Medtronic News

# Record Fourth Quarter Caps Strong Year for Medtronic

*International Revenue Growth of 20 Percent*

MINNEAPOLIS, May 25, 2010 (BUSINESS WIRE) --Medtronic, Inc. (NYSE: MDT):

- *First $4 Billion Sales Quarter in Company History*
- *Full Year Revenue of $15.8 Billion Increased 8 Percent*
- *Full Year Non-GAAP Diluted EPS of $3.22 Grew 10%; GAAP Diluted EPS of $2.79 Grew 52%*
- *Fourth Quarter GAAP Cash Flow from Operations of $1.237 Billion*

Medtronic, Inc. (NYSE: MDT) today announced financial results for its fourth quarter and fiscal year ended April 30, 2010.

Medtronic recorded fiscal year 2010 revenue of $15.817 billion, an 8 percent increase over fiscal year 2009 revenue on both an as reported and constant currency basis. As reported, fiscal year 2010 net earnings were $3.099 billion, or $2.79 per diluted share, an increase of 50 percent and 52 percent, respectively. As detailed in the attached table, non-GAAP net earnings and diluted earnings per share for fiscal year 2010 were $3.577 billion and $3.22, an increase of 9 percent and 10 percent, respectively.

For the first time in Medtronic's 61-year history, the company delivered revenue exceeding $4 billion in a quarter. The company reported fourth quarter revenue of $4.196 billion, a 10 percent increase over reported fourth quarter revenue a year ago, or a 6 percent increase on a constant currency basis. As reported, fourth quarter net earnings were $954 million, or $0.86 per diluted share, an increase of 826 percent and 856 percent, respectively. As detailed in the attached table, fourth quarter net earnings and diluted earnings per share on a non-GAAP basis were $986 million and $0.89, an increase of 8 percent and 9 percent, respectively. Fourth quarter net earnings and diluted earnings per share reflect a negative impact from U.S. healthcare reform legislation related to the elimination of a federal tax deduction for government subsidies of retiree prescription drug benefits by $14.8 million, or $0.01 per diluted share, respectively.

For the year, international revenue grew to $6.451 billion, up 15 percent over the prior fiscal year and 13 percent on a constant currency basis. In fiscal year 2010, international revenue represented 41 percent of total company revenues. Medtronic generated $1.754 billion in fourth quarter international revenue, an increase of 20 percent over the same period last year and 11 percent on a constant currency basis.

"Across businesses and geographies, we have been executing against our strategy, resulting in a record $4 billion quarter," said William A. Hawkins, chairman and chief executive officer. "We continue to strengthen our core businesses and have launched new therapies that today address a growing number of unmet chronic medical needs. We have a number of exciting new therapies we are preparing to launch in fiscal 2011, which will further solidify our leadership position in the markets we serve."

## Cardiac Rhythm Disease Management

Cardiac Rhythm Disease Management annual revenue of $5.268 billion increased 5 percent as reported and 4 percent on a constant currency basis. Fourth quarter revenue of $1.409 billion increased 8 percent as reported and 5 percent on a constant currency basis. Fourth quarter implantable cardioverter defibrillator (ICD) revenue of $881 million grew 10 percent on a constant currency basis, and pacing revenue of $495 million declined 4 percent on a constant currency basis. Fourth quarter CRDM growth was driven by ICD sales in the United States, due in part to a competitor's suspension of sales, and the growing success of the AF Solutions business outside the United States.

CardioVascular

CardioVascular annual revenue of $2.864 billion increased 18 percent as reported and 16 percent on a constant currency basis. Fourth quarter revenue of $757 million increased 18 percent as reported and 12 percent on a constant currency basis. The Coronary, Structural Heart, and Endovascular businesses grew revenue 9 percent, 17 percent, and 12 percent, respectively, all on a constant currency basis. Strong international growth across the entire CardioVascular segment contributed to the quarterly performance.

Spinal

Spinal annual revenue of $3.500 billion increased 3 percent as reported and 2 percent on a constant currency basis. Fourth quarter Spinal revenue of $880 million was flat as reported and declined 2 percent on a constant currency basis. Outside the United States, Spinal grew 6 percent on a constant currency basis in the quarter, driven by the return to growth of balloon kyphoplasty in Western Europe.

Neuromodulation

Neuromodulation annual revenue of $1.560 billion increased 9 percent as reported and 8 percent on a constant currency basis. Fourth quarter revenue of $411 million increased 6 percent as reported and 4 percent on a constant currency basis. Neuromodulation growth was driven by sales of Activa(R) PC and RC Deep Brain Stimulation for movement disorders, and InterStim(R) Therapy for overactive bladder and urinary retention, as well as bowel control outside the United States.

Diabetes

Diabetes annual revenue of $1.237 billion increased 11 percent as reported and 10 percent on a constant currency basis. Fourth quarter revenue of $332 million increased 12 percent as reported and 8 percent on a constant currency basis. Growth in the quarter was driven by a strong international performance and growth in continuous glucose monitoring sales.

Surgical Technologies

Surgical Technologies annual revenue of $963 million increased 12 percent as reported and 11 percent on a constant currency basis. Fourth quarter revenue of $273 million increased 16 percent as reported and 13 percent on a constant currency basis. The segment experienced broad-based growth across geographies and platforms including strong results from Navigation on sales of its O-Arm(R) Imaging System in the United States and continued growth in the Ear, Nose and Throat business on capital equipment sales of nerve monitoring, image guided surgery, and power equipment.

Physio-Control

Physio-Control annual revenue of $425 million increased 24 percent as reported and 22 percent on a constant currency basis. Fourth quarter revenue of $134 million increased 60 percent as reported and 52 percent on a constant currency basis. Growth was driven by strong sales of the LIFEPAK 15 monitor/defibrillator and the resumption of unrestricted global shipments early in the quarter following the lifting of United States Food and Drug Administration distribution restrictions.

Guidance

The company today provided its revenue outlook and diluted earnings per share (EPS) guidance for fiscal year 2011.

For fiscal year 2011, the company expects revenue growth in the range of 5 to 8 percent on a constant currency basis. The company expects diluted EPS in the range of $3.45 to $3.55, which includes approximately $0.05 of dilution from the acquisition of Invatec and the pending ATS Medical acquisition. Excluding the impact of acquisition dilution and the benefit of the extra week in fiscal year 2010, fiscal year 2011 EPS growth is expected to be in the range of 10 percent to 13 percent.

Earnings per share guidance excludes any unusual charges or gains that might occur during the fiscal year and the impact of the non-cash charge to interest expense due to the change in accounting rules governing convertible debt. The guidance

provided only reflects information available to the company at this time.

In closing, Hawkins said, "We have the most robust portfolio of products and compelling therapies in the industry, and we remain focused on providing innovative, cost-effective solutions to the global challenge of chronic diseases affecting more people worldwide than ever before."

