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 August 2, 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 (State of incorporation)	41-0793183 (I.R.S. Employer Identification No.)

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

Telephone number: (612) 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 August 30, 1996:

239,613,890

PART I--FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

MEDTRONIC, INC.
CONSOLIDATED STATEMENT OF EARNINGS
(Unaudited)

	Three months ended	
	August 2, 1996	July 28, 1995

	(in thousands, except per share data)	
Net sales	$ 600,870	$ 524,943
Costs and expenses:		
Cost of products sold	155,581	151,047
Research and development expense	65,671	53,774
Selling, general, and administrative expense	191,710	175,193
Interest expense	2,023	1,765
Interest income	(8,658)	(6,409)
Total costs and expenses	406,327	375,370
Earnings before income taxes	194,543	149,573
Provision for income taxes	67,117	52,252
Net earnings	$ 127,426	$ 97,321
Weighted average shares outstanding	239,429	235,273
Earnings per share	$ 0.53	$ 0.41

See accompanying Notes to Condensed Consolidated Financial Statements.

MEDTRONIC, INC.
CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

	August 2, 1996	April 30, 1996
ASSETS	(in thousands)	
Current assets:		
Cash and cash equivalents	$ 121,090	$ 151,050
Short-term investments	358,902	355,741
Accounts receivable, less allowance for doubtful accounts of $18,609 and $18,094	475,033	458,090
Inventories:		
Finished goods	126,871	118,952
Work in process	60,969	61,000
Raw materials	77,829	77,526
Total inventories	265,669	257,478
Prepaid expenses and other current assets	207,289	168,914
Total current assets	1,427,983	1,391,273
Property, plant, and equipment	877,566	835,739
Accumulated depreciation	(442,132)	(418,826)
Net property, plant, and equipment	435,434	416,913
Goodwill and other intangible assets, net	456,738	473,027
Long-term investments	190,870	219,964
Other assets	57,182	53,523
Total assets	$ 2,568,207	$ 2,554,700

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Short-term borrowings	$ 47,141	$ 60,690
Accounts payable	74,834	100,149
Accrued liabilities	337,266	368,309
Total current liabilities	459,241	529,148
Long-term debt	19,107	15,336
Other long-term liabilities	143,437	128,181
Deferred tax liabilities	27,462	45,744
Shareholders' equity:		
Common stock--par value $.10	23,955	23,931
Retained earnings	1,915,864	1,843,707
Cumulative translation adjustment	7,813	(2,675)
	1,947,632	1,864,963
Receivable from Employee Stock Ownership Plan	(28,672)	(28,672)
Total shareholders' equity	1,918,960	1,836,291
Total liabilities and shareholders' equity	$ 2,568,207	$ 2,554,700

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended	
	Aug. 2, 1996	July 28, 1995
	(in thousands)	
OPERATING ACTIVITIES:		
Net earnings	$ 127,426	$ 97,321
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	38,839	36,211
Change in assets and liabilities:		
Increase in accounts receivable	(10,747)	(8,441)
(Increase) decrease in inventories	(3,246)	9,762
Decrease in accounts payable and accrued liabilities	(62,816)	(29,792)
Changes in other operating assets and liabilities	(25,148)	3,825
Net cash provided by operating activities	64,308	108,886
INVESTING ACTIVITIES:		
Additions to property, plant, and equipment	(39,003)	(33,715)
Purchases of marketable securities	(185,780)	(64,094)
Sales and maturities of marketable securities	164,568	29,549
Other investing activities (net)	(2,828)	12,555
Net cash used in investing activities	(63,043)	(55,705)
FINANCING ACTIVITIES:		
Increase (decrease) in short-term borrowings (net)	(15,649)	10,644
Increase (decrease) in long-term debt (net)	3,610	(357)
Dividends to shareholders	(22,664)	(15,015)
Repurchases of common stock	0	(3,674)

Issuance of common stock	1,393	1,887
Net cash used in financing activities	(33,310)	(6,515)
Effect of exchange rate changes on cash and cash equivalents	2,085	(727)
Net Change in Cash and Cash Equivalents	(29,960)	45,939
Cash and cash equivalents at beginning of period	151,050	98,292
Cash and cash equivalents at end of period	$ 121,090	$ 144,231

See accompanying notes to condensed consolidated financial statements.

