UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended November 1, 1996

OR

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

Commission File Number 1-7707

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

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

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

Telephone number: (612) 574-4000

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

Shares of common stock, $.10 par value, outstanding on December 2, 1996:

240,031,835

PART I--FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

MEDTRONIC, INC.
CONSOLIDATED STATEMENT OF EARNINGS
(Unaudited)

	Three months ended		Six months ended	
	Nov. 1, 1996	Oct. 27, 1995	Nov. 1, 1996	Oct. 27, 1995
	(in thousands, except per share data)			

Net sales	$598,152	$519,980	$1,199,022	$1,044,923
Costs and expenses:				
Cost of products sold	151,060	146,023	306,641	297,070
Research and development expense	68,257	55,946	133,928	109,720
Selling, general, and administrative expense	188,964	166,245	380,674	341,438
Interest expense	2,588	2,243	4,611	4,008
Interest income	(8,663)	(8,166)	(17,321)	(14,575)
Total costs and expenses	402,206	362,291	808,533	737,661
Earnings before income taxes	195,946	157,689	390,489	307,262
Provision for income taxes	67,602	54,881	134,719	107,133
Net earnings	$128,344	$102,808	$255,770	$ 200,129
Weighted average shares outstanding	239,742	236,682	239,590	236,066
Earnings per share	$ 0.54	$ 0.43	$ 1.07	$ 0.85

See accompanying notes to condensed consolidated financial statements.

MEDTRONIC, INC.
CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

	November 1, 1996	April 30, 1996
ASSETS	(in thousands)	
Current assets:		
Cash and cash equivalents	$ 88,952	$ 151,050
Short-term investments	393,376	355,741
Accounts receivable, less allowance for doubtful accounts of $18,106 and $18,094	493,028	458,090
Inventories:		
Finished goods	131,424	118,952
Work in process	70,906	61,000
Raw materials	83,200	77,526
Total inventories	285,530	257,478
Prepaid expenses and other current assets	206,364	168,914
Total current assets	1,467,250	1,391,273
Property, plant, and equipment	916,848	835,739
Accumulated depreciation	(460,332)	(418,826)
Net property, plant, and equipment	456,516	416,913
Goodwill and other intangible assets, net	495,374	473,027
Long-term investments	197,989	219,964
Other assets	55,359	53,523
Total assets	$2,672,488	$2,554,700

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Short-term borrowings	$ 78,433	$ 60,690
Accounts payable	76,516	100,149
Accrued liabilities	316,114	368,309
Total current liabilities	471,063	529,148
Long-term debt	20,400	15,336
Other long-term liabilities	135,548	128,181
Deferred tax liabilities	25,750	45,744
Shareholders' equity:		
Common stock--par value $.10	23,993	23,931
Retained earnings	2,025,100	1,843,707
Cumulative translation adjustment	(694)	(2,675)
	2,048,399	1,864,963
Receivable from Employee Stock Ownership Plan	(28,672)	(28,672)
Total shareholders' equity	2,019,727	1,836,291
Total liabilities and shareholders' equity	$2,672,488	$2,554,700

See accompanying notes to condensed consolidated financial statements.

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

	Six months ended	
	Nov. 1, 1996	Oct. 27, 1995
	(in thousands)	
OPERATING ACTIVITIES:		
Net earnings	$255,770	$200,129
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	70,435	65,655
Change in assets and liabilities:		
Increase in accounts receivable	(33,452)	(8,743)
Increase in inventories	(28,074)	(8,681)
Decrease in accounts payable and accrued liabilities	(73,354)	(49,805)
Changes in other operating assets and liabilities	(32,792)	(24,360)
Net cash provided by operating activities	158,533	174,195
INVESTING ACTIVITIES:		
Additions to property, plant, and equipment	(86,453)	(58,544)
Purchases of marketable securities	(309,384)	(169,105)
Sales and maturities of marketable securities	248,333	107,688
Acquisition of subsidiary, net of cash acquired	(18,873)	0
Other investing activities (net)	(39,838)	4,480
Net cash used in investing activities	(206,215)	(115,481)
FINANCING ACTIVITIES:		
Increase (decrease) in short-term borrowings (net)	17,444	(7,459)
Increase (decrease) in long-term debt (net)	5,821	(720)
Proceeds from stock offering of acquired subsidiary	0	41,538
Dividends to shareholders	(45,365)	(29,990)
Repurchases of common stock	0	(3,674)
Issuance of common stock	8,238	4,436
Net cash provided by (used in)		

financing activities	(13,862)	4,131
Effect of exchange rate changes on cash and cash equivalents	(554)	(484)
Net increase (decrease) in cash and cash equivalents	(62,098)	62,361
Cash and cash equivalents at beginning of period	151,050	98,292
Cash and cash equivalents at end of period	$ 88,952	$160,653

See accompanying notes to condensed consolidated financial statements.

