

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	\$ -	\$ -	\$ 2,615
Pacing Systems	526	506	457	494	1,984	536	498	-	-	1,033
Defibrillation Systems	764	724	694	780	2,962	775	754	-	-	1,529
Other	13	12	18	26	68	26	26	-	-	53
SPINAL	\$ 859	\$ 829	\$ 832	\$ 881	\$ 3,400	\$ 915	\$ 862	\$ -	\$ -	\$ 1,777
Core Spinal	638	631	627	666	2,560	696	642	-	-	1,338
Biologics	221	198	205	215	840	219	220	-	-	439
CARDIOVASCULAR	\$ 631	\$ 596	\$ 565	\$ 644	\$ 2,437	\$ 689	\$ 696	\$ -	\$ -	\$ 1,385
Coronary	349	315	296	332	1,292	353	369	-	-	722
Structural Heart	195	186	170	195	747	218	206	-	-	424
Endovascular	87	95	99	117	398	118	121	-	-	239
NEUROMODULATION	\$ 348	\$ 343	\$ 354	\$ 389	\$ 1,434	\$ 373	\$ 384	\$ -	\$ -	\$ 757
DIABETES	\$ 269	\$ 272	\$ 277	\$ 296	\$ 1,114	\$ 295	\$ 300	\$ -	\$ -	\$ 594
SURGICAL TECHNOLOGIES	\$ 202	\$ 213	\$ 207	\$ 235	\$ 857	\$ 227	\$ 224	\$ -	\$ -	\$ 451
PHYSIO-CONTROL	\$ 94	\$ 75	\$ 90	\$ 84	\$ 343	\$ 97	\$ 94	\$ -	\$ -	\$ 192
TOTAL	\$ 3,706	\$ 3,570	\$ 3,494	\$ 3,829	\$ 14,599	\$ 3,933	\$ 3,838	\$ -	\$ -	\$ 7,771
ADJUSTMENTS :										
CURRENCY IMPACT (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (145)	\$ (16)	\$ -	\$ -	\$ (161)
COMPARABLE OPERATIONS (1)	\$ 3,706	\$ 3,570	\$ 3,494	\$ 3,829	\$ 14,599	\$ 4,078	\$ 3,854	\$ -	\$ -	\$ 7,932

(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	\$ -	\$ -	\$ 1,483
Pacing Systems	233	228	206	228	896	247	221	-	-	468
Defibrillation Systems	492	472	454	505	1,923	508	492	-	-	1,000
Other	6	2	6	9	22	7	8	-	-	15
SPINAL	\$ 682	\$ 647	\$ 658	\$ 691	\$ 2,678	\$ 712	\$ 662	\$ -	\$ -	\$ 1,374
Core Spinal	474	463	464	488	1,889	507	457	-	-	963
Biologics	208	184	194	203	789	205	205	-	-	411
CARDIOVASCULAR	\$ 253	\$ 235	\$ 224	\$ 265	\$ 976	\$ 260	\$ 252	\$ -	\$ -	\$ 512
Coronary	120	94	88	108	407	103	106	-	-	209
Structural Heart	92	90	85	96	364	98	87	-	-	185
Endovascular	41	51	51	61	205	59	59	-	-	118
NEUROMODULATION	\$ 238	\$ 249	\$ 254	\$ 279	\$ 1,019	\$ 265	\$ 272	\$ -	\$ -	\$ 537
DIABETES	\$ 167	\$ 180	\$ 188	\$ 200	\$ 736	\$ 193	\$ 201	\$ -	\$ -	\$ 394
SURGICAL TECHNOLOGIES	\$ 127	\$ 136	\$ 132	\$ 149	\$ 545	\$ 142	\$ 140	\$ -	\$ -	\$ 282
PHYSIO-CONTROL	\$ 51	\$ 47	\$ 50	\$ 45	\$ 192	\$ 57	\$ 49	\$ -	\$ -	\$ 106
TOTAL	\$ 2,249	\$ 2,196	\$ 2,172	\$ 2,371	\$ 8,987	\$ 2,391	\$ 2,297	\$ -	\$ -	\$ 4,688
ADJUSTMENTS :										
CURRENCY IMPACT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
COMPARABLE OPERATIONS	\$ 2,249	\$ 2,196	\$ 2,172	\$ 2,371	\$ 8,987	\$ 2,391	\$ 2,297	\$ -	\$ -	\$ 4,688

