UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

OR

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

Commission File Number 1-7707

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

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

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

Telephone number: (612) 574-4000

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

Shares of common stock, $.10 par value, outstanding on December 1, 1997:

468,674,501

PART I--FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

MEDTRONIC, INC.
CONSOLIDATED STATEMENT OF EARNINGS
(Unaudited)

	Three months ended		Six months ended	
	Oct. 31, 1997	Nov. 1, 1996	Oct. 31, 1997	Nov. 1, 1996
	(in thousands, except per share data)			
Net sales	$ 642,109	$ 598,152	$ 1,288,388	$ 1,199,022
Costs and expenses:				
Cost of products sold	158,865	151,060	319,026	306,641
Research and development expense	70,793	68,257	141,480	133,928
Selling, general, and administrative expense	196,731	188,964	391,634	380,674

Interest expense	1,886	2,588	3,836	4,611
Interest income	(5,263)	(8,663)	(10,331)	(17,321)
Total costs and expenses	423,012	402,206	845,645	808,533
Earnings before income taxes	219,097	195,946	442,743	390,489
Provision for income taxes	75,588	67,602	152,746	134,719
Net earnings	$ 143,509	$ 128,344	$ 289,997	$ 255,770
Weighted average shares outstanding	468,810	479,484	468,598	479,181
Earnings per share	$ 0.31	$ 0.27	$ 0.62	$ 0.53

See accompanying Notes to Condensed Consolidated Financial Statements.

MEDTRONIC, INC.
CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

	October 31, 1997	April 30, 1997
ASSETS	(in thousands)	
Current assets:		
Cash and cash equivalents	$ 297,943	$ 197,388
Short-term investments	17,260	53,181
Accounts receivable, less allowance for doubtful accounts of $13,940 and $13,673	542,368	516,984
Inventories:		
Finished goods	152,726	123,282
Work in process	68,680	68,034
Raw materials	104,067	91,235
Total inventories	325,473	282,551
Prepaid expenses and other current assets	201,902	187,805
Total current assets	1,384,946	1,237,909
Property, plant, and equipment	1,009,733	965,002
Accumulated depreciation	(519,443)	(477,786)
Net property, plant, and equipment	490,290	487,216
Goodwill and other intangible assets, net	491,271	490,968
Long-term investments	152,680	125,847
Other assets	90,103	67,270
Total assets	$ 2,609,290	$ 2,409,210
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	$ 100,076	$ 106,375
Accounts payable	79,405	110,337
Accrued liabilities	319,229	301,979
Total current liabilities	498,710	518,691

Long-term debt	16,116	13,980
Other long-term liabilities	140,947	128,155
Deferred tax liabilities	11,756	2,163
Shareholders' equity:		
Common stock--par value $.10	46,854	46,762
Retained earnings	1,978,457	1,784,319
Cumulative translation adjustment	(55,650)	(56,960)
	1,969,661	1,774,121
Receivable from Employee Stock Ownership Plan	(27,900)	(27,900)
Total shareholders' equity	1,941,761	1,746,221
Total liabilities and shareholders' equity	$ 2,609,290	$ 2,409,210

See accompanying notes to condensed consolidated financial statements.

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

	Six months ended	
	Oct. 31, 1997	Nov. 1, 1996
	(in thousands)	
OPERATING ACTIVITIES:		
Net earnings	$ 289,997	$ 255,770
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	64,077	70,435
Change in assets and liabilities:		
Increase in accounts receivable	(19,889)	(33,452)
Increase in inventories	(43,824)	(28,074)
Decrease in accounts payable and accrued liabilities	(8,247)	(73,354)
Changes in other operating assets and liabilities	(28,936)	(32,792)
Net cash provided by operating activities	253,178	158,533
INVESTING ACTIVITIES:		
Additions to property, plant, and equipment	(55,419)	(86,453)
Purchases of marketable securities	0	(309,384)
Sales and maturities of marketable securities	35,760	248,333
Acquisition of subsidiary, net of cash acquired	0	(18,873)
Other investing activities (net)	(18,096)	(39,838)
Net cash used in investing activities	(37,755)	(206,215)
FINANCING ACTIVITIES:		
(Decrease) increase in short-term borrowings (net)	(8,763)	17,444
Increase in long-term debt (net)	2,136	5,821
Dividends to shareholders	(51,431)	(45,365)
Repurchases of common stock	(80,966)	0
Issuance of common stock	22,554	8,238
Net cash used in financing activities	(116,470)	(13,862)
Effect of exchange rate changes on cash and cash equivalents	1,602	(554)

Net change in cash and cash equivalents	100,555	(62,098)
Cash and cash equivalents at beginning of period	197,388	151,050
Cash and cash equivalents at end of period	$ 297,943	$ 88,952

See accompanying notes to condensed consolidated financial statements.