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

Note 1 - Basis of Presentation

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

Note 2 - Acquisitions

On May 3, 1996, the company issued approximately 1,154,000 shares of its common stock for all of the outstanding capital stock of AneuRx, Inc. a developer of an endovascular stented graft and delivery system used in minimally invasive aneurysm repair therapy.

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

These acquisitions will be integrated into, and will complement, the company's vascular business. These two mergers have been accounted for as poolings-of-interests and, accordingly the company's consolidated financial statements for FY96 have been restated to include the results of operations, financial positions, and cash flows of AneuRx and InStent. Activity for years prior to FY96 has not been restated as the impact of these mergers in such years is not considered material and restatement is therefore not required. Net sales and net earnings (loss) for the individual entities are as follows:

	Medtronic	AneuRx	InStent	Combined
Three months ended July 28, 1995				
Net sales	$ 524,439	$ --	$ 504	$ 524,943
Net earnings (loss)	99,203	(1,389)	(493)	97,321
Twelve months ended April 30, 1996				
Net sales	$2,169,114	$ --	$ 2,986	$2,172,100
Net earnings (loss)	437,804	(7,233)	(2,265)	428,306
Three months ended August 2, 1996				
Net sales	$ 599,868	$ --	$ 1,002	$ 600,870
Net earnings (loss)	132,380	(1,859)	(3,095)	127,426

The restated consolidated financial statements for the three month and twelve month periods ended July 28, 1995 and April 30, 1996, respectively, include InStent's results for the three month period ended June 30, 1995 and twelve month period ended March 31, 1996, respectively. Effective May 1, 1996, InStent's fiscal year end has been changed from December 31 to April 30 to conform to the company's fiscal year end. Accordingly, InStent's net loss of $2,645 for the one month period ended April 30, 1996 has been excluded from the company's combined results and has been reported as an adjustment to May 1, 1996 retained earnings.

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

Results of Operations

Net Earnings

Net earnings for the first quarter ended August 2, 1996 were $127.4 million, or $0.53 per share. Earnings per share reflect an increase of 29.3 percent over the $0.41 per share reported on earnings of $97.3 million for the first quarter last year.

Sales

Sales for the quarter ended August 2, 1996 increased 14.5 percent compared to the same period last year. Exclusive of the effects of foreign currency translation, sales for the quarter increased 18.7 percent over the comparable period last year. Sales growth in the quarter was negatively impacted by $22.0 million 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 13.0 percent during the quarter compared to the same period a year ago. Bradycardia sales continued to reflect strong growth in both U.S. and non-U.S. markets, as its Thera(R) pacemaker and Thera(R) i-series(TM) devices continued to capture worldwide market share. Pacemakers of the new Medtronic.Kappa(TM) generation entered clinical evaluation in Europe shortly after the quarter ended. Tachyarrthymia management's Jewel(R) Active Can(TM) implantable cardioverter-defibrillator and model 7220C Jewel Plus(TM) Active Can(TM) device, which received U.S. Food and Drug Administration (FDA) approval in May 1996, continue to hold a strong market share position. Following clearance of the Micro Jewel(TM) Model 7221 device for marketing by the FDA in early July 1996, sales of implantable defibrillators increased significantly over sales in the comparable period last year.

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 17.2 percent on a comparable operations basis for the quarter. This increase was primarily attributable to continued strong gains made by the Medtronic Wiktor(R) coronary stent in Europe and Japan. Also contributing to the revenue growth were strong sales gains in ablation systems and devices for interventional neuroradiology. 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 tissue heart valves during the 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 76.4 percent for the quarter compared to the same period 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 employs leads implanted in the thalamus and stimulation by an implanted device. This therapy is currently in clinical evaluation in the U.S. Another significant new therapy, delivery of Lioresal(R) (baclofen, USP) Intrathecal by the SynchroMed(R) drug infusion system for spasticity of cerebral origin, received FDA clearance in June 1996. Also, the Mattrix(R) and Itrel(R) 3 spinal cord stimulation systems continue to hold strong market share positions. In addition, PS Medical and Synectics, which were acquired in November 1995 and April 1996, respectively, also contributed to the strong growth.

