP. Provided, however, that a participant shall not earn a fully-vested interest in his or her Nonqualified ESOP Sub-Account as a result of the termination or partial termination of the Plan in those situations where the participant is not otherwise fully vested in such Sub-Account.

5.05 Nonqualified SRP Sub-Account. A participant's Nonqualified Defined Contribution Account shall include amounts credited to him or her under Section 5.01 of the Predecessor Plan attributable to contributions made with respect to the Profit Sharing Plan and the Supplemental Retirement Plan (as such terms are defined in the Predecessor Plan), including interest credited to such amounts prior to the Restatement Date under Section 5.03 of the Predecessor Plan. Such amounts (together with such interest) shall be held in a separate sub-account in the Nonqualified Defined Contribution Account, referred to as the "Nonqualified SRP Sub-Account." As of the Restatement Date, the Nonqualified SRP Sub-Account shall be credited with gains and losses in such manner as may be determined by the Committee from time to time in its sole discretion. The Nonqualified SRP Sub-Account shall be subject to the vesting provisions set forth in Section 5.04 of the Predecessor Plan, which shall continue to apply to amounts credited to such Sub-Account. Notwithstanding anything in this Article 5 to the contrary, as of the Restatement Date, the Company shall no longer make contributions to the Plan with respect to the Profit Sharing Plan and the Supplemental Retirement Plan (as those terms are defined in the Predecessor Plan).

Effective May 1, 1997, solely for accounting and computation purposes the value credited to this Nonqualified SRP Sub-Account on behalf of each participant or beneficiary shall be converted from a cash value to the right to receive whole and fractional shares of common stock of the Company based on the closing price as of April 30, 1997, as reported on the New York Stock Exchange. In no event shall the Nonqualified SRP Sub-Account be credited with actual shares of Company stock nor shall the value of the Nonqualified SRP Sub-Account, at any time, be less than its value as of April 30, 1997. The Nonqualified SRP Sub-Account shall be adjusted to reflect stock splits, stock dividends and recapitalizations in such manner as may be determined by the Committee. The Committee may adjust the Nonqualified SRP Sub-Account to reflect dividends payable with respect to the Company's common stock from time to time. The Committee shall determine the manner in which any such adjustment shall be made.

5.06 Payment of Vested Nonqualified Defined Contribution Account. The value of a vested Nonqualified Defined Contribution Account established hereunder (including the vested Nonqualified ESOP Sub-Account and vested Nonqualified SRP Sub-Account) shall be paid to the participant or beneficiary, as the case may be, on a monthly basis each plan year over a fifteen-year period commencing as soon as is administratively practicable within the plan year commencing

immediately following the plan year in which the participant terminates employment. The initial balance in the vested portion of such Account at the time benefits commence shall be paid in 180 equal monthly installments over the fifteen-year period. Interest shall continue to be credited on the declining vested balance in accordance with Section 5.03 and Section 5.05 hereof during the payout period, and such additional interest will be paid monthly in addition to the regular monthly payments.

Notwithstanding the foregoing, the Committee (or any committee or individual to whom the Committee has delegated such authority) may, in its discretion, provide for an acceleration of payments under the payout schedule which is otherwise applicable. The Committee (or its delegate) shall exercise such discretion by taking into account factors including but not limited to the participant's financial and retirement needs, as determined by the Committee (or its delegate), the Company's ability to make payment of such amounts, and the defraying of costs and expenses associated with the administration of the Plan.

Effective for participants who terminate employment on or after May 1, 1996, payment of the vested Nonqualified ESOP Sub-Account to the participant or beneficiary, as the case may be, must be made in the form of whole shares of Company stock. Fractional shares shall be paid in cash.

VI. DEATH BENEFITS

6.01 Death Before Benefit Commencement. If the participant dies prior to the date payment of amounts credited to an Account established under the Plan for his or her benefit has commenced, payment of the vested portion of his or her Account balance shall be made to the participant's beneficiary at the time and in the manner as otherwise provided under the Plan with respect to payments to participants, but subject to the Committee's discretion to accelerate payments in accordance with Section 4.04 or 5.06 of the Plan, as applicable.

6.02 Death After Benefit Commencement. In the event a participant dies after the date payment of amounts credited to an Account established for his or her benefit under the Plan has commenced, any amounts remaining to be paid under such Account shall continue to be paid to the participant's beneficiary under the method of distribution in effect at the date of the participant's death, but subject to the Committee's discretion to accelerate payments under said option in accordance with Section 4.04 or 5.06 of the Plan, as applicable.

6.03 Designation of Beneficiary. A participant may designate a beneficiary or beneficiaries to receive any benefit payments which may be payable hereunder following the participant's death, and may designate the proportions in which such beneficiaries are to receive such payments. Any such designation shall be on a form provided by the Company and filed with the Company before the participant's death. The participant may change such designation from time to time and the last written designation filed with the Company prior to the participant's death will control. If the participant fails to specifically designate a beneficiary, if no designated beneficiary survives the participant, or if all designated beneficiaries who survive the participant die before complete payment of benefits is made, any remaining benefits shall be paid to the participant's surviving

spouse, or if there is no surviving spouse, to the participant's issue, taking by right of representation from the participant's natural and adoptive children, or if there is no surviving issue, to the legal representatives of the participant's estate.

VII. CHANGE IN CONTROL PROVISIONS

7.01 Application of Article VII. To the extent applicable, the provisions of this Article VII relating to an Event of change in control of the Company shall control, notwithstanding any other provisions of the Plan to the contrary, and shall supersede any other provisions of the Plan to the extent inconsistent with the provisions of this Article VII.

7.02 Payments to and by the Trust. If the Company determines that it is probable that an Event may occur within the six-month period immediately following the date of determination, or if an Event in fact occurs in those situations where the Company has not otherwise made such a determination, the Company shall make a contribution to the Trust (if in existence at the date of determination or the date of the Event, as the case may be) in accordance with the provisions of the Trust. Solely for purposes of determining the amount of such contribution (but in no way in limitation of the Company's liability under the Plan as determined under other provisions of the Plan), the Company's total liability under this Plan shall be equal to the value of the current credit balances under all Accounts established under the Plan, including any interest credited to such Accounts under the terms of the Plan, which remain unpaid by the Company as of the date of determination or the date of the Event, as the case may be, whether or not amounts are otherwise currently payable to participants or beneficiaries under the Plan. The value of the Nonqualified Retirement Plan Account of a participant who is actively employed as of the date of determination or of the Event, as the case may be, shall be determined for purposes hereof as if such participant terminated employment on such date and the Account was established on such date. All such contributions shall be made as soon as possible after the date of determination or of the Event, as the case may be, and shall be made in cash or property valued at fair market value. Further, the Company may, in its discretion, make other contributions to the Trust from time to time for purposes of providing benefits hereunder, whether or not an Event has occurred or may occur.

Notwithstanding the foregoing, any contributions to the Trust, as well as any income or gains thereon, shall be at all times subject to the provisions of the Trust, including but not limited to the provisions permitting a return of such contributions and income or gains thereon to the Company in certain circumstances.

Payments of benefits under the Plan with respect to those participants and their beneficiaries for whom Trust contributions are made shall be made first from the Trust in accordance with the terms of the Trust, but, to the extent not paid by the Trust, shall be paid by the Company.

7.03 Legal Fees and Expenses. The Company shall reimburse any participant or his or her beneficiary for all reasonable legal fees and expenses incurred by such participant or beneficiary after the date of any Event in seeking to obtain any right or benefit provided by the Plan.

7.04 Late Payment and Additional Payment Provisions. If after the date of an Event there is a delay in the payment of any benefits under the Plan beyond the final date for payment under the Plan, the amounts otherwise payable to any participant or beneficiary shall be increased by an amount equal to the stated interest which shall be credited to such amounts from the final date for payment of such amounts through the date that payment of such amounts (plus such credited interest) is actually made to the participant or beneficiary, compounded quarterly on a calendar year basis. The amount of stated interest to be so credited shall be equal to the lesser of (i) the prime rate plus five percentage points, or (ii) the prime rate multiplied by two. For purposes hereof, the prime rate shall be the prime rate of interest quoted by Norwest Bank Minneapolis, N.A. as its prime rate, determined each calendar quarter as the average of the daily prime rates in effect throughout such calendar quarter, averaged for the number of days for which the prime rates are quoted during such calendar quarter. In the event that stated interest is to be credited for some period less than a full calendar quarter, however, the stated interest shall be determined and compounded for the fractional quarter, with the prime rate determined as the average of the daily prime rates in effect throughout such fractional calendar quarter, averaged for the number of days during such fractional calendar quarter for which prime rates are quoted.

The increase in amounts otherwise payable under the Plan by the crediting of such stated interest represents a late payment penalty for the delay in payment.

Any payments of benefits by the Company after the final date for payment of benefits under the Plan shall be applied first against the first due of such payments of benefits (with application first against any applicable late payment penalty and next against the benefit amount itself) until fully paid, and next against the next due of such payments in the same manner, and so forth, for purposes of calculating the late payment penalties hereunder.

Participants and their beneficiaries shall be entitled to the payment of benefits under the Plan plus the late payment penalty referred to hereinabove first from the Trust and secondarily from the Company, as otherwise provided in Section 7.02.

VIII. MISCELLANEOUS PROVISIONS

8.01 Amendment and Termination. The Committee may terminate the Plan, or the Committee (or any committee or individual to whom the Committee has delegated such authority) may amend the Plan in any respect, and may thereby effect a distribution in whole or in part of vested benefits under the Plan at any date earlier than the date or dates otherwise provided for herein. In no event shall any such amendment or termination reduce the total amount of vested benefits credited to the Accounts of a participant or beneficiary under the Plan (or which would be so credited with respect to a participant who is actively employed immediately prior to the date of amendment or termination had the participant terminated employment and had his or her Nonqualified Retirement Plan Account been established immediately prior to such date), as determined immediately prior to such amendment or termination (the "existing benefit"), or reduce the rate of interest which is credited or to be credited to the existing benefit, or modify the time for

or manner of payment of such existing benefit (other than to provide for an acceleration of distribution as otherwise provided under this Section).

8.02 Administration by Committee. The Committee has full power and authority to administer the Plan and to establish rules and procedures for the operation of the Plan. The Committee may delegate to one or more committees or individuals any of its authority, power to exercise discretion, duties or responsibilities under the Plan, except that it may not delegate the power to terminate the Plan. The Committee shall be considered the named fiduciary of the Plan for purposes of Section 402(a)(2) of the Employee Retirement Income Security Act of 1974, as amended.

8.03. No Assignment. No person shall have the power to transfer, assign, anticipate, mortgage or otherwise encumber or dispose of in advance any interest in amounts payable hereunder or any of the payments provided for herein, nor shall any interest in amounts payable hereunder or in any payments be subject to seizure for payment of any debts, judgments, alimony or separate maintenance, or be reached or transferred by operation of law in the event of bankruptcy, insolvency, or otherwise.

8.04 Successors and Assigns. The provisions of this Plan are binding upon and inure to the benefit of the Company and its successors and assigns, by merger, purchase or otherwise, and the participant and the participant's beneficiaries, heirs and personal representatives.

8.05 Claims Procedure. The Committee shall notify a participant in writing within ninety days of the participant's written application for benefits of the participant's eligibility or noneligibility for benefits under the Plan. If the Committee determines that a participant is not eligible for benefits or full benefits, the notice shall set forth (a) the specific reasons for such denial, (b) a specific reference to the provision of the Plan on which the denial is based, (c) a description of any additional information or material necessary to perfect his or her claim, and a description of why it is needed, and (d) an explanation of the Plan's claims review procedure and other appropriate information as to the steps to be taken if the participant wishes to have his or her claim reviewed. If the Committee determines that there are special circumstances requiring additional time to make a decision, the Committee shall notify the participant of the special circumstances and the date

by which a decision is expected to be made, and may extend the time for up to an additional ninety-day period. If a participant is determined by the Committee to be not eligible for benefits, or if the participant believes that he or she is entitled to greater or different benefits, the participant shall have the opportunity to have his or her claim reviewed by the Committee by filing a petition for review with the Committee within sixty days after receipt by the participant of the notice issued by the Committee. Said petition shall state the specific reasons the participant believes he or she is entitled to benefits or greater or different benefits. Within sixty days after receipt by the Committee of said petition, the Committee shall afford the participant (and his or her counsel, if any) an opportunity to present his or her position to the Committee orally or in writing, and said Participant (or his or her counsel) shall have the right to review the pertinent documents, and the Committee shall notify the participant of its decision in writing within said sixty-day period, stating specifically the basis of said decision written in a manner calculated to be understood by the participant and the specific provisions of the Plan on which the decision is based.

