

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

(MARK ONE)

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

FOR THE FISCAL YEAR ENDED APRIL 30, 1996

() 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, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN 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

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. ()

AGGREGATE MARKET VALUE OF VOTING STOCK OF MEDTRONIC, INC. HELD BY NONAFFILIATES OF THE REGISTRANT AS OF JULY 5, 1996, BASED ON THE CLOSING PRICE OF \$53.50 AS REPORTED ON THE NEW YORK STOCK EXCHANGE:
\$12.61 BILLION.

SHARES OF COMMON STOCK OUTSTANDING ON JULY 5, 1996: 239,509,382

DOCUMENTS INCORPORATED BY REFERENCE

PORTIONS OF REGISTRANT'S 1996 ANNUAL SHAREHOLDERS REPORT ARE INCORPORATED BY REFERENCE INTO PARTS I, II AND IV; PORTIONS OF REGISTRANT'S PROXY STATEMENT FOR ITS 1996 ANNUAL MEETING ARE INCORPORATED BY REFERENCE INTO PART III.

PART I

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 therapeutic medical technology company

specializing in implantable and invasive therapies. Primary products include implantable pacemaker systems used for treatment of bradycardia, implantable tachyarrhythmia management systems, mechanical and tissue heart valves, balloon and guiding catheters used in angioplasty, stents, implantable neurostimulation and drug delivery systems, and perfusion systems including blood oxygenators, centrifugal blood pumps, cannula products, and autotransfusion and blood monitoring systems.

In fiscal 1996 and early fiscal 1997, the company also expanded its opportunities to meet unmet medical needs by adding new growth platforms through the acquisition of several companies: Pudenz-Schulte Medical Corporation ("PS Medical"), which manufactures and distributes cerebrospinal fluid shunts and neurosurgical implants; Micro Interventional Systems, which develops products for the minimally invasive treatment of stroke and peripheral vascular diseases; Synectics Medical AB of Stockholm, Sweden, the world leader in computer-supported systems to diagnose urological and digestive disorders and sleep apnea; AneuRx, Inc., which develops minimally invasive aneurysm repair therapy; and InStent Inc., which develops self-expanding and balloon expandable stents used in several of the body's fluid passageways.

Medtronic operates in a single industry segment, that of providing products for medical applications. Its revenues, operating profits and assets for the past three fiscal years (1994-1996) 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 Other -- and three geographic areas -- the Americas, Europe/Middle East/Africa, and Asia/Pacific.

BUSINESS NARRATIVE. Pacing is the company's largest business unit, consisting primarily of Bradycardia Pacing, which produces products for treating patients with slow or irregular heartbeats, and Tachyarrhythmia Management, which develops products to treat abnormally fast heart rhythms. 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 was enhanced in fiscal 1996 with improved software and increased memory and, as before, can be used interchangeably with all of the company's bradycardia pacemakers as well as with its Jewel(r) line of tachyarrhythmia management devices. Advances in bradycardia pacing in fiscal 1996 include the commercial release of the Thera(r) i-series of pacemakers in the U.S., which is a family of four pacemakers with expanded capabilities for virtually every pacing application, and release of the CapSure(r)Z and CapSureFix(r) steroid-eluting leads. These leads deliver more concentrated levels of electrical energy that extend device life and, in the case of CapSureFix(r), permit anchoring of the lead in the heart. More than 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, heartbeats. The systems offer a tiered therapy of pacing, cardioversion and defibrillation, and may be implanted without a thoracotomy, which reduces patient trauma and hospitalization time and costs. The company's Jewel(r) line of devices was expanded in November 1995 with the commercial release of the Jewel(r) Active Can(tm) in the U.S. This system makes implantation possible with a single lead, resulting in faster, less costly implantation and quicker patient recovery. In July 1996, the Micro Jewel(r) implantable defibrillator, which offers expanded diagnostic capabilities in a smaller size device, was cleared by the FDA for commercial release in the U.S. The Jewel(r) line of devices, like the bradycardia pacemakers, are programmed with the Model 9790 pacing programmer.

The company's Pacing business unit accounted for 68.2% of Medtronic's net sales during the fiscal year ended April 30, 1996 ("fiscal 1996"), 66.0% of net sales in fiscal 1995 and 68.5% of net sales in fiscal 1994.

The Other Cardiovascular business unit is comprised of the Vascular and Cardiac Surgery business. 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 primary involvement in the vascular area has been in coronary angioplasty. The company offers coronary angioplasty balloon and guide catheters worldwide. The company's Wiktor stent, used in coronary applications, is widely used outside the U.S. and is awaiting FDA approval in the U.S. Medtronic also

provides EP catheters and ablation systems. Adding to the company's existing expertise in the vascular area are three newly acquired companies: Micro Interventional Systems, which develops products for the minimally invasive treatment of stroke and peripheral vascular diseases; AneuRx, Inc., which develops minimally invasive aneurysm repair therapy; and InStent Inc., which develops self-expanding and balloon expandable stents used in several of the body's fluid passageways.

The Cardiac Surgery business includes the Heart Valves, Cardiopulmonary, Cannulae and Blood Management businesses. Through a series of strategic acquisitions over the past decade, Medtronic now markets a complete line of blood-handling products that form a life-saving circuit by maintaining 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. In March 1996, the Blood Management business received approval to market commercially in the U.S. its Sequestra(tm) 1000 autotransfusion system, which recovers and processes a patient's blood during major surgery, minimizing any concern about the transmission of bloodborne diseases.

The company's Other Cardiovascular business unit accounted for 24.1% of net sales in fiscal 1996, 26.5% of net sales in fiscal 1995 and 24.0% of net sales for fiscal 1994.

The company's Neurological and Other business unit consists of the Neurological business and Developing Businesses and Ventures. The Neurological business consists of the Neurostimulation business, which produces implantable systems for spinal cord and brain stimulation, and the Drug Delivery business, which produces implantable programmable drug delivery systems that are used in treating chronic intractable pain, tremor and spasticity. These include the Itrel(r) 3 spinal cord stimulation system, which was commercially released in Europe and the U.S. in fiscal 1996 and features a patient-operated control unit, as well as the SynchroMed(r) drug delivery system. The Mattrix(r) stimulator, which was commercially released in the U.S. in June 1995, is the first neurostimulation system that offers a dual stimulation mode for more effective pain management. In November 1995, the company added a new growth platform in this sector by acquiring PS Medical, which manufactures and distributes cerebrospinal fluid shunts and neurosurgical implants.

The company's Drug Delivery business is collaborating with several biotechnology companies to develop therapies for neurodegenerative disorders such as Alzheimer's disease, Parkinson'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.

The Neurological and Other business unit accounted for 7.7% of net sales for fiscal 1996, 7.5% of net sales for fiscal 1995 and 7.5% of net sales for fiscal 1994.

Developing Businesses and 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. In April 1996, the company also added a new growth platform through the acquisition of Synectics Medical AB of Stockholm, Sweden, the world leader in computer-supported systems to diagnose urological and digestive disorders and sleep apnea.

GOVERNMENT REGULATION. Government and private sector initiatives to limit the growth of health care costs, including price regulation and competitive pricing, are continuing in several 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, and 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 premarket 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 approvals, 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 approving more 510(k) submissions and approving them more quickly. Some progress has also been made in the number of PMA's and PMA-Supplements approved, but review times for leading-edge, innovative products remain long. While the trend is in the right direction, the lengthy approval time remains a significant issue and various legislative solutions to resolve this are currently before the U.S. Congress.

In 1994, the U.S. Health Care Financing Administration ("HCFA"), which establishes Medicare reimbursement policy and practice, determined that medical devices not cleared for commercial release by the FDA should not be reimbursed by Medicare. This action for a period of time virtually prevented Medicare patients from receiving the more advanced devices used in clinical trials and provided strong incentives for clinical research to move to non-U.S. markets. In 1995, HCFA changed its position by permitting Medicare reimbursement for devices that are next-generation improvements of devices previously cleared for marketing. HCFA also clarified that reimbursement would be allowed for previously cleared devices that are used for new indications. Since most devices in clinical trials fall into one of these two categories, these changes have addressed the concerns created by Medicare's 1994 initiatives.

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. In June 1996, the company lost a case (Lohr v. Medtronic) before the U.S. Supreme Court to determine whether a device cleared by the FDA for commercial release can later be challenged as unsafe. While this outcome could potentially increase the cost to the company, and other medical device makers, to defend product liability claims, it is not expected to

have a material adverse financial impact on the company. In addition, product liability claims may be asserted against the company in the future relative to events not known to management at the present time. Management believes that the company's risk management practices, including insurance coverage, are reasonably adequate to protect against potential product liability losses.

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 95.1% of Medtronic's U.S. sales and approximately 67.5% of its sales from other countries in fiscal 1996. 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 CIBA-GEIGY Corporation), and computer and other peripheral equipment.

Certain of the raw materials and components (e.g., silicone adhesives and polyurethanes) used in Medtronic products are available only from a sole U.S. supplier. Materials are purchased from single sources for reasons of quality assurance and 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 regional or national 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) PCD(r) devices are commercially available with the company's Transvene(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 believes that it is the leading manufacturer and supplier of guiding catheters worldwide for coronary vascular applications. Medtronic and three other manufacturers account for most combined balloon and guiding catheter sales. In stents, Medtronic and two competitors account for most sales worldwide, with one competitor holding a dominant market position and numerous 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 cannula products. Medtronic and four 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. Medtronic and two competitors account for most sales worldwide.

Market complexity has been intensifying in the medical device industry in recent years. 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, 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 \$236.7 million on research and development (10.9% of net sales) in fiscal 1996, \$191.4 million (11.0% of net sales) in fiscal 1995 and \$156.3 million (11.2% of net sales) in fiscal 1994. 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 stents and treatments for restenosis; implantable physiologic sensors; cardiac assist systems (cardiomyoplasty) and other applications of transformed muscle; 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, 1996, Medtronic and its subsidiaries employed 10,526 people on a regular, full-time basis and, including temporary and part-time employees, a total of 12,350 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, 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 1996 Annual Shareholders Report on page 72. U.S. export sales to unaffiliated customers comprised less than two percent of Medtronic's consolidated sales in each of fiscal 1996, 1995 and 1994.

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 53, has been President and Chief Executive Officer since May 1991, was President and Chief Operating Officer from March 1989 to April 1991, and has been a director since March 1989. Mr. George has been elected Chairman of the Board of the company effective August 28, 1996. 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 59, 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 48, has been Chief Operating Officer since January 1994 and has been a director since August 1994. From June 1992 to January 1994, Mr. Collins was Executive Vice President and President of Medtronic International. Mr. Collins has been elected President of the company effective August 28, 1996. 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 59, 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 52, 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 54, 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 44, 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 49, 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 61, 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 57, 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 53, 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, Italy, the Netherlands, Sweden and Japan. The company's total manufacturing and research space is approximately 1.7 million square feet, of which approximately 81% is owned by the company and the balance is leased.

Medtronic also maintains sales and administrative offices inside the United States at 78 locations in 27 states or jurisdictions and outside the United States at 101 locations in 29 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 71 of Medtronic's 1996 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 76 of Medtronic's 1996 Annual Shareholders Report is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The information for the fiscal years 1986 through 1996 on page 73 of Medtronic's 1996 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 56 through 60 of Medtronic's 1996 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, 1996, appearing on pages 61 through 72 of Medtronic's 1996 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 1996 Annual Shareholders' Meeting and on page 9 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 7 and 8, and 15 through 20, respectively, of Medtronic's Proxy Statement for its 1996 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 9 of Medtronic's Proxy Statement for its 1996 Annual Shareholders' Meeting is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information on pages 7 and 8 of Medtronic's Proxy Statement for its 1996 Annual Shareholders' Meeting concerning services provided to the company by directors and executive officers in fiscal 1996 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 61 of Medtronic's 1996 Annual Shareholders Report)

Statement of Consolidated Earnings -- years ended April 30, 1996, 1995, and 1994 (incorporated herein by reference to page 62 of Medtronic's 1996 Annual Shareholders Report)

Consolidated Balance Sheet -- April 30, 1996 and 1995 (incorporated herein by reference to page 63 of Medtronic's 1996 Annual Shareholders Report)

Statement of Consolidated Cash Flows -- years ended April 30, 1996, 1995, and 1994 (incorporated herein by reference to page 64 of Medtronic's 1996 Annual Shareholders Report)

Notes to Consolidated Financial Statements (incorporated herein by reference to pages 65 through 72 of Medtronic's 1996 Annual Shareholders Report)

2. FINANCIAL STATEMENT SCHEDULES

II Valuation and Qualifying Accounts -- years ended April 30, 1996, 1995, and 1994

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.
 - 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 (Exhibit 1).(b)
 - *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.
 - *10.5 Form of Employment Agreement for Medtronic executive officers (Exhibit 10.5).(e)
 - *10.6 1991 Restricted Stock Plan for Non-Employee Directors.
 - *10.7 Capital Accumulation Plan Deferral Program.
 - *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.
 - *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 1996 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 Form 8-A Registration Statement dated June 27, 1991, filed with the Commission on June 28, 1991.
- (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.
- (d) Incorporated herein by reference to the cited exhibit in Medtronic's Annual Report on Form 10-K for the year ended April 30, 1992, filed with the Commission under cover of Form SE dated July 24, 1992.
- (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 (i) a Report on Form 8-K dated February 13, 1996 incorporating by reference in Item 5 thereof the press release publishing at least 30 days of post-combination results in connection with certain acquisitions by the company in November 1995 and (ii) a Report on Form 8-K dated March 25, 1996 reporting under Item 5 the announcement of an agreement by the company to acquire InStent Inc. Other than these, no reports on Form 8-K were filed by the company during the quarter ended April 30, 1996. Subsequent to the quarter ended April 30, 1996, the company filed (i) a Report on Form 8-K dated May 23, 1996 reporting under Item 5 the announcement of financial results for the fiscal year ended April 30, 1996 and (ii) a Report on Form 8-K dated June 28, 1996 reporting under Item 2 the completion of the previously announced transaction with InStent Inc.

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, 1996

BY: /s/ WILLIAM W. GEORGE
WILLIAM W. GEORGE
PRESIDENT 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, 1996

BY: /s/ WILLIAM W. GEORGE
WILLIAM W. GEORGE
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Dated: July 23, 1996

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.
VERNON H. HEATH
THOMAS E. HOLLORAN
GLEN D. NELSON, M.D.
RICHARD L. SCHALL
JACK W. SCHULER
GERALD W. SIMONSON
GORDON M. SPRENGER
RICHARD W. SWALIN, PH.D.
WINSTON R. WALLIN

DIRECTORS

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, 1996

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, 1996 appearing on page 61 of the 1996 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, 1996

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, 1996 appearing on page 61 of the 1996 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, 1996

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 4/30/96	\$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
Year ended 4/30/94	9,456	13,185	(2,902) (a) 384 (b)	20,123

(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.

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, 1996

MEDTRONIC LOGO [GRAPHIC OMITTED]

Medtronic, Inc.
7000 Central Avenue N.E.
Minneapolis, Minnesota 55432
Telephone: 612/574-4000

		Paper(P) or Electronic(E)
3.1	Medtronic Restated Articles of Incorporation, as amended to date (Exhibit 3.1).(a)	--
3.2	Medtronic Bylaws, as amended to date.	E
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 (Exhibit 1).(b)	--
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.	E
10.5	Form of Employment Agreement for Medtronic executive officers	--

(Exhibit 10.5).(e)

10.6	1991 Restricted Stock Plan for Non-Employee Directors.	E
10.7	Capital Accumulation Plan Deferral Program.	E
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.	E
10.11	Management Incentive Plan Stock Option Replacement Program (Exhibit 10.11).(e)	--
11	Computation of Earnings Per Share.	E
13	Those portions of Medtronic's 1996 Annual Shareholders Report expressly incorporated by reference herein, which shall be deemed filed with the Commission.	E
21	List of Subsidiaries.	E
23	Consent and Report of Price Waterhouse LLP (set forth on page 11 of this report).	--
24	Powers of Attorney.	E
27	Financial Data Schedule.	E

(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.

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(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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(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.

EXHIBIT NUMBER 3.2

MEDTRONIC BYLAWS, AS AMENDED TO DATE

EXHIBIT 3.2

BYLAWS
OF
MEDTRONIC, INC.
(AS AMENDED THROUGH APRIL 25, 1991)

ARTICLE 1 - MEETINGS OF SHAREHOLDERS

- 1.1 Regular Meetings. Regular meetings of the shareholders of the corporation shall be held each year on the date and at the time set by the Board of Directors or by the chief executive officer. At each regular meeting the shareholders shall elect the Board of Directors and shall transact such other business as shall come properly before the meeting, in accordance with applicable provisions of the Articles of Incorporation and these Bylaws.
- 1.2 Special Meetings. A special meeting of the shareholders may be called for any purpose or purposes at any time by the chief executive officer; by the chief financial officer; by the Board of Directors or any two or more members thereof; or by one or more shareholders holding not less than ten percent of the voting power of all shares of the corporation entitled to vote (except that a special meeting for the purpose of considering any action to directly or indirectly facilitate or effect a business combination, including any action to change or otherwise affect the composition of the Board of Directors for that purpose, must be called by twenty-five percent or more of the voting power of all shares of the corporation entitled to vote), who shall demand such special meeting by written notice given to the chief executive officer or the chief financial officer of the corporation specifying the purposes of such meeting.
- 1.3 Meetings Held Upon Shareholder Demand. Within thirty days after receipt by the chief executive officer or the chief financial officer of a demand from any shareholder or shareholders entitled to call a meeting of the shareholders, it shall be the duty of the Board of Directors to cause a special meeting of shareholders to be duly called and held on notice no later than ninety days after receipt of such demand. If the Board of Directors fails to cause such a meeting to be called and held as required by this Section, the shareholder or shareholders making the demand may call the meeting by giving notice as provided in Section 1.5 hereof at the expense of the corporation.
- 1.4 Place of Meetings. Meetings of the shareholders shall be held at the principal executive office of the corporation or at such other place, within or without the State of Minnesota, as is designated by the Board of Directors or the chief executive officer, except that a meeting called by or at the demand of a shareholder shall be held in the county where the principal executive office of the corporation is located.
- 1.5 Notice of Meeting. Except as otherwise specified in Section 1.6 or required by law, written notice of each meeting of shareholders, setting out the place, date and time of any regular or special meeting, shall be given not less than four days prior to the date of the meeting to each holder of shares entitled to vote. Notice of any special meeting shall state the purpose or purposes of the proposed meeting, and business transacted at all special meetings shall be confined to the purposes stated in the notice. A shareholder may waive notice of any meeting before, at or after the meeting, in writing, orally or by attendance. Attendance at a meeting by any shareholder is a waiver of notice of that meeting unless the shareholder objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened, or objects before a vote on an item of business because the item may not lawfully be considered at the meeting and does not participate in the consideration of the item at that meeting.
- 1.6 Quorum and Adjourned Meeting. The holders of a majority of the voting

power of the shares entitled to vote at a meeting, represented either in person or by proxy, shall constitute a quorum for the transaction of business at any meeting of shareholders. If a quorum is present when a duly called or held meeting is convened, the shareholders present may continue to transact business until adjournment, even though the withdrawal of a number of shareholders originally present leaves less than the proportion or number otherwise required for a quorum. In case a quorum is not present at any meeting, the meeting may be adjourned from time to time without notice other than announcement at the time of adjournment of the date, time and place at which the meeting will be reconvened. At any adjourned meeting in which a quorum is present, any business may be transacted which might have been transacted at the original meeting.

- 1.7 Voting. At each meeting of the shareholders every shareholder having the right to vote shall be entitled to vote in person or by proxy duly appointed by an instrument in writing subscribed by such shareholder. Each shareholder shall have one vote for each share having voting power standing in such shareholder's name on the books of the corporation except as may be otherwise provided in the terms of the share. Upon the demand of any shareholder, the vote for directors or the vote upon any question before the meeting shall be by ballot. All elections shall be determined and all questions decided by a majority vote of the number of shares entitled to vote and represented at any meeting at which there is a quorum except in such cases as shall otherwise be required by statute, the Articles of Incorporation or these Bylaws.
- 1.8 Record Date. The Board of Directors may fix a date, not exceeding sixty days preceding the date of any meeting of shareholders, as a record date for the determination of the shareholders entitled to notice of and entitled to vote at such meeting. When a date is so fixed, only shareholders on that date are entitled to notice of and permitted to vote at that meeting of shareholders, notwithstanding any transfer of any shares on the books of the corporation after any record date so fixed.

ARTICLE 2 - DIRECTORS

- 2.1 Quorum and Voting. A majority of the directors currently holding office shall constitute a quorum for the transaction of business. In the absence of a quorum, a majority of the directors present may adjourn a meeting from time to time without further notice until a quorum is present. If a quorum is present when a duly called or held meeting is convened, the directors present may continue to transact business until adjournment, even though the withdrawal of a number of directors originally present leaves less than the proportion or number otherwise required for a quorum.
- 2.2 Place of Meetings. Each meeting of the Board of Directors shall be held at the principal executive office of the corporation or at such other place as may be designated from time to time by a majority of the members of the Board, provided that if the Board shall not have designated the place of the meeting, the chief executive officer of the corporation (if then a director of the corporation) may designate a place other than the principal executive office of the corporation for any such meeting called by such chief executive officer in such officer's capacity as a director.
- 2.3 Regular Meetings. Regular meetings of the Board of Directors for the election of officers and the transaction of any other business shall be held without notice at the place of and immediately after each regular meeting of the shareholders.
- 2.4 Special Meetings. A special meeting of the Board of Directors may be called for any purpose or purposes at any time by any member of the Board by giving not less than twenty-four hours' notice to all directors of the date, time and place of the meeting, provided that when notice is mailed, at least four days' notice shall be given. The notice need not state the purpose of the meeting. If a meeting schedule is adopted by the Board, or if the day or date, time and place of a Board meeting have been announced at a previous Board meeting, no notice is required. Notice of an adjourned meeting need not be given other than by announcement at the meeting at which adjournment is taken.