Webcast Information

Medtronic will host a webcast today, May 25 at 8 a.m. EDT (7 a.m. CDT), to provide information about its businesses for the public, analysts and news media. This quarterly webcast can be accessed by clicking on the Investors link on the Medtronic home page at www.medtronic.com. This earnings release will be archived atwww.medtronic.com/newsroom. Within 24 hours, a replay of the webcast and a transcript of the company's prepared remarks will be available in the "Events & Presentations" section of the Investors portion of the Medtronic website.

About Medtronic

Medtronic, Inc., headquartered in Minneapolis, is the world's leading medical technology company, alleviating pain, restoring health and extending life for people with chronic disease. Its Internet address is www.medtronic.com

This press release contains forward-looking statements related to expected product introductions and results of Medtronic's operations, which are subject to risks and uncertainties, such as competitive factors, difficulties and delays inherent in the development, manufacturing, marketing and sale of medical products, government regulation and general economic conditions and other risks and uncertainties described in Medtronic's periodic reports on file with the Securities and Exchange Commission.Actual results may differ materially from anticipated results.Medtronic does not undertake to update its forward-looking statements.Unless otherwise noted, all comparisons made in this news release are on an "as reported basis," not on a constant currency basis; references to quarterly figures increasing or decreasing are in comparison to the fourth quarter of fiscal year 2009; and references to annual figures increasing or decreasing are in comparison to fiscal year 2009.

MEDTRONIC, INC.
REVENUE BY OPERATING SEGMENT - WORLD WIDE
(Unaudited)

($ millions)

| | FY09 QTR 1 | FY09 QTR 2 | FY09 QTR 3 | FY09 QTR 4 | FY09 Total | FY10 QTR 1 | FY10 QTR 2 | FY10 QTR 3 | FY10 QTR 4 | FY10 Total |
|---|---|---|---|---|---|---|---|---|---|---|
| REPORTED REVENUE : | | | | | | | | | | |
| CARDIAC RHYTHM DISEASE MANAGEMENT | $1,303 | $1,242 | $1,169 | $1,300 | $5,014 | $1,337 | $1,278 | $1,243 | $1,409 | $5,268 |
| Pacing Systems | 526 | 506 | 457 | 494 | 1,984 | 536 | 498 | 459 | 495 | 1,987 |
| Defibrillation Systems | 764 | 724 | 694 | 780 | 2,962 | 775 | 754 | 756 | 881 | 3,167 |
| Other | 13 | 12 | 18 | 26 | 68 | 26 | 26 | 28 | 33 | 114 |
| SPINAL | $859 | $829 | $832 | $881 | $3,400 | $915 | $862 | $842 | $880 | $3,500 |
| Core Spinal | 638 | 631 | 627 | 666 | 2,560 | 696 | 642 | 630 | 664 | 2,632 |
| Biologics | 221 | 198 | 205 | 215 | 840 | 219 | 220 | 212 | 216 | 868 |
| CARDIOVASCULAR | $631 | $596 | $565 | $644 | $2,437 | $689 | $696 | $722 | $757 | $2,864 |
| Coronary | 349 | 315 | 296 | 332 | 1,292 | 353 | 369 | 386 | 382 | 1,489 |
| Structural Heart | 195 | 186 | 170 | 195 | 747 | 218 | 206 | 216 | 239 | 880 |
| Endovascular | 87 | 95 | 99 | 117 | 398 | 118 | 121 | 120 | 136 | 495 |
| NEUROMODULATION | $348 | $343 | $354 | $389 | $1,434 | $373 | $384 | $394 | $411 | $1,560 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| DIABETES | $269 | $272 | $277 | $296 | $1,114 | $295 | $300 | $311 | $332 | $1,237 |
| SURGICAL TECHNOLOGIES | $202 | $213 | $207 | $235 | $857 | $227 | $224 | $239 | $273 | $963 |
| PHYSIO-CONTROL | $94 | $75 | $90 | $84 | $343 | $97 | $94 | $100 | $134 | $425 |
| TOTAL | $3,706 | $3,570 | $3,494 | $3,829 | $14,599 | $3,933 | $3,838 | $3,851 | $4,196 | $15,817 |
| ADJUSTMENTS : | | | | | | | | | | |
| CURRENCY IMPACT (1) | $- | $- | $- | $- | $- | $(145) | $(16) | $144 | $131 | $113 |
| COMPARABLE OPERATIONS (1) | $3,706 | $3,570 | $3,494 | $3,829 | $14,599 | $4,078 | $3,854 | $3,707 | $4,065 | $15,704 |

(1) Medtronic management believes that in order to properly understand Medtronic's short-term and long-term financial trends, investors may wish to consider the impact of foreign currency translation on revenue. In addition, Medtronic management uses results of operations before currency translation to evaluate the operational performance of the Company and as a basis for strategic planning. Investors should consider these non-GAAP measures in addition to, and not as a substitute for, financial performance measures prepared in accordance with GAAP.

Note: The data in this schedule has been intentionally rounded to the nearest million and therefore the quarterly revenue may not sum to the fiscal year to date revenue.

MEDTRONIC, INC.
REVENUE BY OPERATING SEGMENT - US
(Unaudited)

($ millions)

| | FY09 QTR 1 | FY09 QTR 2 | FY09 QTR 3 | FY09 QTR 4 | FY09 Total | FY10 QTR 1 | FY10 QTR 2 | FY10 QTR 3 | FY10 QTR 4 | FY10 Total |
|---|---|---|---|---|---|---|---|---|---|---|
| REPORTED REVENUE : | | | | | | | | | | |
| CARDIAC RHYTHM DISEASE MANAGEMENT | $731 | $702 | $666 | $742 | $2,841 | $762 | $721 | $675 | $787 | $2,944 |
| Pacing Systems | 233 | 228 | 206 | 228 | 896 | 247 | 221 | 193 | 212 | 872 |
| Defibrillation Systems | 492 | 472 | 454 | 505 | 1,923 | 508 | 492 | 475 | 567 | 2,043 |
| Other | 6 | 2 | 6 | 9 | 22 | 7 | 8 | 7 | 8 | 29 |
| SPINAL | $682 | $647 | $658 | $691 | $2,678 | $712 | $662 | $644 | $662 | $2,680 |
| Core Spinal | 474 | 463 | 464 | 488 | 1,889 | 507 | 457 | 446 | 462 | 1,871 |
| Biologics | 208 | 184 | 194 | 203 | 789 | 205 | 205 | 198 | 200 | 809 |
| CARDIOVASCULAR | $253 | $235 | $224 | $265 | $976 | $260 | $252 | $239 | $264 | $1,015 |
| Coronary | 120 | 94 | 88 | 108 | 407 | 103 | 106 | 100 | 111 | 419 |
| Structural Heart | 92 | 90 | 85 | 96 | 364 | 98 | 87 | 86 | 92 | 363 |
| Endovascular | 41 | 51 | 51 | 61 | 205 | 59 | 59 | 53 | 61 | 233 |
| NEUROMODULATION | $238 | $249 | $254 | $279 | $1,019 | $265 | $272 | $272 | $276 | $1,086 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| DIABETES | $167 | $180 | $188 | $200 | $736 | $193 | $201 | $203 | $213 | $810 |
| SURGICAL TECHNOLOGIES | $127 | $136 | $132 | $149 | $545 | $142 | $140 | $150 | $169 | $601 |
| PHYSIO-CONTROL | $51 | $47 | $50 | $45 | $192 | $57 | $49 | $53 | $71 | $230 |
| TOTAL | $2,249 | $2,196 | $2,172 | $2,371 | $8,987 | $2,391 | $2,297 | $2,236 | $2,442 | $9,366 |
| ADJUSTMENTS : | | | | | | | | | | |
| CURRENCY IMPACT | $- | $- | $- | $- | $- | $- | $- | $- | $- | $- |
| COMPARABLE OPERATIONS | $2,249 | $2,196 | $2,172 | $2,371 | $8,987 | $2,391 | $2,297 | $2,236 | $2,442 | $9,366 |