If, because of the need for a hearing, the sixty-day period is not sufficient, the decision may be deferred for up to another sixty-day period at the election of the Committee, but notice of this deferral shall be given to the participant.

8.06 Construction of Agreement. This Plan shall be subject to and construed in accordance with the laws of the State of Minnesota to the extent not preempted by the provisions of the Employee Retirement Income Security Act of 1974, as amended. The Committee has exclusive authority to determine conclusively for all parties all questions arising in the administration of the Plan. The Committee has discretionary authority to interpret and construe the terms of the Plan and to determine all questions of eligibility of employees, participants and beneficiaries under the Plan and the amounts of their respective interests. Committee determinations are binding on all persons, subject to the claims procedure under the Plan.

STATEMENT RE COMPUTATION OF
PER SHARE EARNINGSMEDTRONIC, INC.
(Unaudited)
(in thousands)

Years ended April 30,	1997	1996	1995

PRIMARY			

Shares outstanding:			
Weighted average outstanding	238,693	237,436	230,480
Share equivalents (1) (2)	3,858	4,161	2,754
	-----	-----	-----
Adjusted shares outstanding (2)	242,551	241,597	233,234
	=====	=====	=====
FULLY DILUTED			

Shares outstanding:			
Weighted average outstanding	238,693	237,436	230,480
Share equivalents (1) (2)	4,361	4,626	4,380
	-----	-----	-----
Adjusted shares outstanding (2)	243,054	242,062	234,860
	=====	=====	=====
Net earnings	\$529,988	\$428,306	\$294,000
	=====	=====	=====

(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%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMARY

Medtronic is the world's leading medical technology company specializing in implantable and interventional therapies. Primary products include implantable pacemaker systems used for the treatment of bradycardia, implantable tachyarrhythmia management devices, ablation systems, mechanical and tissue heart valves, balloon and guiding catheters used in angioplasty, coronary and peripheral stents and stented grafts, interventional neuroradiology products, implantable neurostimulation and drug delivery systems, hydrocephalic shunts and other neurosurgical devices, urological and digestive diagnostic systems and perfusion systems including blood oxygenators, centrifugal blood pumps, cannulae products, and autotransfusion and blood monitoring systems and products used in minimally invasive cardiac surgery. The company reports on three business units (Pacing, Other Cardiovascular, and Neurological and Diversified Businesses) and three geographic areas (the Americas, Europe/Middle East/Africa, and Asia/Pacific).

Fiscal 1997 was another excellent year for the company, as evidenced by the 12th consecutive year of increases in both revenues and earnings. Net sales of \$2.44 billion represent a 12.3% increase over the \$2.17 billion in fiscal 1996 after restatement to reflect the May and June 1996 acquisitions of AneuRx, Inc. and InStent Inc. which were accounted for as poolings of interests. Net sales excluding the effects of foreign currency translation increased 15.2% compared to increases of 23.5% in fiscal 1996 and 21.0% in fiscal 1995. Net earnings and earnings per share increased 23.7% and 23.3% to \$530.0 million and \$2.22, respectively. The growth during fiscal 1997 was led by the Pacing and Neurological businesses and was the result of continued progress in gaining market share, expanding our global operations, and significant new product and therapy introductions in all businesses.

The company continued to improve its strategic position by taking advantage of additional growth opportunities through acquisition. The company closed on three acquisitions during fiscal 1997. In May 1996, the company acquired AneuRx, Inc. (AneuRx), which provides a minimally invasive endovascular stented graft and delivery system used to repair life-threatening abdominal aortic aneurysms. In June 1996, the company acquired InStent Inc. (InStent), which develops, manufactures, and markets a variety of self-expanding and balloon-expandable stents used in a broad range of medical indications. In August 1996, the company acquired Avalon Laboratories, Inc. (Avalon), which develops, manufactures, and sells cannulae and other surgical products.

NET SALES

The increase in net sales from fiscal 1996 to fiscal 1997 was primarily the result of continued unit volume increases. Selling prices for the company's products during fiscal 1997 remained relatively stable overall despite the medical market's continued focus on cost controls and competitive pricing. Sales in the United States in fiscal 1997 increased 14.6% over the prior year, compared to 28.0% in fiscal 1996. Sales outside the United States increased 16.0% on a constant currency basis compared to 17.8% in fiscal 1996. Sales in non-U.S. markets accounted for 41.8% of worldwide net sales, compared with 43.0% in fiscal 1996 and 43.8% in fiscal 1995. Foreign exchange rate movements had an unfavorable year-to-year impact on international net sales of \$64.4 million in fiscal 1997 and a favorable year-to-year impact of \$21.3 million and \$59.1 million in fiscal 1996 and fiscal 1995, respectively. These exchange rate movements are caused primarily by the impact of the stronger U.S. dollar in fiscal 1997 and the relatively weaker U.S. dollar in fiscal 1996 and fiscal 1995 versus major European currencies and the Japanese yen. The impact of foreign currency fluctuations on net sales is not necessarily indicative of the impact on net earnings due to the offsetting foreign currency impact on operating costs and expenses and the company's hedging activities (see Note 3 to the consolidated financial statements for further details on foreign currency instruments and the company's risk management strategies with respect thereto). As reflected in Note 3, realized gains and losses on the company's hedging activities were offset by the transactions being hedged and are therefore consistent with the company's risk management strategies.

NET EARNINGS

In Millions of Dollars
[BAR CHART]

1997	\$530.0
1996	428.3
1995	294.0

EARNINGS PER SHARE
In Dollars
[BAR CHART]

1997	\$2.22
1996	1.80
1995	1.28

The following is a summary of sales by business unit as a percentage of total net sales:

Year ended April 30,	1997	1996	1995
Pacing	65.6%	67.9%	66.0%
Other Cardiovascular	22.0	23.6	26.5
Neurological & Diversified Businesses	12.4	8.5	7.5

Net sales of the Pacing Business, consisting primarily of Bradycardia Pacing, Tachyarrhythmia Management and Ablation Systems, increased 11.5% in fiscal 1997 after removing the impact of foreign exchange rate fluctuations, versus growth of 29.0% in fiscal 1996. The decrease in the growth rates from fiscal years 1996 to 1997 is primarily the result of the timing of new product introductions during fiscal years 1995, 1996, and 1997. The increase in fiscal 1997 was attributable to continued growth by Bradycardia Pacing and strong contributions and continued market share gains from Tachyarrhythmia Management. Bradycardia unit sales of implantable pulse generators (IPGs) achieved double digit percentage growth. Bradycardia unit sales continued to reflect strong growth in both U.S. and non-U.S. markets, primarily on the strength of the Thera (i-Series) pacemakers worldwide and the new Medtronic.Kappa 400 series pacemakers, which were released in Europe in January 1997. The Medtronic.Kappa 400 series pacemakers are currently in clinical evaluation in the U.S. The significant sales growth in Tachyarrhythmia Management sales was primarily attributable to the company's Micro Jewel implantable cardioverter-defibrillators, which received U.S. Food and Drug Administration (FDA) clearance in July 1996 and its successor product the Micro Jewel II, which received FDA clearance in November 1996. The Micro Jewel II is currently the world's smallest and lightest defibrillator, and has helped establish the company as the leader in the rapidly accelerating, and highly competitive market for tachyarrhythmia management devices.

The Thera, Kappa and Micro Jewel product lines contributed significantly to the overall sales growth of the company in fiscal 1997, and are expected to continue to perform well in the future. Management believes the Pacing business is well positioned for continued growth based on the continued cost effectiveness of the products and the commitment to continue to develop technologically advanced products. The innovative successors to these Pacing products, the Medtronic.Kappa 700 series family of pacemakers, which is expected to be the world's first truly automatic pacemaker, and the Gem DR defibrillator, which will be able to sense and pace in the atrium, as well as the ventricle, are expected to enter clinical evaluation in Europe later this summer.

Sales within the Other Cardiovascular Business (consisting of balloon and guiding catheters, stents, interventional neuroradiology products, heart valves, perfusion and blood management systems, cannulae and surgical accessories) increased 8.4% and 12.7% in fiscal 1997 and fiscal 1996, respectively, after excluding the effects of foreign currency translation. The fiscal 1997 growth is attributable in significant part to continued growth made by the Medtronic Wiktor coronary stent in Japan, and gains in Europe by the Wiktor-i and beStent stents. The beStent device was commercially released in Europe and other world markets outside the United States in November 1996. The stent market has become increasingly competitive outside the United States. The company received FDA clearance of the Wiktor coronary stent for the U.S. market in late June 1997. Balloon and guiding catheter unit sales grew in fiscal 1997. However, continued

declines in the average selling price for balloon catheters in the United States offset the unit growth. Balloon catheter selling prices have deteriorated over the past four years as a result of continued price competition. It is unclear to what extent this erosion of selling prices will continue into fiscal 1998. In March 1997, the company received European CE Mark clearance for its endovascular stent-graft system used in the treatment of abdominal aortic aneurysms. Contributing significantly to fiscal 1997 was growth in sales of cannulae and tissue and mechanical heart valves. Sales of perfusion and blood management systems were relatively flat as compared to the prior fiscal year.

U.S. VS.
INTERNATIONAL SALES
In Millions of Dollars
[BAR CHART]

	1997 -----	1996 -----	1995 -----
U.S.	\$ 1,403.2	\$ 1,241.0	\$ 979.7
International	1,035.0	931.1	762.7
	-----	-----	-----
	\$2,438.2	\$2,172.1	\$1,742.4
	=====	=====	=====

NET SALES BY BUSINESS
In Millions of Dollars
[BAR CHART]

	1997 -----	1996 -----	1995 -----
Pacing	\$1,600.1	\$ 1,474.2	\$ 1,150.6
Other Cardiovascular	537.4	512.8	461.6
Neurological & Diversified	300.7	185.1	130.2
	-----	-----	-----
	\$2,438.2	\$2,172.1	\$1,742.4
	=====	=====	=====

Net sales of the Neurological and Diversified Businesses, consisting primarily of implantable neurostimulation devices, drug administration systems, neurosurgery products, diagnostic systems, and developing businesses, continued to experience significant growth. Exclusive of the effects of foreign currency translation, net sales grew 63.4% over the previous year compared to growth of 27.8% in fiscal 1996. PS Medical and Synectics, which were acquired in November 1995 and April 1996, respectively, contributed to the growth over the prior year. Another strong contributing growth factor was rapid sales growth in Europe of Activa tremor control therapy for control of essential tremor and tremor associated with Parkinson's disease. This therapy is currently awaiting FDA clearance in the United States. Another therapy, delivery of Lioresal (baclofen, USP) Intrathecal by the SynchroMed drug infusion system for spasticity of cerebral origin, which received FDA clearance in June 1996, continues to gain worldwide acceptance. In addition, the Matrix and Itrel 3 spinal cord stimulation systems continue to hold strong market share positions. In December 1996, the AlgoMed implantable drug infusion system, a new patient-activated device for cancer patients, was launched in European markets.

MANAGEMENT DISCUSSION AND ANALYSIS

COSTS AND EXPENSES

The following is a summary of major costs and expenses as a percentage of net sales:

Year ended April 30,	1997	1996	1995
	-----	-----	-----
Cost of Products Sold	25.0%	27.2%	31.0%
Research & Development	11.5	11.2	11.0
Selling, General & Administrative	31.3	32.3	33.0
	=====	=====	=====

Cost of products sold as a percentage of net sales decreased in fiscal 1997 as compared to fiscal 1996. This decrease resulted from the impact of favorable product and geographic mixes combined with increased volumes, and the favorable impact of foreign exchange rate fluctuations between the time products are shipped and sold, partially offset by pricing pressures on certain products and costs related to new product introductions. The decrease in cost of products sold as a percentage of net sales from fiscal 1995 to fiscal 1996 resulted from increased productivity, substantially increased volumes, favorable product and geographic mix and the favorable impact of foreign exchange rate fluctuations, partially offset by increased start-up costs related to new product introductions. Gross margins will continue to be impacted by regulatory and competitive pricing pressures, new product introductions, the mix of products both within and between businesses and geographies, and the effects of foreign currency fluctuations.