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

Note 1 - Basis of Presentation

The unaudited condensed consolidated financial statements include the accounts of Medtronic, Inc. and all of its subsidiaries, after elimination of all significant intercompany transactions and accounts. In the opinion of management, all adjustments necessary for a fair presentation of operating results have been made. All such adjustments are of a normal recurring nature. Operating results for interim periods are not necessarily indicative of results that may be expected for the year as a whole.

Note 2 - Stockholders' Equity

On July 10, 1997, the Board of Directors approved a two-for-one common stock split effected September 12, 1997 in the form of a 100 percent stock dividend to shareholders of record at the close of business on August 29, 1997. The stock split resulted in the issuance of 234,509 additional shares and the reclass of $23,451 from retained earnings to common stock, representing the par value of the shares issued. All references in the financial statements to average number of shares outstanding and earnings per share amounts for the current and prior year have been restated to reflect the split.

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

Results of Operations

Net Earnings

Net earnings for the second quarter ended October 31, 1997 were $143.5 million, or $0.31 per share. Earnings per share reflects an increase of 14.8 percent over the $0.27 per share reported on earnings of $128.3 million for the second quarter last year. Net earnings were $290.0 million for the six-month period ended October 31, 1997, compared to $255.8 million for the same period last year. Earnings per share for the six-month period ended October 31, 1997 was $0.62, an increase of 17.0 percent over the $0.53 reported in the prior year.

Sales

Sales for the quarter and six-month period ended October 31, 1997 increased 7.3 percent and 7.5 percent, respectively, compared to the same periods last year. Exclusive of the effects of foreign currency translation, sales for the quarter and six-month period ended October 31, 1997 increased 12.7 percent and 12.1 percent, respectively, over the comparable periods last year. Sales growth in the quarter and six-month period was negatively impacted by $32.0 million and $55.7 million, respectively, of unfavorable exchange rate movements caused primarily by the strengthening of the U.S. dollar against major European currencies and the Japanese Yen.

After removing the impact of foreign exchange rate fluctuations, worldwide sales of the Pacing Business, which consists primarily of Bradycardia Pacing and Tachyarrhythmia Management, grew 9.1 percent and 9.0 percent during the quarter and six-month period ended October 31, 1997, respectively, compared to the same periods a year ago. This growth was lead by strong contributions from Tachyarrhythmia Management's Micro Jewel II implantable cardioverter-defibrillator, which continues to hold a strong market share position in the highly competitive defibrillator marketplace. The Gem DR, part of the next generation Gem family of defibrillators, is currently in clinical evaluations in Europe and the U.S. Bradycardia Pacing gained sales momentum during the quarter lead by strong non-U.S. sales of the Medtronic.Kappa(TM)400 series of pacemakers. The Medtronic.Kappa(TM)400 series of pacemakers is currently awaiting FDA clearance in the U.S. Its successor product, the Medtronic.Kappa 700 series family of pacemakers entered clinical evaluations in Europe in November 1997.

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 14.5 percent and 10.9 percent for the quarter and six-month period ended October 31, 1997, respectively, after excluding the effects of foreign currency translation. This growth was attributable in significant part to U.S. sales of the Wiktor(R) Prime coronary stent, which has been positively received in the marketplace since its launch in July. The stent market has become increasingly competitive, particularly in international locations. Also contributing to the growth was strong sales of surgical cannulae and tissue heart valves along with sales of the Maxima Forte(TM) blood oxygenator. Sales of blood management systems were nearly flat compared to last year's comparable quarter. In mid-September, the endovascular stent-graft system used for minimally-invasive treatment of abdominal aortic aneurysms was launched in European markets. Balloon catheter sales decreased significantly from the same quarter in the prior year as significant price competition continued.

