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, 2000

COMMISSION FILE NO. 1-7707

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: (763) 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 7, 2000, BASED ON THE CLOSING PRICE OF $50.0625, AS REPORTED ON THE NEW YORK STOCK EXCHANGE: $60 BILLION.

SHARES OF COMMON STOCK OUTSTANDING ON JULY 7, 2000: 1,198,275,563

DOCUMENTS INCORPORATED BY REFERENCE

PORTIONS OF REGISTRANT'S 2000 ANNUAL REPORT ARE INCORPORATED BY REFERENCE INTO PARTS I, II AND IV; PORTIONS OF REGISTRANT'S PROXY STATEMENT FOR ITS 2000 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") is the world's leading medical technology company, providing lifelong solutions for people with chronic disease. Medtronic was founded in 1949 and incorporated as a Minnesota corporation in 1957. 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, neurodegenerative disorders, and ear, nose and throat (ENT) surgery.

Medtronic operates its business in four operating business units, which are aggregated into one reportable segment, that of manufacturing and selling device-based medical therapies. The company does business in more than 120 countries. The company's operating business units include cardiac rhythm management; vascular; cardiac surgery; and neurological, spinal and ENT.

In addition to its internal research and development, in fiscal 2000 Medtronic augmented its product lines through various acquisitions including, but not limited to, the acquisition of Xomed Surgical Products, Inc. ("Xomed"). On November 5, 1999, Medtronic, Inc. acquired all of the outstanding stock of Xomed through a merger of a newly created subsidiary of Medtronic, Inc., into Xomed. Pursuant to the merger, the shareholders of Xomed received approximately 21.4 million shares of Medtronic common stock. Medtronic Xomed is the world's leading provider of surgical devices used by ENT physicians. Medtronic Xomed's products are used to treat sinus and rhinology conditions, otological conditions, and various other head and neck conditions.

The acquisition of Xomed has been accounted for as a pooling-of-interests and, accordingly, the company's consolidated financial statements for fiscal 2000 and for prior years have been restated to include the results of operations, financial positions, and cash flows of Xomed. References in this Form 10-K to financial information of the company have been adjusted to reflect the restated financial statements.

In January 2000, Medtronic introduced Vision 2010, the company's strategic initiative to provide patients and the medical community with comprehensive, lifelong solutions for the management of chronic disease. In the next decade, the company anticipates that the internet, technology advancements and the empowered patient will transform the nature of healthcare services. This convergence will result in better care at lower cost to the healthcare system and greater quality of life and convenience to the patient. In fiscal 2000, Medtronic introduced several important e-business initiatives toward this goal, including those listed below.

In January 2000, Medtronic announced the formation of a new Patient Management Business within Cardiac Rhythm Management involving collaborations with information technology leaders including Microsoft Corporation and International Business Machines Corp. (IBM). This new Patient Management Business will seek to leverage the convergence of biomedical and information technologies to provide new computer-based systems to help physicians manage patients with chronic cardiovascular disease. Collaborative efforts will be directed toward development of systems enabling patients to have direct connectivity to specialty care teams of physicians anywhere in the world, at any time, via internet-based programs.

In January 2000, Medtronic and Healtheon/WebMD announced the formation of a global partnership to provide health care information on the internet and other communications media to both consumers and physicians. Medtronic has entered into an agreement committing up to $50 million to Healtheon/WebMD over a four-year period for extensive initiatives reaching both consumers and physicians, including developing internet applications to provide information on medical products and treatments, as well as creating dedicated online health information channels for disease-focused communities. Healtheon/WebMD's web site, Webmd.com, will also support Medtronic's Patient Management Business by linking users to WebMD content and services. Medtronic also plans to invest in WebMD Europe, a company to be formed by the global joint venture between News Corporation and Healtheon/WebMD.

In March 2000, Johnson & Johnson, GE Medical Systems, Baxter International, Inc., Medtronic and Abbott Laboratories announced the creation of a global health care exchange that will be an independent internet-based company. Other suppliers have since joined the exchange. The creation of this global health care exchange will help healthcare providers make quicker, more efficient purchasing decisions and simplify business processes by providing a single source for ordering healthcare purchases. The privately held, independent, on-line enterprise will facilitate the exchange of information related to ordering medical equipment, devices and healthcare products and services worldwide, and also provide access to extensive clinical content. It will provide equal access to all healthcare manufacturers, suppliers, distributors, providers, group purchasing organizations and other healthcare trading partners.

CARDIAC RHYTHM MANAGEMENT. Cardiac Rhythm Management products consist primarily of products for bradycardia pacing, tachyarrhythmia management, external defibrillation and ablation, as well as products 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 2000 include the U.S. commercial release of the Medtronic.Sigma(TM) family of pacemakers in August 1999. The Medtronic.Sigma pacing systems offer 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. The Medtronic.Sigma pacing line complements Medtronic's advanced pacing systems, the Medtronic.Kappa(TM) 400 and 700 Series which are market-released worldwide. 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 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. In December 1999, Medtronic launched Today's Kappa(R), the next generation pacing software for its Medtronic Kappa(R) family of pacemakers. Today's Kappa allows physicians to most efficiently apply the benefits of the Kappa's advanced pacing diagnostic and therapeutic technologies to deliver optimal patient care.

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 during implant, is in clinical investigation. In September 1999, Medtronic received FDA clearance for the U.S. commercial release of a new pacemaker lead designed for the youngest and smallest heart patients, the Medtronic CapSure(TM) Epi bipolar lead. This is the first bipolar, steroid-eluting epicardial lead on the market and it provides the benefit of steroid for reduced pacing thresholds.

In September 1999, the Vitatron organization of Medtronic released for commercial sale in the U.S. seven pacemakers from its Collection(TM) II and Vita(TM) families, five of which incorporate the first new rate responsive sensor technology to be offered in the U.S. market in nearly 10 years. The new Vitatron(R) pacing systems feature two proven rate responsive sensors -- the Q-T sensor and the Activity sensor -- which enable the devices to automatically adjust pacing impulses to the circulatory needs of the patient's body. The Collection II pacemaker family features the Diamond(R)II DDDR, the Ruby(TM)II DDD, the Topaz(TM)II SSIR and the Jade(TM)II SSI; the Vita family of pacemakers includes the Vita DR, Vita D and Vita SR models.

In fiscal 2000, Vitatron also announced the commercial release outside the U.S. of three new products targeting atrial fibrillation, the world's most common heart rhythm disorder. In May 2000, Vitatron commercially released the Vitatron PreventAF(TM), the Vitatron DiagnoseAF(TM) and Vitatron Selection(R)

AF2.0 software atrial fibrillation products. The Vitatron PreventAF is the world's first device to feature four pacing functions designed to prevent atrial fibrillation and incorporates an advanced

dual-chamber, rate responsive pacemaker with beat-to-beat mode switching and dual sensor technology. The Vitatron DiagnoseAF system combines state-of-the art pacemaker functions, including fast mode switching and dual-sensor rate response technology, with atrial fibrillation-focused diagnostic capabilities. The Vitatron Selection AF2.0 software is a non-invasive upgrade for patients who have the Vitatron Selection 900 implantable pacemaker which gives them the same algorithms and protection against atrial fibrillation as those patients with the new PreventAF system. These devices are in clinical evaluation in the U.S.

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 using endocardial leads, which reduces patient trauma, hospitalization time and costs. Medtronic's Gem(R) family of implantable defibrillators is intended to meet the needs of patients with multiple heart rhythm problems. The Gem single chamber defibrillator is designed to provide rate responsive pacing in the lower chamber of the heart, while the Gem DR(TM) features an advanced dual chamber rate responsive pacing capability as well as advanced detection and diagnostic tools.

In June and July 1999, Medtronic released for commercial sale in the U.S. the next generation in the Gem(R) family of devices, the Gem II DR and the Gem II VR. The Gem II DR offers patient benefits comparable to the Gem DR but in a 35% smaller size. The GEM II VR defibrillator is the single chamber counterpart to the GEM II DR. The Gem II products are technologically-advanced, implantable defibrillators for treating complex heart rhythm problems.

Medtronic also markets the Jewel(R) line of devices, including the Micro Jewel(R) II implantable defibrillator, which offers expanded diagnostic capabilities. The Jewel(R) AF shares with the Gem DR the ability to provide rate responsive treatment of arrhythmias in both the atrium and the ventricle. The Jewel AF was commercially released in Europe and other international markets in June 1998 and approved by the FDA for commercial use in the U.S. in June 2000.

Medtronic 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 offers an implantable device, the Reveal(R) Plus Insertable Loop Recorder (ILR), to diagnose complex arrhythmias or other chronic perplexing heart problems. Once implanted, the Reveal Plus recorder continuously monitors the heart's electrical activity and records electrocardiogram information in up to a 42 minute loop. The monitor can be programmed to automatically capture the ECG when a heart rhythm problem occurs. The information is stored and can be non-invasively retrieved by the physician. The successor to the Reveal(R) ILR, the Reveal Plus ILR, was commercially released in the U.S. in February 2000 and in Europe in March 2000.

Medtronic commercially markets two products 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 June 2000, the InSync(R) ICD, which offers defibrillation as well as resynchronization capabilities, was commercially released in Europe and certain Asian markets. The InSync and InSync ICD systems are used with Medtronic's Attain(TM) Side-Wire lead system designed to provide lower left heart chamber pacing in varied patient anatomies. The InSync, InSync ICD and Attain Side-Wire leads are in clinical evaluation in the U.S.

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 fiscal 2000, Medtronic Physio-Control received FDA clearance for U.S. commercial release of biphasic versions of its LIFEPAK 12 defibrillator/monitor series and its LIFEPAK 500 automated external defibrillator. 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.

The company's Cardiac Rhythm Management products accounted for 49.9% of Medtronic's net sales during the fiscal year ended April 30, 2000 ("fiscal 2000"), 50.1% of net sales in fiscal 1999 and 55.0% of net sales in fiscal 1998.

VASCULAR. The Vascular product line supports the interventional treatment of diseased coronary and peripheral blood vessels. 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 laser-cut stent systems. In fiscal 2000, Medtronic obtained FDA clearance for U.S. commercial sales of several modular stent systems. The S670(TM) With Discrete Technology(TM) Stent Systems in both over-the-wire and rapid exchange perfusion platforms were commercially released in the U.S. in late 1999. The S670 incorporates advanced stent design, offering greater stent flexibility, superior deliverability, enhanced scaffolding efficiency, and a reduced crossing profile. Discrete Technology(TM) refers to the precise alignment of the stent on the balloon, thereby ensuring complete stent expansion while minimizing balloon overhang and potentially reducing the likelihood of arterial damage. In fiscal 2000, Medtronic also received clearance to market the S670 With Discrete Technology in Japan. The S670 has been commercially available in Europe since April 1999. In May 2000, Medtronic also introduced in the U.S. a stent specifically designed for smaller vessels, the S660 With Discrete Technology(TM). Available in both over-the-wire and rapid exchange perfusion versions in the U.S., the S660 is one of the lowest profile stents available on the market.

The BeStent(TM)2 With Discrete Technology(TM) Rapid Exchange Coronary Stent Delivery System received clearance for commercial release in Europe in May 2000. The BeStent2 is currently in clinical evaluation in the U.S.

The company's line of coronary dilation catheters in the over-the-wire category include the D114S(TM) balloon catheter for angioplasty which received FDA clearance for U.S. commercial release in August 1999. In the rapid exchange segment of the market, the XIS(TM) balloon catheter was introduced in Europe in May 1999 and the LTX2(TM) catheter was released in Japan in April 1999. The company also offers enhanced coronary guide catheters, including the Z2(TM) line, and the Fusion(TM) family of guidewires.

The coronary vascular product line is complemented by a wide range of peripheral vascular products, including the AneuRx(TM) and Talent(TM) stent grafts for minimally invasive abdominal aortic aneurysm repair therapy. These products are commercially available in Europe and the AneuRx stent graft system is available in the U.S., having received FDA clearance in September 1999. In April 2000, the company announced the launch of two additional components for its AneuRx(TM) Stent Graft System. Available in select geographies outside the U.S., the AneuRx(TM) Descending Thoracic Aorta (DTA) Stent Graft System adapts the technologies of the original AneuRx system for use in the endovascular treatment of aneurysms above the abdomen in the descending thoracic aorta. The AneuRx IDS Delivery System is designed to make stent graft delivery a one-step process for abdominal aortic aneurysms and is available in the U.S., Europe, Australia and certain countries in Asia. The company also offers

balloon-expandable biliary stents in the U.S and balloon-expandable peripheral vascular stent systems in markets outside the United States, and a biliary and renal stent in selected countries outside the U.S. The company is also developing a line of stents for use in interventional neuroradiology applications.

In October 1999, Medtronic announced the signing of a three-year supply agreement with Premier Purchasing Partners, Inc., for coronary stents as well as dilatation catheters, coronary guidewires, guide catheters and diagnostic products. These products, all of which are produced, marketed and sold through the Vascular organization, will be made available to Premier's membership of approximately 1,800 hospitals and other health care organizations in all 50 U.S. states.

The company's Vascular products accounted for 15.8% of net sales in fiscal 2000, 17.0% of net sales in fiscal 1999 and 11.8% of net sales in fiscal 1998.

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. The Freestyle(R) stentless aortic tissue heart valve, available in the U.S. since 1997, features advanced tissue technology for improved blood flow and increased durability. In September 1999, Medtronic received FDA clearance for U.S. commercial release of its Hancock(R) II tissue valve, available in both aortic and mitral models. 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 also markets enabling technologies in beating heart bypass surgery, including the Medtronic Octopus(R) family of tissue stabilization systems: the Octopus(R), Octopus2(R), the Octopus(R)2+ and the Octopus(R)3 tissue stabilizing systems. These systems are used to stabilize sites on the beating heart to enable the surgeon to complete bypass grafts. The Octopus 2+ system was introduced commercially beginning in October 1999 and the Octopus 3 was launched on a worldwide basis in May 2000. Accompanying the launch of the Octopus 3 were three other new cardiac surgery products: the ClearView(R) Intracoronary Shunt, the QuickFlow DPS(TM) Distal Perfusion System and the ClearView(R) Blower/Mister system. These new products are designed to provide surgeons with added flexibility, visibility and access to the surgical site.

The company's Cardiac Surgery products accounted for 9.3% of Medtronic's net sales during fiscal 2000, 9.3% of net sales in fiscal 1999 and 11.1% of net sales in fiscal 1998.

NEUROLOGICAL, SPINAL AND ENT. Neurological, Spinal and ENT products consist primarily of implantable neurostimulation devices, drug administration systems, spinal products, neurosurgery products, functional diagnostic systems and surgical products used by ENT physicians. Medtronic's acquisitions of Sofamor Danek and Midas Rex in fiscal 1999 significantly added to the products offered. Medtronic Sofamor Danek produces devices, instruments, computer-assisted visualization products and biomaterials used by orthopedic surgeons and neurosurgeons in the treatment of disorders of the cranium and spine, including a wide range of sophisticated internal fixation devices, such as interbody fusion systems, 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. In May 2000, Medtronic Sofamor Danek's INTER FIX(TM) RP (Reduced Profile) Threaded Spinal Fusion Device received clearance from the FDA for U.S. commercial introduction.

Through Medtronic PS Medical, the company also manufactures and distributes cerebrospinal fluid shunts and neurosurgical implants. 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. Medtronic's acquisition of Xomed, Inc. in November 1999 established Medtronic Xomed as the global leader in providing surgical products used by ENT surgeons.

In October 1999, Medtronic, Inc. and Novation, the foremost supply chain management company in healthcare, announced that they had signed three agreements under which Medtronic will supply spinal and cardiac care products to the more than 2,000 health care organizations that purchase supplies through Novation.

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. In November 1999, Medtronic announced that its Synergy(R) Neurostimulation System, the first and only totally implantable dual channel therapy designed to aid in the management of chronic intractable pain of the trunk or limbs, had received approval from the FDA. The 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 has received the FDA's advisory panel recommendation for approval of commercial release in the U.S. The Activa system allows neurostimulation levels to be adjusted noninvasively after implant according to the needs of each patient. Medtronic began commercial sales of the Medtronic Kinetra(TM) neurostimulator throughout Europe and Canada in October 1999. The Medtronic Kinetra simplifies the delivery of therapy for the debilitating symptoms of both Parkinson's disease and Essential Tremor through a single device. The Kinetra neurostimulator and its new hand-held Access(TM) Therapy Controller are used to deliver Activa Parkinson's Control Therapy and Tremor Control Therapy. The Kinetra neurostimulator and the Access Therapy Controller are awaiting FDA clearance in the U.S.

Medtronic also received approval of a humanitarian device exemption (HDE) from the FDA for an implantable therapy using electrical stimulation of the stomach to treat patients with a severe, often life threatening, form of gastroparesis. The therapy, Medtronic Enterra(TM) Therapy, uses an implanted neurostimulator to deliver electrical pulses to nerves in the stomach.

In April 1999, Medtronic received FDA clearance for U.S. commercial introduction of the InterStim(R) Therapy for additional urinary control indications including 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 and fixed rate drug delivery systems that are used in treating chronic intractable pain and cerebral and spinal spasticity, including the SynchroMed(R), SynchroMed(R) EL (Extended Life) and IsoMed(TM) 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 that increases the average time between replacement surgeries. The IsoMed pump is commercially available in Europe and is in clinical investigation in the U.S.

The company also is a world leader in computer-supported systems to diagnose urological, digestive and neurological disorders.

The Neurological, Spinal and ENT products accounted for 25.0% of net sales for fiscal 2000, 23.6% of net sales for fiscal 1999 and 22.1% of net sales for

fiscal 1998.

GOVERNMENT REGULATION AND OTHER MATTERS. Government and private sector initiatives to limit the growth of health care costs, including price regulation, competitive pricing, coverage and payment policies and managed-care arrangements, 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 operates in an industry characterized by extensive patent litigation. Patent litigation can result in significant damage awards and injunctions that could prevent the manufacture and sale of affected products or result in significant royalty payments in order to continue producing the products. At any given time, the company is generally involved as both a plaintiff and a defendant in several patent infringement actions. While the

company believes that the patent litigation incident to its business will generally not have a material adverse impact on the company's financial position or liquidity, it could possibly be material to the consolidated results of operations of any one period.

The company also 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. 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.

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.

In 1994, governmental authorities in Germany began an investigation into certain business and accounting practices by medical device 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 in the United States and through 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.

RAW MATERIALS AND PRODUCTION. Medtronic generally has vertically integrated manufacturing operations and, as appropriate, 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 may 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.

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. In the current environment of managed care, economically motivated buyers, consolidation among health care providers, increased competition and declining reimbursement rates, Medtronic has been increasingly required to compete on the basis of price. Medtronic believes that its continued competitive success will depend upon its continued ability to create or acquire scientifically advanced technology, apply its technology cost-effectively across product lines and markets, develop or acquire proprietary products, attract and retain skilled development personnel, obtain approvals, and manufacture and successfully market its products.

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 mechanical heart valves and two other companies are major competitors in tissue 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 the following amounts on research and development: $479.7 million in fiscal 2000 (9.6% of sales), $434.2 million in fiscal 1999 (10.3% of sales) and $372.2 million in fiscal 1998 (10.9% of net sales). 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, 2000, Medtronic and its subsidiaries employed 21,490 people on a regular, full-time basis and, including temporary and part-time employees, a total of 24,890 employees on a full-time equivalent basis.

U.S. AND NON-U.S. OPERATIONS. 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 2000 Annual Report on page 45.

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 and Note 4 to the consolidated financial statements, incorporated herein by reference to Medtronic's 2000 Annual Report on pages 25 and 37, respectively. 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 2000 Annual Report, 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 57, 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 52, 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 63, 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.

JANET S. FIOLA, age 58, 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.

ROBERT M. GUEZURAGA, age 51, has been Senior Vice President and President, Cardiac Surgery, since August 1999, and served as Vice President and General Manager of Medtronic Physio-Control International, Inc., from September 1998 to August 1999. Mr. Guezuraga joined the company after its acquisition of Physio-Control International, Inc. in September 1998, where he had served as President and Chief Operating Officer since August 1994. Prior to that, Mr. Guezuraga served as President and CEO of Positron Corporation from 1987 to 1994 and held various management positions within General Electric Corporation, including GE's Medical Systems division.

STEVEN B. KELMAR, age 47, has been Senior Vice President, External Relations, since April 2000, and served as Vice President, Corporate Relations and Government Affairs, from June 1997 to April 2000, and as Vice President, Government Affairs, since joining the company in March 1994. Prior to joining the company, Mr. Kelmar was Vice President of Strategic Management Association from 1992 to 1994 and spent 14 years in public service, including as Assistant Secretary for Legislation in the U.S. Department of Health and Human Services.

STEPHEN H. MAHLE, age 54, 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 28 years and served in various general management positions prior to 1990.

ANDREW P. RASDAL, age 42, has been Senior Vice President and President, Vascular since May 2000. Mr. Rasdal joined the company after its January 1999 acquisition of Arterial Vascular Engineering, Inc. ("AVE"), where he served as Vice President and General Manager, Coronary Vascular, since February 1999. Prior to that, he served as Vice President of Marketing for AVE since March 1998 and as Director of Marketing since February 1997. Prior to joining the company, Mr. Rasdal held sales and marketing positions for EP Technologies, a division of Boston Scientific Corporation, from March 1993 to February 1997. From 1990 to 1993, Mr. Rasdal served as a sales representative for SCIMED Lifesystems, Inc. and as a sales representative and a business analyst for ACS (now Guidant Corporation).

ROBERT L. RYAN, age 57, 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 47, has been Senior Vice President and General Counsel since joining the company in May 1999 and Secretary since January 2000. 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.

KEITH E. WILLIAMS, age 47, 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 56, 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, Connecticut, Florida, Indiana, Massachusetts, Michigan, Minnesota, Tennessee, Utah, Washington, Puerto Rico, Canada, China, Denmark, France, Germany, India, Ireland, Japan, Mexico, 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

In October 1997, Cordis Corporation ("Cordis"), a subsidiary of Johnson & Johnson, filed suit against Arterial Vascular Engineering, Inc., which was acquired by the company in January 1999 ("AVE"), in federal court in the District Court of Delaware alleging that AVE's modular stents infringe certain patents for which Cordis claims to be the exclusive licensee. Boston Scientific Corporation is also a defendant in this suit. The complaint seeks injunctive relief and damages from all defendants. The trial is currently scheduled to begin in November 2000.

In December 1999, Advanced Cardiovascular Systems, Inc. ("ACS"), a subsidiary of Guidant Corporation, sued Medtronic and AVE in federal court in the Northern District Court of California alleging that the S670 rapid exchange perfusion stent delivery system infringes a patent held by ACS. The

complaint seeks injunctive relief and monetary damages. ACS filed a demand for arbitration with the American Arbitration Association in Chicago simultaneously with the lawsuit. AVE has filed a counterclaim denying infringement based on its license to the patent for perfusion catheters as part of the assets acquired from C.R. Bard in 1998 and has asserted that the license agreement requires disputes to be resolved through arbitration. The parties have agreed to arbitrate all claims against AVE. Litigation against Medtronic has been stayed pending the arbitration decision. Discovery is proceeding and a decision is expected in the first half of 2001.

In March 2000, Boston Scientific Corporation sued AVE in federal court in the Northern District of California alleging that the S670 rapid exchange perfusion stent delivery system infringes a patent held by Boston Scientific. The complaint seeks injunctive relief and monetary damages. AVE has filed a counterclaim denying infringement based on its license to the patent for perfusion catheters as part of the assets acquired from C.R. Bard in 1998 and has asserted that the license agreement requires disputes to be resolved through arbitration. A hearing on the motion to compel arbitration is scheduled for July 2000.

In December 1997, ACS sued AVE in federal court in the Northern District of

California alleging that AVE's modular stents infringe certain patents held by ACS and is seeking injunctive relief and monetary damages. AVE denied infringement and in February 1998 AVE sued ACS in federal court in the District Court of Delaware alleging infringement of certain of its stent patents, for which AVE is seeking injunctive relief and monetary damages. The cases have been consolidated in Delaware with a trial date set for April 2001.

In 1993, AcroMed Corporation commenced a patent infringement lawsuit against Sofamor Danek Group, Inc., which was acquired by the company in January 1999 ("Sofamor Danek"), in the 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 infringed these two patents and an injunction was issued by the court in December 1999. The court also imposed damages, including pre-judgment interest, in the amount of $48 million. The company has appealed the judgment to the Court of Appeals for the Federal Circuit, Washington, D.C. and believes that meritorious bases exist for its reversal. 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 company believes that it has meritorious defenses against the above infringement claims and intends to vigorously contest them. While it is not possible to predict the outcome of these actions, the company believes that costs associated with them will not have a material adverse impact on the company's financial position or liquidity, but could possibly be material to the consolidated results of operations of any one period.

In 1997 and 1999, the company sued Guidant Corporation and Boston Scientific Corp., respectively, in U.S. District Court in Minneapolis claiming that Guidant's ACS RX Multi-Link(R) coronary stent and Boston Scientific's Nir(R) stent infringed the company's Wiktor(R) stent patent. Following a patent claims construction ruling in late 1999 in favor of Guidant and Boston Scientific, the company consented to entry of judgment and has filed an appeal with the Court of Appeals for the Federal Circuit in Washington, D.C.

Beginning in 1994, 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 the plaintiffs were injured by spinal implants manufactured by Sofamor Danek and other manufacturers. All efforts to obtain class certification have been denied or subsequently 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 April 30, 2000, a substantial number of the 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 1996, two former shareholders of Endovascular Support Systems, Inc. ("ESS") filed a lawsuit in Dallas District Court for the State of Texas against AVE and several former officers, directors and shareholders of AVE. The lawsuit alleges that AVE's acquisition of ESS assets was based on fraud and breach of fiduciary duty and that plaintiffs were given insufficient value when they exchanged their stock in ESS for AVE stock in several transactions that occurred from 1993 to 1995. AVE has asserted counterclaims including breach of contract, breach of covenant of good faith and fair dealing, business disparagement and fraud, and has agreed to indemnify the individual defendants. The Court has ruled that the individual defendants owed a fiduciary duty to plaintiffs. The company believes the defendants have meritorious defenses and counterclaims against the plaintiffs and will continue to defend the actions vigorously.

Note 12 to the consolidated financial statements appearing on pages 43 and 44 of Medtronic's 2000 Annual Report is incorporated herein by reference.

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

Not applicable.

PART II

ITEM 5. MARKET FOR MEDTRONIC'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The information in the sections entitled "Price Range of Medtronic Stock" and "Investor Information" on page 47 of Medtronic's 2000 Annual Report is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The information for the fiscal years 1996 through 2000 on page 46 of Medtronic's 2000 Annual Report is incorporated herein by reference.

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

The information on pages 22 through 26 of Medtronic's 2000 Annual Report is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information on page 25 of Medtronic's 2000 Annual Report 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 24, 2000 appearing on pages 27 through 45 of Medtronic's 2000 Annual Report, are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF MEDTRONIC

The information on pages 3 through 6 of Medtronic's Proxy Statement for its 2000 Annual Shareholders' Meeting and on page 10 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 11 and 12 hereof.