R & D EXPENSE
In Millions of Dollars
[BAR CHART]

1997	\$280.2
1996	243.8
1995	191.4

The company continued its commitment to long-term growth, in part, by investing in research and development (R&D). R&D expense was \$280.2 million in fiscal 1997, an increase of 14.9% from fiscal 1996 R&D expense of \$243.8 million. 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 less invasive and new technologies to address unmet patient needs. The continued success of this strategy is reflected in the rapid market acceptance of new, technologically advanced products during fiscal 1997.

Selling, general, and administrative expense (SG&A) as a percent of sales decreased in both fiscal 1997 and 1996 primarily due to continued overall cost efficiencies and accelerated revenue growth. The fiscal 1997 decrease was also impacted by gains recognized from the sale of certain available-for-sale equity securities and increased royalty income offset in part by increased legal costs, additional investments in information technology, and marketing initiatives.

INCOME TAXES

The company's effective income tax rate in fiscal 1997 was 34.5% compared to an effective rate of 35.0% in fiscal 1996, after restatement for the acquisitions of AneuRx and InStent, and 33.5% in fiscal 1995. The company continues to experience upward pressure on the tax rate, resulting from recent tax legislation which reduces U.S. tax benefits derived from the company's operations in Puerto Rico. Management believes that further adverse impact can be minimized by other tax planning initiatives.

LIQUIDITY AND CAPITAL RESOURCES

SUMMARY

The company retained its strong financial position even after the repurchase of \$476.6 million of stock during fiscal 1997 compared to stock repurchases of \$33.6 million and \$59.1 million in fiscal 1996 and 1995, respectively. At April 30, 1997, working capital, the excess of current assets over current liabilities, totaled \$719.2 million compared to \$862.1 million at April 30, 1996. The current ratio at April 30, 1997, was 2.4:1 compared with 2.6:1 and 2.4:1 at April 30, 1996 and 1995, respectively. The company's net cash position, defined as the sum of cash, cash equivalents, and short-term investments less short-term borrowings and long-term debt was \$130.2 million at April 30, 1997, compared to \$430.8 million at April 30, 1996, and \$276.0 million at April 30, 1995. Because of its strong financial condition, the company is well positioned to execute its growth strategies which include research and development spending, internal ventures, and acquisitions.

CASH FLOW

Cash provided by operating activities was \$463.6 million in fiscal 1997 compared to \$500.9 million in fiscal 1996 and \$387.2 million in fiscal 1995. These operating cash flows were more than sufficient to fund the company's stock repurchases, capital expenditures, acquisitions and dividends to shareholders.

Repurchases of common stock totaled \$476.6 million in fiscal 1997, compared to \$33.6 million and \$59.1 million in fiscal 1996 and fiscal 1995, respectively. The significant stock repurchases during fiscal 1997 were supported by the company's existing strong cash position. Additions to property, plant and equipment totaled \$171.3 million in fiscal 1997, compared to \$165.1 million and \$96.9 million in fiscal 1996 and 1995, respectively. The increase in additions to property, plant and equipment from fiscal 1995 to fiscal 1996 was mainly associated with increased spending on the enhanced 9790 programmer. The company expects future growth in capital spending to support increased manufacturing capacity and operational requirements. This spending will be financed primarily by funds from operations.

In addition to capital spending and stock repurchase activity, significant items affecting cash flows during fiscal 1997 included net sales and maturities of marketable securities of \$367.3 million, other investing activities of \$99.1 million and dividends to shareholders totaling \$90.7 million. Significant items affecting cash flows during fiscal 1996 included the cash purchase price paid for the acquisition of Synectics of approximately \$56.0 million, net purchases of marketable securities totaling \$190.3 million, and dividends to shareholders totaling \$60.4 million. For further details related to the acquisition of Synectics, see Note 2 to the consolidated financial statements.

In addition to capital spending and stock repurchase activity, significant items affecting cash flows in fiscal 1995 included \$39.1 million paid for settlement of payables related to fiscal 1994 acquisitions, dividends to shareholders totaling \$47.2 million, and \$36.2 million net reduction of debt. Cash flows from increases and decreases in operating assets and liabilities essentially offset each other.

DEBT AND CAPITAL

At April 30, 1997, the total number of shares of common stock authorized by the Board of Directors for repurchase was approximately 6.7 million shares. In May 1997, the company's Board of Directors authorized an additional 6.0 million shares for repurchase. During fiscal 1997, approximately 7.4 million shares were repurchased at an average price of \$64.35. During fiscal 1996, approximately 0.7 million shares were repurchased at an average cost of \$51.21 per share. The company repurchased shares in fiscal 1997 and 1996 to offset dilution resulting from shares issued in conjunction with purchased acquisitions over the past several years, the issuance of stock under employee benefit plans and to take advantage of market conditions. Future repurchases of common stock will depend upon market conditions, the company's cash position, restrictions related to pooling transactions, and other factors.

Dividends to shareholders were \$90.7 million, \$60.4 million, and \$47.2 million in fiscal years 1997, 1996, and 1995, respectively. Consistent with the company's financial objectives, the company expects to continue paying dividends at a rate of approximately 20% of the previous year's net earnings.

The company's capital structure consists of equity and interest-bearing debt. Interest-bearing debt as a percent of total capital was 6.4% at April 30, 1997, compared with 4.0% and 3.4% at April 30, 1996, and 1995, respectively.

One of the company's key financial objectives is achieving an annual return on equity (ROE) of at least 20%. ROE compares net earnings to average shareholders' equity and is a key measure of management's ability to utilize the shareholders' investment in the company effectively. In fiscal 1997, ROE was 29.6%, up 2.6 percentage points over the 27.0% in fiscal 1996. In fiscal 1995, ROE was 24.6% and in each of the preceding seven years, ROE exceeded 20%.

DIVIDENDS TO
SHAREHOLDERS
In Millions of Dollars
[BAR CHART]

1997	\$90.7
1996	60.4
1995	47.2

GOVERNMENT REGULATION AND OTHER MATTERS

Government and private sector initiatives to limit the growth of health care

costs, including price regulation and competitive pricing, are continuing in several countries where the company does business, including the United States. These changes are causing the marketplace to put increased emphasis on the delivery of more cost-effective medical therapies. Although the company believes it is well positioned to respond to changes resulting from this worldwide trend toward cost containment, the uncertainty as to the outcome of any proposed legislation or changes in the marketplace precludes the company from predicting the impact these changes may have on future operating results.

In the early 1990s, the review time by the FDA to clear medical devices for commercial release lengthened and the number of clearances, both of 510(k) submissions and pre-market approval applications (PMAs), decreased. In response to public and congressional concern, the FDA has attempted to address these issues by clearing more 510(k) submissions and clearing them more quickly. Some progress has also been made in the number of PMAs and PMA-Supplements cleared, but review times for leading-edge, innovative products remain long. While the trend is in the right direction, the lengthy clearance time remains a significant issue and various legislative solutions to resolve this are currently before the U.S. Congress.

In keeping with the increased emphasis on cost effectiveness in health care delivery, the current trend among hospitals and other customers of medical device manufacturers is to consolidate into larger purchasing groups to enhance purchasing power. The medical device industry has also been consolidating rapidly, partly in order to offer a broader range of products to large purchasers. As a result, transactions with customers are more significant, more complex and tend to involve more long-term contracts than in the past. This enhanced purchasing power may also increase the pressure on product pricing, although management is unable to estimate the potential impact at this time. Management believes that in this climate it is increasingly important to offer a full line of products in order to better serve the many requirements of multi-hospital purchasers.

Medtronic is also subject to various environmental laws and regulations both in the United States and abroad. The operations of the company, like those of other medical device companies, involve the use of substances regulated under environmental laws, primarily in manufacturing and sterilization processes. While it is difficult to quantify the potential impact of compliance with environmental protection laws, management believes that such compliance will not have a material impact on the company's financial position, results of operations or liquidity.

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. During the past year, United States District Courts in California, Florida, and Kentucky have refused to certify class actions in cases brought against the company. This is consistent with the trend in class action law as it applies to the medical device industry generally. 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 (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.

REPORT OF MANAGEMENT

The management of Medtronic, Inc., is responsible for the integrity of the

financial information presented in the annual report. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles. Where necessary, they reflect estimates based on management's judgment.

Management relies upon established accounting procedures and related systems of internal control for meeting its responsibilities to maintain reliable financial records. These systems are designed to provide reasonable assurance that assets are safeguarded and that transactions are properly recorded and executed in accordance with management's intentions. Internal auditors periodically review the accounting and control systems, and these systems are revised if and when weaknesses or deficiencies are found.

The Audit Committee of the Board of Directors, composed of directors from outside the company, meets regularly with management, the company's internal auditors, and its independent accountants to discuss audit scope and results, internal control evaluations, and other accounting, reporting, and financial matters. The independent accountants and internal auditors have access to the Audit Committee without management's presence.

/S/ William W. George
William W. George
Chairman and Chief Executive Officer

/S/ Arthur D. Collins, Jr.
Arthur D. Collins, Jr.
President and Chief Operating Officer

/S/ Robert L. Ryan
Robert L. Ryan
Senior Vice President and Chief Financial Officer

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and
Board of Directors of Medtronic, Inc.

In our opinion, the accompanying consolidated balance sheet and the related statements of consolidated earnings, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Medtronic, Inc., and its subsidiaries at April 30, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended April 30, 1997, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/S/ Price Waterhouse LLP
Price Waterhouse LLP
Minneapolis, Minnesota
May 22, 1997

STATEMENT OF CONSOLIDATED EARNINGS

(in thousands of dollars, except per share data)

Medtronic, Inc.

Year ended April 30,	1997	1996	1995
NET SALES	\$ 2,438,224	\$ 2,172,100	\$ 1,742,392
COSTS AND EXPENSES:			
Cost of products sold	610,190	591,433	540,080
Research and development expense	280,214	243,829	191,351
Selling, general, and administrative expense	763,347	700,876	574,624
Interest expense	9,375	8,089	9,007
Interest income	(34,045)	(31,124)	(14,775)
TOTAL COSTS AND EXPENSES	1,629,081	1,513,103	1,300,287
EARNINGS BEFORE INCOME TAXES	809,143	658,997	442,105
PROVISION FOR INCOME TAXES	279,155	230,691	148,105
NET EARNINGS	\$ 529,988	\$ 428,306	\$ 294,000
WEIGHTED AVERAGE SHARES OUTSTANDING	238,693	237,436	230,480
EARNINGS PER SHARE	\$ 2.22	\$ 1.80	\$ 1.28

See accompanying notes to consolidated financial statements.

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FINANCIALS

CONSOLIDATED BALANCE SHEET

(in thousands of dollars)

Medtronic, Inc.

April 30,	1997	1996
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 197,388	\$ 151,050
Short-term investments	53,181	355,741
Accounts receivable, less allowance for doubtful accounts of \$13,673 and \$18,094	516,984	458,090
Inventories:		
Finished goods	123,282	118,952
Work in process	68,034	61,000
Raw materials	91,235	77,526
Total Inventories	282,551	257,478
Deferred tax assets	121,087	120,899
Prepaid expenses and other current assets	66,718	48,015
TOTAL CURRENT ASSETS	1,237,909	1,391,273
PROPERTY, PLANT, AND EQUIPMENT:		
Land and land improvements	25,449	22,931
Buildings and leasehold improvements	223,398	189,920
Equipment	655,719	561,083
Construction in progress	60,436	61,805
Accumulated depreciation	(965,002)	(835,739)
Net Property, Plant, and Equipment	487,216	416,913
GOODWILL, net of accumulated amortization of \$71,700 and \$52,589	394,238	387,296
OTHER INTANGIBLE ASSETS, net of accumulated amortization of \$53,325 and \$40,738	96,730	85,731
LONG-TERM INVESTMENTS	125,847	219,964
OTHER ASSETS	67,270	53,523
TOTAL ASSETS	\$ 2,409,210	\$ 2,554,700
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	\$ 106,375	\$ 60,690
Accounts payable	110,337	100,149
Accrued compensation	124,603	116,375
Accrued income taxes	68,814	110,365
Other accrued expenses	108,562	141,569
TOTAL CURRENT LIABILITIES	518,691	529,148
LONG-TERM DEBT	13,980	15,336
DEFERRED TAX LIABILITIES	2,163	45,744

OTHER LONG-TERM LIABILITIES	128,155	128,181
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred stock--par value \$1.00; 2,500,000 shares authorized, none outstanding		
Common stock--par value \$.10; 800,000,000 shares authorized, 233,813,505 and 239,307,689 shares issued and outstanding	23,381	23,931
Retained earnings	1,807,700	1,843,707
Cumulative translation adjustments	(56,960)	(2,675)

Receivable from Employee Stock Ownership Plan	1,774,121	1,864,963
	(27,900)	(28,672)

TOTAL SHAREHOLDERS' EQUITY	1,746,221	1,836,291

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,409,210	\$ 2,554,700
=====		

See accompanying notes to consolidated financial statements.

