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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
FOR THE FISCAL YEAR ENDED APRIL 30, 1999

COMMISSION FILE NO. 1-7707

[LOGO]
MEDTRONIC
WHEN LIFE DEPENDS ON MEDICAL TECHNOLOGY

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) 514-4000

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

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

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

NONE

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS. YES __X__ 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 2, 1999, BASED ON THE CLOSING PRICE OF $77.6875, AS REPORTED ON THE NEW YORK STOCK EXCHANGE: $45.11 BILLION.

SHARES OF COMMON STOCK OUTSTANDING ON JULY 2, 1999: 586,763,987

DOCUMENTS INCORPORATED BY REFERENCE

PORTIONS OF REGISTRANT'S 1999 ANNUAL REPORT ARE INCORPORATED BY REFERENCE INTO PARTS I, II AND IV; PORTIONS OF REGISTRANT'S PROXY STATEMENT FOR ITS 1999 ANNUAL MEETING ARE INCORPORATED BY REFERENCE INTO PART III.

PART I

ITEM 1. BUSINESS

GENERAL. Medtronic, Inc. (together with its subsidiaries, "Medtronic" or the "company") was founded in 1949 and incorporated as a Minnesota corporation in 1957. Medtronic is the world's leading medical technology company, pioneering device-based therapies that restore health, extend life and alleviate pain. Primary products include those for bradycardia pacing, tachyarrhythmia management, atrial fibrillation management, heart failure management, coronary and peripheral vascular disease, heart valve replacement, extracorporeal cardiac support, minimally invasive cardiac surgery, malignant and non-malignant pain, movement disorders, spinal and neurosurgery, and neurodegenerative disorders.

Medtronic operates its business in one reportable segment, that of manufacturing and selling device-based medical therapies. The company does business in more than 120 countries. The company's product lines include cardiac rhythm management, neurological and spinal, vascular and cardiac surgery.

In addition to its internal research and development, Medtronic has augmented its product lines through various acquisitions in fiscal 1999 including, but not limited to, those listed below.

On September 30, 1998, Medtronic, Inc. acquired all of the outstanding stock of Physio-Control International Corporation through a merger of a newly created subsidiary of Medtronic, Inc., into Physio-Control. Pursuant to the merger, the shareholders of Physio-Control received approximately 8.6 million shares of Medtronic common stock. Medtronic Physio-Control designs, manufactures, markets and services an integrated line of noninvasive emergency cardiac defibrillator and vital sign assessment devices, disposable electrodes and data management software.

On October 16, 1998, Medtronic, Inc. acquired all of the assets and certain liabilities of Midas Rex, L.P., of Fort Worth, Texas, for approximately $230.0 million in cash. Midas Rex manufactures and markets high-speed neurological powered instruments, including pneumatic instrumentation for surgical dissection of bones, biometals, bioceramics and bioplastics. Other instruments manufactured by Midas Rex assist in orthopedic, otolaryngological, maxillofacial and craniofacial procedures, as well as plastic surgery.

On January 27, 1999, Medtronic, Inc. acquired all of the outstanding stock of Sofamor Danek Group, Inc. through a merger of a newly created subsidiary of Medtronic, Inc. with Sofamor Danek. Pursuant to the merger, the shareholders of Sofamor Danek received approximately 45.0 million shares of Medtronic common stock. Medtronic Sofamor Danek develops, manufactures and markets devices, instruments, computer-assisted visualization products and biomaterials used in the treatment of spinal and cranial disorders.

On January 28, 1999, Medtronic, Inc. acquired all of the outstanding stock of Arterial Vascular Engineering, Inc. ("AVE") through a merger of a newly created subsidiary of Medtronic with AVE. Pursuant to the merger, the shareholders of AVE received approximately 50.6 million shares of Medtronic common stock. Medtronic Vascular designs, manufactures and markets minimally invasive solutions for the treatment of coronary artery and peripheral vascular disease. Its product offerings include stents, balloon catheters, guidewires and guiding catheters.

On March 8, 1999, Medtronic, Inc. acquired all of the outstanding stock of

AVECOR Cardiovascular, Inc. through a merger of a newly created subsidiary of Medtronic, Inc. into AVECOR. Pursuant to the merger, the shareholders of AVECOR received approximately 1.3 million shares of Medtronic common stock. Medtronic AVECOR develops, manufactures and markets specialty medical devices for cardiopulmonary support during heart bypass surgery and for long-term respiratory support.

Of the five acquisitions described above, the acquisitions of Physio-Control, Sofamor Danek and AVE have been accounted for as poolings-of-interests and, accordingly, the company's consolidated financial statements for fiscal 1999 and for prior years have been restated to include the results of operations, financial positions, and cash flows of Physio-Control, Sofamor Danek and AVE. References in this Form 10-K to financial information of the company have been adjusted to reflect the restated financial statements.

CARDIAC RHYTHM MANAGEMENT. Cardiac Rhythm Management products consist primarily of products for bradycardia pacing, tachyarrhythmia management, external defibrillation and ablation, as well as for treating atrial fibrillation and congestive heart failure. Bradycardia pacing systems, which treat patients with slow or irregular heartbeats, include pacemakers, leads and accessories. The pacemakers can be noninvasively programmed by the physician to adjust sensing, electrical pulse intensity, rate, duration and other characteristics, and can produce impulses to cause contractions in either the upper or lower heart chamber, or both, in appropriate relation to heart activity. The company's Model 9790 programmer can be used interchangeably with all of the company's bradycardia pacemakers as well as with its tachyarrhythmia management devices.

Advances in bradycardia pacing in fiscal 1999 include the commercial release of the Medtronic.Kappa(TM) 700 series of pacemakers in the U.S. in January 1999 and the commercial release of the new Medtronic.Sigma(TM) family of pacemakers in markets outside the U.S. in February 1999. The Medtronic.Kappa 700 series features a highly adaptive pacing system that provides continuous customized therapy while streamlining clinical care. The Medtronic.Kappa 400 series was commercially introduced in the U.S. in February 1998 and offers dual sensor automated rate responsive pacing and data collection for enhanced diagnostic capabilities. In general, the Kappa(R) pacemakers are designed to adjust heart rate to match patient activity without requiring a hospital or clinic visit. The Medtronic.Sigma family of pacemakers offers a number of enhanced patient therapies and patient management tools, including collection of comprehensive, accessible diagnostic information, which are not typically found in the standard and basic pacing market segments. Medtronic also markets the CapSure(R) Z and CapSureFix(R) steroid-eluting leads, which deliver more concentrated levels of electrical energy that extend device life. The CapSureFix NOVUS(TM), a new pacing lead with smaller size for increased maneuverability, is in clinical investigation. About 30% of Medtronic's revenues are generated from the sale of implantable cardiac pacemaker systems for treatment of bradycardia.

Tachyarrhythmia management products include implantable devices and transvenous lead systems for treating ventricular tachyarrhythmias, which are abnormally fast, and sometimes fatal, heart rhythms. The systems offer a tiered therapy of pacing, cardioversion and defibrillation, and may be implanted in the upper chest, which reduces patient trauma, hospitalization time and costs. The Gem DR(TM) is the company's first commercially available device from its new generation of Gem products intended to meet the needs of patients with multiple heart rhythm problems. The Gem DR features an advanced dual chamber rate responsive pacing capability as well as advanced detection and diagnostic tools. The Gem DR was commercially released in Europe and certain markets outside the U.S. in June 1998 and in the U.S. in October 1998. The Gem single chamber defibrillator, also commercially introduced in the U.S. in October 1998, is designed to provide rate responsive pacing in the lower chamber of the heart.

In June 1999, the company commercially released the Gem II DR(TM), the next

generation in the Gem family of devices, in the U.S. The Gem II DR offers patient benefits comparable to the Gem DR but in a 35% smaller size.

The company also markets the Jewel(R) line of devices, including the Micro Jewel(R) II implantable defibrillator, which offers expanded diagnostic capabilities in a small size device. The Jewel AF, which shares with the Gem DR the ability to provide rate responsive treatment of arrhythmias in both the atrium and the ventricle, was commercially released in Europe and other international markets in June 1998. The Jewel AF is awaiting regulatory clearance in the U.S. The company also markets a full line of active and passive steroid-eluting defibrillator leads. The entire line of tachyarrhythmia devices, like the bradycardia pacemakers, are programmed with the Model 9790 programmer. The company also offers an implantable device, the Reveal(R) insertable loop recorder, to diagnose complex arrhythmias.

By acquiring Physio-Control International Corporation in September 1998, Medtronic added to its Cardiac Rhythm Management products an integrated line of noninvasive emergency cardiac defibrillator and vital sign assessment devices, disposable electrodes and data management software. Medtronic Physio-Control products are used in both out-of-hospital and hospital settings for the early detection and treatment of life threatening events including trauma, heart attack, ventricular fibrillation, tachyarrhythmia and bradycardia. Current defibrillator products include the LIFEPAK(R) series of products, all of which are noninvasive external defibrillator and vital sign assessment devices, some

having noninvasive pacing, shock advisory, pulse oximetry and 12 lead ECG diagnostic capability. In May 1999, the company received FDA clearance for commercial release of a biphasic version of its LIFEPAK 500 automated defibrillator, which is targeted for use by early responders to cardiac arrest. Other products include the QUIK-COMBO(TM) electrodes which are multiple function electrodes permitting the LIFEPAK products to pace, defibrillate and monitor electrocardiograms through a single pair of electrodes. The CODE-STAT(TM) and CODE-STAT suite data management systems are Windows(R) based software programs that allow users to conduct post-event review and data analysis.

In fiscal 1999, Medtronic commercially introduced two products, and continued development of others, that monitor and treat congestive heart failure, a seriously debilitating condition in which the heart does not pump enough blood to meet the body's demands. In August 1998, Medtronic introduced in European markets the InSync(TM) cardiac stimulator designed to assist heart failure patients by improving the contraction sequence of up to three chambers of the heart to optimize cardiac function and cardiovascular circulation. In August 1998, Medtronic began initial human clinical studies of the Chronicle(TM) implantable hemodynamic monitor, a pacemaker-like monitor which is implanted in the pectoral region of the body and is connected to the heart via an intravenous lead. The Chronicle records and stores several heart performance parameters for prolonged periods and permits retrieval of this data via telemetry.

The company's Cardiac Rhythm Management products accounted for 51.3% of Medtronic's net sales during the fiscal year ended April 30, 1999 ("fiscal 1999"), 56.3% of net sales in fiscal 1998 and 60.9% of net sales in fiscal 1997.

NEUROLOGICAL AND SPINAL. Neurological and Spinal products consist primarily of implantable neurostimulation devices, drug administration systems, spinal products, neurosurgery products and functional diagnostic systems. Medtronic's acquisitions of Midas Rex in October 1998 and Sofamor Danek in January 1999 significantly added to the products offered. Medtronic Sofamor Danek produces devices, instruments, computer-assisted visualization products and biomaterials used in the treatment of disorders of the cranium and spine, including a wide range of sophisticated internal fixation devices, such as interbody fusion systems, and services for the distribution of autologous bone dowels, the Med(TM) MicroEndoscopic Discectomy System used for the surgical removal of vertebral discs and the StealthStation(R) System, an advanced computer-assisted,

image guided surgery system which provides surgeons with the capability to plan, navigate and precisely position surgical tools and devices during cranial and spinal procedures. In May 1999, Medtronic Sofamor Danek received FDA clearance for U.S. commercial introduction of the INTER FIX(TM) threaded Spinal Fusion Device, which is designed to treat severe back pain caused by degenerative disc disease. With Midas Rex, Medtronic acquired high speed neurological powered instruments, including pneumatic instrumentation for surgical dissection of bones, biometals, bioceramics and bioplastics. Other instruments manufactured by Midas Rex assist in orthopedic, otolaryngological, maxillofacial and craniofacial procedures, as well as plastic surgery.

The company also produces implantable systems for spinal cord and brain stimulation to treat pain and movement disorders. Neurostimulation products include the Itrel(R) 3 spinal cord stimulation system, which features a patient-operated control unit, and the Mattrix(R) stimulator, which offers a dual stimulation mode for more effective pain management. The new Activa(R) therapy for essential tremor and tremor associated with Parkinson's disease was commercially released in the U.S. in fiscal 1998. Activa Parkinson's Control Therapy for other major symptoms of Parkinson's disease was commercially released in Europe in fiscal 1998 and is in clinical trials in the U.S. The Activa system allows neurostimulation levels to be adjusted noninvasively after implant according to the needs of each patient.

In April 1999, Medtronic received FDA clearance for U.S. commercial introduction of the InterStim(R) Therapy for Urinary Control for the treatment of urinary retention and symptoms of urgency/frequency. InterStim Therapy uses neurostimulation from a stopwatch-sized neurostimulator placed under the skin to send mild electrical pulses to the sacral nerves in the lower back that control bladder function.

The drug delivery product line consists primarily of implantable programmable drug delivery systems that are used in treating chronic intractable pain and cerebral and spinal spasticity, including the

SynchroMed(R) and SynchroMed EL (Extended Life) drug delivery systems. The SynchroMed and SynchroMed EL drug delivery systems consist of a small device implanted in the abdominal region and a catheter that delivers medication to the fluid surrounding the spinal cord or other specific sites within the body. The system bypasses the digestive system and the blood brain barrier, an achievement essential for drug delivery to the central nervous system. The SynchroMed EL, which was released in the U.S. market in May 1999, offers extended battery life which will increase the average time between replacement surgeries from four years for the SynchroMed to seven years for the SynchroMed EL. The company is collaborating with several biotechnology companies to develop therapies for neurodegenerative disorders such as Parkinson's disease, amyotrophic lateral sclerosis or Lou Gehrig's disease, and epilepsy. 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 company also manufactures and distributes cerebrospinal fluid shunts and neurosurgical implants, and is a world leader in computer-supported systems to diagnose urological, digestive and neurological disorders.

The Neurological and Spinal products accounted for 21.8% of net sales for fiscal 1999, 20.3% of net sales for fiscal 1998 and 18.3% of net sales for fiscal 1997.

VASCULAR. The Vascular product line supports the treatment of diseased and damaged coronary and peripheral blood vessels and other bodily passageways. Medtronic's primary involvement in the vascular area had historically been in coronary angioplasty. Medtronic's acquisition of AVE in January 1999 significantly expanded the company's portfolio of coronary stent systems,

balloon catheters, guidewires and guiding catheters.

Vascular products include both modular and tubular coronary stent systems. Modular stent systems include the GFX(TM)2, which was commercially released in June 1998 in selected markets outside the U.S. and received FDA clearance for commercial release in the U.S. in April 1999. The GFX 2 is an advanced coronary stent system designed to provide a 25% lower crossing profile and utilize a new delivery system capable of higher balloon pressures than its predecessor, the GFX. In addition, in April 1999 the company received clearance in Europe for commercial sale of the S670(TM) stent system, a next generation stent system, as well as the S540(TM) stent system for small diameter vessels. The S670 stent system represents the company's sixth-generation stent technology and offers greater stent flexibility, enhanced scaffolding efficiency, and a reduced crossing profile. The S540 stent system received FDA clearance in June 1999, and application has been made to gain FDA clearance for the S670. The company's tubular stent system, the BeStent Brava(TM), which incorporates a new high-performance delivery system, received clearance for commercial release in Europe in May 1999. The company's line of coronary balloon catheters in the-over-the-wire category includes the Achiever(TM) balloon catheter, with a next generation product, the D114S, in development. In the rapid exchange segment of the market, the XIS balloon catheter was introduced in Europe in May 1999 and the LTX2 catheter was released in Japan in April 1999. The company also offers enhanced coronary guide catheters, including the new Zuma(TM) line, and the newly developed GT-1(TM) family of guidewires.

The coronary vascular product line is supported by a wide range of peripheral products, including the AneuRx and Talent(TM) stent grafts for minimally invasive abdominal aortic aneurysm repair therapy. These products are commercially available in Europe and certain other markets outside the U.S. and are in clinical trials in the U.S. The company's balloon expandable peripheral vascular stent systems are available in markets outside the United States, and in December 1998 the company received FDA clearance to market a balloon expandable biliary stent system. The company is also developing a line of self-expanding peripheral and neuro-radiology stents.

The company's Vascular products accounted for 17.4% of net sales in fiscal 1999, 12.1% of net sales in fiscal 1998 and 8.3% of net sales in fiscal 1997.

CARDIAC SURGERY. Cardiac Surgery products consist of heart valves, perfusion systems, cannulae and surgical accessories. The heart valve product line includes tissue and mechanical valves and repair products for damaged or diseased heart valves. In November 1997, the Freestyle(R) stentless aortic tissue heart valve was commercially released in the U.S., featuring advanced tissue technology for improved

blood flow and increased durability. Through a series of strategic acquisitions over the past decade, including the acquisition of AVECOR Cardiovascular, Inc. in March 1999, Medtronic now markets a complete line of blood-handling products that form the extracorporeal life-support circuit for maintaining and monitoring blood circulation and coagulation status, oxygen supply and body temperature while the patient is undergoing open-heart surgery. The company is also pursuing enabling technologies in minimally invasive cardiac surgery, such as the new Octopus2(TM) and the EndoOctopus(TM) tissue stabilizing systems, which are used to stabilize sites on the beating heart to enable the surgeon to complete bypass grafts. Both the Octopus2 and the EndoOctopus are commercially available.