- 2.5 Waiver of Notice. A director may waive notice of a meeting of the Board. A waiver of notice by a director entitled to notice is effective whether given before, at or after the meeting, and whether given in writing, orally or by attendance. Attendance by a director at a meeting is a waiver of notice of that meeting, except where the director objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened and does not participate thereafter in the meeting.
- 2.6 Absent Directors. A director may give advance written consent or opposition to a proposal to be acted on at a Board meeting. If the director is not present at the meeting, consent or opposition to a proposal does not constitute presence for purposes of determining the existence of a quorum, but consent or opposition shall be counted as a vote in favor of or against the proposal and shall be entered in the minutes of the meeting, if the proposal acted on at the meeting is substantially the same or has substantially the same effect as the proposal to which the director has consented or objected.
- 2.7 Electronic Communications. (a) A conference among directors by any means of communication through which the directors may simultaneously hear each other during the conference constitutes a Board meeting, if the same notice is given of the conference as would be required for a meeting, and if the number of directors participating in the conference would be sufficient to constitute a quorum at a meeting. Participation in a meeting by that means constitutes presence in person at the meeting.
- (b) A director may participate in a Board meeting not described in paragraph (a) by any means of communication through which the director, other directors so participating, and all directors physically present at the meeting may simultaneously hear each other during the meeting. Participation in a meeting by that means constitutes presence in person at the meeting.
- 2.8 Action Without a Meeting. An action required or permitted to be taken at a Board meeting may be taken without a meeting by written action signed by all of the directors. If the Articles of Incorporation so provide, any action, other than an action requiring shareholder approval, may be taken by written action signed by the number of directors that would be required to take the same action at a meeting of the Board at which all directors were present. The written action is effective when signed by the required number of directors, unless a different effective time is provided in the written action. When written action is permitted to be taken by less than all directors, all directors shall be notified immediately of its text and effective date.
- 2.9 Compensation. Directors who are not salaried officers of the corporation shall receive such fixed sum and expenses per meeting attended or such fixed annual sum or both as shall be determined from time to time by resolution of the Board of Directors. Nothing herein contained shall be construed to preclude any director from serving this corporation in any other capacity and receiving proper compensation therefor.
- 2.10 Committees. The Board of Directors may, by resolution approved by the affirmative vote of a majority of the Board, establish committees having the authority of the Board in the management of the business of the corporation only to the extent provided in the resolution. Each such committee shall consist of one or more natural persons (who, except as set forth below, need not be directors) appointed by affirmative vote of a majority of the directors present at a duly held Board meeting, and shall, except in the case of a committee of disinterested persons, be subject at all times to the direction and control of the Board. A majority of the members of a committee shall constitute a quorum for the transaction of business. Such committees include but are not limited to the following:
- (a) Audit Committee. The directors shall by resolution appoint members of the Board who are independent of management and who are free of any relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment, as an Audit Committee with such powers and duties as the Board may deem appropriate, subject to review by the Board of Directors.

(b) Compensation Committee. The directors shall by resolution appoint members of the Board who are independent of management and who are free of any relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment, as a Compensation Committee with such powers and duties as the Board may deem appropriate, subject to review by the Board of Directors.

(c) Committee of Disinterested Persons. The Board may by resolution establish a committee composed of two or more disinterested directors or other disinterested persons to determine whether it is in the best interests of the corporation to pursue a particular legal right or remedy of the corporation and whether to cause the dismissal or discontinuance of a particular proceeding that seeks to assert a right or remedy on behalf of the corporation. The committee, once established, is not subject to the direction or control of, or termination by, the Board. A vacancy on the committee may be filled by a majority vote of the remaining committee members. The good faith determinations of the committee are binding upon the corporation and its directors, officers and shareholders. The committee terminates when it issues a written report of its determinations to the Board.

ARTICLE 3 - OFFICERS

- 3.1 Number and Designation. The corporation shall have one or more natural persons exercising the functions of the offices of chief executive officer and chief financial officer. The Board of Directors may elect or appoint such other officers or agents as it deems necessary for the operation and management of the corporation with such powers, rights, duties and responsibilities as may be determined by the Board, including, but not limited to, a Chairman of the Board, a President, one or more Executive Officers, a Secretary, a Treasurer and a Controller, each of whom shall have the powers, rights, duties and responsibilities set forth in these Bylaws unless otherwise determined by the Board. Any of the offices or functions of those offices may be held by the same person.
- 3.2 Election, Term of Office and Qualification. At the first meeting of the Board following each election of directors, the Board shall elect officers who shall hold office until the next election of officers or until their successors are elected or appointed and qualify, provided, however, that any officer may be removed with or without cause by the affirmative vote of a majority of the Board of Directors present (without prejudice, however, to any contract rights of such officer).
- 3.3 Resignation. Any officer may resign at any time by giving written notice to the corporation. The resignation is effective without acceptance when the notice is given to the corporation, unless a later effective date is specified in the notice.
- 3.4 Vacancies in Office. A vacancy in any office of the corporation by reason of death, resignation, removal, disqualification or otherwise may, or in the case of a vacancy in the office of chief executive officer or chief financial officer, shall be filled for the unexpired term by the Board of Directors.
- 3.5 Chief Executive Officer. Unless provided otherwise by a resolution adopted by the Board of Directors, the chief executive officer (a) shall have general active management of the business of the corporation; (b) shall, when present and in the absence of the Chairman of the Board, preside at all meetings of the shareholders and Board of Directors; (c) shall see that all orders and resolutions of the Board are carried into effect; (d) shall sign and deliver in the name of the corporation any deeds, mortgages, bonds, contracts or other instruments pertaining to the business of the corporation, except in cases in which the authority to sign and deliver is required by law to be exercised by another person or is expressly delegated by the Articles, these Bylaws or the Board to some other officer or agent of the corporation; (e) may appoint such divisional or staff officers, a secretary, a treasurer and a controller, each of whom shall have the powers, rights, duties and responsibilities delegated to him or her by the chief executive officer; (f) may maintain records of and certify proceedings of the Board and shareholders; and (g) shall perform such other duties as may from time to time be assigned by the Board.
- 3.6 Chief Financial Officer. Unless provided otherwise by a resolution

adopted by the Board of Directors, the chief financial officer (a) shall keep accurate financial records for the corporation; (b) shall deposit all monies, drafts and checks in the name of and to the credit of the corporation in such banks and depositories as the Board of Directors shall designate from time to time; (c) shall endorse for deposit all notes, checks and drafts received by the corporation as ordered by the Board, making proper vouchers therefor; (d) shall disburse corporate funds and issue checks and drafts in the name of the corporation, as ordered by the Board; (e) shall render to the chief executive officer and the Board of Directors, whenever requested, an account of all of such officer's transactions as chief financial officer and of the financial condition of the corporation; and (f) shall perform such other duties as may be prescribed by the Board of Directors or the chief executive officer from time to time.

3.7 (a) Chairman of the Board. The Chairman of the Board shall preside at all meetings of the shareholders and directors and shall be an ex-officio member of all committees of the Board, except as otherwise prescribed by the Board of Directors. In the event of absence or disability of the President, the Chairman of the Board shall succeed to the powers and shall perform the duties of the President until such absence or disability has terminated or the Board of Directors has elected a new President or designated a Vice President or Vice Presidents to succeed to the powers and duties of the President. In general, the Chairman of the Board shall have the powers and duties usually vested in the office of Chairman of the Board, and shall have such other duties as may be prescribed by the Board of Directors.

(b) Vice Chairman. The Vice Chairman of the Board shall have such duties as may be prescribed by the Board of Directors.

3.8 President. Unless otherwise determined by the Board, the President shall be the chief executive officer of the corporation. The President shall preside at all meetings of the shareholders and directors in the absence of the Chairman of the Board.

3.9 Executive Officers. The executive officers may include Executive Vice Presidents, divisional Presidents, Vice Presidents and other officers who shall have such powers and shall perform such duties as may be specified in these Bylaws or prescribed by the Board of Directors. In the event of absence or disability of the President, the Board of Directors may designate a Vice President or Vice Presidents to succeed to the power and duties of the President.

3.10 Secretary. The Secretary shall be secretary of and shall attend all meetings of the shareholders and Board of Directors. The Secretary shall give proper notice of meetings of shareholders and directors and shall keep minutes of such meetings and other actions of the Board. The Secretary shall certify proceedings of the Board of Directors and shareholders, shall have charge of the share registers and stock transfer records of the corporation and shall perform such other duties as may be prescribed by the Board of Directors or the chief executive officer from time to time.

3.11 Treasurer. The Treasurer shall perform such duties as may be prescribed by the Board of Directors or the chief executive officer from time to time.

3.12 Controller. The Controller shall prepare financial reports, establish controls and perform such other duties as may be prescribed by the Board of Directors or the chief executive officer from time to time.

3.13 Delegation. Unless prohibited by a resolution approved by the affirmative vote of a majority of the directors present, an officer elected or appointed by the Board may, without the approval of the Board, delegate some or all of the duties and powers of the office to other persons.

ARTICLE 4 - INDEMNIFICATION

4.1 Indemnification. The corporation shall indemnify such persons, for such expenses and liabilities, in such manner, under such circumstances, and to such extent, as permitted by Minnesota Statutes, Section 302A.521, as now enacted or hereafter amended, or as required or permitted by other provisions of law.

- 4.2 Insurance. The corporation may purchase and maintain insurance on behalf of any person in such person's official capacity against any liability asserted against and incurred by such person in or arising from that capacity, whether or not the corporation would otherwise be required to indemnify the person against the liability.

ARTICLE 5 - SHARES AND THEIR TRANSFERS

- 5.1 Certificate of Stock. Every owner of stock of the corporation shall be entitled to a certificate, in such form as the Board of Directors may prescribe, certifying the number of shares of stock of the corporation owned by such shareholder. The certificates for such stock shall be numbered (separately for each class) in the order in which they are issued and shall, unless otherwise determined by the Board, be signed by the chief executive officer, the chief financial officer or any other officer of the corporation. A signature upon a certificate may be a facsimile. Certificates on which a facsimile signature of a former officer, transfer agent or registrar appears may be issued with the same effect as if such person had that capacity on the date of issue.
- 5.2 Stock Record. As used in these Bylaws, the term "shareholder" shall mean the person in whose name outstanding shares of capital stock of the corporation are currently registered on the stock record books of the corporation. The corporation shall keep, at its principal executive office or at another place or places within the United States determined by the Board, a share register not more than one year old containing the names and addresses of the shareholders and the number and classes of shares held by each shareholder. The corporation shall also keep at its principal executive office or at another place or places within the United States determined by the Board, a record of the dates on which certificates representing shares were issued. Every certificate surrendered to the corporation for exchange or transfer shall be canceled and no new certificate or certificates shall be issued in exchange for any existing certificate until such existing certificate shall have been so canceled (except as provided for in Section 5.4 of this Article 5).
- 5.3 Transfer of Shares. Transfer of shares on the books of the corporation may be authorized only by the shareholder named in the certificate (or his legal representative or duly authorized attorney-in-fact) and upon surrender for cancellation of the certificate or certificates for such shares. The shareholder in whose name shares of stock stand on the books of the corporation shall be deemed the owner thereof for all purposes as regards the corporation, provided that when any transfer of shares shall be made as collateral security and not absolutely, such fact, if known to the corporation or to the transfer agent, shall be so expressed in the entry of transfer, and provided further, that the Board of Directors may establish a procedure whereby a shareholder may certify that all or a portion of the shares registered in the name of the shareholder are held for the account of one or more beneficial owners.
- 5.4 Lost Certificate. Any shareholder claiming a certificate of stock to be lost or destroyed shall make an affidavit or affirmation of that fact in such form as the Board of Directors may require, and shall, if the directors so require, give the corporation a bond of sufficient indemnity in form and with one or more sureties satisfactory to the Board in order to indemnify the corporation against any claim that may be made against it on account of the alleged loss or destruction of such certificate, whereupon a new certificate may be issued in the same tenor and for the same number of shares as the one alleged to have been destroyed or lost.
- 5.5 Record Date. The Board of Directors may fix a date, not exceeding sixty days preceding the date fixed for the payment of any dividend or other distribution, as a record date for the determination of the shareholders entitled to receive payment of such dividend or other distribution, and in such case only shareholders of record on the date so fixed shall be entitled to receive payments of such dividend or other distribution, notwithstanding any transfer of any shares on the books of the corporation after any record date so fixed.

ARTICLE 6 - GENERAL PROVISIONS

- 6.1 Distributions, Acquisitions of Shares. The Board of Directors may authorize distributions upon the shares of the corporation or acquisitions by the corporation of such shares to the extent permitted by law.
- 6.2 Fiscal Year. The fiscal year of the corporation shall be established by the Board of Directors.
- 6.3 No Corporate Seal. There shall be no corporate seal.
- 6.4 Voting Securities Held by the Corporation. Unless otherwise ordered by the Board of Directors, the chief executive officer shall have full power and authority on behalf of the corporation (i) to attend and to vote at any meeting of security holders of other companies in which the corporation may hold securities; (ii) to execute any proxy for such meeting on behalf of the corporation; and (iii) to execute a written action in lieu of a meeting of such other company on behalf of this corporation. At such meeting, by such proxy or by such writing in lieu of meeting, the chief executive officer shall possess and may exercise any and all rights and powers incident to the ownership of such securities that the corporation might have possessed and exercised if it had been present. The Board of Directors may from time to time confer like powers upon any other person or persons.
- 6.5 Amendments. The Board of Directors shall have the power to adopt, amend or repeal the Bylaws of the corporation, subject to the power of the shareholders to change or repeal the same, provided, however, that the Board shall not adopt, amend or repeal any Bylaw fixing a quorum for meetings of shareholders, prescribing procedures for removing directors or filling vacancies in the Board, or fixing the number of directors or their classifications, qualifications or terms of office, but may adopt or amend a Bylaw that increases the number of directors.

EXHIBIT NUMBER 10.4

1979 NONQUALIFIED STOCK OPTION PLAN, AS AMENDED

EXHIBIT 10.4

MEDTRONIC, INC.
1979 NONQUALIFIED STOCK OPTION PLAN
(As Amended and Restated Through June 27, 1991)

Section I

DEFINITIONS

Whenever used herein, the following terms shall have the meanings indicated below:

- (a) "Approved Retirement" means retirement on or after age 55 provided the Optionee has been employed by the Company or a Subsidiary for at least ten years or retirement on or after age 62.
- (b) "Board of Directors" or "Board" means the Board of Directors of Medtronic, Inc. as constituted from time to time.
- (c) "Common Stock" means the common stock, \$.10 par value per share, of Medtronic, Inc.
- (d) "Company" means Medtronic, Inc.
- (e) "Disability" means the disability of an Optionee such that he or she is considered disabled under any retirement plan of the Company which is qualified under Section 401 of the Internal Revenue Code of 1954, as amended (the same definition of "Disability" shall apply to an Optionee who is a non-employee director of the Company, as if the non-employee director were an employee), or as otherwise determined by the Stock Option Committee.
- (f) "Limited Rights" means all rights granted under Section XIII of the Plan.
- (g) "Optionee" means an employee of the Company or of any Subsidiary or a non-employee director of the Company to whom an option has been granted under the Plan.
- (h) "Plan" means this amended and restated Medtronic, Inc. 1979 Nonqualified Stock Option Plan, as amended hereafter from time to time.
- (i) "Stock Option Committee" or "Committee" means the committee of three or more members of the Board who shall be appointed by and serve at the pleasure of the Board. Each of the members of the Stock Option Committee shall be a "disinterested person" within the meaning of Rule 16b-3, as then in effect, of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.
- (j) "Subsidiary" means a corporation of which the Company owns or controls, directly or indirectly 50% or more of the voting power. Subsidiary includes any corporation which becomes a Subsidiary after adoption of the Plan.

SECTION II

PURPOSE

The purpose of the Plan with respect to employees is to promote the success of the Company and its Subsidiaries by facilitating the employment and retention of competent personnel and by furnishing incentive to employees upon whose efforts the success of the Company and its Subsidiaries will depend to a

large degree, and with respect to non-employee directors is to aid in attracting and retaining non-employee directors, to compensate non-employee directors for their contributions in a manner consistent with shareholder interests, and to increase non-employee directors' holdings of Common Stock of the Company.

SECTION III

DURATION OF THE PLAN

Options may be granted pursuant to the Plan from time to time until the earlier of (a) the grant of the maximum number of options which may be granted hereunder to employees and non-employee directors as a result of the application of the limitations set forth in Section VI hereof, or (b) the termination of the Plan upon written resolution of the Board of Directors. No termination of the Plan shall, without consent of the Optionee, adversely affect any previously granted option which has not been cancelled and is still outstanding as of the date of the Plan's termination except as provided in Section X in the event of a sale, merger, consolidation or liquidation of the Company.

Notwithstanding any contrary foregoing provisions, the amendment to the Plan as of November 20, 1990, in the form ratified by the Board on April 25, 1991, to provide for additional non-employee director options in the form of regular annual grants and associated Limited Rights pursuant to Section VII(B)(a)(ii) of the Plan and otherwise modify Section VII(B) of the Plan is subject to and conditioned upon obtaining approval of such amendment by the holders of a majority of the voting power of the stock of the Company present and entitled to vote on the matter at the 1991 Annual Meeting of Shareholders of the Company. In addition, the Company has requested or will request a letter from the staff of the Securities and Exchange Commission concurring with the Company's opinion that the regular annual grants of options and associated Limited Rights to non-employee directors pursuant to Section VII(B)(a)(ii) of the Plan are exempt from Section 16(b) of the Securities Exchange Act of 1934, as amended, by compliance with Rule 16b-3 promulgated thereunder, and that existing and future non-employee directors who receive such annual option grants and Limited Rights automatically granted under the Plan will continue to be "disinterested persons" within the meaning of Rule 16b-3 for the purpose of the Plan and other stock related benefit plans of the Company which they administer. In the event the amendment does not receive shareholders' approval at the Company's annual meeting of shareholders to be held in 1991 or the Company does not receive the aforementioned concurring letter from the Securities and Exchange Commission staff, then the amendment to the Plan providing for regular annual grants of options and associated Limited Rights to non-employee directors and otherwise modifying Section VII(B) of the Plan shall be deemed null and void and the Plan shall continue thereafter in effect in the form existing prior to such amendment on November 20, 1990.

Upon receiving such shareholders' approval and the aforementioned concurring letter from the staff of the Securities and Exchange Commission, this Plan, as amended, shall be effective as of November 20, 1990.

Section IV

ADMINISTRATION

The Plan shall be administered by the Stock Option Committee which shall have all of the powers vested in it under the provisions of the Plan, including but not limited to exclusive authority (where applicable and within the limitations described herein) to determine the employees to whom, and the time or times at which, options shall be granted, the number of shares to be subject to each option and the option price and terms and conditions of each option. The Stock Option Committee shall have full power and authority to administer and interpret the Plan, to make, amend and rescind rules, regulations and guidelines for administering the Plan, to prescribe the form and conditions of the respective stock option agreements (which may vary from Optionee to Optionee) evidencing each option, to waive (except as to matters expressly provided for in the Plan) conditions upon the exercise of any option under the terms of any stock option agreement, to modify or amend any stock option agreement (provided, that if any modification or amendment materially and adversely affects the interests of the Optionee party to such stock option agreement, it shall be effective only upon consent given thereto by the Optionee), and to make all other determinations necessary or advisable for the administration of the Plan. The Stock Option Committee's interpretations of the Plan, and all actions taken and determinations made by the Stock Option Committee pursuant to the power vested in it hereunder shall be conclusive and binding on all parties concerned. No member of the Stock Option Committee shall

be liable for any action taken or determination made in good faith in connection with the administration of the Plan.

Any action of the Stock Option Committee with respect to the administration of the Plan shall be taken pursuant to a majority vote of such Committee members or pursuant to the written consent of all Committee members.

Notwithstanding any contrary provisions of the Plan, the Stock Option Committee shall have no discretion with respect to the granting of an option and associated Limited Rights to a non-employee director or to alter or amend any terms, conditions and eligibility requirements of an option and associated Limited Rights granted, or to be granted, to a non-employee director under the Plan, it being understood that the granting and terms, conditions and eligibility requirements of such options and associated Limited Rights are to be governed solely by the provisions set forth in the Plan pertaining thereto.

Section V

ELIGIBLE PARTICIPANTS

Options may be granted under the Plan to employees, including officers, of the Company or its Subsidiaries who are not members of the Stock Option Committee, and such options shall have the terms and conditions specified in Section VII(A) and elsewhere in the Plan. In addition, options shall be granted under the Plan to each non-employee director, and such options shall have the terms and conditions specified in Section VII(B) and elsewhere in the Plan.

Section VI

AVAILABLE STOCK

An aggregate of 3,650,000 shares (after giving effect to the Company's two-for-one stock splits effected through 100% stock dividends effective August 31, 1989 and August 30, 1991) of the Company's authorized but unissued shares of Common Stock (subject to substitution or adjustment as provided in Section X of this Plan) has been made available for issuance upon exercise of options granted under the Plan. A maximum of 200,000 of such 3,650,000 shares shall be made subject to options granted to non-employee directors under the Plan. In the event that any option or portion thereof under the Plan for any reason expires or terminates prior to the exercise thereof, the shares of Common Stock allocable to the unexercised portion of such option shall continue to be reserved for options under the Plan and may again be optioned hereunder.