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	\$ -	\$ -	\$ 1,132
Pacing Systems	293	278	251	266	1,088	289	277	-	-	565
Defibrillation Systems	272	252	240	275	1,039	267	262	-	-	529
Other	7	10	12	17	46	19	18	-	-	38
SPINAL	\$ 177	\$ 182	\$ 174	\$ 190	\$ 722	\$ 203	\$ 200	\$ -	\$ -	\$ 403
Core Spinal	164	168	163	178	671	189	185	-	-	375
Biologics	13	14	11	12	51	14	15	-	-	28
CARDIOVASCULAR	\$ 378	\$ 361	\$ 341	\$ 379	\$ 1,461	\$ 429	\$ 444	\$ -	\$ -	\$ 873
Coronary	229	221	208	224	885	250	263	-	-	513
Structural Heart	103	96	85	99	383	120	119	-	-	239
Endovascular	46	44	48	56	193	59	62	-	-	121
NEUROMODULATION	\$ 110	\$ 94	\$ 100	\$ 110	\$ 415	\$ 108	\$ 112	\$ -	\$ -	\$ 220
DIABETES	\$ 102	\$ 92	\$ 89	\$ 96	\$ 378	\$ 102	\$ 99	\$ -	\$ -	\$ 200
SURGICAL TECHNOLOGIES	\$ 75	\$ 77	\$ 75	\$ 86	\$ 312	\$ 85	\$ 84	\$ -	\$ -	\$ 169
PHYSIO-CONTROL	\$ 43	\$ 28	\$ 40	\$ 39	\$ 151	\$ 40	\$ 45	\$ -	\$ -	\$ 86
TOTAL	\$ 1,457	\$ 1,374	\$ 1,322	\$ 1,458	\$ 5,612	\$ 1,542	\$ 1,541	\$ -	\$ -	\$ 3,083
ADJUSTMENTS :										
CURRENCY IMPACT (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (145)	\$ (16)	\$ -	\$ -	\$ (161)
COMPARABLE OPERATIONS (1)	\$ 1,457	\$ 1,374	\$ 1,322	\$ 1,458	\$ 5,612	\$ 1,687	\$ 1,557	\$ -	\$ -	\$ 3,244

(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 30, 2009	October 24, 2008	October 30, 2009	October 24, 2008
	(in millions, except per share data)			
Net sales	\$ 3,838	\$ 3,570	\$ 7,771	\$ 7,276
Costs and expenses:				
Cost of products sold	922	883	1,888	1,738
Research and development expense	369	326	739	650
Selling, general and administrative expense	1,323	1,263	2,691	2,581
Restructuring charges	-	-	62	96
Certain litigation charges, net	(70)	266	374	266
Purchased in-process research and development (IPR&D) charges	-	18	-	18
Other expense, net	130	143	224	294
Interest expense, net	54	48	121	95
Total costs and expenses	2,728	2,947	6,099	5,738
Earnings before income taxes	1,110	623	1,672	1,538
Provision for income taxes	242	76	358	268
Net earnings	\$ 868	\$ 547	\$ 1,314	\$ 1,270
Basic earnings per share	\$ 0.78	\$ 0.49	\$ 1.18	\$ 1.13
Diluted earnings per share	\$ 0.78	\$ 0.48	\$ 1.18	\$ 1.12
Basic weighted average shares outstanding	1,106.8	1,124.5	1,109.7	1,124.7
Diluted weighted average shares outstanding	1,109.2	1,130.7	1,111.9	1,131.0
Cash dividends declared per common share	\$ 0.205	\$ 0.188	\$ 0.563	\$ 0.376

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

(Unaudited)

(in millions, except per share data)

	Three months ended		Percentage Change
	October 30, 2009	October 24, 2008	
Net earnings, as reported	\$ 868	\$ 547	59%
Certain litigation charges, net	(44)(a)	176 (c)	
IPR&D charges	-	11 (d)	
Impact of adoption of new authoritative convertible debt guidance on interest expense, net	26 (b)	24 (b)	
Non-GAAP net earnings	\$ 850	\$ 758	12%

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

(Unaudited)

	Three months ended		Percentage Change
	October 30, 2009	October 24, 2008	
Diluted EPS, as reported	\$ 0.78	\$ 0.48	63%
Certain litigation charges, net	(0.04)(a)	0.16 (c)	
IPR&D charges	-	0.01 (d)	
Impact of adoption of new authoritative convertible debt guidance on interest expense, net	0.02 (b)	0.02 (b)	
Non-GAAP diluted EPS	\$ 0.77 (1)	\$ 0.67	15%

(1) The data in this schedule has been intentionally rounded to the nearest \$0.01 and therefore may not sum.

