

MEDTRONIC, INC.
REVENUE BY OPERATING SEGMENT - WORLD WIDE

(Unaudited)

(\$ millions)

	FY 08 QTR 1	FY 08 QTR 2	FY 08 QTR 3	FY 08 QTR 4	FY 08 Total	FY 09 QTR 1	FY 09 QTR 2	FY 09 QTR 3	FY 09 QTR 4	FY 09 Total
REPORTED REVENUE :										
CARDIAC RHYTHM DISEASE MANAGEMENT	\$ 1,235	\$ 1,148	\$ 1,218	\$ 1,363	\$ 4,963	\$ 1,303	\$ 1,242	\$ -	\$ -	\$ 2,546
Pacing Systems	494	495	478	540	2,008	526	506	-	-	1,033
Defibrillation Systems	726	639	726	806	2,897	764	724	-	-	1,488
Other	15	14	14	17	58	13	12	-	-	25
SPINAL	\$ 644	\$ 660	\$ 808	\$ 869	\$ 2,982	\$ 859	\$ 829	\$ -	\$ -	\$ 1,687
Core Spinal	454	462	455	498	1,869	477	485	-	-	961
Biologics	190	198	206	221	815	221	198	-	-	419
Kyphon Business	-	-	147	150	298	161	146	-	-	307
CARDIOVASCULAR	\$ 486	\$ 490	\$ 512	\$ 643	\$ 2,131	\$ 631	\$ 596	\$ -	\$ -	\$ 1,227
Coronary Stents	152	149	157	251	710	236	208	-	-	445
Other Coronary/Peripheral	95	96	103	116	408	113	107	-	-	220
Endovascular	69	70	70	76	285	87	95	-	-	182
Revasc & Surgical Therapies	102	105	109	115	431	117	112	-	-	229
Structural Heart Disease	68	70	73	85	297	78	74	-	-	151
NEUROMODULATION	\$ 289	\$ 321	\$ 320	\$ 381	\$ 1,311	\$ 348	\$ 343	\$ -	\$ -	\$ 691
Neuro Implantables	237	264	260	308	1,069	284	271	-	-	555
Gastroenterology & Urology	52	57	60	73	242	64	72	-	-	136
DIABETES	\$ 241	\$ 246	\$ 258	\$ 275	\$ 1,019	\$ 269	\$ 272	\$ -	\$ -	\$ 541
SURGICAL TECHNOLOGIES	\$ 172	\$ 185	\$ 195	\$ 228	\$ 780	\$ 202	\$ 213	\$ -	\$ -	\$ 415
Core Ear, Nose and Throat (ENT)	75	75	81	92	323	87	86	-	-	172
Neurologic Technologies	69	74	73	82	298	79	80	-	-	160
Navigation	28	36	41	54	159	36	47	-	-	83
PHYSIO-CONTROL	\$ 60	\$ 74	\$ 94	\$ 101	\$ 329	\$ 94	\$ 75	\$ -	\$ -	\$ 169
TOTAL	\$ 3,127	\$ 3,124	\$ 3,405	\$ 3,860	\$ 13,515	\$ 3,706	\$ 3,570	\$ -	\$ -	\$ 7,276
ADJUSTMENTS :										
CURRENCY IMPACT (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 157	\$ 65	\$ -	\$ -	\$ 221
COMPARABLE OPERATIONS (1)	\$ 3,127	\$ 3,124	\$ 3,405	\$ 3,860	\$ 13,515	\$ 3,549	\$ 3,505	\$ -	\$ -	\$ 7,055

(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)