ITEM 11. EXECUTIVE COMPENSATION

The sections entitled "Proposal 1 -- Election of Directors -- Director Compensation" and "Executive Compensation" on pages 8 and 9, and 14 through 19, respectively, of Medtronic's Proxy Statement for its 2000 Annual Shareholders' Meeting are incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

"Share Ownership Information" on page 10 of Medtronic's Proxy Statement for its 2000 Annual Shareholders' Meeting is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The section entitled "Proposal 1 -- Election of Directors -- Certain Transactions" on page 9 of Medtronic's Proxy Statement for its 2000 Annual Shareholders' Meeting 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 27 of Medtronic's 2000 Annual Report) Statement of Consolidated Earnings -- years ended April 30, 2000, 1999, and 1998 (incorporated herein by reference to page 28 of Medtronic's 2000 Annual Report)

Consolidated Balance Sheet -- April 30, 2000 and 1999 (incorporated herein by reference to page 29 of Medtronic's 2000 Annual Report)

Statement of Consolidated Shareholders' Equity -- years ended April 30, 2000, 1999, and 1998 (incorporated herein by reference to page 30 of Medtronic's 2000 Annual Report)

Statement of Consolidated Cash Flows -- years ended April 30, 2000, 1999, and 1998 (incorporated herein by reference to page 31 of Medtronic's 2000 Annual Report)

Notes to Consolidated Financial Statements (incorporated herein by reference to pages 32 through 45 of Medtronic's 2000 Annual Report)

2. FINANCIAL STATEMENT SCHEDULES

Schedule II. Valuation and Qualifying Accounts -- years ended April 30, 2000, 1999, and 1998 (set forth on page 19 of this report)

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	Agreement and Plan of Merger, dated August 26, 1999, by and among Medtronic, Inc., Xomed Surgical Products, Inc., and MXS Merger Corp., including the Exhibits thereto (Exhibit 2.1).(a)
3.1	Medtronic Restated Articles of Incorporation, as amended to date (Exhibit 3.1).(b)
3.2	Medtronic Bylaws, as amended to date (Exhibit 3.2).(c)
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).(d)
*10.1	1994 Stock Award Plan.
*10.2	Management Incentive Plan.
*10.3	1979 Restricted Stock and Performance Share Award Plan (Exhibit 10.3).(g)
*10.4	1979 Nonqualified Stock Option Plan, as amended (Exhibit 10.4).(c)
*10.5	Form of Employment Agreement for Medtronic executive officers (Exhibit 10.5).(e)
*10.6	1991 Restricted Stock Plan for Non-Employee Directors (Exhibit 10.6).(c)
*10.7	Capital Accumulation Plan Deferral Program.

*10.8	Executive Nonqualified Supplemental Benefit Plan (Restated May 1, 1997). (Exhibit 10.10).(d)
*10.9	Stock Option Replacement Program.
*10.10	1998 Outside Director Stock Compensation Plan.
*10.11	Agreement with Officer (Exhibit 10).(f)
*10.12	Amendment effective March 5, 1998 to the 1979 Nonqualified Stock Option Plan (Exhibit 10.14).(g)
*10.13	Amendment effective April 30, 1999 to Stock Award and Compensatory Plans (Exhibit 10.13).(h)
13	Those portions of Medtronic's 2000 Annual 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 18 of this report).
24	Powers of Attorney.
27	Financial Data Schedule for fiscal 2000 and Restated Financial Data Schedules for fiscal 1998, fiscal 1999 and interim periods, and quarters ended July 30, 1999 and October 29, 1999.

(a) Incorporated herein by reference to Exhibit 2 in Medtronic's Registration Statement on Form S-4 (Registration No. 333- 87439) filed with the Commission on September 21, 1999.

(b) Incorporated herein by reference to the cited exhibit in Medtronic's Quarterly Report on Form 10-Q for the quarter ended October 29, 1999, filed with the Commission on December 10, 1999.

(c) 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.

(d) 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.

(e) Incorporated herein by reference to the cited exhibit in Medtronic's Annual Report on Form 10-K for the year ended April 30, 1995, filed with the Commission on July 25, 1995.

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

(g) 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.

(h) Incorporated hereby by reference to the cited exhibit in Medtronic's Annual Report on Form 10-K for the year ended April 30, 1999, filed with the Commission on July 21, 1999.

*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

No reports on Form 8-K were filed by Medtronic during the quarter ended April 30, 2000.

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, 2000

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, 2000

BY: /S/ WILLIAM W. GEORGE

WILLIAM W. GEORGE
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

Dated: July 20, 2000

BY: /S/ ROBERT 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
GLEN D. NELSON, M.D.
JEAN-PIERRE ROSSO
RICHARD L. SCHALL
JACK W. SCHULER
GERALD W. SIMONSON
GORDON M. SPRENGER

DIRECTORS

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, 2000

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 24, 2000 appearing in the Medtronic, Inc. 2000 Annual Report (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 24, 2000

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, 333-75819 and 333-90381) of Medtronic, Inc. of our report dated May 24, 2000 relating to the financial statements, which appears in the Annual Report, 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, 2000

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 4/30/00	$33.2	$ 6.7	$(10.4)(a) 0.7 (b)	$30.2
Year ended 4/30/99	24.9	13.4	$ (4.7)(a) (0.4)(b)	33.2
Year ended 4/30/98	16.7	10.4	(1.8)(a) (0.4)(b)	24.9

(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

FOR THE FISCAL YEAR ENDED APRIL 30, 2000

[LOGO]

MEDTRONIC
WHEN LIFE DEPENDS ON MEDICAL TECHNOLOGY

Medtronic, Inc.
7000 Central Avenue N.E.
Minneapolis, Minnesota 55432
Telephone: 763/514-4000

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EXHIBITS INDEX

2	Agreement and Plan of Merger, dated August 26, 1999, by and among Medtronic, Inc., Xomed Surgical Products, Inc., and MXS Merger Corp., including the Exhibits thereto (Exhibit 2.1).(a)
3.1	Medtronic Restated Articles of Incorporation, as amended to date (Exhibit 3.1).(b)
3.2	Medtronic Bylaws, as amended to date (Exhibit 3.2).(c)
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).(d)
*10.1	1994 Stock Award Plan.
*10.2	Management Incentive Plan.
*10.3	1979 Restricted Stock and Performance Share Award Plan (Exhibit 10.3).(g)
*10.4	1979 Nonqualified Stock Option Plan, as amended (Exhibit 10.4).(c)

*10.5	Form of Employment Agreement for Medtronic executive officers (Exhibit 10.5).(e)
*10.6	1991 Restricted Stock Plan for Non-Employee Directors (Exhibit 10.6).(c)
*10.7	Capital Accumulation Plan Deferral Program.
*10.8	Executive Nonqualified Supplemental Benefit Plan (Restated May 1, 1997). (Exhibit 10.10).(d)
*10.9	Stock Option Replacement Program.
*10.10	1998 Outside Director Stock Compensation Plan.
*10.11	Agreement with Officer (Exhibit 10).(f)
*10.12	Amendment effective March 5, 1998 to the 1979 Nonqualified Stock Option Plan (Exhibit 10.14).(g)
*10.13	Amendment effective April 30, 1999 to Stock Award and Compensatory Plans (Exhibit 10.13).(h)
13	Those portions of Medtronic's 2000 Annual 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 18 of this report).
24	Powers of Attorney.
27	Financial Data Schedule for fiscal 2000 and restated Financial Data Schedules for fiscal 1998, fiscal 1999 and interim periods, and quarters ended July 30, 1999 and October 29, 1999.

(a) Incorporated herein by reference to Exhibit 2 in Medtronic's Registration Statement on Form S-4 (Registration No. 333- 87439) filed with the Commission on September 21, 1999.

(b) Incorporated herein by reference to the cited exhibit in Medtronic's Quarterly Report on Form 10-Q for the quarter ended October 29, 1999, filed with the Commission on December 10, 1999.

(c) 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.

(d) 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.

(e) Incorporated herein by reference to the cited exhibit in Medtronic's Annual Report on Form 10-K for the year ended April 30, 1995, filed with the Commission on July 25, 1995.

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

(g) 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.

(h) Incorporated hereby by reference to the cited exhibit in Medtronic's Annual Report on Form 10-K for the year ended April 30, 1999, filed with the Commission on July 21, 1999.

*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 10.1

1994 STOCK AWARD PLAN

(AMENDED AND RESTATED AS OF APRIL 30, 2000)

1. PURPOSE. The purpose of this 1994 Stock Award Plan (the "Plan") is to motivate key personnel to produce a superior return to the shareholders of Medtronic, Inc. (the "Company") and its Affiliates by offering such individuals an opportunity to realize Stock appreciation, by facilitating Stock ownership, and by rewarding them for achieving a high level of corporate performance. This Plan is also intended to facilitate recruiting and retaining key personnel of outstanding ability.

2. DEFINITIONS. The capitalized terms used in this Plan have the meanings set forth below.

(a) "Affiliate" means any corporation that is a "parent corporation" or "subsidiary corporation" of the Company, as those terms are defined in Sections 424(e) and (f) of the Code, or any successor provision, and, for purposes other than the grant of Incentive Stock Options, any joint venture in which the Company or any such "parent corporation" or "subsidiary corporation" owns an equity interest.

(b) "Agreement" means the agreement, whether in written or electronic form, between the Company or an Affiliate and a Participant containing the terms and conditions of an Award (not inconsistent with this Plan), together with all amendments to such agreement, which amendments may be unilaterally made by the Company unless such amendments are deemed by the Committee to be materially adverse to the Participant or are not required as a matter of law. The Agreement and any amendments thereto shall be deemed accepted and agreed upon by the Participant upon receipt, without the necessity of obtaining the Participant's signature.

(c) "Award" means a grant made under this Plan in the form of Options, Stock Appreciation Rights, Restricted Stock, Performance Shares or any Other Stock-Based Award.

(d) "Board" means the Board of Directors of the Company.

(e) "Change in Control" means:

(i) acquisition by any individual, entity or group (within the meaning of Section 13(d) (3) or 14(d) (2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either (A) the then outstanding Shares of Stock (the "Outstanding Company Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company or any Subsidiary, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary or (D) any acquisition by any corporation with respect to which, following such acquisition, more than 55% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such acquisition in substantially the same proportions as their ownership, immediately prior to such acquisition, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be; or

(ii) individuals who, as of the effective date of this Plan provided in Section 14(a) of this Plan, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the

date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents; or

(iii) approval by the shareholders of the Company of a reorganization, merger, consolidation or statutory exchange of Outstanding Company Voting Securities, in each case, with respect to which all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such reorganization, merger, consolidation or exchange do not, following such reorganization, merger, consolidation or exchange, beneficially own, directly or indirectly, more than 55% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger, consolidation or exchange in substantially the same proportions as their ownership, immediately prior to such reorganization, merger, consolidation or exchange of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be; or

(iv) approval by the shareholders of the Company of (A) a complete liquidation or dissolution of the Company or (B) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation with respect to which, following such sale or other disposition, more than 55% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be.

Notwithstanding the foregoing provisions of this definition, a Change of Control shall not be deemed to occur with respect to a Participant if the acquisition of the 30% or greater interest referred to in subparagraph (i) of this definition is by a group, acting in concert, that includes the Participant or if at least 40% of the then outstanding common stock or combined voting power of the then outstanding voting securities (or voting equity interests) of the surviving corporation or of any corporation (or other entity) acquiring all or substantially all of the assets of the Company shall be beneficially owned, directly or indirectly, immediately after a reorganization, merger, consolidation, statutory share exchange or disposition of assets referred to in subparagraph (iii) or (iv) of this definition by a group, acting in concert, that includes that Participant.

(f) "Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time, or any successor statute.

(g) "Committee" means the persons designated by the Board to administer this Plan under Section 3 hereof. The Committee shall consist of not less than three members of the Board and, except as otherwise determined by the Board, such persons shall be "non-employee directors" under Exchange Act Rule 16b-3 and "outside directors" under Section 162(m) of the Code.

(h) "Company" means Medtronic, Inc., a Minnesota corporation, or any successor to all or substantially all of its businesses by merger, consolidation, purchase of assets or otherwise.

(i) "Disability" means the disability of a Participant such that the Participant is considered disabled under any retirement plan of the Company which is qualified under Section 401 of the Code, or,

in the case of a Participant employed by a non-U.S. Affiliate or in a non-U.S. location, under any retirement plan or long-term disability plan of the Company or such Affiliate applicable to such Participant, or as otherwise determined by the Committee.

(j) "Employee" means any full-time or part-time regular employee (including officers) of the Company or an Affiliate. For purposes of this Plan, a regular employee is an employee who is on the regular payroll of the Company or an Affiliate and who is identified in the personnel records of the Company or an Affiliate as being an employee. Except with respect to grants of Incentive Stock Options, "Employee" shall also include other individuals who are not regular employees of the Company or an Affiliate but who provide services to the Company or an Affiliate in the capacity of an independent contractor and to whom the Company specifically chooses to grant an Award and therefore treat as a Participant. References in this Plan to "employment" and related terms shall include the providing of services in any such capacity.

(k) "Exchange Act" means the Securities Exchange Act of 1934, as amended; "Exchange Act Rule 16b-3" means Rule 16b-3 promulgated by the Securities and Exchange Commission under the Exchange Act as in effect with respect to the Company or any successor regulation.

(l) "Fair Market Value" as of any date means, unless otherwise expressly provided in this Plan:

(i) the closing sale price of a Share (A) on the composite tape for New York Stock Exchange ("NYSE") listed shares, or (B) if the Shares are not quoted on the NYSE composite tape, on the principal United States securities exchange registered under the Exchange Act on which the Shares are listed, or (C) if the Shares are not listed on any such exchange, on the National Association of Securities Dealers, Inc. Automated Quotation System National Market System, on that date, or, if no sale of Shares shall have occurred on that date, on the next preceding day on which a sale of Shares occurred, or

(ii) if clause (i) is not applicable, what the Committee determines in good faith to be 100% of the fair market value of a Share on that date. In the case of an Incentive Stock Option, if such determination of Fair Market Value is not consistent with the then current regulations of the Secretary of the Treasury, Fair Market Value shall be determined in accordance with said regulations. The determination of Fair Market Value shall be subject to adjustment as provided in Section 14(f) hereof.

(m) "Fundamental Change" means a dissolution or liquidation of the Company, a sale of substantially all of the assets of the Company, a merger or consolidation of the Company with or into any other corporation, regardless of whether the Company is the surviving corporation, or a statutory share exchange involving capital stock of the Company.

(n) "Incentive Stock Option" means any Option designated as such and granted in accordance with the requirements of Section 422 of the Code or any successor to such section.

(o) "Non-Employee Director" means a member of the Board who is not an employee of the Company or any Affiliate.

(p) "Non-Qualified Stock Option" means an Option other than an Incentive Stock Option.

(q) "Other Stock-Based Award" means an Award of Stock or an Award based on Stock other than Options, Stock Appreciation Rights, Restricted Stock or Performance Shares.

(r) "Option" means a right to purchase Stock, including both Non-Qualified Stock Options and Incentive Stock Options.

(s) "Participant" means an Employee to whom an Award is made.

(t) "Performance Period" means the period of time as specified in an Agreement over which Performance Shares are to be earned.

(u) "Performance Shares" means a contingent award of a specified number of Performance Shares, with each Performance Share equivalent to one Share, a variable percentage of which may vest depending upon the extent of achievement of specified performance objectives during the applicable Performance Period.

(v) "Plan" means this 1994 Stock Award Plan, as amended and in effect from time to time.

(w) "Restricted Stock" means Stock granted under Section 10 hereof so long as such Stock remains subject to one or more restrictions.

(x) "Retirement" means retirement of an Employee as defined under any retirement plan of the Company which is qualified under Section 401 of the Code (which currently provides for retirement on or after age 55, provided the Employee has been employed by the Company and/or one or more Affiliates for at least ten years, or retirement on or after age 62), or under any retirement plan of the Company or any Affiliate applicable to the Employee due to employment by a non-U.S. Affiliate or employment in a non-U.S. location, or as otherwise determined by the Committee.

(y) "Share" means a share of Stock.

(z) "Stock" means the common stock, $.10 par value per share (as such par value may be adjusted from time to time), of the Company.

(aa) "Stock Appreciation Right" means a right, the value of which is determined relative to appreciation in value of Shares pursuant to an Award granted under Section 8 hereof.

(bb) "Subsidiary" means a "subsidiary corporation," as that term is defined in Section 424(f) of the Code, or any successor provision.

(cc) "Successor" with respect to a Participant means the legal representative of an incompetent Participant or, if the Participant is deceased, the legal representative of the estate of the Participant or the person or persons who may, by bequest or inheritance, or valid beneficiary designation under Section 14(i) hereof, acquire the right to exercise an Option or Stock Appreciation Right or receive cash and/or Shares issuable in satisfaction of an Award in the event of a Participant's death.

(dd) "Term" means the period during which an Option or Stock Appreciation Right is outstanding or the period during which the restrictions placed on Restricted Stock or any other Award are in effect.

Except when otherwise indicated by the context, reference to the masculine gender shall include, when used, the feminine gender and any term used in the singular shall also include the plural.

3. ADMINISTRATION.

(a) AUTHORITY OF COMMITTEE. The Committee shall administer this Plan. The Committee shall have exclusive power to make Awards and to determine when and to whom Awards will be granted, and the form, amount and other terms and conditions of each Award, subject to the provisions of this Plan. The Committee may determine whether, to what extent and under what circumstances Awards may be settled, paid or exercised in cash, Shares or other Awards or other property, or cancelled, forfeited or suspended. The Committee shall have the authority to interpret this Plan and any Award or Agreement made under this Plan, to establish, amend, waive and rescind any rules and regulations relating to the administration of this Plan, to determine the terms and provisions of any Agreements entered into hereunder (not inconsistent with this Plan), and to make all other determinations necessary or advisable for the administration of this Plan. The Committee may correct any defect, supply any omission or reconcile any inconsistency in this Plan or in any Award in the manner and to the extent it shall deem desirable. The determinations of the Committee in the administration of this Plan, as described herein, shall be final, binding and conclusive.

(b) DELEGATION OF AUTHORITY. The Committee may delegate all or any part of its authority under this Plan to (i) one or more subcommittees which may consist solely of "non-employee directors" under Exchange Act Rule 16b-3 and

"outside directors" under Section 162(m) of the Code and (ii) persons who are not non-employee directors for purposes of determining and administering Awards solely to Employees who are not then subject to the reporting requirements of Section 16 of the Exchange Act.

(c) RULE 16b-3. It is the intent that this Plan and all Awards granted pursuant to it shall be administered by the Committee (or a subcommittee thereof) so as to permit this Plan and Awards to comply with Exchange Act Rule 16b-3. If any provision of this Plan or of any Award would otherwise frustrate or conflict with the intent expressed in this Section 3(c), that provision to the extent possible shall be interpreted and deemed amended in the manner determined by the Committee so as to avoid such conflict.

(d) INDEMNIFICATION. To the full extent permitted by law, each member and former member of the Committee and each person to whom the Committee delegates or has delegated authority under this Plan shall be entitled to indemnification by the Company against and from any loss, liability, judgment, damages, cost and reasonable expense incurred by such member, former member or other person by reason of any action taken, failure to act or determination made in good faith under or with respect to this Plan.

4. SHARES AVAILABLE; MAXIMUM PAYOUTS.

(a) SHARES AVAILABLE. The number of additional Shares available for distribution under this Plan as of April 30, 2000 is 58,000,000 (which brings the total number of shares authorized for distribution under this Plan since inception to 102,800,000, as adjusted to date pursuant to Section 14(f)). All shares are subject to adjustment under Section 14(f) hereof.

(b) SHARES AGAIN AVAILABLE. Any Shares subject to the terms and conditions of an Award under this Plan which are not used because the terms and conditions of the Award are not met may again be used for an Award under this Plan.

(c) UNEXERCISED AWARDS. Any unexercised or undistributed portion of any terminated, expired, exchanged, or forfeited Award or any Award settled in cash in lieu of Shares shall be available for further Awards.

(d) NO FRACTIONAL SHARES. No fractional Shares may be issued under this Plan. Fractional Shares will be rounded to the nearest whole Share.

(e) MAXIMUM PAYOUTS. No more than 35% of all Shares subject to this Plan may be granted in the aggregate pursuant to Restricted Stock, Performance Share and Other Stock-Based Awards. No Participant may be granted Options, Stock Appreciation Rights, Performance Shares or any combination thereof relating to more than 2,000,000 Shares over a one-year period under this Plan.

5. ELIGIBILITY. Awards may be granted under this Plan to any Employee at the discretion of the Committee.

6. GENERAL TERMS OF AWARDS.

(a) AWARDS. Awards under this Plan may consist of Options (either Incentive Stock Options or Non-Qualified Stock Options), Stock Appreciation Rights, Performance Shares, Restricted Stock and Other Stock-Based Awards. Awards of Restricted Stock may, in the discretion of the Committee, provide the Participant with dividends or dividend equivalents and voting rights prior to vesting (whether vesting is based on a period of time during which employment must continue or on attainment of specified performance conditions).

(b) AMOUNT OF AWARDS. Each Agreement shall set forth the number of Shares of Restricted Stock, Stock or Performance Shares subject to such Agreement, or the number of Shares to which the

Option applies or with respect to which payment upon the exercise of the Stock Appreciation Right is to be determined, as the case may be, as determined by the Committee in its sole discretion.

(c) TERM. Each Agreement, other than those relating solely to Awards of Stock without restrictions, shall set forth the Term of the Award and any

applicable Performance Period for Performance Shares, as the case may be, but in no event shall the Term of an Award (other than Awards granted in lieu of cash compensation) or the Performance Period be longer than ten years after the date of grant. An Agreement with a Participant may permit acceleration of vesting and of the expiration of the applicable Term upon such terms and conditions as shall be set forth in the Agreement, which may, but need not, include, without limitation, acceleration resulting from the occurrence of a Change in Control, a Fundamental Change, or the Participant's death, Disability or Retirement. Acceleration of the Performance Period of Performance Shares shall be subject to Section 9(b) hereof.

(d) AGREEMENTS. Each Award under this Plan shall be evidenced by an Agreement setting forth the terms and conditions, as determined by the Committee, which shall apply to such Award in addition to the terms and conditions specified in this Plan. All provisions of the Plan which by their terms apply to an Award shall apply regardless of whether such terms are expressly set forth in the Award Agreement, except to the extent that the Agreement for that Award expressly provides otherwise.

(e) TRANSFERABILITY. During the lifetime of a Participant to whom an Award is granted, only such Participant (or such Participant's legal representative or, if so provided in the applicable Agreement in the case of a Non-Qualified Stock Option, a permitted transferee as hereafter described) may exercise an Option or Stock Appreciation Right or receive payment with respect to Performance Shares or any other Award. No Award of Restricted Stock (prior to the expiration of the restrictions), Options, Stock Appreciation Rights, Performance Shares or other Award (other than an award of Stock without restrictions) may be sold, assigned, transferred, exchanged, or otherwise encumbered, and any attempt to do so shall be of no effect. Notwithstanding the immediately preceding sentence, (i) an Award shall be transferable to a Successor in the event of a Participant's legal incompetency or death and (ii) an Agreement may provide that a Non-Qualified Stock Option shall be transferable to any member of a Participant's "immediate family" (as such term is defined in Rule 16a-1(e) promulgated under the Exchange Act, or any successor rule or regulation) or to one or more trusts whose beneficiaries are members of such Participant's "immediate family" or partnerships in which such family members are the only partners; provided, however, that (1) the Participant receives no consideration for the transfer and (2) such transferred Non-Qualified Stock Option shall continue to be subject to the same terms and conditions as were applicable to such Non-Qualified Stock Option immediately prior to its transfer.

(f) TERMINATION OF EMPLOYMENT. Except as otherwise determined by the Committee or provided by the Committee in an applicable Agreement, in case of termination of employment, the following provisions shall apply:

(1) OPTIONS AND STOCK APPRECIATION RIGHTS.

(i) DEATH. If a Participant who has been granted an Option or Stock Appreciation Rights shall die before such Option or Stock Appreciation Rights have expired, the Option or Stock Appreciation Rights shall become exercisable in full, and may be exercised by the Participant's Successor at any time, or from time to time, within three years after the date of the Participant's death, in the case of an Option or Stock Appreciation Right granted before April 30, 2000 and within five years after the date of the Participant's death in the case of an Option or Stock Appreciation Right granted on or after April 30, 2000.

(ii) DISABILITY OR RETIREMENT. If a Participant's employment terminates because of Disability or Retirement, the Option or Stock Appreciation Rights shall become exercisable in full, and the Participant may exercise his or her Options or Stock Appreciation Rights at any time, or from time to time, within three years after the date of such termination, in the case of an Option or Stock Appreciation Right granted before April 30, 2000, and within five years after the date of such termination in the case of an Option or Stock Appreciation Right granted on or after April 30, 2000.

(iii) REASONS OTHER THAN DEATH, DISABILITY OR RETIREMENT. If a Participant's employment terminates for any reason other than death, Disability or Retirement, the unvested or unexercised portion of any Award held by such Participant shall terminate (a) on the date of termination of employment for

Awards granted before April 30, 2000, and (b) at the close of business on the date 30 days after the date of termination of employment for Awards granted on or after April 30, 2000, provided, however, that no further vesting shall occur after the date of termination of employment.

(iv) EXPIRATION OF TERM. Notwithstanding the foregoing paragraphs (i)-(iii), in no event shall an Option or a Stock Appreciation Right be exercisable after expiration of the Term of such Award.

(2) PERFORMANCE SHARES. If a Participant's employment with the Company or any of its Affiliates terminates during a Performance Period because of death, Disability or Retirement, or under other circumstances provided by the Committee in its discretion in the applicable Agreement, the Participant shall be entitled to a payment of Performance Shares at the end of the Performance Period based upon the extent to which achievement of performance targets was satisfied at the end of such period (as determined at the end of the Performance Period) and prorated for the portion of the Performance Period during which the Participant was employed by the Company or any Affiliate. Except as provided in this Section 6(f)(2) or in the applicable Agreement, if a Participant's employment terminates with the Company or any of its Affiliates during a Performance Period, then such Participant shall not be entitled to any payment with respect to that Performance Period.

(3) RESTRICTED STOCK. In case of a Participant's death, Disability or Retirement, the Participant shall be entitled to receive that number of shares of Restricted Stock under outstanding Awards which has been pro rated for the portion of the Term of the Awards during which the Participant was employed by the Company or any Affiliate, and with respect to such Shares all restrictions shall lapse. Upon termination of employment for any reason other than death, Disability or Retirement, any shares of Restricted Stock whose restrictions have not lapsed will automatically be forfeited in full and cancelled by the Company upon such termination of employment.

(g) RIGHTS AS SHAREHOLDER. A Participant shall have no rights as a shareholder with respect to any securities covered by an Award until the date the Participant becomes the holder of record.

7. STOCK OPTIONS.

(a) TERMS AND EXERCISABILITY OF ALL OPTIONS. Each Option shall be granted pursuant to an Agreement as either an Incentive Stock Option or a Non-Qualified Stock Option. Only Non-Qualified Stock Options may be granted to Employees who are not regular employees of the Company or an Affiliate. The purchase price of each Share subject to an Option shall be determined by the Committee and set forth in the Agreement, but shall not be less than 100% of the Fair Market Value of a Share on the date the Option is granted. The Agreement shall specify a vesting schedule under which the Option becomes available to exercise. Only the vested portion of an Option may be exercised. When exercising an Option, the purchase price of the Shares shall be paid in full at the time of exercise, provided that, to the extent permitted by law, Participants may simultaneously exercise Options and sell the Shares thereby acquired pursuant to a brokerage or similar relationship and use the proceeds from such sale to pay the purchase price of such Shares. The purchase price may be paid in cash, or by delivery of cash proceeds of such a simultaneous exercise and sale or by delivery to the Company, physically or by attestation, of Shares already owned by such Participant, provided that any such Shares not acquired on the open market shall have been owned for at least 6 months (with such Shares having a total fair market value as of the date the Option is exercised equal to the total exercise cost of the Shares being purchased pursuant to the Option), or a combination thereof, unless otherwise provided in the Agreement. Each Option shall be exercisable in whole or in part on the terms provided in the Agreement. In no event shall any Option be exercisable at any time after its Term. When an Option is no longer exercisable, it shall be deemed to have lapsed or terminated.

(b) INCENTIVE STOCK OPTIONS. In addition to the other terms and conditions applicable to all Options:

(i) the aggregate Fair Market Value (determined as of the date the Option is granted) of the Shares with respect to which Incentive Stock Options

held by an individual first become exercisable in any calendar year (under this Plan and all other incentive stock option plans of the Company and its Affiliates) shall not exceed $100,000 (or such other limit as may be required by the Code), if such limitation is necessary to qualify the Option as an Incentive Stock Option, and to the extent an Option or Options granted to a Participant exceed such limit, such Option or Options shall be treated as a Non-Qualified Stock Option;

(ii) an Incentive Stock Option shall not be exercisable and the Term of the Award shall not be more than ten years after the date of grant (or such other limit as may be required by the Code) if such limitation is necessary to qualify the Option as an Incentive Stock Option;

(iii) the Agreement covering an Incentive Stock Option shall contain such other terms and provisions which the Committee determines necessary to qualify such Option as an Incentive Stock Option; and

(iv) notwithstanding any other provision of this Plan to the contrary, no Participant may receive an Incentive Stock Option under this Plan if, at the time the Award is granted, the Participant owns (after application of the rules contained in Section 424(d) of the Code, or its successor provision) Shares possessing more than ten percent of the total combined voting power of all classes of stock of the Company or its subsidiaries, unless (A) the option price for such Incentive Stock Option is at least 110% of the Fair Market Value of the Shares subject to such Incentive Stock Option on the date of grant and (B) such Option is not exercisable after the date five years from the date such Incentive Stock Option is granted.