Section VII(A)

TERMS AND CONDITIONS OF EMPLOYEE OPTIONS

Each option granted pursuant to the Plan to an employee shall be evidenced by a written stock option agreement (which may vary from Optionee to Optionee) signed by an officer of the Company and by the Optionee in such form as the Stock Option Committee shall determine when the option is granted, which stock option agreement shall contain in substance the following terms and conditions:

(a) Number of Shares and Option Price. The Committee shall specify in the stock option agreement the number of shares to which it pertains. The option price per share of Common Stock shall be determined by the Committee, shall be stated in the stock option agreement and shall not be less than 100% of the per share fair market value of the Company's Common Stock on the day the option is granted. In no event may the option price be less than the par value of such Common Stock. For purposes hereof, the per share "Fair Market Value" of the Common Stock shall mean the highest closing price of such Stock on the New York Stock Exchange Composite Transactions Listing (or on another established stock exchange, where applicable) on the date the option is granted or, if no sale of such Stock has occurred on such exchange on that date, on the next preceding date on which there was a sale of such Stock. In the event the Common Stock is not listed on the New York Stock Exchange Composite Transactions Listing (or on any established stock exchange) as of the date the option is granted, the per share "Fair Market Value" of the Common Stock shall be the mean between the "bid" and the "asked" prices quoted by a recognized market maker in such Stock on the date the option is granted.

(b) Term and Exercisability of Option. The stock option agreement shall state the term during which the option granted under the Plan may be exercised, which term shall be established in each case by the Stock Option Committee but

in no event shall the option be exercisable after the ten-year anniversary date of the option's grant. In each case, the Stock Option Committee shall specify in the stock option agreement whether the option is exercisable immediately, in installments of a specified amount, or otherwise. Notwithstanding any stock option agreement's inclusion of an installment schedule or other exercise schedule or entitlement which effectively precludes full and immediate exercise of an option, the stock option agreement may provide that the option will become immediately exercisable in full upon the occurrence of particular events or as the Stock Option Committee may thereafter determine to be advisable. (Without limitation, such particular events may include the following: (i) the making of a tender offer, exchange offer, or similar offer for all, or any part exceeding ten percent of, the outstanding shares of Common Stock by any party other than the Company, its Subsidiaries, or other persons or entities controlling, controlled by, or under common control with, the Company; (ii) a filing of notification with the U.S. Department of Justice or Federal Trade Commission under Clayton Act Section 7A relative to the proposed acquisition of the Company's voting securities, as the result of which the acquiring person will hold fifteen percent or more of such voting securities, unless the Board of Directors has first approved the proposed acquisition; (iii) a change in control of the Company in a transaction or occurrence, or a series of related transactions or occurrences, resulting from a material change in ownership of Common Stock and evidenced by cessation in service as Company directors of a majority of those persons theretofore serving as members of the Board; (iv) the Company's sale of all its assets in contemplation of the discontinuance of its business, or a merger, consolidation or liquidation of the Company; or (v) a determination by the Stock Option Committee that immediate exercisability would be in the best interests of the Company and advisable for protection of the rights intended to be granted under the option. Any such provisions included in the stock option agreement and contingent upon stated particular events will be enforceable against the Company and its successors in interest, in accordance with the stock option agreement terms, upon the occurrence of those events.)

An Optionee may exercise his or her option granted under the Plan using as consideration in payment of the exercise price for the number of option shares being purchased, (i) cash (or an equivalent check, money order, or other payment medium acceptable to the Company); or (ii) if approved by the Committee in its sole discretion and subject to such rules as the Committee may adopt, other Medtronic Common Stock currently registered in the name of, or beneficially owned by, the Optionee and surrendered in due form for transfer to the Company. In the case of payment using Medtronic Common Stock, such stock shall be valued at its Fair Market Value, as defined in Section VII(A), Paragraph (a) of the Plan except that the date for determination of such fair market value shall be the date of proper surrender of such stock to Medtronic.

(c) Withholding Taxes. The stock option agreement shall state that when the option or a portion of the option is exercised, the Company or a Subsidiary is authorized to deduct from any payment of any kind owed to the Optionee any federal, state, local or other taxes required by law to be withheld with respect to the shares of Common Stock being purchased upon exercise of the option. The stock option agreement shall also state that alternatively, upon exercise of the option or a portion of the option, the Company or a Subsidiary shall have the right to require the Optionee to remit to the Company or the Subsidiary an amount necessary to satisfy any federal, state, local or other withholding tax requirements prior to the delivery of any certificate or certificates for the shares of Common Stock purchased upon exercise of the option or portion of such option.

The Committee may permit the Optionee to elect to satisfy federal and state withholding tax obligations relating to exercise of a Plan option by having the Company withhold shares of Medtronic Common Stock subject to such option in satisfaction of the obligations. Any such election by an Optionee must be made on or before the date that the amount of tax to be withheld is determined (the "Tax Date"). Any shares of Medtronic Common Stock so withheld by the Company shall be valued at their per share "Fair Market Value", which shall mean for the purposes of this Paragraph (c) the closing market price of Medtronic Common Stock on the New York Stock Exchange Composite Transactions Listing on the Tax Date (or such other meaning as the Committee may hereafter adopt). The use and availability of the election to have option shares withheld to satisfy federal and state withholding tax requirements is subject in general, and in particular instances, to the Committee's complete discretion and such rules and procedures as the Committee may adopt.

(d) Termination of Employment (for Reasons Other Than Death, Disability or Approved Retirement). If an Optionee ceases to be employed by the Company (and ceases to be or is not employed by any Subsidiary) for any reason other

than Death, Disability or Approved Retirement, any unexercised and unexpired option of such Optionee shall terminate as of the date on which the Optionee's employment is so terminated unless, upon or as soon as practicable after such termination of the Optionee's employment, the Stock Option Committee permits such unexercised and unexpired option to continue and be exercisable during a period then set by the Committee and expiring not later than the original stated expiration date of the option; provided, in such event, the option shall be exercisable during such period only to the extent the option was exercisable on the date of the Optionee's termination of employment. The Stock Option Committee shall determine in a fair and equitable manner whether sick leave or other authorized leaves of absence for military or governmental service shall constitute termination of employment for purposes of this Paragraph and, in its sole discretion, may determine that the termination of employment of an Optionee who is re-employed by the Company or any Subsidiary within six months after such termination shall not constitute termination of employment for purposes of this Paragraph.

If an Optionee's employment is terminated for "Cause," the time at which such employee ceases to be an employee for purposes of this subparagraph shall mean the time at which such employee is instructed or notified to cease performing his or her job responsibilities for the Company or any Subsidiary permanently, whether or not for other reasons such as payroll, benefits or compliance with legal procedures or requirements he or she may still have other attributes of an employee. For purposes of this subparagraph, "Cause" shall mean (i) failure to comply with any material policies and procedures of the Company, (ii) conduct reflecting dishonesty or disloyalty to the Company, or which may have a negative impact on the reputation of the Company, (iii) commission of a felony, theft or fraud, or violations of law involving moral turpitude or (iv) failure to perform the material duties of his or her employment.

(e) Termination of Employment by Reason of Disability or Approved Retirement. If the Optionee ceases to be employed by the Company (and ceases to be or is not employed by any Subsidiary) before the original stated expiration of an option of such Optionee and such termination of employment is due to Disability or Approved Retirement, such option shall become exercisable in full, to the extent not previously exercised, as of the date of the Optionee's termination of employment and shall be exercisable until the 12-month anniversary of such termination of employment or until the original stated expiration of the option, whichever shall first occur. The Stock Option Committee may extend the period during which an Optionee's option is exercisable under this Paragraph (e) provided such period so extended does not exceed the original stated expiration of the option.

(f) Death of Optionee. If the Optionee shall die (i) while employed by the Company or a Subsidiary, (ii) within the period of time, if any, during which the Stock Option Committee has permitted the Optionee to exercise his or her options upon termination of employment as provided in Paragraph (d) of this Section VII(A), or (iii) within the period of time during which the Optionee's options may be exercised after his or her Disability or Approved Retirement as provided in Paragraph (e) of this Section VII(A), and in any case shall not have fully exercised an option of such Optionee, such option shall become exercisable in full, to the extent not previously exercised, as of the date of the Optionee's death and shall be exercisable until the 12-month anniversary of the Optionee's death or until the original stated expiration of the option, whichever shall first occur. The Stock Option Committee may extend the period during which an option is exercisable under this Paragraph (f) provided such period so extended does not exceed the original stated expiration of the option.

(g) Company's Purchase Right in Certain Circumstances. Notwithstanding any contrary provisions of the Plan set forth other than in this subparagraph (g), if an Optionee's employment is terminated either (i) for "Cause", as defined in this subparagraph (g), or (ii) voluntarily on the part of the Optionee (other than retirement on or after the Optionee's "normal retirement date" as defined in the Medtronic, Inc. and Participating Employer's Retirement Plan) without the express written consent of the Chairman of the Board or Chief Executive Officer of the Company (or by the Stock Option Committee in the event the terminated Optionee is the Chairman of the Board or Chief Executive Officer), the Company shall have the right and option (referred to herein as the "Purchase Right") to purchase from the Optionee or from the estate, legal representative or surviving joint tenant of the Optionee, that number of shares of Common Stock of the Company which is equal to the number of shares which had been purchased pursuant to exercise by the Optionee of any option granted under the Plan (the "Option Shares") within six months prior to the employment termination date. The decision to grant such express written consent regarding termination (which consent may be given before or after the Optionee's

employment termination) or to exercise the Company's Purchase Right shall be based solely on the judgment of the Chairman or the Chief Executive Officer, or of the Stock Option Committee in the event the terminated Optionee is the Chairman or the Chief Executive Officer, given the facts and circumstances of each particular case, made in his, her or its complete discretion, as to whether such consent or exercise is in the operational interest of the Company. The Purchase Right shall also cover any shares of Common Stock of the Company received from adjustments which pertained to the Option Shares and which were made as a result of any of the types of transactions referred to in Section X. (The shares which are subject to the Company's Purchase Right are referred to herein collectively as the "Purchase Right Shares"). Such Purchase Right may be exercised by the Company within 90 days after the date of the Optionee's employment termination for a purchase price equal to the total amount paid as the option exercise price by the Optionee for the Option Shares so purchased by the Optionee upon his or her option exercise. Such Purchase Right shall be deemed to be exercised upon the Company's mailing written notice of such exercise, postage prepaid, addressed to Optionee at Optionee's most recent home address as shown on the personnel records of Company. Each stock option agreement authorized on or after November 9, 1989 under this Section VII(A) shall contain an agreement of the Optionee on Optionee's behalf and on behalf of Optionee's estate, legal representative or surviving joint tenant, as the case may be, to deliver to the Company, on the date specified in such notice (which date shall not be less than five business days following the date such notice is sent by the Company), a certificate or certificates for such number of Purchase Right Shares, duly endorsed for transfer to the Company against payment of the purchase price thereof. The provisions of this subparagraph (g) shall be effective as to any option granted under the Plan on or after November 9, 1989. The Purchase Right of the Company may not be exercised on or after the occurrence of any one or more "Event" specified in the second paragraph of Section XIII, including subparagraphs (A), (B), and (C) thereof, as to any Shares. Solely for the purposes of this subparagraph (g), "Cause" shall mean (i) failure to comply with any material policies and procedures of the Company, (ii) conduct reflecting dishonesty, or disloyalty to the Company, or which may have a negative impact on the reputation of the Company, (iii) commission of a felony, theft or fraud, or violations of law involving moral turpitude, or (iv) failure to perform the material duties of his or her employment. The provisions of this subparagraph (g) are not intended to, and shall not, modify or otherwise affect the provisions of Section XII, subparagraph (b) of the Plan (concerning employment).

(h) Other Provisions. The stock option agreement (which may vary from Optionee to Optionee) authorized under this Section VII(A) shall contain such other provisions as the Stock Option Committee deems advisable.

Section VII(B)

TERMS AND CONDITIONS OF NON-EMPLOYEE DIRECTOR OPTIONS

Options shall be granted to each non-employee director in accordance with the terms and conditions of this section. Notwithstanding any contrary provisions of this Section VII(B), any employee director who terminates his employment after the 1988 Annual Meeting of Shareholders and who at any time thereafter is a non-employee director of the Company shall not be entitled to receive a grant of an option under this section. For purposes of this Section VII(B), per share Fair Market Value shall have the meaning set forth in Section VII(A)(a) of the Plan.

(a) Eligibility and Grant of Option.

(i) Initial Option Grant. All non-employee directors elected or re-elected to the Board at the 1988 Annual Meeting of Shareholders or elected or appointed thereafter shall be entitled to receive, by virtue of serving as directors of the Company, an initial grant of an option to purchase authorized but unissued Common Stock. Each non-employee director elected or re-elected to the Board at the 1988 Annual Meeting of Shareholders shall be granted an option on the date of such election or re-election to purchase the number of shares of Common Stock determined by dividing \$100,000 by the per share Fair Market Value of the Common Stock on the date of grant, and rounding up or down to the nearest whole share. After this single grant, non-employee directors elected or re-elected to the Board at the 1988 Annual Meeting of Shareholders shall no longer be eligible to receive any additional grant of options under this Section VII(B)(a)(i). Each non-employee director elected or appointed to the Board after the 1988 Annual Meeting of Shareholders that was not elected or re-elected at

the 1988 Annual Meeting of Shareholders shall receive an initial grant of an option, on the date such director first becomes a director, to purchase a number of shares of Common Stock determined by dividing \$100,000 (or if the annual retainer fee of the non-employee directors is increased subsequent to the 1988 Annual Meeting of Shareholders from the \$12,500 annual retainer fee in effect at the time of the 1988 Annual Meeting of Shareholders, \$100,000 plus a percentage increase in such \$100,000 amount which is equal to the percentage increase in such \$12,500 annual retainer fee subsequent to the 1988 Annual Meeting of Shareholders and prior to the initial election or appointment of such director) by the per share Fair Market Value of the Common Stock on the date of grant, and rounding up or down to the nearest whole share. No increase in the annual retainer fee of the non-employee directors after a person becomes a non-employee director shall increase the number of shares of Common Stock for which the options granted under this Section VII(B) (a) (i) to such non-employee director may be exercised. Options granted under this Section VII(B) (a) (i) are hereinafter referred to collectively as "Initial Options" and individually as an "Initial Option".

(ii) Annual Option Grants. Immediately following the Annual Meeting of Shareholders in August 1991 and every annual meeting thereafter, each non-employee director serving as a director of the Company immediately following such annual meeting who has previously been granted an Initial Option for serving as a director of the Company prior to such annual meeting shall be entitled to receive, by virtue of serving as a director of the Company, in addition to the Initial Option previously granted to the director, a grant, on the date of the annual meeting, of an option to purchase authorized but unissued Common Stock (hereinafter referred to collectively as "Annual Options" and individually as an "Annual Option"). The number of shares of Common Stock subject to an Annual Option shall be the sum of (A) the annual retainer fee for non-employee directors in effect when the grant is made, (B) the aggregate meeting fees in effect when the grant is made for seven regular Board and fourteen Board Committee meetings and (C) one annual Committee Chairmanship fee in effect when the grant is made, divided by the per share Fair Market Value of the Common Stock on the date of the grant, and rounding up or down to the nearest whole share. No increase in the annual retainer fee, Board or Board Committee meeting fee or Committee Chairmanship fee for non-employee directors of the Company following a grant of an Annual Option shall increase the number of shares of Common Stock for which such Annual Option may be exercised.

(b) Term and Exercisability of Options. The Initial Option and the Annual Options granted to a non-employee director shall vest and become exercisable one full year after the date of grant, provided, however, that in no event shall a non-employee director initially appointed by the Board of Directors be entitled to exercise either an Initial Option or an Annual Option granted to such director under the Plan unless, and until such time as, such director shall have been elected to the Board of Directors by the shareholders of the Company. Notwithstanding the foregoing, vesting of an option granted to a non-employee director who shall have been elected by the shareholders of the Company shall accelerate and the option shall become immediately exercisable in full upon the occurrence of any "Event" as such term is defined in Section XIII of the Plan, and an option granted to a non-employee director who shall have been elected by the shareholders of the Company shall accelerate and become immediately exercisable in full in the event the non-employee director holding such option ceases to serve as a director of the Company due to Death or Disability or due to retirement under the policies of the Company then in effect providing for retirement of directors from the Board of Directors ("Retirement"). Options granted to a non-employee director shall expire at the earlier of (i) the 10-year anniversary date of the option's grant, or (ii) the 5-year anniversary date of the occurrence of the earliest of the Death, Disability or Retirement of the non-employee director or the date the non-employee director otherwise ceases to be a director of the Company, provided that the option granted to a non-employee director initially appointed by the Board of Directors shall expire on the date such director ceases to be a director of the Company unless such director shall have been elected by the shareholders subsequent to the grant of the option to such director.

(c) Option Price. The option exercise price for shares of Common Stock subject to a non-employee director's Initial Option or any Annual Option shall be the per share Fair Market Value of the Common Stock, as such term is defined in Section VII(A) (a) of the Plan, on the date the option is granted. A

non-employee director may exercise his or her Initial Option or Annual Option using as payment any form of consideration provided for in the final paragraph of Section VII(A) (b) of the Plan, which form of payment shall be within the sole discretion of the non-employee director, notwithstanding anything stated in Section VII(A) (b) of the Plan.

(d) Withholding Taxes. When an Initial Option or an Annual Option or a portion of an Initial Option or an Annual Option is exercised, the Company is authorized to deduct from any payment of any kind owed to the Optionee any federal, state, local or other taxes required by law to be withheld with respect to the shares of Common Stock being purchased upon exercise of the option. Upon exercise of an Initial Option or an Annual Option or a portion of an Initial Option or an Annual Option, the Company shall have the right to require the Optionee to remit to the Company an amount necessary to satisfy any federal, state, local or other withholding tax requirements prior to the delivery of any certificate or certificates for the shares of Common Stock purchased upon exercise of the option or portion of such option.

(e) Option Agreement. The option granted to each non-employee director under the Plan shall be evidenced by a written stock option agreement incorporating by reference the terms of the Plan and signed by an officer of the Company and by the Optionee.

Section VIII

COMPLIANCE WITH LAWS

No shares of Common Stock shall be issued pursuant to the Plan unless and until there has been compliance, in the opinion of the Company's counsel, with all applicable legal requirements, including without limitation, those relating to securities laws and stock exchange listing requirements. The Company shall not be deemed by reason of granting an option under this Plan to have any obligation to register the shares of Common Stock subject to the Plan under the Securities Act of 1933, as amended, or to maintain in effect any registration of such shares, or to list such shares on any exchange. As a condition to the issuance of Common Stock to the Optionee, the Stock Option Committee may require the Optionee to (a) represent that the shares of Common Stock are being acquired for investment and not resale and to make such other representations as the Committee shall deem necessary or appropriate to qualify the issuance of the shares as exempt from the Securities Act of 1933 and any other applicable securities laws, and (b) represent that the Optionee shall not dispose of the shares of Common Stock in violation of the Securities Act of 1933 or any other applicable securities laws. The Company reserves the right to place a legend on any stock certificate issued upon exercise of an option granted pursuant to the Plan to assure compliance with this Section VIII.

Section IX

RIGHTS OF A SHAREHOLDER

An Optionee or a transferee of an option (permitted under Paragraph (d) of Section XII) shall have no rights as a shareholder with respect to any shares covered by his or her option until a stock certificate evidencing such shares is issued to him or her. No adjustment shall be made for dividends ordinary or extraordinary (whether in cash, securities or other property), distributions or other rights for which the record date is prior to the date such stock certificate is actually issued (except as otherwise provided in Section X of this Plan).

Section X

RECAPITALIZATION, SALE, MERGER, CONSOLIDATION OR LIQUIDATION

In the event of any increase or decrease in the total number of issued and outstanding shares of Common Stock resulting from a subdivision or consolidation of shares or other capital adjustment or the payment of a stock dividend or any other increase or decrease in the number of such shares effected without receipt of consideration by the Company, the maximum number of shares of Common Stock which may be issued under the Plan (including the maximum number of shares which shall be made subject to options granted to non-employee directors under Section VI), the number of shares of Common Stock covered by each outstanding option and the price per share thereof shall be equitably adjusted by the Stock Option Committee to reflect such change.

In the event of a sale by the Company of all of its assets and the

consequent discontinuance of its business, or in the event of a merger, consolidation or liquidation, the Stock Option Committee may, as of the time of the adoption of the plan for sale, merger, consolidation or liquidation, amend or adjust the provisions of the Plan and the then outstanding options, including but not limited to amendments providing for a complete termination of the Plan or providing for the continuation of the Plan with respect to the exercise of those options or the portions thereof which, under the provisions of the Plan, were exercisable as of the date of adoption by the Board of such plan for sale, merger, consolidation or liquidation; provided, that in any event Optionees holding options shall be given either (a) a reasonable time within which to exercise such exercisable portions of their respective options prior to the effectiveness of such sale, merger, consolidation or liquidation, or (b) the right to exercise their respective options as to an equivalent number of shares of stock of the corporation succeeding the Company by reason of such sale, merger, consolidation or liquidation.

The grant of an option pursuant to this Plan shall not limit in any way the right or power of the Company or the Board of Directors to make adjustments, reclassifications, reorganizations or changes in the Company's capital or business structure or to merge, consolidate, dissolve, liquidate, sell or transfer all or any portion of the Company's business or assets.