	FY 08 QTR 1	FY 08 QTR 2	FY 08 QTR 3	FY 08 QTR 4	FY 08 Total	FY 09 QTR 1	FY 09 QTR 2	FY 09 QTR 3	FY 09 QTR 4	FY 09 Total
REPORTED REVENUE :										
CARDIAC RHYTHM DISEASE MANAGEMENT	\$ 754	\$ 679	\$ 726	\$ 765	\$ 2,922	\$ 731	\$ 702	\$ -	\$ -	\$ 1,435
Pacing Systems	244	237	218	242	940	233	228	-	-	462
Defibrillation Systems	504	434	502	515	1,955	492	472	-	-	964
Other	6	8	6	8	27	6	2	-	-	9
SPINAL	\$ 530	\$ 540	\$ 642	\$ 683	\$ 2,395	\$ 682	\$ 647	\$ -	\$ -	\$ 1,328
Core Spinal	349	352	341	363	1,405	358	358	-	-	715
Biologics	181	188	195	208	772	208	184	-	-	392
Kyphon Business	-	-	106	112	218	116	105	-	-	221
CARDIOVASCULAR	\$ 167	\$ 173	\$ 165	\$ 256	\$ 761	\$ 253	\$ 235	\$ -	\$ -	\$ 488
Coronary Stents	20	21	20	98	158	92	68	-	-	161
Other Coronary/Peripheral	24	24	26	28	104	28	26	-	-	52
Endovascular	35	37	31	35	138	41	51	-	-	93
Revasc & Surgical Therapies	49	52	49	51	200	52	51	-	-	103
Structural Heart Disease	39	39	39	44	161	40	39	-	-	79
NEUROMODULATION	\$ 201	\$ 239	\$ 227	\$ 262	\$ 929	\$ 238	\$ 249	\$ -	\$ -	\$ 487
Neuro Implantables	160	192	180	207	738	189	192	-	-	381
Gastroenterology & Urology	41	47	47	55	191	49	57	-	-	106
DIABETES	\$ 163	\$ 170	\$ 170	\$ 176	\$ 681	\$ 167	\$ 180	\$ -	\$ -	\$ 347
SURGICAL TECHNOLOGIES	\$ 112	\$ 120	\$ 124	\$ 141	\$ 497	\$ 127	\$ 136	\$ -	\$ -	\$ 263
Core Ear, Nose and Throat (ENT)	48	47	51	56	201	53	54	-	-	106
Neurologic Technologies	45	50	48	52	195	51	53	-	-	104
Navigation	19	23	25	33	101	23	29	-	-	53
PHYSIO-CONTROL	\$ 21	\$ 37	\$ 44	\$ 49	\$ 151	\$ 51	\$ 47	\$ -	\$ -	\$ 97
TOTAL	\$ 1,948	\$ 1,958	\$ 2,098	\$ 2,332	\$ 8,336	\$ 2,249	\$ 2,196	\$ -	\$ -	\$ 4,445
ADJUSTMENTS :										
CURRENCY IMPACT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
COMPARABLE OPERATIONS	\$ 1,948	\$ 1,958	\$ 2,098	\$ 2,332	\$ 8,336	\$ 2,249	\$ 2,196	\$ -	\$ -	\$ 4,445

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)

	FY 08 QTR 1	FY 08 QTR 2	FY 08 QTR 3	FY 08 QTR 4	FY 08 Total	FY 09 QTR 1	FY 09 QTR 2	FY 09 QTR 3	FY 09 QTR 4	FY 09 Total
REPORTED REVENUE :										
CARDIAC RHYTHM DISEASE MANAGEMENT	\$ 481	\$ 469	\$ 492	\$ 598	\$ 2,041	\$ 572	\$ 540	\$ -	\$ -	\$ 1,111
Pacing Systems	250	258	260	298	1,068	293	278	-	-	571
Defibrillation Systems	222	205	224	291	942	272	252	-	-	524
Other	9	6	8	9	31	7	10	-	-	16
SPINAL	\$ 114	\$ 120	\$ 166	\$ 186	\$ 587	\$ 177	\$ 182	\$ -	\$ -	\$ 359
Core Spinal	105	110	114	135	464	119	127	-	-	246
Biologics	9	10	11	13	43	13	14	-	-	27
Kyphon Business	-	-	41	38	80	45	41	-	-	86
CARDIOVASCULAR	\$ 319	\$ 317	\$ 347	\$ 387	\$ 1,370	\$ 378	\$ 361	\$ -	\$ -	\$ 739
Coronary Stents	132	128	137	153	552	144	140	-	-	284
Other Coronary/Peripheral	71	72	77	88	304	85	81	-	-	168
Endovascular	34	33	39	41	147	46	44	-	-	89
Revasc & Surgical Therapies	53	53	60	64	231	65	61	-	-	126
Structural Heart Disease	29	31	34	41	136	38	35	-	-	72
NEUROMODULATION	\$ 88	\$ 82	\$ 93	\$ 119	\$ 382	\$ 110	\$ 94	\$ -	\$ -	\$ 204
Neuro Implantables	77	72	80	101	331	95	79	-	-	174
Gastroenterology & Urology	11	10	13	18	51	15	15	-	-	30
DIABETES	\$ 78	\$ 76	\$ 88	\$ 99	\$ 338	\$ 102	\$ 92	\$ -	\$ -	\$ 194
SURGICAL TECHNOLOGIES	\$ 60	\$ 65	\$ 71	\$ 87	\$ 283	\$ 75	\$ 77	\$ -	\$ -	\$ 152
Core Ear, Nose and Throat (ENT)	27	28	30	36	122	34	32	-	-	66
Neurologic Technologies	24	24	25	30	103	28	27	-	-	56
Navigation	9	13	16	21	58	13	18	-	-	30
PHYSIO-CONTROL	\$ 39	\$ 37	\$ 50	\$ 52	\$ 178	\$ 43	\$ 28	\$ -	\$ -	\$ 72
TOTAL	\$ 1,179	\$ 1,166	\$ 1,307	\$ 1,528	\$ 5,179	\$ 1,457	\$ 1,374	\$ -	\$ -	\$ 2,831
ADJUSTMENTS :										
CURRENCY IMPACT (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 157	\$ 65	\$ -	\$ -	\$ 221
COMPARABLE OPERATIONS (1)	\$ 1,179	\$ 1,166	\$ 1,307	\$ 1,528	\$ 5,179	\$ 1,300	\$ 1,309	\$ -	\$ -	\$ 2,610