The company's Cardiac Surgery products accounted for 9.5% of Medtronic's net sales during fiscal 1999, 11.3% of net sales in fiscal 1998 and 12.5% of net sales in fiscal 1997.

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 many countries where the company does

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

In 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 experienced some consolidation, 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.

In the United States, the Food and Drug Administration (the "FDA"), among other governmental agencies, is responsible for regulating the introduction of new medical devices, including laboratory and manufacturing practices, labeling and recordkeeping for medical devices, and review of manufacturers' required reports of adverse experience to identify potential problems with marketed medical devices. The FDA can ban certain medical devices, detain or seize adulterated or misbranded medical devices, order repair, replacement, or refund of such devices, and require notification of health professionals and others with regard to medical devices that present unreasonable risks of substantial harm to the public health. The FDA may also enjoin and restrain certain violations of the Food, Drug and Cosmetic Act and the Safe Medical Devices Act pertaining to medical devices, or initiate action for criminal prosecution of such violations. Moreover, the FDA administers certain controls over the export of such devices from the United States. Many of the devices that Medtronic develops and markets are in a category for which the FDA has implemented stringent clinical investigation and pre-market clearance requirements. Any delay or acceleration experienced by the company in obtaining regulatory approvals to conduct clinical trials or in obtaining required market clearances (especially with respect to significant products in the regulatory process that have been discussed in the company's announcements) may affect the company's operations or the market's expectations for the timing of such events and, consequently, the market price for the company's common stock.

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 are increasing.

In the early 1990's the review time by the FDA to clear medical devices for commercial release lengthened and the number of clearances, both of 510(k) submissions and pre-market approval applications, decreased. In response to public and congressional concern, the FDA Modernization Act of 1997 was adopted with the intent of bringing better definition to the clearance process. While FDA review times have improved since passage of the 1997 Act, there can be no assurance that the FDA review process will not involve delays or that clearances will be granted on a timely basis.

The company is also subject to various environmental laws and regulations both within and outside the United States. 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, leads and spinal systems. 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. Within the past two years, United States District Courts in Arkansas, California, Florida, Kentucky, Ohio and Pennsylvania have refused to certify class actions in cases brought against the company. This is consistent with the trend in class action law as it applies to the medical device industry generally. In addition, product liability claims may be asserted against the company in the future relative to events not known to management at the present time. Management believes that the company's risk management practices, including insurance coverage, are reasonably adequate to protect against potential product liability losses.

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

SALES, MARKETS AND DISTRIBUTION METHODS. The primary markets for Medtronic's products are hospitals, other medical institutions and physicians in the United States and other countries around the world.

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 92% of Medtronic's U.S. sales and approximately 67% of its non-U.S. sales in fiscal 1999. The remaining sales were made through independent distributors.

RAW MATERIALS AND PRODUCTION. Medtronic generally has vertically integrated manufacturing operations, and makes its own microprocessors, lithium batteries, feedthroughs, integrated and hybrid circuits, 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 materials such as adhesives, polymers, elastomers and resins; certain integrated circuits and other electrical/electronic/mechanical components; power sources, battery anodes, pyrolytic carbon discs, pharmaceutical preparations such as Lioresal(R) (baclofen, USP) Intrathecal (registered trademark of Novartis Pharmaceutical Corporation), and computer and other peripheral equipment.

Certain of the raw materials and components used in Medtronic products are available only from a sole supplier. Materials are purchased from single sources for reasons of quality assurance, sole source availability or cost effectiveness. Medtronic works closely with its suppliers to assure continuity of supply while maintaining high quality and reliability. However, in an effort to reduce potential product liability exposure, certain suppliers have terminated or are planning to terminate sales of certain materials and parts to companies that manufacture implantable medical devices. The Biomaterials Access Assurance Act was adopted in 1998 to help ensure availability of raw materials and component parts essential to the manufacture of medical devices. Management cannot estimate the impact of this law on supplier arrangements at this time.

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 product lines in which Medtronic competes, the company faces a mixture of competitors ranging from large multi-line manufacturers to smaller manufacturers that offer a limited selection of products. In addition, the company faces competition from providers of alternative medical therapies such as pharmaceutical companies. Important factors to Medtronic's customers include product reliability and performance, product technology that provides for improved patient benefits, breadth of product lines and related product services provided by the manufacturer, and product price. Major shifts in industry market share have occurred in connection with product problems, physician advisories and safety alerts, reflecting the importance of product quality in the medical device industry.

Medtronic is the leading manufacturer and supplier of implantable cardiac rhythm management devices in both the U.S. and non-U.S. markets. Worldwide, approximately eight manufacturers compete in the pacemaker industry. In the U.S., Medtronic and two other manufacturers account for most pacemaker sales. Medtronic and four other manufacturers account for most of the non-U.S. pacemaker sales. Medtronic and two other manufacturers based in the U.S. account for most sales of implantable defibrillators within and outside the U.S. At least four other companies have devices in various stages of development and clinical evaluation. Like Medtronic, the company's primary competitors offer a full range of cardiac rhythm management products, including pacemakers, defibrillators, leads and catheters.

In the vascular market, which includes implantable stents and integrated stent delivery systems, balloon and guiding catheters and guidewires, there are numerous competitors worldwide. Medtronic and four other manufacturers account for most coronary balloon and guiding catheter sales. In coronary stents, Medtronic and three other competitors account for most sales in the U.S., while multiple competitors participate outside the U.S. Several new competitors are emerging, particularly in newer markets such as stent grafts for abdominal aortic aneurysms and neurovascular devices.

In neurological devices, Medtronic is the leading manufacturer and supplier of implantable neurostimulation and drug delivery systems, and of shunts for the treatment of hydrocephalus. Medtronic and two competitors account for most sales worldwide. In spinal and neurosurgery devices, Medtronic is the leading manufacturer and supplier of instruments and biomaterials used in the treatment of spinal and cranial disorders. Medtronic and four competitors account for most sales worldwide. Medtronic and several other manufacturers account for a significant portion of the diagnostic testing market for urology, gastroenterology and neuromuscular disorders.

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

Medtronic is the third largest manufacturer and supplier of prosthetic heart valves (consisting of tissue and mechanical heart valves) within and outside the U.S. One large manufacturer is the leading competitor in tissue heart valves and two other companies are major competitors in mechanical heart valves. These three 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.

RESEARCH AND DEVELOPMENT. Medtronic spent $429.2 million on research and

development (10.4% of sales) in fiscal 1999, $367.9 million (11.0% of sales) in fiscal 1998 and $325.5 million (11.1% of net sales) in fiscal 1997. 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; products for the heart/lung bypass circuit; emergency defibrillation and vital sign assessment; implantable drug delivery systems for pain, spasticity and other neurological applications; muscle and neurological stimulators; spinal fusion products, biological products to induce bone growth, prosthetic discs and visualization technology to aid surgeons; therapeutic angioplasty catheters; coronary and peripheral stents and stented grafts, and treatments for restenosis; implantable physiologic sensors; treatments for heart failure; and materials and coatings to enhance the blood/device interface.

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

EMPLOYEES. On April 30, 1999, Medtronic and its subsidiaries employed 19,334 people on a regular, full-time basis and, including temporary and part-time employees, a total of 21,794 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. For financial reporting purposes, revenues and long-lived assets attributable to significant geographic areas are presented in Note 14 to the consolidated financial statements, incorporated herein by reference to Medtronic's 1999 Annual Report -- Financial Review on page 23. U.S. export sales to unaffiliated customers comprised less than two percent of Medtronic's consolidated sales in each of fiscal 1999, 1998 and 1997.

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. See the "Market Risk" section of Management's Discussion and Analysis of Results of Operations and Financial Condition, incorporated herein by reference to Medtronic's 1999 Annual Report-Financial Review on page 5. 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.

CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS. Certain statements contained in this Annual Report on Form 10-K and other written and oral statements made from time to time by the company do not relate strictly to historical or current facts. As such, they are considered "forward-looking statements" which provide current expectations or forecasts of future events. Such statements can be identified by the use of terminology such as "anticipate," "believe," "estimate," "expect," "intend," "may," "could," "possible," "plan," "project," "should", "will," "forecast" and similar words or expressions. The company's forward-looking statements generally relate to its growth strategies, financial results, product development and regulatory approval programs, and sales efforts. One must carefully consider forward-looking statements and understand that such statements involve a variety of risks and uncertainties, known and unknown, and may be affected by inaccurate assumptions. Consequently, no forward-looking statement can be guaranteed and actual results may vary materially. It is not possible to foresee or identify

all factors affecting the company's forward-looking statements and investors therefore should not consider any list of such factors to be an exhaustive statement of all risks, uncertainties or potentially inaccurate assumptions. The company undertakes no obligation to update any forward-looking statement.

Although it is not possible to create a comprehensive list of all factors that may cause actual results to differ from the company's forward-looking statements, the factors include those noted in the preceding sections of this Annual Report on Form 10-K and in the section entitled "Management's Discussion and Analysis of Results of Operations and Financial Condition " incorporated herein by reference from the company's 1999 Annual Report -- Financial Review, as well as (i) trends toward managed care, health care cost containment, and other changes in government and private sector initiatives, in the United States and other countries in which the company does business, that are placing increased emphasis on the delivery of more cost-effective medical therapies; (ii) the trend of consolidation in the medical device industry as well as among customers of medical device manufacturers, resulting in more significant, complex, and long-term contracts than in the past and potentially greater

pricing pressures; (iii) the difficulties and uncertainties associated with the lengthy and costly new product development and regulatory clearance processes, which may result in lost market opportunities or preclude product commercialization; (iv) efficacy or safety concerns with respect to marketed products, whether scientifically justified or not, that may lead to product recalls, withdrawals, or declining sales; (v) changes in governmental laws, regulations, and accounting standards and the enforcement thereof that may be adverse to the company; (vi) increased public interest in recent years in product liability claims for implanted medical devices, including pacemakers, leads and spinal systems, and adverse developments in litigation involving the company; (vii) other legal factors including environmental concerns and patent disputes with competitors; (viii) agency or government actions or investigations affecting the industry in general or the company in particular; (ix) the development of new products or technologies by competitors, technological obsolescence, and other changes in competitive factors; (x) risks associated with maintaining and expanding international operations; (xi) business acquisitions, dispositions, discontinuations or restructurings by the company; (xii) the integration of businesses acquired by the company; (xiii) the price and volume fluctuations in the stock markets and their effect on the market prices of technology and health care companies; and (xiv) economic factors over which the company has no control, including changes in inflation, foreign currency rates, and interest rates.

The company notes these factors as permitted by the Private Securities Litigation Reform Act of 1995.

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 56, has been Chairman and Chief Executive Officer since August 1996, was President and Chief Executive Officer from May 1991 to August 1996, and was President and Chief Operating Officer from March 1989 to April 1991. He has been a director since March 1989. Prior to joining the company, Mr. George was President, Space and Aviation Systems Business, at Honeywell Inc. from December 1987 to March 1989. During his 11 years with Honeywell, Mr. George served in several other executive positions including

President, Industrial Automation and Control, from May 1987 to December 1987, and Executive Vice President of that business from January 1983 to May 1987.

ARTHUR D. COLLINS, JR., age 51, has been President and Chief Operating Officer since August 1996, was Chief Operating Officer from January 1994 to August 1996 and from June 1992 to January 1994 was Executive Vice President and President of Medtronic International. He has been a director since August 1994. Prior to joining the company, Mr. Collins was Corporate Vice President, Diagnostic Products, at Abbott Laboratories from October 1989 to May 1992 and Divisional Vice President, Diagnostic Products, from May 1984 to October 1989. During his 14 years with Abbott, Mr. Collins served in various general management positions both in the United States and Europe.

GLEN D. NELSON, M.D., age 62, 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.

BILL K. ERICKSON, age 55, 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. Mr. Erickson was Senior Vice President, U.S. Cardiovascular, from January 1990 to May 1992 and was Vice President, U.S. Cardiovascular Distribution, from January 1982 to December 1989. Mr. Erickson has been with the company for 28 years and served in various general management positions prior to 1982.

JANET S. FIOLA, age 57, 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.

PHILIP M. LAUGHLIN, age 52, has been Senior Vice President and President, Cardiac Surgery, since 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 64, has been Senior Vice President since November 1990 and Secretary since July 1992. He served as General Counsel from February 1989 through April 1999 and was Vice President 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 1989. Mr. Lund will retire from the company at the end of 1999.

STEPHEN H. MAHLE, age 53, has been Senior Vice President and President, Cardiac Rhythm Management, since January 1998. Prior to that, he was President, Brady Pacing, from May 1995 to December 1997 and Vice President and General Manager, Brady Pacing, from January 1990 to May 1995. Mr. Mahle has been with the company for 26 years and served in various general management positions prior to 1990.

JOHN A. MESLOW, age 60, has been Senior Vice President and President, Neurological and Spinal, since March 1994. He was Vice President and President, Neurological, from March 1991 to March 1994, and was Vice President, Neurological, from March 1985 to March 1991. Mr. Meslow has been with the company for 30 years and served in various general management positions prior to 1991.

ROBERT L. RYAN, age 56, 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.

DAVID J. SCOTT, age 46, has been Senior Vice President and General Counsel since joining the company in May 1999. Prior to that, Mr. Scott was General Counsel of London-based United Distillers & Vintners from December 1997 to April 1999, General Counsel of London-based International Distillers & Vintners ("IDV") from April 1996 to November 1997, and Senior Vice President and General Counsel of IDV's operating companies in North and South America from January 1993 to March 1996.

SCOTT J. SOLANO, age 42, has been Senior Vice President since May 1999 and President, Vascular, since January 1999. Mr. Solano joined the company after its January 1999 acquisition of Arterial Vascular Engineering, Inc. ("AVE"), where he was President and Chief Executive Officer since August 1997 and Chairman of the Board since January 1998, after serving as Chief Operating Officer from February 1997 to August 1997. Prior to that, Mr. Solano was Vice President of Research and Development at the Ohmeda medical device division of The BOC Group from February 1995 to February 1997. He was employed by Medtronic Vascular as Vice President, New Product Development and Operations, from September 1994 to February 1995 and Director, New Product Development, from March 1991 to September 1994.

KEITH E. WILLIAMS, age 46, has been Senior Vice President and President, Asia/Pacific since May 1999. He joined the company in April 1997 as President, Asia/Pacific, and Chairman, Medtronic Japan. Prior to that he held various sales, marketing and general management positions with General Electric Medical Systems for 23 years, including President, GE Medical Systems China from 1993 to 1996.

BARRY W. WILSON, age 55, has been Senior Vice President since September 1997 and President, Europe, Middle East and Africa since joining the company in April 1995. Prior to that, Mr. Wilson was President of the Lederle Division of American Cyanamid/American Home Products from 1993 to 1995 and President, Europe of Bristol-Myers Squibb from 1991 to 1993, where he also served internationally in various general management positions from 1980 to 1991.

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, Indiana, Massachusetts, Michigan, Minnesota, Tennessee, Utah, Washington, Puerto Rico, Canada, China, France, Denmark, Germany, India, Ireland, Japan, the Netherlands, Sweden, Switzerland, and the United Kingdom. The company's total manufacturing and research space is approximately 2.2 million square feet, of which approximately 75% is owned by the company and the balance is leased.

Medtronic also maintains sales and administrative offices in the United States at 110 locations in 30 states or jurisdictions and outside the United States at 112 locations in 37 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

Beginning in 1994, Medtronic's newly acquired subsidiary, Medtronic Sofamor Danek, Inc. ("Sofamor Danek"), was named as a defendant in approximately 3,200

product liability lawsuits brought in various federal and state courts around the country. The lawsuits allege that plaintiffs were injured by spinal implants manufactured by Sofamor Danek and other device manufacturers. To date, all efforts to obtain class certification have been denied or withdrawn. In essence, the plaintiffs claim that they have suffered a variety of injuries resulting from use of a spinal system for pedicle fixation and that the company and other manufacturers have conspired to promote such implant systems in violation of law. As of July 1999, over 1,200 suits have been dismissed or resolved in favor of the company. The remaining cases are in discovery, subject to motions for summary judgment or progressing to trial. The company believes these claims are without merit and will continue to defend against them vigorously.

In 1993, AcroMed Corporation commenced a patent infringement lawsuit against Sofamor Danek in U.S. District Court in Cleveland, Ohio. Sofamor Danek obtained summary judgment as to two of four patents and tried claims with respect to the remaining two patents in May 1999. The jury found that certain Sofamor Danek spinal fixation products infringe these two patents and rendered a damage verdict against Sofamor Danek in the amount of $33 million. The company intends to appeal the verdict to the Court of Appeals for the Federal Circuit, Washington, D.C. and believes that meritorious bases exist for reversing any finding of liability and damages. The litigation focuses on a relatively minor portion of Sofamor Danek's products, many of which have been superseded by newer designs, and will not have a material impact on the company's financial position, results of operations or liquidity.