Note: The data in this schedule has been intentionally rounded to the nearest million and therefore the quarterly revenues may not sum to the fiscal year to date revenue.

MEDTRONIC, INC.
REVENUE BY OPERATING SEGMENT - INTERNATIONAL
(Unaudited)

($ millions)

| | FY09 QTR 1 | FY09 QTR 2 | FY09 QTR 3 | FY09 QTR 4 | FY09 Total | FY10 QTR 1 | FY10 QTR 2 | FY10 QTR 3 | FY10 QTR 4 | FY10 Total |
|---|---|---|---|---|---|---|---|---|---|---|
| REPORTED REVENUE : | | | | | | | | | | |
| CARDIAC RHYTHM DISEASE MANAGEMENT | $572 | $540 | $503 | $558 | $2,173 | $575 | $557 | $568 | $622 | $2,324 |
| Pacing Systems | 293 | 278 | 251 | 266 | 1,088 | 289 | 277 | 266 | 283 | 1,115 |
| Defibrillation Systems | 272 | 252 | 240 | 275 | 1,039 | 267 | 262 | 281 | 314 | 1,124 |
| Other | 7 | 10 | 12 | 17 | 46 | 19 | 18 | 21 | 25 | 85 |
| SPINAL | $177 | $182 | $174 | $190 | $722 | $203 | $200 | $198 | $218 | $820 |
| Core Spinal | 164 | 168 | 163 | 178 | 671 | 189 | 185 | 184 | 202 | 761 |
| Biologics | 13 | 14 | 11 | 12 | 51 | 14 | 15 | 14 | 16 | 59 |
| CARDIOVASCULAR | $378 | $361 | $341 | $379 | $1,461 | $429 | $444 | $483 | $493 | $1,849 |
| Coronary | 229 | 221 | 208 | 224 | 885 | 250 | 263 | 286 | 271 | 1,070 |
| Structural Heart | 103 | 96 | 85 | 99 | 383 | 120 | 119 | 130 | 147 | 517 |
| Endovascular | 46 | 44 | 48 | 56 | 193 | 59 | 62 | 67 | 75 | 262 |
| NEUROMODULATION | $110 | $94 | $100 | $110 | $415 | $108 | $112 | $122 | $135 | $474 |
| DIABETES | $102 | $92 | $89 | $96 | $378 | $102 | $99 | $108 | $119 | $427 |
| SURGICAL TECHNOLOGIES | $75 | $77 | $75 | $86 | $312 | $85 | $84 | $89 | $104 | $362 |
| PHYSIO-CONTROL | $43 | $28 | $40 | $39 | $151 | $40 | $45 | $47 | $63 | $195 |
| TOTAL | $1,457 | $1,374 | $1,322 | $1,458 | $5,612 | $1,542 | $1,541 | $1,615 | $1,754 | $6,451 |
| ADJUSTMENTS : | | | | | | | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| CURRENCY IMPACT (1) | $- | $- | $- | $- | $- | $(145) | $(16) | $144 | $131 | $113 |
| COMPARABLE OPERATIONS (1) | $1,457 | $1,374 | $1,322 | $1,458 | $5,612 | $1,687 | $1,557 | $1,471 | $1,623 | $6,338 |

(1) Medtronic management believes that in order to properly understand Medtronic's short-term and long-term financial trends, investors may wish to consider the impact of foreign currency translation on revenue. In addition, Medtronic management uses results of operations before currency translation to evaluate the operational performance of the Company and as a basis for strategic planning. Investors should consider these non-GAAP measures in addition to, and not as a substitute for, financial performance measures prepared in accordance with GAAP.

Note: The data in this schedule has been intentionally rounded to the nearest million and therefore the quarterly revenue may not sum to the fiscal year to date revenue.

MEDTRONIC, INC.
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

| | Three months ended | | Twelve months ended | |
|---|---|---|---|---|
| | April 30, 2010 | April 24, 2009 | April 30, 2010 | April 24, 2009 |
| | (in millions, except per share data) | | | |
| Net sales | $4,196 | $3,829 | $15,817 | $14,599 |
| Costs and expenses: | | | | |
| Cost of products sold | 1,012 | 932 | 3,812 | 3,518 |
| Research and development expense | 378 | 368 | 1,460 | 1,355 |
| Selling, general and administrative expense | 1,396 | 1,313 | 5,415 | 5,152 |
| Special charges | - | 100 | - | 100 |
| Restructuring charges | (12) | 24 | 50 | 120 |
| Certain litigation charges, net | - | 448 | 374 | 714 |
| Purchased in-process research and development (IPR&D) and certain acquisition-related costs | 23 | 530 | 23 | 621 |
| Other expense, net | 95 | 53 | 468 | 396 |
| Interest expense, net | 70 | 52 | 246 | 183 |
| Total costs and expenses | 2,962 | 3,820 | 11,848 | 12,159 |
| Earnings before income taxes | 1,234 | 9 | 3,969 | 2,440 |
| Provision for income taxes | 280 | (94) | 870 | 370 |
| Net earnings | $954 | $103 | $3,099 | $2,070 |
| Earnings per share: | | | | |
| Basic | $0.87 | $0.09 | $2.80 | $1.85 |
| Diluted | $0.86 | $0.09 | $2.79 | $1.84 |
| Weighted average shares outstanding: | | | | |

| | | | | |
|---|---|---|---|---|
| Basic | 1,101.0 | 1,119.0 | 1,106.3 | 1,121.9 |
| Diluted | 1,105.5 | 1,120.8 | 1,109.4 | 1,126.3 |