(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.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Three months ended		Six months ended	
	October 24, 2008	October 26, 2007	October 24, 2008	October 26, 2007
	(in millions, except per share data)			
Net sales	\$ 3,570	\$ 3,124	\$ 7,276	\$ 6,250
Costs and expenses:				
Cost of products sold	883	840	1,738	1,632
Research and development expense	326	298	650	598
Selling, general and administrative expense	1,263	1,107	2,581	2,203
Restructuring charges	-	-	96	14
Certain litigation charges	266	-	266	-
Purchased in-process research and development (IPR&D) charges	18	-	18	33
Other expense, net	143	72	294	128
Interest expense/(income), net	10	(61)	19	(105)
Total costs and expenses	<u>2,909</u>	<u>2,256</u>	<u>5,662</u>	<u>4,503</u>
Earnings before income taxes	661	868	1,614	1,747
Provision for income taxes	<u>90</u>	<u>202</u>	<u>296</u>	<u>406</u>
Net earnings	<u>\$ 571</u>	<u>\$ 666</u>	<u>\$ 1,318</u>	<u>\$ 1,341</u>
Earnings per share:				
Basic	<u>\$ 0.51</u>	<u>\$ 0.59</u>	<u>\$ 1.18</u>	<u>\$ 1.18</u>
Diluted	<u>\$ 0.51</u>	<u>\$ 0.58</u>	<u>\$ 1.17</u>	<u>\$ 1.17</u>
Weighted average shares outstanding:				
Basic	1,120.4	1,133.1	1,120.5	1,136.1
Diluted	1,128.5	1,147.7	1,128.6	1,150.6
Cash dividends declared per common share	\$ 0.188	\$ 0.125	\$ 0.376	\$ 0.250

MEDTRONIC, INC.
RECONCILIATION OF CONSOLIDATED GAAP NET EARNINGS
TO CONSOLIDATED NON-GAAP NET EARNINGS

(Unaudited)

(in millions, except per share data)

	<u>Three months ended</u>		<u>Percentage Change</u>
	<u>October 24, 2008</u>	<u>October 26, 2007</u>	
Net earnings, as reported	\$ 571	\$ 666	(14%)
Certain litigation charges	176 (a)	-	
IPR&D charges	11 (b)	-	
Non-GAAP net earnings	<u>\$ 758</u>	<u>\$ 666</u>	14%

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

(Unaudited)

	<u>Three months ended</u>		<u>Percentage Change</u>
	<u>October 24, 2008</u>	<u>October 26, 2007</u>	
Diluted EPS, as reported	\$ 0.51	\$ 0.58	(12%)
Certain litigation charges	0.15 (a)	-	
IPR&D charges	0.01 (b)	-	
Non-GAAP diluted EPS	<u>\$ 0.67</u>	<u>\$ 0.58</u>	16%

(a) The \$176 million (\$ 0.15 per share) after-tax certain litigation charge is related to a \$229 million (\$152 million after-tax) charge related to the final judgment in litigation with the Cordis Corporation (a subsidiary of Johnson & Johnson) that originated in October 1997 and a \$37 million (\$24 million after-tax) charge related to the settlement of litigation with Fastenex LLC that originated in May 2006. The charge related to litigation with the Cordis Corporation was in addition to a \$243 million 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. generally accepted accounting principles (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.

(b) The \$11 million (\$ 0.01 per share) after-tax IPR&D charge represents the purchase of certain intellectual property for use in the Spine business. These payments were expensed as IPR&D since technological feasibility of the underlying product had not yet been reached and such technology has 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.