8. STOCK APPRECIATION RIGHTS. An Award of a Stock Appreciation Right shall entitle the Participant, subject to terms and conditions determined by the Committee, to receive upon exercise of the Stock Appreciation Right all or a portion of the excess of (i) the Fair Market Value of a specified number of Shares on the date of exercise of the Stock Appreciation Right over (ii) a specified price which shall not be less than 100% of the Fair Market Value of such Shares on the date of grant of the Stock Appreciation Right. A Stock Appreciation Right may be granted in connection with a previously or contemporaneously granted Option, or independent of any Option. If issued in connection with an Option, the Committee may impose a condition that exercise of a Stock Appreciation Right cancels the Option with which it is connected and exercise of the connected Option cancels the Stock Appreciation Right. Each Stock Appreciation Right may be exercisable in whole or in part on the terms provided in the Agreement. No Stock Appreciation Right shall be exercisable at any time after its Term. When a Stock Appreciation Right is no longer exercisable, it shall be deemed to have lapsed or terminated. Except as otherwise provided in the applicable Agreement, upon exercise of a Stock Appreciation Right, payment to the Participant (or to his or her Successor) shall be made in the form of cash, Stock or a combination of cash and Stock as promptly as practicable after such exercise. The Agreement may provide for a limitation upon the amount or percentage of the total appreciation on which payment (whether in cash and/or Stock) may be made in the event of the exercise of a Stock Appreciation Right.

9. PERFORMANCE SHARES.

(a) INITIAL AWARD. An Award of Performance Shares shall entitle a Participant (or a Successor) to future payments based upon the achievement of performance targets established in writing by the Committee. Payment shall be made in Stock, or a combination of cash and Stock, as determined by the Committee, provided that at least 25% of the value of the vested Performance Shares shall be distributed in the form of Stock. With respect to those Participants who are "covered employees" within the meaning of Section 162(m) of the Code and the regulations thereunder, such performance targets shall consist of one or any combination of two or more of revenue, revenue per employee, earnings before income tax (profit before taxes), earnings before interest and income tax, net earnings (profits after tax), earnings per employee, tangible, controllable or total asset turnover, earnings per share, operating income, total shareholder return, market share, return on equity, before- or after-tax return on net assets, distribution expense, inventory turnover, or economic value added (economic profit), and any such targets may relate to one or any combination of two or more of corporate, group, unit, division, Affiliate or

individual performance. The Agreement may establish that a portion of the maximum amount of a Participant's Award will be paid for performance which exceeds the minimum target but falls below the maximum target applicable to such Award. The Agreement shall also provide for the timing of such payment. The Committee shall determine the extent to which (i) performance targets have been attained, (ii) any other terms and conditions with respect to an Award relating to such Performance Period have been satisfied, and (iii) payment is due with respect to a Performance Share Award.

(b) ACCELERATION AND ADJUSTMENT. The Agreement may permit an acceleration of the Performance Period and an adjustment of performance targets and payments with respect to some or all of the Performance Shares awarded to a Participant, upon such terms and conditions as shall be set forth in the Agreement, upon the occurrence of certain events, which may, but need not, include without limitation a Change in Control, a Fundamental Change, the Participant's death, Disability or Retirement, a change in accounting practices of the Company or its Affiliates, or, with respect to payments in Stock for Performance Share Awards, a reclassification, stock dividend, stock split or stock combination as provided in Section 14(f) hereof.

(c) VALUATION. Each Performance Share earned after conclusion of a Performance Period shall have a value equal to the average of the Fair Market Values of a Share for the 20 consecutive business days ending on and including the last day of such Performance Period.

10. RESTRICTED STOCK. Restricted Stock may be granted in the form of Shares registered in the name of the Participant but held by the Company until the end of the Term of the Award. Any employment conditions, performance conditions and the Term of the Award shall be established by the Committee in its discretion and included in the applicable Agreement. The Committee may provide in the applicable Agreement for the lapse or waiver of any such restriction or condition based on such factors or criteria as the Committee, in its sole discretion, may determine. No Award of Restricted Stock may vest earlier than one year from the date of grant, except as provided in the applicable Agreement.

11. OTHER STOCK-BASED AWARDS. The Committee may from time to time grant Awards of Stock, and other Awards under this Plan (collectively herein defined as "Other Stock-Based Awards"), including without limitation those Awards pursuant to which Shares may be acquired in the future, such as Awards denominated in Stock units, securities convertible into Stock and phantom securities. The Committee, in its sole discretion, shall determine the terms and conditions of such Awards provided that such Awards shall not be inconsistent with the terms and purposes of this Plan. The Committee may, in its sole discretion, direct the Company to issue Shares subject to restrictive legends and/or stop transfer instructions which are consistent with the terms and conditions of the Award to which such Shares relate.

12. PRIOR AUTOMATIC GRANTS TO NON-EMPLOYEE DIRECTORS. The provisions of Section 12 of the Plan as in effect prior to April 30, 2000 shall be applicable to automatic grants of Non-Qualified Stock Options (and related Limited Rights) made prior to March 5, 1998 to Non-Employee Directors.

13. PRIOR ELECTIVE GRANTS TO NON-EMPLOYEE DIRECTORS. The provisions of Section 13 of the Plan as in effect prior to April 30, 2000 shall be applicable to grants of Restricted Stock made prior to March 5, 1998 to Non-Employee Directors pursuant to their elections to receive such grants in lieu of all or a portion of their annual fees for their services as Non-Employee Directors.

14. GENERAL PROVISIONS.

(a) EFFECTIVE DATE OF THIS PLAN. This Plan shall become effective as of April 29, 1994, provided that this Plan is approved and ratified by the affirmative vote of the holders of a majority of the outstanding Shares of Stock present or represented and entitled to vote in person or by proxy at a meeting of the shareholders of the Company no later than August 31, 1994. This Plan, as amended and restated, is effective as of April 30, 2000.

(b) DURATION OF THIS PLAN. This Plan shall remain in effect until all Stock subject to it shall be distributed or all Awards have expired or lapsed, whichever is latest to occur, or this Plan is terminated pursuant to Section 14(e) hereof. No Award of an Incentive Stock Option shall be made more than ten years after the effective date provided in the second sentence of Section 14(a) hereof (or such other limit

as may be required by the Code) if such limitation is necessary to qualify the Option as an Incentive Stock Option. The date and time of approval by the Committee of the granting of an Award shall be considered the date and time at which such Award is made or granted, notwithstanding the date of any Agreement with respect to such Award; provided, however, that the Committee may grant Awards other than Incentive Stock Options to be effective and deemed to be granted on the occurrence of certain specified contingencies.

(c) RIGHT TO TERMINATE EMPLOYMENT. Nothing in this Plan or in any Agreement shall confer upon any Participant who is an Employee the right to continue in the employment of the Company or any Affiliate or affect any right which the Company or any Affiliate may have to terminate or modify the employment of the Participant with or without cause.

(d) TAX WITHHOLDING. The Company may withhold from any payment of cash or Stock to a Participant or other person under this Plan an amount sufficient to cover any required withholding taxes, including the Participant's social security and medicare taxes (FICA) and federal, state and local income tax with respect to income arising from payment of the Award. The Company shall have the right to require the payment of any such taxes before issuing any Stock pursuant to the Award. 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.

(e) AMENDMENT, MODIFICATION AND TERMINATION OF THIS PLAN. Except as provided in this Section 14(e), the Board may at any time amend, modify, terminate or suspend this Plan. Except as provided in this Section 14(e), the Committee may at any time alter or amend any or all Agreements under this Plan to the extent permitted by law. Plan amendments are subject to approval of the shareholders of the Company only if such approval is necessary to maintain this Plan in compliance with the requirements of Exchange Act Rule 16b-3, Section 422 of the Code, their successor provisions, or any other applicable law or regulation. No termination, suspension or modification of this Plan may materially and adversely affect any right acquired by any Participant (or a Participant's legal representative) or any Successor under an Award granted before the date of termination, suspension or modification, unless otherwise agreed by the Participant in the Agreement or otherwise or required as a matter of law. It is conclusively presumed that any adjustment for changes in capitalization provided for in Section 9(b) or 14(f) hereof does not adversely affect any right of a Participant under an Award.

(f) ADJUSTMENT FOR CHANGES IN CAPITALIZATION. Appropriate adjustments in the aggregate number and type of Shares available for Awards under this Plan, in the limitations on the number and type of Shares that may be issued to an individual Participant, in the number and type of Shares and amount of cash subject to Awards then outstanding, in the Option exercise price as to any outstanding Options and, subject to Section 9(b) hereof, in outstanding Performance Shares and payments with respect to outstanding Performance Shares may be made by the Committee in its sole discretion to give effect to adjustments made in the number or type of Shares through a Fundamental Change (subject to Section 14(g) hereof), recapitalization, reclassification, stock dividend, stock split, stock combination, or other relevant change, provided that fractional Shares shall be rounded to the nearest whole Share.

(g) FUNDAMENTAL CHANGE. In the event of a proposed Fundamental Change: (a) involving a merger, consolidation or statutory share exchange, unless appropriate provision shall be made (which the Committee may, but shall not be obligated to, make) for the protection of the outstanding Options and Stock Appreciation Rights by the substitution of options, stock appreciation rights and appropriate voting common stock of the corporation surviving any such merger or consolidation or, if appropriate, the parent corporation of the Company or such surviving corporation, to be issuable upon the exercise of options or used to calculate payments upon the exercise of stock appreciation rights in lieu of Options, Stock Appreciation Rights and capital stock of the Company, or (b) involving the dissolution or liquidation of the Company, the Committee may, but shall not be obligated to, declare, at least twenty days prior to the occurrence

of the Fundamental Change, and provide written notice to each holder of an Option or Stock Appreciation Right of the declaration, that each outstanding Option and Stock Appreciation Right, whether or not then exercisable, shall be cancelled at the time of, or immediately prior to the occurrence of, the

Fundamental Change in exchange for payment to each holder of an Option or Stock Appreciation Right, within 20 days after the Fundamental Change, of cash equal to (i) for each Share covered by the cancelled Option, the amount, if any, by which the Fair Market Value (as defined in this Section 14(g)) per Share exceeds the exercise price per Share covered by such Option or (ii) for each Stock Appreciation Right, the price determined pursuant to Section 8 hereof, except that Fair Market Value of the Shares as of the date of exercise of the Stock Appreciation Right, as used in clause (i) of Section 8, shall be deemed to mean Fair Market Value for each Share with respect to which the Stock Appreciation Right is calculated determined in the manner hereinafter referred to in this Section 14(g). At the time of the declaration provided for in the immediately preceding sentence, each Stock Appreciation Right and each Option shall immediately become exercisable in full and each person holding an Option or a Stock Appreciation Right shall have the right, during the period preceding the time of cancellation of the Option or Stock Appreciation Right, to exercise the Option as to all or any part of the Shares covered thereby or the Stock Appreciation Right in whole or in part, as the case may be. In the event of a declaration pursuant to this Section 14(g), each outstanding Option and Stock Appreciation Right that shall not have been exercised prior to the Fundamental Change shall be cancelled at the time of, or immediately prior to, the Fundamental Change, as provided in the declaration. Notwithstanding the foregoing, no person holding an Option or Stock Appreciation Right shall be entitled to the payment provided for in this Section 14(g) if such Option or Stock Appreciation Right shall have expired or terminated. For purposes of this Section 14(g) only, "Fair Market Value" per Share means the cash plus the fair market value, as determined in good faith by the Committee, of the non-cash consideration to be received per Share by the shareholders of the Company upon the occurrence of the Fundamental Change, notwithstanding anything to the contrary provided in this Plan.

(h) OTHER BENEFIT AND COMPENSATION PROGRAMS. Payments and other benefits received by a Participant under an Award shall not be deemed a part of a Participant's regular, recurring compensation for purposes of any termination, indemnity or severance pay laws and shall not be included in, nor have any effect on, the determination of benefits under any other employee benefit plan, contract or similar arrangement provided by the Company or an Affiliate, unless expressly so provided by such other plan, contract or arrangement or the Committee determines that an Award or portion of an Award should be included to reflect competitive compensation practices or to recognize that an Award has been made in lieu of a portion of competitive cash compensation.

(i) BENEFICIARY UPON PARTICIPANT'S DEATH. A Participant may designate a beneficiary to succeed to the Participant's Awards under the Plan in the event of the Participant's death by filing a beneficiary form with the Company and, upon the death of the Participant, such beneficiary shall succeed to the rights of the Participant to the extent permitted by law and the terms of this Plan and the applicable Agreement. In the absence of a validly designated beneficiary who is living at the time of the Participant's death, the Participant's executor or administrator of the Participant's estate shall succeed to the Awards, which shall be transferable by will or pursuant to laws of descent and distribution.

(j) FORFEITURES. In the event an Employee has received or been entitled to payment of cash, delivery of Stock or a combination thereof pursuant to an Award within the period beginning six months prior to the Employee's termination of employment with the Company and its Affiliates and ending when the Award terminates or is cancelled, the Company, in its sole discretion, may require the Employee to return or forfeit the cash and/or Stock received with respect to the Award (or its economic value as of (i) the date of the exercise of Options or Stock Appreciation Rights, (ii) the date of, and immediately following, the lapse of restrictions on Restricted Stock or the receipt of Stock without restrictions, or (iii) the date on which the right of the Employee to payment with respect to Performance Shares vests, as the case may be) in the event of any of the following occurrences: performing services for or on behalf of a competitor of, or otherwise competing with, the Company or any Affiliate, unauthorized disclosure of material proprietary information of the Company or

any Affiliate, a violation of applicable business ethics policies or business policies of the Company or any Affiliate, or any other occurrence specified in the related Agreement. The Company's right to require forfeiture must be exercised not later than 90 days after discovery of such an occurrence but in no event later than 15 months after the Employee's termination of employment with the Company and its Affiliates. Such right shall be deemed to be exercised upon the Company's mailing written notice to the Employee of such exercise, at the Employee's most recent home address as shown on the personnel records of the Company. In addition to requiring forfeiture as described herein, the Company may exercise its rights under this Section 14(j) by preventing

or terminating the exercise of any Awards or the acquisition of Shares or cash thereunder. In the event an Employee fails or refuses to forfeit the cash and/or Shares demanded by the Company (adjusted for any intervening stock splits), the Employee shall be liable to the Company for damages equal to the number of Shares demanded times the highest closing price per share of the Stock during the period between the applicable date specified in (i) through (iii) above and the date of any judgment or award to the Company, together with all costs and attorneys' fees incurred by the Company to enforce this provision.

(k) UNFUNDED PLAN. This Plan shall be unfunded and the Company shall not be required to segregate any assets that may at any time be represented by Awards under this Plan. Neither the Company, its Affiliates, the Committee, nor the Board shall be deemed to be a trustee of any amounts to be paid under this Plan nor shall anything contained in this Plan or any action taken pursuant to its provisions create or be construed to create a fiduciary relationship between the Company and/or its Affiliates, and a Participant or Successor. To the extent any person acquires a right to receive an Award under this Plan, such right shall be no greater than the right of an unsecured general creditor of the Company.

(l) LIMITS OF LIABILITY.

(i) Any liability of the Company to any Participant with respect to an Award shall be based solely upon contractual obligations created by this Plan and the Agreement.

(ii) Except as may be required by law, neither the Company nor any member or former member of the Board or of the Committee, nor any other person participating (including participation pursuant to a delegation of authority under Section 3(b) hereof) in any determination of any question under this Plan, or in the interpretation, administration or application of this Plan, shall have any liability to any party for any action taken, or not taken, in good faith under this Plan.

(m) COMPLIANCE WITH APPLICABLE LEGAL REQUIREMENTS. No certificate for Shares distributable pursuant to this Plan shall be issued and delivered unless the issuance of such certificate complies with all applicable legal requirements including, without limitation, compliance with the provisions of applicable state securities laws, the Securities Act of 1933, as amended and in effect from time to time or any successor statute, the Exchange Act and the requirements of the exchanges on which the Company's Shares may, at the time, be listed.

(n) DEFERRALS AND SETTLEMENTS. The Committee may require or permit Participants to elect to defer the issuance of Shares or the settlement of Awards in cash under such rules and procedures as it may establish under this Plan. It may also provide that deferred settlements include the payment or crediting of interest on the deferral amounts. Participants who are eligible to participate in the Medtronic, Inc. Capital Accumulation Plan Deferral Program ("CAP") shall be entitled to defer some or all of the cash portion of any Performance Shares granted to them hereunder in accordance with the terms of the CAP.

15. GOVERNING LAW. To the extent that federal laws do not otherwise control, this Plan and all determinations made and actions taken pursuant to this Plan shall be governed by the laws of Minnesota, without giving effect to conflicts of law provisions, and construed accordingly.

16. SEVERABILITY. In the event any provision of this Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect

the remaining parts of this Plan, and this Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

17. TERMINATION OF PRIOR PLANS. Effective upon the approval of this Plan by the Company's shareholders as provided by Section 14(a) hereof, no further grants of options, performance shares or restricted stock or any other awards shall be made under the Company's 1979 Restricted Stock and Performance Share Award Plan, 1979 Nonqualified Stock Option Plan, 1989 Phantom Stock Award Plan or 1991 Restricted Stock Plan for Non-Employee Directors (the "Prior Plans"). Thereafter, all grants and awards made under the Prior Plans prior to such approval by the shareholders shall continue in accordance with the terms of the Prior Plans.

EXHIBIT 10.2

MEDTRONIC, INC.
MANAGEMENT INCENTIVE PLAN

(AS AMENDED THROUGH AUGUST 25, 1999)

I. PURPOSES

This Medtronic, Inc. Management Incentive Plan, as amended through August 25, 1999 (the "Plan"), was amended and restated in its entirety effective April 29, 1994 from the existing Restated Medtronic, Inc. Management Incentive Plan originally adopted May 1, 1977. The Plan is designed to motivate officers and other key employees to achieve the Company's operating goals by providing the opportunity for incentive compensation in addition to annual salaries. The Plan is also designed to promote the accomplishment of management's primary annual objectives as reflected in the Company's annual operating plan, in the various business unit annual operating plans, and in the objectives established by management for employees, and to recognize the achievement of management's objectives through the payment of incentive compensation.

It is not the purpose of this Plan to reward employees for consistent performance of primary job responsibilities, nor to assure the payment of fixed salaries comparable in amount to those paid by similar companies, nor to recognize achievements related to successful daily performance on the job, all of which are intended to be identified, recognized, and rewarded through the Company's ongoing administration of base salaries.

The Company intends that all amounts paid to Covered Employees under this Plan should qualify as deductible "performance-based compensation" under Section 162(m) of the Code, and the Plan shall be interpreted in accordance with this intent.

II. DEFINITIONS

2.01 DEFINITIONS. As used in the Plan:

(a) "Affiliate" shall mean any corporation that is a "parent corporation" or "subsidiary corporation" of the Company, as those terms are defined in Sections 424(e) and (f) of the Code, or any successor provision, and any joint venture in which the Company or any such "parent corporation" or subsidiary corporation" owns an equity interest.

(b) "Board of Directors" or "Board" shall mean the Board of Directors of the Company.

(c) "Chief Executive Officer" shall mean the person duly elected by the Board to the office of Chief Executive Officer of the Company.

(d) "Code" shall mean the Internal Revenue Code of 1986, as amended and in effect from time to time, or any successor statute.

(e) "Committee" shall mean the Compensation Committee of the Board of Directors, which shall consist of members of the Board who are not employees and who are not eligible for participation in this Plan.

(f) "Company" shall mean Medtronic, Inc., its Affiliates and their successors and assigns.

(g) "Covered Employee" shall mean any Employee who is a "covered employee" as defined in section 162(m) of the Code.

(h) "Employee" shall mean any employee of the Company, whether or not an officer or member of the Board, but excluding any temporary employee and any person serving the Company only in the capacity of a member of the Board.

(i) "Participant" shall mean an Employee who has been selected in accordance with the Plan's terms by the Committee or the Chief Executive Officer

for participation in this Plan.

(j) "Participation Categories" shall mean those categories which specify the range of plan awards, one of which categories will be assigned to each Plan Participant. The Participation Categories may be redesignated or revised (such as by establishing more or fewer categories or by changing the percentages of salary ranges applicable to a category) from time to time at or prior to the commencement of an applicable Plan Year by the Committee or, except as otherwise provided in Sections 3.02 and 3.03, by the Chief Executive Officer if such administrative responsibility has been delegated to such officer by the Committee.

(k) "Performance Categories" shall mean those financial and management objective-based categories for performance measurement specified in Section 4.05 hereof.

(l) "Plan Year" shall mean the applicable fiscal year of the Company.

(m) "Salary" shall mean the direct gross (as opposed to taxable) compensation earned by a Participant as base salary during the Plan Year, excluding any and all commissions, bonuses, incentive payments for the current Plan Year or prior Plan Years and other similar payments.

(n) "Subsidiary" means a "subsidiary corporation," as that term is defined in Section 424(f) of the Code, or any successor provision.

Certain other terms used in the Plan shall have the meanings ascribed to such terms in the text of the Plan.

III. ADMINISTRATION OF THE PLAN

3.01 COMMITTEE OVERSIGHT. The Committee will administer the Plan by majority vote. The Committee may establish such rules and regulations as it deems necessary for the Plan and its interpretation. In addition, the Committee may make such determinations and take such actions in connection with the Plan as it deems necessary. Each determination made by the Committee in

accordance with the provisions of the Plan will be final, binding and conclusive. The Committee may rely on the financial statements certified by the Company's independent public accountants.

3.02 CHIEF EXECUTIVE OFFICER'S OVERSIGHT. Except as provided in Section 3.03, the Committee may delegate some or all of its administrative powers and responsibilities under the Plan to the Chief Executive Officer for Employees other than any Covered Employee. The Chief Executive Officer may make such determinations and take such actions within the scope of such delegation and as otherwise provided in the Plan as he deems necessary. Each such determination made by the Chief Executive Officer will be final, binding and conclusive. The Chief Executive Officer may rely on the financial statements certified by the Company's independent public accountants. Unless the Committee determines otherwise, the Committee shall be treated as delegating its authority to the Chief Executive Officer to the full extent permitted hereunder.

3.03 FURTHER APPROVAL NECESSARY. The Committee in its sole discretion may modify, suspend, terminate or reinstate the Plan; provided, however, that the Committee must receive prior approval of the Board of Directors (a) to render nonemployees, whether or not members of the Board of Directors, eligible to participate in the Plan, or (b) to increase the maximum awards (expressed as a percentage of salary) for a Participation Category beyond the maximum award which has been previously approved by the Board for such Participation Category.

IV. ELIGIBILITY AND PARTICIPATION

4.01 CERTAIN PARTICIPANTS SELECTED BY COMMITTEE. At the beginning of each Plan Year (or at such other time as is consistent with the requirements under Section 162(m) of the Code), the Committee will assign each Covered Employee to a Participation Category.

4.02 OTHER PARTICIPANTS. Employees eligible to participate in the Plan shall include executives, heads of key staff functions, heads of operating business units and other major contributors to business unit or corporate results. At the beginning of each Plan Year, the Chief Executive Officer will select Participants in the Plan (other than those Participants who are to be assigned to Participation Categories by the Committee pursuant to Section 4.01 hereof) from among such eligible employees. In addition, the Chief Executive Officer may select other employees (other than Covered Employees) to participate in the Plan when the Chief Executive Officer, in his sole discretion, deems such participation appropriate.

4.03 FUTURE PARTICIPATION. Participation in the Plan during one Plan Year does not guarantee participation during any other Plan Year.

4.04 PARTICIPATION CATEGORY. The Chief Executive Officer shall designate for each Participant in the Plan (other than Covered Employees) a Participation Category for purposes of determining the Participant's award. The Participation Categories and relative awards for such category for each Plan Year shall be set forth in writing. The range of potential awards to Participants under the Plan is stated for each Participation Category as percentages of each Participant's Salary and, if minimum performance objectives are met or exceeded, actual awards will fall within a scale ranging from designated minimum awards to designated target awards to designated maximum awards. The designated target award for each respective Participation Category is sometimes referred to herein as the "Target Award Percentage." Notwithstanding any contrary provisions of this Plan, the final award granted to any Participant under this Plan shall not

be permitted to exceed the maximum award as a percentage of Salary for such Participant's Participation Category.

4.05 PERFORMANCE CATEGORY. Each Participant's entitlement to an award under the Plan will be based on one or more of the weighted combinations of the performance of the Participant individually, as part of a team or as a member of management ("Management" performance), the Participant's division or other business unit ("Unit Financial" performance) and the Company as a whole ("Corporate Financial" performance). The Chief Executive Officer shall designate for each Participant in the Plan (except for Covered Employees) a Performance Category for purposes of establishing such weighted combination from the Participant's Performance Categories. The Committee shall designate Performance Categories for all Covered Employees; provided however, that for Covered Employees such Performance Categories shall be based only on one or any combination of two or more of the following criteria: revenue, revenue per employee, earnings before income tax (profit before taxes), earnings before interest and income tax, net earnings (profit after taxes), earnings per employee, tangible, controllable or total asset turnover, earnings per share, operating income, total shareholder return, market share, return on equity, before- or after-tax return on net assets, distribution expense, inventory turnover, economic value added (economic profit). For Covered Employees, such targets may relate to one or any combination of two or more of corporate, group, unit, division, Affiliate, or individual performance, and such designated targets will be treated as Corporate Financial objectives, Unit Financial objectives, or Management objectives as appropriate.

V. PERFORMANCE OBJECTIVES

5.01 CORPORATE FINANCIAL OBJECTIVES. Subject to Section 4.05 hereof, at the beginning of each Plan Year, or, with respect to Covered Employees, at such other time as is consistent with the requirements under Section 162(m) of the Code, the Committee will establish the Corporate Financial objectives by which the Company's financial performance during the Plan Year will be measured. Each Corporate Financial objective shall have a stated performance target. In the event that more than one Corporate Financial objective is used, the multiple Corporate Financial objectives shall be appropriately weighted by percentage in accordance with their importance (with the aggregate weighted objectives totaling 100%) at the time the objectives are established. At the end of each Plan Year the degree of achievement of each stated Corporate Financial objective shall be expressed as a percentage of the Corporate Financial performance target for each such objective. When one objective is used, such percentage shall constitute the "Corporate Financial Score" as such term is used herein. (When

more than one objective is used, the determined percentage achievement of each objective's target must be multiplied by the percentage weight (out of 100%) assigned to each such specific objective, and the resulting percentages for the various objectives must then be added and such sum shall constitute the Corporate Financial Score.) The relationship between Corporate Financial performance and awards hereunder will be distributed to all Participants at the beginning of each Plan Year.

5.02 OVERRIDING MINIMUM THRESHOLD. At the beginning of each Plan Year (or at such other time as is consistent with the requirements under Section 162(m) of the Code), the Committee will designate a minimum threshold level of Corporate Financial performance objective(s) which the Company must achieve for there to be any award made under the Plan. If such minimum threshold is not met or exceeded, no awards will be paid to Participants regardless

of whether other Corporate Financial objectives, Unit Financial objectives or Management objectives have been met.