(a) The \$44 million (\$0.04 per share) after-tax (\$70 million pre-tax) certain litigation gain is related to the resolution of outstanding patent litigation with W.L. Gore & Associates (Gore) 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. Medtronic granted Gore a worldwide, irrevocable, non-exclusive license in the defined field of use. In addition and subject to certain conditions, Gore will pay Medtronic a quarterly license payment through the fiscal quarter ending October 2018. In addition to disclosing this certain litigation gain that is 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 this \$70 million pre-tax certain litigation gain. 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 certain litigation gain 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 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 \$26 million (\$0.02 per share) and \$24 million (\$0.02 per share) for the three months ended October 30, 2009 and October 24, 2008, respectively. The pre-tax impact to interest expense, net was \$41 million and \$38 million for the three months ended October 30, 2009 and October 24, 2008, 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.

(c) The \$176 million (\$0.16 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.

(d) 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)

	<u>Six months ended</u>		<u>Percentage Change</u>
	<u>October 30, 2009</u>	<u>October 24, 2008</u>	
Net earnings, as reported	\$ 1,314	\$ 1,270	3%
Restructuring charges	50 (a)	66 (d)	
Certain litigation charges, net	316 (b)	176 (e)	
IPR&D charges	-	11 (f)	
Impact of adoption of new authoritative convertible debt guidance on interest expense, net	54 (c)	48 (c)	
Non-GAAP net earnings	<u>\$ 1,734</u>	<u>\$ 1,571</u>	10%

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

(Unaudited)

	<u>Six months ended</u>		<u>Percentage Change</u>
	<u>October 30, 2009</u>	<u>October 24, 2008</u>	
Diluted EPS, as reported	\$ 1.18	\$ 1.12	5%
Restructuring charges	0.04 (a)	0.06 (d)	
Certain litigation charges, net	0.28 (b)	0.16 (e)	
IPR&D charges	-	0.01 (f)	
Impact of adoption of new authoritative convertible debt guidance on interest expense, net	0.05 (c)	0.04 (c)	
Impact of adoption of new authoritative share based payment guidance	-	0.01 (g)	
Non-GAAP diluted EPS	<u>\$ 1.56 (1)</u>	<u>\$ 1.39 (1)</u>	12%

(1) The data in this schedule has been intentionally rounded to the nearest \$0.01 and therefore may not sum.

(a) The \$50 million (\$0.04 per share) after-tax (\$69 million pre-tax) restructuring charge is the net impact of a \$52 million after-tax charge related to restructuring initiatives that the Company began in the fourth quarter of fiscal year 2009, offset by a \$2 million after-tax net 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 are 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. There were no additional restructuring charges in the second quarter of fiscal year 2010. 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 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 adoption of new authoritative guidance for convertible debt accounting has resulted in an after-tax impact to net earnings of \$54 million (\$0.05 per share) and \$48 million (\$0.04 per share) for the six months ended October 30, 2009 and October 24, 2008, respectively. The pre-tax impact to interest expense, net was \$84 million and \$76 million for the six months ended October 30, 2009 and October 24, 2008, respectively. In addition to disclosing the financial statement impact of the adoption of this new 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 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 \$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. As of October 30, 2009, the global realignment initiative was substantially complete. 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 \$176 million (\$0.16 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.

(f) 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.

(g) The \$0.01 per share adjustment is the result of adopting new FASB issued authoritative guidance in the first quarter of fiscal year 2010 for determining whether instruments granted in share-based payment transactions are participating securities. This new guidance provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share (EPS) pursuant to the two-class method. The Company is required to retrospectively adjust all prior-period EPS data. The Company included 4.1 million and 4.2 million for the three and six months October 24, 2008, respectively, which resulted in a \$0.01 per share increase to non-GAAP diluted EPS for six months ended October 24, 2008. In addition to disclosing the financial statement impact of the adoption of this new 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 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.

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

	Three months ended		Reported Growth	Currency Impact on Growth (a)	Constant Currency Growth (a)
	October 30, 2009	October 24, 2008			
Reported Revenue:					
Pacing Systems	\$ 498	\$ 506	(2)%	- %	(2)%
Defibrillation Systems	754	724	4	(2)	6
Other	26	12	117	(8)	125
Cardiac Rhythm Disease Management	<u>1,278</u>	<u>1,242</u>	3	-	3
Spinal					
Core Spinal	642	631	2	-	2
Biologics	220	198	11	(1)	12
Spinal	<u>862</u>	<u>829</u>	4	-	4
CardioVascular					
Coronary	369	315	17	(1)	18
Structural Heart	206	186	11	-	11
Endovascular	121	95	27	(1)	28
CardioVascular	<u>696</u>	<u>596</u>	17	(1)	18
Other					
Neuromodulation	384	343	12	-	12
Diabetes	300	272	10	(1)	11
Surgical Technologies	224	213	5	(1)	6
Physio-Control	<u>94</u>	<u>75</u>	25	1	24
Total	\$ <u>3,838</u>	\$ <u>3,570</u>	8 %	- %	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 OUS REVENUE GROWTH AT CONSTANT CURRENCY
(Unaudited)
(in millions)