Section XI

AMENDMENT OF THE PLAN

The Board of Directors may at any time alter, amend, revise, suspend or discontinue the Plan; provided, that such action (except as permitted in Section X in the event of a sale, merger, consolidation or liquidation) shall not materially adversely affect options previously granted under the Plan without the consent of the Optionees and provided further, that no alteration, amendment, revision, suspension or discontinuance of the Plan may, without the approval of the shareholders of the Company, alter the provisions of the Plan so as to (a) materially increase the total number of shares of Common Stock which may be issued under the Plan except as provided in Section X hereof, (b) materially increase the benefits accruing to Optionees under the Plan, (c) materially change the requirements as to eligibility for participation in the Plan, or (d) change the terms, conditions, or eligibility requirements of an option and associated Limited Rights granted or, subject to the right of the Board of Directors to discontinue the Plan, to be granted to each non-employee director under the Plan. In no event shall the eligibility requirements for the receipt of Initial Options or Annual Options by non-employee directors or the formula for determining the amount of shares of Common Stock subject to Initial Options or Annual Options granted to non-employee directors or the timing of the grant or the exercise price of the Initial Options or Annual Options granted to non-employee directors be amended more than once every six months other than to comply with changes in the Internal Revenue Code.

Section XII

MISCELLANEOUS

(a) No Obligation to Exercise Option. The granting of an option shall impose no obligation upon the Optionee to exercise such option.

(b) Employment. The granting of an option to an Optionee who is an employee shall neither confer upon the Optionee any rights respecting continued employment nor limit the Company's or any Subsidiary's right to terminate such employment.

(c) Disputes. Any dispute or disagreement which arises under or as a result of, or any way relates to, the interpretation, construction or application of the Plan or any stock option agreement issued under the Plan shall be determined by the Stock Option Committee and such determination by the Stock Option Committee shall be final, binding and conclusive.

(d) Nontransferability of Options. No option granted under the Plan may be transferred by an Optionee otherwise than by will or by the laws of descent and distribution, and during the Optionee's lifetime the option may be exercised only by the Optionee or his or her guardian or legal representative.

Section XIII

LIMITED RIGHTS

The Stock Option Committee may, in its discretion, grant Limited Rights to the holder of any option granted under the Plan (the "Related Option") with respect to all or any portion of the shares covered by the Related Option (whether heretofore or hereafter granted), provided, however, that in conjunction with the automatic one-time grant of an Initial Option to a non-employee director under the Plan and the regular grants of Annual Options to non-employee directors under the Plan, such non-employee director or directors shall simultaneously be granted Limited Rights with respect to all of the shares of Common Stock covered by such Initial Option and Annual Options. Each Limited Right granted to Optionees who are not non-employee directors shall relate to a specific Related Option and may be granted at any time either concurrently with the grant of the Related Option or at any time the Related Option is outstanding. Each Limited Right shall be evidenced by a written limited right certificate signed by an officer of the Company.

Limited Rights shall be exercisable at any time within the thirty day period after any of the following events (an "Event"), whether or not the Related Option is exercisable and regardless of whether the Optionee is an employee, or a non-employee director, at the time of exercise, so long as the Optionee is an employee, or a non-employee director, immediately preceding the Event (provided that in no event shall a non-employee director initially appointed by the Board of Directors be entitled to exercise the Limited Rights granted to such director under the Plan unless, and until such time as, such director shall have been elected to the Board of Directors by the shareholders of the Company):

- (A) a majority of the directors of the Company shall be persons other than persons
 - (1) for whose election proxies shall have been solicited by the Board of Directors of the Company or
 - (2) who are then serving as directors appointed by the Board of Directors to fill vacancies on the Board of Directors caused by death or resignation (but not by removal) or to fill newly created directorships,
- (B) 30% or more of the outstanding voting stock of the Company is acquired or beneficially owned (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended, or any successor rule thereto) by any person (other than the Company, a Subsidiary of the Company or the Optionee) or group of persons, not including the Optionee, acting in concert, or
- (C) the stockholders of the Company approve a definitive agreement or plan to
 - (i) merge or consolidate the Company with or into another corporation (other than (1) a merger or consolidation with a Subsidiary of the Company or (2) a merger in which the Company is the surviving corporation and either (a) no outstanding voting stock of the Company (other than fractional shares) held by stockholders immediately prior to the merger is converted into cash (except upon the exercise by stockholders of the Company of statutory dissenters' rights), securities, or other property or (b) all holders of outstanding voting stock of the Company (other than fractional shares) immediately prior to the merger (except those that exercise statutory dissenters' rights) have substantially the same proportionate ownership of the voting stock of the Company or its parent corporation immediately after the merger),
 - (ii) exchange, pursuant to a statutory exchange of shares of voting stock of the Company held by stockholders of the Company immediately prior to the exchange, shares of one or more classes or series of voting stock of the Company for shares of another corporation or other securities, cash or other property,
 - (iii) sell or otherwise dispose of all or substantially all of the assets of the Company (in one transaction or a series of transactions) or

(iv) liquidate or dissolve the Company,

unless a majority of the voting stock (or the voting equity interest) of the surviving corporation or of any corporation (or other entity) acquiring all or substantially all of the assets of the Company (in the case of a merger, consolidation or disposition of assets) or the Company or its parent corporation (in the case of a statutory share exchange) is, immediately following the merger, consolidation, statutory share exchange or disposition of assets, beneficially owned by the Optionee or a group of persons, including the Optionee, acting in concert.

Notwithstanding the provisions of the immediately preceding paragraph, no Limited Right shall be exercised within a period of six months after the date of grant of the Limited Right.

If Limited Rights are exercised, the Related Option shall no longer be exercisable to the extent of the number of shares with respect to which the Limited Rights were exercised. Upon the exercise or termination of a Related Option (other than termination of the Related Option by reason of termination of an Optionee's employment with the Company within thirty days after an Event), Limited Rights granted with respect thereto shall terminate to the extent of the number of shares as to which the Related Option was exercised or terminated.

A person entitled to exercise a Limited Right may, subject to its terms and conditions and the terms and conditions of the Plan, exercise such Limited Right in whole or in part by giving written notice to the Company of an election to exercise such Limited Right. The date the Company receives the notice is the exercise date. Upon exercise of Limited Rights, the holder shall promptly be paid an amount in cash for each share with respect to which the Limited Rights are exercised equal to the difference between the option exercise price per share of Common Stock covered by the Related Option (or, in the case of Limited Rights which are exercised pursuant to the terms hereof after termination of employment, the former Related Option) and the Fair Market Value per share of Common Stock covered by the Related Option as of the date of exercise of the Limited Right.

For purposes of this Section XIII, "Fair Market Value" shall be defined as provided in Section VII(A) (a) hereof, except that all references in Section VII(A) (a) to "the date the option is granted" shall, solely for purposes of this Section XIII, be deemed to be references to the date of exercise of the Limited Right. If the Common Stock of the Company is not listed on a national securities exchange or quoted by a recognized market maker in such Stock, the fair market value, solely for purposes of this Section XIII, shall be the fair market value of such Stock as of the date of exercise of the Limited Right as established in good faith by the Board or Committee. For purposes of the Plan, the date that a Related Option is granted shall be the date that it is originally granted (regardless of when the related Limited Right is granted).

A Limited Right may not be assigned and shall be transferable only if and to the extent that the Related Option is transferable. The Company may withhold any applicable withholding taxes from any cash payment due upon exercise of a Limited Right.

EXHIBIT NUMBER 10.6
1991 RESTRICTED STOCK PLAN FOR NON-EMPLOYEE DIRECTORS

EXHIBIT 10.6

MEDTRONIC, INC. 1991 RESTRICTED STOCK PLAN
FOR NON-EMPLOYEE DIRECTORS
("PLAN")

1. PURPOSE.

The purpose of this Plan is to permit Non-Employee Directors of Medtronic, Inc. (the "Company") to receive all or part of their Annual Retainers in Restricted Stock in order to provide an opportunity for Non-Employee Directors to increase their holdings of Common Stock of the Company.

2. DEFINITIONS.

Whenever used herein, the following terms shall have the meanings indicated below:

- (a) "Annual Retainer" means the fixed annual fee of a Non-Employee Director in effect on the October 1 as of which the Restricted Stock is issued pursuant to this Plan for services to be rendered as a director of the Company. The Annual Retainer does not include meeting fees or chairmanship fees.
- (b) "Common Stock" means the common stock, \$.10 par value, of the Company.
- (c) "Disability" means the physical or mental disability or incapacity of a Non-Employee Director which, in the estimation of a majority of the members of the Board of Directors of the Company other than such Non-Employee Director, renders such Non-Employee Director incapable of continuing to serve as a director of the Company.
- (d) "Fair Market Value" of the Common Stock on a per share basis means the closing price of the Common Stock reported on the New York Stock Exchange Composite Transactions Listing for the first business day of the October in which the Restricted Stock being valued is issued.
- (e) "Non-Employee Director" means any person serving as a director of the Company on the October 1 as of which the Restricted Stock is issued, provided that such person is not an employee of the Company as of such October 1.
- (f) "Recipient" means the Non-Employee Director in whose name Restricted Stock is issued pursuant to this Plan.
- (g) "Restricted Stock" means Common Stock which may not be assigned, sold, pledged, hypothecated or otherwise transferred or disposed of by the Recipient prior to the lapse of restrictions established pursuant to the terms of this Plan.

3. SHARE PAYMENTS.

- (a) Each Non-Employee Director may irrevocably elect, prior to April 1 of the calendar year in which such Restricted Stock is to be issued, to receive 25%, 50%, 75% or 100% of the Annual Retainer in the form of Restricted Stock to be issued as of October 1 of such year (which issuances of Restricted Stock shall be prorated for fractional years for those Non-Employee Directors scheduled to retire, in accordance with the policies of the Company then in effect, prior to the annual meeting following such October 1). Each irrevocable election shall be made on a form provided by the Company and returned by the

Non-Employee Director to the officer or other employee of the Company designated on such form prior to such April 1. In the event of such an election, a number of shares of Restricted Stock equal to the amount of the Annual Retainer as to which the election is made, divided by the per share Fair Market Value of the Common Stock, shall be issued in the name of the Recipient as of such October 1. The remainder of the Annual Retainer shall be paid in cash to the Non-Employee Director at such time or times as payments of the Annual Retainer are customarily made by the Company to Non-Employee Directors who receive Annual Retainers in cash except that each such payment shall be prorated based upon the total percentage of the Annual Retainer with respect to which the Recipient has not elected to receive Restricted Stock.

- (b) Notwithstanding anything stated in this Section 3, the Company shall not be required to issue fractions of shares in payment of an Annual Retainer. Whenever under the terms of this Plan a fractional share would otherwise be required to be issued, an amount in lieu thereof shall be paid in cash on October 1 for such fractional share otherwise issuable as of such October 1, based upon the same per share Fair Market Value which was utilized to determine the number of shares of Restricted Stock to be issued as of such October 1.

4. RESTRICTIONS AND LAPSE OF RESTRICTIONS

The shares of Restricted Stock issued under Section 3 may not be assigned, sold, pledged, hypothecated or otherwise transferred or disposed of (including, without limitation, transfer by gift or donation) except that such restrictions shall lapse upon the first to occur of the following events:

- (a) Death or resignation or removal of the Non-Employee Director from the Board of Directors of the Company as a result of the Disability of the Non-Employee Director;
- (b) Retirement of the Non-Employee Director from the Board of Directors of the Company in accordance with the policies of the Company then in effect providing for retirement of Non-Employee Directors (including retirement by virtue of not running for re-election);
- (c) Acceptance by the Board of Directors of the Company of the offer of the Non-Employee Director to resign from the Board of Directors of the Company in accordance with the policies of the Company then in effect after a material change in such Non-Employee Director's full-time position or responsibilities;
- (d) If one or more "Events," as defined in the Amended and Restated 1979 Nonqualified Stock Option Plan of the Company (i.e. changes in control of the Company), shall occur.

The certificates for shares of Restricted Stock shall be held by the Company until the lapse of the restrictions pursuant to this Section 4 (at which time they shall be delivered to the Non-Employee Director without any legend referencing this Plan), provided, however, that unless and until the shares of Restricted Stock are forfeited pursuant to the last sentence of this Section, the Recipient shall be entitled to all voting, dividend and distribution rights with respect to such shares (except that dividends in stock of the Company and shares of stock of the Company issued upon stock splits shall be deemed to constitute additional Restricted Stock to be held by the Company pursuant to this Plan). If the Recipient ceases to be a director of the Company before the restrictions on the Restricted Stock lapse pursuant to this Section 4, the Restricted Stock issued to the Recipient shall be forfeited and revert to the Company.

5. WITHHOLDING TAXES.

Whenever under this Plan Restricted Stock is to be issued or restrictions are to be changed or shall lapse, or at any other appropriate time, the Company shall have the right to require the Recipient to remit to the Company an amount necessary to satisfy any

federal, state, local or other withholding requirements of the Company prior to the issuance by the Company of Restricted Stock in the name of the Recipient or the delivery of any certificate or certificates for shares of Common Stock to be acquired by the Recipient when the restrictions lapse.

6. GENERAL RESTRICTION.

The issuance of Restricted Stock and the delivery of certificate for Common Stock to Non-Employee Directors hereunder shall be subject to the requirement that, if at any time the Secretary of the Company shall reasonably determine, in his or her discretion, that the listing, registration or qualification of such shares upon any securities exchange or under any state or federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, such issuance or delivery, such issuance or delivery shall not take place unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not reasonably acceptable to the Secretary.

7. AVAILABLE STOCK.

Subject to any adjustment hereinafter referred to in this Section, the maximum number of shares of authorized but unissued Common Stock which may be distributed under this Plan is 10,000 shares. If shares of Restricted Stock are forfeited in accordance with this Plan, then the number of shares so forfeited shall be considered not to have been previously distributed for purposes of this Section and shall be available for distribution as though they had not been issued as Restricted Stock pursuant to this Plan. In the event any increase or decrease in the total number of issued and outstanding shares of Common Stock resulting from a subdivision or consolidation of shares or other capital adjustment or the payment of a stock dividend or similar recapitalization, the maximum number of shares of Common Stock which may be issued under this Plan shall be adjusted proportionately.

8. AMENDMENTS.

Except as hereinafter provided in this Section, this Plan may be terminated, amended, suspended or discontinued by the Board of Directors of the Company, provided that no such action shall adversely affect the Restricted Stock that has been issued prior to such action. In no event shall the eligibility requirements for the receipt of Restricted Stock or the formula for determining the amount or price of shares of Restricted Stock to be issued to the Non-Employee Directors or the timing of the award of Restricted Stock be amended more than once every six months other than to comply with changes in the Internal Revenue Code.

9. TERMINATION OF 1981 DIRECTORS' COMPENSATION DEFERMENT PLAN.

This Plan shall supersede the 1981 Directors' Compensation Deferral Plan (the "Deferment Plan") of the Company permitting directors to defer cash payments for services rendered from and after October 1, 1992, which Deferral Plan shall be of no further force and effect with respect to services rendered from and after October 1, 1992.

10. SHAREHOLDER APPROVAL; EFFECTIVE DATE.

This Plan shall not be effective unless it is approved by the holders of a majority of the voting power of the stock of the Company present and entitled to vote on the matter at the Annual Meeting of Shareholders on August 28, 1991. Upon receiving such shareholder approval, this Plan shall be effective as of August 28, 1991.

EXHIBIT NUMBER 10.7

CAPITAL ACCUMULATION PLAN DEFERRAL PROGRAM

EXHIBIT 10.7

MEDTRONIC, INC.

CAPITAL ACCUMULATION PLAN

DEFERRAL PROGRAM, AS RESTATED EFFECTIVE

JANUARY 1, 1994

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MEDTRONIC, INC.

CAPITAL ACCUMULATION PLAN

DEFERRAL PROGRAM, AS RESTATED EFFECTIVE

JANUARY 1, 1994

Medtronic, Inc. (the "Company") established, effective January 1, 1989, a nonqualified deferred compensation plan for the benefit of Executives of the Company and of certain of the Company's Affiliates. This plan is known as the Medtronic, Inc. Capital Accumulation Plan Deferral Program (the "Plan"). The Plan was restated, effective January 1, 1992. The Company hereby restates the Plan, effective January 1, 1994, as set forth herein.

Except as specifically provided herein, this restatement shall apply to Permissible Deferrals first effective for Plan Years commencing on or after January 1, 1994, and the provisions of the Plan, as in effect prior to this restatement, shall apply to Permissible Deferrals first effective for Plan Years prior to January 1, 1994.

The Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees as described in Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974 ("ERISA").

ARTICLE 1. DEFERRED COMPENSATION ACCOUNT.

Section 1.1. Establishment of Account. The Company shall establish an account ("Account") for each Participant which shall be utilized solely as a device to measure and determine the amount of deferred compensation to be paid under the Plan.

Section 1.2. Property of Company. Any amounts so set aside for benefits payable under the Plan are the property of the Company, except, and to the extent, provided in the Trust.

ARTICLE 2. DEFINITIONS, GENDER, AND NUMBER.

Section 2.1. Definitions. Whenever used in the Plan, the following words and phrases shall have the meanings set forth below unless the context plainly requires a different meaning, and when a defined meaning is intended, the term is capitalized.

2.1.1. "Account" means the device used to measure and determine the amount of deferred compensation to be paid to a Participant or Beneficiary under the Plan, and may refer to the separate Accounts that represent amounts deferred by a Participant under separate Permissible Deferral elections pursuant to Section 4.1.1, by the Company pursuant to Section 4.1.2, or as a transfer from the Medtronic, Inc. Compensation Deferral Plan for Officers and Key Employees pursuant to Article 9.

2.1.2. "Affiliates" or "Affiliate" means a group of entities, including the Company, which constitutes a controlled group of corporations (as defined in section 414(b) of the Code), a group of trades or businesses (whether or not incorporated) under common control (as defined in section 414(c) of the Code), and members of an affiliated service group (within the meaning of section 414(m) of the Code.)

2.1.3. "Age" of a Participant means the number of whole calendar years that have elapsed since the date of the Participant's birth.

2.1.4. "Base Salary" of a Participant for any Plan Year means the total annual salary and wages paid by all Affiliates to such individual for such Plan Year, including any amount which would be included in the definition of Base Salary, but for the individual's election to defer some of his or her salary pursuant to this Plan or some other deferred compensation plan established by an Affiliate; but excluding any other remuneration paid by Affiliates, such as overtime, incentive compensation, stock options, distributions of compensation previously deferred, restricted stock, allowances for expenses (including moving, travel expenses, and automobile allowances), and fringe benefits whether payable in cash or in a form other than cash. In the case of an individual who is a participant in a plan sponsored by an Affiliate which is described in Section 401(k) or 125 of the Code, the term Base Salary shall include any amount which would be included in the definition of Base Salary but for the individual's election to reduce his salary and have the amount of the reduction contributed to or used to purchase benefits under such plan.

2.1.5. "Beneficiary" or "Beneficiaries" means the persons or trusts designated by a Participant in writing pursuant to Section 5.3.4 of the Plan as being entitled to receive any benefit payable under the Plan by reason of the death of a Participant, or, in the absence of such designation, the persons specified in Section 5.3.5 of the Plan.

2.1.6. "Board" means the Board of Directors of the Company as constituted at the relevant time.

2.1.7. "Code" means the Internal Revenue Code of 1986, as amended from time to time and any successor statute. References to a Code section shall be deemed to be to that section or to any successor to that section.

2.1.8. "Committee" means the Committee appointed by the Company's Board, or any person or entity designated by the Committee to administer the Plan pursuant to Section 7.4.

2.1.9. "Company" means Medtronic, Inc.

2.1.10. "Compensation" with respect to a Participant for any period means the sum of such Participant's Base Salary and Incentive Compensation for such period.

2.1.11. "Crediting Rate" with respect to any Plan Year means the rate set forth on Schedule B, hereto, which schedule may be revised from time to time by the Company's Chief Executive Officer, in his discretion. In general, the Crediting Rate in effect with respect to a Plan Year shall apply to all deferrals made in such Plan Year; however, if the Chief Executive Officer subsequently makes other rates ("alternative rates") available, a Participant may elect to have an alternate rate apply to such deferrals in accordance with rules established by the Company.

2.1.12. "Disabled" or "Disability" with respect to a Participant shall have the same definition as in the Company's then existing long term group disability insurance program.

2.1.13. "Early Retirement Date" of a Participant means the last day of the calendar month in which the Participant has (a) reached Age 55 while in the employ of an Affiliate and has completed at least ten (10) Years of Service, or (b) reached the Age of 62 while in the employ of an Affiliate.

2.1.14. "Effective Date" means the date on which this Plan became effective, i.e., January 1, 1989.

2.1.15. "Executive" means any United States employee who is (a) an Officer or a Vice President of the Company, (b) a member of the Sales Force of a Participating Affiliate whose Compensation for the Participating Affiliate's fiscal year ending immediately prior to the date on which he first enters into a Permissible Deferral election

equals or exceeds the dollar amount set forth on Schedule A, hereto, which schedule may be revised from time to time by the Company's Chief Executive Officer in his discretion, or (c) any individual designated as eligible to participate in the Plan by the Company's Chief Executive Officer.

2.1.16. "Incentive Compensation" of a Participant for any Plan Year means the total remuneration paid under the various incentive compensation programs maintained by Affiliates to such individual for that Plan Year including any amount which would be included in the definition of Incentive Compensation, but for the individual's election to defer some or all of his or her Incentive Compensation pursuant to this Plan or some other deferred compensation plan established by an Affiliate; but excluding long-term incentive awards (other than the cash portion of the Performance Share Plan) and any other remuneration paid by Affiliates, such as Base Salary, overtime, net commissions, stock options, distributions of compensation previously deferred, restricted stock, allowances for expenses (including moving, travel expenses, and automobile allowances), and fringe benefits whether payable in cash or in a form other than cash.

2.1.17. "Maximum Annual Deferral" with respect to a Participant for a Plan Year means the sum of (a) 50% of such Participant's Base Salary and (b) 100% of the cash portion of such Participant's Incentive Compensation for such Plan Year. Initially, Participants described in Section 2.1.15(b) may defer from Incentive Compensation only. The Committee may, in its discretion, adopt a policy to permit such Participants to also defer from Base Salary.