MEDTRONIC, INC.
RECONCILIATION OF CONSOLIDATED GAAP NET EARNINGS
TO CONSOLIDATED NON-GAAP NET EARNINGS
(Unaudited)
(in millions, except per share data)

| | Three months ended | | | | | |
|---|---|---|---|---|---|---|
| | April 30, 2010 | | April 24, 2009 | | Percentage Change | |
| Net earnings, as reported | $954 | | $103 | | 826 | % |
| Special charges | - | | 64 | (d) | | |
| Restructuring charges | (9) | (a) | 16 | (e) | | |
| Certain litigation charges, net | - | | 310 | (f) | | |
| IPR&D and certain acquisition-related costs | 17 | (b) | 530 | (g) | | |
| Certain tax adjustments | - | | (132) | (h) | | |
| Impact of adoption of new authoritative convertible debt guidance on interest expense, net | 24 | (c) | 25 | (c) | | |
| Non-GAAP net earnings | $986 | | $916 | | 8 | % |

MEDTRONIC, INC.
RECONCILIATION OF CONSOLIDATED GAAP DILUTED EPS
TO CONSOLIDATED NON-GAAP DILUTED EPS
(Unaudited)

| | Three months ended | | | | | |
|---|---|---|---|---|---|---|
| | April 30, 2010 | | April 24, 2009 | | Percentage Change | |
| Diluted EPS, as reported | $0.86 | | $0.09 | | 856 | % |
| Special charges | - | | 0.06 | (d) | | |
| Restructuring charges | (0.01) | (a) | 0.02 | (e) | | |
| Certain litigation charges, net | - | | 0.28 | (f) | | |
| IPR&D and certain acquisition-related costs | 0.02 | (b) | 0.47 | (g) | | |
| Certain tax adjustments | - | | (0.12) | (h) | | |
| Impact of adoption of new authoritative convertible debt guidance on interest expense, net | 0.02 | (c) | 0.02 | (c) | | |
| Non-GAAP diluted EPS | $0.89 | | $0.82 | | 9 | % |

(a) The $9 million ($0.01 per share) after-tax ($12 million pre-tax) reversal of excess restructuring reserves is related to the fiscal year 2009 initiative that the Company began in the fourth quarter of fiscal year 2009. The $9 million after-tax reversal is primarily a result of a higher than expected percentage of employees identified for elimination finding positions elsewhere within the Company. In addition to disclosing restructuring charges that are determined in accordance with U.S. generally accepted accounting principles (U.S. GAAP), Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding these restructuring charges.

Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates these restructuring charges when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same as similar measures presented by other companies.

(b) The $17 million ($0.02 per share) after-tax IPR&D and certain acquisition-related costs represent a $7 million after-tax ($11 million pre-tax) IPR&D charge related to the Arbor Surgical Technologies, Inc. asset purchase and $10 million after-tax ($12 million pre-tax) of certain acquisition-related costs associated with the acquisition of Invatec, S.p.A. In the above IPR&D charge, technological feasibility of the underlying products had not yet been reached and such technology had no future alternative use. The certain acquisition-related costs include legal fees, severance costs and contract termination costs that were expensed in the period. In addition to disclosing IPR&D and certain acquisition-related costs that are determined in accordance with U.S. GAAP, Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding these IPR&D and certain acquisition-related costs. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates these IPR&D and certain acquisition-related costs when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same as similar measures presented by other companies.

(c) The adoption of Financial Accounting Standards Board (FASB) new authoritative guidance on accounting for convertible debt has resulted in an after-tax impact to net earnings of $24 million ($0.02 per share) and $25 million ($0.02 per share) for the three months ended April 30, 2010 and April 24, 2009, respectively. The pre-tax impact to interest expense, net was $42 million and $39 million for the three months ended April 30, 2010 and April 24, 2009, respectively. In addition to disclosing the financial statement impact of the adoption of this new authoritative guidance that is determined in accordance with U.S. GAAP, Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding the impact of the adoption of this new guidance. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates the impact of the adoption of this new guidance when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same as similar measures presented by other companies.

(d) The $64 million ($0.06 per share) special charge represents an after-tax charitable donation ($100 million pre-tax) made to The Medtronic Foundation. In addition to disclosing special charges that are determined in accordance with U.S. GAAP, Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding this donation. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates this donation when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same as similar measures presented by other companies.

(e) The $16 million ($0.02 per share) after-tax ($27 million pre-tax) restructuring charge is the net impact of a $22 million after-tax charge for restructuring initiatives that the Company began in the fourth quarter of fiscal year 2009, offset by a $6 million after-tax reversal of excess reserves related to the global realignment initiative that began in the fourth quarter of fiscal year 2008. The fiscal year 2009 initiatives were designed to streamline operations and further align resources around the Company's higher growth opportunities. The initiative impacted most businesses and certain corporate functions. The Company recorded $2 million of the after-tax expense within cost of products sold related to inventory write-offs and production-related asset impairments associated with these restructuring activities. The $6 million after-tax reversal is primarily a result of favorable severance negotiations with certain employee populations outside the U.S. as well as a higher than expected percentage of employees identified for elimination finding positions elsewhere within the Company. In addition to disclosing restructuring charges that are determined in accordance with U.S. GAAP, Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding these restructuring charges. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates these restructuring charges when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same as similar measures presented by other companies.

(f) The $310 million ($0.28 per share) after-tax ($448 million pre-tax) certain litigation charges, net relate to settlements with Johnson & Johnson (J&J) and DePuy Spine (formerly DePuy/AcroMed), a subsidiary of Johnson & Johnson, and Biedermann Motech GmbH (collectively, DePuy). The J&J settlement accounted for $188 million after-tax ($270 million pre-tax) charges and the DePuy settlement accounted for $122 after-tax ($178 million pre-tax) charges. The J&J settlement related to resolution of all royalty disputes with Johnson & Johnson which concern Medtronic's licensed use of certain patents. The agreement ended all current and potential disputes between the two parties under their 1997 settlement and license agreement relating to coronary angioplasty stent design and balloon material patents. The DePuy settlement relates to patent infringement claims stemming from the Vertex line of multiaxial screws. On June 1, 2009, the U.S. Court of Appeals for the Federal Circuit affirmed the December 2007 ruling of infringement and awarded damages based on lost profits, but reversed certain elements of the original 2007 award. Prior to the U.S. Court of Appeals' decision, the Company had not recorded expense related to the damages awarded in 2007 as the Company did not believe that an unfavorable outcome in this matter was probable under U.S. GAAP. As a result of the U.S. Court of Appeals' decision, the Company recorded a reserve of $178 million which covered the revised damages award and pre- and post-judgment interest. Since the DePuy litigation originated prior to April 24, 2009, the Company appropriately recognized this charge in the consolidated financial statements for the fiscal year ended April 24, 2009. In addition to disclosing certain litigation charges, net that are determined in accordance with U.S. GAAP, Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding these certain litigation charges. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates these certain litigation charges when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same as similar measures presented by other companies.