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

Note 1 - Basis of Presentation

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

Note 2 - Acquisition

On August 29, 1996, the company acquired substantially all of the assets and liabilities of Avalon Laboratories, Inc. (Avalon) for approximately $19.0 million in cash. This acquisition has been accounted for as a purchase and, accordingly, the results of operations have been included in the consolidated financial statements since the date of acquisition. Avalon develops, manufactures and sells cannulae and other surgical products. Pro forma financial information is not presented as the results of the acquisition, assuming that the transaction was consummated at the beginning of each year presented, would not be materially different from the results reported.

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

Results of Operations

Net Earnings

Net earnings for the second quarter ended November 1, 1996 were $128.3 million, or $0.54 per share. Earnings per share reflect an increase of 25.6 percent over the $0.43 per share reported on earnings of $102.8 million for the second quarter last year. Net earnings increased 27.8 percent to $255.8 million for the six-month period ended November 1, 1996, compared to $200.1 million for the same period last year. Earnings per share for the six-month period ended November 1, 1996 were $1.07, an increase of 25.9 percent over the $0.85 reported in the prior year.

Sales

Sales for the quarter and six-month period ended November 1, 1996 increased 15.0 percent and 14.7 percent, respectively, compared to the same periods last year. Exclusive of the effects of foreign currency translation, sales for the quarter and six-month period ended November 1, 1996 increased 16.5 percent and 17.6 percent, respectively, over the comparable periods last year. Sales growth in the quarter and six-month period was negatively impacted by $7.8 million and

$29.9 million, respectively, of unfavorable exchange rate movements caused primarily by the strengthening of the U.S. dollar versus major European currencies and the Japanese Yen.

The growth over last year was led by strong contributions from the Pacing business, which consists primarily of Bradycardia Pacing and Tachyarrhythmia Management. After removing the impact of foreign exchange rate fluctuations, worldwide sales of the Pacing business grew 12.9 percent and 13.0 percent during the quarter and six-month period ended November 1, 1996, respectively, compared to the same periods a year ago. Bradycardia sales continued to reflect strong growth in both U.S. and non-U.S. markets, as its Thera(R) and Thera(R) i-series(TM) pacemakers, combined with CapSure(R) leads, continued to capture worldwide market share. Pacemakers of the new Medtronic.Kappa(TM) generation entered clinical evaluation in Europe in August 1996. Tachyarrthymia management's Jewel(R) and Jewel Plus(TM) Active Can(TM) implantable cardioverter-defibrillator devices, and the Micro Jewel(TM) device, which received U.S. Food and Drug Administration (FDA) approval in July 1996, continue to hold a strong market share position in the highly competitive defibrillator marketplace. Subsequent to quarter end, the FDA cleared for commercial marketing the successor product, the Micro Jewel(TM) II, the world's smallest and lightest defibrillator.

Sales within the Other Cardiovascular business, (consisting of balloon and guiding catheters, stents, ablation systems, interventional neuroradiology, heart valves, perfusion and blood management systems, cannulae and surgical accessories) increased 7.4 percent and 12.3 percent, respectively, on a comparable operations basis for the quarter and six-month periods ended November 1, 1996. This increase was primarily attributable to continued gains made by the Medtronic Wiktor(R) coronary stent in Europe and Japan, and by the Wiktor(R)-i coronary stent which was released in Europe and other world markets outside the U.S. in October 1996. Subsequent to quarter end, the beStent(TM) was released in Europe and other world markets outside the U.S. Also contributing to the revenue growth were strong sales gains in ablation systems and devices for interventional neuroradiology. The Millenia(TM) high-pressure balloon catheter received FDA approval in October 1996. Unit sales of balloon and guiding catheters remain solid, however, continued downward pricing pressures for balloon catheters more than offset the unit growth. Solid revenue contributions were also made by surgical cannulae and heart valves during the quarter. Sales of perfusion and blood management systems were flat compared to last year's comparable quarter.

Exclusive of the effects of foreign currency translation, sales of the Neurological and Other Businesses, primarily consisting of implantable neurostimulation devices, drug administration systems, neurosurgery and developing businesses, grew 72.7 percent and 74.5 percent, respectively, for the quarter and six-month periods ended November 1, 1996 compared to the same periods last year. A strong contributing growth factor was rapid sales growth in Europe of neurostimulation therapy for control of essential tremor and tremor associated with Parkinson's disease. This therapy is currently in clinical evaluation in the U.S. Another therapy, delivery of Lioresal(R) (baclofen, USP) Intrathecal by the SynchroMed(R) drug infusion system for spasticity of cerebral origin, continues to gain increasing worldwide acceptance. In addition, the Mattrix(R) and Itrel(R) 3 spinal cord stimulation systems continue to hold strong market share positions. Also, PS Medical and Synectics, which were acquired in November 1995 and April 1996, respectively, contributed to the strong growth.