2.1.18. "Normal Retirement Date" of a Participant means the last day of the calendar month in which the Participant has reached the Age of 65 while in the employ of an Affiliate.

2.1.19. "Officer or Vice President" means an employee who is either elected by the Board or appointed by the Company's Chief Executive Officer to such position.

2.1.20. "Participant" means an individual who is eligible to participate in the Plan and has elected to participate in the Plan.

2.1.21. "Participating Affiliate" or "Participating Affiliates" means the Company and such Affiliates as may be designated by the Chief Executive Officer of the Company, or his designee, from time to time.

2.1.22. "Performance Share Plan" means the Medtronic, Inc. 1979 Restricted Stock and Performance Share Award Plan, as may be amended from time to time.

2.1.23. "Permissible Deferral" means one of the following options as selected by the Participant:

(a) A deferral from Base Salary for one (1) Plan Year which is not less than \$3,000 nor more than the Maximum Annual Deferral.

(b) A deferral from Incentive Compensation for one (1) Plan Year which is not less than \$3,000 nor more than the Maximum Annual Deferral.

Initially, Participants described in Section 2.1.15(b) may make deferrals pursuant to paragraph (b) of this Section only. The Committee may, in its discretion, adopt a policy to permit such Participants to also make deferrals pursuant to paragraph (a) of this Section. Participants other than those described in Section 2.1.15(b) may make deferrals pursuant to paragraph (a) or (b) of this Section, or a combination of both, but in no event may any deferrals exceed the Maximum Annual Deferral for any Plan Year.

Elections to defer from Base Salary or Incentive Compensation shall be made annually at a date to be determined by the Committee, but no later than December 30th of the calendar year immediately preceding the Plan Year during which the Base Salary or Incentive Compensation would otherwise have been paid to the Participant. All deferral elections must specify either the percentages (stated as integers) or

dollar amounts, or combination of percentages and dollar amounts, as determined by the Committee in its discretion, of the deferrals that are intended to be deducted from Base Salary or Incentive Compensation, respectively. Each installment of a deferral shall be rounded to the nearest whole dollar amount. Only the cash portion of an award under the Performance Share Plan may be deferred.

No Permissible Deferral election for a deferral from Incentive Compensation payable under the Performance Share Plan or the Medtronic, Inc. Management Incentive Plan shall be effective for any Plan Year unless the cash amount payable to the Participant under such plan for the Plan Year (but for the election) is sufficient to satisfy such election.

Deferrals from Incentive Compensation for Participants described in Section 2.1.14(b) shall be made in periodic installments, as determined by the Committee in its discretion.

All deferrals must be completed by the end of the Plan Year in which the Participant attains Age 70.

2.1.25. "Plan" means the "Medtronic, Inc. Capital Accumulation Plan Deferral Program" as set forth herein and as amended or restated from time to time.

2.1.26. "Plan Year" means January 1 through December 31.

2.1.27. "Premature Distribution" means a distribution to a Participant at his or her request prior to the time otherwise permitted under the Plan, subject to certain penalties, as described in Section 5.6.2.

2.1.28. "Sales Force" means employees of Participating Affiliates whose primary employment responsibilities involve selling the products manufactured by Participating Affiliates.

2.1.29. "Trust" means the Medtronic, Inc. Compensation Trust Agreement Number One, as may be amended from time to time.

Section 2.2. Gender and Number. Except as otherwise indicated by context, masculine terminology used herein also includes the feminine and neuter, and terms used in the singular may also include the plural.

ARTICLE 3. PARTICIPATION.

Section 3.1. Who May Participate. Participation in the Plan is limited to Executives.

Section 3.2. Time and Conditions of Participation. An eligible Executive shall become a Participant only upon (a) the individual's completion of a Permissible Deferral election form for the succeeding Plan Year, and (b) compliance with such terms and conditions as the Committee may from time to time establish for the implementation of the Plan, including, but not limited to, any condition the Committee may deem necessary or appropriate for the Company to meet its obligations under the Plan. To enable the Company to meet its financial commitment under the Plan, the Company may purchase insurance on the lives of each Participant. Consequently, participation in the Plan is contingent upon an individual's insurability. The Committee may, in its sole discretion, accept or reject for participation in the Plan individuals who are rated as uninsurable. If the Committee accepts such an individual for participation in the Plan, such individual's Account under the Plan may be credited with interest at a lesser rate than provided in Section 4.2.

An individual may make a Permissible Deferral election for any Plan Year provided that the Participant's remaining Compensation, after all deferrals, is sufficient to enable the Company to withhold from the Participant's Compensation (a) any amounts necessary to satisfy withholding requirements under applicable tax law; and (b) the amount of any contributions which the employee may be required to make or may have elected to make under the Company's various benefit plans.

Section 3.3. Termination of Participation. Once an individual has become a Participant in the Plan, participation shall continue until the first to occur of (a) payment in full of all benefits to which the Participant or Beneficiary is entitled under the Plan, or (b) the occurrence of an event

specified in Section 3.4 which results in loss of benefits. Except as otherwise specified in the Plan, the Company may not terminate an individual's participation in the Plan; provided, however, that if the Committee, in its discretion, determines that it is likely that a Participant would not be considered to be a member of a select group of management or highly compensated employees, within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, for any period, the Committee may require that no contributions be made to the Plan by or on behalf of such Participant during such period.

Section 3.4. Missing Persons. If the Company is unable to locate the Participant or his Beneficiary for purposes of making a distribution, the amount of a Participant's benefits under the Plan that would otherwise be considered as nonforfeitable shall be forfeited effective four (4) years after (a) the last date a payment of said benefit was made, if at least one such payment was made, or (b) the first date a payment of said benefit was directed to be made by the Company pursuant to the terms of the Plan, if no payments have been made. If such person is located after the date of such forfeiture, the benefits for such Participant or Beneficiary shall not be reinstated hereunder.

Section 3.5. Relationship to Other Plans. Participation in the Plan shall not preclude participation of the Participant in any other fringe benefit program or plan sponsored by an Affiliate for which such Participant would otherwise be eligible.

ARTICLE 4. ENTRIES TO THE ACCOUNTARTICLE4.ENTRIESTOTHEACCOUNT""1".

Section 4.1. Contributions.

Section 4.1.1. Deferrals. During each Plan Year, the Company shall post to the Account of each Participant the amount of Base Salary and Incentive Compensation to be deferred as designated by the Participant's Permissible Deferral election in effect for that Plan Year.

Section 4.1.2. Company Contributions. The Company may, in its discretion, make contributions to the Plan from time to time on behalf of a Participant equal to all or a portion of amounts which would have been contributed on behalf of the Participant under other benefit plans of the Company if the Participant had not made a Permissible Deferral election under the Plan.

Section 4.1.3. Disability. If a Participant becomes Disabled, deferrals and Company contributions shall continue to be posted as described in Sections 4.1.1 and 4.1.2 during the period in which the Participant is entitled to receive Base Salary from the Company. If a Participant continues to be Disabled after such period, deferrals and Company contributions will cease.

Section 4.2. Crediting Rate. Except as otherwise provided in Sections 3.2, 5.2.2 and 8.2, a Participant's Account will be credited with interest at the Crediting Rate as described in Section 2.1.11.

ARTICLE 5. DISTRIBUTION OF BENEFITS.

Section 5.1. Distributions Pursuant to Deferral Election. The Participant shall, as part of his or her Permissible Deferral election, elect to begin receiving distributions with respect to a Permissible Deferral at either (a) the Participant's retirement; or (b) a date specified by the Participant in the election, which is at least five (5) years after the Plan Year to which the Permissible Deferral applies. If the Participant elects to defer distribution pursuant to (a), above, the timing and manner of distribution shall be determined in accordance with Sections 5.2 and 5.3. If a Participant elects to defer distributions pursuant to (b), above, distributions shall commence at the time designated by the Participant in his or her election and shall be made in the form of a lump sum (unless the Participant terminates employment or dies before such date, in which case Section 5.2 or 5.3, as the case may be, shall apply).

Section 5.2. Distribution of Benefits Upon Termination of Employment. If a Participant terminates employment for any reason, except death, prior to distribution of the Participant's Account, the Participant's Account balance, determined as of the first day of the first month following the date of such termination, shall be distributed at the time and in the manner set forth in this Section 5.2.

5.2.1. Benefits Upon Retirement. If a Participant terminates employment with all Affiliates on or after Early Retirement Date or Normal Retirement Date, the Participant shall receive the balance in his Account in monthly installments over a period of fifteen (15) years. The monthly benefit amount shall be a level amount for each twelve-month period calculated using the balance in the Account at the beginning of the twelve-month period and dividing it by the total periods remaining in the entire payment period. The benefit payment shall be adjusted each subsequent twelve-month period to reflect the Account as of that time. The Participant's Account shall be credited during the payment period with interest at the Crediting Rate.

Payments pursuant to this Section 5.2.1 shall commence within an administratively practicable period of time following the date on which the Participant terminates employment.

5.2.2. Benefits Upon Resignation or Discharge. If a Participant terminates employment with all Affiliates before Early Retirement Date or Normal Retirement Date for reasons other than death, the Participant shall receive the balance in his Account in the form of monthly installments over a five-year period. The monthly benefit amount shall be a level amount for each twelve-month period calculated using the balance in the Account at the beginning of the twelve-month period and dividing it by the total periods remaining in the entire payment period. The benefit payment shall be adjusted each subsequent twelve-month period to reflect the Account as of that time. The rate at which the Account has been credited with interest shall be reduced retroactively to 90% of the Crediting Rate. The Account shall continue to be credited with interest at this reduced rate during the payment period.

Payments pursuant to this Section 5.2.2 shall commence within an administratively practicable period of time following the date on which the Participant terminates employment.

Section 5.3. Death Benefits.

5.3.1. Death After Benefit Commencement. In the event a Participant dies after benefits have commenced pursuant to Section 5.2.1 or 5.2.2, the Participant's remaining benefits, if any, shall be paid to the Participant's Beneficiary in the same manner such benefits would have been paid to the Participant had the Participant survived.

5.3.2. Death Prior to Benefit Commencement. In the event a Participant dies prior to the date on which benefits commence pursuant to Sections 5.2.1 or 5.2.2, the Participant's Account balance shall be paid to the Participant's Beneficiary in a lump sum within an administratively practicable time following the Participant's death. Notwithstanding anything in the Plan to the contrary, the provisions of this Section 5.3.2 shall apply to the Participant's entire Account balance as of the date of his or her death, including any portion of the Participant's Account which may be attributable to Permissible Deferral elections first effective for Plan Years prior to 1994.

5.3.3. Marital Deduction. If any benefits are payable under the Plan to the surviving spouse of deceased Participant, the estate of the Participant's spouse shall be entitled to all remaining benefits, if any, at his or her death, unless specifically directed to the contrary by an effective beneficiary designation.

5.3.4. Designation by Participant. Each Participant has the right to designate primary and contingent Beneficiaries for death benefits payable under the Plan. Such Beneficiaries may be individuals or trusts for the benefit of individuals. A Beneficiary designation by a Participant shall be in writing on a form acceptable to the Committee and shall only be effective upon delivery to the Company. A Beneficiary designation may be revoked by a Participant at any time by delivering to the Company either written notice of revocation or a new Beneficiary designation form. The Beneficiary designation form last delivered to the Company prior to the death of a Participant shall control.

5.3.5. Failure to Designate Beneficiary. In the event there is no Beneficiary designation on file with the Company, or all Beneficiaries designated by a Participant have predeceased the Participant, the benefits payable by reason of the death of the

Participant shall be paid to the Participant's spouse, if living; if the Participant does not leave a surviving spouse, to the Participant's issue by right of representation; or, if there are no such issue then living, to the Participant's estate. In the event there are benefits remaining unpaid at the death of a sole Beneficiary and no successor Beneficiary has been designated, the remaining balance of such benefit shall be paid to the deceased Beneficiary's estate. If there are benefits remaining unpaid at the death of a Beneficiary who is one of multiple concurrent Beneficiaries, such remaining benefits shall be paid proportionally to the surviving Beneficiaries.

Section 5.4. Minimum Amount and Frequency of Payments. The Committee may adjust the length of the distribution period under this Article 5 in order to assure that each monthly installment is not less than \$1,000. The Committee may also, if it so elects, distribute benefits in installments on a basis which is more or less frequently than monthly.

Section 5.5. Acceleration of Distributions. The Committee may, in its discretion, accelerate the distribution of, or alter the method of payment of, benefits payable to a Participant under the Plan. If the Internal Revenue Service determines that a Participant or Beneficiary has received an economic benefit or is in constructive receipt of a benefit under the Plan and has made a final assessment of an income tax deficiency with respect to such benefit or if a final judicial determination has been entered that an income tax deficiency exists, the Committee shall distribute to such Participant an amount equal to the taxable income recognized.

Section 5.6. Withdrawals.

5.6.1. Hardship Withdrawal. Upon the application of any Participant, the Committee, in accordance with its uniform, nondiscriminatory policy, may permit such Participant to terminate future deferrals or to withdraw some or all of his or her Account. A Participant must give a written petition of the termination of his or her deferral election at least thirty (30) days (or such shorter period of time as permitted by the Committee in its discretion) prior to the next deferral. A Participant must give a written petition of the intent to withdraw from his or her Account at least sixty (60) days (or such shorter time as permitted by the Committee in its discretion) prior to the date of withdrawal. No termination or withdrawal shall be made under the provisions of this Section except for the purpose of enabling a Participant to meet immediate needs created by a financial hardship for which the Participant does not have other reasonably available sources of funds as determined by the Committee in accordance with uniform rules. The term "financial hardship" shall include the need for funds to: meet uninsured medical expenses for the Participant or his dependents, meet a significant uninsured casualty loss for the Participant or his dependents, and meet other catastrophes of a "sudden and serious nature."

If a withdrawal is permitted, the amount of the withdrawal shall be distributed to the Participant in a single sum as soon as is administratively practicable. If a termination of deferrals or a withdrawal is made under this Section 5.6, the Participant may not enter into a new deferral election for two (2) complete Plan Years from the date of the termination or withdrawal.

5.6.2 Premature Distributions. Upon the application of any Participant, the Committee shall permit such Participant to receive a distribution of his or her entire Account prior to the time otherwise specified in the Plan for reasons other than financial hardship. A Participant must give a written petition of his or her intent to receive such a distribution at least sixty (60) days (or such shorter time as permitted by the Committee in its discretion) prior to the date of the distribution. If a Participant elects to receive such a distribution: (a) a penalty shall be imposed such that the value of the Participant's Account, determined immediately prior to the distribution, shall be reduced by 10%; and (b) the Participant may not enter into a new deferral election for two (2) complete Plan Years following the date of the distribution.

5.7. Distributions on Plan Termination. Notwithstanding anything in this Article 5 to the contrary, if the Plan is terminated, distributions shall be made in accordance with Section 8.2.

5.8. Claims Procedure. Except as otherwise provided in Section 5.4(c) of the Trust, the following shall apply with respect to the claims of Participants for benefits under the Plan. The Committee shall notify a

Participant in writing within ninety (90) days of the Participant's written application for benefits of his 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 for the claimant to perfect his 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 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 90-day period. If a Participant is determined by the Committee to be not eligible for benefits, or if the Participant believes that he is entitled to greater or different benefits, he shall have the opportunity to have his claim reviewed by the Committee by filing a petition for review with the Committee within sixty (60) days after receipt by him of the notice issued by the Committee. Said petition shall state the specific reasons the Participant believes he is entitled to benefits or greater or different benefits. Within sixty (60) days after receipt by the Committee of said petition, the Committee shall afford the Participant (and his counsel, if any) an opportunity to present his position to the Committee orally or in writing, and said Participant (or his 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 (60) 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 (60) day period is not sufficient, the decision may be deferred for up to another sixty (60) day period at the election of the Committee, but notice of this deferral shall be given to the Participant.

ARTICLE 6. FUNDING

Section 6.1. Source of Benefits. All benefits under the Plan shall be paid when due by the Company out of its assets or from the Trust.

Section 6.2. No Claim on Specific Assets. No Participant shall be deemed to have, by virtue of being a Participant in the Plan, any claim on any specific assets of the Company such that the Participant would be subject to income taxation on his or her benefits under the Plan prior to distribution and the rights of Participants and Beneficiaries to benefits to which they are otherwise entitled under the Plan shall be those of an unsecured general creditor of the Company.

ARTICLE 7. ADMINISTRATION AND FINANCES.

Section 7.1. Administration. The Plan shall be administered by the Committee. The Company shall bear all administrative costs of the Plan other than those specifically charged to a Participant or Beneficiary.

Section 7.2. Powers of Company. In addition to the other powers granted under the Plan, the Committee shall have all powers necessary to administer the Plan, including, without limitation, powers:

- (a) to interpret the provisions of the Plan;
- (b) to establish and revise the method of accounting for the Plan and to maintain the Accounts; and
- (c) to establish rules for the administration of the Plan and to prescribe any forms required to administer the Plan.

Section 7.3. Actions of the Committee. Except as modified by the Board, the Committee (including any person or entity to whom the Committee has delegated duties, responsibilities or authority, to the extent of such delegation) has total and complete discretionary authority to determine conclusively for all parties all questions arising in the administration of the Plan, to interpret and construe the terms of the Plan, and to determine all questions of eligibility and status of employees, Participants and Beneficiaries under the Plan and their respective interests. Subject to the claims procedures of Section 5.9, all determinations, interpretations, rules and decisions of the Committee (including those made or established by any person or entity to whom the Committee has delegated duties, responsibilities or authority, if made or established pursuant to such delegation) are conclusive and binding upon all

persons having or claiming to have any interest or right under the Plan.

Section 7.4. Delegation. The Committee, or any officer designated by the Committee, shall have the power to delegate specific duties and responsibilities to officers or other employees of the Company or other individuals or entities. Any delegation may be rescinded by the Committee at any time. Each person or entity to whom a duty or responsibility has been delegated shall be responsible for the exercise of such duty or responsibility and shall not be responsible for any act or failure to act of any other person or entity.

Section 7.5. Reports and Records. The Committee, and those to whom the Committee has delegated duties under the Plan, shall keep records of all their proceedings and actions and shall maintain books of account, records, and other data as shall be necessary for the proper administration of the Plan and for compliance with applicable law.

ARTICLE 8. AMENDMENTS AND TERMINATION.

Section 8.1. Amendments. The Company, by action of the Compensation - Committee of the Board, or the Chief Executive Officer of the Company, to the extent authorized by the Compensation Committee of the Board, may amend the Plan, in whole or in part, at any time and from time to time. Any such amendment shall be filed with the Plan documents. No amendment, however, may be effective to eliminate or reduce the benefits of any retired Participant or the Beneficiary of any deceased Participant then eligible for benefits or the benefits in any active Participant's Account immediately before the date of such amendment.

Section 8.2. Termination. The Company expects the Plan to be permanent, but necessarily must, and hereby does, reserve the right to terminate the Plan at any time by action of the Board. Upon termination of the Plan, all deferrals, transfers and Company contributions will cease and no future deferrals, transfers or Company contributions will be made. Termination of the Plan shall not operate to eliminate or reduce benefits of any retired Participant or the Beneficiary of any deceased Participant then eligible for benefits or the benefits in any active Participant's Account.

If the Plan is terminated, payments from the Accounts of all Participants and Beneficiaries shall be made as soon as administratively convenient in the form of monthly payments over a three-year period, credited with interest at 90% of the Crediting Rate during the payment period; however, the Committee in its sole discretion may pay benefits in a lump sum.

ARTICLE 9. TRANSFERS. A Participant may transfer to the Plan amounts credited to the Participant under the Medtronic, Inc. Compensation Deferral Plan for Officers and Key Employees. Any such transfer shall be in accordance with procedures established by the Committee. Amounts transferred by the Plan pursuant to this Article 9 shall be credited with interest in accordance with Section 4.2. Distributions from the Account established pursuant to this Article 9 shall be made at the time and in the manner specified in Sections 5.2 through 5.8.

ARTICLE 10. CHANGE IN CONTROL PROVISIONS.

Section 10.1. Application of Article 10. To the extent applicable, the provisions of this Article 10 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 10. For purposes of this Article 10, an "Event" refers to an event of change in control of the Company as described in Section 3.1(b)(1) through (3) of the Trust.

Section 10.2. 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 the 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. 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 amounts credited to Accounts 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.

Section 10.3. 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.

Section 10.4. No Reduction in Crediting Rate. 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 not from and after the date of the determination or the date of the Event, as the case may be, amend the Plan to cause a reduction in the crediting rate applicable to a Participant's Account under the Plan.

Section 10.5. Late Payment and Additional Payment Provisions. If, after the date of an Event, there is a delay in the payment of any amounts credited to an Account 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 (5) 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 Minnesota, 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.

For purposes hereof, the final date for payment under the Plan shall be determined with reference to the otherwise applicable provisions of the Plan, provided, however, that the final date for commencement of benefit payments pursuant to Sections 5.2 and 5.3 shall be a date which is not later than forty-five (45) days after the earliest to occur of the Participant's retirement, resignation, discharge or death. In the event that payment of benefits has commenced to a Participant or Beneficiary prior to the date of an Event, then the final date for payment shall be determined with reference to the payment provision which was in effect prior to the date of the Event. No adjustment may be made to any payment form which was in effect prior to the date of an Event with respect to any Account which would have the effect of delaying payments otherwise to be made under the payment form or otherwise increasing the period of time over which payments are to be made.

Any payment of benefits by the Company after the final date for payment of benefits as hereinabove determined shall be applied first against the first

due of such payment 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 amounts credited to their Accounts plus the late payment penalty referred to hereinabove first from the Trust and secondarily from the Company, as otherwise provided in Section 10.2.