(g) The $530 million ($0.47 per share) after-tax IPR&D charge represents the cumulative impact of several transactions which took place during the fourth quarter of fiscal year 2009:

-$97 million ($97 million pre-tax) related to the acquisition of Ablation Frontiers, Inc.;

-$307 million ($307 million pre-tax) related to the acquisition of Ventor Technologies, Ltd.;

-$123 million ($123 million pre-tax) related to the acquisition of CoreValve, Inc.; and

-$3 million ($3 million pre-tax) related to the purchase of certain intellectual property for use in the Spinal and Diabetes operating segments.

In each of the above transactions, technological feasibility of the underlying products had not yet been reached and such technology had no future alternative use. In addition to disclosing IPR&D charges that are determined in accordance with U.S. GAAP, Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding these IPR&D charges. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates these IPR&D charges when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same as similar measures presented by other companies.

(h) The $132 million ($0.12 per share) certain tax adjustment represents a tax benefit associated with settlements reached in the fourth quarter of fiscal year 2009 with the U.S. Internal Revenue Service, numerous state taxing authorities, and assessments received from various foreign tax authorities. The years under review by the U.S. Internal Revenue Service were with respect to fiscal years 2005 and 2006, while the numerous state and foreign audits covered fiscal years ranging from 1998 through 2008. In addition to disclosing the provision for income taxes that is determined in accordance with U.S. GAAP, Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding this certain tax adjustment. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations, specifically the effective tax rate. Medtronic management eliminates this certain tax adjustment when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same as similar measures presented by other companies.

MEDTRONIC, INC.
RECONCILIATION OF CONSOLIDATED GAAP NET EARNINGS
TO CONSOLIDATED NON-GAAP NET EARNINGS
(Unaudited)
(in millions, except per share data)

| | Twelve months ended April 30, 2010 | | April 24, 2009 | | Percentage Change |
|---|---|---|---|---|---|
| Net earnings, as reported | $ 3,099 | | $ 2,070 | | 50 % |
| Special charges | - | | 64 | (e) | |
| Restructuring charges | 41 | (a) | 82 | (f) | |
| Certain litigation charges, net | 316 | (b) | 486 | (g) | |
| IPR&D and certain acquisition-related costs | 17 | (c) | 614 | (h) | |

| | | | | | |
|---|---|---|---|---|---|
| Certain tax adjustments | - | | (132) | (i) | |
| Impact of adoption of new authoritative convertible debt guidance on interest expense, net | 104 | (d) | 99 | (d) | |
| Non-GAAP net earnings | $ 3,577 | | $ 3,283 | 9 | % |

MEDTRONIC, INC.
RECONCILIATION OF CONSOLIDATED GAAP DILUTED EPS
TO CONSOLIDATED NON-GAAP DILUTED EPS
(Unaudited)

| | Twelve months ended April 30, 2010 | | April 24, 2009 | | Percentage Change |
|---|---|---|---|---|---|
| Diluted EPS, as reported | $ 2.79 | | $ 1.84 | | 52 % |
| Special charges | - | | 0.06 | (e) | |
| Restructuring charges | 0.04 | (a) | 0.07 | (f) | |
| Certain litigation charges, net | 0.28 | (b) | 0.43 | (g) | |
| IPR&D and certain acquisition-related costs | 0.02 | (c) | 0.55 | (h) | |
| Certain tax adjustments | - | | (0.12) | (i) | |
| Impact of adoption of new authoritative convertible debt guidance on interest expense, net | 0.09 | (d) | 0.09 | (d) | |
| Non-GAAP diluted EPS | $ 3.22 | | $ 2.92 | | 10 % |

Note: The data in this schedule has been intentionally rounded and therefore the first quarter, second quarter, third quarter and fourth quarter data may not sum to the fiscal year to date totals.

(a) The $41 million ($0.04 per share) after-tax ($57 million pre-tax) restructuring charge is the net impact of a $52 million after-tax charge related to the fiscal year 2009 initiative that the Company began in the fourth quarter of fiscal year 2009, offset by a $9 million after-tax reversal of excess reserves in the fourth quarter of fiscal year 2010 related to the fiscal year 2009 initiative and by a $2 million after-tax net reversal of excess restructuring reserves in the first quarter of fiscal year 2010 related to the global realignment initiative that began in the fourth quarter of fiscal year 2008. The fiscal year 2009 initiative was designed to streamline operations and further align resources around the Company's higher growth opportunities. This initiative impacts most businesses and certain corporate functions. In the first quarter of fiscal year 2010, the Company recognized expense associated with compensation and early retirement benefits provided to employees which could not be accrued in the fourth quarter of fiscal year 2009. In addition, the Company recorded $4 million of the after-tax expense ($7 million pre-tax) within cost of products sold related to inventory write-offs and production-related asset impairments associated with these restructuring activities. The $2 million after-tax net reversal is primarily a result of a $5 million after-tax reversal due to favorable severance negotiations with certain employee populations outside the U.S. as well as a higher than expected percentage of employees identified for elimination finding positions elsewhere within the Company partially offset by a $3 million after-tax charge the Company recorded in the first quarter of fiscal year 2010 related to the further write-down of a non-inventory related asset resulting from the continued decline in the international real estate market. In addition to disclosing restructuring charges that are determined in accordance with U.S. generally accepted accounting principles (U.S. GAAP), Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider

the impact of excluding these restructuring charges. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates these restructuring charges when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same as similar measures presented by other companies.

(b) The $316 million ($0.28 per share) after-tax ($374 million pre-tax) certain litigation charges, net relate to settlements with Abbott Laboratories (Abbott) and with W.L. Gore & Associates (Gore). The Abbott settlement accounted for $360 million after-tax ($444 million pre-tax) charges and the Gore settlement accounted for $44 million after-tax ($70 million pre-tax) gain of certain litigation charges, net. The Abbott settlement related to the resolution of all outstanding intellectual property litigation. The terms of the Abbott agreement stipulate that neither party will sue each other in the field of coronary stent and stent delivery systems for a period of at least 10 years, subject to certain conditions. Both parties also agreed to a cross-license of the disputed patents within the defined field. The $444 million pre-tax settlement amount includes a $400 million payment to Abbott and a $42 million success payment made to evYsio Medical Devices, LLC (evYsio). In addition, a $2 million payment was made to evYsio in order to expand the definition of the license field from evYsio. The Gore settlement related to the resolution of outstanding patent litigation related to selected patents in Medtronic's Jervis and Wiktor patent families. The terms of the agreement stipulate that neither party will sue each other in the defined field of use, subject to certain conditions. In addition and subject to certain conditions, Medtronic granted Gore a worldwide, irrevocable, non-exclusive license in the defined field of use. Gore will also pay Medtronic a quarterly license payment through the fiscal quarter ending October 2018. In addition to disclosing certain litigation charges, net that are determined in accordance with U.S. GAAP, Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding these certain litigation charges, net. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates these certain litigation charges, net when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same as similar measures presented by other companies

(c) The $17 million ($0.02 per share) after-tax IPR&D and certain acquisition-related costs represent a $7 million after-tax ($11 million pre-tax) IPR&D charge related to the Arbor Surgical Technologies, Inc. asset purchase and $10 million after-tax ($12 million pre-tax) of certain acquisition-related costs associated with the acquisition of Invatec, S.p.A. In the above IPR&D charge, technological feasibility of the underlying products had not yet been reached and such technology had no future alternative use. The certain acquisition-related costs include legal fees, severance costs and contract termination costs that were expensed in the period. In addition to disclosing IPR&D and certain acquisition-related costs that are determined in accordance with U.S. GAAP, Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding these IPR&D and certain acquisition-related costs. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates these IPR&D and certain acquisition-related costs when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same as similar measures presented by other companies.