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

	Six months ended	
	October 24, 2008	October 26, 2007
Net earnings, as reported	\$ 1,318	\$ 1,341
Restructuring charges	66 (a)	11 (d)
Certain litigation charges	176 (b)	-
IPR&D charges	11 (c)	25 (e)
Non-GAAP net earnings	<u>\$ 1,571</u>	<u>\$ 1,377</u>

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

	Six months ended	
	October 24, 2008	October 26, 2007
Diluted EPS, as reported	\$ 1.17	\$ 1.17
Restructuring charges	0.06 (a)	0.01 (d)
Certain litigation charges	0.15 (b)	-
IPR&D charges	0.01 (c)	0.02 (e)
Non-GAAP diluted EPS	<u>\$ 1.39</u>	<u>\$ 1.20</u>

(a) The \$66 million (\$0.06 per share) after-tax restructuring charge is related to a global realignment initiative that the Company began in the fourth quarter of fiscal year 2008. This initiative focuses 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. The majority of the expense recognized in the first quarter of fiscal year 2009 is related to the execution of our global realignment initiative outside the United States. This includes the realignment of personnel throughout Europe and the Emerging Markets and the closure of an existing facility in the Netherlands that will be integrated into the U.S. operations. The remainder of the expense is associated with compensation provided to employees identified in the fourth quarter of fiscal year 2008 whose employment terminated with the Company in the first quarter of fiscal year 2009. These incremental costs were not accrued in the fourth quarter of fiscal year 2008 because these benefits had not yet been communicated to the impacted employees. In addition to disclosing restructuring charges that are determined in accordance with U.S. generally accepted accounting principles (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 \$176 million (\$ 0.15 per share) after-tax certain litigation charge is related to a \$229 million (\$152 million after-tax) charge related to the final judgment in litigation with the Cordis Corporation (a subsidiary of Johnson & Johnson) that originated in October 1997 and a \$37 million (\$24 million after-tax) charge related to the settlement of litigation with Fastenex LLC that originated in May 2006. The charge related to litigation with the Cordis Corporation was in addition to a \$243 million 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.

(c) The \$11 million (\$ 0.01 per share) after-tax IPR&D charge represents the purchase of certain intellectual property for use in the Spine business. These payments were expensed as IPR&D since technological feasibility of the underlying product had not yet been reached and such technology has 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.

(d) The \$11 million (\$0.01 per share) after-tax restructuring charge is related to restructuring initiatives that the Company began in the fourth quarter of fiscal year 2007. These initiatives were designed to drive manufacturing efficiencies in our CardioVascular business, downsize our Physio-Control business due to our voluntary suspension of U.S. shipments, and rebalance resources within our Cardiac Rhythm Disease Management (CRDM) business to reflect the market dynamics. In the first quarter of fiscal year 2008, the Company recognized expense associated with compensation and early retirement benefits provided to employees whose employment terminated with the Company in the first quarter of fiscal year 2008 which could not be accrued in the fourth quarter of fiscal year 2007. 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.

(e) The \$25 million (\$0.02 per share) after-tax IPR&D charge is related to a \$25 million (\$18 million after-tax) milestone payment under a royalty bearing, non-exclusive patent cross-licensing agreement with NeuroPace, Inc. that the Company entered into in the first quarter of fiscal year 2006. The additional \$8 million (\$7 million after-tax) charge is related to purchases of certain intellectual property. These payments were expensed as IPR&D since technological feasibility of the underlying projects have not yet been reached and such technology has 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.

MEDTRONIC, INC.
RECONCILIATION OF SPINAL GAAP REVENUE AND REVENUE GROWTH
TO NON-GAAP REVENUE AND REVENUE GROWTH
(Unaudited)
(in millions, except per share data)

	<u>Three months ended</u> <u>October 24, 2008</u>	<u>Three months ended</u> <u>October 26, 2007</u>	<u>Percentage</u> <u>Change</u>
Spinal revenue, as reported	\$ 829	\$ 660	26%
Less: Kyphon revenue	146 (a)	-	
Spinal revenue, adjusted	<u>\$ 683</u>	<u>\$ 660</u>	3%

MEDTRONIC, INC.
RECONCILIATION OF EARNINGS BEFORE INCOME TAXES
TO NON-GAAP OPERATING INCOME
(Unaudited)