5.03 UNIT FINANCIAL OBJECTIVES. Subject to Section 4.05 hereof, at the beginning of each Plan Year (or at such other time as is consistent with the requirements under Section 162(m) of the Code), the Vice President or other unit head responsible for each business unit of the Company will recommend and the Chief Executive Officer will adopt the Unit Financial objectives by which the business Unit's Financial performance will be measured. The Unit Financial objective(s) will be based on financial goals reflected in the respective business unit's fiscal year operating plan. Each Unit Financial objective shall have a stated performance target. In the event that more than one Unit Financial objective is used, the multiple Unit Financial objectives shall be appropriately weighted in accordance with their importance (with the aggregate weighted objectives totaling 100%). At the end of each Plan Year the degree of achievement of each stated Unit Financial objective shall be expressed as a percentage of the Unit Financial performance target for each objective. When one objective is used, such percentage shall constitute the "Unit Financial Score" as such term is used herein. When more than one objective is used, the determined percentage achievement of each objective's target must be multiplied by the percentage weight (out of 100%) assigned to each such specific objective, and the resulting percentages for the various objectives must then be added and such sum shall constitute the Unit Financial Score. The relationship between Unit Financial performance and awards hereunder shall be distributed at the beginning of each Plan Year to all Participants to which it applies. For all Participants other than Covered Employees, at the beginning of each Plan Year each business unit Vice President or other unit head may recommend and the Chief Executive Officer may adopt, in the Chief Executive Officer's sole discretion, a minimum threshold level of the business unit's most significant financial objective which the business unit must achieve for there to be any award based on such business unit's financial and management performance. If such minimum is established for any Participant (other than a Covered Employee) and is not met or exceeded, no award will be paid for one or both of the Unit Financial and Management portions, as determined by the Chief Executive Officer, under the Performance Category of each Participant in the business unit. The Committee shall determine whether a minimum threshold level shall apply in the case of a Covered Employee and the consequences of the failure to attain such minimum threshold level.

5.04 MANAGEMENT OBJECTIVES. Subject to Section 4.05 hereof, at the beginning of each Plan Year (or, with respect to Covered Employees, at such other time as is consistent with the requirements under Section 162(m) of the Code), the manager of each Participant will recommend and the Chief Executive Officer will adopt the Management objectives by which the individual Participant's performance will be measured. Management objectives shall relate to objectives in the business unit's annual operating plan and/or long-range plan. Each Management objective shall have a stated performance target. In the event that more than one Management objective is used, the multiple Management objectives shall be appropriately weighted by percentage, at the time they are established, in accordance with their importance (with the aggregate weighted objectives totaling 100%). At the end of each Plan Year the degree of achievement of each stated Management objective shall be expressed as a percentage of the Management performance target for each such objective. When one objective is used, such percentage shall constitute the "Management Score" as such term is used herein. When more than one objective is used, the

determined percentage achievement of each objective's target must be multiplied by the percentage weight (out of 100%) assigned to each such specific

objective, and the resulting percentages for the various objectives must then be added and such sum shall constitute the Management Score. The relationship between individual performance and awards hereunder will be distributed at the beginning of each Plan Year to all Participants to which it applies.

5.05 FINAL AWARD FUNDING. At the end of each Plan Year, the Chief Executive Officer will submit to the Committee a statement of the proposed final award to be granted to each Participant (including Covered Employees) under the terms of the Plan. The Committee shall determine and certify that the performance goals were satisfied and shall make the final award for each such Participant; provided that no Covered Employee may receive an award under this Plan in excess of $3 million during any Plan Year. The Chief Executive Officer shall make the final award for each Participant, other than Covered Employees, subject, however, to having first received the Committee's approval of the aggregate amount of the awards to be paid to all of such Participants.

VI. CALCULATION AND PAYMENT OF AWARDS

6.01 CALCULATION OF AWARDS. Each Participant's final award shall be equal to the sum of the following:

(a) CORPORATE FINANCIAL PORTION. The Corporate Financial portion of each Participant's award will be the product of (i) the Participant's Salary, (ii) the Target Award Percentage for the Participant's applicable Participation Category, (iii) the Corporate Financial percentage under the Participant's Performance Category and (iv) the Corporate Performance Score;

(b) UNIT FINANCIAL PORTION. The Unit Financial portion of each Participant's award will be the product of (i) the Participant's Salary, (ii) the Target Award Percentage for the Participant's applicable Participation Category, (iii) the Unit Financial percentage under the Participant's Performance Category and (iv) the Unit Financial Score; and

(c) MANAGEMENT PORTION. The Management portion of each Participant's award will be the product of (i) the Participant's Salary, (ii) the Target Award Percentage for the Participant's applicable Participation Category, (iii) the Management percentage under the Participant's Performance Category and (iv) the individual's Management Score; provided, however, that for Covered Employees subsection (i) of (a), (b) and (c) above shall be equal to such Participant's annual Salary in effect on the first day of the Plan Year, if required to comply with Section 162(m) of the Code.

6.02 PAYMENT OF AWARDS. Final awards shall be paid to each Participant in cash within 90 days after the end of the Plan Year. Notwithstanding the preceding sentence: (1) a Participant who is eligible to participate in the Medtronic, Inc. Capital Accumulation Plan Deferral Program ("CAP") shall be entitled to defer any part or all of the award granted to him or her hereunder in accordance with the terms of the CAP, and (2) if the Committee in its discretion permits, a Participant may elect to receive stock options granted under the Company's 1994 Stock Award Plan in lieu of any part or all of the cash award to which the Participant would otherwise be entitled hereunder, in accordance with rules established by the Committee for such purpose.

VII. EMPLOYMENT PROVISIONS

7.01 PROMOTIONS AND NEW EMPLOYEES. Except as to Covered Employees (as to whom such determinations must be made by the Committee), Employees who are newly hired or promoted into positions eligible for participation in the Plan will participate in the degree deemed appropriate, if at all, by the Chief Executive Officer and at the sole discretion of the Chief Executive Officer.

7.02 TERMINATION OF EMPLOYMENT.

(a) DEATH, DISABILITY OR RETIREMENT. Following termination of employment (which shall be deemed to occur on the date on which the Participant ceases working for the Company) during a Plan Year by reason of death, disability or normal or early retirement, a Participant will be eligible to receive a pro rata award equal to the portion of the final award, otherwise determined in accordance with Section 6.01, represented by the percentage equal to the number of full months of employment during the Plan Year divided by 12. Such pro rata award will be paid in accordance with Section 6.02.

(b) OTHER TERMINATION. Following a termination of employment (which shall be deemed to occur on the date on which the Participant ceases working for the Company) during a Plan Year for any reason other than death, disability or normal or early retirement, a Participant's eligibility to receive an award for that Plan Year will be determined solely at the discretion of the Chief Executive Officer, or, in the case of a Covered Employee, solely at the discretion of the Committee. No such award may exceed a pro rata portion of the amount that normally would be available under the Plan, with such pro rata portion to be determined as in Section 7.02(a).

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

7.03 NO EMPLOYMENT CONTRACT. Nothing contained in the Plan shall create any right in any employee to continued employment or otherwise affect his or her status as an employee-at-will.

VIII. MISCELLANEOUS PROVISIONS

8.01 NONASSIGNABILITY OF BENEFITS. No Participant, nor his or her legal representative, shall have any right to assign, transfer, appropriate, encumber or anticipate any interest in the Plan or any payments hereunder. Participants have only the right to receive payments under this

Plan if, as and when such payments are due and payable under the terms and conditions of the Plan.

8.02 WITHHOLDING TAXES. The Company will deduct from all payments under the Plan any taxes required to be withheld by the federal or any state or local government and will pay over such taxes to such government for the account of such Participant.

8.03 EXPENSES OF THE PLAN. The Company will bear all of the expenses of administering the Plan and will not charge such expenses against amounts payable hereunder.

8.04 APPLICABLE LAW. This Plan, all determinations made hereunder, and all actions taken pursuant hereto will be governed by the laws of the state of Minnesota.

IX. CHANGE IN CONTROL

9.01 CALCULATION OF AWARDS. Notwithstanding any other provisions of this Plan, including without limitation the minimum threshold requirements of Sections 5.02 and 5.03 and the provisions of Section 7.02(b) which shall not apply, Participants shall be entitled to a final award calculated in accordance with Section 6.01 of the Plan during any Plan Year in which there is a Change in Control, as defined in Section 9.03 hereof; provided, however, that for purposes hereof the amount of the final award shall be the product of (i) the amount of the Participant's Salary that the Participant would have earned if paid through

the end of the Plan Year at the Participant's base salary in effect at the time of the Change in Control and (ii) the greater of (A) the target award as a percentage of salary for the Participant's Participation Category or (B) if the Change in Control occurs after the first quarter of a Plan Year, the award as a percentage of salary that the Participant would have received if (1) no Change in Control had occurred during such Plan Year, (2) Participant's employment did not terminate during such Plan Year and (3) the applicable Management performance, Unit Financial performance and Corporate Financial performance (or if less than all such performance categories are to be taken into consideration in determining the achievement of performance objectives of the Participant, such categories as are to be taken into consideration in determining the achievement of such performance objectives) had equaled the performance most recently projected by the Company prior to the Change in Control with respect to such performance categories for such Plan Year (adjusted to exclude (a) all legal, accounting, investment banking and other costs and expenses incurred or projected by the Company in connection with, or in opposition to, the events resulting in the Change in Control and (b) the projected effect of the Change in Control upon Management performance, Unit Financial performance and Corporate Financial performance). The Company shall compute such projections for the Plan Year at or about the end of each quarter, except the last quarter, of each Plan Year.

9.02 PAYMENT OF AWARDS. Final awards shall be paid under this Article IX within 90 days following the occurrence of the earliest Change in Control described in Section 9.03. Notwithstanding the preceding sentence, a Participant who is eligible to participate in the CAP shall be entitled to defer any part or all of the award granted to him or her hereunder in accordance with the terms of the CAP.

9.03 CHANGE IN CONTROL. For purposes of this Article IX, a "Change in Control" shall mean:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either (A) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company or any Subsidiary, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary or (D) any acquisition by any corporation with respect to which, following such acquisition, more than 55% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such acquisition in substantially the same proportions as their ownership, immediately prior to such acquisition, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be; or

(ii) individuals who, as of the effective date of this Plan, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents; or

(iii) approval by the shareholders of the Company of a

reorganization, merger, consolidation or statutory exchange of Outstanding Company Voting Securities in each case, with respect to which all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such reorganization, merger, consolidation or exchange do not, following such reorganization, merger, consolidation or exchange, beneficially own, directly or indirectly, more than 55% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger, consolidation or exchange in substantially the same proportions as their ownership, immediately prior to such reorganization, merger, consolidation or exchange of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be; or

(iv) approval by the shareholders of the Company of (A) a complete liquidation or dissolution of the Company or (B) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation with respect to which, following such sale or other disposition, more than 55% of, respectively, the then outstanding shares of common stock

of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be.

Notwithstanding the foregoing provisions of this definition, a Change of Control shall not be deemed to occur with respect to a Participant if the acquisition of the 30% or greater interest referred to in subparagraph (i) of this definition is by a group, acting in concert, that includes the Participant or if at least 40% of the then outstanding common stock or combined voting power of the then outstanding voting securities (or voting equity interests) of the surviving corporation or of any corporation (or other entity) acquiring all or substantially all of the assets of the Company shall be beneficially owned, directly or indirectly, immediately after a reorganization, merger, consolidation, statutory share exchange or disposition of assets referred to in subparagraph (iii) or (iv) of this definition by a group, acting in concert, that includes that Participant.

EXHIBIT 10.7

MEDTRONIC, INC.
CAPITAL ACCUMULATION PLAN
DEFERRAL PROGRAM, AS RESTATED EFFECTIVE
JANUARY 1, 1994

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MEDTRONIC, INC.
CAPITAL ACCUMULATION PLAN
DEFERRAL PROGRAM, AS RESTATED EFFECTIVE
JANUARY 1, 1994

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

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

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

ARTICLE 1. DEFERRED COMPENSATION ACCOUNT.

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

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

ARTICLE 2. DEFINITIONS, GENDER, AND NUMBER.

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

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

2.1.2. "Affiliates" or "Affiliate" means a group of entities, including the Company, which constitutes a controlled group of

corporations (as defined in section 414(b) of the Code), a group of trades or businesses (whether or not incorporated) under common control (as defined in section 414(c) of the Code), and members of an affiliated service group (within the meaning of section 414(m) of the Code.)

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

2.1.4. "Base Salary" of a Participant for any Plan Year means the total annual salary and wages paid by all Affiliates to such individual for such Plan Year, including any amount which would be included in the definition of Base Salary, but for the individual's election to defer some of his or her salary pursuant to this Plan or some other deferred compensation plan established by an Affiliate; but excluding any other remuneration paid by Affiliates, such as overtime, incentive compensation, stock options, distributions of compensation previously deferred, restricted stock, allowances for expenses (including moving, travel

expenses, and automobile allowances), and fringe benefits whether payable in cash or in a form other than cash. In the case of an individual who is a participant in a plan sponsored by an Affiliate which is described in Section 401(k) or 125 of the Code, the term Base Salary shall include any amount which would be included in the definition of Base Salary but for the individual's election to reduce his salary and have the amount of the reduction contributed to or used to purchase benefits under such plan.

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

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

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

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

2.1.9. "Company" means Medtronic, Inc.

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

2.1.11. "Crediting Rate" with respect to any Plan Year means the rate set forth on Schedule B, hereto, which schedule may be revised from time to time by the Company's Chief Executive Officer, in his discretion. In general, the

Crediting Rate in effect with respect to a Plan Year shall apply to all deferrals made in such Plan Year; however, if the Chief Executive Officer subsequently makes other rates ("alternative rates") available, a Participant may elect to have an alternate rate apply to such deferrals in accordance with rules established by the Company.

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

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

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

2.1.15. "Executive" means any United States employee who is (a) an Officer or a Vice President of the Company, (b) a member of the Sales Force of a Participating Affiliate whose Compensation for the Participating Affiliate's fiscal year ending immediately prior to the date on which he first enters into a Permissible Deferral election equals or exceeds the dollar amount set forth on Schedule A, hereto, which schedule may be revised from time to time by the Company's Chief Executive Officer in his discretion, or (c) any individual designated as eligible to participate in the Plan by the Company's Chief Executive Officer.

2.1.16. "Incentive Compensation" of a Participant for any Plan Year means the total remuneration paid under the various incentive compensation programs maintained by Affiliates to such individual for that Plan Year including any amount which would be included in the definition of Incentive Compensation,

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

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

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

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

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

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

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

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

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

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

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

Elections to defer from Base Salary or Incentive Compensation shall be made annually at a date to be determined by the Committee, but no later than December 30th of the calendar year immediately preceding the Plan Year during which the Base Salary or Incentive Compensation would otherwise have been paid to the Participant. All deferral elections must specify either the percentages (stated as integers) or dollar amounts, or combination of percentages and dollar amounts, as determined by the Committee in its discretion, of the deferrals that are intended to be deducted from Base Salary or Incentive Compensation, respectively. Each installment of a deferral shall be rounded to the nearest whole

dollar amount. Only the cash portion of an award under the Performance Share Plan may be deferred.

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

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

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

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

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

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

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

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

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

ARTICLE 3. PARTICIPATION.

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

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

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

Section 3.3. Termination of Participation. Once an individual has become a Participant in the Plan, participation shall continue until the first to occur of (a) payment in full of all benefits to which the Participant or Beneficiary is entitled under the Plan, or (b) the occurrence of an event specified in Section 3.4 which results in loss of benefits. Except as otherwise specified in the Plan, the Company may not terminate an individual's participation in the Plan; provided, however, that if the Committee, in its discretion, determines that it is likely that a Participant would not be considered to be a member of a select group of

management or highly compensated employees, within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, for any period, the Committee may require that no contributions be made to the Plan by or on behalf of such Participant during such period.

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

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

ARTICLE 4. ENTRIES TO THE ACCOUNT.

Section 4.1. Contributions.

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

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

Section 4.1.3. Disability. If a Participant becomes Disabled, deferrals and Company contributions shall continue to be posted as described in Sections 4.1.1

and 4.1.2 during the period in which the Participant is entitled to receive Base Salary from the Company. If a Participant continues to be Disabled after such period, deferrals and Company contributions will cease.

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

ARTICLE 4A. DEFERRAL OF RECEIPT OF COMMON STOCK UNDER STOCK OPTION AGREEMENTS.

Section 4A.1 Purpose of Article This Article establishes special procedures for deferring the delivery and receipt of Common Stock which the Participants identified in Section 4A.3 may receive from the exercise of a nonqualified stock option granted to the Participant by the Company. The stock options are governed by the stock option plan under which they are granted. No stock options or shares of Common Stock are authorized to be issued under the Plan. Participants who elect to defer receipt of Common Stock issuable upon the exercise of stock options will have no rights as stock holders of the Company with respect to allocations made to their Deferred Stock Unit Accounts except the right to receive dividend equivalent allocations as hereafter described.

Section 4A.2. Definitions. Whenever used in this Article 4A the following words and phrases shall have the meanings set forth below unless the context plainly requires a different meaning, and when a defined meaning is intended, the term is capitalized. All other capitalized terms shall have the meaning ascribed to them in Section 2.1.

4A.2.1 "Common Stock" means the Company's common stock. $.10 par value per share (as such par value may be adjusted from time to time).

4A.2.2 "Deferred Stock Unit Account" means the notational account established to record the Net Shares deferred by the participant and the dividend equivalents with respect to such Net Shares.

4A.2.3 "Net Shares" means the difference between the number of shares of Common Stock subject to the stock option exercise and the number of shares of Common Stock delivered to satisfy the stock option exercise price less any shares used to satisfy FICA or any other taxes due upon the stock option exercise as may be elected by the Participant

pursuant to Section 4A.3.

4A.2.4 "Stock Unit" means a notational unit representing the right to receive one share of Common Stock.

Section 4A.3. Deferral Election. A Participant at the level of Vice President or above (or any other Participant designated by the Senior Vice President, Human Resources) can elect to defer receipt of Net Shares of Common Stock resulting from a stock-for-stock exercise of an exercisable stock option issued to the Participant by completing and submitting to the Company an irrevocable stock option deferral election by a date which is at least twelve months in advance of the date of exercise of the stock option and in the calendar year prior to the date of the exercise of the stock option. The stock option exercise must occur on or prior to the expiration date of the stock option and must be accomplished by delivering by the attestation method, on or prior to the exercise date, shares of Common Stock which have been personally owned by the Participant for at least six months prior to the exercise date and have not been used in a stock swap in the prior six months. At the time of the deferral election the Participant may designate that some of the shares subject to the stock option shall be used to satisfy FICA or any other taxes due upon the stock option exercise. A Participant's deferral election shall not be effective if the stock option

as to which the Participant has made the deferral election terminates prior to the exercise date selected by the Participant. If the Participant dies or fails to deliver shares of Common Stock which have been personally owned by the Participant at least six months prior to the exercise date (and have not been used in a stock swap in the prior six months) in payment of the exercise price, then the deferral election shall not be effective.

Section 4A.4 Accounting for Deferrals. A Deferred Stock Unit Account will be established for each Participant with respect to each deferral election made pursuant to this Article 4A. For each Net Share deferred, a Stock Unit will be credited as of the date of the stock option exercise to the Deferred Stock Unit Account so established. The Committee shall adjust the Deferred Stock Unit Account of each Participant to reflect dividends payable with respect to the Company's Common Stock from time to time. The Committee shall determine the manner in which any such adjustment shall be made. Each Participant will receive a periodic statement of the number of whole and fractional units in his or her Deferred Stock Unit Account.

Section 4A.5 Distributions. At the time of the Participant's deferral election, a Participant must also elect to begin receiving distributions of the Deferred Stock Unit Accounts with respect to the deferral election at either (a) the Participant's termination from employment, or (b) a distribution date which shall be at least two years after the exercise date of the stock option to which the deferral election applies.

If the Participant elects to defer pursuant to (a) above, the timing and manner of distribution shall be determined in accordance with Sections 4A.5.1 and 4A.5.2. If a Participant elects to defer pursuant to (b) above, distributions shall commence at the time designated by the Participant in his or her election and shall be made in the form of a lump sum (unless the Participant terminates employment or dies before such date, in which case Section 4A.5.1,

4A.5.2, 4A.5.3, as the case may be, shall apply). All distributions shall be made in the form of Common Stock.

The Participant shall receive a distribution equivalent to the Stock Units, rounded up to the nearest whole number, credited to the Participant's Deferred Stock Unit Account as soon as administratively practicable after the specified distribution date.

In the case of any installment delivery, the precise number of shares delivered in each installment shall be determined in such a manner as to cause

each installment to be essentially equal based on the Stock Units credited to the Participant's Deferred Stock Unit Account as of the date of the first installment together with any divided equivalents credited thereon. Installment distributions shall be in whole shares of Common Stock. Any fractional Stock Units remaining at the time of the final installment distribution shall be rounded up to the nearest full Stock Unit.

Notwithstanding a Participant's deferral election or the other provisions of this Section 4A.5, all of a Participant's Deferred Stock Units shall be distributed to the Participant or the Participant's Beneficiary (in the event of the Participant's death) as soon as administratively feasible following: (a) the occurrence of an event of change of control (as defined in Article 10), or (b) the termination of the Plan.

4A.5.1. Benefits Upon Retirement. If a Participant terminates employment with all Affiliates on or after the Participant's Early Retirement Date or Normal Retirement Date, the Participant shall receive the balance in his or her Deferred Stock Unit Account in monthly installments over a period of fifteen (15) years. Payments pursuant to Section 4A.5.1 shall commence within an administratively practicable period of time following the date on which the Participant terminates employment.

4A.5.2. Benefits Upon Resignation or Discharge. If a Participant terminates employment with all Affiliates before the Participant's Early Retirement Date or Normal Retirement Date for reasons other than death, the Participant shall receive the balance in his or her Deferred Stock Unit Account in a lump sum payment within an administratively practicable period of time following the date on which the Participant terminates employment.

4A.5.3. Death Benefits. In the event a Participant dies after benefits have commenced pursuant to Section 4A.5.1, the Participant's remaining benefits, if any, shall be paid to the Participant's Beneficiary in the same manner as such benefits would have been paid to the Participant had the Participant survived. In the event a Participant dies prior to the date on which benefits commence, the Participant's Deferred Stock Unit Account shall be paid to the Participant's Beneficiary in a lump sum within an administratively practicable time following the Participant's death.

4A.5.4. Hardship Withdrawals. A Participant shall be entitled to make withdrawals from his or her Deferred Stock Unit Accounts in accordance with Section 5.6 of the Plan. Distributions pursuant to such withdrawals shall be in the form of Common Stock.

4A.5.5. Effect on Other Provisions. The provisions of Article 5 shall not apply to amounts deferred pursuant to this Article 4A, except for the withdrawal provisions described in the previous paragraph, the provisions applicable to the marital deduction and designating a Beneficiary at Sections 5.3.4 and 5.3.5, the acceleration provision of Section 5.5 and the claims procedure at Section 5.8. Likewise the second paragraph of Section 8.2 shall not apply to amounts deferred pursuant to this Article 4A.

4A.6 Adjustment to Deferred Stock Unit Accounts. In the event that the Compensation Committee of the Company's Board of Directors determines that any recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other similar corporate transaction or event affects the Common Stock, an appropriate adjustment to the Participant's Deferred Stock Units shall be made to prevent reduction or enlargement of the Participants' benefits under the Plan.

ARTICLE 5. DISTRIBUTION OF BENEFITS.

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

Section 5.2. Distribution of Benefits Upon Termination of Employment. If a Participant terminates employment for any reason, except death, prior to distribution of the Participant's Account, the Participant's Account balance, determined as of the first day of the first month

following the date of such termination, shall be distributed at the time and in the manner set forth in this Section 5.2.

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

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

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

the Crediting Rate. The Account shall continue to be credited with interest at this reduced rate during the payment period.

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

Section 5.3. Death Benefits.

5.3.1. Death After Benefit Commencement. In the event a Participant dies after benefits have commenced pursuant to Section

5.2.1 or 5.2.2, the Participant's remaining benefits, if any, shall be paid to the Participant's Beneficiary in the same manner such benefits would have been paid to the Participant had the Participant survived.

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

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

5.3.4. Designation by Participant. Each Participant has the right to designate primary and contingent Beneficiaries for death benefits payable under the Plan. Such Beneficiaries may be individuals or trusts for the benefit of

individuals. A Beneficiary designation by a Participant shall be in writing on a form acceptable to the Committee and shall only be effective upon delivery to the Company. A Beneficiary designation may be revoked by a Participant at any time by delivering to the Company either written notice of revocation or a new Beneficiary designation form. The Beneficiary designation form last delivered to the Company prior to the death of a Participant shall control.

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

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

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

benefit or if a final judicial determination has been entered that an income tax deficiency exists, the Committee shall distribute to such Participant an amount equal to the taxable income recognized.

Section 5.6. Withdrawals.

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

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

5.6.2 Premature Distributions. Upon the application of any Participant, the Committee shall permit such Participant to receive a distribution of his or her entire Account prior to the

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

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

5.8. Claims Procedure Except as otherwise provided in Section 5.4(c) of the Trust, the following shall apply with respect tot he claims of Participants for benefits under the Plan. The Committee shall notify a Participant in writing within ninety (90) days of the Participant's written application for benefits of his eligibility or noneligibility for benefits under the Plan. If the Committee determines that a Participant is not eligible for benefits or full benefits, the notice shall set forth (a) the specific reasons for such denial, (b) a specific reference to the provision of the Plan on which the denial is based, (c) a description of any additional information or material necessary for the claimant to perfect his claim, and a description of why it is needed, and (d) an explanation of the Plan's claims review procedure and other appropriate information as to the steps to be taken if the Participant wishes to have his claim reviewed. If the Committee determines that there are special circumstances requiring additional time to make a decision, the Committee shall notify the Participant of the special circumstances and the date by which a decision is expected to be made, and may extend the time for up to an additional 90-day period. If a Participant is determined by the Committee to be not eligible for benefits, or if the Participant believes that he is entitled to greater or different benefits, he shall have the opportunity to have his claim reviewed by the Committee by filing a petition for review with the Committee within sixty (60) days after receipt by him of the notice issued by the Committee. Said

petition shall state the specific

reasons the Participant believes he is entitled to benefits or greater or different benefits. Within sixty (60) days after receipt by the Committee of said petition, the Committee shall afford the Participant (and his counsel, if any) an opportunity to present his position to the Committee orally or in writing, and said Participant (or his counsel) shall have the right to review the pertinent documents, and the Committee shall notify the Participant of its decision in writing within said sixty (60) day period, stating specifically the basis of said decision written in a manner calculated to be understood by the Participant and the specific provisions of the Plan on which the decision is based. If, because of the need for a hearing, the sixty (60) day period is not sufficient, the decision may be deferred for up to another sixty (60) day period at the election of the Committee, but notice of this deferral shall be given to the Participant.

ARTICLE 6. FUNDING.

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

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

ARTICLE 7. ADMINISTRATION AND FINANCES.

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

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

(a) to interpret the provisions of the Plan;

(b) to establish and revise the method of accounting for the Plan and to maintain the Accounts; and

(c) to establish rules for the administration of the Plan and to prescribe any forms required to administer the Plan.

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

Section 7.4. Delegation. The Committee, or any officer designated by the Committee, shall have the power to delegate specific duties and

responsibilities to officers or other employees of the Company or other individuals or entities. Any delegation may be rescinded by the Committee at any time. Each person or entity to whom a duty or responsibility has been delegated shall be responsible for the exercise of such duty or responsibility and shall not be responsible for any act or failure to act of any other person or entity.

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

ARTICLE 8. AMENDMENTS AND TERMINATION.

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

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

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

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

ARTICLE 10. CHANGE IN CONTROL PROVISIONS.

Section 10.1. Application of Article 10. To the extent applicable, the provisions of this Article 10 relating to an Event of change in control of the Company shall control, notwithstanding any other provisions of the Plan to the contrary, and shall supersede any other provisions of the Plan to the extent inconsistent with the provisions of this Article 10. For purposes of this Article 10, an "Event" refers to an event of change in control of the Company as described in Section 3.1(b)(1) through (3) of the Trust.