Costs of Products Sold

Cost of products sold as a percent of sales for the quarter and six-month periods ended November 1, 1996 was 25.3 percent and 25.6 percent, respectively, compared to 28.1 percent and 28.4 percent for the comparative periods last year. The decrease in the cost of products sold as a percent of sales resulted from increased productivity, the impact of favorable product and geographic mixes combined with substantially increased volumes.

Research and Development Expense

Research and development expense was $68.3 million for the quarter and $133.9 million for the six-month period ended November 1, 1996, an increase of 22.0 percent and 22.1 percent, respectively, over the comparable periods last year. This increase reflects the company's continued financial commitment and strategy to grow revenue and market share by developing technological enhancements and new indications for existing products as well as developing minimally invasive and new technologies to address unmet patient needs and to help reduce procedural cost and length of hospital stay.

Selling, General, and Administrative Expense (SG&A)
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SG&A expense for the quarter ended November 1, 1996, was $189.0 million compared to $166.2 million for the comparable period last year. SG&A as a percent of sales decreased from 32.0 percent a year ago to 31.6 percent for the current quarter. The decrease in SG&A as a percent of sales is attributable to accelerated revenue growth combined with continued overall cost efficiencies.

Interest
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Interest expense of $2.6 million for the quarter was slightly higher than the $2.2 million for the same period last year. Interest income of $8.7 million for the quarter increased 6.1 percent from the $8.2 million for the same period last year, and was primarily the result of increased average investment balances over the prior year.

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

Liquidity and Capital Resources
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Operating activities provided $158.5 million of cash and cash equivalents for the six-month period ended November 1, 1996 compared to $174.2 million for the same period a year ago. Working capital was $996.2 million at November 1, 1996, an increase of $134.1 million over the $862.1 million at April 30, 1996. The current ratio increased to 3.1:1 at November 1, 1996, compared to 2.6:1 at April 30, 1996. Cash and cash equivalents decreased $62.1 million during the six-month period ended November 1, 1996, compared with an increase of $62.4 million during the same period last year. The prior year comparative period includes $41.5 million of proceeds from the stock offering of a subsidiary which was acquired in June 1996, and accounted for as a pooling of interests. Significant uses of cash during the six-month period ended November 1, 1996 included the reduction of accounts payable and accrued liabilities, purchases of marketable securities, purchases of property, plant and equipment, and dividends paid to shareholders.

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

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

PART II -- OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

11 - Statement on computation of per share earnings

27 - Financial Data Schedule (For SEC use only)

(b) Reports on Form 8-K

During the quarter ended November 1, 1996, the company filed a Report on Form 8-K dated August 19, 1996 reporting under Item 5 the announcement of financial results for the fiscal first quarter ended August 2, 1996. Subsequent to the quarter ended November 1, 1996, the company filed a Report on Form 8-K dated November 22, 1996 reporting under Item 5 the announcement of financial results for the fiscal second quarter ended November 1, 1996.

SIGNATURES

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

Medtronic, Inc.
(Registrant)

Date: December 16, 1996

/S/ WILLIAM W. GEORGE

William W. George
Chairman
and Chief Executive Officer

Date: December 16, 1996

/S/ ROBERT L. RYAN

Robert L. Ryan
Senior Vice President
and Chief Financial Officer

EXHIBIT 11

STATEMENT RE COMPUTATION OF
PER SHARE EARNINGS

MEDTRONIC, INC.
(Unaudited)
(in thousands)

	Three months ended		Six months ended	
	Nov. 1, 1996	Oct. 27, 1995	Nov. 1, 1996	Oct.27, 1995
PRIMARY				
Shares outstanding:				
Weighted average outstanding	239,742	236,682	239,590	236,066
Share equivalents (1)(2)	4,576	4,792	4,426	4,474
Adjusted shares outstanding (2)	244,318	241,474	244,016	240,540
FULLY DILUTED				
Shares outstanding:				
Weighted average outstanding	239,742	236,682	239,590	236,066
Share equivalents (1)(2)	4,915	5,380	4,915	5,380
Adjusted shares outstanding (2)	244,657	242,062	244,505	241,446

(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%.

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
CONSOLIDATED STATEMENT OF EARNINGS AND CONDENSED CONSOLIDATED BALANCE SHEET FOR
THE QUARTERLY PERIOD ENDED NOVEMBER 1,1996 FILED WITH THE SEC ON FORM 10-Q AND
IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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