(d) The adoption of Financial Accounting Standards Board (FASB) new authoritative guidance on accounting for convertible

debt has resulted in an after-tax impact to net earnings of $104 million ($0.09 per share) and $99 million ($0.09 per share) for the twelve months ended April 30, 2010 and April 24, 2009, respectively. The pre-tax impact to interest expense, net was $167 million and $154 million for the twelve months ended April 30, 2010 and April 24, 2009, respectively. In addition to disclosing the financial statement impact of the adoption of this new authoritative guidance that is determined in accordance with U.S. GAAP, Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding the impact of the adoption of this new guidance. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates the impact of the adoption of this new guidance when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same as similar measures presented by other companies.

(e) The $64 million ($0.06 per share) special charge represents an after-tax charitable donation ($100 million pre-tax) made to The Medtronic Foundation. In addition to disclosing special charges that are determined in accordance with U.S. GAAP, Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding this donation. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates this donation when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same as similar measures presented by other companies.

(f) The $82 million ($0.07 per share) after-tax ($123 million pre-tax) restructuring charge is an accumulation of charges recorded in the first and fourth quarters of fiscal year 2009. As outlined in footnote (e) for the three months ended April 24, 2009, the Company recorded net after-tax charges of $16 million in the fourth quarter of fiscal year 2009 related to initiatives begun in that quarter. In addition, the Company recorded after-tax charges of $66 million in the first quarter of fiscal year 2009 that related to a global realignment initiative that the Company began in the fourth quarter of fiscal year 2008. The 2008/2009 initiatives focused on shifting resources to those areas where the Company has the greatest opportunities for growth and streamlining operations to drive operating leverage. The global realignment initiative impacts most businesses and certain corporate functions. In addition to disclosing restructuring charges that are determined in accordance with U.S. GAAP, Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding these restructuring charges. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates these restructuring charges when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same as similar measures presented by other companies.

(g) The $486 million ($0.43 per share) after-tax ($714 million pre-tax) certain litigation charges, net relate to the accumulation of four separate charges recorded throughout fiscal year 2009. As outlined in footnote (f) for the three months ended April 24, 2009, the Company recorded a $188 million after-tax ($270 million pre-tax) charge related to a settlement of all royalty disputes with Johnson & Johnson (J&J) which concern Medtronic's licensed use of certain patents and a $122 million after-tax ($178 million pre-tax) charge related to a settlement with DePuy regarding patent infringement claims stemming from the Vertex line of

multiaxial screws. In addition, for the three months ended October 24, 2008, the Company recorded a $152 million after-tax ($229 million pre-tax) charge related to the final judgment in separate litigation with Cordis Corporation (Cordis), a subsidiary of J&J, that originated in October 1997, and $24 million after-tax ($37 million pre-tax) related to the settlement of litigation with Fastenetix LLC that originated in May 2006. The second quarter 2009 charge related to litigation with Cordis was in addition to a $243 million pre-tax reserve recorded in the third quarter of fiscal year 2008. In addition to disclosing certain litigation charges that are determined in accordance with U.S. GAAP, Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding these certain litigation charges. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates these certain litigation charges when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same as similar measures presented by other companies.

(h) The $614 million ($0.55 per share) after-tax IPR&D charge represents the cumulative impact of several transactions which took place throughout fiscal year 2009 including:

-$97 million ($97 million pre-tax) related to the acquisition of Ablation Frontiers, Inc., which was recorded in the fourth quarter of fiscal year 2009;

-$307 million ($307 million pre-tax) related to the acquisition of Ventor Technologies, Ltd., which was recorded in the fourth quarter of fiscal year 2009;

-$123 million ($123 million pre-tax) related to the acquisition of CoreValve, Inc., which was recorded in the fourth quarter of fiscal year 2009;

-$72 million ($72 million after-tax) related to the acquisition of CryoCath Technologies, Inc. which was recorded in the third quarter of fiscal year 2009; and

-$15 million ($22 million pre-tax) related to the purchase of certain intellectual property for use in the Spinal and Diabetes operating segments which took place in the second and fourth quarters of fiscal year 2009.

In each of the above transactions, technological feasibility of the underlying products had not yet been reached and such technology had no future alternative use. In addition to disclosing IPR&D charges that are determined in accordance with U.S. GAAP, Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding these IPR&D charges. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations. Medtronic management eliminates these IPR&D charges when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same as similar measures presented by other companies.

(i) The $132 million ($0.12 per share) certain tax adjustment represents a tax benefit associated with settlements reached in the fourth quarter of fiscal year 2009 with the U.S. Internal Revenue Service, numerous state taxing authorities, and assessments received from various foreign tax authorities. The years under review by the U.S. Internal Revenue Service were with respect to fiscal years 2005 and 2006, while the numerous state and foreign audits covered fiscal years ranging from 1998 through 2008.

In addition to disclosing the provision for income taxes that is determined in accordance with U.S. GAAP, Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding this certain tax adjustment. Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations and is useful for period over period comparisons of such operations, specifically the effective tax rate. Medtronic management eliminates this certain tax adjustment when evaluating the operating performance of the Company. Investors should consider this non-GAAP measure in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial measure may not be the same as similar measures presented by other companies.