The stent industry is currently characterized by extensive patent litigation and Medtronic's newly acquired subsidiary, Medtronic AVE, Inc., is both a plaintiff and a defendant in lawsuits with Johnson & Johnson, Guidant Corporation, and Boston Scientific Corporation over their respective patents, with plaintiffs in each case alleging patent infringement and seeking injunctive relief and monetary damages. In November 1997, Medtronic filed suit against Guidant Corporation in U.S. District Court in Minneapolis claiming that Guidant's ACS RX Multi-Link(R) coronary stent infringes Medtronic's Wiktor(R) stent patent. Medtronic is seeking injunctive relief and monetary damages, and discovery is proceeding. In May 1999, Medtronic filed suit against Boston Scientific Corp. in U.S. District Court in Minneapolis claiming that Boston Scientific's Nir(R) Stent infringes the Wiktor stent patent. Medtronic is seeking injunctive relief and monetary damages.

Note 12 to the consolidated financial statements appearing on pages 22 and 23 of Medtronic's 1999 Annual Report -- Financial Review 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 27 of Medtronic's 1999 Annual Report -- Financial Review is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The information for the fiscal years 1995 through 1999 on page 26 of Medtronic's 1999 Annual Report -- Financial Review is incorporated herein by reference.

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

The information on pages 2 through 7 of Medtronic's 1999 Annual Report -- Financial Review is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information on page 5 of Medtronic's 1999 Annual Report -- Financial Review is incorporated by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements, together with the report thereon of independent accountants dated May 27, 1999 appearing on pages 8 through 23 of Medtronic's 1999 Annual Report -- Financial Review, 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 7 of Medtronic's Proxy Statement for its 1999 Annual Shareholders' Meeting and on page 9 of such Proxy Statement under the heading "Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated herein by reference. See also "Executive Officers of Medtronic" on pages 9 and 10 hereof.

ITEM 11. EXECUTIVE COMPENSATION

The sections entitled "Election of Directors -- Director Compensation" and "Executive Compensation" on pages 7 and 8 , and 13 through 18, respectively, of Medtronic's Proxy Statement for its 1999 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 1999 Annual Shareholders' Meeting is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information on page 8 of Medtronic's Proxy Statement for its 1999 Annual Shareholders' Meeting concerning services provided to the company by directors and executive officers in fiscal 1999 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 8 of Medtronic's 1999 Annual Report -- Financial Review)

Statement of Consolidated Earnings -- years ended April 30, 1999, 1998, and 1997 (incorporated herein by reference to page 9 of Medtronic's 1999 Annual Report -- Financial Review)

Consolidated Balance Sheet -- April 30, 1999 and 1998 (incorporated herein by reference to page 10 of Medtronic's 1999 Annual Report -- Financial Review)

Statement of Consolidated Shareholders' Equity -- years ended April 30, 1999, 1998, and 1997 (incorporated herein by reference to page 11 of Medtronic's 1999 Annual Report -- Financial Review)

Statement of Consolidated Cash Flows -- years ended April 30, 1999, 1998, and 1997 (incorporated herein by reference to page 12 of Medtronic's 1999 Annual Report -- Financial Review)

Notes to Consolidated Financial Statements (incorporated herein by reference to pages 13 through 23 of Medtronic's 1999 Annual Report -- Financial Review)

2. FINANCIAL STATEMENT SCHEDULES

Schedule II. Valuation and Qualifying Accounts -- years ended April 30, 1999, 1998, and 1997

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

2.1	Agreement and Plan of Merger, dated June 27, 1998, by and among Medtronic, Inc., Physio-Control International Corporation, and PC Merger Corp., including the Exhibits thereto (Exhibit 2.1).(a)
2.2	Agreement and Plan of Merger, dated November 1, 1998, by and among Medtronic, Inc., Sofamor Danek Group, Inc., and MSD Merger Corp., including the Exhibits thereto (Exhibit 2.3).(b)
2.3	Agreement and Plan of Merger, dated November 29, 1998, by and among Medtronic, Inc., AVE Group, Inc., and MAV Merger Corp., including the Exhibits thereto (Exhibit 2.4).(c)
3.1	Medtronic Restated Articles of Incorporation, as amended to date (Exhibit 3.1).(d)
3.2	Medtronic Bylaws, as amended to date (Exhibit 3.2).(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 4).(f)
*10.1	1994 Stock Award Plan, as amended (Exhibit 10.1).(j)
*10.2	Management Incentive Plan (Appendix B).(g)
*10.3	1979 Restricted Stock and Performance Share Award Plan, as amended to date (Exhibit 10.3).(j)

*10.4	1979 Nonqualified Stock Option Plan, as amended (Exhibit 10.4).(e)
*10.5	Form of Employment Agreement for Medtronic executive officers (Exhibit 10.5).(h)
*10.6	1991 Restricted Stock Plan for Non-Employee Directors (Exhibit 10.6).(e)
*10.7	Capital Accumulation Plan Deferral Program (Exhibit 10.7).(e)

*10.8	Executive Nonqualified Supplemental Benefit Plan (Restated May 1, 1997). (Exhibit 10.10).(f)
*10.9	Stock Option Replacement Program (Exhibit 10.11).(j)
*10.10	1998 Outside Director Stock Compensation Plan (Exhibit 10.12).(j)
*10.11	Agreement with Officer (Exhibit 10).(i)
*10.12	Amendment effective March 5, 1998 to the 1979 Nonqualified Stock Option Plan (Exhibit 10.14).(j)
*10.13	Amendment effective April 30, 1999 to Stock Award and Compensatory Plans.
13	Those portions of Medtronic's 1999 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 Independent Accountants (set forth on page 16 of this report).
24	Powers of Attorney.
27	Financial Data Schedule.

(a) Incorporated herein by reference to Exhibit 2 in Medtronic's Registration Statement on Form S-4 (Registration No. 333-59725) filed with the Commission on July 23, 1998.

(b) Incorporated herein by reference to Exhibit 2 in Medtronic's Registration Statement on Form S-4 (Registration No. 333-68677), filed with the Commission on December 10, 1998.

(c) Incorporated herein by reference to Exhibit 2 in Medtronic's Registration Statement on Form S-4 (Registration No. 333-69271), filed with the Commission on December 18, 1998.

(d) 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.

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

(f) Incorporated herein by reference to the cited exhibit in Medtronic's Annual Report on Form 10-K for the year ended April 30, 1997, filed with the

Commission on July 23, 1997.

(g) 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.

(h) 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.

(i) Incorporated herein by reference to the cited exhibit in Medtronic's Quarterly Report on Form 10-Q for the quarter ended January 30, 1998, filed with the Commission on March 13, 1998.

(j) Incorporated hereby by reference to the cited exhibit in Medtronic's Annual Report on Form 10-K for the year ended April 30, 1998, filed with the Commission on July 21, 1998.

* 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

During the quarter ended April 30, 1999, Medtronic filed (i) a Report on Form 8-K dated January 28, 1999 reporting under Item 2 the completion of the previously announced transaction with Arterial Vascular Engineering, Inc. and (ii) a Report on Form 8-K dated March 8, 1999 reporting under Item 5 the previously announced transaction with AVECOR Cardiovascular, 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 20, 1999

BY: /s/ William W. George

WILLIAM W. GEORGE
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

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

Dated: July 20, 1999

BY: /s/ William W. George

WILLIAM W. GEORGE
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

Dated: July 20, 1999

BY: /s/ Robert L. Ryan

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

MICHAEL R. BONSIGNORE
WILLIAM R. BRODY, M.D., PH.D.
PAUL W. CHELLGREN
ARTHUR D. COLLINS, JR.
WILLIAM W. GEORGE
ANTONIO M. GOTTO, JR., M.D.
BERNADINE P. HEALY, M.D.
THOMAS E. HOLLORAN DIRECTORS
GLEN D. NELSON, M.D.
JEAN-PIERRE ROSSO
RICHARD L. SCHALL
JACK W. SCHULER
GERALD W. SIMONSON
GORDON M. SPRENGER
RICHARD A. SWALIN, PH.D.

David J. Scott, 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 20, 1999

BY: /s/ David J. Scott

DAVID J. SCOTT
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 27, 1999 appearing in the Medtronic, Inc. 1999 Annual Report -- Financial Review (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)2 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.

PricewaterhouseCoopers LLP

Minneapolis, Minnesota
May 27, 1999

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, 333-07385, 333-65227, 333-71259, 333-71355, 333-74229 and 333-75819) of Medtronic, Inc. of our report dated May 27, 1999 relating to the financial statements, which appears in the Annual Report -- Financial Review, which is

incorporated 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.

PricewaterhouseCoopers LLP

Minneapolis, Minnesota
July 20, 1999

MEDTRONIC, INC. AND SUBSIDIARIES

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
(IN MILLIONS 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 4/30/99	$ 24.1	$ 13.2	$ (4.7)(a) (0.3)(b)	$ 32.3
Year ended 4/30/98	16.7	9.6	(1.8)(a) (0.4)(b)	24.1
Year ended 4/30/97	20.6	(0.6)	(2.3)(a) (1.0)(b)	16.7

(a) Uncollectible accounts written off, less recoveries.

(b) Reflects primarily the effects of foreign currency fluctuations.

Commission File Number 1-7707

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

EXHIBITS

TO

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13

OF

THE SECURITIES EXCHANGE ACT OF 1934

EXHIBITS INDEX

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* 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.

EXHIBIT 10.13

AMENDMENT TO STOCK AWARD AND COMPENSATORY PLANS

On April 30, 1999, Medtronic's Board of Directors adopted amendments to all plans maintained by the company and its subsidiaries to conform the provisions regarding withholding taxes to the March 29, 1999 Financial Accounting Standards Board interpretation regarding withholding of federal, state and FICA taxes in excess of minimum statutory rates.

All such amendments are substantially similar to the following, which is the amended language for the 1994 Stock Award Plan:

> NOW, THEREFORE, BE IT RESOLVED, that the third sentence of Section 14(d) of the 1994 Stock Award Plan is hereby amended in its entirety to read as follows:
>
> > In lieu of all or any part of a cash payment from a person receiving Stock under this Plan, the individual may elect to cover all or any part of the minimum statutory FICA, federal, state and local income tax withholdings required under the applicable tax laws through a reduction of the number of Shares delivered to such individual, with such Shares valued in the same manner as used in computing such minimum withholding taxes.

EXHIBIT 13

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

SUMMARY

Medtronic is the world's leading medical technology company, pioneering device-based therapies that restore health, extend life, and alleviate pain. Primary products include those for bradycardia pacing, tachyarrhythmia management, atrial fibrillation management, heart failure management, coronary and peripheral vascular disease, heart valve replacement, extracorporeal cardiac support, minimally invasive cardiac surgery, malignant and non-malignant pain, movement disorders, spinal and neurosurgery, and neurodegenerative disorders.

Fiscal 1999 marked the company's 14th consecutive year of increases in revenues. Net sales of $4.13 billion represent a 23.7% increase over the $3.34 billion in fiscal 1998 after restatement to reflect the fiscal 1999 mergers with Physio-Control International Corporation (Physio-Control), Sofamor Danek Group, Inc. (Sofamor Danek), and Arterial Vascular Engineering, Inc. (AVE), which were accounted for as poolings-of-interests. Net sales excluding the effects of foreign currency translation increased 24.0% compared to increases of 17.6% in fiscal 1998 and 17.3% in fiscal 1997. The growth during fiscal 1999 was led by the performance of core product lines, particularly cardiac rhythm management and neurological and spinal, and was accelerated by the five major mergers and acquisitions that were completed during fiscal 1999.

Fiscal 1999 was a year in which major new product launches in cardiac rhythm management, combined with the mergers and acquisitions, have transformed the company. In September 1998, the company merged with Physio-Control which designs, manufactures, markets and services an integrated line of noninvasive emergency cardiac defibrillator and vital sign assessment devices, disposable electrodes, and data management software. In October 1998, the company acquired Midas Rex, L.P., a market leader in high-speed neurological powered instruments, including pneumatic instrumentation for surgical dissection of bones, biometals, bioceramics and bioplastics. In January 1999, the company merged with Sofamor Danek, which develops, manufactures, and markets devices, instruments, computer assisted visualization products and biomaterials used in the treatment of spinal and cranial disorders, and AVE, which designs, and manufactures minimally invasive solutions for the treatment of diseased and damaged coronary and peripheral blood vessels and other bodily passageways. In March 1999, the company acquired AVECOR Cardiovascular, Inc. (AVECOR), which develops, manufactures, and markets specialty medical devices for cardiopulmonary support during heart bypass surgery and long-term respiratory support. In addition, on April 30, 1999, the company acquired advanced lead and catheter placement technology from Micro Motion Sciences (Micro Motion).

In connection with these mergers and acquisitions, the company incurred significant one-time transaction related costs and also initiated significant restructuring actions, which included the announced closing of ten manufacturing facilities. The company believes these actions will significantly strengthen its competitive position in the global health care market, a market which is under increasing cost pressures. Excluding the effects of the $551.2 million pre-tax non-recurring charges taken in fiscal 1999 and the $205.3 million pre-tax non-recurring charges taken during fiscal 1998, diluted earnings per share would have been $1.53 and $1.25, respectively, representing an increase of 22.4%. After the pre-tax non-recurring charges taken during fiscal 1999 and 1998, net earnings and diluted earnings per share for fiscal 1999 were $468.4 million and $0.79, respectively, compared to $587.8 million and $1.02, respectively, for fiscal 1998.

U.S. VS. INTERNATIONAL SALES

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:

	1999	1998	1997
U.S.	$ 2,674.6	$ 2,058.1	$ 1,719.1
International	1,459.5	1,284.9	1,225.5
	$ 4,134.1	$ 3,343.0	$ 2,944.6

NET SALES BY PRODUCT LINE

Stacked bar graph of net sales in millions of dollars for the cardiac rhythm management, neurological and spinal, vascular and cardiac surgery product lines for each of the last three fiscal years. The data points (in millions of dollars) are as follows:

	1999	1998	1997
Cardiac rhythm management	$ 2,121.6	$ 1,881.4	$ 1,792.5
Neurological and spinal	899.7	680.3	539.6
Vascular	718.8	403.0	243.2
Cardiac surgery	394.0	378.3	369.3
	$ 4,134.1	$ 3,343.0	$ 2,944.6

NET SALES

Sales in the United States in fiscal 1999 increased 30.0% over the prior year, compared to 19.7% in fiscal 1998. Sales outside the United States increased 14.5% on a constant currency basis compared to 14.6% in fiscal 1998. Sales in non-U.S. markets accounted for 35.3% of worldwide net sales, compared with 38.4% in fiscal 1998 and 41.6% in fiscal 1997. Foreign exchange rate movements had an unfavorable year-to-year impact on international net sales of $11.2 million, $119.0 million, and $68.9 million in fiscal 1999, fiscal 1998, and fiscal 1997, respectively. These exchange rate movements are caused primarily by fluctuations 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 operating costs and expenses and the company's hedging activities (see also Market Risk and Note 4 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 4, realized gains and losses on the company's hedging activities were offset by the transactions being hedged and are therefore consistent with the company's risk management strategies.

The company's product lines include cardiac rhythm management, neurological and spinal, vascular, and cardiac surgery. Net sales by product line were as follows (in millions):

Year ended April 30,	1999	1998	1997
Cardiac rhythm management	$2,121.6	$1,881.4	$1,792.5
Neurological and spinal	899.7	680.3	539.6
Vascular	718.8	403.0	243.2
Cardiac surgery	394.0	378.3	369.3
	$4,134.1	$3,343.0	$2,944.6

Net sales of cardiac rhythm management products, which consist primarily of products for bradycardia pacing, tachyarrhythmia management, external

defibrillation, and ablation, increased 13.1% in fiscal 1999 after removing the impact of foreign exchange rate fluctuations, versus growth of 8.7% in fiscal 1998. This growth was fueled by several major new product launches and was led by tachyarrhythmia management's strong market share gains worldwide, solid bradycardia pacing sales, and significant growth from Physio-Control. Tachyarrhythmia management, led by sales of the Gem DR implantable cardioverter defibrillator, reestablished global market share leadership during the latter half of the fiscal year. The Gem II DR, the world's smallest full-featured implantable defibrillator, was commercially released in June 1999. Unit sales of bradycardia implantable pulse generators (IPGs) achieved nearly 8.0% growth during fiscal 1999. Bradycardia unit sales continued to reflect strong growth in both U.S. and non-U.S. markets, on the strength of the Kappa family of pacemakers. The Kappa 700 series of pacemakers received FDA clearance in late January 1999 and received regulatory clearance in Japan in April 1999. In addition, the Sigma and Vitatron Clarity pacemaker lines were launched in markets outside the U.S. in February and April 1999, respectively. Physio-Control, which was acquired in September 1998, grew in excess of 20 percent over the comparable period last year on the strength of the LifePak 12 and LifePak 500 external defibrillators. The LifePak 500 biphasic system received FDA clearance in May 1999.