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FINANCIALS

STATEMENT OF CONSOLIDATED SHAREHOLDERS' EQUITY

(in thousands of dollars)

Medtronic, Inc.

	Common Stock	Retained Earnings	Cumulative Translation Adjustments	Receivable from ESOP

BALANCE, APRIL 30, 1994	\$5,813	\$1,089,681	\$ (9,702)	\$ (32,300)
Net earnings		294,000		
Dividends paid		(47,226)		
Two-for-one stock split	5,745	(5,745)		
Issuance of common stock under employee benefit and incentive plans	70	21,804		
Repurchases of common stock	(77)	(59,002)		
Change in unrealized gain (loss) on investments, net of tax		28,742		
Income tax benefit from restricted stock and nonstatutory stock options		7,340		
Translation adjustments			33,550	
Repayment from ESOP				2,320
Adjustment for pooling of interests		(3,757)		

BALANCE, APRIL 30, 1995	\$11,551	\$1,325,837	\$23,848	\$ (29,980)
Net earnings		428,306		
Dividends paid		(60,427)		
Two-for-one stock split	11,560	(11,560)		
Issuance of common stock under employee benefit and incentive plans	126	24,720		
Issuance of common stock in acquisition of subsidiaries	261	80,666		
Repurchases of common stock	(66)	(33,508)		
Change in unrealized gain (loss) on investments, net of tax		27,187		
Income tax benefit from restricted stock and nonstatutory stock options		6,501		
Translation adjustments			(26,523)	
Repayment from ESOP				1,308
Adjustment for pooling of interests	499	55,985		

BALANCE, APRIL 30, 1996	\$23,931	\$1,843,707	\$ (2,675)	\$ (28,672)
Net earnings		529,988		
Dividends paid		(90,716)		
Issuance of common stock under employee benefit and incentive plans	190	44,048		
Repurchases of common stock	(740)	(475,825)		
Change in unrealized gain (loss) on investments, net of tax		(57,864)		
Income tax benefit from restricted stock and nonstatutory stock options		14,362		
Translation adjustments			(54,285)	
Repayment from ESOP				772

BALANCE, APRIL 30, 1997	\$23,381	\$1,807,700	\$ (56,960)	\$ (27,900)
=====				

See accompanying notes to consolidated financial statements

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FINANCIALS

STATEMENT OF CONSOLIDATED CASH FLOWS

(in thousands of dollars)

Medtronic, Inc.

Year ended April 30,	1997	1996	1995
OPERATING ACTIVITIES			
Net earnings	\$ 529,988	\$ 428,306	\$ 294,000
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	116,893	112,003	106,502
Deferred income taxes	2,043	(33,106)	692
Changes in operating assets and liabilities:			
Increase in accounts receivable	(52,176)	(46,873)	(48,534)
Decrease (increase) in inventories	(16,904)	(30,439)	7,165
(Increase) decrease in prepaid expenses and other assets	(30,626)	18,922	(37,609)
(Decrease) increase in accounts payable and accrued liabilities	(42,996)	34,809	62,103
(Decrease) increase in accrued income taxes	(41,791)	(5,174)	7,931
(Decrease) increase in deferred income	(1,621)	1,230	(24,775)
(Decrease) increase in postretirement benefit accrual	1,337	2,272	(452)
(Decrease) increase in other long-term liabilities	(530)	18,909	20,154
NET CASH PROVIDED BY OPERATING ACTIVITIES	463,617	500,859	387,177
INVESTING ACTIVITIES			
Additions to property, plant, and equipment	(171,329)	(165,066)	(96,862)
Acquisitions, net of cash acquired	(18,873)	(55,958)	--
Sales and maturities of marketable securities	866,911	465,215	158,462
Purchases of marketable securities	(499,640)	(655,510)	(289,235)
Other investing activities	(99,069)	(19,896)	(12,361)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	78,000	(431,215)	(239,996)
FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings	33,404	14,330	(29,270)
Payments on long-term debt	(3,064)	(4,062)	(8,150)
Issuance of long-term debt	1,601	681	1,265
Decrease in acquisition price payable	--	--	(39,130)
Proceeds from stock offering of acquired subsidiary	--	41,538	--
Dividends to shareholders	(90,716)	(60,427)	(47,226)
Repurchases of common stock	(476,565)	(33,574)	(59,079)
Issuance of common stock	44,238	24,846	21,874
NET CASH USED IN FINANCING ACTIVITIES	(491,102)	(16,668)	(159,716)
Effect of exchange rate changes on cash and cash equivalents	(4,177)	(218)	2,107
NET CHANGE IN CASH AND CASH EQUIVALENTS	46,338	52,758	(10,428)
Cash and cash equivalents at beginning of year	151,050	98,292	108,720
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 197,388	\$ 151,050	\$ 98,292
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid during the year for:			
Income taxes	\$ 309,659	\$ 258,795	\$ 131,731
Interest	9,263	8,134	9,249
SUPPLEMENTAL NONCASH INVESTING AND FINANCING ACTIVITIES			
Issuance of common stock for acquisition of subsidiary, net of cash acquired	\$ --	\$ 73,951	\$ --

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per share data)

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Medtronic operates in a single industry segment as the world's leading medical technology company specializing in implantable and interventional therapies. The company does business in more than 120 countries. Primary products include implantable pacemaker systems used for the treatment of bradycardia, implantable tachyarrhythmia management devices, ablation systems, mechanical and tissue heart valves, balloon and guiding catheters used in angioplasty, coronary and peripheral stents and stented grafts, interventional neuroradiology products, implantable neurostimulation and drug delivery systems, hydrocephalic shunts and other neurosurgical devices, urological and digestive diagnostic systems and perfusion systems including blood oxygenators, centrifugal blood pumps, cannulae products, and autotransfusion and blood monitoring systems and products used in minimally invasive cardiac surgery. The company generally markets its products through a direct sales force in the United States and a combination of direct sales representatives and independent distributors in international markets. The

main markets for products are the United States, Western Europe and Japan.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Medtronic, Inc., and all of its subsidiaries. All significant intercompany transactions and accounts have been eliminated.

USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

CASH EQUIVALENTS

The company considers temporary cash investments with maturities of three months or less from the date of purchase to be cash equivalents.

REVENUE RECOGNITION

The company recognizes revenue from product sales when the goods are shipped to its customers. For certain products, the company maintains consigned inventory at customer locations. For these products, revenue is recognized at the time the company is notified that the device has been used.

INVENTORIES

Inventories are stated at the lower of cost or market, with cost determined on a first-in, first-out basis.

PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment is stated at cost. Additions and improvements extending asset lives are capitalized while maintenance and repairs are expensed as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the various assets.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess of cost over net assets of businesses acquired, while other intangible assets consist primarily of purchased technology and patents. These assets are being amortized using the straight-line method over their estimated useful lives, of which periods up to 25 years remain.

LONG-LIVED ASSETS

Statement of Financial Accounting Standard (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset in question may not be recoverable. SFAS No. 121 requires that impairment losses be recorded when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. The Company adopted SFAS No. 121 in fiscal 1996. Such adoption did not have a material effect on the Company's results of operations, cash flows or financial position.

RESEARCH AND DEVELOPMENT

Research and development costs are expensed when incurred.

STOCK-BASED COMPENSATION

The company has adopted the disclosure-only provisions of Statement of Financial Accounting Standard (SFAS) No. 123, "Accounting for Stock-Based Compensation", effective for fiscal 1997, which disclosures are presented in Note 7 "Stock Purchase and Award Plans". Accordingly, the company continues to account for stock-based compensation using the intrinsic value method as prescribed under Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees" and related Interpretations.

FOREIGN CURRENCY TRANSLATION

Essentially all assets and liabilities are translated to U.S. dollars at year-end exchange rates, while elements of the income statement are translated at average exchange rates in effect during the year. Adjustments arising from the translation of most net assets located outside the United States are recorded as a component of shareholders' equity.

ROYALTY INCOME

Income earned from royalty and license agreements is recorded as a reduction of selling, general, and administrative expense.

EARNINGS PER SHARE

Earnings per share of common stock are computed by dividing net income by the weighted average number of shares outstanding during the period.

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard (SFAS) No. 128, "Earnings per Share." SFAS No. 128 requires dual presentation of basic earnings per share and diluted earnings per share and is required to be adopted by the company during fiscal 1998. Implementation of SFAS No. 128 is not expected to have a material effect on reported earnings per share.

NOTE 2--ACQUISITIONS

On May 3, 1996, the company issued approximately 1,154,000 shares of its common stock for all of the outstanding capital stock of AneuRx, Inc. (AneuRx), which provides a minimally invasive endovascular stented graft and delivery system used to repair life-threatening abdominal aortic aneurysms.

On June 28, 1996, the company issued approximately 3,852,000 shares of its common stock for all of the outstanding capital stock of InStent Inc. (InStent). InStent develops, manufactures, and markets a variety of self-expanding and balloon-expandable stents used in a broad range of medical indications.

On August 29, 1996, the company acquired substantially all of the assets and liabilities of Avalon Laboratories, Inc. (Avalon) for approximately \$19.0 million in cash. Avalon develops, manufactures, and sells cannulae and other surgical products.

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In November 1995, the company acquired all of the outstanding capital stock of Pudenz-Schulte Medical Corporation (PS Medical) for approximately 1,262,000 shares of the company's common stock. In March 1996, upon the achievement of a specified milestone, the company made an additional payment of approximately 96,000 shares of the company's common stock. In addition, the company may pay additional future payments of the company's common stock contingent upon achieving specified milestones. These contingent payments, if any, will be reflected as acquisition costs when the contingencies are resolved. PS Medical manufactures and distributes cerebrospinal fluid shunts and neurosurgical implants such as catheters, reservoirs, and fluid drainage systems.

In November 1995, the company issued approximately 1,246,000 shares of the company's common stock for all of the outstanding common stock of Micro Interventional Systems, Inc. (MIS) a developer of products for the minimally invasive treatment of stroke and other diseases.

In April 1996, the company acquired the remaining outstanding stock of Synectics Medical AB (Synectics) at a cost of approximately \$59.3 million in cash. The company had previously purchased approximately 8% of the outstanding stock of Synectics. Synectics, of Stockholm, Sweden, is a world leader in the development and marketing of computer-supported systems used to diagnose disorders of the urological and digestive systems and sleep apnea.

The acquisitions of AneuRx, InStent and MIS have been accounted for as poolings-of-interests, and, accordingly, the company's consolidated financial statements for fiscal year 1996 have been restated to include the results of AneuRx, InStent and MIS. Activity for years prior to fiscal year 1996 has not been restated as the impact of these acquisitions in such years is not considered material, and restatement is therefore not required. Net sales and net results for the individual entities are not presented as the activity is not deemed to be material.

The acquisitions of Avalon, PS Medical and Synectics were accounted for as purchases. Accordingly, the results of operations of the acquired entities have been included in the company's consolidated financial statements since the respective dates of acquisition. Acquired goodwill, patents, trademarks, and other intangible assets associated with these acquisitions are being amortized using the straight-line method over periods ranging from 8 to 25 years.

NOTE 3--FINANCIAL INSTRUMENTS

The fair value of cash and cash equivalents, receivables, and short-term debt approximate their carrying value due to their short maturities. The carrying

amounts and estimated fair values of the company's other significant financial instruments were as follows:

April 30,	1997		1996	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSETS				
Short-term investments	\$53,181	\$53,181	\$355,741	\$355,741
Long-term investments	125,847	125,847	219,964	219,964
Net purchased currency options	4,698	4,698	210	210
Forward exchange contracts	5,721	5,721	--	--
LIABILITIES				
Short-term debt	106,375	106,375	60,690	60,690
Long-term debt	13,980	15,588	15,336	17,181

The fair value of certain short-term and long-term investments are based on quoted market prices for those or similar investments. For long-term investments which have no quoted market prices and are accounted for on a cost basis, a reasonable estimate of fair value was made using available market and financial information. The fair value of long-term debt is based on the current rates offered to the company for debt of similar maturities. The estimates presented on long-term financial instruments are not necessarily indicative of the amounts that would be realized in a current market exchange. The fair value of foreign currency instruments were estimated based on quoted market prices at April 30, 1997 and 1996.