Costs of Products Sold

Cost of products sold as a percent of sales was 25.9 percent for the quarter compared to 28.8 percent for the same quarter a year ago. The decrease in the cost of products sold as a percent of sales resulted from increased productivity, the impact of favorable product and geographic mix combined with substantially increased volumes.

Research and Development Expense

Research and development expense was $65.7 million for the quarter, an increase of 22.1 percent over the comparable period last year. This increase in research and development expense over the prior year reflects the company's continued financial commitment and strategy to grow revenue and market share by developing technological enhancements and new indications for existing products as well as developing minimally invasive and new technologies to address unmet patient needs and to help reduce procedural cost and length of hospital stay.

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

SG&A expense for the quarter ended August 2, 1996, was $191.7 million compared to $175.2 million for the comparable period last year. SG&A as a percent of sales decreased from 33.4 percent a year ago to 31.9 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

Interest expense of $2.0 million for the quarter was slightly higher than the $1.8 million for the same period last year. Interest income of $8.7 million for the quarter increased 35.1 percent from the $6.4 million for the same period last year, and was primarily due to increased average investment balances over the prior year.

Income Taxes

The estimated effective tax rate for the company's current fiscal year is 34.5 percent compared to an effective rate of 35.0 percent, after restatement for the acquisitions of AneuRx and InStent, for the fiscal year ended April 30, 1996. However, the company continues to experience upward pressure on the tax rate, resulting from the Omnibus Budget Reconciliation Act of 1993 which increased the U.S. corporate income tax rate and reduced U.S. tax benefits derived from operations in Puerto Rico. Although these changes in the tax code 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

Operating activities provided $64.3 million of cash and cash equivalents for the quarter ended August 2, 1996 compared to $108.9 million for the same period a year ago. Working capital was $968.7 million at August 2, 1996, an increase of $106.6 million over the $862.1 million at April 30, 1996. The current ratio increased to 3.1:1 at August 2, 1996, compared to 2.6:1 at April 30, 1996. Cash and cash equivalents decreased $30.0 million during the quarter. Significant uses of cash during the quarter included the reduction of accounts payable, accrued liabilities and short-term borrowings, purchases of marketable securities, purchases of property, plant and equipment, and dividends paid to shareholders.

Government Regulation and Other Matters

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

PART II -- OTHER INFORMATION

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

At the company's 1996 Annual Meeting of Shareholders held on August 28, 1996, the shareholders approved the following:

(a) A proposal to set the size of the Board of Directors at 12 and elect four Class I directors of the company to serve for three-year terms ending in 1999, as follows:

Director	Votes For	Votes Withheld
Glen D. Nelson, M.D.	197,461,814	1,540,715
Jack W. Schuler	197,492,828	1,509,701
Gerald W. Simonson	197,368,792	1,633,737
Richard A. Swalin, Ph.D.	197,361,724	1,640,805

There were no broker non-votes. In addition, the terms of the following directors continued after the meeting: Class II directors for a term ending in 1997-William W. George, Bernadine P. Healy, M.D., Richard L. Schall and Gordon M. Sprenger; and Class III directors for a term ending in 1998-F. Caleb Blodgett, Arthur D. Collins, Jr., Antonio M. Gotto, Jr., M.D. and Thomas E. Holloran.

(b) A proposal to ratify the appointment of Price Waterhouse LLP to serve as independent auditors of the company for the fiscal year ending April 30, 1997. The proposal received 198,196,210 votes for, and 300,409 against, ratification. There were 505,910 abstentions and no broker non-votes.

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 August 2, 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. Subsequent to the quarter ended August 2, 1996, the company filed (i) 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.

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: September 12, 1996

/S/ WILLIAM W. GEORGE

William W. George
Chairman
and Chief Executive Officer

Date: September 12, 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	
	Aug. 2, 1996	July 28, 1995
PRIMARY		
Shares outstanding:		
Weighted average outstanding	239,429	235,273
Share equivalents (1)(2)	4,510	2,037
Adjusted shares outstanding (2)	243,939	237,310
FULLY DILUTED		
Shares outstanding:		
Weighted average outstanding	239,429	235,273
Share equivalents (1)(2)	4,675	2,333
Adjusted shares outstanding (2)	244,104	237,606

(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 FROM THE QUARTERLY PERIOD ENDED AUGUST 2, 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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