Section 10.2. Payments to and by the Trust. If the Company determines that it is probable that an Event may occur within the six-month period immediately following the date of determination, or if an Event in fact occurs in those situations where the Company has not otherwise made such a

determination, the Company shall make a contribution to the Trust (if in existence at the date of determination or the date of the Event, as the case may be) in accordance with the provisions of the Trust. Solely for purposes of determining the amount of such contribution (but in no way in limitation of the Company's liability under the Plan as determined under other provisions of the Plan), the Company's total liability under the Plan shall be equal to the value of the current credit balances under all Accounts established under the Plan, including any interest credited to such Accounts under the terms of the Plan, which remain unpaid by the Company as of the date of determination or the date of the Event, as the case may be, whether or not amounts are otherwise currently payable to Participants or Beneficiaries under the Plan. All such contributions shall be made as soon as possible after the date of determination or of the Event, as the case may be, and shall be made in cash or property valued at fair market value. Further, the Company may, in its discretion, make other contributions to the Trust from time to time for purposes of providing benefits hereunder, whether or not an Event has occurred or may occur.

Notwithstanding the foregoing, any contributions to the Trust, as well as any income or gains thereon, shall be at all times subject to the provisions of the Trust, including but not

limited to the provisions permitting a return of such contributions and income or gains thereon to the Company in certain circumstances.

Payments of amounts credited to Accounts under the Plan with respect to those Participants and their Beneficiaries for whom Trust contributions are made shall be made first from the Trust in accordance with the terms of the Trust, but, to the extent not paid by the Trust, shall be paid by the Company.

Section 10.3. Legal Fees and Expenses. The Company shall reimburse any Participant or his or her Beneficiary for all reasonable legal fees and expenses incurred by such Participant or Beneficiary after the date of any Event in seeking to obtain any right or benefit provided by the Plan.

Section 10.4. No Reduction in Crediting Rate. If the Company determines that it is probable that an Event may occur within the six-month period immediately following the date of determination, or if an Event in fact occurs in those situations where the Company has not otherwise made such a determination, the Company shall not from and after the date of the determination or the date of the Event, as the case may be, amend the Plan to cause a reduction in the crediting rate applicable to a Participant's Account under the Plan.

Section 10.5. Late Payment and Additional Payment Provisions. If, after the date of an Event, there is a delay in the payment of any amounts credited to an Account under the Plan beyond the final date for payment under the Plan, the amounts otherwise payable to any Participant or Beneficiary shall be increased by an amount equal to the stated interest which shall be credited to such amounts from the final date for payment of such amounts through the date that payment of such amounts (plus such credited interest) is actually made to the Participant or Beneficiary, compounded quarterly on a calendar year basis. The amount of stated interest to be so credited shall be equal to the lesser of (i) the prime rate plus five (5) percentage points, or (ii) the prime rate multiplied by two. For purposes hereof, the prime rate shall be the prime rate of interest quoted by Norwest Bank Minnesota, N.A., as its prime rate, determined each calendar quarter as the average of the daily prime rates in effect throughout such calendar quarter,

averaged for the number of days for which the prime rates are quoted during such calendar quarter. In the event that stated interest is to be credited for some period less than a full calendar quarter, however, the stated interest shall be determined and compounded for the fractional quarter, with the prime rate determined as the average of the daily prime rates in effect throughout such fractional calendar quarter averaged for the number of days during such fractional calendar quarter for which prime rates are quoted.

The increase in amounts otherwise payable under the Plan by the crediting of such stated interest represents a late payment penalty for the delay in payment.

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

Any payment of benefits by the Company after the final date for payment of benefits as hereinabove determined shall be applied first against the first due of such payment of benefits (with application first against any applicable late payment penalty and next against the benefit amount itself) until fully paid, and next against the next due of such payments in the same manner, and so forth, for purposes of calculating the late payment penalties hereunder.

Participants and their Beneficiaries shall be entitled to the payment of amounts credited to their Accounts plus the late payment penalty referred to hereinabove first from the Trust and secondarily from the Company, as otherwise provided in Section 10.2.

ARTICLE 11. MISCELLANEOUS.

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

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

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

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

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

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

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

EXHIBIT 10.9

STOCK OPTION REPLACEMENT PROGRAM

In keeping with the company's philosophy of encouraging stock ownership by officers and employees, the company offers several programs which allow officers and key employees to elect to receive stock options in lieu of some or all of the compensation earned as base salary, sales commissions or under certain incentive plans. By foregoing such compensation for stock options, the variable "at risk" component of each officer's or employee's compensation package is increased, motivating them to perform to enhance shareholder value over the long term. Under the program, the amount of the stock option grants are determined by the Compensation Committee of the Board of Directors and to date have primarily been on the basis of $4 in fair market value of stock options for each $1 of compensation foregone.

EXHIBIT 10.10

MEDTRONIC, INC.
1998 OUTSIDE DIRECTOR STOCK COMPENSATION PLAN
(AS AMENDED THROUGH OCTOBER 28, 1999)

1. PURPOSE. The purpose of this Plan is to facilitate recruiting and retaining non-employee directors of outstanding ability.

2. DEFINITIONS. The capitalized terms used in this Plan have the meanings set forth below.

(a) "Account" means a bookkeeping account maintained for a Participant to which Deferred Stock Units are credited pursuant to Section 6.

(b) "Affiliate" means any corporation that is a "parent corporation" or "subsidiary corporation" of the Company, as those terms are defined in Sections 424(e) and (f) of the Code, or any successor provision, and any joint venture in which the Company or any such "parent corporation" or "subsidiary corporation" owns an equity interest.

(c) "Agreement" means a written contract entered into between the Company or an Affiliate and a Participant containing the terms and conditions of an Option granted hereunder (not inconsistent with this Plan).

(d) "Annual Option" means an Option granted pursuant to Section 5(c) of this Plan.

(e) "Annual Retainer" of a Participant means the fixed annual fee for such Participant in effect on the first day of the year for which such Annual Retainer is payable for services to be rendered as a Non-Employee Director of the Company, including any committee chair fee.

(f) "Award" means an Option granted pursuant to Section 5 of this Plan or a credit of Deferred Stock Units pursuant to Section 6 of this Plan.

(g) "Board" means the Board of Directors of the Company.

(h) "Change in Control" means:

(i) acquisition by any individual, entity or group (within the meaning of Section 13(d) (3) or 14(d) (2) of the Exchange Act) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either (A) the then outstanding Shares of Stock (the "Outstanding Company Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a

Change of Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company or any Subsidiary, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary or (D) any acquisition by any corporation with respect to which, following such acquisition, more than 55% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such acquisition in substantially the same proportions as their ownership, immediately prior to such acquisition, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be; or

(ii) individuals who, as of the effective date of this Plan provided in Section 7(a) of this Plan, constitute the Board (the "Incumbent

Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents; or

(iii) approval by the shareholders of the Company of a reorganization, merger, consolidation or statutory exchange of Outstanding Company Voting Securities, in each case, with respect to which all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such reorganization, merger, consolidation or exchange do not, following such reorganization, merger, consolidation or exchange, beneficially own, directly or indirectly, more than 55% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger, consolidation or exchange in substantially the same proportions as their ownership, immediately prior to such reorganization, merger, consolidation or exchange of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be; or

(iv) approval by the shareholders of the Company of (A) a complete liquidation or dissolution of the Company or (B) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation with respect to which, following such sale or other disposition, more than 55% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power

of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be.

Notwithstanding the foregoing provisions of this definition, a Change of Control shall not be deemed to occur with respect to a Participant if the acquisition of the 30% or greater interest referred to in subparagraph (i) of this definition is by a group, acting in concert, that includes the Participant or if at least 40% of the then outstanding common stock or combined voting power of the then outstanding voting securities (or voting equity interests) of the surviving corporation or of any corporation (or other entity) acquiring all or substantially all of the assets of the Company shall be beneficially owned, directly or indirectly, immediately after a reorganization, merger, consolidation, statutory share exchange or disposition of assets referred to in subparagraph (iii) or (iv) of this definition by a group, acting in concert, that includes that Participant.

(i) "Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time, or any successor statute.

(j) "Committee" means any committee of the Board designated by the Board to administer this Plan under Section 3 hereof, of which shall be composed of not less than two members, each of whom shall be a "non-employee director" as defined in Exchange Act Rule 16b-3.

(k) "Company" means Medtronic, Inc., a Minnesota corporation, or any successor to all or substantially all of its businesses by merger, consolidation, purchase of assets or otherwise.

(l) "Deferred Stock Unit" means the right to receive one Share pursuant to Section 6 of this Plan.

(m) "Disability" means the disability of a Participant such that the Participant would, if an employee, be considered disabled under any retirement plan of the Company which is qualified under Section 401 of the Code.

(n) "Discretionary Option" means an Option granted pursuant to Section 5(f).

(o) "Exchange Act" means the Securities Exchange Act of 1934, as amended; "Exchange Act Rule 16b-3" means Rule 16b-3 promulgated by the Securities and Exchange Commission under the Exchange Act as in effect with respect to the Company or any successor regulation.

(p) "Fair Market Value" as of any date means, unless otherwise expressly provided in this Plan:

(i) the closing sale price of a Share (A) on the composite tape for New York Stock Exchange ("NYSE") listed shares, or (B) if the Shares are not quoted on the NYSE composite tape, on the principal United States securities exchange registered under the Exchange Act on which the Shares are listed, or (C) if the Shares are not listed on any such exchange, on the National Association of Securities Dealers, Inc. Automated Quotation System National Market System, in any case on the date immediately preceding that date, or, if no sale of Shares shall have occurred on that date, on the next preceding day on which a sale of Shares occurred, or

(ii) if clause (i) is not applicable, what the Committee determines in good faith to be 100% of the fair market value of a Share on that date. However, if the applicable securities exchange or system has closed for the day at the time the event occurs that triggers a determination of Fair Market Value, all references in this paragraph to the "date immediately preceding that date" shall be deemed to be references to "that date." The determination of Fair Market Value shall be subject to adjustment as provided in Section 7(e) hereof. For purposes of this definition, each Option granted and each Deferred Stock Unit credited pursuant to this Plan shall be deemed conclusively to have been granted or credited, as applicable, prior to the close of the applicable securities exchange or system on the date of grant or credit, as applicable.

(q) "Fundamental Change" means a dissolution or liquidation of the Company, a sale of substantially all of the assets of the Company, a merger or consolidation of the Company with or into any other corporation, regardless of whether the Company is the surviving corporation, or a statutory share exchange involving capital stock of the Company.

(r) "Initial Option" means an Option granted pursuant to Section 5(b).

(s) "Initial Plan Year" means the period from March 5, 1998 through August 31, 1998.

(t) "Meeting" means a regular or special meeting of the Board or of a committee of the Board on which a particular Participant serves that is actually held.

(u) "Non-Employee Director" means a member of the Board who is not an employee of the Company or any Affiliate.

(v) "Option" means a right to purchase Stock.

(w) "Participant" means any Non-employee Director to whom an Award is made.

(x) "Plan" means this 1998 Outside Director Stock Compensation Plan, as amended and in effect from time to time.

(y) "Plan Year" means the Initial Plan Year, or the period from September 1 of 1998 or any subsequent year, through the following August 31.

(z) "Pro-Ration Factor" means: (A) in the case of a Participant who is a Non-Employee Director for the entire Plan Year in question and attends at least 75 percent of the Meetings that occur during such Plan Year (such Meetings, the "Plan Year Meetings"), 100 percent; (B) in the case of a Participant who is a Non-Employee Director for only a portion of a Plan Year and attends at least 75 percent of the Meetings that occur during that portion of a Plan Year (such meetings, the "Applicable Meetings"), a percentage determined by dividing the number of Applicable Meetings by the total number of Plan Year Meetings for that Plan Year; and (C) in the case of a Non-Employee Director who fails to satisfy the Meeting attendance requirement of clause (A) or (B), as applicable, 75 percent of the percentage specified in clause (A) or (B), as applicable.

(aa) "Replacement Factor" is defined in Section 5(d)(ii).

(bb) "Replacement Option" means an Option granted pursuant to Section 5(d) of this Plan.

(cc) "Retirement Option" means an Option granted pursuant to Section 5(e) of this Plan.

(dd) "Share" means a share of Stock.

(ee) "Stock" means the common stock, $.10 par value per share (as such par value may be adjusted from time to time), of the Company.

(ff) "Subsidiary" means a "subsidiary corporation," as that term is defined in Section 424(f) of the Code, or any successor provision.

(gg) "Successor" with respect to a Participant means the legal representative of an incompetent Participant and, if the Participant is deceased, the legal representative of the estate of the Participant or the person or persons who may, by bequest or inheritance, or pursuant to a transfer permitted under Section 5(i) of this Plan, acquire the right to exercise an Option or receive Shares issuable in satisfaction of Deferred Stock Units in the event of the Participant's death.

(hh) "Term" means the period during which an Option may be exercised.

Except when otherwise indicated by the context, reference to the masculine gender shall include, when used, the feminine gender and any term used in the singular shall also include the plural.

3. ADMINISTRATION.

(a) AUTHORITY OF COMMITTEE. The Committee or its delegee shall administer this Plan. The Committee shall have the authority to interpret this Plan and any Award or Agreement made under this Plan, to establish, amend, waive and rescind any rules and

regulations relating to the administration of this Plan (including without limitation the manner in which Participants shall make elections provided for herein), to determine the terms and provisions of any Agreements entered into hereunder (not inconsistent with this Plan), and to make all other determinations necessary or advisable for the administration of this Plan. The Committee may correct any defect, supply any omission or reconcile any inconsistency in this Plan or in any Award in the manner and to the extent it shall deem desirable. The determinations of the Committee in the administration of this Plan, as described herein, shall be final, binding and conclusive.

(b) INDEMNIFICATION. To the full extent permitted by law, each member and former member of the Committee and each person to whom the Committee delegates or has delegated authority under this Plan shall be entitled to indemnification by the Company against and from any loss, liability, judgment, damage, cost and reasonable expense incurred by such member, former member or other person by reason of any action taken, failure to act or determination made in good faith under or with respect to this Plan.

4. IN GENERAL.

(a) SHARES AVAILABLE. The number of Shares available for distribution under this Plan is 3,000,000 (subject to adjustment under Section 7(e) hereof). Any Shares subject to the terms and conditions of an Award under this Plan which are not used because the terms and conditions of the Award are not met may again be used for an Award under this Plan. Any unexercised or undistributed portion of any terminated, expired, exchanged, or forfeited Award or any Award settled in cash in lieu of Shares shall be available for further Awards.

(b) NO FRACTIONAL SHARES. No fractional Shares may be issued under this Plan; fractional Shares will be rounded to the nearest whole Share.

(c) RIGHTS AS SHAREHOLDER. A Participant shall have no rights as a shareholder with respect to any securities covered by an Award until the date the Participant becomes the holder of record.

5. OPTIONS.

(a) AGREEMENTS. Each Option granted under this Plan shall be evidenced by an Agreement setting forth the terms and conditions thereof.

(b) INITIAL OPTION GRANTS. Each Non-Employee Director first elected or appointed to the Board on or after January 15, 1998 shall automatically be granted, on the later of (i) the date such director first becomes a director and (ii) March 5, 1998, an Option (an "Initial Option") to purchase that number of Shares determined by dividing (i) two times the amount of the Annual Retainer as in effect immediately following such election or appointment by (ii) the Fair Market Value of a Share on the date of grant. No increase in the Annual Retainer of the Non-Employee Directors after a person becomes a Non-Employee Director shall increase the number of Shares subject to the Initial Option

granted to such Non-Employee Director. An employee of the Company or an Affiliate who terminates such employment and thereafter becomes a Non-Employee Director is not entitled to receive an Initial Option but will be entitled to receive Annual Options and Replacement Options. A Non-Employee Director is not entitled to receive more than one Initial Option during his or her lifetime.

(c) ANNUAL OPTION GRANTS. On the first day of each Plan Year other than the Initial Plan Year, each Non-employee Director shall automatically be granted an Option (the "Annual Option") to purchase that number of Shares equal to (i) the amount of the Annual Retainer in effect as of such day, divided by (ii) the Fair Market Value of a Share on the date of the grant. If there is an increase in the Annual Retainer after the Annual Option is granted in a given year, each Non-Employee Director shall automatically be granted, as of the date such increase is approved, a supplemental Annual Option to purchase that number of Shares equal to (i) the amount of the increase in such Annual Retainer divided by (ii) the Fair Market Value of a Share on the date of the grant.

(d) REPLACEMENT OPTION GRANT. (i) Each Non-Employee Director shall be provided with the opportunity to elect, in advance of the first day of each Plan Year (or upon becoming a Non-Employee Director, if later), to receive the Annual Retainer for such Plan Year in the form of a grant of an Option (a "Replacement Option") under this Section 5(d) rather than in cash. Each Non-Employee Director who makes such an election who remains a member of the Board on the last day of the relevant Plan Year shall automatically be granted on such day an Option (the "Replacement Option") to purchase that number of Shares equal to (A) the Replacement Factor (as defined below) times the Eligible Retainer Amount (as defined below) for the Participant for the Plan Year times the Pro-Ration Factor, divided by (B) the Fair Market Value of a Share on the date of grant. A Non-Employee Director who elects to receive a Replacement Option for a Plan Year but retires from the Board prior to the last day of such Plan Year shall automatically be granted on the date of retirement a Replacement Option to purchase that number of Shares equal to (C) the Replacement Factor times the Eligible Retainer Amount for the Participant for the Plan Year times the Pro-Ration Factor divided by (D) the Fair Market Value of the Shares on the date of grant.

(ii) The "Replacement Factor" means four, or such other number

as the Board may designate before the beginning of any Plan Year.

(iii) The "Eligible Retainer Amount" means the amount of the Annual Retainer for the Participant as in effect as of the beginning of the Plan Year, less, in the case of the Initial Plan Year only, any portion thereof earned by the Participant before March 5, 1998.

(e) RETIREMENT OPTIONS. Each Participant who has elected, in connection with the termination of the Medtronic, Inc. Directors' Retirement Plan (the "Retirement Plan"), to receive Options pursuant to this Section 5(e) shall be granted as of March 5, 1998, an Option (a "Retirement Option") to purchase that number of Shares equal to (i) four times

the amount of such Participant's accrued benefit under the Retirement Plan as of March 5, 1998, divided by (ii) the Fair Market Value of a Share on the date of grant.

(f) DISCRETIONARY OPTIONS. The Board or the Committee may, in its discretion, at any time or from time to time grant to any Non-Employee Director additional Options ("Discretionary Options") to purchase such number of Shares, on such terms and conditions, as it shall determine.

(g) PURCHASE PRICE; TERM AND EXERCISABILITY OF OPTIONS. The purchase price of each Share subject to an Option shall be the Fair Market Value of a Share as of the date the Option is granted. Options granted to a Non-Employee Director under this Section 5 shall vest and be exercisable in full on the date of grant, except to the extent the Board provides otherwise with respect to Discretionary Options; provided, however, that in no event shall a Non-Employee Director initially appointed by the Board be entitled to exercise an Option unless, and until such time as, such director shall have been elected to the Board by the shareholders of the Company. Notwithstanding the foregoing, except as otherwise provided by the Board with respect to Discretionary Options, vesting of an Option granted to a Non-Employee Director who shall have been elected by the shareholders of the Company shall accelerate and the Option shall become immediately exercisable in full upon the occurrence of a Change in Control or in the event that the Non-Employee Director ceases to serve as a director of the Company due to death, Disability, resignation or retirement under the policies of the Company then in effect. Options shall expire on the ten-year anniversary date of the Option's grant; provided, that Initial Options and Annual Options (but not Replacement Options or Retirement Options) shall expire on the five-year anniversary date of the date the Non-Employee Director ceases to be a director of the Company for any reason, if earlier than the ten-year anniversary date of the Option's grant; and provided, further, that the Initial Option granted to a Non-Employee Director initially appointed by the Board shall expire on the date such director ceases to be a director of the Company unless such director shall have been elected by the shareholders subsequent to the grant of the Initial Option to such director.

(h) PAYMENT OF OPTION PRICE. The purchase price of the Shares with respect to which an Option is exercised shall be payable in full at the time of exercise; provided, that to the extent permitted by law, Participants may simultaneously exercise Options and sell the Shares thereby acquired pursuant to a brokerage or similar relationship and use the proceeds from such sale to pay the purchase price of such Shares. The purchase price may also be paid in cash, or through a reduction of the number of Shares delivered to the Participant upon exercise of the Option or by delivery to the Company of Shares held by such Participant for at least six months before such exercise (in each case, such Shares having a Fair Market Value as of the date the Option is exercised equal to the purchase price of the Shares being purchased pursuant to the Option), or a combination thereof, in the discretion of the Participant. In no event shall any Option be exercisable at any time after its Term. When an Option is no longer exercisable, it shall be deemed to have lapsed or terminated.

(i) TRANSFERABILITY. A Non-Employee Director may transfer an Option granted pursuant to this Section 5 to any member of such Non-Employee Director's

"immediate family" (as such term is defined in Rule 16a-1(e) promulgated under the Exchange Act, or any successor rule or regulation) or to one or more trusts whose beneficiaries are members of such Non-Employee Director's "immediate family" or partnerships in which such family members are the only partners; provided, that (i) the transferor receives no consideration for the transfer and (ii) such transferred Option shall continue to be subject to the same terms and conditions as were applicable to such Option immediately prior to its transfer. Unless an Option granted pursuant to this Section 5 shall have expired, in the event of a Non-Employee Director's death, an Option granted to such Non-Employee Director pursuant to this Section 5 shall be transferable to the beneficiary, if any, designated by the Non-Employee Director in writing to the Company prior to the Non-Employee Director's death and such beneficiary shall succeed to the rights of the Non-Employee Director to the extent permitted by law. If no such designation of a beneficiary has been made, the Non-Employee Director's legal representative shall succeed to such Option, which shall be transferable by will or pursuant to the laws of descent and distribution.

6. DEFERRED STOCK UNITS.

(a) ANNUAL CREDIT. As of the last day of each Plan Year, there shall be credited to the Account of each Participant who is a Non-Employee Director on such day a number of Deferred Stock Units (each representing the right to receive a Share) equal to (i) one-half of the Annual Retainer in effect as of such day, times the Pro-Ration Factor, divided by (ii) the average of the Fair Market Value of a Share on each of the last 20 trading days during such Plan Year determined in accordance with clause (i) of Section 2(p) or, if clause (i) of Section 2(p) is inapplicable, the Fair Market Value of a Share as of the last day of such Plan Year determined in accordance with clause (ii) of Section 2(p). There shall be credited to the Account of any Non-Employee Director who retires from the Board prior to the last day of the Plan Year, as of the retirement date, a number of Deferred Stock Units equal to (i) one-half of the Annual Retainer in effect as of such date, times the Pro-Ration Factor, divided by (ii) the average of the Fair Market Value of a Share on each of the last 20 trading days during such Plan Year determined in accordance with Section 2(p).

(b) RETIREMENT PLAN CREDIT. The Account of each Participant who has elected, in connection with the termination of the Retirement Plan, to be credited with Deferred Stock Units pursuant to this Section 6(b) shall be credited, as of March 5, 1998, with a number of Deferred Stock Units (each representing the right to receive a Share) equal to (i) the amount of such Participant's accrued benefit under the Retirement Plan as of March 5, 1998, divided by (ii) the average of the Fair Market Value of a Share on each of the last 20 trading days ending with March 5, 1998 determined in accordance with clause (i) of Section 2(p) or, if clause (i) of Section 2(p) is inapplicable, the Fair Market Value of a Share as of the last day of such Plan Year determined in accordance with clause (ii) of Section 2(p).

(c) DISCRETIONARY CREDITS. The Board or the Committee may, in its discretion, at any time and from time to time, cause additional Deferred Stock Units (each representing the right to receive a Share) to be credited to the account of any Non-Employee Director.

(d) CREDITS OF DIVIDEND EQUIVALENTS; MAINTENANCE OF ACCOUNTS. The Company shall maintain an Account for each Participant to which the credits provided for in Sections 6(a), (b) and (c) above shall be made. Each Participant's Account shall be credited from time to time with additional Deferred Stock Units to reflect deemed reinvestment of any amounts that would have been paid as cash dividends with respect to the Deferred Stock Units held in such Account if they were Shares. Subject to the provisions of Section 6(e) regarding delivery of Shares, Accounts may be credited with fractional Deferred Stock Units pursuant to this Section 6(d) and Sections 6(a), (b) and (c).

(e) DELIVERY OF SHARES FROM ACCOUNTS.

(i) Each Participant shall be provided the opportunity to elect, in accordance with procedures established by the Committee, whether to receive the balance in his or her account in a single lump sum or in five annual installments. Once made, such an election may be changed, but no such changed election shall take effect until six months after the date the election is made, and in any event such changed election shall not take effect unless it is (A)

made at least six months before deliveries pursuant to Section 6(e)(ii) begin and (B) approved by the Board or a committee of the Board if the Committee determines that such approval is necessary or appropriate in light of Exchange Act Rule 16b-3.

(ii) The balance in a Participant's Account shall be delivered to the Participant or the Participant's Successor in the form of Shares as soon as practicable after, or beginning as soon as practicable after, the date on which the Participant ceases for any reason to be a member of the Board (the "Termination Date"). If a Participant has elected a lump sum delivery, or if a Participant dies while a member of the Board, the Participant or the Participant's Successor, as applicable, shall receive a number of Shares equal to the total number of Deferred Stock Units in the Participant's Account as of the Termination Date in full satisfaction of all of the Participant's interest in the Account; provided, that any fractional Deferred Stock Units shall be rounded to the nearest higher whole number of Shares. If a Participant has elected installment delivery and ceases to be a member of the Board for any reason other than the death of the Participant, then the Participant shall receive the balance in such Participant's Account in the form of five annual deliveries of Shares (and if a Participant dies after ceasing to be a Board member, any remaining annual deliveries shall be made to the Participant's Successor). The precise number of shares delivered in each installment shall be determined in such a manner as to cause each such delivery to represent approximately one-fifth of the Deferred Stock Units held in such Account as of the Termination Date together with any dividend equivalents credited thereon. Notwithstanding the foregoing, no such installment shall be delivered unless and until the Board or the Committee shall have

approved the delivery (unless such approval is not necessary under Exchange Act Rule 16b-3).

(iii) Notwithstanding the foregoing, the balance in all Participants' Accounts shall be delivered to the Participants in a single lump sum delivery of Shares upon the occurrence of a Change of Control.

7. GENERAL PROVISIONS.

(a) EFFECTIVE DATE OF THIS PLAN. This Plan shall become effective as of March 5, 1998.

(b) DURATION OF THIS PLAN. This Plan shall remain in effect until it is terminated pursuant to Section 7(d) hereof.

(c) NO RIGHT TO BOARD MEMBERSHIP. Nothing in this Plan or in any Agreement shall confer upon any Participant the right to continue as a member of the Board.

(d) AMENDMENT, MODIFICATION AND TERMINATION OF THIS PLAN. Except as provided in this Section 7(d), the Board may at any time amend, modify, terminate or suspend this Plan or any or all Agreements under this Plan to the extent permitted by law. No termination, suspension or modification of this Plan may materially and adversely affect any right acquired by any Participant (or a Participant's legal representative) or any Successor under an Award granted before the date of termination, suspension or modification, unless otherwise agreed by the Participant in the Agreement or otherwise or required as a matter of law. It is conclusively presumed that any adjustment for changes in capitalization provided for in Section 7(e) hereof does not adversely affect any right of a Participant under an Award.

(e) ADJUSTMENT FOR CHANGES IN CAPITALIZATION. Appropriate adjustments in the aggregate number and type of Shares available for Awards under this Plan, in the number and type of Shares subject to Awards then outstanding and in the Option exercise price as to any outstanding Options and in the number of Defined Stock Units in the Accounts, may be made by the Committee in its sole discretion to give effect to adjustments made in the number or type of Shares through a Fundamental Change, recapitalization, reclassification, stock dividend, stock split, stock combination, or other relevant change, provided that fractional Shares shall be rounded to the nearest whole Share.