Investments in debt and equity securities that have readily determinable fair values are classified and accounted for in one of three categories: held-to-maturity, trading, or available-for-sale. Held-to-maturity securities are recorded at amortized cost in short-term and long-term investments. Available-for-sale securities are recorded at fair value in short-term or long-term investments with the change in fair value during the period excluded from earnings and recorded net of tax as a component of shareholders' equity. Management determines the appropriate classification of its investments in debt and equity securities at the time of purchase and reevaluates such determinations at each balance sheet date.

At April 30, 1997 and 1996, available-for-sale investments included only equity securities. The cost, gross unrealized holding gains, gross unrealized holding losses and fair value for available-for-sale securities at April 30, 1997 and 1996 were as follows:

	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
April 30, 1997	\$61,314	\$15,058	\$(18,035)	\$58,337
April 30, 1996	32,046	87,795	(1,524)	118,317

At April 30, 1997 and 1996, the net unrealized gain (loss) associated with available-for-sale securities of \$(1,935) and \$55,929 respectively, net of tax expense (benefit) of \$(1,042) and \$30,342, was included in retained earnings. Proceeds from the sale of available-for-sale securities during fiscal 1997 and 1996 were \$45,965 and \$2,829, respectively. Net gains included in income in fiscal 1997 and 1996 were \$32,275 and \$1,014, respectively. In addition, during fiscal 1997 the company donated equity securities with a cost of \$2,000 and fair value of \$13,400 to fund commitments to the Medtronic Foundation (See Note 11). The remaining decrease in gross unrealized holding gains and related increase in gross unrealized holding losses from fiscal 1996 to fiscal 1997 was primarily attributable to share-price volatility experienced during fiscal 1997 for certain equity securities held by the company.

Held-to-maturity investments at April 30, 1997 consisted primarily of U.S. government and corporate debt securities, all of which mature within three years. Debt securities are classified as held-to-maturity when the company has the positive intent and ability to hold the securities to maturity. These securities were carried at amortized cost of \$223,302 and have a fair value of

\$223,302. During the fourth quarter of fiscal 1997, the company sold previously categorized held-to-maturity investments with an amortized cost of \$316,075 to fund repurchases of company common stock, resulting in a loss that was not material. Election of this funding option does not affect the classification of the April 30, 1997 balance of the securities in the held-to-maturity portfolio as the company retains the intent and ability to hold those securities until they mature.

FOREIGN CURRENCY INSTRUMENTS

A significant portion of the company's cash flows is derived from sales denominated in foreign currencies. In order to reduce the uncertainty of foreign exchange rate movements on sales denominated in foreign currencies, the company enters into Derivative Financial Instruments in the form of forward exchange and option contracts with major international financial institutions. These forward and option contracts, which typically

expire within one year, are designed to hedge anticipated foreign currency transactions. Such transactions, primarily export intercompany sales, occur throughout the year and are probable but not firmly committed.

The company had contracts to exchange foreign currencies, principally the Japanese Yen and German Mark, for U.S. dollars in the following notional amounts:

April 30,	1997	1996
Forward exchange contracts	\$ 150,635	\$ --
Put options	4,841	1,896
Call options	(143)	(1,686)
Net purchased currency options	\$ 4,698	\$ 210

The company had aggregate foreign currency transaction gains (losses), primarily related to purchased currency options and forward contracts, of \$1,926, \$(20,789), and \$(57,715), in fiscal 1997, 1996, and 1995, respectively. Realized gains (losses) on these contracts were offset by the (losses) gains on assets, liabilities, and transactions being hedged. Forward contracts and net premium on range forward option contracts in existence at the balance sheet date are recorded at their fair value. Gains and losses on forward and option contracts are recorded in selling, general, and administrative expense.

CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the company to significant concentrations of credit risk, consist principally of cash investments, foreign currency exchange contracts, and trade accounts receivable.

The company maintains cash and cash equivalents, investments, and certain other financial instruments with various major financial institutions. The company performs periodic evaluations of the relative credit standing of these financial institutions and limits the amount of credit exposure with any institution.

Concentrations of credit risk with respect to trade accounts receivable are limited due to the large number of customers and their dispersion across many geographic areas. However, a significant amount of trade receivables are with national health care systems in several countries. Although the company does not currently foresee a credit risk associated with these receivables, repayment is dependent upon the financial stability of those countries' national economies.

NOTE 4--DEBT

DEBT CONSISTED OF THE FOLLOWING AT APRIL 30:

Short-Term Debt	Average Interest Rate	1997	1996
Bank borrowings	2.1%	\$ 99,716	\$ 58,046
Current portion of long-term debt	7.4%	6,659	2,644

Total Short-Term Debt			\$106,375	\$ 60,690
=====				
	Average	Maturity		
Long-Term Debt	Interest Rate	Date	1997	1996

Various notes	3.7%	1998-2007	\$ 10,387	\$ 11,371
Capitalized lease obligations	9.7%	1998-2008	3,593	3,965

Total Long-Term Debt			\$ 13,980	\$ 15,336
=====				

Short-term borrowings consisted primarily of borrowings from non-U.S. banks at favorable interest rates and where natural hedges can be gained for foreign exchange purposes. The company has existing committed lines of credit of \$383 million with various banks, of which \$283 million was unused at April 30, 1997. Maturities of long-term debt for the next five fiscal years are as follows: 1998, \$6,659; 1999, \$2,632; 2000, \$2,700; 2001, \$1,180; 2002, \$1,160, thereafter, \$6,308.

NOTE 5--SHAREHOLDERS' EQUITY

At April 30, 1997, Board of Directors' authorization existed to repurchase approximately 6.7 million shares of the company's common stock. In May 1997, the company's Board of Directors authorized an additional 6.0 million shares for repurchase.

On August 30, 1995, the Board of Directors approved a two-for-one common stock split, paid September 29, 1995 in the form of a 100 percent stock dividend to shareholders of record at the close of business on September 14, 1995. The stock split resulted in the issuance of 115,601 thousand additional shares and the reclass of \$11,560 from retained earnings to common stock, representing the par value of the shares issued.

On August 31, 1994, the Board of Directors approved a two-for-one common stock split, paid September 30, 1994 in the form of a 100 percent stock dividend to shareholders of record at the close of business on September 15, 1994. The stock split resulted in the issuance of 57,452 thousand additional shares and the reclass of \$5,745 from retained earnings to common stock, representing the par value of the shares issued. All references in the financial statements to per share information, number of shares, except shares authorized, and related share prices have been restated to reflect these stock splits.

A shareholder rights plan exists which provides for a dividend distribution of one right to be attached to each share of common stock. The rights are currently not exercisable or transferable apart from the common stock. The basic right entitles the holder to purchase one eight-hundredth of a share of a new series of participating preferred stock, which is substantially equivalent to one share of common stock, at an exercise price of \$75 per share. These rights would become exercisable if a person or group acquires 15% or more of the company's common stock or announces a tender offer which would increase the person's or group's beneficial ownership to 15% or more of the company's common stock, subject to certain exceptions. After the rights become exercisable, each right entitles the holder, (other than the 15% holder) instead, to purchase common stock having a market price of two times the exercise price. If the company is acquired in a merger or other business combination transaction, each exercisable right entitles the holder to purchase common stock of the acquiring company or an affiliate having a market price of two times the exercise price of the right. In certain events the Board of Directors may exchange rights for common stock or equivalent securities having a market price equal to the exercise price of the rights. Each right is redeemable at \$.00125 any time before a person or group triggers the 15% ownership threshold. The rights expire on July 10, 2001.

NOTE 6--EMPLOYEE STOCK OWNERSHIP PLAN

The company has an Employee Stock Ownership Plan (ESOP) for eligible U.S. employees. In December 1989, the ESOP borrowed \$40,000 from the company and used the proceeds to purchase 4,733,232 shares of the company's common stock. The company makes annual contributions to the plan which are used, in part, by the ESOP to make loan and interest payments. Expenses related to the ESOP are based on debt service requirements less any dividends received by the ESOP on the company's common stock. This amount is further adjusted by any additional company contribution necessary to meet an annual targeted benefit level.

Compensation and interest expense recognized were as follows:

Year ended April 30,	1997	1996	1995
Interest expense	\$2,580	\$2,698	\$2,907
Dividends paid	1,798	1,310	992
Net interest expense	782	1,388	1,915
Compensation expense	779	1,316	2,327
Total expense	\$1,561	\$2,704	\$4,242

Shares of common stock acquired by the plan are allocated to each employee in amounts based on company performance and the employee's annual compensation. At April 30, 1997 and 1996, allocated shares were 2,144,895 and 1,910,422, respectively, shares committed-to-be released were 196,213 and 234,473, respectively, and unallocated shares were 2,894,220 and 3,128,693, respectively. Unallocated shares are released based on the ratio of current debt service to total remaining principal and interest. The loan from the company to the ESOP is repayable over 20 years, ending on April 30, 2010. Interest is payable annually at a rate of 9.0%. The receivable from the ESOP is recorded as a reduction of the company's shareholders' equity and allocated and unallocated shares of the ESOP are treated as outstanding common stock in the computation of earnings per share.

NOTE 7--STOCK PURCHASE AND AWARD PLANS

1994 STOCK AWARD PLAN

Effective April 29, 1994, the Board of Directors and shareholders approved the 1994 stock award plan which replaced the stock option, stock award, and non-employee director restricted stock plans. The 1994 stock award plan provides for the grant of nonqualified and incentive stock options, stock appreciation rights, performance shares, restricted stock in lieu of the annual retainer to non-employee directors, and other stock-based awards. There were 8,046,128 shares available under this plan for future grants at April 30, 1997.

Under the provisions of the 1994 stock award plan, nonqualified stock options and other stock awards are granted to officers and key employees at prices not less than fair market value at the date of grant. In addition, awards granted under the previous nonqualified stock option and stock award plans as well as stock options assumed as a result of acquisition transactions remain outstanding though no additional awards will be made under these plans.

A summary of nonqualified option transactions is as follows:

	Option Price Range Per Share	Number of Shares	Expiration Date
Outstanding at April 30, 1995	\$ 2.67 - 35.00	6,510,284	1996 - 2005
Granted	36.69 - 59.25	708,216	2001 - 2006
Exercised	2.67 - 26.50	621,671	1996 - 2006
Cancelled	7.53 - 54.13	66,459	2001 - 2006
Outstanding at April 30, 1996	\$ 4.88 - 59.25	6,530,370	1997 - 2006
Granted	49.75 - 69.13	791,775	2002 - 2007
Exercised	4.88 - 59.25	1,195,073	1997 - 2007
Cancelled	7.53 - 68.50	88,522	2002 - 2007
Outstanding at April 30, 1997	\$ 4.88 - 69.13	6,038,550	1998 - 2007

Option Price Range Per Share	Number of Shares	Expiration Date
------------------------------------	---------------------	--------------------

Exercisable at

April 30, 1996	\$ 4.88 - 54.13	4,185,351	1997 - 2006
April 30, 1997	4.88 - 68.38	4,110,726	1998 - 2007

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In addition, stock options outstanding at April 30, 1997 assumed as part of certain 1997 and 1996 acquisitions were 200,917 and 20,567, respectively. Stock options exercisable under these plans were 159,194 and 3,529 at April 30, 1997. These options have an exercisable price range per share of \$0.02 - 57.16 at April 30, 1997 and expire 1998-2007. No additional awards will be made under these plans.

Nonqualified options are generally exercisable beginning one year from the date of grant in cumulative yearly amounts of 25 percent of the shares under option and generally have a contractual option term of 10 years. However, certain nonqualified options granted in foreign locations are exercisable immediately due to local tax law requirements.