	<u>Three months ended</u>		<u>Percentage Change</u>
	<u>October 30, 2009</u>	<u>October 24, 2008</u>	
OUS Revenue, as reported	\$ 1,541	\$ 1,374	12%
Currency Impact	16 (a)	-	
OUS Revenue, comparable currency rates	<u>\$ 1,557</u>	<u>\$ 1,374</u>	13%

(a) 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 U.S. GAAP.

MEDTRONIC, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	<u>October 30,</u> <u>2009</u>	<u>April 24,</u> <u>2009</u>
<u>(in millions, except per share data)</u>		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 826	\$ 1,271
Short-term investments	716	405
Accounts receivable, less allowances of \$68 and \$61, respectively	3,232	3,123
Inventories	1,474	1,426
Deferred tax assets, net	565	605
Prepaid expenses and other current assets	499	622
Total current assets	7,312	7,452
Property, plant and equipment	5,151	4,887
Accumulated depreciation	(2,781)	(2,608)
Property, plant and equipment, net	2,370	2,279
Goodwill	8,232	8,195
Other intangible assets, net	2,364	2,477
Long-term investments	3,751	2,769
Other assets	255	416
Total assets	<u>\$ 24,284</u>	<u>\$ 23,588</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$ 1,128	\$ 522
Accounts payable	396	382
Accrued compensation	770	901
Accrued income taxes	119	130
Other accrued expenses	865	1,212
Total current liabilities	3,278	3,147
Long-term debt	6,368	6,253
Long-term accrued compensation and retirement benefits	360	329
Long-term accrued income taxes	544	475
Long-term deferred tax liabilities, net	37	115
Other long-term liabilities	89	87
Total liabilities	10,676	10,406
Commitments and contingencies	-	-
Shareholders' equity:		
Preferred stock— par value \$1.00	-	-
Common stock— par value \$0.10	111	112
Retained earnings	13,750	13,272
Accumulated other comprehensive loss	(253)	(202)
Total shareholders' equity	13,608	13,182
Total liabilities and shareholders' equity	<u>\$ 24,284</u>	<u>\$ 23,588</u>

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

	Six months ended	
	October 30, 2009	October 24, 2008
(in millions)		
Operating Activities:		
Net earnings	\$ 1,313	\$ 1,270
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	372	352
Amortization of discount on senior convertible notes	84	76
IPR&D charges	-	18
Provision for doubtful accounts	19	16
Deferred income taxes	143	43
Stock-based compensation	128	108
Excess tax benefit from exercise of stock-based awards	-	(26)
Change in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable	(89)	270
Inventories	(15)	(141)
Accounts payable and accrued liabilities	(73)	116
Other operating assets and liabilities	89	(276)
Certain litigation charges, net	374	266
Certain litigation payments	(939)	(472)
Net cash provided by operating activities	1,406	1,620
Investing Activities:		
Acquisitions, net of cash acquired	-	(29)
Purchase of intellectual property	(40)	(135)
Additions to property, plant and equipment	(279)	(263)
Purchases of marketable securities	(2,916)	(1,877)
Sales and maturities of marketable securities	1,745	1,321
Other investing activities, net	(88)	(5)
Net cash used in investing activities	(1,578)	(988)
Financing Activities:		
Change in short-term borrowings, net	618	(124)
Payments on long-term debt	(6)	(300)
Dividends to shareholders	(455)	(421)
Issuance of common stock	103	367
Excess tax benefit from exercise of stock-based awards	-	26
Repurchase of common stock	(609)	(639)
Net cash used in financing activities	(349)	(1,091)
Effect of exchange rate changes on cash and cash equivalents	76	(60)
Net change in cash and cash equivalents	(445)	(519)
Cash and cash equivalents at beginning of period	1,271	1,060
Cash and cash equivalents at end of period	\$ 826	\$ 541
Supplemental Cash Flow Information		
Income taxes paid	\$ 193	\$ 249
Interest paid	181	113
Supplemental Noncash Investing and Financing Activities:		
Reclassification of debentures from short-term to long-term debt	\$ -	\$ 15