Exclusive of the effects of foreign currency translation, sales of the Neurological and Diversified Businesses, consisting primarily of implantable neurostimulation devices, drug administration systems, neurosurgery products, diagnostic systems and developing businesses, grew 28.3 percent and 31.1 percent, respectively, for the quarter and six-month period ended October 31, 1997 compared to the same periods last year. Particularly strong sales growth was achieved in the drug delivery business as a result of continued increased demand for the SynchroMed(R) drug infusion system for delivery of Lioresal(R) (baclofen, USP) Intrathecal for treatment of cerebral and spinal spasticity and for delivery of morphine for treatment of chronic pain, especially non-malignant chronic pain. Another strong growth factor was the continued rapid sales growth in Europe of Medtronic Activa(TM) neurostimulation therapy for control of essential tremor and tremor associated with Parkinson's disease. This therapy received U.S. clearance from the FDA in August 1997. The company is currently working to actively train centers and develop this market on a worldwide basis. Also, the Mattrix(R) and Itrel(R) 3 spinal cord stimulation systems continue to hold strong market share positions. In late September, the company received FDA clearance to market its Interstim Continence Control Therapy. In addition, neurosurgery (PS Medical) shunts for hydrocephalus contributed to the strong growth.

Cost of Products Sold

Cost of products sold as a percent of sales for the quarter and six-month period ended October 31, 1997 was 24.7 percent and 24.8 percent, respectively, compared to 25.3 percent and 25.6 percent for the same periods last year. The decrease in the cost of products sold as a percent of sales resulted from the impact of increased volumes combined with lower product costs, partially offset by pricing pressures on certain products and costs related to new product introductions.

Research and Development Expense

Research and development expense was $70.8 million for the quarter and $141.5 million for the six-month period ended October 31, 1997, respectively. Research and development expense as a percentage of net sales was 11.0 percent for both periods and 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.

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

SG&A expense for the quarter ended October 31, 1997, was $196.7 million compared to $189.0 million for the comparable period last year. SG&A as a percent of sales decreased from 31.6 percent a year ago to 30.6 percent for the current quarter. The decrease in SG&A as a percent of sales is attributable to continued overall cost efficiencies.

Interest

Interest expense was $1.9 million for the quarter as compared to $2.6 million for the same period last year. Due to decreased average investment balances over the prior year as a result of significant repurchases of common stock during the third and fourth quarters of fiscal 1997, interest income decreased to $5.3 million for the quarter as compared to $8.7 million for the same period a year ago.

Income Taxes

The estimated effective tax rate for the company's current fiscal year is 34.5 percent which is consistent with the effective tax rate for the fiscal year ended April 30, 1997. The company continues to experience upward pressure on the tax rate resulting from 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

Operating activities provided $253.2 million of cash and cash equivalents for the six-month period ended October 31, 1997 compared to $158.5 million for the same period a year ago. Working capital was $886.2 million at October 31, 1997, an increase of $167.0 million over the $719.2 million at April 30, 1997. The current ratio increased to 2.8:1 at October 31, 1997, compared to 2.4:1 at April 30, 1997. Cash and cash equivalents increased $100.6 million during the quarter. Significant uses of cash during the quarter included purchases of property, plant and equipment, repurchases of common stock and dividends paid to shareholders.

PART II -- OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

11 - Statement on computation of per share earnings

27 - Financial Data Schedule (For SEC use only)

(b) Reports on Form 8-K

No report on Form 8-K was filed by the company during the quarter ended October 31, 1997.

SIGNATURES

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

Medtronic, Inc.
(Registrant)

Date: December 11, 1997

/S/ WILLIAM W. GEORGE

William W. George
Chairman
and Chief Executive Officer

Date: December 11, 1997

/S/ ROBERT L. RYAN

Robert L. Ryan
Senior Vice President
and Chief Financial Officer

EXHIBIT 11

STATEMENT RE COMPUTATION OF
PER SHARE EARNINGS

MEDTRONIC, INC.
(Unaudited)
(in thousands)

	Three months ended		Six months ended	
	Oct. 31, 1997	Nov. 1, 1996	Oct. 31, 1997	Nov. 1, 1996
PRIMARY				
Shares outstanding:				
Weighted average outstanding	468,810	479,484	468,598	479,181
Share equivalents (1)(2)	7,840	9,152	7,425	8,851
Adjusted shares outstanding (2)	476,650	488,636	476,023	488,032
FULLY DILUTED				
Shares outstanding:				
Weighted average outstanding	468,810	479,484	468,598	479,181
Share equivalents (1)(2)	8,071	9,830	7,680	9,830
Adjusted shares outstanding (2)	476,881	489,314	476,278	489,011

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

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

<ARTICLE> 5
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENT OF EARNINGS AND CONDENSED CONSOLIDATED BALANCE SHEET FOR THE QUARTERLY PERIOD ENDED OCTOBER 31, 1997 FILED WITH THE SEC ON FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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