Restricted stock and performance share awards are dependent upon continued employment and, in the case of performance shares, achievement of certain performance objectives. In 1997, 88,789 restricted shares were issued and 87,012 shares of common stock were issued pursuant to previous performance share grants. At April 30, 1997, total restricted shares outstanding under both the 1994 stock award plan and the previous restricted stock and performance share award plans were 863,446. Performance share awards for up to 337,161 shares, assuming maximum performance payout, were outstanding under the two plans at April 30, 1997. The actual number of performance shares awarded may vary depending on the degree to which the performance objectives are met. The cost of the restricted stock is generally expensed over five years from the date of issuance (\$4,761 in 1997, \$4,375 in 1996, and \$3,797 in 1995). The estimated cost of the performance shares is expensed over the three year performance period from the date of grant (\$7,582 in 1997, \$10,313 in 1996, and \$8,840 in 1995).

In 1997, the company adopted Statement of Financial Accounting Standard (SFAS) No. 123 "Accounting for Stock-Based Compensation" which encourages, but does not require companies to recognize compensation cost for stock-based compensation plans over the vesting period based upon the fair value of awards on the date of grant. However, the statement allows the alternative of the continued use of the intrinsic value method as prescribed in Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees." Therefore, as permitted, the company will continue to apply APB No. 25, and related Interpretations in accounting for its stock based compensation plans. Accordingly, no compensation expense has been recognized by the company for its nonqualified stock options and its stock purchase plan.

Had compensation expense for the company's stock-based compensation plans been determined based on the fair value at the grant dates consistent with the method of SFAS No. 123, the company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

		1997	1996
Net Income	As reported	\$ 529,988	\$ 428,306
	Pro forma	517,470	421,147
Earnings Per Share	As reported	\$ 2.22	\$ 1.80
	Pro forma	2.17	1.77

=====

Pro forma net income reflects only options and other stock based awards granted in 1997 and 1996. Therefore, the full impact of calculating compensation cost for stock options under SFAS No. 123 is not reflected in the pro forma net income amounts presented because compensation cost is reflected over the options' vesting period, which is normally four years, and compensation cost for options granted prior to fiscal year 1996 is not considered.

The weighted-average fair value per option at the date of grant for options

granted in 1997 and 1996 was \$26.11 and \$24.14, respectively. The fair value was estimated using the Black-Scholes option pricing model with the following weighted average assumptions for 1997 and 1996:

	1997	1996
Risk-free interest rate	6.26%	6.00%
Expected dividend yield	0.61%	0.50%
Expected volatility factor	28.9%	26.3%
Expected option term	7 years	7 years

STOCK PURCHASE PLAN

The stock purchase plan enables employees to contribute up to 10% of their wages toward purchase of the company's common stock at 85% of the market value. Employees purchased 421,291 shares at \$50.89 per share in 1997. As of April 30, 1997, plan participants have had approximately \$14,617 withheld to purchase shares at a price of \$54.40 per share, or 85% of the market value of the company's common stock at October 31, 1997, whichever is less.

NOTE 8--INCOME TAXES

The company provides for income taxes in accordance with Statement of Financial Accounting Standard (SFAS) No. 109, "Accounting for Income Taxes." SFAS No. 109 is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of other assets and liabilities.

The provision for income taxes is based on earnings before income taxes reported for financial statement purposes. The components of earnings before income taxes were:

Year ended April 30,	1997	1996	1995
United States	\$773,287	\$532,297	\$356,758
Non-U.S.	35,856	126,700	85,347
Earnings before income taxes	\$809,143	\$658,997	\$442,105

The provision for income taxes consisted of:

Year ended April 30,	1997	1996	1995
Taxes currently payable:			
U.S. federal	\$186,599	\$154,941	\$ 80,023
U.S. state and other	55,638	35,696	22,297
Non-U.S.	28,443	62,750	45,717
Total currently payable	270,680	253,387	148,037
Deferred tax (benefit) expense:			
U.S. federal	(4,581)	(34,232)	(1,955)
U.S. state and other	(8,047)	(2,526)	2,755
Non-U.S.	962	3,495	(9,925)
Net deferred tax benefit	(11,666)	(33,263)	(9,125)
Tax expense credited directly to shareholders' equity	20,141	10,567	9,193
Total provision	\$279,155	\$230,691	\$148,105

Deferred tax assets (liabilities) were comprised of the following:

April 30,	1997	1996
Deferred tax assets:		
Inventory (Intercompany profit in inventory and excess of tax over book valuation)	\$98,333	\$98,753

Accrued liabilities	42,167	35,071
Other	17,881	13,437

Total deferred tax assets	158,381	147,261

Deferred tax liabilities:		
Intangible assets	(6,458)	(6,835)
Undistributed earnings of subsidiaries	(7,048)	(14,645)
Accumulated depreciation	(12,340)	(13,198)
Unrealized (gain) loss on investments	1,042	(30,342)
Other	(14,653)	(7,086)

Total deferred tax liabilities	(39,457)	(72,106)

Net deferred tax assets	\$118,924	\$75,155
=====		

The company's effective income tax rate varied from the U.S. federal statutory tax rate as follows:

Year ended April 30,	1997	1996	1995

U.S. federal statutory tax rate	35.0%	35.0%	35.0%
Increase (decrease) in tax rate resulting from:			
U.S. state taxes, net of federal tax benefit	2.3	2.3	2.2
Tax benefits from operations in Puerto Rico	(2.3)	(3.4)	(4.2)
Non-U.S. taxes	0.6	1.6	1.5
Other, net	(1.1)	(0.5)	(1.0)

Effective tax rate	34.5%	35.0%	33.5%
=====			

Taxes are not provided on undistributed earnings of non-U.S. subsidiaries because such earnings are either permanently reinvested or do not exceed available foreign tax credits. Current U.S. tax regulations provide that earnings of the company's manufacturing subsidiaries in Puerto Rico may be repatriated tax free; however, the Commonwealth of Puerto Rico will assess a tax of up to 10% in the event of repatriation of earnings prior to liquidation. The company has provided for the anticipated tax attributable to earnings intended for dividend repatriation. At April 30, 1997, earnings permanently reinvested in subsidiaries outside the United States were \$136,019.

At April 30, 1997, approximately \$13,513 of non-U.S. tax losses were available for carryforward. These carryforwards are subject to valuation allowances and generally expire within a period of one to five years.

NOTE 9--RETIREMENT BENEFIT PLANS

The company has various retirement benefit plans covering substantially all U.S. employees and many employees outside the United States. The cost of these plans was \$36,525 in 1997, \$36,598 in 1996, and \$28,483 in 1995.

DEFINED BENEFIT PLAN (UNITED STATES)

In the United States, the company maintains a qualified pension plan designed to provide guaranteed minimum retirement benefits to substantially all U.S. employees. Plan benefits are calculated using a combination of years of service,

final average earnings, primary social security benefits, and age. It is the company's policy to fund retirement costs within the limits of allowable tax deductions. Contributions to the plan were \$9,392, \$11,925, and \$13,784 in 1997, 1996, and 1995, respectively. Plan assets consist of a diversified portfolio of fixed-income investments, debt and equity securities, and cash equivalents. Plan assets include investments in the company's common stock of \$22,160 and \$17,000 at April 30, 1997 and 1996, respectively.

Net pension cost for the U.S. plan included the following components:

Year ended April 30,	1997	1996	1995
Service cost--benefits earned during the year	\$ 8,093	\$ 6,653	\$ 6,391
Interest cost on projected benefit obligation	7,969	6,516	5,680
Return on assets	(16,592)	(21,061)	(9,775)
Net amortization and deferral	6,161	11,459	2,155
Net pension cost	\$ 5,631	\$ 3,567	\$ 4,451

The funded status of the U.S. plan was as follows:

April 30,	1997	1996
Actuarial present value of benefit obligation:		
Vested benefits	\$ (73,160)	\$ (65,725)
Nonvested benefits	(8,421)	(8,245)
Accumulated benefit obligation	(81,581)	(73,970)
Excess of projected benefit obligation over accumulated benefit obligation	(34,442)	(31,560)
Projected benefit obligation	(116,023)	(105,530)
Plan assets at fair value	151,320	126,913
Plan assets in excess of projected benefit obligation	35,297	21,383
Unrecognized May 1, 1986, net asset	--	(432)
Unrecognized net actuarial (gain) loss	(6,336)	4,309
Unrecognized prior service cost	(416)	(476)
Net prepaid pension cost asset	\$ 28,545	\$ 24,784

The actuarial assumptions were as follows:

Year ended April 30,	1997	1996	1995
Discount rate	7.75%	7.5%	8.0%
Expected long-term return on assets	9.0%	9.0%	9.0%
Average increase in compensation	5.0%	5.0%	5.0%

In addition to the benefits provided under the qualified pension plan, retirement benefits associated with wages in excess of the IRS allowable wages are provided to certain employees under non-qualified plans. The net periodic cost of non-qualified pension plans was \$1,770 in 1997. The unfunded accrued pension cost totaled \$7,746 at April 30, 1997.

DEFINED BENEFIT PLANS (NON-U.S.)

Retirement coverage for non-U.S. employees of the company is provided, to the extent deemed appropriate, through separate plans. Funding policies are based on local statutes. Retirement benefits are based on years of service, final average earnings, and social security benefits.

Net pension cost for the non-U.S. plans included the following components:

Year ended April 30,	1997	1996	1995
Service cost--benefits earned			

during the year	\$5,004	\$5,096	\$2,032
Interest cost on projected benefit obligation	1,789	1,357	666
Return on assets (gain) loss	116	(36)	(27)
Net amortization and deferral	363	374	135

Net pension cost	\$7,272	\$6,791	\$2,806
=====			

In certain countries, the funding of pension plans is not a common practice as funding provides no economic benefit. Consequently, the company has pension plans which are underfunded. The following table sets forth the funded status of the non-U.S. plans:

April 30,	1997	1996

Actuarial present value of benefit obligation:		
Vested benefits	\$ (9,413)	\$(11,034)
Nonvested benefits	(1,241)	(657)

Accumulated benefit obligation	(10,654)	(11,691)
Excess of projected benefit obligation over accumulated benefit obligation	(16,602)	(20,317)

Projected benefit obligation	(27,256)	(32,008)
Plan assets at fair value	1,044	608

Projected benefit obligation in excess of plan assets	(26,212)	(31,400)
Unrecognized May 1, 1994, net obligation	9,301	10,148
Unrecognized net actuarial loss	1,579	7,955

Net accrued pension liability	\$(15,332)	\$(13,297)
=====		

The range of assumptions for the non-U.S. plans, reflecting the different economic environments within the various countries, was as follows:

Year ended April 30,	1997	1996	1995

Discount rate	4.0%-8.5%	6.5%-8.5%	6.5%-8.5%
Expected long-term return on assets	8.5%	8.5%	8.5%
Average increase in compensation	3.0%-6.0%	3.0%-4.5%	4.5%
=====			

DEFINED CONTRIBUTION PLANS

The Company has defined contribution savings plans that cover substantially all U.S. employees and certain non-U.S. employees. The general purpose of these plans is to provide additional financial security during retirement by providing employees with an incentive to make regular savings. Company contributions to the plans are based on employee contributions and company performance. Expense under these plans was \$16,402 in 1997, \$17,786 in 1996, and \$15,452 in 1995.

RETIREE HEALTH CARE BENEFITS

U.S. and non-U.S. employees of the company are currently eligible to receive specified company-paid health care and life insurance benefits during retirement based on their age and years of service. The health care benefits include cost-sharing features based on years of service and retirement age. The life insurance plans require minimum retiree contributions.

"Employers' Accounting for Postretirement Benefits Other Than Pensions," for U.S. plans in 1993 and for Non-U.S. plans in 1996, resulting in a one-time transition obligation expense in 1996 of \$1,237. SFAS No. 106 requires the company to recognize expense as employees earn postretirement benefits, rather than on the cash basis.

The net postretirement benefit cost of U.S. and Non-U.S. plans included the following components:

Year ended April 30,	U.S. PLANS			NON-U.S. PLANS	
	1997	1996	1995	1997	1996
Service cost--benefits earned during the year	\$1,847	\$1,585	\$1,446	\$135	\$106
Interest cost on accumulated benefit obligation	2,088	1,915	1,425	121	99
Return on assets	(858)	(737)	(255)	--	--
Net amortization and deferral	265	497	299	1	1,237
Postretirement benefit cost	\$3,342	\$3,260	\$2,915	\$257	\$1,442

The company's policy has been to fund the cost of postretirement benefits as they are paid. In 1995, the company also began funding a trust within the limits of allowable tax deductions for the cost of these benefits.