MEDTRONIC, INC.
RECONCILIATION OF WORLDWIDE REVENUE GROWTH TO CONSTANT CURRENCY GROWTH
(Unaudited)
(in millions)

| | Three months ended | | | Currency Impact on Growth (a) | | | Constant Currency Growth (a) | |
|---|---|---|---|---|---|---|---|---|
| | April 30, 2010 | April 24, 2009 | Reported Growth | Dollar | Percentage | | | |
| Reported Revenue: | | | | | | | | |
| Pacing Systems | $ 495 | $ 494 | - | % $ 22 | 4 | % | (4) | % |
| Defibrillation Systems | 881 | 780 | 13 | 24 | 3 | | 10 | |
| Other | 33 | 26 | 27 | 1 | 4 | | 23 | |
| Cardiac Rhythm Disease Management | 1,409 | 1,300 | 8 | 47 | 3 | | 5 | |
| Core Spinal | 664 | 666 | - | 14 | 2 | | (2) | |
| Biologics | 216 | 215 | - | 2 | - | | - | |
| Spinal | 880 | 881 | - | 16 | 2 | | (2) | |
| Coronary | 382 | 332 | 15 | 19 | 6 | | 9 | |
| Structural Heart | 239 | 195 | 23 | 10 | 6 | | 17 | |
| Endovascular | 136 | 117 | 16 | 5 | 4 | | 12 | |
| CardioVascular | 757 | 644 | 18 | 34 | 6 | | 12 | |
| Neuromodulation | 411 | 389 | 6 | 8 | 2 | | 4 | |
| Diabetes | 332 | 296 | 12 | 12 | 4 | | 8 | |
| Surgical Technologies | 273 | 235 | 16 | 8 | 3 | | 13 | |
| Physio-Control | 134 | 84 | 60 | 6 | 8 | | 52 | |
| Total | $ 4,196 | $ 3,829 | 10 | % $ 131 | 4 | % | 6 | % |

(a) Medtronic believes that in order to properly understand Medtronic's short-term and long-term financial trends, investors may wish to consider the impact of foreign currency translation on revenue. In addition, Medtronic management uses results of operations before currency translation to evaluate the operational performance of the Company and as a basis for strategic planning. Investors should consider these non-GAAP measures in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP.

MEDTRONIC, INC.

RECONCILIATION OF WORLDWIDE REVENUE GROWTH TO CONSTANT CURRENCY GROWTH
(Unaudited)
(in millions)

| | Twelve months ended | | | Currency Impact on Growth (a) | | Constant Currency Growth (a) |
|---|---|---|---|---|---|---|
| | April 30, 2010 | April 24, 2009 | Reported Growth | Dollar | Percentage | |
| Reported Revenue: | | | | | | |
| Pacing Systems | $ 1,987 | $ 1,984 | - % | $21 | 1 % | (1) % |
| Defibrillation Systems | 3,167 | 2,962 | 7 | 16 | 1 | 6 |
| Other | 114 | 68 | 68 | 4 | 6 | 62 |
| Cardiac Rhythm Disease Management | 5,268 | 5,014 | 5 | 41 | 1 | 4 |
| Core Spinal | 2,632 | 2,560 | 3 | 14 | 1 | 2 |
| Biologics | 868 | 840 | 3 | 2 | - | 3 |
| Spinal | 3,500 | 3,400 | 3 | 16 | 1 | 2 |
| Coronary | 1,489 | 1,292 | 15 | 10 | 1 | 14 |
| Structural Heart | 880 | 747 | 18 | 11 | 2 | 16 |
| Endovascular | 495 | 398 | 24 | 6 | 1 | 23 |
| CardioVascular | 2,864 | 2,437 | 18 | 27 | 2 | 16 |
| Neuromodulation | 1,560 | 1,434 | 9 | 7 | 1 | 8 |
| Diabetes | 1,237 | 1,114 | 11 | 7 | 1 | 10 |
| Surgical Technologies | 963 | 857 | 12 | 8 | 1 | 11 |
| Physio-Control | 425 | 343 | 24 | 7 | 2 | 22 |
| Total | $ 15,817 | $ 14,599 | 8 % | $113 | - % | 8 % |

(a) Medtronic believes that in order to properly understand Medtronic's short-term and long-term financial trends, investors may wish to consider the impact of foreign currency translation on revenue. In addition, Medtronic management uses results of operations before currency translation to evaluate the operational performance of the Company and as a basis for strategic planning. Investors should consider these non-GAAP measures in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP.

MEDTRONIC, INC.
RECONCILIATION OF INTERNATIONAL REVENUE GROWTH TO CONSTANT CURRENCY GROWTH
(Unaudited)
(in millions)

| | Three months ended | | | Currency Impact on Growth (a) | | Constant Currency Growth (a) |
|---|---|---|---|---|---|---|
| | April 30, 2010 | April 24, 2009 | Reported Growth | Dollar | Percentage | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Reported Revenue: | | | | | | | | |
| Pacing Systems | $ 283 | $ 266 | 6 | % | $22 | 8 | % (2) | % |
| Defibrillation Systems | 314 | 275 | 14 | | 24 | 9 | 5 | |
| Other | 25 | 17 | 47 | | 1 | 6 | 41 | |
| Cardiac Rhythm Disease Management | 622 | 558 | 11 | | 47 | 8 | 3 | |
| Core Spinal | 202 | 178 | 13 | | 14 | 7 | 6 | |
| Biologics | 16 | 12 | 33 | | 2 | 16 | 17 | |
| Spinal | 218 | 190 | 15 | | 16 | 9 | 6 | |
| Coronary | 271 | 224 | 21 | | 19 | 8 | 13 | |
| Structural Heart | 147 | 99 | 48 | | 10 | 10 | 38 | |
| Endovascular | 75 | 56 | 34 | | 5 | 9 | 25 | |
| CardioVascular | 493 | 379 | 30 | | 34 | 9 | 21 | |
| Neuromodulation | 135 | 110 | 23 | | 8 | 8 | 15 | |
| Diabetes | 119 | 96 | 24 | | 12 | 13 | 11 | |
| Surgical Technologies | 104 | 86 | 21 | | 8 | 9 | 12 | |
| Physio-Control | 63 | 39 | 62 | | 6 | 16 | 46 | |
| Total | $ 1,754 | $ 1,458 | 20 | % | $131 | 9 | % 11 | % |

(a) Medtronic believes that in order to properly understand Medtronic's short-term and long-term financial trends, investors may wish to consider the impact of foreign currency translation on revenue. In addition, Medtronic management uses results of operations before currency translation to evaluate the operational performance of the Company and as a basis for strategic planning. Investors should consider these non-GAAP measures in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP.