Net sales of neurological and spinal products, consisting primarily of implantable neurostimulation devices, drug administration systems, spinal products, neurosurgery products, and functional diagnostics, continued to experience significant growth. Exclusive of the effects of foreign currency translation, net sales grew 32.8% over the previous year compared to growth of 30.6% in fiscal 1998. Sales of spinal and neurosurgery product lines (consisting of Sofamor Danek, PS Medical and Midas Rex) increased 40.1% from the prior year. Sofamor Danek, which was merged in January 1999, provided significant contributions during the year. Sofamor Danek's Interfix spinal cage received FDA clearance subsequent to fiscal year end. Midas Rex, which was acquired in October 1998, and which was accounted for as a purchase, contributed to the growth in neurosurgery product lines. Sales of core neurological product lines (consisting of neurostimulation, drug administration systems, and functional diagnostics) increased 24.2 percent from the prior year comparative period. Continued strong sales growth during fiscal 1999 was achieved in the drug delivery product line as a result of continued increased demand for the SynchroMed drug infusion system for delivery of morphine for chronic pain and for delivery of Lioresal (baclofen, USP) Intrathecal for treatment of cerebral and spinal spasticity. The Medtronic Activa neurostimulation therapy for control of essential tremor and tremor associated with Parkinson's disease also contributed to the growth during the year.

Net sales of vascular product lines, consisting of stents and balloon and guiding catheters increased 78.3% and 71.2% in fiscal 1999 and fiscal 1998, respectively, after excluding the effects of foreign currency translation. The January 1999 merger with AVE was largely responsible for this growth on the strength of the March 1998 launch of the GFX coronary stent system. The stent market continues to be very competitive, particularly in the United States. Vascular product line revenues declined 13.1 percent during the fourth quarter of fiscal 1999 primarily as a result of launches of competitors' stents. However, the next generation GFX2 coronary stent received FDA clearance in mid-April, and has been well received by the marketplace since its launch. In addition, the S670, S540, and beStent Brava stents were introduced in European markets in early May 1999 and the S540 was cleared by the FDA for U.S. commercial release in June 1999. The AneuRx endovascular stent-graft system for minimally-invasive treatment of abdominal aortic aneurysms was launched in markets outside the United States during fiscal 1998 and is awaiting FDA regulatory clearance in the U.S.

Net sales of cardiac surgery product lines, consisting of heart valves, perfusion systems, cannulae, and surgical accessories, increased 4.6% and 6.0% in fiscal 1999 and fiscal 1998, respectively, after excluding the effects of foreign currency translation. The fiscal 1999 sales increase was led by strong growth in the sale of the Freestyle stentless aortic tissue valve in the U.S. The March 1999 purchase of AVECOR had minimal impact on the fiscal 1999 growth rate. Sales of cannulae were relatively flat as compared to the prior fiscal year. The fiscal 1998 growth was led by strong growth in sales of cannulae

products and tissue valves following the November 1997 FDA clearance of the Freestyle valve. The Octopus2 tissue stabilization device, which facilitates precision suturing on a beating heart during bypass procedures, has been rapidly accepted by the U.S. surgical community since its clearance by the FDA in January 1999.

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

Year ended April 30,	1999	1998	1997
Cost of Products Sold	26.7%	26.2%	25.8%
Research & Development	10.4	11.0	11.1
Selling, General & Administrative	31.0	30.5	32.1
Non-recurring Charges	12.6	5.8	1.7

Cost of products sold as a percentage of net sales increased slightly in fiscal 1999 as compared to fiscal 1998. This increase was primarily the result of the $29.0 million charge related primarily to inventory rationalization in the vascular and cardiac surgery product lines following the acquisitions of AVE and AVECOR. Without the $29.0 million charge, cost of products sold as a percentage of net sales would have been 26.0%. The increase in cost of products sold as a percentage of net sales in fiscal 1998 compared to fiscal 1997 resulted primarily from the $12.9 million charge included within the fiscal 1998 third quarter restructuring charge for obsolescence on certain vascular inventories. Without the $12.9 million charge, cost of products sold as a percentage of net sales would have been 25.8%. Future gross margins will continue to

be impacted by competitive pricing pressures, new product introductions, the mix of products both within and among product lines and geographies, and the effects of foreign currency fluctuations.

The company remains committed to spending aggressively on research and development (R&D) to develop technological enhancements and new indications for existing products, as well as to develop less invasive and new technologies to address unmet patient needs and to help reduce patient care costs and length of hospital stay. R&D expense was $429.2 million in fiscal 1999 compared to $367.9 million in fiscal 1998.

The increase in selling, general, and administrative expense (SG&A) as a percent of sales from fiscal 1998 to fiscal 1999 was primarily attributable to increased marketing and distribution spending to support new product launches and by a decrease in the dollar amount of gains recognized in the current year from hedging activities as compared to fiscal 1998, partially offset by gains recognized from the sale of certain available-for-sale equity securities. The decrease from fiscal 1997 to fiscal 1998 was primarily attributable to continued emphasis on achieving overall cost efficiencies in response to the weaker than anticipated revenue trends for certain products. The fiscal 1998 decrease was also impacted by gains recognized from the sale of certain available-for-sale equity securities, an increase in the dollar amount of gains recognized from hedging activities, and increased royalty income offset in part by increased legal costs, additional investments in information technology, and marketing initiatives.

As discussed in Note 3 to the consolidated financial statements, the company recorded non-recurring pre-tax charges totaling $551.2 million, $205.3 million, and $50.0 million during fiscal 1999, 1998, and 1997, respectively.

INCOME TAXES
The company's effective income tax rate in fiscal 1999 was 43.0% compared to an

effective rate of 34.7% in fiscal 1998 and 34.2% in fiscal 1997, after restatement for the mergers with Physio-Control, Sofamor Danek, and AVE. Excluding the effects of the non-recurring charges discussed in Note 3 to the consolidated financial statements, the effective income tax rate in fiscal 1999 and fiscal 1998 would have been 34.1% and 34.4%, respectively. The reduction in the fiscal 1999 pre-charge effective tax rate is due to tax planning initiatives and management believes that additional tax planning initiatives should contribute to a further reduction in the effective tax rate for fiscal 2000.

LIQUIDITY AND CAPITAL RESOURCES

SUMMARY

Despite the significant number of mergers and acquisitions during fiscal 1999, the company retained its strong financial position during fiscal 1999. At April 30, 1999, working capital, the excess of current assets over current liabilities, totaled $1,404.9 million compared to $1,373.2 million at April 30, 1998. The current ratio at April 30, 1999, was 2.4:1 compared with 2.8:1 and 2.4:1 at April 30, 1998 and 1997, respectively. The decrease in the current ratio at April 30, 1999 is primarily related to remaining accrued liability balances at April 30, 1999 related to the $551.2 million pre-tax charges taken during fiscal 1999. 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 $119.1 million at April 30, 1999, compared to $451.1 million at April 30, 1998, and $114.5 million at April 30, 1997. The decrease in the company's net cash position during fiscal 1999 is primarily related to the $550.0 million early debt repayment related to AVE's acquisition of the coronary catheter lab business of C. R. Bard, Inc. and the $362.0 million of cash utilized for restructuring and merger related costs (see Note 3).

R&D EXPENSE

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

1999	$429.2
1998	367.9
1997	325.5

DIVIDENDS TO SHAREHOLDERS

Bar graph of dividends to shareholders in millions of dollars for the last three fiscal years are as follows:

1999	$131.9
1998	102.9
1997	90.7

CASH FLOW

Cash provided by operating activities was $455.3 million in fiscal 1999 compared to $685.3 million in fiscal 1998 and $482.7 million in fiscal 1997. Repurchases of common stock totaled $377.2 million in fiscal 1999, compared to $168.2 million and $476.6 million in fiscal 1998 and fiscal 1997, respectively. Additions to property, plant and equipment totaled $226.4 million in fiscal 1999, compared to $202.1 million and $205.5 million in fiscal 1998, and 1997, respectively. 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. Dividends paid to shareholders totaled $131.9 million, $102.9 million, and $90.7 million for fiscal 1999, 1998, and 1997, 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 pre-charge net earnings.

Significant sources of cash during fiscal 1999 included proceeds provided by the September 1998 secondary stock offering ($691.8 million of cash, net of issuance costs) and the issuance of $550.0 million of debt (by AVE) in conjunction with AVE's October 1998 acquisition of the coronary catheter lab business of C. R. Bard, Inc.

Significant uses of cash during fiscal 1999 included repayments on long-term debt (including the $550.0 million debt related to AVE's acquisition of the coronary catheter lab busi-

ness of C. R. Bard, Inc.), the acquisitions of Midas Rex, AVECOR, and the coronary catheter lab business of C. R. Bard, Inc. (by AVE), purchases of property, plant, and equipment, purchases of marketable securities, repurchases of common stock under the company's systematic stock repurchase plan, and dividends paid to shareholders. In addition, changes in prepaid expenses and other assets during fiscal 1999, include approximately $70 million in prepayments of foreign tax liabilities. These tax prepayments were funded through additional non-U.S. short-term borrowings.

DEBT AND CAPITAL

The company has a systematic stock repurchase program. During fiscal 1999, approximately 5.6 million shares were repurchased at an average price of $67.59. During fiscal 1998, approximately 3.5 million shares were repurchased at an average price of $47.90. The company repurchased shares to offset dilution resulting from shares issued in conjunction with the AVECOR purchase in fiscal 1999 and the issuance of stock under the employee stock purchase and award plans in fiscal 1999 and 1998. Future repurchases of common stock will depend upon the company's systematic stock repurchase plan, restrictions related to pooling transactions, and other factors.

The company's capital structure consists of equity and interest-bearing debt. Interest-bearing debt as a percent of total capital was 6.6% at April 30, 1999, compared with 6.8% and 9.9% at April 30, 1998, and 1997, respectively.

One of the company's key financial objectives is achieving an annual return on equity (ROE) of at least 20%. ROE compares net earnings to average shareholders' equity and is a key measure of management's ability to utilize the shareholders' investment in the company effectively. In fiscal 1999, ROE was 14.9% as compared to 24.8% and 28.4% in fiscal 1998 and 1997, respectively. Excluding the effects of the $551.2 million, $205.3 million, and $50.0 million pre-tax non-recurring charges taken in fiscal 1999, fiscal 1998, and fiscal 1997, ROE would have been 25.8%, 29.5%, and 29.7%, respectively. In each of the preceding nine years, ROE exceeded 20%.

MARKET RISK

Due to the global nature of its operations, the company is subject to the exposures that arise from foreign exchange rate fluctuations. Such exposures arise from transactions denominated in foreign currencies, primarily from translation of results of operations from outside the United States, intercompany loans, and intercompany purchases of inventory. The company is also exposed to interest rate changes.

The company's objective in managing its exposure to foreign currency fluctuations is to minimize earnings and cash flow volatility associated with foreign exchange rate changes. The company enters into various contracts that change in value as foreign exchange rates change to protect the value of its existing foreign currency assets, liabilities, commitments, and anticipated foreign currency revenues to meet these objectives. The principal currencies hedged are the Japanese yen and major European currencies. The gains and losses on these contracts offset changes in the value of the related exposures. It is the company's policy to enter into foreign currency transactions only to the extent true exposures exist. The company does not enter into foreign currency transactions for speculative purposes. The company's risk management activities for fiscal 1999 were successful in reducing the net earnings impact of currency fluctuations to an immaterial level despite adverse market conditions.

The fair value of all foreign currency derivative contracts outstanding at April 30, 1999 was $0.4 million, which does not represent the company's annual exposure. An analysis was prepared to estimate the sensitivity of the fair value of all derivative foreign exchange contracts to hypothetical 10% favorable and

unfavorable changes in spot exchange rates at April 30, 1999. Premiums paid for purchased options are included in the fair value. The results of this estimation, which may vary from actual results, are as follows (in millions):

	Fair Value of Derivatives
10% adverse rate movement	$ (36.5)
At April 30, 1999 rates	0.4
10% favorable rate movement	32.5

Any gains and losses on the fair value of derivative contracts would be largely offset by losses and gains on the underlying transactions or anticipated transactions. These offsetting gains and losses are not reflected in the above analysis. An analysis of the impact on the company's interest rate sensitive financial instruments of a hypothetical 10% change in short-term interest rates compared to interest rates at April 30, 1999 shows no significant impact on expected fiscal 2000 earnings.

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

In 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 experienced some consolidation, 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.

In the United States, the Food and Drug Administration (FDA), among other governmental agencies, is responsible for regulating the introduction of new medical devices, including laboratory and manufacturing practices, labeling and record keeping 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. Moreover, the FDA administers certain controls over the export of such devices from the United States. Many of the devices that Medtronic develops and markets are in a category for which the FDA has implemented stringent clinical investigation and pre-market clearance requirements. Any delay or acceleration experienced by the company in obtaining regulatory approvals to conduct clinical trials or in obtaining required market clearances (especially with respect to significant products in the regulatory process that have been discussed in the company's announcements) may affect the company's operations or the market's expectations for the timing of such events and, consequently, the market price for the company's common stock.

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 are increasing.

In the early 1990s, the review time by the FDA to clear medical devices for commercial release lengthened and the number of clearances, both of 510(k) submissions and pre-market approval applications, decreased. In response to public and congressional concern, the FDA Modernization Act of 1997 was adopted with the intent of bringing better definition to the clearance process. While FDA review times have improved since passage of the 1997 Act, there can be no assurance that the FDA review process will not involve delays or that clearances will be granted on a timely basis.

Medtronic is also subject to various environmental laws and regulations both within and outside the United States. 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 increased public interest in product liability claims for implanted medical devices, including pacemakers, leads, and spinal systems. 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. Within the past two years, United States District Courts in Arkansas, California, Florida, Kentucky, Ohio, and Pennsylvania have refused to certify class actions in cases brought against the company. This is consistent with the trend in class action law as it applies to the medical device industry generally. In addition, product liability claims may be asserted against the company in the future related to events not known to management at the present time. Management believes that the company's risk management practices, including insurance coverage, are reasonably adequate to protect against potential product liability losses.

In 1994, governmental authorities in Germany began an investigation into certain business and accounting practices by heart valve manufacturers. As part of this investigation, documents were seized from the company and certain other manufacturers. Subsequently, the United States Securities and Exchange Commission (SEC) also began an inquiry into this matter. In August 1996, the SEC issued a formal, non-public order of investigation to the company, as it did 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.

YEAR 2000 READINESS DISCLOSURE

Medtronic has had a formal program in place since 1996 with assigned Year 2000 staff to ensure that its critical areas, related to business information systems, products, facilities, non-information systems with embedded technology and key third party suppliers, will operate normally before, during and after the Year 2000.

The company has completed a review of its business information systems with regard to Year 2000 compliance and will either replace or correct, through programming modifications, those computer systems that have been found to have date-related deficiencies. It is anticipated that this remediation will be substantially complete by early fall 1999. No significant information technology projects have been deferred as a result of the company's efforts on Year 2000.

The company's products have been assessed and found to be Year 2000 compliant with the exception of a few requiring minor software upgrades or manual date changes. Delivery of therapy is not affected by the Year 2000 status of any of these products. The company's implantable devices, including pacemakers, defibrillators, drug infusion systems, neurostimulators, heart valves, and

spinal products, are not affected by the Year 2000 issue because they do not deliver therapy on the basis of a calendar date. These minor corrective actions, which are limited to certain programmers, instruments, and software products, are date-related and will not adversely affect patient

health or other system functions. The software for such items will be updated or instructions will be provided prior to the Year 2000 to correct for non-compliance.

The company is also assessing facility and telecommunication systems, and systems used to support manufacturing processes to ensure that these will be Year 2000 ready. It is anticipated that this assessment and any required remediation will be substantially completed by early fall 1999.

The company relies on third party providers for services such as raw materials procurement, telecommunications, utilities, financial services, distribution services, and other key services. Interruption of those services due to Year 2000 issues could affect the company's operations. The company has contacted its major suppliers, both domestic and foreign, to determine their Year 2000 readiness and Medtronic's potential exposure to a supply or sales interruption. Because the company's Year 2000 compliance is dependent upon key third parties (customers, suppliers, utilities, telecommunications providers and governments) also being Year 2000 compliant, there can be no guarantee that the company's efforts will prevent a material adverse impact on its financial position, results of operations or liquidity in future periods should a significant number of suppliers or customers experience business disruptions as a result of their lack of Year 2000 readiness.

The company estimates that it has incurred approximately $20 million to date in external and internal costs on a pre-tax basis to address its Year 2000 readiness issues. The company currently estimates that the total additional costs for addressing its internal Year 2000 readiness will not exceed $15 million on a pre-tax basis. Approximately $6.8 million of these costs have been capitalized to date related to Sofamor Danek's worldwide installation of a comprehensive software package. Remaining Year 2000 costs are being expensed as they are incurred and are being funded through operating cash flows. The company plans to devote the necessary resources to resolve all significant Year 2000 issues in a timely manner. The above cost estimates include costs associated with Year 2000 readiness for businesses acquired during fiscal 1999.

Throughout 1999, the company will determine areas where contingency planning is needed. The planning efforts include, but are not limited to, identification and mitigation of potential serious business interruptions, adjustment of inventory levels to meet customer needs, and establishing crisis response processes to address unexpected problems.

The company's statements regarding its Year 2000 readiness are forward-looking statements and are therefore subject to change as a result of known and unknown factors. Both the company's cost estimates and completion time frames could be influenced by the company's ability to successfully identify all Year 2000 issues, the nature and amount of remediation required, the availability and cost of trained personnel in this area and the Year 2000 success that key third parties and customers attain. While these and other unforeseen factors could have a material adverse impact on the company's financial position, results of operations or liquidity in future periods due to possible manufacturing delays or business disruptions caused by a lack of third party Year 2000 readiness, management believes that it has implemented an effective Year 2000 compliance program that will minimize the possible negative consequences to the company.