The funded status of the U.S. and Non-U.S. plans was as follows:

Year ended April 30,	U.S. PLANS		NON-U.S. PLANS	
	1997	1996	1997	1996
Actuarial present value of postretirement benefit obligation:				
Retirees	\$ (5,280)	\$ (6,262)	\$ (104)	\$ (88)
Other fully eligible participants	(6,287)	(4,938)	(248)	(157)
Other active participants	(19,351)	(17,751)	(1,444)	(1,327)
Plan assets at fair value	(30,918)	(28,951)	(1,796)	(1,572)
Unrecognized net loss	12,080	5,926	--	--
Net accrued postretirement benefit liability	1,706	3,669	97	130
Net accrued postretirement benefit liability	\$ (17,132)	\$ (19,356)	\$ (1,699)	\$ (1,442)

The actuarial assumptions were as follows:

Year ended April 30,	U.S. PLANS			NON-U.S. PLANS	
	1997	1996	1995	1997	1996
Discount rate	7.75%	7.5%	8.0%	7.75%	7.5%
Expected long-term return on assets	9.0%	9.0%	9.0%	--	--
Health care cost trend rate	8.0%	10.0%	10.0%	8.0%	10.0%

The health care cost trend rate is assumed to decrease gradually to 6% by 2002. Based on current estimates, increasing the health care cost trend rate by one percentage point each year would increase the accumulated post retirement benefit obligation for U.S. and Non-U.S. plans by \$2,992 and \$262, respectively, and the annual postretirement benefit cost by \$493 and \$43, respectively.

The company leases offices, manufacturing and research facilities, and warehouses, as well as transportation, data processing, and other equipment, under capital and operating leases. A substantial number of these leases contain options that allow the company to renew at the then fair rental value.

Future minimum payments under capitalized leases and noncancelable operating leases at April 30, 1997, were:

	Capitalized Leases	Operating Leases
1998	\$1,085	\$21,540
1999	893	17,336
2000	717	11,492
2001	485	9,318
2002	438	8,962
2003 and thereafter	2,422	6,986
Total minimum lease payments	6,040	\$75,634
Less amounts representing interest	(1,681)	
Present value of net minimum lease payments	\$4,359	

Rent expense for all operating leases was \$32,832 in 1997, \$27,406 in 1996 and \$22,366 in 1995.

NOTE 11--COMMITMENTS AND CONTINGENCIES

The company is involved in litigation and disputes which are normal to its business. Management believes losses that might eventually be sustained from such litigation and disputes would not be material to future years. Further, product liability claims may be asserted 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.

The Medtronic Foundation, funded entirely by the company, was established to maintain good corporate citizenship in its communities. In 1993, the company made a commitment to contribute \$12,000 over an approximate five-year period. During fiscal 1997, the company donated equity securities with a cost of \$2,000 and a fair value of \$13,400 to fund the remaining balance under the 1993 commitment. This donation is expected to also fund the Medtronic Foundation's operating needs through the end of fiscal 1998. Commitments to the Medtronic Foundation are expensed when authorized and approved by the company's Board of Directors.

NOTE 12--QUARTERLY FINANCIAL DATA (UNAUDITED, IN MILLIONS OF DOLLARS, EXCEPT PER SHARE DATA)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
Net Sales					
1997	\$600.9	\$598.2	\$598.7	\$640.5	\$2,438.2
1996	524.9	520.0	530.1	597.1	2,172.1
Gross Profit					
1997	445.3	447.1	446.4	489.2	1,828.0
1996	373.9	374.0	386.4	446.4	1,580.7
Net Earnings					
1997	127.4	128.3	128.7	145.5	530.0
1996	97.3	102.8	106.6	121.6	428.3
Earnings per Share:					
1997	.53	.54	.54	.62	2.22
1996	.41	.43	.45	.51	1.80

the weighted average number of shares outstanding during the period. Fiscal year 1996 has been restated to reflect the November 1995 acquisition of Micro Interventional Systems, Inc., the May 1996 acquisition of AneuRx, Inc. and the June 1996 acquisition of InStent, which were accounted for as poolings-of-interests.

NOTE 13--SEGMENT REPORTING

The company operates in a single industry segment -- providing medical products and services. For management purposes, the company is segmented into three geographic areas -- the Americas, Europe/Middle East/Africa (Europe), and Asia/Pacific markets. The geographic areas are, to a significant degree, interdependent with respect to research, product supply, and business expertise. Sales between geographic areas are made at prices which would approximate transfers to unaffiliated distributors. In the presentation below, the profit derived from such transfers is attributed to the area in which the sale to the unaffiliated customer is eventually made. Because of the interdependence of the geographic areas, the operating profit as presented may not be representative of the geographic distribution which would occur if the areas were not interdependent. In addition, comparison of operating results between geographic areas and between years may be significantly impacted by foreign currency fluctuations.

GEOGRAPHIC AREA INFORMATION

	United States	Europe	Asia Pacific	Other Americas	Eliminations	Consolidated

1997						
Sales to unaffiliated customers	\$1,403,162	\$701,255	\$268,360	\$65,447	\$ --	\$2,438,224
Intergeographic sales	216,773	68,936	20	4,182	(289,911)	--

Total sales	1,619,935	770,191	268,380	69,629	(289,911)	2,438,224

Operating profit	504,660	156,950	102,759	10,733	--	775,102
Nonoperating income						34,041

Earnings before income taxes						809,143

Identifiable assets	1,548,821	449,991	185,498	43,489	(160,224)	2,067,575
Corporate assets						341,635

Total assets						\$2,409,210
=====						
1996						
Sales to unaffiliated customers	\$1,240,975	\$617,554	\$257,018	\$56,553	\$ --	\$2,172,100
Intergeographic sales	148,515	87,187	--	5,061	(240,763)	--

Total sales	1,389,490	704,741	257,018	61,614	(240,763)	2,172,100

Operating profit	405,707	158,983	108,805	8,223	--	681,718
Nonoperating expense						(22,721)

Earnings before income taxes						658,997

Identifiable assets	1,371,170	424,415	179,595	35,785	(161,047)	1,849,918
Corporate assets						704,782

Total assets						\$2,554,700
=====						
1995						
Sales to unaffiliated customers	\$976,589	\$505,914	\$212,725	\$47,164	\$ --	\$1,742,392
Intergeographic sales	132,105	52,002	--	3,020	(187,127)	--

Total sales	1,108,694	557,916	212,725	50,184	(187,127)	1,742,392
Operating profit	287,824	106,243	91,046	4,746	--	489,859
Nonoperating expense						(47,754)
Earnings before income taxes						442,105
Identifiable assets	1,206,912	308,579	149,394	30,515	(123,220)	1,572,180
Corporate assets						374,552
Total assets						\$1,946,732

Nonoperating income and expenses consist principally of non-allocable corporate activities. Intergeographic sales and the intergeographic profit remaining in ending inventories are the principal items reflected as eliminations.

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FINANCIALS

SELECTED FINANCIAL DATA

(in millions of dollars, except per share data)

	1997	1996	1995	1994	1993	1992	1991
OPERATING RESULTS FOR THE YEAR:							
Net sales	\$2,438.2	\$2,172.1	\$1,742.4	\$1,390.9	\$1,328.2	\$1,176.9	\$1,021.4
Cost of products sold	610.2	591.4	540.1	431.7	420.1	381.8	331.7
Research and development expense	280.2	243.8	191.4	156.3	133.0	109.2	89.5
Selling, general, and administrative expense	763.3	700.9	574.6	456.3*	460.0*	439.9	399.9*
Interest expense	9.4	8.1	9.0	8.2	10.4	13.4	13.8
Interest income	(34.0)	(31.1)	(14.8)	(8.4)	(8.8)	(10.3)	(9.7)
Earnings from continuing operations before income taxes	809.1	659.0	442.1	346.8	313.5	242.9	196.2
Provision for income taxes	279.2	230.7	148.1	114.4	101.9	81.4	62.9
Earnings from continuing operations	530.0	428.3	294.0	232.4	211.6	161.5	133.4
Cumulative effect of accounting changes (net)	--	--	--	--	(14.4)	--	--
Net earnings	\$530.0	\$428.3	\$294.0	\$232.4	\$197.2	\$161.5	\$133.4
Net earnings as a percent of net sales	21.7%	19.7%	16.9%	16.7%	14.8%	13.7%	13.1%
Net earnings as a percent of average shareholders' equity	29.6%	27.0%	24.6%	24.5%	24.1%	21.8%	21.4%
Per share of common stock:							
Earnings from continuing operations before cumulative effects of accounting changes	\$2.22	\$1.80	\$1.28	\$1.01	\$.89	\$.68	\$.56
Net earnings	2.22	1.80	1.28	1.01	.83	.68	.56
Cash dividends declared	.38	.26	.21	.17	.14	.12	.10
Gross margin percentage	75.0%	72.8%	69.0%	69.0%	68.4%	67.6%	67.5%

FINANCIAL POSITION AT APRIL 30:

Working capital	\$719.2	\$862.1	\$647.8	\$406.4	\$426.6	\$387.3	\$320.1
Current ratio	2.4:1	2.6:1	2.4:1	1.9:1	2.2:1	2.3:1	2.1:1
Property, plant, and equipment, net	487.2	416.9	331.1	301.8	282.8	256.8	217.2
Total assets	2,409.2	2,554.7	1,946.7	1,623.3	1,292.5	1,163.5	1,024.1
Long-term debt	14.0	15.3	14.2	20.2	10.9	8.6	7.9
Long-term debt as a percent of shareholders' equity	0.8%	0.8%	1.1%	1.9%	1.3%	1.1%	1.2%
Shareholders' equity	1,746.2	1,836.3	1,335.0	1,053.5	841.5	796.5	683.2
Shareholders' equity per common share	7.47	7.67	5.78	4.53	3.64	3.35	2.87

ADDITIONAL INFORMATION:

Expenditures for property, plant, and equipment	\$178.6	\$171.5	\$104.0	\$86.0	\$87.4	\$83.2	\$73.7
Full-time employees at year-end	11,722	10,666	8,896	8,709	8,334	8,314	7,560
Full-time equivalent employees at year-end	13,719	12,499	10,313	9,856	9,247	9,392	8,470

[WIDE TABLE CONTINUED FROM ABOVE]

Medtronic, Inc.

	1990	1989	1988	1987
OPERATING RESULTS FOR THE YEAR:				
Net sales	\$865.9	\$765.8	\$669.9	\$515.4
Cost of products sold	281.7	248.5	217.4	176.9
Research and development expense	81.5	67.7	55.1	43.6
Selling, general, and administrative expense	331.3*	291.9*	267.2	187.7
Interest expense	10.1	8.4	5.9	4.3
Interest income	(6.2)	(5.6)	(7.1)	(7.2)
Earnings from continuing operations before income taxes	167.5	155.0	131.4	110.2
Provision for income taxes	54.6	54.7	44.8	34.8
Earnings from continuing operations	112.9	100.3	86.6	75.3
Cumulative effect of accounting changes (net)	--	--	--	--
Net earnings	\$112.9	\$100.3	\$86.6	\$75.3
Net earnings as a percent of net sales	13.0%	13.1%	12.9%	14.6%
Net earnings as a percent of average shareholders' equity	21.3%	22.2%	21.2%	19.8%
Per share of common stock:				
Earnings from continuing operations before cumulative effects of accounting changes	\$.48	\$.43	\$.37	\$.31
Net earnings	.48	.43	.37	.31
Cash dividends declared	.09	.07	.06	.05
Gross margin percentage	67.5%	67.6%	67.5%	65.7%

FINANCIAL POSITION AT APRIL 30:

Working capital	\$240.4	\$206.1	\$244.6	\$250.2
Current ratio	1.9:1	1.9:1	2.3:1	3.0:1
Property, plant, and equipment, net	183.6	157.2	134.6	121.1
Total assets	885.3	783.0	661.3	580.0
Long-term debt	8.0	8.2	11.1	7.6
Long-term debt as a percent				

of shareholders' equity	1.4%	1.7%	2.7%	1.9%
Shareholders' equity	565.2	492.7	412.0	403.1
Shareholders' equity per common share	2.40	2.12	1.72	1.61

ADDITIONAL INFORMATION:

Expenditures for property, plant, and equipment	\$59.3	\$57.4	\$39.1	\$28.5
Full-time employees at year-end	7,030	6,529	5,939	5,156
Full-time equivalent employees at year-end	7,717	7,152	6,471	5,587

=====

*Certain costs and income separately disclosed on the statement of consolidated earnings are included in selling, general, and administrative expense.