MEDTRONIC, INC.
RECONCILIATION OF INTERNATIONAL REVENUE GROWTH TO CONSTANT CURRENCY GROWTH
(Unaudited)
(in millions)

| | Twelve months ended | | | Currency Impact on Growth (a) | | Constant |
|---|---|---|---|---|---|---|
| | April 30, 2010 | April 24, 2009 | Reported Growth | Dollar | Percentage | Currency Growth (a) |
| Reported Revenue: | | | | | | |
| Pacing Systems | $ 1,115 | $ 1,088 | 2 % | $21 | 1 % | 1 % |
| Defibrillation Systems | 1,124 | 1,039 | 8 | 16 | 1 | 7 |
| Other | 85 | 46 | 85 | 4 | 9 | 76 |
| Cardiac Rhythm Disease Management | 2,324 | 2,173 | 7 | 41 | 2 | 5 |
| Core Spinal | 761 | 671 | 13 | 14 | 2 | 11 |
| Biologics | 59 | 51 | 16 | 2 | 4 | 12 |
| Spinal | 820 | 722 | 14 | 16 | 3 | 11 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Coronary | 1,070 | 885 | 21 | | 10 | 1 | 20 | |
| Structural Heart | 517 | 383 | 35 | | 11 | 3 | 32 | |
| Endovascular | 262 | 193 | 36 | | 6 | 3 | 33 | |
| CardioVascular | 1,849 | 1,461 | 27 | | 27 | 2 | 25 | |
| Neuromodulation | 474 | 415 | 14 | | 7 | 1 | 13 | |
| Diabetes | 427 | 378 | 13 | | 7 | 2 | 11 | |
| Surgical Technologies | 362 | 312 | 16 | | 8 | 3 | 13 | |
| Physio-Control | 195 | 151 | 29 | | 7 | 4 | 25 | |
| Total | $ 6,451 | $ 5,612 | 15 | % | $113 | 2 | % 13 | % |

(a) Medtronic believes that in order to properly understand Medtronic's short-term and long-term financial trends, investors may wish to consider the impact of foreign currency translation on revenue. In addition, Medtronic management uses results of operations before currency translation to evaluate the operational performance of the Company and as a basis for strategic planning. Investors should consider these non-GAAP measures in addition to, and not as a substitute for, financial performance measures prepared in accordance with U.S. GAAP.

MEDTRONIC, INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

| (in millions, except per share data) | April 30, 2010 | April 24, 2009 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $1,400 | $1,271 |
| Short-term investments | 2,375 | 405 |
| Accounts receivable, less allowances of $67 and $61, respectively | 3,335 | 3,123 |
| Inventories | 1,481 | 1,426 |
| Deferred tax assets, net | 544 | 605 |
| Prepaid expenses and other current assets | 704 | 622 |
| Total current assets | 9,839 | 7,452 |
| Property, plant and equipment, net | 2,421 | 2,279 |
| Goodwill | 8,391 | 8,195 |
| Other intangible assets, net | 2,559 | 2,477 |
| Long-term investments | 4,632 | 2,769 |
| Other assets | 248 | 416 |
| Total assets | $28,090 | $23,588 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Short-term borrowings | $2,575 | $522 |
| Accounts payable | 420 | 382 |
| Accrued compensation | 1,001 | 901 |
| Accrued income taxes | 235 | 130 |

| | | |
|---|---|---|
| Other accrued expenses | 890 | 1,212 |
| Total current liabilities | 5,121 | 3,147 |
| Long-term debt | 6,944 | 6,253 |
| Long-term accrued compensation and retirement benefits | 516 | 329 |
| Long-term accrued income taxes | 595 | 475 |
| Long-term deferred tax liabilities, net | 89 | 115 |
| Other long-term liabilities | 196 | 87 |
| Total liabilities | 13,461 | 10,406 |
| Commitments and contingencies | - | - |
| Shareholders' equity: | | |
| Preferred stock-- par value $1.00 | - | - |
| Common stock-- par value $0.10 | 110 | 112 |
| Retained earnings | 14,826 | 13,272 |
| Accumulated other comprehensive loss | (307) | (202) |
| Total shareholders' equity | 14,629 | 13,182 |
| Total liabilities and shareholders' equity | $28,090 | $23,588 |

MEDTRONIC, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

| | Fiscal Year | | |
|---|---|---|---|
| | 2010 | 2009 | 2008 |
| (in millions) | | | |
| Operating Activities: | | | |
| Net earnings | $3,099 | $2,070 | $2,138 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | |
| Depreciation and amortization | 772 | 699 | 637 |
| Amortization of discount on senior convertible notes | 167 | 154 | 145 |
| Special charges | - | - | 78 |
| IPR&D charges | 11 | 621 | 390 |
| Provision for doubtful accounts | 36 | 23 | 31 |
| Deferred income taxes | 144 | (171) | (101) |
| Stock-based compensation | 226 | 237 | 217 |
| Excess tax benefit from exercise of stock-based awards | - | (24) | (40) |
| Change in operating assets and liabilities, net of effect of acquisitions: | | | |
| Accounts receivable | (271) | 108 | (461) |
| Inventories | 158 | (212) | 30 |
| Prepaid expenses and other assets | 33 | (121) | 92 |
| Accounts payable and accrued liabilities | 224 | 510 | (305) |
| Other operating assets and liabilities | 97 | (26) | 272 |
| Certain litigation charges, net | 374 | 714 | 366 |
| Certain litigation payments | (939) | (704) | - |
| Net cash provided by operating activities | 4,131 | 3,878 | 3,489 |
| Investing Activities: | | | |
| Acquisitions, net of cash acquired | (350) | (1,624) | (4,221) |

| | | | |
|---|---|---|---|
| Purchase of intellectual property | (62) | (165) | (93) |
| Additions to property, plant and equipment | (573) | (498) | (513) |
| Purchases of marketable securities | (7,440) | (2,960) | (6,433) |
| Sales and maturities of marketable securities | 3,753 | 2,845 | 8,557 |
| Other investing activities, net | (87) | (338) | (87) |
| Net cash used in investing activities | (4,759) | (2,740) | (2,790) |
| Financing Activities: | | | |
| Change in short-term borrowings, net | (444) | (633) | 543 |
| Payments on long-term debt | (20) | (300) | (12) |
| Issuance of long-term debt | 3,000 | 1,250 | 300 |
| Dividends to shareholders | (907) | (843) | (565) |
| Issuance of common stock under stock purchase and award plans | 165 | 416 | 403 |
| Excess tax benefit from exercise of stock-based awards | - | 24 | 40 |
| Repurchase of common stock | (1,030) | (759) | (1,544) |
| Net cash provided by (used in) financing activities | 764 | (845) | (835) |
| Effect of exchange rate changes on cash and cash equivalents | (7) | (82) | (60) |
| Net change in cash and cash equivalents | 129 | 211 | (196) |
| Cash and cash equivalents at beginning of period | 1,271 | 1,060 | 1,256 |
| Cash and cash equivalents at end of period | $1,400 | $1,271 | $1,060 |
| Supplemental Cash Flow Information | | | |
| Cash paid for: | | | |
| Income taxes | $571 | $436 | $717 |
| Interest | 386 | 208 | 258 |
| Supplemental noncash investing and financing activities: | | | |
| Reclassification of debentures from short-term to long-term debt | $- | $15 | $- |
| Reclassification of debentures from long-term to short-term debt | - | - | 94 |
| Reclassification of senior notes from long-term to short-term debt | 400 | - | - |
| Reclassification of senior convertible notes from long-term to short-term debt | 2,200 | - | - |

SOURCE: Medtronic, Inc.

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Investor Relations

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https://news.medtronic.com/2010-05-25-Record-Fourth-Quarter-Caps-Strong-Year-for-Medtronic