(f) FUNDAMENTAL CHANGE. In the event of a proposed Fundamental Change:

(a) involving a merger, consolidation or statutory share exchange, unless appropriate provision shall be made (which the Board may, but shall not be obligated to, make) for the protection of the outstanding Options by the substitution of appropriate voting common stock of the corporation surviving any such merger or consolidation or, if appropriate, the parent corporation of the Company or such surviving corporation, to be issuable upon the exercise of Options, or (b) involving the dissolution or liquidation of the Company, the Board may, but shall not be obligated to, declare, at least twenty days prior to the

occurrence of the Fundamental Change, and provide written notice to each holder of an Option of the declaration, that each outstanding Option, whether or not then exercisable, shall be canceled at the time of, or immediately prior to the occurrence of, the Fundamental Change in exchange for payment to each holder of an Option, within 20 days after the Fundamental Change, of cash for each Share covered by the canceled Option equal to the amount, if any, by which the Fair Market Value (as defined in this Section 7(f)) per Share exceeds the exercise price per Share covered by such Option. At the time of the declaration provided for in the immediately preceding sentence, each Option shall immediately become exercisable in full and each person holding an Option shall have the right, during the period preceding the time of cancellation of the Option, to exercise the Option as to all or any part of the Shares covered thereby. In the event of a declaration pursuant to this Section 7(f), each outstanding Option that shall not have been exercised prior to the Fundamental Change shall be canceled at the time of, or immediately prior to, the Fundamental Change, as provided in the declaration. Notwithstanding the foregoing, no person holding an Option shall be entitled to the payment provided for in this Section 7(f) if such Option shall have previously expired. For purposes of this Section 7(f) only, "Fair Market Value" per Share means the cash plus the fair market value, as determined in good faith by the Board, of the non-cash consideration to be received per Share by the shareholders of the Company upon the occurrence of the Fundamental Change, notwithstanding anything to the contrary provided in this Plan.

(g) LIMITS OF LIABILITY.

(i) Any liability of the Company to any Participant with respect to an Award shall be based solely upon contractual obligations created by this Plan and the Agreement.

(ii) Except as may be required by law, neither the Company nor any member or former member of the Board or of the Committee, nor any other person participating (including participation pursuant to a delegation of authority under Section 3(a) hereof) in any determination of any question under this Plan, or in the interpretation, administration or application of this Plan, shall have any liability to any party for any action taken, or not taken, in good faith under this Plan.

(h) COMPLIANCE WITH APPLICABLE LEGAL REQUIREMENTS. No certificate for Shares distributable pursuant to this Plan shall be issued and delivered unless the issuance of such certificate complies with all applicable legal requirements including, without limitation, compliance with the provisions of applicable state securities laws, the Securities Act of 1933, as amended and in effect from time to time or any successor statute, the Exchange Act and the requirements of the exchanges on which the Company's Shares may, at the time, be listed.

(i) REMOVAL FOR CAUSE. Notwithstanding any other provision of this Plan, this Section 7(i) shall apply in the event a Participant is removed from the Board for cause before a Change of Control. In such event: (i) all of the Participant's Options shall immediately expire and be forfeited, and (ii) unless the Board or the Committee

specifically determines otherwise in connection with or after such removal, the balance in such Participant's Account shall be delivered to the Participant in a single lump sum delivery of Shares after the expiration of six months from the date of such removal. In addition, if the Participant has received or been

entitled to delivery of Shares pursuant to the exercise of an Option within six months before such removal, the Board or the Committee, in its sole discretion, may require the Participant to return or forfeit all or a portion of such Shares and receive back the exercise price (if any) paid therefor, or may require the Participant to pay to the Company the economic value of such Shares less such exercise price, determined as of the date of the exercise of Options in the event of any of the following occurrences (whether before or after such removal): competition with the Company or any Affiliate, unauthorized disclosure of material proprietary information of the Company or any Affiliate, a violation of applicable business ethics policies or business policies of the Company or any Affiliate, or any other action or event that the Board may determine warrants such a requirement. The Board's or Committee's right to require such return or forfeiture must be exercised within 90 days after the later of the date of such removal or the discovery of such an occurrence, but in no event later than 15 months after such removal.

8. GOVERNING LAW. To the extent that federal laws do not otherwise control, this Plan and all determinations made and actions taken pursuant to this Plan shall be governed by the laws of Minnesota and construed accordingly.

9. SEVERABILITY. In the event any provision of this Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Plan, and this Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

10. EFFECT OF PRIOR PLAN. From and after the Effective Date of this Plan, no further awards shall be made to Non-Employee Directors under the Company's 1994 Stock Award Plan (the "Prior Plan"). Thereafter, all grants and awards made under the Prior Plan prior to such Effective Date shall continue in accordance with the terms of the Prior Plan.

EXHIBIT 13

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

SUMMARY

Medtronic is the world's leading medical technology company, providing lifelong solutions for people with chronic disease. Primary products include those for bradycardia pacing, tachy arrhythmia 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, neurodegenerative disorders and ear, nose and throat (ENT) surgery.

Fiscal 2000 marked the 15th consecutive year of revenue growth. Net sales of $5,014.6 million represent an 18.5% increase over the $4,232.4 million in fiscal 1999 after restatement to reflect the fiscal 2000 merger with Xomed Surgical Products, Inc. (Xomed). Net sales excluding the effects of foreign currency translation increased 19.3% compared to increases of 24.0% in fiscal 1999 and 17.6% in fiscal 1998. The growth during fiscal 2000 was led by strong and balanced results across all businesses, highlighting the successful outcome of the mergers and acquisitions completed in fiscal years 1999 and 2000.

Fiscal 2000 was a year of significant accomplishments for Medtronic. The Company successfully integrated the fiscal 1999 mergers and acquisitions and launched major new products in all businesses. The Company has also substantially completed all restructuring initiatives announced in fiscal 1999 and has strengthened its competitive position in the global health care market. In November of 1999 the Company merged with Xomed, a leading developer, manufacturer and marketer of products for use by ENT physicians. The merger with Xomed was accounted for as a pooling of interests.

Net earnings and diluted earnings per share for fiscal 2000 were $1,098.5 million and $0.90, compared to $476.3 million and $0.39 for fiscal 1999 and $594.6 million and $0.51 in fiscal 1998. In connection with the merger with Xomed and the settlement of certain litigation and other restructuring initiatives during fiscal 2000, the Company recorded $38.7 million of pre-tax non recurring charges. In connection with the substantial completion of all initiatives related to the restructuring of its vascular, spinal surgery and cardiac surgery organizations, the Company identified and reversed $24.9 million of previously recorded restructuring reserves no longer considered necessary. Excluding the effects of the pre-tax non-recurring charges and credits in fiscal 2000, the $554.1 million charge related to the mergers in fiscal 1999 and the $205.3 million pre-tax non-recurring charges in fiscal 1998, diluted earnings per share would have been $0.91, $0.76 and $0.62, respectively, representing an increase of 19.7% in fiscal 2000 and 22.6% in fiscal 1999.

NET SALES

Sales in the United States in fiscal 2000 increased 19.2% over the prior year, compared to 30.0% in fiscal 1999. Sales outside the United States increased 19.4% in fiscal 2000 on a constant currency basis compared to 14.5% in fiscal 1999. Fiscal 2000 sales in non-U.S. markets accounted for 34.6% of worldwide net sales, compared with 35.3% in fiscal 1999 and 38.4% in fiscal 1998. Foreign exchange rate movements had an unfavorable year-to-year impact on international net sales of $33.5 million, $11.7 million, and $119.7 million in fiscal years 2000, 1999 and 1998, 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).

The Company's business units include Cardiac Rhythm Manage ment; Neurological, Spinal and ENT; Vascular; and Cardiac Surgery. Net sales by business unit were as follows (in millions):

Year ended April 30,	2000	1999	1998
Cardiac Rhythm Management	$2,504.7	$2,121.6	$1,881.4
Neurological, Spinal and ENT	1,252.4	998.0	760.4

Vascular	790.8	718.8	403.0
Cardiac Surgery	466.7	394.0	378.3
	$5,014.6	$4,232.4	$3,423.1

Net sales of Cardiac Rhythm Management products, which consist primarily of products for bradycardia pacing, tachyarrhythmia management, external defibrillation, and ablation, increased 19.0% in fiscal 2000 versus 13.1% in fiscal 1999, after removing the impact of foreign exchange rate fluctuations. This growth was led by strong worldwide market share gains in tachyarrhythmia management, above market growth in bradycardia pacing sales, and solid growth in external defibrillators. Tachyarrhythmia management revenues, led by sales of the Gem and Gem II families of implantable cardioverter defibrillators, grew by 38.4% as physicians continued to recognize the superior detection capabilities of the PR Logic algorithm and the advanced diagnostics included in all Gem products. Sales of bradycardia products achieved a 9.8% growth during fiscal 2000. Bradycardia sales reflect accelerating growth in both U.S. and non-U.S. markets and market share gains resulting from the Company offering best-in-class products with unique feature sets and multiple price points. External defibrillator sales grew 20.9% over the comparable period last year reflecting the benefit of a surge in sales of automatic external defibrillators.

Net sales of Neurological, Spinal and ENT products, consisting primarily of implantable neurostimulation devices, drug administration systems, spinal products, neurosurgery products, functional diagnostics and surgical products used by ENT physicians, continued to experience significant growth. Exclusive of the effects of foreign currency translation, net sales grew 26.0% over the previous year compared to growth of 32.8% in fiscal 1999. Sales of neurosurgery and spinal product lines increased 28.8% from the prior year, benefiting from the breadth of the product line, including engineered bone dowels, bone wedges and spinal cages. Sales of core neurological product lines (consisting of neurostimulation, drug administration systems, and functional diagnostics) increased 20.4% from the prior year comparative period. During fiscal 2000 the Company launched the SynchroMed EL pump and Synergy dual channel stimulation device in the United States and the Medtronic Kinetra stimulator for treatment of symptoms of advanced Parkinson's disease outside the United States. The Medtronic Kinetra is currently awaiting clearance by the Food and Drug Adminis tration (FDA) in the U.S. ENT product sales increased 33.5% over the prior year, benefiting from the acquisition of certain ophthalmology product lines and solid performance across all product offerings. The acquisition of Midas Rex in October 1998, which was accounted for as a purchase, contributed to the sales growth in fiscal 1999.

Net sales of Vascular products, consisting of stents, balloon and guiding catheters and peripheral vascular products, increased 10.6% and 78.3% in fiscal 2000 and fiscal 1999, respectively, after excluding the effects of foreign currency translation. The stent market continues to be very competitive and the Company's vascular revenues declined during the first and second quarter of fiscal 2000 primarily as a result of launches of competitor stents. The Company received U.S. regulatory clearance of its S670 coronary stent during the third quarter of the fiscal year, propelling a dramatic growth rate during the fourth quarter of the fiscal year, when revenues rose nearly 70% over the prior year comparative period. In May of 2000, the Company announced the launch of the BeStent 2 in Europe and the worldwide introduction of the S660 for small diameter vessels. During fiscal 2000 the Company also launched in the United States the AneuRx endovascular stent-graft system for minimally invasive treatment of abdominal aortic aneurysms.

Net sales of Cardiac Surgery product lines, consisting of heart valves, perfusion systems, cannulae, and surgical accessories, increased 19.8% and 4.6% in fiscal 2000 and fiscal 1999, respectively, after excluding the effects of foreign currency translation. The March 1999 purchase of AVECOR Cardiovascular, Inc. (AVECOR), which was accounted for as a purchase, accounted for a significant portion of the growth during fiscal 2000. The strong performance of the Hancock II tissue valve and the Octopus 2+ tissue stabilization system, both released during the second and third quarters of the fiscal year, also contributed to the growth. Continuous improvements to the Octopus tissue stabilization system, which facilitates precision suturing on a beating heart during bypass procedures, has sustained market leadership in the technology that the Company pioneered to support minimally invasive procedures.

COSTS AND EXPENSES

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

Year ended April 30,	2000	1999	1998
Cost of Products Sold	26.3%	27.0%	26.5%
Research & Development	9.6	10.3	10.9
Selling, General & Administrative	31.7	31.2	30.7
Non-recurring Charges	0.3	12.4	5.6

Cost of products sold as a percentage of net sales decreased in fiscal 2000 as compared to fiscal 1999 as a result of $29.0 million of charges included in fiscal 1999 related primarily to inventory rationalization in the vascular and cardiac surgery product lines following the acquisitions of Arterial Vascular Engineering Inc. (AVE) and AVECOR. Without this charge, cost of products sold as a percentage of net sales in fiscal 1999 would have been 26.3%. Fiscal 1998 cost of sales percentage includes a $12.9 million charge for obsolescence on certain vascular inventories. Without this charge, cost of products sold as a percentage of net sales would have been 26.1%. 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 $479.7 million in fiscal 2000, $434.2 million in fiscal 1999 and $372.2 million in fiscal 1998. The decline in R&D expense as a percentage of sales in fiscal 2000 is attributable to efficiencies achieved from the fiscal 1999 mergers and acquisitions, primarily in the Vascular business.

The increase in selling, general, and administrative expense (SG&A) as a percent of sales from fiscal 1999 to fiscal 2000 was primarily attributable to higher sales and marketing expenses associated with increased field sales coverage, new product launches and litigation expenses, partially offset by foreign currency gains. The increase 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 from hedging activities recognized in fiscal 1999 as compared to fiscal 1998, partially offset by an increase in gains recognized from the sale of certain available-for-sale equity securities.

As discussed in Note 3 to the consolidated financial statements, the Company recorded pre-tax charges totaling $38.7 million, $554.1 million and $205.3 million during fiscal years 2000, 1999 and 1998, respectively. During fiscal 2000, and in connection with the completion of certain restructuring activities, the Company reversed $24.9 million of previously recorded reserves. The charges taken in 1999 include $152.0 million of purchased in-process research and development costs primarily related to the AVE acquisitions of World Medical Manufacturing Corporation and the coronary catheter lab of C.R. Bard. AVE merged with the Company in January 1999.

Interest expense for the year was $13.6 million as compared to $29.1 million and $15.5 million for fiscal years 1999 and 1998. The decrease in fiscal year 2000 is the result of the Company immediately paying off debt of pooled entities. Interest income for fiscal 2000 was $29.0 million as compared to $51.9 million and $27.6 million for fiscal 1999 and 1998. Interest income increased in fiscal 1999 as the result of higher average investment balances resulting from the September 1998 secondary stock offering. The proceeds of the secondary stock offering were used to pay off debt of pooled entities and to fund purchase business combinations.

INCOME TAXES

The Company's effective income tax rate was 32.6%, 42.9% and 34.8% for fiscal years 2000, 1999 and 1998, respectively. Excluding non-recurring charges in fiscal years 2000, 1999 and 1998, the effective income tax rate would have been 32.4%, 34.1% and 34.5%, respectively. The reduction in the fiscal 2000 effective income tax rate is the result of proportionally higher profits generated in low tax jurisdictions and tax planning initiatives.

LIQUIDITY AND CAPITAL RESOURCES

SUMMARY

The Company continued to strengthen its financial position in fiscal 2000. At April 30, 2000, working capital, the excess of current assets over current liabilities, totaled $2,021.9 million compared to $1,438.6 million at April 30, 1999. The current ratio at April 30, 2000, was 3.0:1 compared with 2.4:1 at April 30, 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 $227.7 million at April 30, 2000, compared to $119.7 million at April 30, 1999.

During fiscal 2000, the Company entered into an agreement that expires in 2003, to sell, at its discretion, specific pools of its Japanese trade receivables. At April 30, 2000, the Company had sold approximately $64.0 million of its trade receivables to a financial institution. The discount cost related to the sale was immaterial and was recorded as interest expense in the accompanying consolidated financial statements.

CASH FLOW

Cash provided by operating activities was $1,042.0 million in fiscal 2000 compared to $465.2 million in fiscal 1999 and $693.1 million in fiscal 1998. Fiscal 2000 operating cash flows increased significantly over fiscal 1999 as a result of earnings growth and a high level of transaction costs related to the mergers as well as restructuring spending in fiscal 1999. Repurchases of common stock totaled $497.4 million in fiscal 2000, compared to $377.2 million and $168.2 million in fiscal 1999 and fiscal 1998, respectively. The increase in amounts spent on repurchases of common stock under the Company's systematic share repurchase program is the result of higher share prices and increased repurchase levels to offset the dilutive effect of employee stock award programs. The systematic share repurchase program was discontinued in the fourth quarter of fiscal 2000. Additions to property, plant, and equipment totaled $342.1 million in fiscal 2000, compared to $234.9 million and $204.7 million in fiscal 1999 and 1998, 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 $189.5 million, $131.9 million and $102.9 million for fiscal years 2000, 1999 and 1998, respectively. Consistent with the Company's financial objectives, the Company expects to continue paying dividends at a rate of approximately 20% of the previous year's net earnings.

Significant uses of cash during fiscal 2000 included 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.

DEBT AND CAPITAL

The Company had a systematic stock repurchase program that was discontinued during the fourth quarter of fiscal 2000. Shares repurchased and average price per share were as follows: 13.0 million shares at an average price of $38.39 per share during fiscal 2000, 11.2 million shares at an average price of $33.80 per share during fiscal 1999 and 7.0 million shares at an average price of $23.95 per share during fiscal 1998. In addition to the repurchase of shares to offset dilution resulting from the issuance of stock under the employee stock purchase and award plans, the Company repurchased shares issued in conjunction with the AVECOR purchase in fiscal 1999.

The Company's capital structure consists of equity and interest-bearing debt. Interest-bearing debt as a percent of total capital was 6.9% at April 30, 2000 compared to 6.5% at April 30, 1999.

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 2000 ROE was 26.6% compared to

14.6% in fiscal 1999 and 24.2% in fiscal 1998. Excluding the

effects of the $13.8 million, $554.1 million and $205.3 million pre-tax charges taken in fiscal 2000, fiscal 1999 and fiscal 1998, ROE would have been 25.5%, 25.8% and 28.8%, respectively. In each of the preceding twelve years, ROE has 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'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, principally forward 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 operating results. 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 2000 were successful in minimizing the net earnings impact of currency fluctuations despite volatile market conditions.

The Company had forward exchange contracts outstanding in the notional amounts of $537.2 and $361.0 million at April 30, 2000 and 1999, respectively. The fair value of all foreign currency derivative contracts outstanding at April 30, 2000 was $71.5 million, which does not represent the Company's annual exposure. A sensitivity analysis of changes of the fair value of all derivative foreign exchange contracts outstanding at April 30, 2000 indicates that, if the U.S. dollar uniformly weakened by 10% against all currencies, the fair value of these contracts would decrease by $41.1 million. Conversely, if the U.S. dollar uniformly strengthened by 10% against all major currencies, the fair value of these contracts would increase by $44.2 million. 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.

The Company is also exposed to interest rate changes affecting principally its investments in interest rate sensitive instruments. 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, 2000 indicates that it would not have a significant impact on expected fiscal 2001 earnings.

GOVERNMENT REGULATION AND OTHER MATTERS

Government and private sector initiatives to limit the growth of health care costs, including price regulation, competitive pricing, coverage and payment policies and managed-care arrangements, 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 operates in an industry characterized by extensive patent litigation. Patent litigation can result in significant damage awards and injunctions that could prevent the manufacture and sale of affected products or result in significant royalty payments in order to continue producing the products. At any given time, the Company is generally involved as both a plaintiff and a defendant in several patent infringement actions. While the Company believes that the patent litigation incident to its business will generally not have a material adverse impact on the Company's financial position or liquidity, it could possibly be material to the consolidated results of operations of any one period.

The Company also 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. 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.

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.

In 1994, governmental authorities in Germany began an investigation into certain business and accounting practices by medical device 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.

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 this 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, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended April 30, 2000, in conformity with accounting principles generally accepted in the United States. 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 auditing standards generally accepted in the United States 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 24, 2000

MEDTRONIC, INC.
STATEMENT OF CONSOLIDATED EARNINGS

Year ended April 30,	2000	1999	1998
(IN MILLIONS OF DOLLARS, EXCEPT PER SHARE DATA)			
Net sales	$ 5,014.6	$ 4,232.4	$ 3,423.1
COSTS AND EXPENSES:			
Cost of products sold	1,319.6	1,140.8	906.8
Research and development expense	479.7	434.2	372.2
Selling, general, and administrative expense	1,587.9	1,320.4	1,052.4
Non-recurring charges	13.8	373.1	156.4
Purchased in-process research and development	--	152.0	--
Foundation commitment	--	--	36.0
Interest expense	13.6	29.1	15.5
Interest income	(29.0)	(51.9)	(27.6)
Total costs and expenses	3,385.6	3,397.7	2,511.7
Earnings before income taxes	1,629.0	834.7	911.4
Provision for income taxes	530.5	358.4	316.8
Net earnings	$ 1,098.5	$ 476.3	$ 594.6
EARNINGS PER SHARE			
Basic	$ 0.92	$ 0.40	$ 0.52

Diluted	$ 0.90	$ 0.39	$ 0.51
Weighted average shares outstanding			
Basic	1,194.7	1,177.1	1,150.2
Diluted	1,220.8	1,207.6	1,177.1

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MEDTRONIC, INC.
CONSOLIDATED BALANCE SHEET

April 30,	2000	1999
(IN MILLIONS OF DOLLARS)		
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 448.4	$ 228.5
Short-term investments	109.7	153.8
Accounts receivable, less allowance for doubtful accounts of $30.2 and $33.2	1,210.1	1,024.8
Inventories	690.6	575.3
Deferred tax assets	160.5	256.0
Prepaid expenses and other current assets	394.1	206.4
Total Current Assets	3,013.4	2,444.8
Property, Plant, and Equipment, net	946.5	772.3
Goodwill and Other Intangible Assets, net	1,361.4	1,374.2
Long-Term Investments	210.1	212.7
Other Assets	138.0	204.4
Total Assets	$5,669.4	$5,008.4
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	$ 316.3	$ 239.2
Accounts payable	200.0	158.8
Accrued compensation	236.2	183.9
Accrued income taxes	--	49.5
Other accrued expenses	239.0	374.8
Total Current Liabilities	991.5	1,006.2
Long-Term Debt	14.1	23.4
Deferred Tax Liabilities	15.2	30.8
Other Long-Term Liabilities	157.1	177.2
Total Liabilities	1,177.9	1,237.6
COMMITMENTS AND CONTINGENCIES	--	--
SHAREHOLDERS' EQUITY:		
Preferred stock--par value $1.00; 2,500,000 shares authorized, None outstanding	--	--
Common Stock--par value $.10; 1.6 billion shares authorized, 1,197,698,035 and 1,191,896,614 shares issued and outstanding	119.8	119.1
Retained earnings	4,543.1	3,773.0
Accumulated other non-owner changes in equity	(151.9)	(95.1)
	4,511.0	3,797.0
Receivable from Employee Stock Ownership Plan	(19.5)	(26.2)
Total Shareholders' Equity	4,491.5	3,770.8
Total Liabilities and Shareholders' Equity	$5,669.4	$5,008.4

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

MEDTRONIC, INC.

STATEMENT OF CONSOLIDATED SHAREHOLDERS' EQUITY

(IN MILLIONS OF DOLLARS)	Common Stock	Retained Earnings	Accumulated Other Non-Owner Changes in Equity	Receivable from ESOP	Total Shareholders' Equity
Balance April 30, 1997	$ 115.1	$2,140.9	$ (61.1)	$ (27.9)	$2,167.0
Net earnings	--	594.6	--	--	594.6
Other non-owner changes in equity:					
Change in unrealized gain on investment, net of $11.8 tax expense	--	--	21.8	--	21.8
Translation adjustment	--	--	(14.4)	--	(14.4)
Minimum pension liability	--	--	(1.2)	--	(1.2)
Total comprehensive income	--	--	--	--	$ 600.8
Dividends paid	--	(102.9)	--	--	(102.9)
Issuance of common stock of acquired subsidiary	0.2	3.9	--	--	4.1
Issuance of common stock under employee benefits and incentive plans	1.6	178.9	--	--	180.5
Repurchases of common stock	(0.8)	(167.4)	--	--	(168.2)
Income tax benefit from restricted stock and nonstatutory stock options	--	57.6	--	--	57.6
Repayments from ESOP	--	--	--	--	--
Balance April 30, 1998	$ 116.1	$2,705.6	$ (54.9)	$ (27.9)	$2,738.9
Net earnings	--	476.3	--	--	476.3
Other non-owner changes in equity:					
Change in unrealized loss on investment, net of $5.9 tax benefit	--	--	(10.9)	--	(10.9)
Translation adjustment	--	--	(26.2)	--	(26.2)
Minimum pension liability	--	--	(3.1)	--	(3.1)
Total comprehensive income	--	--	--	--	$ 436.1
Adjustment for poolings of interests	--	19.4	--	--	19.4
Dividends paid	--	(131.9)	--	--	(131.9)
Issuance of common stock from secondary offering	2.2	710.4	--	--	712.6
Issuance of common stock under employee benefits and incentive plans	0.2	56.0	--	--	56.2
Issuance of common stock for acquisition of subsidiaries	1.8	251.5	--	--	253.3
Repurchases of common stock	(1.2)	(376.0)	--	--	(377.2)
Income tax benefit from restricted stock and nonstatutory stock options	--	61.7	--	--	61.7
Repayments from ESOP	--	--	--	1.7	1.7
Balance April 30, 1999	$ 119.1	$3,773.0	$ (95.1)	$ (26.2)	$3,770.8
Net earnings	--	1,098.5	--	--	1,098.5
Other non-owner changes in equity:					
Change in unrealized loss on investment, net of $8.3 tax benefit	--	--	(15.6)	--	(15.6)
Translation adjustment	--	--	(38.7)	--	(38.7)
Minimum pension liability	--	--	(2.5)	--	(2.5)
Total comprehensive income	--	--	--	--	$1,041.7
Adjustment for pooling of interests	--	0.6	--	--	0.6
Dividends paid	--	(189.5)	--	--	(189.5)
Issuance of common stock under employee benefits and incentive plans	2.0	192.0	--	--	194.0
Repurchases of common stock	(1.3)	(496.1)	--	--	(497.4)
Income tax benefit from restricted stock and nonstatutory stock options	--	164.6	--	--	164.6
Repayments from ESOP	--	--	--	6.7	6.7
Balance, April 30, 2000	$ 119.8	$4,543.1	$ (151.9)	$ (19.5)	$4,491.5

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MEDTRONIC, INC.

STATEMENT OF CONSOLIDATED CASH FLOWS

Year ended April 30,	2000	1999	1998
(IN MILLIONS OF DOLLARS)			
OPERATING ACTIVITIES			
Net earnings	$1,098.5	$ 476.3	$ 594.6
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	243.3	218.3	166.5
Non-recurring charges, net	8.5	179.6	125.5
Deferred income taxes	71.1	(35.5)	19.0
Changes in operating assets and liabilities:			
Accounts receivable	(192.7)	(184.4)	(150.8)
Inventories	(119.1)	(91.1)	(79.4)
Prepaid expenses and other assets	(117.5)	(127.4)	(71.5)
Accounts payable and accrued liabilities	248.4	82.1	46.6
Accrued income taxes	(178.8)	(56.0)	43.3
Other long-term liabilities	(19.7)	3.3	(.7)
Net cash provided by operating activities	1,042.0	465.2	693.1

INVESTING ACTIVITIES			
Additions to property, plant, and equipment	(342.1)	(234.9)	(204.7)
Acquisitions, net of cash acquired	--	(1,017.4)	(3.4)
Sales and maturities of marketable securities	268.9	659.0	84.8
Purchases of marketable securities	(258.4)	(701.6)	(86.7)
Other investing activities	(45.0)	(46.2)	(65.4)
Net cash used in investing activities	(376.6)	(1,341.1)	(275.4)
FINANCING ACTIVITIES			
Increase in short-term borrowings	58.4	113.5	30.9
Payments on long-term debt	(8.6)	(615.2)	(163.7)
Issuance of long-term debt	0.6	571.6	93.6
Proceeds from stock offering of acquired subsidiary	--	--	4.1
Dividends to shareholders	(189.5)	(131.9)	(102.9)
Repurchases of common stock	(497.4)	(377.2)	(168.2)
Issuance of common stock	194.0	1,022.1	180.5
Net cash provided by (used in) financing activities	(442.5)	582.9	(125.7)
Effect of exchange rate changes on cash and cash equivalents	(3.0)	(1.9)	1.3
Net Change in Cash and Cash Equivalents	219.9	(294.9)	293.3
Cash and cash equivalents at beginning of year	228.5	523.4	230.1
Cash and Cash Equivalents at End of Year	$ 448.4	228.5	$ 523.4
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid during the year for:			
Income taxes	$ 401.8	$ 376.2	$ 265.4
Interest	13.8	29.0	16.0
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.