The Year 2000 readiness disclosure statement set forth above is a "Year 2000 Readiness Disclosure" under the federal Year 2000 Information and Readiness Disclosure Act.

CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS

Certain statements contained in this Annual Report and other written and oral

statements made from time to time by the company do not relate strictly to historical or current facts. As such, they are considered "forward-looking statements" which provide current expectations or forecasts of future events. Such statements can be identified by the use of terminology such as "anticipate," "believe," "estimate," "expect," "intend," "may," "could," "possible," "plan," "project," "should," "will," "forecast" and similar words or expressions. The company's forward-looking statements generally relate to its growth strategies, financial results, product development and regulatory approval programs, and sales efforts. One must carefully consider forward-looking statements and understand that such statements involve a variety of risks and uncertainties, known and unknown, and may be affected by inaccurate assumptions, including among others, those discussed in the previous section entitled "Government Regulation and Other Matters," and in Item 1 of the company's Annual Report on Form 10-K under the heading "Cautionary Factors That May Affect Future Results." Consequently, no forward-looking statement can be guaranteed and actual results may vary materially.

The company undertakes no obligation to update any forward-looking statement, but investors are advised to consult any further disclosures by the company on this subject in its filings with the Securities and Exchange Commission, especially on Forms 10-K, 10-Q, and 8-K (if any), in which the company discusses in more detail various important factors that could cause actual results to differ from expected or historic results. The company notes these factors as permitted by the Private Securities Litigation Reform Act of 1995. It is not possible to foresee or identify all such factors. As such, investors should not consider any list of such factors to be an exhaustive statement of all risks, uncertainties or potentially inaccurate assumptions.

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/ Bill George

William W. George
Chairman and Chief Executive Officer

/s/ Arthur D. Collins Jr.

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

/s/ Robert L. Ryan

Robert L. Ryan
Senior Vice President and Chief Financial Officer

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying consolidated balance sheet and the related statements of consolidated earnings, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Medtronic, Inc., and its subsidiaries at April 30, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended April 30, 1999, 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/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
May 27, 1999

STATEMENT OF CONSOLIDATED EARNINGS

(in millions of dollars, except per share data)			Medtronic, Inc.
Year ended April 30,	1999	1998	1997
NET SALES	$ 4,134.1	$ 3,343.0	$ 2,944.6
COSTS AND EXPENSES:			
Cost of products sold	1,102.8	875.5	760.8
Research and development expense	429.2	367.9	325.5
Selling, general, and administrative expense	1,280.1	1,019.0	944.5
Non-recurring charges	371.3	156.4	50.0
Purchased in-process research and development	150.9	--	--
Foundation commitment	--	36.0	--
Interest expense	28.8	15.3	15.4
Interest income	(51.0)	(27.3)	(38.3)
TOTAL COSTS AND EXPENSES	3,312.1	2,442.8	2,057.9
EARNINGS BEFORE INCOME TAXES	822.0	900.2	886.7
PROVISION FOR INCOME TAXES	353.6	312.4	303.5
NET EARNINGS	$ 468.4	$ 587.8	$ 583.2
WEIGHTED AVERAGE SHARES OUTSTANDING	578.2	565.5	570.0
BASIC EARNINGS PER SHARE	$ 0.81	$ 1.04	$ 1.02
EARNINGS PER SHARE ASSUMING DILUTION	$ 0.79	$ 1.02	$ 1.00

WEIGHTED AVERAGE SHARES OUTSTANDING ASSUMING DILUTION	592.9	578.7	585.5

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET

(in millions of dollars)	Medtronic, Inc.	
April 30,	1999	1998
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 222.1	$ 519.5
Short-term investments	153.8	123.6
Accounts receivable, less allowance for doubtful accounts of $32.3 and $24.1	1,004.6	789.6
Inventories:		
Finished goods	301.7	207.8
Work in process	103.5	90.2
Raw materials	148.8	124.8
Total Inventories	554.0	422.8
Deferred tax assets	256.0	194.8
Prepaid expenses and other current assets	204.7	87.0
TOTAL CURRENT ASSETS	2,395.2	2,137.3
PROPERTY, PLANT, AND EQUIPMENT:		
Land and land improvements	46.2	32.2
Buildings and leasehold improvements	360.3	264.0
Equipment	873.5	800.7
Construction in progress	128.0	92.5
	1,408.0	1,189.4
Accumulated depreciation	(659.2)	(562.4)
Net Property, Plant, and Equipment	748.8	627.0
GOODWILL, net of accumulated amortization of $136.7 and $97.7	1,062.8	410.1
OTHER INTANGIBLE ASSETS, net of accumulated amortization of $92.7 and $72.7	263.2	153.7
LONG-TERM INVESTMENTS	203.5	138.6
OTHER ASSETS	196.8	179.5
TOTAL ASSETS	$4,870.3	$3,646.2
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	$ 239.2	$ 130.8
Accounts payable	153.2	122.0
Accrued compensation	180.4	211.9
Accrued income taxes	49.5	97.2
Other accrued expenses	368.0	202.2
TOTAL CURRENT LIABILITIES	990.3	764.1
LONG-TERM DEBT	17.6	61.2
DEFERRED TAX LIABILITIES	30.8	13.4
OTHER LONG-TERM LIABILITIES	177.0	156.9
TOTAL LIABILITIES	1,215.7	995.6
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, 585,225,807 and 570,032,303 shares issued and outstanding	58.5	57.0
Retained earnings	3,715.7	2,676.0
Accumulated other non-owner changes in equity	(93.4)	(54.5)
	3,680.8	2,678.5
Receivable from Employee Stock Ownership Plan	(26.2)	(27.9)
TOTAL SHAREHOLDERS' EQUITY	3,654.6	2,650.6
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$4,870.3	$3,646.2

See accompanying notes to consolidated financial statements.

STATEMENT OF CONSOLIDATED SHAREHOLDERS' EQUITY

(in millions of dollars)					Medtronic, Inc.
	Common Stock	Retained Earnings	Accumulated Other Non-Owner Changes in Equity	Receivable from ESOP	Total Shareholders' Equity
BALANCE, APRIL 30, 1996	$ 57.1	$ 1,940.9	$ 56.7	$ (28.7)	$ 2,026.0
Total non-owner changes in equity:					
Net earnings		583.2			583.2
Other non-owner changes in equity					
Change in unrealized gain (loss) on investments net of $31.4 tax benefit			(57.9)		(57.9)
Translation adjustments			(59.5)		(59.5)
Total comprehensive income					$ 465.8
Dividends paid		(90.7)			(90.7)
Issuance of common stock of acquired subsidiary	0.06	83.5			83.6
Issuance of common stock under employee benefit and incentive plans	0.04	49.8			49.8
Repurchases of common stock	(0.7)	(475.9)			(476.6)
Income tax benefit from restricted stock and nonstatutory stock options		26.8			26.8
Repayment from ESOP				0.8	0.8
BALANCE, APRIL 30, 1997	$ 56.5	$ 2,117.6	$ (60.7)	$ (27.9)	$ 2,085.5
Net earnings		587.8			587.8
Other non-owner changes in equity					
Change in unrealized gain (loss) on investments net of $11.8 tax expense			21.8		21.8
Translation adjustments			(14.4)		(14.4)
Minimum pension liability			(1.2)		(1.2)
Total comprehensive income					$ 594.0
Dividends paid		(102.9)			(102.9)
Issuance of common stock of acquired subsidiary	0.1	4.0			4.1
Issuance of common stock under employee benefit and incentive plans	0.8	179.7			180.5
Repurchases of common stock	(0.4)	(167.8)			(168.2)
Income tax benefit from restricted stock and nonstatutory stock options		57.6			57.6
BALANCE, APRIL 30, 1998	$ 57.0	$ 2,676.0	$ (54.5)	$ (27.9)	$ 2,650.6
Net earnings		468.4			468.4
Other non-owner changes in equity					
Change in unrealized gain (loss) on investments net of $5.9 tax benefit			(10.9)		(10.9)
Translation adjustments			(24.9)		(24.9)
Minimum pension liability			(3.1)		(3.1)
Total comprehensive income					$ 429.5
Adjustment for poolings-of-interests		19.4			19.4
Dividends paid		(131.9)			(131.9)
Issuance of common stock from secondary offering	1.1	690.7			691.8
Issuance of common stock under employee benefit and incentive plans	0.1	55.8			55.9
Issuance of common stock in acquisition of subsidiaries	0.9	252.4			253.3
Repurchases of common stock	(0.6)	(376.6)			(377.2)
Income tax benefit from restricted stock and nonstatutory stock options		61.5			61.5
Repayment from ESOP				1.7	1.7
BALANCE, APRIL 30, 1999	$ 58.5	$ 3,715.7	$ (93.4)	$ (26.2)	$ 3,654.6

See accompanying notes to consolidated financial statements.

STATEMENT OF CONSOLIDATED CASH FLOWS

(in millions of dollars)			Medtronic, Inc.
Year ended April 30,	1999	1998	1997
OPERATING ACTIVITIES			
Net earnings	$ 468.4	$ 587.8	$ 583.2
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	213.1	161.2	131.5
Non-recurring charges, net	177.3	126.0	48.8
Deferred income taxes	(35.9)	19.0	(12.5)
Changes in operating assets and liabilities:			
Increase in accounts receivable	(180.9)	(147.4)	(96.4)
Increase in inventories	(86.7)	(78.5)	(46.0)
Increase in prepaid expenses and other assets	(127.2)	(70.1)	(49.1)
(Decrease) increase in accounts payable and accrued liabilities	76.6	47.0	(27.9)
(Decrease) increase in accrued income taxes	(54.8)	41.4	(45.8)
(Decrease) increase in deferred income	3.6	0.1	(1.6)
(Decrease) increase in postretirement benefit accrual	(0.4)	(0.5)	1.3
(Decrease) increase in other long-term liabilities	2.2	(0.7)	(2.8)
NET CASH PROVIDED BY OPERATING ACTIVITIES	455.3	685.3	482.7
INVESTING ACTIVITIES			
Additions to property, plant, and equipment	(226.4)	(202.1)	(205.5)
Acquisitions, net of cash acquired	(1,017.4)	(3.4)	(52.8)

Sales and maturities of marketable securities	651.5	84.8	856.8
Purchases of marketable securities	(684.2)	(86.7)	(549.3)
Other investing activities	(30.7)	(65.4)	(114.9)
NET CASH USED IN INVESTING ACTIVITIES	(1,307.2)	(272.8)	(65.7)
FINANCING ACTIVITIES			
Increase in short-term borrowings	107.8	33.9	83.7
Payments on long-term debt	(615.2)	(163.2)	(81.8)
Issuance of long-term debt	571.6	93.4	68.9
Proceeds from stock offering of acquired subsidiary	--	4.1	83.6
Dividends to shareholders	(131.9)	(102.9)	(90.7)
Repurchases of common stock	(377.2)	(168.2)	(476.6)
Issuance of common stock	1,001.0	180.5	49.8
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	556.1	(122.4)	(363.1)
Effect of exchange rate changes on cash and cash equivalents	(1.6)	1.0	(4.4)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(297.4)	291.1	49.5
Cash and cash equivalents at beginning of year	519.5	228.4	178.9
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 222.1	$ 519.5	$ 228.4
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid during the year for:			
Income taxes	$ 371.5	$ 263.5	$ 339.4
Interest	28.7	15.8	15.4
SUPPLEMENTAL NONCASH INVESTING AND FINANCING ACTIVITIES			
Issuance of common stock for acquisition of subsidiary, net of cash acquired	$ 164.3	$ --	$ --

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in millions of dollars, except per share data) Medtronic, Inc.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Medtronic is the world's leading medical technology company, pioneering device-based therapies that restore health, extend life, and alleviate pain. The company provides innovative products and therapies for the health care needs of medical professionals and their patients. Headquartered in Minneapolis, Minnesota, operations are primarily focused on providing therapeutic, diagnostic, and monitoring systems for the cardiac rhythm management, cardiovascular, and neurological and spinal markets. The company generally markets its products through a direct sales force in the United States and a combination of direct sales representatives and independent distributors in international markets. The main markets for products are the United States, Western Europe, and Japan.

PRINCIPLES OF CONSOLIDATION

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

USE OF ESTIMATES

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

CASH EQUIVALENTS

The company considers highly liquid investments with maturities of three months or less from the date of purchase to be cash equivalents. These investments are valued at cost, which approximates fair value.

REVENUE RECOGNITION

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

INVENTORIES

Inventories are stated at the lower of cost or market, with cost determined on a

first-in, first-out basis.

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

GOODWILL, OTHER INTANGIBLE ASSETS, AND LONG LIVED ASSETS
Goodwill represents the excess of cost over net assets of businesses acquired, while other intangible assets consist primarily of purchased technology and patents. Goodwill and other intangible assets are being amortized using the straight-line method over their estimated useful lives, of which periods up to 26 and 15 years remain, respectively. The company periodically reviews its goodwill and other long-lived assets for indicators of impairment in accordance with SFAS No. 121.

RESEARCH AND DEVELOPMENT
Research and development costs are expensed when incurred. Purchased in-process research and development is recognized in purchase business combinations for the portion of the purchase price allocated to the appraised value of in-process technologies. The portion assigned to in-process technologies excludes the value of core and developed technologies, which are recognized as intangible assets.

STOCK-BASED COMPENSATION
The company has adopted the disclosure-only provisions of Statement of Financial Accounting Standard (SFAS) No. 123, "Accounting for Stock-Based Compensation", which disclosures are presented in Note 8 "Stock Purchase and Award Plans." Accordingly, the company continues to account for stock-based compensation using the intrinsic value method as prescribed under Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees" and related Interpretations.

FOREIGN CURRENCY TRANSLATION
Essentially all assets and liabilities are translated to U.S. dollars at year-end exchange rates, while elements of the income statement are translated at average exchange rates in effect during the year. Foreign currency transaction gains and losses are included in the statement of consolidated earnings as selling, general, and administrative expense. Adjustments arising from the translation of most net assets located outside the United States (gains and losses) are recorded as a component of accumulated other non-owner changes in equity.

RISK MANAGEMENT CONTRACTS
In the normal course of business, the company enters into various contracts that change in value as foreign exchange rates change, to manage its exposure to fluctuations in foreign currency exchange rates. The company designates and assigns the financial instruments as hedges for specific assets, liabilities or anticipated transactions. When hedged assets or liabilities are sold or extinguished, the company recognizes the gain or loss on the designated hedging financial instruments. The company classifies its derivative financial instruments as held or issued for purposes other than trading. Prepaid option premiums and unrealized losses on forward contracts are recorded in the balance sheet as other assets. Unrealized gains on forward contracts are included in other accrued liabilities. Gains and losses from hedges of firm commitments are classified in the income statement consistent with the accounting treatment of the items being hedged.

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

EARNINGS PER SHARE

Basic earnings per share is computed based on the weighted average number of common shares outstanding, while diluted earnings per share is computed based on the weighted average number of common shares outstanding adjusted by the number of additional shares that would have been outstanding had the potential dilutive common shares been issued. Potential dilutive shares of common stock include stock options and other stock-based awards granted under stock-based compensation plans and shares committed to be purchased under the employee stock purchase plan.

NEW ACCOUNTING STANDARDS

During the first quarter of fiscal 1999, the company adopted Statement of Financial Accounting Standard No. 130 "Reporting Comprehensive Income" (SFAS No. 130). In addition to net earnings, other non-owner changes in equity includes, as applicable, unrealized gains and losses on available for sale securities, foreign currency translation adjustments, and minimum pension liability. The company's adoption of SFAS No. 130 had no effect on the company's results of operations, cash flows or financial position.

Effective April 30, 1999, the company adopted Statement of Financial Accounting Standard No. 131 "Disclosure about Segments of an Enterprise and Related Information" (SFAS No. 131). This statement, which supersedes SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise", establishes new standards for reporting information about operating segments and related disclosures about products, geographic areas, and major customers in annual and interim financial statements. Under SFAS No. 131, operating segments are determined consistent with the way management organizes and evaluates financial information internally for making decisions and assessing performance. The company's adoption of SFAS No. 131 had no effect on the company's results of operations, cash flows or financial position.

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), which is required to be adopted for fiscal years beginning after June 15, 2000, although earlier application is permitted as of the beginning of any fiscal quarter. This statement will require the company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The company is in the process of determining if earlier application would be feasible and what effect the adoption of SFAS No. 133 will have on the company's results of operations, cash flows, or financial position.

NOTE 2--ACQUISITIONS

POOLING-OF-INTERESTS METHOD

On January 28, 1999, the company issued approximately 50.6 million shares of its common stock for all of the outstanding capital stock of Arterial Vascular Engineering, Inc. (AVE). AVE designs and manufactures minimally invasive solutions for the treatment of coronary artery and peripheral vascular disease. AVE's product offerings include coronary stents, balloon catheters, guidewires, and guiding catheters.