ARTICLE 11. MISCELLANEOUS.

Section 11.1. No Guarantee of Employment. Neither the adoption and maintenance of the Plan nor the execution by the Company of a Permissible Deferral agreement with any Participant shall be deemed to be a contract of employment between an Affiliate and any Participant. Nothing contained herein shall give any Participant the right to be retained in the employ of an Affiliate or to interfere with the right of an Affiliate to discharge any Participant at any time, nor shall it give an Affiliate the right to require any Participant to remain in its employ or to interfere with the Participant's right to terminate his employment at any time.

Section 11.2. Release. Any payment of benefits to or for the benefit of a Participant or a Participant's Beneficiaries that is made in good faith by the Company in accordance with the Company's interpretation of its obligations hereunder, shall be in full satisfaction of all claims against the Company for benefits under this Plan to the extent of such payment.

Section 11.3. Notices. Any notice permitted or required under the Plan shall be in writing and shall be hand delivered or sent, postage prepaid, by first class mail, or by certified or registered mail with return receipt requested, to the principal office of the Company, if to the Company, or to the address last shown on the records of the Company, if to a Participant or Beneficiary. Any such notice shall be effective as of the date of hand delivery or mailing.

Section 11.4. Nonalienation. No benefit payable at any time under this Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge, levy, attachment, or encumbrance of any kind by any Participant or Beneficiary.

Section 11.5. Tax Liability. The Company may withhold or direct the trustee of the Trust to withhold from any payment of benefits such amounts as the Company determines are reasonably necessary to pay any taxes (and interest thereon) required to be withheld or for which the trustee of the Trust may become liable under applicable law. The Company may also forward or direct the trustee of the Trust to forward to the appropriate taxing authority any amounts required to be paid by the Company or the Trust under the preceding sentence.

Section 11.6. Captions. Article and section headings and captions are provided for purposes of reference and convenience only and shall not be relied upon in any way to construe, define, modify, limit, or extend the scope of any provision of the Plan.

Section 11.7. Applicable Law. The Plan and all rights hereunder shall be governed by and construed according to the laws of the State of Minnesota, except to the extent such laws are preempted by the laws of the United States of America.

SCHEDULE A

Minimum Compensation Level of Sales Force
Members Considered to be "Executives" Under the Plan

1989	\$ 115,000
1990	\$ 115,000
1991	\$ 115,000
1992	\$ 115,000
1993	\$ 115,000
1994	\$ 115,000

SCHEDULE B

Crediting Rate

The Crediting Rate for each Plan Year through 1994 is the ten-year rolling average rate of ten-year United States Treasury Notes, determined as of June 30th of the year immediately preceding the commencement of such Plan Year, as published by Solomon Brothers, Inc., or any successor thereto, compounded on a daily basis.

EXHIBIT NUMBER 10.10

EXECUTIVE NONQUALIFIED SUPPLEMENTAL BENEFIT PLAN

EXHIBIT 10.10

MEDTRONIC, INC.
EXECUTIVE NONQUALIFIED
SUPPLEMENTAL BENEFIT PLAN
(AS RESTATED EFFECTIVE MAY 1, 1994)

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. 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 employer contributions (including forfeitures allocated as a reduction of employer contributions) 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). 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 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).

The employee's Actual Defined Contribution Allocation for any plan year equals the employer contributions (including any forfeitures allocated as reductions of employer contributions) actually allocated for the benefit of the eligible employee under the ESOP for the plan year.

5.02 Establishment of Nonqualified Defined Contribution Account. The value of 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.

5.03 Interest Credited to Nonqualified ESOP Sub-Account. As of the Restatement Date, 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.

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).

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.

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.

EXHIBIT NUMBER 11

COMPUTATION OF EARNINGS PER SHARE

EXHIBIT 11

STATEMENT RE COMPUTATION OF
PER SHARE EARNINGS

MEDTRONIC, INC.
(Unaudited)
(in thousands)

Years ended April 30,	1996	1995	1994

PRIMARY			
Shares outstanding:			
Weighted average outstanding	233,157	230,480	229,616
Share equivalents (1) (2)	4,161	2,754	1,742
	-----	-----	-----
Adjusted shares outstanding (2)	237,318	233,234	231,358
	=====	=====	=====
FULLY DILUTED			
Shares outstanding:			
Weighted average outstanding	233,157	230,480	229,616
Share equivalents (1) (2)	4,626	4,380	2,240
	-----	-----	-----
Adjusted shares outstanding (2)	237,783	234,860	231,856
	=====	=====	=====
Net earnings	\$437,804	\$294,000	\$232,357
	=====	=====	=====

(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 invasive therapies. Primary products include implantable pacemaker systems used for the treatment of bradycardia, implantable tachyarrhythmia management devices, mechanical and tissue heart valves, balloon and guiding catheters used in angioplasty, stents, implantable neurostimulation and drug delivery systems, and perfusion systems including blood oxygenators, centrifugal blood pumps, cannula products, and autotransfusion and blood monitoring systems. The company reports on three business units (Pacing, Other Cardiovascular, and Neurological and Other) and three geographic areas (the Americas, Europe/Middle East/Africa, and Asia/Pacific).

Fiscal 1996 was another outstanding year for the company, evidenced by the 11th consecutive year of increases in both revenues and earnings. Net sales of \$2.2 billion represent a 24.5% increase over 1995. Net sales after adjusting for the effects of foreign currency translation increased 23.3% compared to increases of 21.0% in 1995 and 7.0% in 1994. Net earnings and earnings per share increased 48.9% and 46.9% to \$437.8 million and \$1.88, respectively. The growth during 1996 was the result of solid contributions from the businesses and geographic areas and was accelerated by progress in gaining market share, expanding our global operations, and significant new product and therapy introductions.

The company closed on three acquisitions in fiscal 1996. In November 1995, the company acquired Pudenz-Schulte Medical Corporation (PS Medical), a manufacturer and distributor of cerebrospinal fluid shunts and neurosurgical implants, and Micro Interventional Systems, a developer of products for the minimally invasive treatment of stroke and peripheral vascular disease. In April 1996, the company acquired Synectics Medical AB (Synectics) of Stockholm, Sweden, the world leader in the development and marketing of computer-supported systems to diagnose disorders of the urological and digestive systems and sleep apnea. The company closed on two additional acquisitions in early 1997 as it acquired AneuRx, Inc., which develops an endovascular stented graft and delivery system used in minimally invasive aneurysm repair therapy, and Instent Inc., which designs, develops, manufactures and markets a variety of self-expanding and balloon-expandable stents used in a broad range of medical indications.

NET SALES

The increase in net sales from 1995 to 1996 on a constant currency basis was primarily the result of continued unit volume increases. Selling prices for the company's products during 1996 remained relatively stable overall despite the market's continued focus on cost controls and competitive pricing. Sales in the United States in 1996 increased 27.7% over the prior year, compared to 15.2% in 1995. Sales outside the United States increased 17.8% on a constant currency basis compared to 18.2% in 1995. Sales in non-U.S. markets accounted for 43.1% of worldwide net sales, compared with 43.8% in 1995 and 42.5% in 1994. Foreign exchange rate movements had a favorable year-to-year impact of \$21.3 million and \$59.1 million on international net sales in 1996 and 1995, respectively, and an unfavorable impact of \$30.8 million in 1994. These exchange rate movements are caused primarily by changes in the value of the U.S. dollar 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 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 losses on the company's hedging activities were offset by the transactions being hedged and therefore are consistent with the company's risk management strategies.

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

Year ended April 30,	1996	1995	1994
Pacing	68.2%	66.0%	68.5%
Other Cardiovascular	24.1	26.5	24.0
Neurological & Other	7.7	7.5	7.5

Net sales of the Pacing business, consisting primarily of Bradycardia Pacing and Tachyarrhythmia Management, increased 27.4% in 1996 after removing the impact of foreign exchange rate fluctuations, versus growth of 17.1% in 1995. This increase was attributable to strong contributions from both Bradycardia and Tachyarrhythmia Management devices. 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 pacemaker family worldwide and the improved Thera (i-Series) pacemaker in Europe and the U.S. The Thera (i-Series) pacemakers were cleared by the Food and Drug Administration (FDA) for commercial sale in the U.S. in November 1995. In addition, the CapSure Z and CapSureFix pacing leads were introduced during 1996. These leads reduce pacing system energy requirements by allowing long-term use of impulses at lower intensity to stimulate each heartbeat. The significant sales growth in Tachyarrhythmia Management sales was primarily attributable to the company's Jewel family of implantable cardioverter-defibrillators. Sales outside the United States were also led by Jewel products offering single lead, Active Can technology. The Jewel Active Can models were commercially released in the U.S. in December 1995 after receiving FDA approval.

The Thera and Jewel product lines contributed significantly to the overall sales growth of the Company in 1996, 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 family of dual-sensor pacemakers is currently in clinical evaluation in Europe, and the Micro Jewel implantable defibrillator received FDA approval in July 1996.

Sales within the Other Cardiovascular Business (consisting of balloon and guiding catheters, stents, ablation systems, heart valves, perfusion and blood management systems, cannulae and surgical accessories) increased 12.1% and 34.0% in 1996 and 1995, respectively, after excluding the effects of foreign currency translation. The 1996 growth is primarily attributable to guiding catheters and stents, which experienced strong sales growth led by the Medtronic Wiktor coronary stent in Europe and Japan. Balloon and guiding catheter unit sales remained solid in 1996. However, declines in the average selling price for balloon catheters in the United States more than offset the unit growth. Balloon catheter selling prices have deteriorated over the past three years as a result of continued price competition. It is unclear to what extent this erosion of selling prices will continue into 1997. Also contributing to 1996 sales were strong performances by the cannula and surgical accessories lines and the tissue heart valve product lines. The Freestyle stentless porcine tissue heart valve was commercially released in Europe in January 1996, and is currently in U.S. clinical evaluation. Revenues in 1996 also reflect the November 1995 acquisition of Micro Interventional Systems. Growth in these product lines was partially offset by less than anticipated sales of perfusion and blood management systems, as these product lines were impacted by delays in the release of certain new products. However, the fourth quarter of 1996 releases of the Hemopump cardiac assist system in Europe, the Sequestra 1000 blood processing system and the BioTrend oxygen saturation and hematocrit system in the United States are expected to provide sales growth potential within these product lines in 1997. Also contributing to the increase in Other Cardiovascular sales from 1994 to 1995 were the March 1994 and April 1994 acquisitions of DLP and Electromedics, respectively.

Net sales of the Neurological and Other businesses, primarily consisting of implantable neurostimulation devices and drug administration systems, continued to experience strong growth. Exclusive of the effects of foreign currency translation, net sales grew 27.9% over the previous year compared to growth of 22.3% in 1995. This growth was led by two new products--the Mattrix spinal cord stimulation system, introduced in worldwide markets, and the Itrel 3 spinal cord stimulation system, already available in Europe and launched in the U.S. in November 1995. In addition, PS Medical, which was acquired in November 1995, contributed to the overall revenue growth.

COSTS AND EXPENSES

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

Year ended April 30,	1996	1995	1994
Cost of Products Sold	27.2%	31.0%	31.0%
Research & Development	10.9	11.0	11.2
Selling, General & Administrative	32.1	33.0	33.8

Cost of products sold as a percentage of net sales decreased in 1996 as compared to 1995. This decrease resulted from increased productivity, the impact of favorable product and geographic mix combined with substantially increased volumes, and the favorable impact of foreign exchange rate fluctuations, partially offset by increased start-up costs related to new product introductions. The efficiencies of higher production levels were most evident in our higher margin products including bradycardia pacemakers, tachyarrhythmia management devices and vascular stents. The favorable geographic mix resulted primarily from strong revenue gains in Western Europe and the United States. Cost of products sold as a percentage of net sales remained constant at 31.0% in 1995 and 1994 as a result of cost savings from increased production levels and cost reductions efforts offset by increased start-up costs related to new product introductions and fluctuations in product mix. 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.

The company continued its commitment and strategy of achieving long-term growth, in part, by investing in research and development (R&D). R&D expense increased 23.7% to \$236.7 million in 1996 from \$191.4 million in 1995. Investing significant resources in R&D is intended to result in future revenue growth and market share gains by developing technological enhancements and new indications for existing products as well as developing minimally invasive and new technologies to address unmet patient needs and to help reduce procedural cost and length of hospital stay. The continued success of this strategy is reflected in the rapid market acceptance of new, technologically advanced products during 1996.

Selling, general, and administrative expense (SG&A) as a percent of sales decreased in both 1996 and 1995, primarily due to continued overall cost efficiencies and accelerated revenue growth.

INCOME TAXES

The company's effective income tax rate in 1996 was 34.5%, up from 33.5% in 1995 and 33.0% in 1994. The increases in the effective tax rates since 1994 were primarily the result of the Omnibus Budget Reconciliation Act of 1993, which increased the U.S. income tax rate and significantly reduced U.S. tax benefits resulting from the company's operations in Puerto Rico. During 1995, the negative impact of these changes was in part offset by increased tax credits. Although these changes in the tax code and the recent expiration of the R&D tax credit will continue to put upward pressure on the company's effective tax rate in the future, management believes that the adverse impact can be minimized by other tax planning initiatives.

LIQUIDITY AND CAPITAL RESOURCES

SUMMARY

The company continued to strengthen its financial position during 1996. At April 30, 1996, working capital, the excess of current assets over current liabilities, totaled \$818.2 million, an increase of 26.3% over the \$647.8 million at April 30, 1995. The current ratio at April 30, 1996, was 2.6:1 compared with 2.4:1 and 1.9:1 at April 30, 1995 and 1994, 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 \$385.0 million at April 30, 1996, compared to \$276.0 million at April 30, 1995, and \$103.0 million at April 30, 1994. Because of its strong financial condition, the company is well positioned to maintain its commitment to ongoing growth strategies which include research and development spending, internal ventures, and acquisitions.

CASH FLOW

Cash provided by operating activities was \$500.5 million in 1996 compared to \$387.2 million in 1995 and \$356.9 million in 1994. These operating cash flows were more than sufficient to fund the company's capital expenditures, acquisitions, dividends to shareholders, and stock repurchases. Capital spending totaled \$170.2 million in 1996, an increase of 63.7% over the \$104.0 million in 1995. This increase in capital spending was primarily the result of spending associated with the enhanced model 9790 programmer and facility expansions. Capital spending in 1995 increased 20.9% from 1994, mainly associated with spending on the original 9790 programmer. 1994 capital spending reflected a decrease of 1.6%. 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. Repurchases of common stock totaled \$33.6 million in 1996, compared to \$59.1 million and \$53.4 million in 1995 and 1994, respectively.

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

During 1994, the cash portion of the purchase price paid for the acquisitions of DLP, Electromedics, Inc., Carbon Implants, Inc., and CardioRhythm, was approximately \$189.4 million. In addition to acquisitions, capital spending, and stock repurchases, the company's cash position was favorably impacted by the timing of income tax payments, ongoing royalty income, and increases in liabilities.

DEBT AND CAPITAL

At April 30, 1996, the total common stock shares authorized by the Board of Directors for repurchase was approximately 14.1 million shares. During 1996, approximately 0.7 million shares were repurchased at an average cost of \$51.21 per share. During 1995, approximately 3.0 million shares were repurchased at an average price of \$19.20 per share. The company repurchased shares in 1996 and 1995 to partially offset dilution resulting from the issuance of stock under employee benefit plans, shares issued in conjunction with the acquisitions of PS Medical, and Electromedics, Inc., 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 \$60.4 million, \$47.2 million, and \$39.0 million in 1996, 1995, and 1994, 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 4.1% at April 30, 1996, compared with 3.4% and 6.9% at April 30, 1995, and 1994, 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 1996, ROE was 28.0%, up 3.4 percentage points over the 24.6% in 1995. In 1994, ROE was 24.5% and in each of the preceding six years, ROE exceeded 20%.

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 preclude 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 approvals, 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 approving more 510(k) submissions and approving them more quickly. Some progress has also been made in the number of PMAs and PMA-Supplements approved, but review times for leading-edge, innovative products remain long. While the trend is in the right direction, the lengthy approval time remains a significant issue and various legislative solutions to resolve this are currently before the U.S. Congress.

In calendar 1994, the U.S. Health Care Financing Administration (HCFA), which establishes Medicare reimbursement policy and practice, determined that medical devices not cleared for commercial release by the FDA should not be reimbursed by Medicare. This action for a period of time virtually prevented Medicare patients from receiving the more advanced devices used in clinical trials and provided strong incentives for clinical research to move to non-U.S. markets. In calendar 1995, HCFA changed its position by permitting Medicare reimbursement for devices that are next-generation improvements of devices previously cleared for marketing. HCFA also clarified that reimbursement would be allowed for previously cleared devices that are used for new indications. Since most devices in clinical trials fall into one of these two categories, these changes have addressed the concerns created by Medicare's 1994 initiatives.

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. In June 1996, the company lost a case (Lohr v. Medtronic) before the U.S. Supreme Court to determine whether a device cleared by the FDA for commercial release can later be challenged as unsafe. While this outcome could potentially increase the cost to the company, and other medical device makers, to defend product liability claims, it is not expected to have a material adverse financial impact on the company. In addition, product liability claims may be asserted against the company in the future relative to events not known to management at the present time. Management believes that the company's risk management practices, including insurance coverage, are reasonably adequate to protect against potential product liability losses.

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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
President and Chief Executive Officer

/s/ Arthur D. Collins, Jr.
Arthur D. Collins, Jr.
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 and consolidated cash flows present fairly, in all material respects, the financial position of Medtronic, Inc., and its subsidiaries at April 30, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended April 30, 1996, 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, 1996

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STATEMENT OF CONSOLIDATED EARNINGS		Medtronic, Inc.		
(in thousands of dollars, except per share data)				
Year ended April 30,	1996	1995	1994	
	-----	-----	-----	
NET SALES	\$ 2,169,114	\$ 1,742,392	\$ 1,390,922	
COSTS AND EXPENSES:				
Cost of products sold	589,710	540,080	431,668	
Research and development expense	236,684	191,351	156,314	
Selling, general, and administrative expense	695,550	574,624	470,266	
Interest expense	7,960	9,007	8,208	
Interest income	(29,193)	(14,775)	(8,373)	
Gain on sale of subsidiary	--	--	(13,962)	
	-----	-----	-----	
TOTAL COSTS AND EXPENSES	1,500,711	1,300,287	1,044,121	
	-----	-----	-----	
EARNINGS BEFORE INCOME TAXES	668,403	442,105	346,801	
PROVISION FOR INCOME TAXES	230,599	148,105	114,444	
	-----	-----	-----	
NET EARNINGS	\$ 437,804	\$ 294,000	\$ 232,357	
	=====	=====	=====	
WEIGHTED AVERAGE SHARES OUTSTANDING	233,157	230,480	229,616	
EARNINGS PER SHARE	\$ 1.88	\$ 1.28	\$ 1.01	
	=====	=====	=====	

See accompanying notes to consolidated financial statements.

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CONSOLIDATED BALANCE SHEET		Medtronic, Inc.	
(in thousands of dollars)			
April 30,	1996	1995	
	-----	-----	

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 110,306	\$ 98,292
Short-term investments	350,541	225,357
Accounts receivable, less allowance for doubtful accounts of \$18,094 and \$22,416	456,770	413,942
Inventories:		
Finished goods	118,948	97,048
Work in process	61,000	59,311
Raw materials	77,400	65,573
	-----	-----
Total Inventories	257,348	221,932
Deferred tax assets	120,899	92,563
Prepaid expenses and other current assets	47,370	51,823
	-----	-----
TOTAL CURRENT ASSETS	1,343,234	1,103,909

PROPERTY, PLANT, AND EQUIPMENT:

Land and land improvements	22,931	17,920
Buildings and leasehold improvements	189,228	174,592
Equipment	559,752	501,134
Construction in progress	61,792	21,830
	-----	-----
Accumulated depreciation	833,703 (418,411)	715,476 (384,415)
	-----	-----
Net Property, Plant, and Equipment	415,292	331,061
GOODWILL, net of accumulated amortization of \$52,589 and \$39,990	386,046	278,724
OTHER INTANGIBLE ASSETS, net of accumulated amortization of \$40,738 and \$31,482	85,605	84,622
LONG-TERM INVESTMENTS	219,838	108,404
OTHER ASSETS	53,283	40,012
	-----	-----
TOTAL ASSETS	\$ 2,503,298	\$ 1,946,732
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Short-term borrowings	\$ 60,524	\$ 33,474
Accounts payable--trade	53,899	25,369
Accounts payable--other	43,528	54,846
Accrued compensation	116,213	109,990
Accrued income taxes	110,365	119,018
Other accrued expenses	140,519	113,432
	-----	-----
TOTAL CURRENT LIABILITIES	525,048	456,129

LONG-TERM DEBT	15,336	14,200
DEFERRED TAX LIABILITIES	45,744	35,856
OTHER LONG-TERM LIABILITIES	127,865	105,534
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, 234,317,826 and 231,018,850 shares issued and outstanding	23,432	23,102
Retained earnings	1,797,220	1,318,043
Cumulative translation adjustments	(2,675)	23,848
	-----	-----
Receivable from Employee Stock Ownership Plan	1,817,977 (28,672)	1,364,993 (29,980)
	-----	-----
TOTAL SHAREHOLDERS' EQUITY	1,789,305	1,335,013
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,503,298	\$ 1,946,732
	=====	=====

See accompanying notes to consolidated financial statements

STATEMENT OF CONSOLIDATED CASH FLOWS
(in thousands of dollars)

Medtronic, Inc.