INVESTOR INFORMATION

ANNUAL MEETING

The annual meeting of Medtronic shareholders will take place on Wednesday, August 27, 1997, beginning at 10:30 a.m. at the Corporate Center, 7000 Central Avenue, NE, Minneapolis (Fridley), Minnesota. The Notice of Annual Meeting and Proxy Statement are mailed to shareholders with the annual report.

INVESTOR INFORMATION

Shareholders, securities analysts, and investors seeking additional information about the company should call Investor Relations at 612-514-3035.

The following information may be obtained upon request from the Medtronic Investor Relations Department MS-206, 7000 Central Avenue, NE, Minneapolis, Minnesota 55432, USA:

- * News releases describing significant company events and sales and earnings results for each quarter and the fiscal year.
- * Form 10-K Annual and Form 10-Q Quarterly Reports to the Securities and Exchange Commission detailing Medtronic's business and financial condition.

You may also learn more about Medtronic via the Internet. Contact us at "www.medtronic.com".

STOCK EXCHANGE LISTING

New York Stock Exchange
(symbol: MDT)

The following are registered and unregistered trademarks of Medtronic, Inc. and its affiliated companies: Aactiva(TM), Act II(TM), AlgoMed(TM), Amazr(TM), Atakr(R), beStent(TM), Bio-Medicus(R), Bio-Pump(R), Bioglide(R), Biotrend(TM), CapSure(R), CapSure(R) Z, CapSureFix(R), CardioRhythm(R), Cardiotherm(TM), Champion(TM), Chronicle(TM), Clearcut 2(R), Collection(TM), Delta(R), Diamond(TM) II, DLP(R), Dual Stim(TM), Dual4(TM), Dualscreen(TM), EZ(TM), Flashback(TM), Freestyle(R), Gem(TM), Hancock(R), Hemodoppler(TM), Hemopump(R), Hemostatus(TM), Hepamed(TM), Hepcon(R), ImPort(R), Inspire(TM), InStent(R), Interstim(TM), IsoMed(TM), ITB(TM), Itrel(R) 3, Itrel(R) EZ(TM), Itrel(R) II, Jewel(R), Jewel Plus(TM), Kappa(TM), Marinr(R), Marker Channel(TM), Mattrix(R), Maxima(R), MC2(TM), Medtronic Hall(TM), Medtronic(R), Medtronic(R) Cardiovascular Alliance, Medtronic.Kappa(TM), Micro Jewel(R), Micro Jewel(R) II, Millenia(R), Minimax Plus(R), Minimax(R), MIS(R), Mosaic(R), Octopus(TM), OPT Optimal Pacing Therapy(R), PAR (Patient Activated Reservoir)(R), Performr(TM), Reveal(TM), Rivas(TM), Sculptor(R), Sequestra(TM), SynchroMed(R), Thera(R) i, Thera(R) i Series(TM), Transform(R), Vasucoil(TM), Vector(TM), Vision(TM), Vitatron(R), Wiktor(R), Wiktor(R)-i, and Zeppelin(TM).

Carmeda(R) is a registered trademark of Carmeda AB, Sweden.

Lioresal(R) is a registered trademark of Novartis Pharmaceutical Corporation of Summit, NJ, USA.

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STOCK TRANSFER AGENT AND REGISTRAR

Norwest Bank Minnesota, N.A., acts as transfer agent and registrar, dividend paying agent and dividend reinvestment plan agent for Medtronic and maintains all shareholder records for the company. If you have questions regarding the Medtronic stock you own, stock transfers, address or name changes, direct deposit of dividends, lost dividend checks, lost stock certificates or duplicate mailings, please contact Norwest's Shareowner Services by writing or calling:

Norwest Bank Minnesota, N.A.
Shareowner Services
161 North Concord Exchange
P.O. Box 64854
St. Paul, MN 55164-0854
Telephone: 1-800-468-9716 or
 1-612-450-4064
Fax: 1-612-450-4078

DIVIDEND REINVESTMENT PLAN

Medtronic shareholders can take advantage of this plan that permits automatic reinvestment of dividends to purchase whole or fractional shares of Medtronic stock. The plan also permits cash contributions ranging from \$25 to \$4,000 per month to purchase additional stock. All registered holders of Medtronic stock may participate. For more information, please contact the transfer agent.

INDEPENDENT ACCOUNTANTS

Price Waterhouse LLP, Minneapolis

[STOCK LOGO]

PRICE RANGE OF MEDTRONIC STOCK

Fiscal Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.

1997				
High	\$57.50	\$66.25	\$70.50	\$71.38
Low	47.38	50.00	61.38	58.38
1996				
High	41.19	59.88	59.88	61.75
Low	35.88	40.06	47.13	51.25

Prices are closing quotations. On July 3, 1997 there were 27,684 holders of record of the company's common stock. The regular quarterly cash dividend was 9.5 cents per share for fiscal 1997 and 6.5 cents per share for fiscal 1996.

NAME OF SUBSIDIARY	JURISDICTION OF INCORPORATION
ABS Synectics Sarl	France
Bakken Research Center, B.V.	Netherlands
Biotec International S.r.l.	Italy
Cardiotron Medizintechnik G.m.b.H.	Germany
CTD Synectics Ltd.	Hong Kong
Dantec Electronique S.A.	Belgium
Dantec Electronique S.A.	France
Dantec Elettronica Srl	Italy
Dantec Medical, Inc.	California
Dantec Medizinelektronik GmbH	Germany
India Biomedical Investment, Ltd.	Minnesota
India Medtronic Private Limited	India
InStent Europe B.V.	Netherlands
Interamerica Medtronic, Inc.	Illinois
Interbank Leasing	Colorado
International Finance C.V. (INFIN C.V.)	Netherlands
International Medical Education Corporation	Colorado
MDTRNC-Vingmed AB	Sweden
Med Rel, Inc.	Minnesota
Medtronic (Africa) (Proprietary) Limited	South Africa
Medtronic AneuRx, Inc.	Minnesota
Medtronic Asia, Ltd.	Minnesota
Medtronic Asset Managment, Inc.	Minnesota
Medtronic Australasia Pty. Limited	Australia
Medtronic Avalon, Inc.	Delaware
Medtronic B.V.	Netherlands
Medtronic Belgium, S.A.	Belgium
Medtronic Bio-Medicus, Inc.	Minnesota
Medtronic do Brasil Ltda.	Brazil
Medtronic of Canada, Ltd.	Canada
Medtronic Carbon Implants, Inc.	Delaware
Medtronic CardioRhythm	California
Medtronic China, Ltd.	Minnesota
Medtronic Commercial Ltda.	Brazil
Medtronic Dominicana C. por A.	Dominican Republic
Medtronic Electromedics, Inc.	Minnesota
Medtronic Export, Inc.	Delaware
Medtronic Europe, N.V.	Belgium
Medtronic Europe S.A.	Switzerland
Medtronic FSC B.V.	Netherlands
Medtronic France S.A.	France
Medtronic G.m.b.H.	Germany
Medtronic Heart Valves, Inc.	Minnesota
Medtronic HemoTec, Inc.	Colorado
Medtronic Iberica, S.A.	Spain
Medtronic InStent, Inc.	Minnesota
Medtronic InStent (Israel), Inc.	Israel
Medtronic International, Ltd.	Delaware
Medtronic International Technology, Inc.	Minnesota
Medtronic Interventional Vascular, Inc.	Delaware
Medtronic Interventional Vascular, Inc.	Massachussetts
Medtronic Italia S.p.A.	Italy
Medtronic Japan Co., Ltd.	Japan
Medtronic Korea Co., Ltd.	South Korea

NAME OF SUBSIDIARY	JURISDICTION OF INCORPORATION
Medtronic Latin America, Inc.	Minnesota
Medtronic Limited	United Kingdom
Medtronic Medical Device Hellas S.A.	Greece
Medtronic Mediterranean SAL	Lebanon
Medtronic Micro Interventional Systems, Inc.	Minnesota
Medtronic Milaca, Inc.	Minnesota

Medtronic Osterreich Ges.m.b.H.	Austria
Medtronic Overseas, Inc.	Delaware
Medtronic PS Medical, Inc.	California
Medtronic Puerto Rico, Inc.	Minnesota
Medtronic S. de R.L. de C.V.	Mexico
Medtronic S.A.I.C.	Argentina
Medtronic (Shanghai) Ltd.	China
Medtronic (Schweiz) A.G.	Switzerland
Medtronic (S) Pte., Ltd.	Singapore
Medtronic Treasury International, Inc.	Minnesota
Medtronic Treasury Management, Inc.	Minnesota
Medtronic de Venezuela S.A.	Venezuela
Medtronic-Vicare AS	Denmark
Medtronic-Vingmed AS	Norway
Medtronic World Trade Corporation	Minnesota
Omikron Ltd.	Hungary
OSMED, Inc.	Michigan
Sentron Europe BV	Netherlands
Sentron Incorporated	Washington
Synectics-Dantec Finland OY	Finland
Synectics-Dantec France S.A.	France
Synectics GmbH	Germany
Synectics IR SA	Luxembourg
Synectics Medical A.B.	Sweden
Synectics Medical B.V.	Netherlands
Synectics Medical bvba	Belgium
Synectics Medical Co., Ltd.	South Korea
Synectics Medical Inc.	New Jersey
Synectics Medical Limited	United Kingdom
Synectics Medical Poland Spolka Z.O.O. (Ltd.)	Poland
Synectics Medical Srl	Italy
Telecardiocontrol, C.A.	Venezuela
Vitafin N.V.	Netherlands
Vitatron Austria GmbH	Austria
Vitatron Beheersmaatschappij B.V.	Netherlands
Vitatron Belgium N.V.	Belgium
Vitatron G.m.b.H.	Germany
Vitatron, Incorporated	Delaware
Vitatron Japan Co., Ltd.	Japan
Vitatron Medical B.V.	Netherlands
Vitatron Medical Espana S.A.	Spain
Vitatron Nederland B.V.	Netherlands
Vitatron N.V.	Netherlands
Vitatron S.A.R.L.	France
Vitatron Scientific B.V.	Netherlands
Vitatron Sweden A.B.	Sweden
Vitatron U.K. Limited	United Kingdom
Zinetics Medical, Inc.	Utah

POWERS OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned directors of Medtronic, Inc., a Minnesota corporation, hereby constitute and appoint each of William W. George and Ronald E. Lund, acting individually or jointly, their true and lawful attorney-in-fact and agent, with full power to act for them and in their name, place and stead, in any and all capacities, to do any and all acts and things and execute any and all instruments which either said attorney and agent may deem necessary or desirable to enable Medtronic, Inc. to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing with said Commission of its annual report on Form 10-K for the fiscal year ended April 30, 1997, including specifically, but without limiting the generality of the foregoing, power and authority to sign the names of the undersigned directors to the Form 10-K and to any instruments and documents filed as part of or in connection with said Form 10-K or amendments thereto; and the undersigned hereby ratify and confirm all that each said attorney and agent shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned have set their hands this 26th day of June, 1997.

/s/ F. Caleb Blodgett

F. Caleb Blodgett

/s/ Glen D. Nelson, M.D.

Glen D. Nelson, M.D.

/s/ Arthur D. Collins, Jr.

Arthur D. Collins, Jr.

/s/ Richard L. Schall

Richard L. Schall

/s/ William W. George

William W. George

/s/ Jack W. Schuler

Jack W. Schuler

/s/ Antonio M. Gotto, Jr., M.D.

Antonio M. Gotto, Jr., M.D.

/s/ Gerald W. Simonson

Gerald W. Simonson

/s/ Bernadine P. Healy, M.D.

Bernadine P. Healy, M.D.

/s/ Gordon M. Sprenger

Gordon M. Sprenger

/s/ Thomas E. Holloran

Thomas E. Holloran

/s/ Richard A. Swalin, Ph. D.

Richard A. Swalin, Ph.D.

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE STATEMENT OF CONSOLIDATED EARNINGS AND CONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED APRIL 30, 1997 FILED WITH THE SEC ON FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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