On January 27, 1999, the company issued approximately 45.0 million shares of its common stock for all of the outstanding capital stock of Sofamor Danek Group, Inc. (Sofamor Danek). Sofamor Danek is primarily involved in developing, manufacturing, and marketing devices, instruments, computer-assisted visualization products, and biomaterials used in the treatment of spinal and cranial disorders.

On September 30, 1998, the company issued approximately 8.6 million shares of its common stock for all of the outstanding capital stock of Physio-Control International Corporation (Physio-Control). Physio-Control designs,

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manufactures, markets, and services an integrated line of noninvasive emergency cardiac defibrillator and vital sign assessment devices, disposable electrodes, and data management software.

In June 1996, the company issued approximately 7.7 million shares of its common stock for all of the outstanding capital stock of InStent Inc. (InStent). InStent develops, manufactures, and markets a variety of self-expanding and balloon-expandable stents used in a broad range of medical indications.

In May 1996, the company issued approximately 2.3 million shares of its common stock for all of the outstanding capital stock of AneuRx, Inc. (AneuRx), which provides a minimally invasive endovascular stented graft and delivery system used to repair life-threatening abdominal aortic aneurysms.

The company's consolidated financial statements for prior years have been restated to include the results of AVE, Sofamor Danek, and Physio-Control. Net sales and net earnings for the individual entities for fiscal 1998 and 1997 were as follows:

Year ended April 30, 1998	Net Sales	Net Earnings
Medtronic (as previously reported)	$ 2,604.8	$ 457.4
AVE	228.0	60.4
Sofamor Danek	331.6	60.5
Physio-Control	178.6	9.5
Combined	$ 3,343.0	$ 587.8

Year ended April 30, 1997	Net Sales	Net Earnings
Medtronic (as previously reported)	$ 2,438.2	$ 530.0
AVE	75.1	24.7
Sofamor Danek	260.1	13.9
Physio-Control	171.2	14.6
Combined	$ 2,944.6	$ 583.2

The combined results for the fiscal years ended April 30, 1998 and 1997 represent the historical results of Medtronic for the fiscal year ended April 30, 1998 combined with the historical results of AVE, Sofamor Danek, and Physio-Control for the 12 months ended March 31, 1998 and 1997. Effective May 1, 1998, Physio-Control's, Sofamor Danek's, and AVE's fiscal year end has been changed from December 31 for Physio-Control and Sofamor Danek and June 30 for AVE, respectively, to April 30 to conform to the company's fiscal year end. Accordingly, Physio-Control's, Sofamor Danek's, and AVE's results for the one month period ended April 30, 1998 have been excluded from the company's combined results and have been reported as an adjustment to May 1, 1998 retained earnings.

PURCHASE METHOD

On April 30, 1999, the company acquired all of the outstanding capital stock of Micro Motion Sciences (Micro Motion) for $9.8. Micro Motion develops advanced lead and catheter placement technology.

On March 8, 1999, the company issued approximately 1.3 million shares of its common stock for all of the outstanding capital stock of AVECOR Cardiovascular Inc. (AVECOR). AVECOR develops, manufactures, and markets specialty medical devices for heart/lung bypass surgery and long-term respiratory support. In March 1999, subsequent to the closing of this transaction, the company repurchased in the open market the equivalent number of shares issued in the

AVECOR acquisition.

Prior to the merger with the company, AVE acquired all of the outstanding capital stock of World Medical Manufacturing Corporation (World Medical) on December 14, 1998 in exchange for approximately $70.8 in AVE common stock and other consideration. World Medical develops, manufactures, and markets an endovascular stented graft and delivery system for the treatment of abdominal aortic aneurysms. In addition, on October 1, 1998, AVE acquired the coronary catheter lab business of C. R. Bard, Inc. for a purchase price of approximately $610.7. The Bard Cath Lab business includes a broad range of catheter-based technologies including balloon catheters, guidewires, and coronary stents.

On October 16, 1998, the company acquired all of the assets and certain liabilities of Midas Rex, L.P., of Fort Worth, Texas, for approximately $230.0 in cash. Midas Rex is the market leader in high-speed neurological powered instruments, including pneumatic instrumentation for surgical dissection of bones, biometals, bioceramics, and bioplastics. Other instruments manufactured by Midas Rex assist in orthopedic, otolaryngological, maxillofacial, and craniofacial procedures, as well as plastic surgery.

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

The acquisitions of Micro Motion, AVECOR, World Medical, Bard Cath Lab, Midas Rex, and Avalon, 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 5 to 12 years for intangibles and 25 years for goodwill.

The purchase price allocation related to fiscal 1999 acquisitions was as follows:

Net assets acquired	$ 53.0
Goodwill	685.2
In-process R&D	150.9
Other intangibles	128.3
	$ 1,017.4

Pro forma information related to these acquisitions is not included as the impact of these acquisitions both individually and in the aggregate is not deemed to be material.

NOTE 3--NON-RECURRING CHARGES

The company recorded pre-tax charges totaling $551.2 during fiscal 1999. $149.3 of this pre-tax charge related to one-time transaction related costs incurred in connection with the Physio-Control, Sofamor Danek, and AVE mergers. $189.0 of this pre-tax charge pertained to management initiatives to restructure worldwide operations for the new vascular and cardiac surgery organizations and certain operations for Sofamor Danek. These actions will include the closing of ten manufacturing facilities and will result in the elimination of approximately 2,450 positions over the next year. The components of these charges included $10.9 for facility reductions, $73.6 for severance and related costs, $63.1 for impairments to reduce the carrying value of fixed assets and certain other assets to fair value, and $41.4 for noncancelable contractual commitments and other non-recurring expenses.

Also, in connection with the restructuring of the operations, the $551.2 pre-tax charge included a $29.0 charge to cost of products sold primarily related to discontinued product lines.

$45.8 of the $551.2 pre-tax charge relates to the charge for the purchase of

in-process research and development related to AVE's December 1998 acquisition of World Medical. $45.8 of the $70.8 purchase price represents purchased in-process technology that had not yet reached technological feasibility and had no alternative future use. Accordingly, this amount was immediately expensed upon consummation of the World Medical acquisition. The value assigned to purchased in-process technology was based on a valuation prepared by an independent third-party appraisal company and was determined by identifying research projects in areas for which technological feasibility had not been established, including the Talent System and two smaller programs. The value was determined by estimating the costs to develop the purchased in-process technology into commercially viable products, estimating the resulting net cash flows from such projects, and discounting the net cash flows back to their present value. The discount rate included a factor that takes into account the uncertainty surrounding the successful development of the purchased in-process technology.

$95.3 of the $551.2 pre-tax charge relates to a charge for the purchase of in-process research and development related to AVE's October 1998 acquisition of coronary catheter lab business of C. R. Bard. $95.3 of the $610.7 purchase price represents purchased in-process technology that had not yet reached technological feasibility and had no alternative use. Accordingly, this amount was immediately expensed upon consummation of the acquisition. The value assigned to purchased in-process technology was based on a valuation prepared by an independent third-party appraisal company and was determined by identifying research projects in areas for which technological feasibility had not been established, including a rapid exchange perfusion catheter, a stent development program, and eight other minor product categories. The value was determined by estimating the costs to develop the purchased in-process technology into commercially viable products, estimating the resulting net cash flows from such projects, and discounting the net cash flows back to their present value. The discount rate included a factor that takes into account the uncertainty surrounding the successful development of the purchased in-process technology.

Included in the $551.2 pre-tax charge was $9.8 for the purchase of outside in-process research and development related to the acquisition of certain advanced catheter delivery technology from Micro Motion Sciences in April 1999.

The company anticipates the initial products developed from the acquired in-process research and development related to the acquisitions of World Medical, the coronary catheter lab business of C. R. Bard and Micro Motion to be released between fiscal 2000 and 2002. The company expects that all the acquired in-process research and development will reach technological feasibility, but there can be no assurance that the commercial viability of these products will actually be achieved. If commercial viability is not achieved, the company would look to other alternatives to provide these solutions.

Included in the $551.2 pre-tax charge was $25.0 for additional reserves necessary to conclude certain outstanding litigation of Sofamor Danek (See Note 12).

Included in the $551.2 pre-tax charge was $8.0 related to Sofamor Danek's June 1998 special charge for payments made under two strategic development and licensing agreements.

The company recorded pre-tax charges totaling $205.3 during the third quarter of fiscal 1998. $156.4 of this pre-tax charge pertained to management initiatives to reduce global infrastructure by streamlining certain manufacturing and administrative operations within the United States, Europe, and Japan. These actions include the closing of several manufacturing facilities and resulted in the elimination of approximately 1,000 positions. In connection with this initiative, included in the $205.3 pre-tax charge was a $12.9 obsolescence

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charge to cost of products sold as a result of identified obsolescence on certain vascular inventories. During fiscal 1998, the company announced plans to close Micro Interventional Systems (MIS) as a result of identifying evidence of improper submissions to the U.S. Food and Drug Administration (FDA) for product clearances prior to Medtronic's acquisition of MIS in November 1995. The company has begun legal action on this matter and costs related to closing MIS were included in the $205.3 of non-recurring charges taken during fiscal 1998. Also included in the $205.3 pre-tax charge was a commitment made by the company to contribute $36.0 million to the Medtronic Foundation (See Note 12).

During fiscal 1997, Sofamor Danek recorded a special product liability litigation charge of $50.0. This charge was recorded in order to recognize the anticipated costs associated with the defense and conclusion of certain product liability cases in which Sofamor Danek is named as defendant (See Note 12).

The majority of the actions relating to the fiscal 1998 charges have been completed. The initiatives announced during fiscal 1999 are expected to be substantially completed by the end of fiscal 2000. Since the inception of the restructuring programs, approximately 1,900 positions have been eliminated. Noncash utilizations of the reserves were $137.9 and $92.2 in fiscal 1999 and 1998, respectively. The remaining reserve balances at April 30, 1999 are included in current accrued liabilities except for $15.5 which is included in other long-term liabilities.

The activity impacting the accruals for restructuring and merger-related charges during fiscal 1997, 1998 and 1999 is as follows:

	Charges to Operations in 1997	Charges Utilized in 1997	Charges to Operations in 1998	Charges Utilized in 1998	Charges to Operations in 1999	Charges Utilized in 1999	Balance at April 30, 1999
Transaction related costs	$ --	$ --	$ --	$ --	$ 149.3	$ (136.5)	$ 12.8
Purchased in-process R&D	--	--	--	--	150.9	(150.9)	--
Facility reductions	--	--	7.6	(3.6)	10.9	(5.2)	9.7
Severance and related costs	--	--	58.4	(13.6)	73.6	(44.8)	73.6
Asset write-downs	--	--	81.7	(81.7)	92.1	(92.1)	--
Noncancelable contractual obligations and other	--	--	57.6	(17.6)	49.4	(48.7)	40.7
Litigation reserve	50.0	(1.2)	--	(11.6)	25.0	(21.7)	40.5
Total	$ 50.0	$ (1.2)	$ 205.3	$ (128.1)	$ 551.2	$ (499.9)	$ 177.3

NOTE 4--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,	1999		1998	
	CARRYING AMOUNT	FAIR VALUE	Carrying Amount	Fair Value
ASSETS				
Short-term investments	$ 153.8	$ 153.8	$ 123.6	$ 123.6
Long-term investments	203.5	203.5	138.6	138.6
Net purchased currency options	--	--	0.8	0.8
Forward exchange contracts	--	--	12.0	12.0
LIABILITIES				
Forward exchange contracts	0.4	0.4	--	--

Short-term debt	239.2	239.2	130.8	130.8
Long-term debt	17.6	18.0	61.2	69.2

The fair value of certain short-term and long-term investments are based on quoted market prices for those or similar investments. For long-term investments which have no quoted market prices and are accounted for on a cost basis, a reasonable estimate of fair value was made using available market and financial information. The fair value of long-term debt is based on the current rates offered to the company for debt of similar maturities. The estimates presented on long-term financial instruments are not necessarily indicative of the amounts that would be realized in a current market exchange. The fair value of foreign currency instruments was estimated based on quoted market prices at April 30, 1999 and 1998.

Investments in debt and equity securities that have readily determinable fair values are classified and accounted for in one of two categories: held-to-maturity, 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 accumulated other non-owner changes in equity. Management determines the appropriate classification of its investments in debt and equity securities at the time of purchase and reevaluates such determinations at each balance sheet date.

At April 30, 1999 and 1998, 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, 1999 and 1998 were as follows:

	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
APRIL 30, 1999	$ 84.9	$ 33.2	$ (19.4)	$ 98.7
April 30, 1998	66.9	32.7	(2.0)	97.6

At April 30, 1999 and 1998, the net unrealized gain associated with available-for-sale securities of $9.0 and $19.9 respectively, net of tax expense of $4.8 and $10.7, was included in accumulated other non-owner changes in equity. Proceeds from the sale of available-for-sale securities during fiscal 1999 and 1998 were $38.4 and $37.2, respectively. In addition, during fiscal 1999, 1998, and 1997 the company donated equity securities with fair values of $25.5, $10.5, and $13.4, respectively, to fund commitments to the Medtronic Foundation (See Note 12). Net gains included in income in fiscal 1999 and 1998 were $36.7 and $25.5, respectively.

Held-to-maturity investments at April 30, 1999 consisted primarily of U.S. government and corporate debt securities, all of which mature within three years. Debt securities are classified as held-to-maturity when the company has the positive intent and ability to hold the securities to maturity. These securities were carried at amortized cost of $365.8 and have a fair value of $365.8. During the fourth quarter of fiscal 1997, the company sold previously categorized held-to-maturity investments with an amortized cost of $316.1 to fund repurchases of company common stock, resulting in a loss that was not material. Election of this funding option does not affect the classification of the April 30, 1999 balance of the securities in the held-to-maturity portfolio as the company retains the intent and ability to hold those securities until they mature.

FOREIGN EXCHANGE RISK MANAGEMENT

Due to the global nature of its operations, the company is subject to the exposures that arise from foreign exchange rate fluctuations. The company's objective in managing its exposure to foreign currency fluctuations is to minimize net earnings and cash flow volatility associated with foreign exchange

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rate changes. In order to reduce the uncertainty of foreign exchange rate movements, the company enters into various contracts with major international financial institutions that change in value as foreign exchange rates change. These contracts, which typically expire within one to two years, 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 principal currencies hedged are the Japanese yen and major European currencies.

The company had contracts, all of which expire within two years, to exchange foreign currencies for U.S. dollars in the following notional amounts:

April 30,	1999	1998
Forward exchange contracts	$ 361.0	$ 152.5
Put options	--	0.8

The company had aggregate foreign currency transaction gains, primarily related to purchased currency options and forward contracts, of $0.6, $15.5, and $2.6, in fiscal 1999, 1998, and 1997, respectively. Realized gains on these contracts were offset by the losses on assets, liabilities, and transactions being hedged. Forward 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 interest-bearing 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 one 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. The company monitors the creditworthiness of its customers to which it grants credit terms in the normal course of business. However, a significant amount of trade receivables are with national health care systems in many 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 5--DEBT

Debt consisted of the following at April 30:

Short-Term Debt	Average Interest Rate	1999	1998
Bank borrowings	1.8%	$ 193.8	$ 127.3
Current portion of long-term debt	4.7%	45.4	3.5
Total Short-Term Debt		$ 239.2	$ 130.8

Long-Term Debt	Average Interest Rate	Maturity Date	1999	1998

Various notes	1.2%	2000-2008	$ 10.5	$ 54.0
Subordinated convertible note	5.5%	2004	4.5	4.5
Capitalized lease obligations	8.8%	1999-2009	2.6	2.7
Total Long-Term Debt			$ 17.6	$ 61.2

Short-term borrowings consisted primarily of borrowings from non-U.S. banks at favorable interest rates and where natural hedges can be gained for foreign exchange purposes. The company has existing committed lines of credit of $477 million with various banks, of which $242 million was unused at April 30, 1999. Maturities of long-term debt for the next five fiscal years are as follows: 2000, $45.4; 2001, $1.9; 2002, $1.6; 2003, $1.6; 2004, $11.3, thereafter, $1.2.

NOTE 6--SHAREHOLDERS' EQUITY

On July 10, 1997, the Board of Directors approved a two-for-one common stock split, effected September 12, 1997 in the form of a 100 percent stock dividend to shareholders of record at the close of business on August 29, 1997. The stock split resulted in the issuance of 234.5 million additional shares and the reclass of $23.5 from retained earnings to common stock, representing the par value of the shares issued. All references in the consolidated financial statements and notes to consolidated financial statements to per share information, number of shares, except shares authorized, and related share prices have been restated to reflect this stock split.

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 sixteen-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 $37.50 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 $.000625 any time before a person or group triggers the 15% ownership threshold. The rights expire on July 10, 2001.

NOTE 7--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 million from the company and used the proceeds to purchase 9,466,464 shares of the company's common stock. The company makes 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,	1999	1998	1997
Interest expense	$ 2.4	$ 2.5	$ 2.6
Dividends paid	(2.4)	(2.0)	(1.8)
Net interest expense	0.0	0.5	0.8
Compensation expense	1.7	0.1	0.8

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Total expense	$ 1.7	$ 0.6	$ 1.6

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. Allocations of 2.59%, 2.50%, and 3.00% of qualified compensation were made to plan participants' accounts in fiscal 1999, 1998, and 1997, respectively. In addition, effective May 1, 1998, the company match on the supplemental retirement plan will be received by participants in the form of an additional annual allocation of Medtronic stock to the participants' employee stock ownership plan account. The expense to the company related to this company match is included in the table above.