Year ended April 30,	1996	1995	1994
	-----	-----	-----
OPERATING ACTIVITIES			
Net earnings	\$ 437,804	\$ 294,000	\$ 232,357
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	111,776	106,502	78,577
Gain on sale of subsidiary, net of tax	--	--	(9,424)
Deferred income taxes	(33,106)	692	(3,150)
Changes in operating assets and liabilities:			
Increase in accounts receivable	(45,974)	(48,534)	(8,635)
Decrease (increase) in inventories	(30,589)	7,165	(8,087)
(Increase) decrease in prepaid expenses and other assets	11,956	(37,609)	8,954
Increase in accounts payable and accrued liabilities	31,479	62,103	18,137
(Decrease) increase in accrued income taxes	(5,174)	7,931	37,653
(Decrease) increase in deferred income	1,230	(24,775)	400
(Decrease) increase in postretirement benefit accrual	2,272	(452)	2,156
Increase in other long-term liabilities	18,824	20,154	7,918
	-----	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	500,498	387,177	356,856
INVESTING ACTIVITIES			
Additions to property, plant, and equipment	(163,767)	(96,862)	(60,799)
Acquisitions, net of cash acquired	(55,958)	--	(189,440)
Proceeds from sale of subsidiary	--	--	21,000
Sales and maturities of marketable securities	465,215	158,462	92,985
Purchases of marketable securities	(655,510)	(289,235)	(109,346)
Other investing activities	(19,896)	(12,361)	(12,463)
	-----	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(429,916)	(239,996)	(258,063)
FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings	14,186	(29,270)	(28,285)
Payments on long-term debt	(4,062)	(8,150)	(16,265)
Issuance of long-term debt	681	1,265	8,066
(Decrease) increase in acquisition price payable	--	(39,130)	45,630
Dividends to shareholders	(60,427)	(47,226)	(38,985)
Repurchase of common stock	(33,574)	(59,079)	(53,423)
Issuance of common stock	24,846	21,874	16,339
	-----	-----	-----
NET CASH USED IN FINANCING ACTIVITIES	(58,350)	(159,716)	(66,923)
Effect of exchange rate changes on cash and cash equivalents	(218)	2,107	(144)
	-----	-----	-----
NET CHANGE IN CASH AND CASH EQUIVALENTS	12,014	(10,428)	31,726
Cash and cash equivalents at beginning of year	98,292	108,720	76,994
	-----	-----	-----
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 110,306	\$ 98,292	\$ 108,720
	=====	=====	=====
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid during the year for:			
Income taxes	\$ 258,703	\$ 131,731	\$ 73,858
Interest	8,005	9,249	8,346
	-----	-----	-----
SUPPLEMENTAL NONCASH INVESTING AND FINANCING ACTIVITIES			
Issuance of common stock for acquisition of subsidiary, net of cash acquired	\$ 73,951	\$ --	\$ 56,177
	=====	=====	=====

See accompanying notes to consolidated financial statements.

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 invasive 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, mechanical and tissue heart valves, balloon and guiding catheters used in angioplasty, stents, implantable neurostimulation and drug delivery systems, and perfusion systems including blood oxygenators, centrifugal blood pumps, cannula products, and autotransfusion and blood monitoring systems. 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. Certain prior period amounts have been reclassified to conform to the 1996 presentation.

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.

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 are capitalized. 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 24 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 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.

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.

NOTE 2--ACQUISITIONS AND DIVESTITURES

ACQUISITIONS

On November 2, 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.

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On November 3, 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. The merger has been accounted for as a pooling-of-interests, and, accordingly the company's consolidated financial statements for the first two quarters of fiscal year 1996 have been restated to include MIS' results. Prior year activity has not been restated as the impact of the merger in prior 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.

On April 26, 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 the world leader in the development and marketing of computer-supported systems used to diagnose disorders of the urological and digestive systems and sleep apnea.

In March 1994, the company acquired substantially all of the assets and liabilities of DLP, Inc., for approximately \$128.3 million in cash. DLP is the market leader in the development, manufacture, and sale of cannula products used in heart surgery.

In April 1994, the company acquired all of the outstanding shares of Electromedics, Inc., for approximately \$95.3 million. The purchase price consisted of approximately \$39.1 million payable in cash and approximately 1,555,000 shares of the company's common stock valued at \$56.2 million. Electromedics designs, manufactures, and markets blood management and blood conservation equipment for use in autotransfusion during major medical procedures.

In April 1994, the company acquired all of the remaining outstanding common stock of Carbon Implants, Inc., a designer and manufacturer of implantable prosthetic heart valves. The total purchase price was approximately \$34.6 million in cash.

The acquisitions of PS Medical, Synectics, DLP, Electromedics, and Carbon Implants 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.

In 1994, the company made additional payments of \$6.5 million to settle substantially all remaining obligations existing at the acquisition date related to the May 1992 acquisition of CardioRhythm. These payments were recorded as additions to the initial price of the acquisition.

DIVESTITURES

In July 1993, the company sold substantially all the assets of its Andover Medical, Inc. subsidiary for \$21.0 million, recognizing a pretax gain of \$14.0 million. Andover Medical developed, manufactured, and marketed external electrodes used primarily with electrical nerve stimulation and neuromuscular stimulation devices. Exclusive of the gain recognized, this transaction did not have a significant impact on the company's operating results.

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,	1996		1995	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSETS				
Short-term investments	\$350,541	\$350,541	\$225,357	\$226,031
Long-term investments	219,838	219,838	108,404	108,404
Net purchased currency options	210	210	--	--
LIABILITIES				
Short-term debt	60,524	60,524	33,474	33,474
Long-term debt	15,336	17,181	14,200	15,427
Forward exchange contracts	--	--	29,293	29,293

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 above 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, 1996 and 1995.

On May 1, 1994, the company adopted Statement of Financial Accounting Standard (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." SFAS No. 115 requires that all investments in debt securities and investments in equity securities that have readily determinable fair values be 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. Prior to May 1, 1994, investments were recorded at the lower of cost or market. Adoption of this statement did not materially impact the company's financial position and had no impact on operating results.

At April 30, 1996 and 1995, 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, 1996 and 1995 were as follow:

Gross Gross

	Cost	Unrealized Holding Gains	Unrealized Holding Losses	Fair Value
April 30, 1996	32,046	87,795	1,524	118,317
April 30, 1995	19,469	48,233	4,015	63,687

At April 30, 1996 and 1995, the net unrealized gain associated with available-for-sale securities of \$55,929 and \$28,742 respectively, net of tax of \$30,342 and \$15,476, was included in retained earnings. Proceeds from the sale of available-for-sale securities during 1996 were \$2,829. Net gains included in income in 1996 were \$1,014. There were no sales of available-for-sale securities during 1995.

Held-to-maturity investments at April 30, 1996 consisted primarily of U.S. government and corporate debt securities, all of which mature within three years. These securities were carried at amortized cost of \$468,141 and have a fair value of \$468,141.

FOREIGN CURRENCY INSTRUMENTS

A significant portion of the company's cash flows is derived from sales denominated in foreign currencies. To the extent that the U.S. dollar value of sales denominated in foreign currencies fluctuates as a result of a strengthening or weakening dollar, the company's ability to fund dollar-based strategic initiatives at a consistent level may be impaired. 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,	1996	1995
Forward exchange contracts	\$ --	\$431,504
Put options	(1,686)	--
Call options	1,896	--
Net purchased currency options	\$ 210	\$ --

The company had aggregate foreign currency transaction losses, primarily related to forward contracts, of \$20,789, \$57,715, and \$10,025 in 1996, 1995, and 1994, respectively. Realized losses on these contracts were offset by the gains on assets, liabilities, and transactions being hedged. Forward contracts and net premium on 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	1996	1995
Bank borrowings	4.5%	\$57,880	\$30,819
Current portion of long-term debt	7.3%	2,644	2,655
Total Short-Term Debt		\$60,524	\$33,474

Long-Term Debt	Average Interest Rate	Maturity Date	1996	1995
Various notes	6.8%	1997-2007	\$11,371	\$10,207
Capitalized lease obligations	9.3%	1997-2009	3,965	3,993
Total Long-Term Debt			\$15,336	\$14,200

Short-term borrowings consisted primarily of non-U.S. bank borrowings used for foreign exchange purposes. The company has existing lines of credit of \$513 million with various banks, of which \$455 million was unused at April 30, 1996. Maturities of long-term debt for the next five years are as follows: 1997, \$2,644; 1998, \$6,700; 1999, \$2,469; 2000, \$1,869; 2001, \$484; thereafter, \$3,814.

NOTE 5--SHAREHOLDERS' EQUITY

Changes in shareholders' equity accounts were as follows:

	Common Stock	Retained Earnings	Cumulative Translation Adjustments	Receivable from ESOP
BALANCE, APRIL 30, 1993	\$5,782	\$ 870,303	\$ (1,057)	\$ (33,550)
Net earnings		232,357		
Dividends paid		(38,985)		
Issuance of common stock under employee benefit and incentive plans	39	16,300		
Issuance of common stock in acquisition of subsidiary	78	56,099		
Repurchase of common stock	(86)	(53,337)		
Income tax benefit from restricted stock and nonstatutory stock options		6,944		
Translation adjustments			(8,645)	
Repayment from ESOP				1,250
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		
Repurchase of common stock	(77)	(59,002)		
Unrealized gain 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

BALANCE, APRIL 30, 1995	\$11,551	\$1,329,594	\$23,848	\$(29,980)
as previously reported				

	Common	Retained	Cumulative	Receivable
	Stock	Earnings	Translation	from
			Adjustments	ESOP

Adjustment for pooling of interests		(3,757)		

Balance, April 30, 1995	\$11,551	\$1,325,837	\$23,848	\$(29,980)
Net earnings		437,804		
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		
Repurchase of common stock	(66)	(33,508)		
Unrealized gain 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

Balance, April 30, 1996	\$23,432	\$1,797,220	\$(2,675)	\$(28,672)

At April 30, 1996, Board of Directors' authorization existed to repurchase approximately 14.1 million shares of the company's common stock.

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 share 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,	1996	1995	1994
Interest expense	\$2,698	\$2,907	\$3,020
Dividends paid	1,310	992	811
Net interest expense	1,388	1,915	2,209
Compensation expense	1,316	2,327	3,588
Total expense	\$2,704	\$4,242	\$5,797

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, 1996 and 1995, allocated shares were 1,910,422 and 1,405,084, respectively, shares committed-to-be released were 234,473 and 305,420, respectively, and unallocated shares were 3,128,693 and 3,434,113, respectively. Unallocated shares are released based on the ratio of current debt service to total remaining principle 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 8,946,791 shares available under this plan for future grants at April 30, 1996.

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 May 1, 1994	\$ 1.67 - 24.50	6,371,660	1995 - 2004
Granted	18.94 - 35.00	959,350	2000 - 2005
Exercised	1.67 - 26.50	736,842	1995 - 2005
Cancelled	7.53 - 26.50	83,884	2000 - 2005
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

	Option Price Range Per Share	Number of Shares	Expiration Date
Outstanding at April 30, 1996	\$ 4.88 - 59.25	6,530,370	1997 - 2006
Exercisable at April 30, 1995	2.67 - 26.50	3,684,158	1996 - 2005
April 30, 1996	4.88 - 54.13	4,185,351	1997 - 2006

In addition, stock options outstanding and exercisable at April 30, 1996 as a result of a 1996 acquisition transaction were 44,010 and 6,825, respectively. These options have a price range per share of \$0.55 - 2.71 and \$0.55 - 1.55, respectively, and expire 1997-2005. No additional awards will be made under this plan.

Nonqualified options are normally exercisable beginning one year from the date of grant in cumulative yearly amounts of 25 percent of the shares under option. 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 1996, 109,495 restricted shares were issued and 73,040 shares of common stock were issued pursuant to previous performance share grants. At April 30, 1996, total restricted shares outstanding under both the 1994 stock award plan and the previous restricted stock and performance share award plans were 1,020,363. Performance share awards for up to 468,152 shares, assuming maximum performance payout, were outstanding under the two plans at April 30, 1996. 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 (\$4,375 in 1996, \$3,797 in 1995, and \$4,205 in 1994). The estimated cost of the performance shares is expensed over three years from the date of grant (\$10,313 in 1996, \$8,840 in 1995, and \$3,131 in 1994).

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 761,682 shares at \$22.10 per share in 1996. As of April 30, 1996, plan participants have had approximately \$11,276 withheld to purchase shares at a price of \$50.89 per share, or 85% of the market value of the company's common stock at October 31, 1996, whichever is less.

Common stock to be issued under all outstanding grants pursuant to the 1994 stock award plan, the stock purchase plan, and the previous individual stock option and award plans does not have a material dilutive effect on reported earnings per share.

Statement of Financial Accounting Standard (SFAS) No. 123 "Accounting for Stock-Based Compensation" requires companies to measure employee stock compensation plans based on the fair value method of accounting. However, the statement allows the alternative of continued use of Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees" with pro forma disclosure of net income and earnings per share determined as if the fair value method had been applied in measuring compensation cost. The Company is required to adopt SFAS No. 123 in fiscal 1997 and expects to elect the continued use of APB No. 25.

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,	1996	1995	1994
United States	\$532,297	\$356,758	\$279,220
Non-U.S.	136,106	85,347	67,581
Earnings before income taxes	\$668,403	\$442,105	\$346,801

The provision for income taxes consisted of:

Year ended April 30,	1996	1995	1994
Taxes currently payable:			
U.S. federal	\$154,941	\$ 80,023	\$ 64,840
U.S. state and other	35,696	22,297	21,268
Non-U.S.	62,658	45,717	29,859
Total currently payable	253,295	148,037	115,967
Deferred tax (benefit) expense:			
U.S. federal	(34,232)	(1,955)	(7,049)
U.S. state and other	(2,526)	2,755	(2,459)
Non-U.S.	3,495	(9,925)	1,539
Net deferred tax benefit	(33,263)	(9,125)	(7,969)
Tax expense credited directly to shareholders' equity	10,567	9,193	6,446
Total provision	\$230,599	\$ 148,105	\$114,444

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

April 30,	1996	1995
Deferred tax assets:		
Inventory (Intercompany profit in inventory and excess of tax over book valuation)	\$ 98,753	\$69,836
Accrued liabilities	35,071	37,526
Other	13,437	7,528
Total deferred tax assets	147,261	114,890
Deferred tax liabilities:		
Intangible assets	(6,835)	(17,264)
Undistributed earnings of subsidiaries	(14,645)	(11,787)
Accumulated depreciation	(13,198)	(13,301)
Unrealized gain on investments	(30,342)	(15,476)
Other	(7,086)	(355)
Total deferred tax liabilities	(72,106)	(58,183)
Net deferred tax assets	\$ 75,155	\$ 56,707

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

Year ended April 30,	1996	1995	1994
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	2.2	2.5
Tax benefits from operations in Puerto Rico	(3.4)	(4.2)	(8.2)
Non-U.S. taxes	1.6	1.5	1.7
Other, net	(1.0)	(1.0)	2.0

Effective tax rate	34.5%	33.5%	33.0%

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, 1996, earnings permanently reinvested in subsidiaries outside the United States were \$138,457. It is not practical to estimate the amount of taxes that might be payable on these foreign earnings.

At April 30, 1996, approximately \$12,564 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 \$36,598 in 1996, \$28,483 in 1995, and \$20,208 in 1994.

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 \$11,925, \$13,784, and \$5,075 in 1996, 1995, and 1994, respectively. Plan assets consist of a diversified portfolio of fixed-income investments, equity securities, and cash equivalents. Plan assets include investments in the company's common stock of \$17,000 and \$11,900 at April 30, 1996 and 1995, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per share data)

Medtronic, Inc.

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

Year ended April 30,	1996	1995	1994
Service cost--benefits earned during the year	\$ 6,653	\$ 6,391	\$ 5,795
Interest cost on projected benefit obligation	6,516	5,680	5,222
Return on assets	(21,061)	(9,775)	(7,218)
Net amortization and deferral	11,459	2,155	819
Net pension cost	\$ 3,567	\$ 4,451	\$ 4,618

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

April 30,	1996	1995
Actuarial present value of benefit obligation:		

Vested benefits	\$ (65,725)	\$ (49,913)
Nonvested benefits	(8,245)	(6,673)

Accumulated benefit obligation	(73,970)	(56,586)
Excess of projected benefit obligation over accumulated benefit obligation	(31,560)	(25,852)

Projected benefit obligation	(105,530)	(82,438)
Plan assets at fair value	126,913	95,468

Plan assets in excess of projected benefit obligation	21,383	13,030
Unrecognized May 1, 1986, net asset	(432)	(1,632)
Unrecognized net actuarial loss	4,309	5,593
Unrecognized prior service cost	(476)	(564)

Net prepaid pension cost	\$ 24,784	\$ 16,427

The actuarial assumptions were as follows:

Year ended April, 30	1996	1995	1994

Discount rate	7.5%	8.0%	7.5%
Expected long-term return on assets	9.0%	9.0%	9.0%
Average increase in compensation	5.0%	5.0%	5.5%

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 and accrued liability associated with these non-qualified plans were not material. However, the Omnibus Budget Reconciliation Act of 1993 significantly reduced the qualified wage limit which resulted in an increase in benefits under non-qualified plans. The net periodic cost of non-qualified pension plans was \$1,427 in 1996. The unfunded accrued pension cost totaled \$5,141 at April 30, 1996.

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,	1996	1995	1994

Service cost--benefits earned during the year	\$ 5,096	\$ 2,032	\$ 1,374
Interest cost on projected benefit obligation	1,357	666	268
Return on assets	(36)	(27)	(26)
Net amortization and deferral	374	135	49

Net pension cost	\$6,791	\$ 2,806	\$1,665

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,	1996	1995

Actuarial present value of benefit obligation:		
Vested benefits	\$ (11,034)	\$ (10,176)
Nonvested benefits	(657)	(642)

Accumulated benefit obligation	(11,691)	(10,818)
Excess of projected benefit obligation over accumulated benefit obligation	(20,317)	(13,943)

Projected benefit obligation	(32,008)	(24,761)
Plan assets at fair value	608	579

Projected benefit obligation in excess of plan assets	(31,400)	(24,182)
Unrecognized May 1, 1994, net obligation	10,148	11,647
Unrecognized net actuarial loss	7,955	1,386
Net accrued pension liability	\$ (13,297)	\$ (11,149)

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	1996	1995	1994
Discount rate	6.25%-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 purpose of these plans is generally 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 the plans was \$17,786 in 1996, \$15,452 in 1995, and \$10,402 in 1994.

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.

The company adopted Statement of Financial Accounting Standard (SFAS) No. 106, "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.

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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
	1996	1995	1994	1996
Service cost--benefits earned during the year	\$ 1,585	\$ 1,446	\$ 1,049	\$ 106
Interest cost on accumulated benefit obligation	1,915	1,425	1,440	99
Return on assets	(737)	(255)	--	--
Net amortization and deferral	497	299	(243)	1,237
Postretirement benefit cost	\$3,260	\$2,915	\$2,246	\$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
	1996	1995	1996

Actuarial present value of postretirement benefit obligation:			
Retirees	\$ (6,262)	\$ (6,251)	\$ (88)
Other fully eligible participants	(4,938)	(4,341)	(157)
Other active participants	(17,751)	(14,179)	(1,327)

	(28,951)	(24,771)	(1,572)
Plan assets at fair value	5,926	2,925	--
Unrecognized net loss	3,669	3,320	130

Net accrued postretirement benefit liability	\$ (19,356)	\$ (18,526)	\$ (1,442)

The actuarial assumptions were as follows:

Year ended April 30,	U.S. Plans			Non-U.S.
	1996	1995	1994	Plans 1996

Discount rate	7.5%	8.0%	7.5%	7.5%
Expected long-term return on assets	9.0%	9.0%	--	--
Health care cost trend rate	10.0%	10.0%	12.0%	10%

The health care cost trend rate is assumed to decrease gradually to 6% by 2003. Based on current estimates, increasing the health care cost trend rate by one percentage point each year would increase the accumulated postretirement benefit obligation for U.S. and Non-U.S. plans by \$2,828 and \$244, respectively, and the annual postretirement benefit cost by \$437 and \$36, respectively.

NOTE 10--LEASES

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, 1996, were:

	Capitalized Leases	Operating Leases

1997	\$ 859	\$ 24,941
1998	896	18,615
1999	705	12,760
2000	571	9,674
2001	458	8,402
2002 and thereafter	3,086	8,491

Total minimum lease payments	6,575	\$ 82,883

Less amounts representing interest	2,101	

Present value of net minimum lease payments	\$ 4,474	

Rent expense for all operating leases was \$24,089 in 1996, \$22,366 in 1995 and \$18,510 in 1994.

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 ending September 30, 1997. At April 30, 1996, the remaining balance of this commitment was \$3,537. 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					
1996	\$524.4	\$519.4	\$529.2	\$596.1	\$2,169.1
1995	403.8	408.2	413.7	516.7	1,742.4
Gross Profit					
1996	373.6	373.6	386.0	446.2	1,579.4
1995	277.4	280.4	284.5	360.0	1,202.3
Net Earnings					
1996	99.2	104.2	109.0	125.4	437.8
1995	65.1	69.7	71.4	87.8	294.0
Earnings per Share:					
1996	.43	.45	.47	.54	1.88
1995	.28	.30	.31	.38	1.28

Quarterly and annual earnings per share are calculated independently based on the weighted average number of shares outstanding during the period. The first two quarters of fiscal year 1996 have been restated to reflect the November 1995 acquisition of Micro Interventional Systems, Inc. which was accounted for as a pooling of interests. Prior years activity has not been restated as the impact of the business combination in prior years is not considered material and restatement is therefore not required.