MEDTRONIC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN MILLIONS, EXCEPT PER SHARE DATA)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations. Medtronic is the world's leading medical technology company, providing lifelong solutions for people with chronic disease. 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, neurological, spinal, and ear, nose and throat (ENT) 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.

Investments. Investments in debt and equity securities that have readily determinable fair values are classified and accounted for as available-for-sale or held-to-maturity. Held-to-maturity investments consist principally of U.S.

government and corporate debt securities that the Company has the positive intent and ability to hold until maturity. These securities are recorded at amortized cost in short- and long-term investments. Available-for-sale securities consist of equity securities that are recorded at fair value in short- and long-term investments, with the change in fair value recorded, net of taxes, as a component of accumulated other non-owner changes in equity. Realized gains and losses are recorded as a component of selling, general, and administrative expense, and are calculated based on the specific identification method. 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.

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. Inventory balances were as follows:

April 30,	2000	1999
Finished goods	$374.4	$314.6
Work in process	129.5	105.6
Raw materials	186.7	155.1
Total	$690.6	$575.3

Property, Plant, and Equipment. Property, plant, and equipment is stated at cost. Additions and improvements that extend the lives of the assets 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. Property, plant and equipment balances and corresponding lives were as follows:

April 30,	2000	1999	Lives
Land and land improvements	$ 57.7	$ 48.2	20 years
Buildings and leasehold improvements	393.4	372.3	up to 40 years
Equipment	1,044.7	895.0	3-7 years
Construction in progress	181.8	129.0	--
	1,677.6	1,444.5	
Less: Accumulated depreciation	(731.1)	(672.2)	
Property, Plant, and Equipment, net	$ 946.5	$ 772.3	

Goodwill, Other Intangible Assets, and Long-Lived Assets. Good will 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, ranging from 5 to 35 years. The Company periodically reviews its goodwill and other long-lived assets for impairment and assesses whether significant events or changes in business circumstances indicate that the carrying value of the assets may not be recoverable. Balances were as follows:

April 30,	2000	1999
Goodwill	$ 1,250.3	$ 1,258.9
Less: Accumulated amortization	(200.5)	(147.9)
	1,049.8	1,111.0
Other intangible assets	428.7	355.9
Less: Accumulated amortization	(117.1)	(92.7)

	311.6	263.2
Goodwill and other intangible assets, net	$ 1,361.4	$ 1,374.2

Research and Development. Research and development costs are expensed when incurred.

Stock-Based Compensation. The Company accounts 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. Gains and losses arising from the translation of net assets located outside the United States are recorded as a component of other non-owner changes in equity.

Foreign Exchange Contracts. The Company manages its exposure to fluctuations in foreign currency exchange rates by entering into various contracts that change in value as foreign exchange rates change. The Company designates and assigns certain financial instruments as hedges for specific assets, liabilities or anticipated transactions. When hedged assets or liabilities are sold or extinguished or the anticipated transactions being hedged are no longer expected to occur, 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. Gains and losses from hedges of firm commitments are classified in the income statement consistent with the accounting treatment of the items being hedged. Unrealized gains on forward contracts are recorded in the balance sheet as other assets while unrealized losses on forward contracts are included in accrued liabilities.

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 potentially dilutive common shares been issued. Potentially 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. In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," 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 what effect the adoption of SFAS No. 133 will have on the Company's results of operations, cash flows, or financial position.

2 ACQUISITIONS

Pooling-of-Interests Method. On November 5, 1999, the Company issued approximately 21.4 million shares of its common stock in exchange for all of the outstanding capital stock of Xomed Surgical Products, Inc. (Xomed) in a

transaction valued at approximately $850.0, including $25.0 of assumed debt. Xomed is a leading developer, manufacturer and marketer of surgical products for use by ear, nose and throat physicians. Xomed offers a broad line of products that include powered tissue-removal systems, nerve monitoring systems, disposable fluid-control products, image guided surgery systems, and bioabsorbable products.

On January 28, 1999, the Company issued approximately 101.2 million shares of its common stock for all of the outstanding capital stock of Arterial Vascular Engineering, Inc. (AVE) in a transaction valued at approximately $4,200.0 including $550.0 of assumed debt. 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 90.0 million shares of its common stock for all of the outstanding capital stock of Sofamor Danek Group, Inc. (Sofamor Danek) in a transaction valued at approximately $3,300.0. 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 17.2 million shares of its common stock for all of the outstanding capital stock of Physio-Control International Corporation (Physio-Control) in a transaction valued at approximately $550.0. 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.

The acquisitions of Xomed, AVE, Sofamor Danek, and Physio-Control have been accounted for as poolings-of-interests, and, accordingly, the Company's consolidated financial statements for 1999 and 1998 have been restated to include the results of Xomed, AVE, Sofamor Danek, and Physio-Control. Net sales and net earnings for the individual entities were as follows:

Year ended April 30, 1999	Net Sales	Net Earnings
Medtronic (as previously reported)	$4,134.1	$468.4
Xomed	98.3	7.9
Combined	$4,232.4	$476.3

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
Xomed	80.1	6.8
Combined	$3,423.1	$594.6

The combined results for the fiscal year ended April 30, 1999 represent the previously reported results of Medtronic for the fiscal year ended April 30, 1999 combined with the historical results of Xomed for the twelve months ended March 31, 1999. Effective May 1, 1999, Xomed's fiscal year end has been changed from December 31 to April 30 to conform to the Company's fiscal year end. Accordingly, Xomed's results for the one-month period ended April 30, 1999 have been excluded from the Company's combined results and have been reported as an adjustment to May 1, 1999 retained earnings. Xomed's net sales and net earnings for the one-month period ended April 30, 1999 were $8.3 and $0.6, respectively.

The combined results for the fiscal year ended April 30, 1998 represent the historical results of Medtronic for the fiscal year ended April 30, 1998 combined with the historical results of Xomed, AVE, Sofamor Danek and Physio-Control for the twelve months ended March 31, 1998. 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, 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. AVE's, Sofamor Danek's, and Physio-Control's net sales and net earnings for the one-month period ended April 30, 1998 were $174.0 and $19.4, respectively.

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 acquired all of the outstanding capital stock of AVECOR Cardiovascular Inc. (AVECOR) for approximately $96.1 in Medtronic common stock and other consideration. 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. ("Bard cath lab") 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.

The acquisitions of Micro Motion, AVECOR, Midas Rex, World Medical and Bard cath lab 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 3 to 12 years for intangibles and up to 25 years for goodwill.

The purchase price allocation 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 has not been included as these acquisitions did not have a material impact on the Company's results of operations.

3 NON-RECURRING CHARGES

Fiscal 2000 Initiatives. In fiscal 2000, the Company recorded transaction charges in connection with its merger with Xomed, charges related to a litigation settlement, the conversion of certain direct sales operations in Latin America to distributor arrangements and the termination of a distribution relationship. In connection with these activities, the Company will terminate 78 employees, mostly in administrative positions. The Company expects to complete all identified actions in fiscal 2001. Charges are summarized as follows:

	Fiscal 2000 Charges	Utilized in Fiscal 2000	Balance at April 30, 2000
Transaction-related costs	$14.7	$(14.7)	$ --
Facility reductions	0.9	--	0.9
Severance and related costs	1.4	--	1.4
Asset write-downs	6.2	(6.2)	--
Litigation	15.5	(15.5)	--
	$38.7	$(36.4)	$2.3

Fiscal 1999 Initiatives. During fiscal 1999, the Company recorded pre-tax transaction-related charges in connection with the Physio-Control, Sofamor Danek, and AVE mergers. The Company also purchased AVECOR during the fourth quarter of fiscal 1999. In connection with these transactions, management identified areas where duplicate manufacturing, sales, and administrative capacity existed and identified opportunities to leverage existing infrastructure and achieve better economies of scale. During the third and fourth quarter of the fiscal year, management announced certain initiatives to restructure its new vascular, cardiac surgery, and spinal surgery organizations and announced the closure of ten manufacturing facilities and the termination of 2,950 employees, 2,585 of which were in manufacturing positions. The Company estimated that these actions would result in annual cost savings in excess of $70.0. The Company has substantially completed these initiatives during fiscal 2000 and has achieved the cost savings originally estimated. As the Company substantially completed these initiatives in the fourth quarter of fiscal 2000, it identified and reversed $24.9 of reserves no longer considered necessary.

Fiscal 1999 charges are summarized as follows:

	Fiscal 1999 Charges	Utilized in Fiscal 1999	Balance at April 30, 1999	Utilized in Fiscal 2000	Change in Estimate	Balance at April 30, 2000
Transaction-related costs	$149.3	$(136.5)	$ 12.8	$(12.8)	$ --	$ --
Purchased in-process R&D	152.0	(152.0)	--	--	--	--
Facility reductions	10.9	(1.8)	9.1	(9.1)	3.8	3.8
Severance and related costs	68.6	(8.1)	60.5	(28.6)	(21.2)	10.7
Asset write-downs	92.1	(92.1)	--	7.3	(7.3)	--
Contractual obligations	51.2	(10.5)	40.7	(33.8)	(0.2)	6.7
	$524.1	$(401.0)	$123.1	$(77.0)	$(24.9)	$ 21.2

During fiscal 1999 AVE acquired World Medical for consideration of $70.8 and immediately expensed $45.8 of the purchase price upon consummation of the acquisition for purchased in-process technology that had not yet reached technological feasibility and had no alternative future use. 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 and estimating the resulting 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. The Talent System is currently sold in Europe and it is in U.S. clinical trials.

In October of 1998, AVE acquired Bard cath lab for $610.7 and immediately expensed $95.3 of the purchase price upon consummation of the acquisition for purchased in-process technology that had not yet reached technological feasibility and had no alternative use. 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 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. In November 1999, the Company

introduced its S670 rapid exchange perfusion coronary stent system in the U.S and in May 2000, the Company launched the S660 With Discrete Technology coronary stent system for smaller vessels using technology from the acquisition of Bard cath lab. In May 2000, the Company launched the BeStent 2 coronary stent delivery system in Europe, utilizing some of the technology acquired from Bard cath lab. The BeStent 2 is in U.S. clinical trials awaiting approval from the Food and Drug Administration (FDA).

In April 1999, the Company acquired certain advanced catheter delivery technology from Micro Motion and immediately expensed $9.8 for the purchase of in-process research and development. In addition, during fiscal 1999 Xomed wrote off approximately $1.1 of the $13.0 purchase price it paid for the acquisition of Etalissements Boutmy, S.A. for purchased in-process research and development technology. The Company anticipates that other products developed from the acquired in-process research and development related to the acquisitions of World Medical, Bard cath lab and Micro Motion will be released in fiscal 2001 or 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 were not achieved, the Company would look to other alternatives to provide these solutions.

Facility reduction and asset write-down charges were estimated as the difference between the carrying value of the asset and its fair value less cost to sell and including estimated subleasing proceeds. Asset write-down charges included $29.0 of charges to cost of sales for discontinued product lines in the vascular and cardiac surgery business. Nine of the ten facilities identified for closure have been closed and the remaining facility was closed in June 2000. Facility reductions costs were higher than originally estimated due to an inability to sub-lease two facilities as originally planned. Estimated asset write-downs were favorably impacted by higher than planned sales proceeds.

As part of these initiatives, the Company will terminate 2,950 employees, of which 2,685 had been terminated at April 30, 2000. In addition, the Company continues to pay severance to terminated employees, particularly in Europe. During the fourth quarter fiscal 2000 as the restructuring initiatives had been substantially completed, the Company identified and reversed $21.2 of severance-related charges no longer deemed necessary, including a one-time pension curtailment gain of $4.4 (see Note 10). Original estimates were favorably impacted by foreign exchange rate fluctuations and voluntary departures.

Fiscal 1999 charges included $41.4 for non-cancelable contractual commitments and other non-recurring expenses, $8.0 related to payments made by Sofamor Danek under two devel opment and licensing agreements and $1.8 related to certain restructuring initiatives of Xomed.

Fiscal 1998 Initiatives. The Company recorded pre-tax charges totaling $205.3 in fiscal 1998 related to management's initiatives to reduce global infrastructure by streamlining certain manufacturing and administrative operations within the United States, Europe, and Japan. These actions, which were substantially completed by the end of fiscal 1999, included the closure of seven facilities, the elimination of 1,000 employees, and the rationalization of certain vascular inventories totaling $12.9 which were charged to cost of sales. Included in the fiscal 1998 charges was a commitment made by the Company to contribute $36.0 to the Medtronic Foundation (see Note 12). In fiscal 1999, the Company revised its severance charge estimates by $5.0 as a result of higher than anticipated termination costs in Europe.

A summary of fiscal 1998 charges is follows:

	Fiscal 1998 Charges	Utilized in Fiscal 1998	Balance at April 30, 1998	Fiscal 1999 Charges	Utilized in Fiscal 1999	Balance at April 30, 1999	Utilized in Fiscal 2000	Balance at April 30, 2000
Facility reductions	$ 7.6	$ (3.6)	$ 4.0	$ --	$ (3.4)	$ 0.6	$ (0.6)	$ --
Severance and related costs	58.4	(13.6)	44.8	5.0	(36.7)	13.1	(13.1)	--
Asset write-downs	81.7	(81.7)	--	--	--	--	--	--
Contractual obligations	57.6	(17.6)	40.0	--	(40.0)	--	--	--
	$205.3	$(116.5)	$ 88.8	$ 5.0	$(80.1)	$ 13.7	$(13.7)	$ --

Pre-1998 Initiatives. 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 a defendant (see Note 12). During fiscal 1999, the Company recorded an additional $25.0 reserve necessary to conclude outstanding litigation. The Company utilized $1.2 of these charges in fiscal 1997, $11.6 in fiscal 1998, $21.7 in fiscal 1999 and $12.4 in fiscal 2000.

In addition, during fiscal 1997, Xomed announced initiatives to combine certain operations in connection with its acquisition of TreBay Medical Corporation and recorded charges of $2.5 for termination benefits and $0.6 for other exit costs. Xomed utilized $2.1 of these charges in fiscal 1997 and the remaining $1.0 in fiscal 1998.

A summary of all initiatives is as follows:

	Balance at April 30, 1997	Fiscal 1998 Charges	Utilized in Fiscal 1998	Balance at April 30, 1998	Fiscal 1999 Charges	Utilized in Fiscal 1999	Balance at April 30, 1999
Transaction-related costs	$ --	$ --	$ --	$ --	$149.3	$(136.5)	$ 12.8
Purchased in-process R&D	--	--	--	--	152.0	(152.0)	--
Facility reductions	--	7.6	(3.6)	4.0	10.9	(5.2)	9.7
Severance and related costs	1.0	58.4	(14.6)	44.8	73.6	(44.8)	73.6
Asset write-downs	--	81.7	(81.7)	--	92.1	(92.1)	--
Contractual obligations	--	57.6	(17.6)	40.0	51.2	(50.5)	40.7
Litigation	48.8	--	(11.6)	37.2	25.0	(21.7)	40.5
	$ 49.8	$205.3	$(129.1)	$126.0	$554.1	$(502.8)	$177.3

[WIDE TABLE CONTINUED FROM ABOVE]

	Fiscal 2000 Charges	Utilized in fiscal 2000	Changes in Estimates	Balance at April 30, 2000
Transaction-related costs	$ 14.7	$(27.5)	$ --	$ --
Purchased in-process R&D	--	--	--	--
Facility reductions	0.9	(9.7)	3.8	4.7
Severance and related costs	1.4	(41.7)	(21.2)	12.1
Asset write-downs	6.2	1.1	(7.3)	--

Contractual obligations	--	(33.8)	(0.2)	6.7
Litigation	15.5	(27.9)	--	28.1
	$ 38.7	$(139.5)	$(24.9)	$ 51.6

Reserve balances at April 30, 2000, include amounts necessary for remaining severance payouts, the closure of one additional manufacturing facility and the conversion of certain direct sales operations in Latin America to distributor arrangements, as well as amounts necessary to conclude cases related to the Company's spinal system for pedicle fixation, as described in Note 12.

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 financial instruments were as follows:

April 30,	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSETS				
Short-term investments	$109.7	$109.7	$153.8	$153.8
Long-term investments	210.1	210.1	212.7	212.7
Forward exchange contracts	71.5	71.5	--	--
LIABILITIES				
Forward exchange contracts	--	--	0.4	0.4
Long-term debt	14.1	14.3	23.4	23.8

The fair value of certain short-term and long-term investments was based on their quoted market prices or those of similar investments. For long-term investments that 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 foreign currency instruments was estimated based on quoted market prices at April 30, 2000 and 1999. The fair value of long-term debt was 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.

Information regarding the Company's available-for-sale investments is as follows:

April 30,	2000	1999	1998
Cost	$144.0	$ 84.9	$66.9
Gross unrealized gains	6.2	33.2	32.7
Gross unrealized losses	(16.3)	(19.4)	(2.0)
Fair value	$133.9	$ 98.7	$97.6

Year ended April 30,	2000	1999	1998
Proceeds from sales	$ 70.4	$ 38.4	$37.2
Net realized gains	$ 22.4	$ 36.7	$25.5

Held-to-maturity investments were recorded at amortized cost of $185.9 and $200.2 at April 30, 2000 and 1999, respectively, which approximated fair value.

Foreign Exchange Risk Management. The Company uses operational and economic hedges as well as derivative financial instruments to manage the impact of foreign exchange rate changes on earnings and cash flows. 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 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.

Notional amounts of contracts outstanding at April 30, 2000 and 1999 were $537.2 and $361.0, respectively. Aggregate foreign currency transaction gains and (losses) were $30.8, $(2.5) and $17.1 in fiscal years 2000, 1999 and 1998, respectively. These gains and losses, which were offset by the gains and losses on related assets, liabilities, and transactions being hedged, were 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.

5 FINANCING ARRANGEMENTS

Debt consisted of the following at April 30:

Short-Term Debt	Average Interest Rate	2000	1999
Bank borrowings	3.0%	$314.1	$193.8
Current portion of long-term debt	2.8%	2.2	45.4
Total short-term debt		$316.3	$239.2

Long-Term Debt	Average Interest Rate	Maturity Date	2000	1999
Various notes	1.2%	2001-2004	$ 7.6	$ 16.3
Subordinated convertible note	5.5%	2004	4.5	4.5
Capitalized lease obligations	9.9%	2000-2009	2.0	2.6
Total long-term debt			$ 14.1	$ 23.4

The Company borrows funds on a short-term basis primarily as a hedge against

foreign currency rate fluctuations, and in connection with certain tax initiatives. The Company has existing lines of credit of $876.1 with various banks, of which $562.0 was unused at April 30, 2000. During fiscal 2000, the Company entered into an agreement, which expires in 2003, to sell, at its discretion, specific pools of its Japanese trade receivables. At April 30, the Company had sold approximately $64.0 of its trade receivables to a financial institution. The discount cost related to the sale was immaterial and was recorded as interest expense in the accompanying consolidated financial statements.

Maturities of long-term debt for the next five fiscal years are as follows: 2001, $2.2; 2002, $1.5; 2003, $3.8; 2004, $7.6; 2005, $0.3; thereafter, $0.9.

6 SHAREHOLDERS' EQUITY

On August 25, 1999, the Company's shareholders approved an amendment to Medtronic's Restated Articles of Incorporation to increase the number of authorized shares of common stock from 800 million to 1.6 billion. On the same date, the Board of Directors approved a two-for-one split of the Company's common stock effective September 24, 1999, in the form of a 100% stock dividend payable to shareholders of record at the close of business on September 10, 1999. The stock split resulted in the issuance of 587.4 million additional shares and the reclassification of $58.7 from retained earnings to common stock, representing the par value of the shares issued. All references in the financial statements to earnings per share and average number of shares outstanding amounts have been restated to reflect the stock split for all periods presented.

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 thirty-two 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 $18.75 per share. These rights would become exercisable if a person or group acquires 15% or more of the Company's common stock or announces a tender offer which would increase the person's or group's beneficial ownership to 15% or more of the Company's common stock, subject to certain exceptions. After the rights become exercisable, each right entitles the holder (other than the 15% holder), instead, to purchase common stock having a market price of two times the exercise price. If the Company is acquired in a merger or other business combination transaction, each exercisable right entitles the holder to purchase common stock of the acquiring company or an affiliate having a market price of two times the exercise price of the right. In certain events the Board of Directors may exchange rights for common stock or equivalent securities having a market price equal to the exercise price of the rights. Each right is redeemable at $0.0003125 any time before a person or group triggers the 15% ownership threshold. The rights expire on July 10, 2001.

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 $40.0 from the Company and used the proceeds to purchase 18,932,928 shares of the Company's common stock. The Company makes contributions to the plan that are used, in part, by the ESOP to make loan and interest payments. ESOP expense is determined by debt service requirements, offset by dividends received. Compensation and interest expense recognized were as follows:

Year ended April 30,	2000	1999	1998
Interest expense	$ 2.0	$ 2.4	$ 2.5
Dividends paid	(2.8)	(2.4)	(2.0)
Net interest expense	(0.8)	--	0.5
Compensation expense	6.7	1.7	0.1
Total expense	$ 5.9	$ 1.7	$ 0.6

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 2.70%, 2.59% and 2.50% of qualified compensation were made to plan participants' accounts in fiscal years 2000, 1999 and 1998, respectively. During fiscal 2000, and in connection with the Company's 50th Anniversary, the Company made a special allocation to participant's accounts of approximately 1.2 million shares. Beginning in fiscal 1999, the Company match on the supplemental retirement plan is made in the form of an 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, 2000 and 1999, cumulative allocated shares remaining in the trust were 9,325,427 and 7,791,328, respectively, and unallocated shares were 8,239,154 and 10,335,434, respectively, of which 1,004,076 and 1,068,410, 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.

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, restricted stock and other stock-based awards. There were 7.6 million shares available under this plan for future grants at April 30, 2000. A proposal has been submitted to the Company's shareholders to authorize in August 2000 an additional 58 million shares under this plan.

Under the provisions of the 1994 stock award plan, nonqualified stock options and other stock awards are granted to officers and employees at prices not less than fair market value at the date of grant.

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, 2000 had 2.7 million shares available for future grants.

A summary of nonqualified option transactions is as follows:

	2000		1999		1998	
	Options	Wtd. Avg. Exercise Price	Options	Wtd. Avg. Exercise Price	Options	Wtd. Avg. Exercise Price
Beginning Balance	24,149,624	$19.91	21,678,130	$13.97	24,154,200	$ 9.25
Granted	14,425,433	31.42	7,331,168	22.20	5,129,266	16.81
Exercised	3,278,166	9.88	4,134,732	7.45	7,224,004	5.53
Canceled	1,379,624	8.29	724,942	7.83	381,332	5.92
Outstanding at April 30	33,917,267	$24.77	24,149,624	$19.91	21,678,130	$13.97
Exercisable at April 30	17,194,774	$18.83	14,568,708	$17.93	13,443,644	$10.65

Stock options assumed as a result of mergers and acquisitions in fiscal years 1996, 1997, 1999 and 2000 remain outstanding, although no additional grants will be made under these plans. A summary of fiscal 2000 transactions for stock options assumed as a result of the mergers and acquisitions is as follows:

	Options	Wtd. Avg. Exercise Price
Outstanding at May 1, 1999	25,052,890	$14.73
Additional shares assumed	2,956,384	11.95
Exercised	15,414,684	10.23
Canceled	868,430	16.83
Outstanding at April 30, 2000	11,726,160	$15.49
Exercisable at April 30, 2000	9,281,399	$15.80

A summary of stock options outstanding as of April 30, 2000, including options assumed as a result of acquisitions, is as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Options	Wtd. Avg. Exercise Price	Wtd. Avg. Remaining Contractual Life(in years)	Options	Wtd. Avg. Exercise Price
$ 0.01-10.00	10,141,825	$ 5.52	4.72	9,095,065	$ 5.56
10.01-20.00	8,297,910	15.52	6.86	7,239,665	15.42
20.01-30.00	9,166,003	24.09	7.78	5,391,680	24.47
30.01-40.00	17,631,672	33.80	8.29	4,711,356	34.30
40.01-52.69	406,017	47.53	9.00	38,407	48.73
$ 0.01-52.69	45,643,427	$22.37	6.63	26,476,173	$17.29

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 and generally have a contractual option term of 10 years. However, certain nonqualified options granted are exercisable immediately.

Restricted stock, performance shares and other stock awards are dependent upon continued employment and, in the case of performance shares, achievement of certain performance objectives. These awards are expensed over their vesting period, ranging from three to eight years. Total expense recognized for restricted stock, performance share and other stock awards was $5.2, $8.2 and $12.3 in fiscal years 2000, 1999 and 1998, respectively.

If the Company had elected to recognize compensation expense for its stock-based compensation plans based on the fair values at the grant dates consistent with the methodology prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation," net income and earnings per share would have been reported as the following pro forma amounts:

Year ended April 30,		2000	1999	1998
Net Earnings	As reported	$1,098.5	$ 476.3	$ 594.6
	Pro forma	1,023.4	437.5	555.5
Basic Earnings Per Share	As reported	$ 0.92	$ 0.40	$ 0.52
	Pro forma	0.86	0.37	0.48

The fair value of options granted, $16.58 and $11.72 for fiscal years 2000 and 1999, respectively, was estimated using the Black-Scholes option-pricing model

using the following weighted average assumptions:

Assumptions	2000	1999
Risk-free interest rate	6.09%	5.06%
Expected dividend yield	0.47%	0.43%
Expected volatility factor	38.1%	27.1%
Expected option term	7 years	7 years

Stock Purchase Plan. The stock purchase plan enables employees to contribute up to 10% of their wages toward purchase of the Company's common stock at 85% of the market value. Employees purchased 1,370,143 shares at $27.63 per share in fiscal 2000. As of April 30, 2000, plan participants have had approximately $28.3 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, 2000, whichever is less.

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,	2000	1999	1998
United States	$1,436.0	$ 945.4	$855.1
Non-U.S.	193.0	(110.7)	56.3
Earnings before income taxes	$1,629.0	$ 834.7	$911.4

The provision for income taxes consisted of:

Year ended April 30,	2000	1999	1998
Taxes currently payable:			
U.S. federal	$188.9	$243.3	$201.4
U.S. state and other	39.1	39.7	41.7
Non-U.S.	60.7	45.3	43.1
Total currently payable	288.7	328.3	286.2
Deferred tax (benefit) expense:			
U.S. federal	94.7	(42.0)	(26.3)
U.S. state and other	(2.5)	2.6	3.0
Non-U.S.	(14.1)	7.0	1.2
Net deferred tax (benefit) expense	78.1	(32.4)	(22.1)
Tax expense credited directly to shareholders' equity	163.7	62.5	52.7
Total provision	$530.5	$358.4	$316.8

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

Year ended April 30,	2000	1999
Deferred tax assets:		
Inventory (Intercompany profit in inventory and excess of tax over book valuation)	$108.3	$ 87.6
Accrued liabilities	72.4	141.8
Other	61.8	68.2
Total deferred tax assets	242.5	297.6
Deferred tax liabilities:		
Intangible assets	(19.3)	(9.2)
Undistributed earnings of subsidiaries	(2.0)	(3.4)
Accumulated depreciation	(15.4)	(17.1)
Unrealized losses on investments	3.5	(4.8)

Other	(64.0)	(37.9)
Total deferred tax liabilities	(97.2)	(72.4)
Net deferred tax assets	$145.3	225.2

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

Year ended April 30,	2000	1999	1998
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	1.4	1.9	1.9
Tax benefits from operations in Puerto Rico	(1.1)	(2.4)	(1.9)
Non-U.S. taxes	(1.6)	5.5	2.3
Non-recurring charges	(0.1)	7.7	--
Other, net	(1.0)	(4.8)	(2.5)
Effective tax rate	32.6%	42.9%	34.8%

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 7% 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, 2000, earnings permanently reinvested in subsidiaries outside the United States were $159.1.

At April 30, 2000, approximately $42.3 of non-U.S. tax losses were available for carryforward. These carryforwards are subject to full valuation allowances and generally expire within a period of one to five years.