At April 30, 1999 and 1998, cumulative allocated shares remaining in the trust were 3,895,664 and 3,870,704, respectively, and unallocated shares were 5,167,717 and 5,396,014, respectively, of which, 534,205 and 228,297, respectively, were committed-to-be allocated. Unallocated shares are released based on the ratio of current debt service to total remaining principal and interest. The loan from the company to the ESOP is repayable over 20 years, ending on April 30, 2010. Interest is payable annually at a rate of 9.0%. The receivable from the ESOP is recorded as a reduction of the company's shareholders' equity and allocated and unallocated shares of the ESOP are treated as outstanding common stock in the computation of earnings per share.

NOTE 8--STOCK PURCHASE AND AWARD PLANS

1994 STOCK AWARD PLAN

The 1994 stock award plan provides for the grant of nonqualified and incentive stock options, stock appreciation rights, performance shares, and other stock-based awards. There were approximately 9.9 million shares available under this plan for future grants at April 30, 1999.

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.

In fiscal 1998, the company adopted a new stock compensation plan for outside directors which replaces the provisions in the 1994 stock award plan relating to awards to outside directors. The table below includes awards granted under the new plan, which at April 30, 1999 had approximately 1.4 million shares available for future grants.

A summary of nonqualified option transactions is as follows:

	Option Price Range Per Share	Number of Shares	Expiration Date
Outstanding at April 30, 1997	$ 2.44 - 34.57	12,077,100	1998 - 2007
Granted	27.06 - 53.31	2,564,633	2003 - 2008
Exercised	2.44 - 48.44	3,612,002	1998 - 2008
Canceled	9.39 - 53.31	190,666	2003 - 2008

	Option Price Range Per Share	Number of Shares	Expiration Date

Outstanding at April 30, 1998	$ 2.55 - 53.31	10,839,065	1999 - 2008
Granted	51.38 - 76.63	3,665,584	2004 - 2009
Exercised	2.55 - 65.00	2,067,366	1999 - 2009
Canceled	9.39 - 70.94	362,471	2004 - 2009
Outstanding at April 30, 1999	$ 2.99 - 76.63	12,074,812	2000 - 2009
Exercisable at April 30, 1998	$ 2.55 - 53.31	6,721,822	1999 - 2008
Exercisable at April 30, 1999	$ 2.99 - 70.94	7,284,354	2000 - 2009

A summary of stock option transactions assumed as part of certain fiscal 1999 acquisitions is as follows:

	Option Price Range Per Share	Number of Shares	Expiration Date
Outstanding at date of acquisition	$ .0012 - 86.74	13,765,962	1999 - 2009
Exercised	.0012 - 54.09	1,335,871	1999 - 2009
Canceled	8.47 - 69.08	47,149	2004 - 2009
Outstanding at April 30, 1999	$ .07 - 86.74	12,382,942	2000 - 2009
Exercisable at April 30, 1999	$ .07 - 86.74	9,870,485	2000 - 2009

In addition, stock options outstanding at April 30, 1999 assumed as part of certain fiscal 1997 and 1996 acquisitions were 143,244 and 259, respectively. Stock options exercisable under these plans were 139,241 and 0 at April 30, 1999. These options have a price range per share of $0.98 - $28.58 at April 30, 1999 and expire 2000-2007. No additional awards will be made under these plans.

A summary of stock options as of April 30, 1999, including options assumed as a result of acquisitions, is as follows:

Range of Exercise Prices	Outstanding	Weighted Average Remaining Years of Contractual Life	Weighted Average Exercise Price	Exercisable	Weighted Average Exercise Price
$ 0.07 - 15.00	8,634,691	5.6	$ 9.59	7,546,457	$ 9.62
15.01 - 30.00	5,288,407	7.8	23.58	4,700,216	24.11
30.01 - 45.00	4,407,315	8.5	37.01	2,625,062	37.03
45.01 - 60.00	4,051,664	9.5	49.05	2,078,104	51.18
60.01 - 75.00	1,965,096	9.7	65.29	333,191	65.29
75.01 - 86.74	254,084	9.8	75.77	11,050	81.05
	24,601,257	7.6	$ 29.13	17,294,080	$ 23.83

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 or, in certain cases immediately upon grant, and generally have a contractual option term of 10 years.

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Restricted stock and performance share awards are dependent upon continued employment and, in the case of performance shares, achievement of certain performance objectives. In fiscal 1999, 93,105 restricted shares were issued and 22,449 shares of common stock were issued pursuant to previous performance share grants. At April 30, 1999, total restricted shares outstanding under both the 1994 stock award plan and the previous restricted stock and performance share award plans were 1,189,905. Performance share awards for up to 294,861 shares, assuming maximum performance payout, were outstanding under the plan at April 30, 1999. 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 ($6.1, $5.8, and $4.8 in fiscal 1999, 1998, and 1997, respectively). The estimated cost of the performance shares is expensed over three years from the date of grant ($9.5, $9.8, and $7.6 in fiscal 1999, 1998, and 1997, respectively).

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

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

Year ended April 30,		1999	1998
Net Earnings	As reported	$ 468.4	$ 587.8
	Pro forma	430.0	548.8
Basic Earnings Per Share	As reported	$ 0.81	$ 1.04
	Pro forma	0.74	.97

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

The weighted-average fair value per option at the date of grant for options granted in fiscal 1999 and 1998 was $23.44 and $17.75, respectively. The fair value was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions for fiscal 1999 and 1998:

	1999	1998
Risk-free interest rate	5.06%	6.04%
Expected dividend yield	0.43%	0.49%
Expected volatility factor	27.1%	25.7%
Expected option term	7 years	7 years

STOCK PURCHASE PLAN
The stock purchase plan enables employees to contribute up to 10% of their wages

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toward purchase of the company's common stock at 85% of the market value. Employees purchased 763,585 shares at $36.98 per share in fiscal 1999. As of April 30, 1999, plan participants have had approximately $16.9 withheld to purchase shares at a price which is 85% of the market value of the company's common stock on the first or last day of the plan year ending October 31, 1999, whichever is less.

NOTE 9--INCOME TAXES

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,	1999	1998	1997
United States	$ 931.0	$ 844.6	$ 834.3
Non-U.S.	(109.0)	55.6	52.4
Earnings before income taxes	$ 822.0	$ 900.2	$ 886.7

The provision for income taxes consisted of:

Year ended April 30,	1999	1998	1997
Taxes currently payable:			
U.S. federal	$ 239.8	$ 198.5	$ 209.2
U.S. state and other	39.3	41.3	59.6
Non-U.S.	45.3	43.0	34.0
Total currently payable	$ 324.4	$ 282.8	$ 302.8
Deferred tax (benefit) expense:			
U.S. federal	(42.6)	(27.2)	(14.1)
U.S. state and other	2.6	3.0	(9.8)
Non-U.S.	6.7	1.0	0.6
Net deferred tax benefit	(33.3)	(23.2)	(23.3)
Tax expense credited directly to shareholders' equity	62.5	52.8	24.0
Total provision	$ 353.6	$ 312.4	$ 303.5

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

Year ended April 30,	1999	1998
Deferred tax assets:		
Inventory (intercompany profit in inventory and excess of tax over book valuation)	$ 87.6	$ 79.6
Accrued liabilities	141.8	113.3
Other	68.2	53.9
Total deferred tax assets	297.6	246.8

Year ended April 30,	1999	1998
Deferred tax liabilities:		

Intangible assets	(9.2)	(5.6)
Undistributed earnings of subsidiaries	(3.4)	(1.6)
Accumulated depreciation	(17.1)	(13.3)
Unrealized gain on investments	(4.8)	(10.7)
Other	(37.9)	(34.2)
Total deferred tax liabilities	(72.4)	(65.4)
Net deferred tax assets	$ 225.2	$ 181.4

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

Year ended April 30,	1999	1998	1997
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	1.9	1.9	2.2
Tax benefits from operations in Puerto Rico	(2.4)	(1.9)	(2.1)
Non-U.S. taxes	5.5	2.3	0.7
Non-recurring charges	7.7	0.0	0.0
Other, net	(4.7)	(2.6)	(1.6)
Effective tax rate	43.0%	34.7%	34.2%

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, 1999, earnings permanently reinvested in subsidiaries outside the United States were $130.8.

At April 30, 1999, approximately $15.0 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 10--RETIREMENT BENEFIT PLANS

In February 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard (SFAS) No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits". SFAS No. 132 does not change the measurement or recognition of those plans, but revises disclosures about pensions and other post-retirement benefit plans. The company adopted SFAS No. 132 in fiscal 1998.

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 $23.1 in fiscal 1999, $36.3 in fiscal 1998, and $36.2 in fiscal 1997.

In the United States, the company maintains a qualified pension plan designed to provide guaranteed minimum retirement benefits to substantially all U.S. employees. Pension coverage for non-U.S. employees of the company is provided, to the extent deemed appropriate, through separate plans. In addition, U.S. and non-U.S. employees of the company are also eligible to receive specified company paid health care and life insurance benefits.

	Pension Benefits		Other Benefits	
	1999	1998	1999	1998

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CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of fiscal year	$ 189.2	$ 153.6	$ 37.4	$ 32.7
Service cost	16.5	14.7	0.9	2.4
Interest cost	12.7	11.7	2.5	2.5
Actuarial loss	21.1	10.5	4.7	0.4
Benefits paid	(5.9)	(3.3)	(0.5)	(0.6)
Benefit obligation at April 30	$ 233.6	$ 187.2	$ 45.0	$ 37.4
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	$ 214.1	$ 168.3	$ 18.0	$ 12.1
Actual return on plan assets	49.6	33.6	3.3	3.0
Employer contributions	13.3	12.3	4.1	3.4
Benefits paid	(5.5)	(3.1)	(0.3)	(0.6)
Fair value of plan assets at April 30	$ 271.5	$ 211.1	$ 25.1	$ 17.9
Funded status	$ 37.9	$ 23.9	$ (19.9)	$ (19.5)
Unrecognized net actuarial (loss) gain	(19.7)	(0.5)	3.2	0.4
Unrecognized prior service cost	(0.3)	(6.0)	--	--
Prepaid (accrued) benefit cost	$ 17.9	$ 17.4	$ (16.7)	$ (19.1)

Net periodic benefit cost of plans included the following components:

	Pension Benefits		Other Benefits	
Year ended April 30,	1999	1998	1999	1998
Service cost	$ 16.5	$ 14.7	$ 0.9	$ 2.4
Interest cost	12.7	11.7	2.5	2.5
Expected return on plan assets	(15.6)	(14.1)	(1.6)	(1.2)
Amortization of prior service cost	0.2	0.3	--	--
Net periodic benefit cost	$ 13.8	$ 12.6	$ 1.8	$ 3.7

Plan assets for the U.S. plan consist of a diversified portfolio of fixed-income investments, debt and equity securities, and cash equivalents. Plan assets include investments in the company's common stock of $46.0 and $33.9 at April 30, 1999 and 1998, respectively.

Outside the U.S., the funding of pension plans is not a common practice in certain countries as funding provides no economic benefit. Consequently, the company has certain

non-U.S. plans that are unfunded. It is the company's policy to fund retirement

costs within the limits of allowable tax deductions.

The actuarial assumptions were as follows:

	Pension Benefits		Other Benefits	
Year ended April 30,	1999	1998	1999	1998
Discount rate	3.5%-7.0%	3.5%-7.3%	7.0%	7.25%
Expected return on plan assets	7.0%-9.25%	7.0%-9.0%	9.25%	9.0%
Rate of compensation increase	3.0%-6.5%	3.0%-5.0%	N/A	N/A
Health care cost trend rate	N/A	N/A	8.0%	8.0%

In addition to the benefits provided under the qualified pension plan, retirement benefits associated with wages in excess of the IRS allowable wages are provided to certain employees under non-qualified plans. The net periodic cost of non-qualified pension plans was $2.7 and $2.6 in fiscal 1999 and 1998, respectively. The unfunded accrued pension cost related to these non-qualified plans totaled $17.2 at April 30, 1999.

The health care cost trend rate is assumed to decrease gradually to 6% by fiscal 2002. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on post-retirement benefit cost	$ 0.7	$ (0.6)
Effect on post-retirement benefit obligation	4.3	(3.5)

DEFINED CONTRIBUTION PLANS

The company has defined contribution savings plans that cover substantially all U.S. employees and certain non-U.S. employees. The general purpose of these plans is to provide additional financial security during retirement by providing employees with an incentive to make regular savings. Effective May 1, 1998, the company match on the supplemental retirement plan for U.S. employees will be received by participants in the form of an additional annual allocation of Medtronic stock to the participants ESOP account (See Note 7). Company contributions to the plans are based on employee contributions and company performance. Fiscal expense under these plans was $3.2 in 1999, $16.9 in 1998, and $16.4 in 1997.

NOTE 11--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, 1999, were:

	Capitalized Leases	Operating Leases
2000	$ 0.6	$ 14.3
2001	0.5	9.7
2002	0.5	7.5
2003	0.4	6.7
2004	0.3	5.0

(in millions of dollars, except per share data) Medtronic, Inc.

2005 and thereafter	1.5	4.7
Total minimum lease payments	$ 3.8	$ 47.9
Less amounts representing interest	(1.0)	
Present value of net minimum lease payments	$ 2.8	

Rent expense for all operating leases was $46.6, $40.0, and $37.4 in fiscal 1999, 1998, and 1997, respectively.

NOTE 12--COMMITMENTS AND CONTINGENCIES

The Medtronic Foundation (Foundation), funded entirely by the company, was established to maintain good corporate citizenship in its communities. During fiscal 1997, the company donated equity securities with a fair value of $13.4 to fund commitments to the Foundation. In fiscal 1998, the company made a commitment to contribute $36.0. This commitment is expected to fund the Foundation through the end of fiscal 2001. In fiscal 1999, and 1998, the company funded this commitment through the donation of equity securities with fair values of $25.5, and $10.5, respectively. Commitments to the Foundation are expensed when authorized and approved by the company's Board of Directors.

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.

Beginning in 1994, Medtronic's newly acquired subsidiary, Medtronic Sofamor Danek, Inc. (Sofamor Danek), was named as a defendant in approximately 3,200 product liability lawsuits brought in various federal and state courts around the country. The lawsuits allege that plaintiffs were injured by spinal implants manufactured by Sofamor Danek and other device manufacturers. To date, all efforts to obtain class certification have been denied or withdrawn. In essence, the plaintiffs claim that they have suffered a variety of injuries resulting from use of a spinal system for pedicle fixation and that the company and other manufacturers have conspired to promote such implant systems in violation of law. As of July 1999, over 1,200 suits have been dismissed or resolved in favor of the company. The remaining cases are in discovery, subject to motions for summary judgment or progressing to trial. The company believes these claims are without merit and will continue to defend against them vigorously. As

described above under the heading "Government Regulation and Other Matters", the company operates in an industry susceptible to significant product liability claims, but believes that its risk management practices are reasonably adequate to protect against potential product liability losses.

In 1993, AcroMed Corporation commenced a patent infringement lawsuit against Sofamor Danek in U.S. District Court in Cleveland, Ohio. Sofamor Danek obtained summary judgment as to two of four patents and tried claims with respect to the remaining two patents in May 1999. The jury found that certain Sofamor Danek spinal fixation products infringe these two patents and rendered a damage verdict against Sofamor Danek in the amount of $33 million. The company intends to appeal the verdict to the Court of Appeals for the Federal Circuit, Washington, D.C. and believes that meritorious bases exist for reversing any

finding of liability and damages. The litigation focuses on a relatively minor portion of Sofamor Danek's products, many of which have been superseded by newer designs, and will not have a material impact on the company's financial position, results of operations or liquidity.

The stent industry is currently characterized by extensive patent litigation and Medtronic's newly acquired subsidiary, Medtronic AVE, Inc., is both a plaintiff and a defendant in lawsuits with Johnson & Johnson, Guidant Corporation, and Boston Scientific Corporation over their respective patents, with plaintiffs in each case alleging patent infringement and seeking injunctive relief and monetary damages. In November 1997, Medtronic filed suit against Guidant Corporation in U.S. District Court in Minneapolis claiming that Guidant's ACS RX Multi-Link(R) coronary stent infringes Medtronic's Wiktor(R) stent patent. Medtronic is seeking injunctive relief and monetary damages, and discovery is proceeding. In May 1999, Medtronic filed suit against Boston Scientific Corp. in U.S. District Court in Minneapolis claiming that Boston Scientific's Nir(R) Stent infringes the Wiktor(R) stent patent. Medtronic is seeking injunctive relief and monetary damages.