	<u>Three months ended</u> <u>October 24, 2008</u>	<u>Three months ended</u> <u>October 26, 2007</u>	<u>Percentage</u> <u>Change</u>
Earnings before income taxes	\$ 661	\$ 868	(24%)
Other expense, net	143	72	
Interest expense/(income), net	10	(61)	
GAAP operating income	814 (b)	879 (b)	(7%)
Certain litigation charges	266	-	
IPR&D charges	18	-	
Non-GAAP operating income	<u>\$ 1,098 (c)</u>	<u>\$ 879 (c)</u>	25%

(a) In the third quarter of fiscal year 2008, we acquired Kyphon Inc. The \$146 million represents the revenue earned by Kyphon in the second quarter of fiscal year 2009. In addition to disclosing revenue and growth rates that are determined in accordance with U.S. generally accepted accounting principles (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 Kyphon revenue from these metrics. Management believes that the resulting non-GAAP financial measures provide 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 revenue when evaluating the operating performance of the Company. 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. In addition, these non-GAAP financial measures may not be the same as similar measures presented by other companies.

(b) Medtronic calculates GAAP operating income by adding back other expenses, net and interest expense/(income), net to earnings before income taxes.

(c) Medtronic calculates non-GAAP operating income by adding back certain litigation charges, IPR&D charges, other expenses, net and interest expense/(income), net to earnings before income taxes.

MEDTRONIC, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	<u>October 24,</u> <u>2008</u>	<u>April 25,</u> <u>2008</u>
(in millions, except per share data)		
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 541	\$ 1,060
Short-term investments	501	553
Accounts receivable, less allowances of \$77 and \$99, respectively	2,947	3,287
Income tax receivable	148	73
Inventories	1,348	1,280
Deferred tax assets, net	384	600
Prepaid expenses and other current assets	633	469
Total current assets	6,502	7,322
Property, plant and equipment	4,865	4,743
Accumulated depreciation	(2,631)	(2,522)
Property, plant and equipment, net	2,234	2,221
Goodwill	7,515	7,519
Other intangible assets, net	2,198	2,193
Long-term investments	2,803	2,322
Long-term deferred tax assets, net	-	103
Other assets	781	518
Total assets	<u>\$ 22,033</u>	<u>\$ 22,198</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Short-term borrowings	\$ 1,018	\$ 1,154
Accounts payable	364	383
Accrued compensation	734	789
Other accrued expenses	798	1,209
Total current liabilities	2,914	3,535
Long-term debt	5,523	5,802
Long-term accrued compensation and retirement benefits	302	304
Long-term accrued income taxes	553	519
Long-term deferred tax liabilities, net	18	-
Other long-term liabilities	99	502
Total liabilities	9,409	10,662
Commitments and contingencies	-	-
Shareholders' equity:		
Preferred stock— par value \$1.00	-	-
Common stock— par value \$0.10	112	112
Retained earnings	12,468	11,710
Accumulated other comprehensive income (loss)	44	(286)
Total shareholders' equity	12,624	11,536
Total liabilities and shareholders' equity	<u>\$ 22,033</u>	<u>\$ 22,198</u>

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

	Six months ended	
	October 24, 2008	October 26, 2007
(in millions)		
Operating Activities:		
Net earnings	\$ 1,318	\$ 1,341
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	352	276
IPR&D charges	18	33
Provision for doubtful accounts	16	17
Deferred income taxes	71	3
Stock-based compensation	108	92
Excess tax benefit from exercise of stock-based awards	(26)	(32)
Change in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable	270	(128)
Inventories	(141)	(12)
Accounts payable and accrued liabilities	(90)	98
Other operating assets and liabilities	(276)	117
Net cash provided by operating activities	1,620	1,805
Investing Activities:		
Acquisitions, net of cash acquired	(29)	(26)
Purchase of intellectual property	(135)	(52)
Additions to property, plant and equipment	(263)	(280)
Purchases of marketable securities	(1,877)	(4,279)
Sales and maturities of marketable securities	1,321	6,959
Other investing activities, net	(5)	(67)
Net cash (used in) provided by investing activities	(988)	2,255
Financing Activities:		
Change in short-term borrowings, net	(124)	266
Payments on long-term debt	(300)	-
Dividends to shareholders	(421)	(284)
Issuance of common stock	367	285
Excess tax benefit from exercise of stock-based awards	26	32
Repurchase of common stock	(639)	(901)
Net cash used in financing activities	(1,091)	(602)
Effect of exchange rate changes on cash and cash equivalents	(60)	(31)
Net change in cash and cash equivalents	(519)	3,427
Cash and cash equivalents at beginning of period	1,060	1,256
Cash and cash equivalents at end of period	\$ 541	\$ 4,683