10 RETIREMENT BENEFIT PLANS

The Company has various retirement benefit plans covering substantially all U.S. employees and many employees outside the United States. The cost of these plans was $32.4 in fiscal 2000, $23.1 in fiscal 1999 and $36.3 in fiscal 1998.

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.

The following table sets forth the change in benefit obligation and change in plan assets for the Company's defined benefit retirement plans and other post-retirement plans:

	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
CHANGE IN BENEFIT OBLIGATION:				
Benefit obligation at beginning of fiscal year	$ 233.6	$ 189.2	$ 45.0	$ 37.4
Service cost	21.8	16.5	5.1	0.9
Interest cost	15.4	12.7	3.2	2.5

Actuarial (gain) loss	(21.6)	21.1	(3.6)	4.7
Curtailment gain (see Note 3)	(4.4)	--	--	--
Benefits paid	(6.8)	(5.9)	(0.5)	(0.5)
Benefit obligation at April 30	$ 238.0	$ 233.6	$ 49.2	$ 45.0

	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
CHANGE IN PLAN ASSETS:				
Fair value of plan assets at beginning of year	$ 271.5	$ 214.1	$ 25.1	$ 18.0
Actual return on plan assets	25.6	49.6	2.5	3.3
Employer contributions	0.1	13.3	--	4.1
Benefits paid	(6.0)	(5.5)	(1.0)	(0.3)
Fair value of plan assets at April 30	$ 291.2	$ 271.5	$ 26.6	$ 25.1
Funded status	$ 53.2	$ 37.9	$ (22.6)	$ (19.9)
Unrecognized net actuarial (loss) gain	(40.2)	(19.7)	--	3.2
Unrecognized prior service cost	(3.5)	(0.3)	--	--
Prepaid (accrued) benefit cost	$ 9.5	$ 17.9	$ (22.6)	$ (16.7)

Net periodic benefit cost of plans included the following components:

	Pension Benefits		Other Benefits	
Year ended April 30,	2000	1999	2000	1999
Service cost	$ 21.8	$ 16.5	$ 5.1	$ 0.9
Interest cost	15.4	12.7	3.2	2.5
Expected return on plan assets	(21.8)	(15.6)	(2.4)	(1.6)
Amortization of prior service cost	0.3	0.2	--	--
Net periodic benefit cost	$ 15.7	$ 13.8	$ 5.9	$ 1.8

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 $66.5 and $46.0 at April 30, 2000 and 1999, 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	
April 30,	2000	1999
Discount rate	3.5%-7.75%	3.5%-7.0%
Expected return on plan assets	4.0%-9.50%	7.0%-9.25%
Rate of compensation increase	3.0%-6.5%	3.0%-6.5%
Health care cost trend rate	N/A	N/A

April 30,	Other Benefits 2000	1999
Discount rate	7.75%	7.00%
Expected return on plan assets	9.50%	9.25%
Rate of compensation increase	N/A	N/A
Health care cost trend rate	8.00%	8.00%

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 nonqualified plans. The net periodic cost of nonqualified pension plans was $4.2 and $2.7 in fiscal 2000 and 1999, respectively. The unfunded accrued pension cost related to these nonqualified plans totaled $24.3 at April 30, 2000.

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 postretirement benefit cost in fiscal 2000	$1.1	$(0.9)
Effect on postretirement benefit obligation as of April 30, 2000	5.1	(4.3)

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. Beginning in fiscal 1999, the Company match on the supplemental retirement plan for U.S. employees is made in the form of an 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 $3.4 in fiscal 2000, $3.2 in fiscal 1999 and $16.9 in fiscal 1998.

11 LEASES

The Company leases office, 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 non-cancelable operating leases at April 30, 2000 were:

	Capitalized Leases	Operating Leases
2001	$ 0.6	$30.5
2002	0.5	23.4
2003	0.4	16.5
2004	0.3	11.1
2005	0.3	8.4
2006 and thereafter	1.0	4.3
Total minimum lease payments	$ 3.1	$94.2
Less amounts representing interest	(0.7)	

Present value of net minimum lease payments	$ 2.4

Rent expense for all operating leases was $49.3, $47.1 and $40.6 in fiscal years 2000, 1999 and 1998, respectively.

12 COMMITMENTS AND CONTINGENCIES

The Medtronic Foundation (Foundation), funded entirely by the Company, was established to maintain good corporate citizenship in its communities. 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 years 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.

In October 1997, Cordis Corporation ("Cordis"), a subsidiary of Johnson & Johnson, filed suit against AVE, which was acquired by the Company in January 1999, in federal court in the District Court of Delaware alleging that AVE's modular stents infringe certain patents for which Cordis claims to be the exclusive licensee. Boston Scientific Corporation is also a defendant in this suit. The complaint seeks injunctive relief and damages from all defendants. The trial is currently scheduled to begin in November 2000.

In December 1999, Advanced Cardiovascular Systems, Inc. ("ACS"), a subsidiary of Guidant Corporation, sued Medtronic and AVE in federal court in the Northern District Court of California alleging that the S670 rapid exchange perfusion stent delivery system infringes a patent held by ACS. The complaint seeks injunctive relief and monetary damages. ACS filed a demand for arbitration with the American Arbitration Association in Chicago simultaneously with the lawsuit. AVE has filed a counterclaim denying infringement based on its license to the patent for perfusion catheters as part of the assets acquired from C.R. Bard in 1998 and has asserted that the license agreement requires disputes to be

resolved through arbitration. The parties have agreed to arbitrate all claims against AVE. Litigation against Medtronic has been stayed pending the arbitration decision. Discovery is proceeding and a decision is expected in the first half of 2001.

In March 2000, Boston Scientific Corporation sued AVE in federal court in the Northern District of California alleging that the S670 rapid exchange perfusion stent delivery system infringes a patent held by Boston Scientific. The complaint seeks injunctive relief and monetary damages. AVE has filed a counterclaim denying infringement based on its license to the patent for perfusion catheters as part of the assets acquired from C.R. Bard in 1998 and has asserted that the license agreement requires disputes to be resolved through arbitration. A hearing on the motion to compel arbitration is scheduled for July 2000.

In December 1997, ACS sued AVE in federal court in the Northern District of California alleging that AVE's modular stents infringe certain patents held by ACS and is seeking injunctive relief and monetary damages. AVE denied infringement and in February 1998 AVE sued ACS in federal court in the District Court of Delaware alleging infringement of certain of its stent patents, for which AVE is seeking injunctive relief and monetary damages. The cases have been consolidated in Delaware with a trial date set for April 2001.

In 1993, AcroMed Corporation commenced a patent infringement lawsuit against Sofamor Danek, which was acquired by the Company in January 1999, in the 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 infringed these two patents and an injunction was issued by the court in December 1999. The court also imposed damages, including pre-judgment interest, in the amount of $48.0. The Company has appealed the judgment to the Court of Appeals for the Federal Circuit, Washington, D.C. and believes that meritorious bases exist for its reversal. 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 Company believes that it has meritorious defenses against the above infringement claims and intends to vigorously contest them. While it is not possible to predict the outcome of these actions, the Company believes that costs associated with them will not have a material adverse impact on the Company's financial position or liquidity, but could possibly be material to the consolidated results of operations of any one period.

In 1997 and 1999, the Company sued Guidant Corporation and Boston Scientific Corp., respectively, in U.S. District Court in Minneapolis claiming that Guidant's ACS RX Multi-Linkt coronary stent and Boston Scientific's Nirt stent infringed the Company's Wiktort stent patent. Following a patent claims construction ruling in late 1999 in favor of Guidant and Boston Scientific, the Company consented to entry of judgment and has filed an appeal with the Court of Appeals for the Federal Circuit in Washington, D.C.

Beginning in 1994, 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 the plaintiffs were injured by spinal implants manufactured by Sofamor Danek and other manufacturers. All efforts to obtain class certification have been denied or subsequently 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 April 30, 2000, a substantial number of the 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 1996, two former shareholders of Endovascular Support Systems, Inc. ("ESS") filed a lawsuit in Dallas District Court for the State of Texas against AVE and several former officers, directors, and shareholders of AVE. The lawsuit alleges that AVE's acquisition of ESS assets was based on fraud and breach of fiduciary duty and that plaintiffs were given insufficient value when they exchanged their stock in ESS for AVE stock in several transactions that occurred from 1993 to 1995. AVE has asserted counterclaims including breach of contract, breach of covenant of good faith and fair dealing, business disparagement and fraud, and has agreed to indemnify the individual defendants. The Court has ruled that the individual defendants owed a fiduciary duty to plaintiffs. The Company believes the defendants have meritorious defenses and counterclaims against the plaintiffs and will continue to defend the actions vigorously.

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					
2000	$1,133.2	$1,190.3	$1,258.8	$1,432.3	$5,014.6
1999	1,014.6	1,006.4	1,064.8	1,146.6	4,232.4
GROSS PROFIT					
2000	846.8	877.0	921.2	1,050.0	3,695.0
1999--Before charges	757.2	738.4	777.8	847.2	3,120.6
--After charges	757.2	738.4	760.0	836.0	3,091.6
NET EARNINGS (LOSS)					
2000--Before charges	252.4	260.6	275.3	321.7	1,110.0
--After charges	252.4	260.6	263.2	322.3	1,098.5
1999--Before charges	235.9	217.1	215.9	246.2	915.1
--After charges	230.6	119.2	(34.1)	160.6	476.3
DILUTED EARNINGS (LOSS) PER SHARE					
2000--Before charges	0.21	0.21	0.23	0.26	0.91
--After charges	0.21	0.21	0.22	0.26	0.90
1999--Before charges	0.20	0.18	0.18	0.20	0.76
--After charges	0.19	0.10	(0.03)	0.13	0.39

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

$13.8 and $554.1 during fiscal 2000 and 1999, respectively.

14 SEGMENT AND GEOGRAPHIC INFORMATION

The Company operates its business in four operating business units, which are aggregated into one reportable segment--the manufacture and sale of device-based medical therapies. Each of the Company's businesses has similar economic characteristics, technology, manufacturing processes, customers, distribution and marketing strategies, a similar regulatory environment, and shared infrastructures. Net sales by business were as follows:

Year ended April 30,	2000	1999	1998
Cardiac Rhythm Management	$2,504.7	$2,121.6	$1,881.4
Neurological, Spinal and ENT	1,252.4	998.0	760.4
Vascular	790.8	718.8	403.0
Cardiac Surgery	466.7	394.0	378.3
	$5,014.6	$4,232.4	$3,423.1

Geographic Information. Net sales and long-lived assets by major geographical area are summarized below:

	United States	Europe	Asia Pacific	Other Foreign	Eliminations	Consolidated
2000						
Revenues from external customers	$3,278.4	$1,050.2	$521.2	$164.8	$ --	$5,014.6
Intergeographic sales	736.8	159.1	--	17.4	(913.3)	--
Total sales	$4,015.2	$1,209.3	$521.2	$182.2	$(913.3)	$5,014.6
Long-lived assets	$2,385.9	$ 206.2	$ 46.8	$ 17.1	$ --	$2,656.0
1999						
Revenues from external customers	$2,750.0	$ 940.0	$408.3	$134.1	$ --	$4,232.4
Intergeographic sales	511.8	96.7	--	11.4	(619.9)	--
Total sales	$3,261.8	$1,036.7	$408.3	$145.5	$(619.9)	$4,232.4
Long-lived assets	$2,278.1	$ 220.1	$ 45.5	$ 19.9	$ --	$2,563.6
1998						
Revenues from external customers	$2,153.9	$ 796.4	$367.1	$105.7	$ --	$3,423.1
Intergeographic sales	308.4	146.0	--	13.8	(468.2)	--
Total sales	$2,462.3	$ 942.4	$367.1	$119.5	$(468.2)	$3,423.1
Long-lived assets	$1,331.5	$ 189.2	$ 30.1	$ 19.4	$ --	$1,570.2

Sales between geographic areas are made at prices that 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)	2000	1999	1998	1997	1996
OPERATING RESULTS FOR THE YEAR:					
Net sales	$ 5,014.6	$ 4,232.4	$ 3,423.1	$ 3,010.3	$ 2,570.0
Cost of products sold	1,319.6	1,140.8	906.8	786.7	715.2
Gross margin percentage	73.7%	73.0%	73.5%	73.9%	72.2%
Research and development expense	479.7	434.2	372.2	329.2	283.6
Selling, general, and administrative expense	1,601.7*	1,845.5*	1,244.8*	1,029.2*	846.9
Interest expense	13.6	29.1	15.5	17.6	13.9
Interest income	(29.0)	(51.9)	(27.6)	(38.8)	(31.6)
Earnings before income taxes	1,629.0	834.7	911.4	886.4	742.0
Provision for income taxes	530.5	358.4	316.8	304.4	254.0

Net earnings	$ 1,098.5	$ 476.3	$ 594.6	$ 582.0	$ 488.0
Net earnings as a percent of net sales	21.9%	11.3%	17.4%	19.3%	19.0%
N					
et earnings as a percent of average shareholders' equity	26.6%	14.6%	24.2%	27.8%	27.7%
Per share of common stock:					
Basic earnings per share	$ 0.92	$ 0.40	$ 0.52	$ 0.50	$ 0.47
Earnings per share assuming dilution	0.90	0.39	0.51	0.49	0.46
Cash dividends declared	0.16	0.13	0.11	0.10	0.07
FINANCIAL POSITION AT APRIL 30:					
Working capital	$ 2,021.9	$ 1,438.6	$ 1,400.9	$ 939.9	$ 1,000.8
Current ratio	3.0:1	2.4:1	2.8:1	2.4:1	2.6:1
Property, plant, and equipment, net	946.5	772.3	642.4	574.4	449.7
Total assets	5,669.4	5,008.4	3,745.0	3,082.1	2,881.1
Long-term debt	14.1	23.4	61.2	51.4	68.4
Long-term debt as a percent of shareholders' equity	0.3%	0.6%	2.2%	2.4%	3.4%
Shareholders' equity	4,491.5	3,770.8	2,738.9	2,167.0	2,026.0
Shareholders' equity per common share	3.75	3.16	2.35	1.88	3.55
ADDITIONAL INFORMATION:					
Additions to property, plant, and equipment	$ 342.1	$ 234.9	$ 204.7	$ 207.9	$ 190.5
Full-time employees at year-end	21,490	20,058	17,015	14,709	13,119
Full-time equivalent employees at year-end	24,890	22,518	18,503	16,706	14,952

*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 $13.8, $554.1, $205.3 and $55.5 pre-tax non-recurring charges taken during fiscal 2000, 1999, 1998 and 1997 (see Note 3).

PRICE RANGE OF MEDTRONIC STOCK

Fiscal Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
2000 High	$39.41	$40.72	$46.25	$57.19
2000 Low	31.31	32.25	33.56	45.00
1999 High	34.91	33.07	39.85	44.07
1999 Low	24.44	25.19	31.75	33.10

Prices are closing quotations. On July 7, 2000 there were 42,500 holders of record of the Company's common stock. The regular quarterly cash dividend was 4.0 cents per share for 2000 and 3.25 cents per share for 1999.

EXHIBIT 21

MEDTRONIC, INC. AND SUBSIDIARIES

NAME OF COMPANY	JURISDICTION OR INCORPORATION
ABS Synectics Sarl	France
Arterial Vascular Engineering AB	Sweden
Arterial Vascular Engineering Australia	Australia
Arterial Vascular Engineering B.V.	Netherlands
Arterial Vascular Engineering b.v.b.a.	Belgium
Arterial Vascular Engineering Canada, Inc.	Canada
Arterial Vascular Engineering Espana, S.L.	Spain
Arterial Vascular Engineering GmbH	Germany
Arterial Vascular Engineering International Sales, Inc.	Barbados
Arterial Vascular Engineering Italia, S.r.l.	Italy
Arterial Vascular Engineering Manufacturing, Inc.	California
Arterial Vascular Engineering Portugal S.A.	Portugal
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 Cayman Islands, Ltd.	Cayman Islands
AVE Galway	Ireland
AVE Ireland Holdings ULC	Ireland
AVE Ireland Limited	Ireland
AVE Massachusetts, Inc.	Delaware
AVECOR Cardiovascular Limited	England, Wales
AVECOR Cardiovascular France S.A.R.L.	France
Biotec France S.A.	France
Bakken Research Center, B.V.	Netherlands
Bard Connaught	Ireland
Bard Japan Limited	Japan
BV Medtronic FSC	Netherlands
Cardiotron Medizintechnik G.m.b.H.	Germany
CorMedica Corporation (20% owner)	Delaware
Danek Capitol Corporation	Delaware
Danek Medical, Inc.	Tennessee
Dantec Electronique S.A.	France
Dantec Elettronica Srl	Italy
Dantec Medizinelektronik GmbH	Germany
DMI Delaware Holdings, Inc.	Delaware
DMI Tennessee Holdings, Inc.	Tennessee
Electromedics Medizintechnik, GmbH	Germany
Gastrosoft, Inc. (USA)	New Jersey
India Biomedical Investment, Ltd.	India
India Medtronic Private Limited	India
InStent Europe B.V.	Netherlands
Intellx, L.L.C.	Delaware
Interamerica Medtronic, Inc.	Illinois
International Finance C.V. (INFIN C.V.)	Netherlands
Kobayashi Sofamor Danek K.K.	Japan
Medical Education K.K.	Japan
Medical Implant Portugal	Portugal
Mednext, Inc.	Florida
MEDTRNC Vingmed AB	Sweden
Med Rel, Inc.	Minnesota
Medtronic AB	Sweden
Medtronic (Africa) (Proprietary) Limited	South Africa

NAME OF COMPANY	JURISDICTION OR INCORPORATION
Medtronic AneuRx, Inc.	Minnesota
Medtronic Asia, Ltd.	Minnesota
Medtronic Asset Managment, Inc.	Minnesota
Medtronic Australasia Pty. Limited	Austraila

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 Carbon Implants, Inc.	Delaware
Medtronic China, Ltd.	Minnesota
Medtronic Commercial Ltda.	Brazil
Medtronic Dominicana C. por A.	Dominican Republic
Medtronic Europe, N.V.	Belgium
Medtronic Europe S.A.	Switzerland
Medtronic Foundation (non-profit corporation)	Minnesota
Medtronic France S.A.	France
Medtronic Functional Diagnostics A/S	Denmark
Medtronic Functional Diagnostics Asia Limited	Hong Kong
Medtronic Functional Diagnostics SA/NV	Belgium
Medtronic Functional Diagnostics Zinetics, Inc.	Utah
Medtronic Functional Diagnostics, Inc.	New Jersey
Medtronic G.m.b.H.	Germany
Medtronic Heart Valves, Inc.	Minnesota
Medtronic Hellas Medical Device S.A.	Greece
Medtronic HemoTec, Inc.	Colorado
Medtronic Iberica, S.A.	Spain
Medtronic InStent (Israel), Inc.	Israel
Medtronic International, Ltd.	Delaware
Medtronic International Technology, A.B.	Sweden
Medtronic International Technology, Inc.	Minnesota
Medtronic Interventional Vascular, Inc.	Delaware
Medtronic Interventional Vascular, Inc.	Massachussetts
Medtronic Ireland Manufacturing Limited	Ireland
Medtronic Ireland Limited	Ireland
Medtronic Italia S.p.A.	Italy
Medtronic Japan Co., Ltd.	Japan
Medtronic Korea Co., Ltd.	Korea
Medtronic Latin America, Inc.	Minnesota
Medtronic Limited	United Kingdom
Medtronic Medical Appliance Technology and Service (Shanghai) Ltd.	China
Medtronic Mediterranean SAL	Lebanon
Medtronic Mexico S. de. R.L. de C.V.	Mexico
Medtronic Micro Interventional Systems, Inc.	Minnesota
Medtronic Micro Motion Sciences, Inc.	Delaware
Medtronic Osterreich Ges.m.b.H.	Austria
Medtronic OY	Finland
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

NAME OF COMPANY	JURISDICTION OR INCORPORATION
Medtronic (Schweiz) A.G.	Switzerland
Medtronic (Shanghai) Ltd.	China
Medtronic Sofamor Danek, Inc.	Indiana
Medtronic Sofamor Danek USA, Inc.	Tennessee
Medtronic Synectics A.B.	Sweden
Medtronic Technologies Holding B.V.	Holland
Medtronic Technologies Holland, B.V.	Netherlands
Medtronic Technologies, Inc.	Minnesota
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 (Israel)	Minnesota
Medtronic Xomed Surgical Products, Inc.	Delaware
Merocel Corporation	Delaware
Merocel Foreign Sales Corp.	Virgin Islands
Milu S.A.	Luxembourg
Omikcron Ltd.	Hungary
Physio-Control Canada Corporation	Canada
Physio-Control GmbH	Germany
Physio-Control Hungaria Kereskedelmi Kft.	Hungary
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 UK Limited	United Kingdom
Proprietary Extrusion Technologies, Inc.	California
Richards SDA LLC	Tennessee
SDGI Holdings, Inc.	Delaware
Sentron Europe BV	Netherlands
Sentron Incorporated	Washington
Sofamor Danek (NZ) Limited	New Zealand
Sofamor Danek (Puerto Rico), Inc.	Puerto Rico
Sofamor Danek (UK) Limited	England
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 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 Italia S.r.l.	Italy
Sofamor Danek Korea Co., Ltd.	Korea
Sofamor Danek L.P.	Tennessee
Sofamor Danek Management, Inc.	Tennessee
Sofamor Danek N.V.	Belgium
Sofamor Danek Nederland B.V.	Netherlands
Sofamor Danek Properties, Inc.	Delaware
Sofamor Danek Singapore PTE, Ltd.	Singapore
Sofamor Danek South Africa (Proprietary) Limited	South Africa
Sofamor S.N.C.	France
Somepic Technologie, S.A.	France
Surgical Navigation Technologies, Inc.	Delaware
Synectics Biotechnology AB	Sweden

NAME OF COMPANY	JURISDICTION OR INCORPORATION
Synectics IR SA (Luxemborg)	Luxemborg
Synectics Leasing AB	Sweden
Synectics Medical AB (parent)	Sweden
Synectics Medical BV (Netherlands)	Netherlands
Synectics Medical bvba (Belgium)	Belgium
Synectics Medical Ldt (Portugal)	Portugal
Synectics Medical Limited	United Kingdom
Synectics Medical OY (Finland)	Finland
Synectics Medical Poland Spolka Z.O.O. (Ltd.)	Poland
Synectics Medical SA (Pty.) Ltd.	South Africa
Synectics Medical Srl	Italy
Telecardiocontrol, C.A.	Venezuela
TreBay Medical Corporation	Delaware
Vitafin N.V.	Netherlands
Vitatron AG Switzerland	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 Nederland B.V.	Netherlands
Vitatron N.V.	Netherlands
Vitatron S.A.R.L.	France
Vitatron Scientific B.V.	Netherlands
Vitatron Sweden A.B. (Aktiebolag)	Sweden
Vitatron U.K. Limited	United Kingdom
Walleye Acquisitions Corporation	Florida
Warsaw Orthopedic, Inc.	Indiana
World Medical Manufacturing, Inc.	Florida
X-Trode S.r.l.	Italy
Xomed Australia PTY Limited	Australia
Xomed Canada, Inc.	Canada
Xomed Deutschland, GmbH	Germany
Xomed France Holdings I, LLC	Delaware
Xomed France Holdings II, LLC	Delaware
Xomed France Holdings, SNC	France
Xomed International, Inc.	Delaware
Xomed Micro France S.A.	France
Xomed U.K. Ltd.	England
Xomed, Inc.	Delaware
Zinetics Medical Technology Corporation	Utah

EXHIBIT 24

POWERS OF ATTORNEY

Each of 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, 2000, 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.

The undersigned have set their hands this 29th day of June, 2000.

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

<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, 2000 FILED WITH THE SEC ON FORM 10-K AND IS QUALIFIED IN ITS
ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		476
<EPS-BASIC>		.40
<EPS-DILUTED>		.39

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<RESTATED>
<MULTIPLIER> 1,000,000

<PERIOD-TYPE>	9-MOS	
<FISCAL-YEAR-END>		APR-30-1999
<PERIOD-START>		MAY-01-1998
<PERIOD-END>		JAN-29-1999
<CASH>		351
<SECURITIES>		213
<RECEIVABLES>		987
<ALLOWANCES>		(35)
<INVENTORY>		548
<CURRENT-ASSETS>		2,573
<PP&E>		1,468
<DEPRECIATION>		(697)
<TOTAL-ASSETS>		5,052
<CURRENT-LIABILITIES>		1,181
<BONDS>		0
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		119
<OTHER-SE>		3,596
<TOTAL-LIABILITY-AND-EQUITY>		5,052
<SALES>		3,086
<TOTAL-REVENUES>		3,086
<CGS>		830
<TOTAL-COSTS>		830
<OTHER-EXPENSES>		1,682
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		(15)
<INCOME-PRETAX>		589
<INCOME-TAX>		273
<INCOME-CONTINUING>		316
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		316
<EPS-BASIC>		.27
<EPS-DILUTED>		.26

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<FISCAL-YEAR-END>		APR-30-1999
<PERIOD-START>		MAY-01-1998
<PERIOD-END>		OCT-30-1998
<CASH>		763
<SECURITIES>		349
<RECEIVABLES>		968
<ALLOWANCES>		(33)
<INVENTORY>		582
<CURRENT-ASSETS>		3,052
<PP&E>		1,382
<DEPRECIATION>		(654)
<TOTAL-ASSETS>		5,472
<CURRENT-LIABILITIES>		1,079
<BONDS>		0
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		119
<OTHER-SE>		3,526
<TOTAL-LIABILITY-AND-EQUITY>		5,472
<SALES>		2,021
<TOTAL-REVENUES>		2,021
<CGS>		525
<TOTAL-COSTS>		525
<OTHER-EXPENSES>		937
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		(12)
<INCOME-PRETAX>		571
<INCOME-TAX>		221
<INCOME-CONTINUING>		350
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		350
<EPS-BASIC>		.30
<EPS-DILUTED>		.29

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<PERIOD-TYPE>	3-MOS	
<FISCAL-YEAR-END>		APR-30-1999
<PERIOD-START>		MAY-01-1998
<PERIOD-END>		JUL-31-1998
<CASH>		374
<SECURITIES>		331
<RECEIVABLES>		878
<ALLOWANCES>		(29)
<INVENTORY>		454
<CURRENT-ASSETS>		2,356
<PP&E>		1,235
<DEPRECIATION>		(584)
<TOTAL-ASSETS>		3,915
<CURRENT-LIABILITIES>		833
<BONDS>		0
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		117
<OTHER-SE>		2,730
<TOTAL-LIABILITY-AND-EQUITY>		3,915
<SALES>		1,015
<TOTAL-REVENUES>		1,015
<CGS>		257
<TOTAL-COSTS>		257
<OTHER-EXPENSES>		408
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		(6)
<INCOME-PRETAX>		356
<INCOME-TAX>		125
<INCOME-CONTINUING>		231
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		231
<EPS-BASIC>		.20
<EPS-DILUTED>		.19

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<RESTATED>
<MULTIPLIER> 1,000,000

<PERIOD-TYPE>	12-MOS	
<FISCAL-YEAR-END>		APR-30-1998
<PERIOD-START>		MAY-01-1997
<PERIOD-END>		APR-30-1998
<CASH>		523
<SECURITIES>		124
<RECEIVABLES>		829
<ALLOWANCES>		(25)
<INVENTORY>		439
<CURRENT-ASSETS>		2,175
<PP&E>		1,205
<DEPRECIATION>		(563)
<TOTAL-ASSETS>		3,745
<CURRENT-LIABILITIES>		774
<BONDS>		0
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		116
<OTHER-SE>		2,651
<TOTAL-LIABILITY-AND-EQUITY>		3,745
<SALES>		3,423
<TOTAL-REVENUES>		3,423
<CGS>		907
<TOTAL-COSTS>		907
<OTHER-EXPENSES>		1,617
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		(12)
<INCOME-PRETAX>		911
<INCOME-TAX>		317
<INCOME-CONTINUING>		595
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		595
<EPS-BASIC>		.52
<EPS-DILUTED>		.51