NOTE 13--QUARTERLY FINANCIAL DATA (UNAUDITED, IN MILLIONS OF DOLLARS, EXCEPT PER SHARE DATA)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
Net Sales					
1999	$ 991.7	$ 984.5	$ 1,038.9	$ 1,119.0	$ 4,134.1
1998	787.1	790.5	806.7	958.7	3,343.0
Gross Profit					
1999	743.2	724.9	744.0	819.2	3,031.3
1998	585.9	586.0	583.9	711.7	2,467.5
Net Earnings (Loss)					
1999	228.5	117.0	(35.1)	158.0	468.4
1998	167.9	165.0	33.3	221.7	587.8
Basic Earnings (Loss) per Share:					
1999	.40	.20	(.06)	.27	.81
1998	.30	.29	.06	.39	1.04
Earnings (Loss) per Share Assuming Dilution:					
1999	.39	.20	(.06)	.26	.79
1998	.29	.28	.06	.38	1.02

Quarterly and annual earnings per share are calculated independently based on the weighted-average number of shares outstanding during the period. As discussed in Note 3, the company recorded pre-tax non-recurring charges totaling $551.2 and $205.3 million during fiscal 1999 and 1998, respectively.

NOTE 14--SEGMENT AND GEOGRAPHIC INFORMATION

The company operates its business in one reportable segment--the manufacture and sale of device-based medical therapies. Each of the company's major product lines have similar economic characteristics, technology, manufacturing processes, customers, distribution and marketing strategies, as well as a similar regulatory environment. In addition, Medtronic's chief operating decision makers evaluate revenue performance based on the worldwide revenues of each major product line and profitability based on an enterprise-wide basis due to shared infrastructures to make operating and strategic decisions. Net sales by product line were as follows:

Year ended April 30,	1999	1998	1997
Cardiac rhythm management	$ 2,121.6	$ 1,881.4	$1,792.5
Neurological and spinal	899.7	680.3	539.6
Vascular	718.8	403.0	243.2
Cardiac surgery	394.0	378.3	369.3

	$ 4,134.1	$ 3,343.0	$2,944.6

GEOGRAPHIC INFORMATION

Net sales and long-lived assets by major geographic area are summarized below:

	United States	Europe	Asia Pacific	Other Foreign	Elimi-nations	Consoli-dated
1999						
Revenues from external customers	$2,674.6	$ 926.4	$368.0	$165.1	$ --	$4,134.1
Intergeographic sales	391.4	214.6	165.1	58.6	(829.7)	--
Total sales	3,066.0	1,141.0	533.1	223.7	(829.7)	4,134.1
Long-lived assets	2,026.2	382.7	44.3	21.9	--	$2,475.1
1998						
Revenues from external customers	$2,097.8	$ 782.2	$361.8	$101.2	$ --	$3,343.0
Intergeographic sales	308.4	146.0	--	13.8	(468.2)	--
Total sales	2,406.2	928.2	361.8	115.0	(468.2)	3,343.0
Long-lived assets	1,253.0	206.6	30.0	19.3	--	$1,508.9
1997						
Revenues from external customers	$1,698.7	$ 836.9	$321.3	$ 87.7	$ --	$2,944.6
Intergeographic sales	227.6	81.9	--	7.1	(316.6)	--
Total sales	1,926.3	918.8	321.3	94.8	(316.6)	2,944.6
Long-lived assets	1,169.1	180.8	25.8	16.8	--	$1,392.5

Sales between geographic areas are made at prices which would approximate transfers to unaffiliated distributors. No single customer represents over 10% of the company's consolidated sales.

SELECTED FINANCIAL DATA

(in millions of dollars, except per share and employee data)	Medtronic, Inc.				
	1999	1998	1997	1996	1995
OPERATING RESULTS FOR THE YEAR:					
Net sales	$4,134.1	$3,343.0	$2,944.6	$2,570.0	$2,097.0
Cost of products sold	1,102.8	875.5	760.8	715.2	654.4
Research and development expense	429.2	367.9	325.5	283.6	225.8
Selling, general, and administrative expense	1,802.3*	1,211.4*	994.5*	846.9	756.0*
Interest expense	28.8	15.3	15.4	13.9	14.6
Interest income	(51.0)	(27.3)	(38.3)	(31.6)	(15.0)
Earnings before income taxes	822.0	900.2	886.7	742.0	461.2
Provision for income taxes	353.6	312.4	303.5	254.0	149.3
Net earnings	$ 468.4	$ 587.8	$ 583.2	$ 488.0	$ 311.9
Net earnings as a percent of net sales	11.3%	17.6%	19.8%	19.0%	14.9%
Net earnings as a percent of average shareholders' equity	14.9%	24.8%	28.4%	27.7%	23.4%
Per share of common stock:					
Basic earnings per share	0.81	1.04	1.02	0.93	0.62
Earnings per share assuming dilution	0.79	1.02	1.00	0.91	0.60
Cash dividends declared	0.260	0.220	0.190	0.130	0.103
Gross margin percentage	73.3%	73.8%	74.2%	72.2%	68.8%
FINANCIAL POSITION AT APRIL 30:					

Working capital	$1,404.9	$1,373.2	$ 919.3	$1,000.8	$ 768.8
Current ratio	2.4:1	2.8:1	2.4:1	2.6:1	2.4:1
Property, plant, and equipment, net	748.8	627.0	559.1	449.7	360.7
Total assets	4,870.3	3,646.2	2,988.1	2,881.1	2,234.9
Long-term debt	17.6	61.2	48.4	68.4	58.5
Long-term debt as a percent of shareholders' equity	0.5%	2.3%	2.3%	3.4%	3.9%
Shareholders' equity	3,654.6	2,650.6	2,085.5	2,026.0	1,492.7
Shareholders' equity per common share	6.24	4.65	3.69	3.55	2.60
ADDITIONAL INFORMATION:					
Additions to property, plant, and equipment	$ 226.4	$ 202.1	$ 205.5	$ 190.5	$ 175.3
Full-time employees at year-end	19,334	12,466	11,722	10,666	8,896
Full-time equivalent employees at year-end	21,794	13,954	13,719	12,499	10,313

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

NOTE: Results include the impact of $551.2, $205.3, and $50.0 million pre-tax non-recurring charges taken during fiscal 1999, 1998, and 1997 (See Note 3).

PRICE RANGE OF MEDTRONIC STOCK

Fiscal Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
1999				
High	$69.81	$66.13	$79.69	$88.13
Low	48.88	50.38	63.50	66.19
1998				
High	46.00	50.50	52.50	57.75
Low	33.13	42.63	44.94	49.75

Prices are closing quotations. On July 2, 1999 there were approximately 38,000 holders of record of the company's common stock. The regular quarterly cash dividend was 6.5 cents per share for 1999 and 5.5 cents per share for 1998.

EXHIBIT 21

MEDTRONIC, INC. AND SUBSIDIARIES

NAME OF COMPANY	JURISDICTION OR INCORPORATION
ABS Synectics Sarl	France
Arterial Vascular Engineering Australia	Australia
Arterial Vascular Engineering B.V.	Netherlands
Arterial Vascular Engineering Canada, Inc.	Canada
Arterial Vascular Engineering GmbH	Germany
Arterial Vascular Engineering Netherlands Holding B.V.	Netherlands
Arterial Vascular Engineering PTE. LTD.	Singapore
Arterial Vascular Engineering SARL	France
Arterial Vascular Engineering (Schweiz) AG	Switzerland
Arterial Vascular Engineering UK Limited	United Kingdom
AVE B.V./B.A.	Belgium
AVE Cayman Islands, Ltd.	Cayman Islands
AVE Connaught	Ireland
AVE Galway Ltd.	Ireland
AVE Ireland Ltd.	Ireland
AVE Espana, S.L.	Spain
AVE International Sales, Inc.	Barbados
AVE Italia, S.r.l.	Italy
AVE Manufacturing, Inc.	California
AVE Massachusetts, Inc.	Delaware
AVE Portugal S.A.	Portugal
AVE Sweden	Sweden
AVECOR Cardiovascular Limited	England, Wales
AVECOR Cardiovascular France S.A.R.L.	France
AVECOR Foreign Sales Corporation	Barbados
Bakken Research Center, B.V.	Netherlands
Bard Japan Limited	Japan
Cardiotron Medizintechnik G.m.b.H.	Germany
Colorado S.A.	France
DMI Delaware Holdings, Inc.	Delaware
DMI Tennessee Holdings, Inc.	Tennessee
Danek Capitol Corporation	Delaware
Danek International, Inc.	St. Thomas, Virgin Islands
Danek Korea Co., Ltd.	Korea
Danek Medical, Inc.	Tennessee
Danek Sales Corporation	Tennessee
Danskwalk ULC	Ireland
Dantec Elettronica Srl	Italy
Dantec Medical, Inc.	California
India Biomedical Investment, Ltd.	India
India Medtronic Private Limited	India
Interamerica Medtronic, Inc.	Illinois
International Medical Corp Interbank Leasing	Colorado
International Finance C.V. (INFIN C.V.)	Netherlands
International Medical Corporation	Colorado
International Medical Education Corporation	Colorado
Kobayashi Sofamor Danek K.K.	Japan
MDTRNC Vingmed AB	Sweden
Med Rel, Inc.	Minnesota
Medical Education K.K.	Japan

NAME OF COMPANY	JURISDICTION OR INCORPORATION

NAME OF COMPANY	INCORPORATION
Medical Implant Portugal	Portugal
Mednext, Inc.	Florida
Medtronic (Africa) (Proprietary) Limited	South Africa
Medtronic AneuRx, Inc.	Minnesota
Medtronic Asia, Ltd.	Minnesota
Medtronic Asset Managment, Inc.	Minnesota
Medtronic Australasia Pty. Limited	Australia
Medtronic AVE, Inc.	Delaware
Medtronic AVECOR Cardiovascular, Inc.	Minnesota
Medtronic B.V.	Netherlands
Medtronic Belgium, S.A.	Belgium
Medtronic Bio-Medicus, Inc.	Minnesota
Medtronic do Brasil Ltda.	Brazil
Medtronic of Canada, Ltd.	Canada
Medtronic China, Ltd.	Minnesota
Medtronic Commercial Ltda.	Brazil
Medtronic Dominicana C. por A.	Dominican Republic
Medtronic Export, Inc.	Delaware
Medtronic Europe, N.V.	Belgium
Medtronic Europe S.A.	Switzerland
Medtronic FSC B.V.	Netherlands
Medtronic Finland OY/LTD.	Finland
Medtronic Foundation (non-profit corporation)	Minnesota
Medtronic France S.A.	France
Medtronic Functional Diagnostics A/S	Denmark
Medtronic Functional Diagnostics, Inc.	New Jersey
Medtronic Functional Diagnostics S.A.	Belgium
Medtronic Functional Diagnostics Zinetics, Inc.	Utah
Medtronic G.m.b.H.	Germany
Medtronic Heart Valves, Inc.	Minnesota
Medtronic Hellas Medical Device A.E.E.	Greece
Medtronic Iberica, S.A.	Spain
Medtronic InStent Europe B.V.	Netherlands
Medtronic InStent (Israel), Ltd.	Israel
Medtronic International, Ltd.	Delaware
Medtronic International Technology, Inc.	Minnesota
Medtronic Interventional Vascular, Inc.	Delaware
Medtronic Interventional Vascular, Inc.	Massachussetts
Medtronic Italia S.p.A.	Italy
Medtronic Japan Co., Ltd.	Japan
Medtronic Latin America, Inc.	Minnesota
Medtronic Limited	United Kingdom
Medtronic Mediterranean SAL	Lebanon
Medtronic Mexico S. de. R.L. de C.V.	Mexico
Medtronic Osterreich Ges.m.b.H.	Austria
Medtronic Overseas, Inc.	Delaware
Medtronic PS Medical, Inc.	California
Medtronic Physio-Control Corp.	Washington
Medtronic Physio-Control International, Inc.	Washington
Medtronic Physio-Control Manufacturing Corp.	Washington
Medtronic Puerto Rico, Inc.	Minnesota
Medtronic S. de R.L. de C.V.	Mexico
Medtronic S.A.I.C.	Argentina
Medtronic (S) Pte., Ltd.	Singapore
Medtronic (Schweiz) A.G.	Switzerland

NAME OF COMPANY	JURISDICTION OR INCORPORATION
Medtronic (Shanghai) Ltd.	China
Medtronic Sofamor Danek, Inc.	Indiana
Medtronic Synectics A.B.	Sweden

Medtronic Synectics Asia, Ltd.	Hong Kong
Medtronic Treasury International, Inc.	Minnesota
Medtronic Treasury Management, Inc.	Minnesota
Medtronic USA, Inc.	Minnesota
Medtronic de Venezuela S.A.	Venezuela
Medtronic-Vicare AS	Denmark
Medtronic-Vingmed AS	Norway
Medtronic World Trade Corporation	Minnesota
Milu S.A.	Luxembourg
Physio-Control Canada Corporation	Canada
Physio-Control GmbH	Germany
Physio-Control Hungaria Kereskedelmi Kft.	Hungary
Physio-Control International Sales Corporation	Barbados
Physio-Control Italia s.r.l.	Italy
Physio-Control Medizintechnik	Austria
Physio-Control Netherlands Services BV	Netherlands
Physio-Control Poland Sp. zo.o	Poland
Physio-Control s.r.o.	Czech Republic
Physio-Control UK Limited	United Kingdom
Proprietary Extrusion Technologies, Inc.	California
QRS Limited	United Kingdom
SDGI Holdings, Inc.	Delaware
Sofamor Danek Americas & Asia Pacific Corporation	Tennessee
Sofamor Danek Asia Pacific Limited	Hong Kong
Sofamor Danek Australia Pty. Ltd.	Australia
Sofamor Danek Benelux, S.A.	Luxembourg
Sofamor Danek Canada, Inc.	Canada
Sofamor Danek China Limited	China
Sofamor Danek GmbH	Germany
Sofamor Danek Group, Inc.	Indiana
Sofamor Danek Holdings, Inc.	Delaware
Sofamor Danek Iberica S.A.	Spain
Sofamor Danek Ireland Limited	Ireland
Sofamor Danek Italia S.r.l.	Italy
Sofamor Danek L.P.	Tennessee
Sofamor Danek Management, Inc.	Tennessee
Sofamor Danek N.V.	Belgium
Sofamor Danek (NZ) Limited	New Zealand
Sofamor Danek Nederland B.V.	Netherlands
Sofamor Danek Nevada, Inc.	Nevada
Sofamor Danek Properties, Inc.	Delaware
Sofamor Danek (Puerto Rico), Inc.	Puerto Rico
Sofamor Danek Singapore PTE, Ltd.	Singapore
Sofamor Danek South Africa (Proprietary) Limited	South Africa
Sofamor Danek (UK) Limited	United Kingdom
Sofamor S.N.C.	France
SOFYC S.A.	France
Somepic Technologie, S.A.	France
Surgical Navigation Technologies, Inc.	Colorado
Synectics (Poland)	Poland
Synectics Medical Lda	Portugal
Synectics Medical Limited	United Kingdom

NAME OF COMPANY	JURISDICTION OR INCORPORATION
Synectics Medical OY	Finland
Telecardiocontrol, C.A.	Venezuela
Vitafin N.V.	Netherlands
Vitatron AG	Switzerland
Vitatron Austria GmbH	Austria
Vitatron Beheersmaatschappij B.V.	Netherlands
Vitatron Belgium N.V.	Belgium
Vitatron G.m.b.H.	Germany

Vitatron Japan Co., Ltd.	Japan
Vitatron Medical B.V.	Netherlands
Vitatron Medical Espana S.A.	Spain
Vitatron Medical Italia S.r.l.	Italy
Vitatron N.V.	Netherlands
Vitatron Nederland B.V.	Netherlands
Vitatron S.A.R.L.	France
Vitatron Scientific B.V.	Netherlands
Vitatron South Africa	South Africa
Vitatron Sweden A.B.	Sweden
Vitatron U.K. Limited	United Kingdom
Warsaw Orthopedic, Inc.	Indiana
World Medical Manufacturing, Inc.	Florida
X-Trode S.r.l.	Italy

EXHIBIT 24

POWERS OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that the undersigned directors of Medtronic, Inc., a Minnesota corporation, hereby constitute and appoint each of William W. George and David J. Scott, 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, 1999, 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 24th day of June, 1999.

/s/ Michael R. Bonsignore	/s/ Glen D. Nelson, M.D.
Michael R. Bonsignore	Glen D. Nelson, M.D.
/s/ William R. Brody, M.D., Ph.D.	/s/ Jean-Pierre Rosso
William R. Brody, M.D., Ph.D.	Jean-Pierre Rosso
/s/ Paul W. Chellgren	/s/ Richard L. Schall
Paul W. Chellgren	Richard L. Schall
/s/ Arthur D. Collins, Jr.	/s/ Jack W. Schuler
Arthur D. Collins, Jr.	Jack W. Schuler
/s/ William W. George	/s/ Gerald W. Simonson
William W. George	Gerald W. Simonson
/s/ Antonio M. Gotto, Jr., M.D.	/s/ Gordon M. Sprenger
Antonio M. Gotto, Jr., M.D.	Gordon M. Sprenger
/s/ Bernadine P. Healy, M.D.	/s/ Richard A. Swalin, Ph.D.
Bernadine P. Healy, M.D.	Richard A. Swalin, Ph.D.
/s/ Thomas E. Holloran	
Thomas E. Holloran	

<ARTICLE> 5
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE STATEMENT OF CONSOLIDATED EARNINGS AND CONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED APRIL 30, 1999 FILED WITH THE SEC ON FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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