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	Elimi- nations	Consoli- dated

1996						
Sales to unaffiliated						

customers	\$ 1,237,989	\$617,554	\$257,018	\$56,553	\$ --	\$2,169,114
Intergeographic sales	148,515	87,187	--	5,061	(240,763)	--
Total sales	1,386,504	704,741	257,018	61,614	(240,763)	2,169,114
Operating profit	415,684	158,984	108,806	8,223		691,697
Nonoperating expense						(23,294)
Earnings before income taxes						668,403
Identifiable assets	1,428,836	367,386	179,595	35,785	(161,047)	1,850,555
Corporate assets						652,743
Total assets						\$ 2,503,298

	United States	Europe	Asia Pacific	Other Americas	Eliminations	Consolidated
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
1994						
Sales to unaffiliated customers	\$ 880,391	\$386,009	\$161,279	\$43,243	\$ --	\$1,390,922
Intergeographic sales	163,905	18,710	--	309	(182,924)	--
Total sales	964,296	404,719	161,279	43,552	(182,924)	1,390,922
Operating profit	244,638	53,512	63,389	4,177	--	365,716
Nonoperating expense						(18,915)
Earnings before income taxes						346,801
Identifiable assets	1,103,222	276,047	103,247	25,604	(94,858)	1,413,262
Corporate assets						209,990
Total assets						\$ 1,623,252

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

NOTE 14--SUBSEQUENT EVENTS

On March 25, 1996, Medtronic, Inc. and InStent Inc. announced the signing of a definitive merger agreement. The agreement calls for each share of InStent common stock to be converted into 0.3833 share of Medtronic common stock. InStent has approximately 10.9 million shares outstanding on a fully diluted basis. The transaction closed in the first quarter of fiscal year 1997 and will be accounted for as a pooling of interests. InStent designs, develops,

manufactures and markets a variety of self-expanding and balloon-expandable stents used in a broad range of medical indications.

On May 3, 1996, the company acquired all of the outstanding common stock of AneuRx, Inc. for approximately 1,154,000 shares of the company's common stock. The acquisition will be accounted for as a pooling of interests transaction. AneuRx is a developer of an endovascular stented graft and delivery system used in minimally invasive aneurysm repair therapy.

Unaudited pro forma information related to these acquisitions is not included as the impact of these acquisitions is not deemed to be material.

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SELECTED FINANCIAL DATA

(in millions of dollars, except per share data)

	1996	1995	1994	1993	1992	1991
Operating Results for the Year:						
Net sales	\$ 2,169.1	\$ 1,742.4	\$ 1,390.9	\$ 1,328.2	\$ 1,176.9	\$ 1,021.4
Cost of products sold	589.7	540.1	431.7	420.1	381.8	331.7
Research and development expense	236.7	191.4	156.3	133.0	109.2	89.5
Selling, general, and administrative expense	695.5	574.6	456.3*	460.0*	439.9	399.9*
Interest expense	8.0	9.0	8.2	10.4	13.4	13.8
Interest income	(29.2)	(14.8)	(8.4)	(8.8)	(10.3)	(9.7)
Earnings from continuing operations						
before income taxes	668.4	442.1	346.8	313.5	242.9	196.2
Provision for income taxes	230.6	148.1	114.4	101.9	81.4	62.9
Earnings from continuing operations	437.8	294.0	232.4	211.6	161.5	133.4
Discontinued operations and cumulative effect of accounting changes (net) --	--	--	--	(14.4)	--	--
Net earnings	\$ 437.8	\$ 294.0	\$ 232.4	\$ 197.2	\$ 161.5	\$ 133.4
Net earnings as a percent of net sales	20.2%	16.9%	16.7%	14.8%	13.7%	13.1%
Net earnings as a percent of average shareholders' equity	28.0%	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	\$ 1.88	\$ 1.28	\$ 1.01	\$.89	\$.68	\$.56
Net earnings	1.88	1.28	1.01	.83	.68	.56
Cash dividends declared	.26	.21	.17	.14	.12	.10
Gross margin percentage	72.8%	69.0%	69.0%	68.4%	67.6%	67.5%
Financial Position at April 30:						
Working capital	\$ 818.2	\$ 647.8	\$ 406.4	\$ 426.6	\$ 387.3	\$ 320.1
Current ratio	2.6:1	2.4:1	1.9:1	2.2:1	2.3:1	2.1:1
Property, plant, and equipment, net	415.3	331.1	301.8	282.8	256.8	217.2
Total assets	2,503.3	1,946.7	1,623.3	1,292.5	1,163.5	1,024.1
Long-term debt	15.3	14.2	20.2	10.9	8.6	7.9
Long-term debt as a percent of shareholders' equity	0.9%	1.1%	1.9%	1.3%	1.1%	1.2%
Shareholders' equity	1,789.3	1,335.0	1,053.5	841.5	796.5	683.2
Shareholders' equity per common share	7.64	5.78	4.53	3.64	3.35	2.87
Additional Information:						
Expenditures for property, plant, and equipment	\$ 170.2	\$ 104.0	\$ 86.0	\$ 87.4	\$ 83.2	\$ 73.7
Full-time employees at year-end	10,526	8,896	8,709	8,334	8,314	7,560
Full-time equivalent employees at year-end	12,350	10,313	9,856	9,247	9,392	8,470

(WIDE TABLE CONTINUED FROM ABOVE)

1990 1989 1988 1987 1986 Medtronic, Inc.

Operating Results for the Year:						
Net sales	\$ 865.9	\$ 765.8	\$ 669.9	\$ 515.4	\$ 411.5	
Cost of products sold	281.7	248.5	217.4	176.9	154.5	
Research and development expense	81.5	67.7	55.1	43.6	40.1	
Selling, general, and administrative expense	331.3*	291.9*	267.2	187.7	132.6*	
Interest expense	10.1	8.4	5.9	4.3	4.4	
Interest income	(6.2)	(5.6)	(7.1)	(7.2)	(12.5)	
Earnings from continuing operations						
before income taxes	167.5	155.0	131.4	110.2	92.3	
Provision for income taxes	54.6	54.7	44.8	34.8	24.3	
Earnings from continuing operations	112.9	100.3	86.6	75.3	68.0	
Discontinued operations and cumulative effect of accounting changes (net) --	--	--	--	--	(14.0)	
Net earnings	\$ 112.9	\$ 100.3	\$ 86.6	\$ 75.3	\$ 54.0	
Net earnings as a percent of net sales	13.0%	13.1%	12.9%	14.6%	13.1%	
Net earnings as a percent of average shareholders' equity	21.3%	22.2%	21.2%	19.8%	15.5%	
Per share of common stock:						
Earnings from continuing operations before cumulative effects of accounting changes	\$.48	\$.43	\$.37	\$.31	\$.27	
Net earnings	.48	.43	.37	.31	.22	
Cash dividends declared	.09	.07	.06	.05	.05	
Gross margin percentage	67.5%	67.6%	67.5%	65.7%	62.4%	
Financial Position at April 30:						
Working capital	\$ 240.4	\$ 206.1	\$ 244.6	\$ 250.2	\$ 227.8	
Current ratio	1.9:1	1.9:1	2.3:1	3.0:1	2.7:1	
Property, plant, and equipment, net	183.6	157.2	134.6	121.1	113.7	
Total assets	885.3	783.0	661.3	580.0	540.9	
Long-term debt	8.0	8.2	11.1	7.6	13.8	
Long-term debt as a percent of shareholders' equity	1.4%	1.7%	2.7%	1.9%	3.8%	
Shareholders' equity	565.2	492.7	412.0	403.1	358.9	
Shareholders' equity per common share	2.40	2.12	1.72	1.61	1.42	
Additional Information:						
Expenditures for property, plant, and equipment	\$ 59.3	\$ 57.4	\$ 39.1	\$ 28.5	\$ 17.6	
Full-time employees at year-end	7,030	6,529	5,939	5,156	4,964	
Full-time equivalent employees at year-end	7,717	7,152	6,471	5,587	5,329	

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

MEDTRONIC LEADERSHIP

EXECUTIVE COMMITTEE

William W. George
 President and Chief Executive Officer
 (Chairman-elect, August 1996)

Glen D. Nelson, M.D.
 Vice Chairman

Arthur D. Collins, Jr.
 Chief Operating Officer
 (President-elect, August 1996)

Bobby I. Griffin
 Executive Vice President and
 President, Pacing

Bill K. Erickson
Senior Vice President and
President, Americas

Janet S. Fiola
Senior Vice President, Human Resources

B. Kristine Johnson
Senior Vice President
and President, Vascular

Philip M. Laughlin
Senior Vice President
and President, Cardiac Surgery

Ronald E. Lund
Senior Vice President,
General Counsel and Secretary

John A. Meslow
Senior Vice President and
President, Neurological

Robert L. Ryan
Senior Vice President and
Chief Financial Officer

PACING

Bobby I. Griffin
President

Ivan M.G.P. Bourgeois
Vice President, Therapy Assessment

Bonnie L. Labosky
Vice President, Promeon Components

William V. Murray
Vice President and General Manager,
Micro-Rel

Kenneth M. Riff, M.D.
Vice President, Heart Failure Management

Kathleen M. Staby
Vice President, Human Resources

Lester J. Swenson
Vice President, Finance

BRADYCARDIA PACING BUSINESS

Stephen H. Mahle
President

Michael A. James
Vice President, Marketing

Ronald J. Meyer
Vice President

J. Michael Stevens
Vice President, Pulse Generator and Programming Systems

Charles H. Swanson
Vice President, Regulatory Affairs

Warren S. Watson
Vice President and General Manager, Leads

TACHYARRHYTHMIA MANAGEMENT BUSINESS

Jon T. Tremmel
President

Zach Cybulski
Vice President, Operations

Ursula Gebhardt
Vice President, Tachyarrhythmia Marketing and
Atrial Fibrillation Business Development

VASCULAR

B. Kristine Johnson
President

Michael A. Baker
Vice President and General Manager, Interventional Vascular, San Diego

Richard J. Faleschini
Vice President, Worldwide Marketing
and Business Development

Steve R. LaPorte
Vice President and General Manager, CardioRhythm

James L. Pacek
Vice President, Interventional Vascular Marketing, San Diego

Joseph M. Tartaglia
Vice President, Product Development/Operations, San Diego

Nancy L. Weston
Vice President and General Manager, Interventional Vascular, Danvers

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CARDIAC SURGERY

Philip M. Laughlin
President

Thomas L. Rooney
Vice President, Finance

HEART VALVE BUSINESS

James G. Foster
Vice President and General Manager

Walter A. Cuevas
Vice President, Operations

CARDIOPULMONARY BUSINESS

Charles L. McDaniel
Vice President and General Manager

Timothy S. Eberhardt
Vice President, Operations

Roger J. Elgas
Vice President, Technology and
New Business

MEDTRONIC DLP CANNULAE BUSINESS

James H. DeVries
Vice President and General Manager,
DLP and Cardiac Surgery Ventures

BLOOD MANAGEMENT BUSINESS

Clifton W. Owens
Vice President and General Manager

CARDIAC SURGERY VENTURES

M. Jacqueline Eastwood
Vice President, Minimally
Invasive Cardiac Surgery

Ronald A. Williams
Vice President

NEUROLOGICAL

John A. Meslow
President

Gary P. East
Vice President and General Manager, Medtronic PS Medical

Michael M. Selzer, Jr.
Vice President and General Manager, Neurostimulation

Gary E. Taylor
Vice President, U.S. Sales

Scott R. Ward
Vice President and General Manager, Drug Delivery

GLOBAL AREAS

Americas

Bill K. Erickson
President

Donald P. Brown
Vice President, U.S. Southern Region

Dennis D. Dietz
Vice President, U.S. Western Region

Lee P. Erickson
Vice President, Operations and Finance

Larry W. Found
Vice President, Human Resources

H. Russell Hamm
Vice President, U.S. Eastern Region

Robert J. Hermann
Vice President, U.S. Southwest Region

Donald A. Hurley
Vice President, Canada

Raymond L. Lavoie
Vice President,
U.S. Cardiac Surgery Sales

Emilio R. Lopez
Vice President, Latin America

Scott MacFarland
Vice President, U.S. Interventional Vascular Sales

Daniel A. Pelak
Vice President,
U.S. Cardiovascular Marketing

David R. Raich

Vice President, U.S. Midwest Region

Europe/Middle East/Africa

Barry W. Wilson
President

R. Richard Boncy
Vice President, Legal

Karl Bornschein
Vice President, Central Region

Michael J. Boris
Vice President, Finance and Administration
Medtronic Synectics

Drago A. Cerchiari
Vice President, Business Development and Developing Markets

Deborah L. Denz
Vice President, Human Resources

Jan G. Dil
Vice President and General Manager, Vitatron

Robert H. Kayser
Vice President, Pacing

Tord Lendau
Vice President and General Manager
Medtronic Synectics

Jo W. Merkun
Vice President, Northern Region

Stanton D. Myrum
Vice President, Technology and Operations

Alexis C.M. Renirie
Vice President and Director, Bakken Research Center

Frank Sprengers
Vice President and General Manager, European Service and Technology Center

Thomas M. Tefft
Vice President and Controller

Asia/Pacific

Lowell P. Jacobsen
President, Asia/Pacific

Michael J. Costello
Vice President and General Manager, Far East

Tadashi Sakuda
President, Japan

CORPORATE

Celia K. Barnes
Vice President, Communications and Corporate Relations

Dale F. Beumer
Vice President, Treasury and
Investor Relations

Peter A. Chevalier
Vice President, Chief Quality and Regulatory Officer

Paul Citron
Vice President, Science & Technology

Mary Ann Donahue

Vice President, Human Development

Gary L. Ellis
Vice President, Corporate Controller

Michael D. Ellwein
Vice President, Corporate Development and Associate General Counsel

Frederick S. Halverson
Vice President, Corporate
Regulatory Affairs

Steven B. Kelmar
Vice President, Government Affairs

Marcea Bland Lloyd
Vice President and
Assistant General Counsel

Daniel R. Luthringshauser
Vice President, International Development

Thomas E. Morin
Vice President, Corporate Services

David A. Ness
Vice President, Compensation
and Benefits

Harold R. Patton
Vice President and
Chief Patent Counsel

Richard A. Ploetz
Vice President,
Corporate Human Resources

Lawrence W. Shearon
Vice President, Corporate Technology

Robert D. Siegfried
Vice President, Corporate Finance and Administration

Steven A. Tranter
Vice President, Strategic Development

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INVESTOR INFORMATION

ANNUAL MEETING

The annual meeting of Medtronic shareholders will take place on Wednesday, August 28, 1996, 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 612-574-3035.

The following information may be obtained upon request from the Medtronic Investor Relations Department, 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 <http://www.medtronic.com>.

As part of continuing efforts to reduce expenses and make information available on a more timely basis, Medtronic has discontinued its practice of automatically sending quarterly reports to shareholders. Quarterly financial results may be obtained by requesting news releases as described above.

STOCK TRANSFER AGENT, REGISTRAR, AND DIVIDEND REINVESTMENT AGENT
Shareholders with questions about stockholdings, dividend checks, dividend reinvestment, transfer requirements, and address changes should contact:

Norwest Bank Minnesota, N.A.
Shareholder Services
161 North Concord Exchange
P.O. Box 738
South St. Paul, MN 55075-0738
Telephone: 1-800-468-9716 or
1-612-450-4064

DIVIDEND REINVESTMENT PLAN

The dividend reinvestment plan provides a convenient way for shareholders to increase their holdings of Medtronic, Inc., common stock through automatic dividend reinvestment and voluntary cash purchase. All registered holders of Medtronic, Inc., common stock may participate. For more information, please contact the transfer agent.

INDEPENDENT ACCOUNTANTS

Price Waterhouse LLP, Minneapolis

STOCK EXCHANGE LISTING

New York Stock Exchange
(symbol: MDT)

PRICE RANGE OF MEDTRONIC STOCK

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

1996				
High	\$41.19	\$59.88	\$59.88	\$61.75
Low	35.88	40.06	47.13	51.25
1995				
High	22.28	27.44	29.75	37.88
Low	18.07	21.35	24.50	27.88

Prices are closing quotations. On June 28, 1996 there were 25,939 holders of record of the company's common stock. The regular quarterly cash dividend was 6.5 cents per share for 1996 and 5.125 cents per share for 1995.

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Number Description

56 Bar graph of net earnings in millions of dollars for the last three fiscal years as follows:

1996	\$437.8
1995	294.0
1994	232.4

56 Bar graph of earnings per share in dollars for the last three fiscal years as follows:

1996	\$1.88
1995	1.28
1994	1.01

57 Stacked bar graph showing net sales in millions of dollars for U.S. and international operations for the last three fiscal years. Data points (in millions of dollars) are as follows:

	1996	1995	1994
	-----	-----	-----
U.S.	\$ 1,238.0	\$ 979.7	\$ 800.4
International	931.1	762.7	590.5
	-----	-----	-----
	\$2,169.1	\$1,742.4	\$1,390.9
	=====	=====	=====

57 Stacked bar graph of net sales in millions of dollars for the Pacing, Other Cardiovascular, and Neurological and Other business units for each of the last three fiscal years. The data points (in millions of dollars) are as follows:

	1996	1995	1994
	-----	-----	-----
Pacing	\$1,478.8	\$ 1,150.6	\$ 955.8
Other Cardiovascular	522.4	461.6	331.5
Neurological & Other	167.9	130.2	103.6
	-----	-----	-----
	\$2,169.1	\$1,742.4	\$1,390.9
	=====	=====	=====

58 Bar graph of research and development expense in millions of dollars for the last three fiscal years as follows:

1996	\$236.7
1995	191.4
1994	156.3

59 Bar graph of net cash in millions of dollars for the last three fiscal years as follows:

1996	\$385.0
1995	276.0
1994	103.0

59 Bar graph of cash flows from operating activities in millions of dollars for the last three fiscal years as follows:

1996	\$500.5
1995	387.2
1994	356.9

60 Stacked bar graph of equity and interest-bearing debt in millions of dollars for the last three fiscal years. Data points (in millions of dollars) are as follows:

	1996	1995	1994
	-----	-----	-----
Equity	\$1,789.3	\$1,335.0	\$1,053.5
Interest-Bearing Debt	75.9	47.7	78.4
	-----	-----	-----

\$1,865.2
=====

\$1,382.7
=====

\$1,131.9
=====

EXHIBIT NUMBER 21

LIST OF SUBSIDIARIES

EXHIBIT 21

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
Electromedics Medizintechnik G.m.b.H.	Germany
India Biomedical Investment, Ltd.	Minnesota
InStent (Israel), Inc.	Israel
Interbank Leasing	Colorado
Interamerica Medtronic, Inc.	Illinois
International Finance C.V.	Netherlands
International Medical Education Corporation	Colorado
MDTRNC International Technology AB	Sweden
MDTRNC-Vingmed AB	Sweden
Med Rel, Inc.	Minnesota
Medtronic (Africa) (Proprietary) Limited	South Africa
Medtronic Andover Medical, Inc.	Delaware
Medtronic AneuRx, Inc.	Minnesota
Medtronic Asia, Ltd.	Minnesota
Medtronic Asset Managment, Inc.	Minnesota
Medtronic Australasia Pty. Limited	Australia
Medtronic B.V.	Netherlands
Medtronic Belgium, S.A.	Belgium
Medtronic Bio-Medicus, Inc.	Minnesota
Medtronic Carbon Implants, Inc.	Delaware
Medtronic CardioRhythm	California
Medtronic China, Ltd.	Minnesota
Medtronic do Brasil Ltda.	Brazil
Medtronic Dominicana C. por A.	Dominican Republic
Medtronic Electromedics, Inc.	Minnesota
Medtronic Export, Inc.	Delaware
Medtronic Europe, N.V.	Belgium
Medtronic FSC B.V.	Netherlands
Medtronic France S.A.	France
Medtronic G.m.b.H.	Germany
Medtronic Ges.m.b.H.	Austria
Medtronic Heart Valves, Inc.	Minnesota
Medtronic HemoTec, Inc.	Colorado
Medtronic Iberica, S.A.	Spain
Medtronic InStent, Inc.	Minnesota
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
Medtronic Latin America, Inc.	Minnesota
Medtronic Limited	United Kingdom
Medtronic Mediterranean SAL	Lebanon
Medtronic Micro Interventional Systems, Inc.	Minnesota
Medtronic Milaca, Inc.	Minnesota
Medtronic of Canada, Ltd.	Canada
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.	Switzerland
Medtronic S.A.I.C.	Agrentina
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-Vicare AS	Denmark
Medtronic-Vingmed AS	Norway
Medtronic World Trade Corporation	Minnesota
Omikron Ltd.	Hungary
OSMED, Inc.	Michigan
Sentron Europe BV	Netherlands
Synectics-Dantec Finland OY	Finland
Synectics-Dantec Sverige AB	Sweden
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 Limited	United Kingdom
Synectics Medical Poland Spolka Z.O.O. (Ltd.)	Poland
Synectics Medical SA (Pty)	South Africa
Synectics Medical Srl	Italy
Vitafin N.V.	Netherlands
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 U.K. Limited	United Kingdom

EXHIBIT NUMBER 24
POWERS OF ATTORNEY

EXHIBIT 24

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, 1996, 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 27th day of June, 1996.

/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/ Vernon H. Heath
Vernon H. Heath

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

/s/ Thomas E. Holloran
Thomas E. Holloran

/s/ Winston R. Wallin
Winston R. Wallin

<ARTICLE> 5

<LEGEND>

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE STATEMENT OF CONSOLIDATED EARNINGS AND CONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED APRIL 30, 1996 FILED WITH THE SEC ON FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS. THE FIRST TWO QUARTERS OF FY96 HAVE BEEN RESTATED TO REFLECT THE NOVEMBER 1995 ACQUISITION OF MICRO INTERVENTIONAL SYSTEMS, INC. WHICH WAS ACCOUNTED FOR AS A POOLING OF INTERESTS.

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