

MEDTRONIC, INC.  
CONSOLIDATED STATEMENTS OF EARNINGS  
(Unaudited)  
(in millions, except per share data)

	Three months ended		Twelve months ended	
	April 28, 2006	April 29, 2005	April 28, 2006	April 29, 2005
Net sales	\$ 3,077.4	\$ 2,778.0	\$ 11,302.7	\$ 10,054.6
Costs and expenses:				
Cost of products sold	768.7	705.7	2,816.0	2,446.4
Research and development expense	294.0	247.9	1,112.9	951.3
Selling, general and administrative expense	975.2	857.7	3,660.5	3,213.6
Special charges	-	-	100.0	-
Certain litigation charges	-	630.1	-	654.4
Purchased in-process research and development (IPR&D)	-	-	363.8	-
Other expense, net	65.6	78.4	166.7	290.5
Interest income	(34.9)	(20.7)	(87.4)	(45.1)
Total costs and expenses	<u>2,068.6</u>	<u>2,499.1</u>	<u>8,132.5</u>	<u>7,511.1</u>
Earnings before income taxes	1,008.8	278.9	3,170.2	2,543.5
Provision for income taxes	<u>262.2</u>	<u>84.5</u>	<u>616.9</u>	<u>739.6</u>
Net earnings	<u>\$ 746.6</u>	<u>\$ 194.4</u>	<u>\$ 2,553.3</u>	<u>\$ 1,803.9</u>
Earnings per share:				
Basic	<u>\$ 0.63</u>	<u>\$ 0.16</u>	<u>\$ 2.12</u>	<u>\$ 1.49</u>
Diluted	<u>\$ 0.62</u>	<u>\$ 0.16</u>	<u>\$ 2.10</u>	<u>\$ 1.48</u>
Weighted average shares outstanding:				
Basic	1,193.7	1,208.9	1,204.5	1,209.0
Diluted	1,204.4	1,221.5	1,217.3	1,220.8

MEDTRONIC, INC.  
RECONCILIATION OF CONSOLIDATED GAAP NET EARNINGS  
TO CONSOLIDATED ADJUSTED NET EARNINGS  
(Unaudited)  
(in millions)

	Three months ended April 28, 2006	Three months ended April 29, 2005
Net earnings, as reported	\$ 746.6	\$ 194.4
Certain litigation charges	-	402.5 (a)
Income tax adjustments	-	\$ 48.5 (b)
Adjusted net earnings	<u>\$ 746.6</u>	<u>\$ 645.4</u>

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

	Three months ended April 28, 2006	Three months ended April 29, 2005
Diluted EPS, as reported	\$ 0.62	\$ 0.16
Certain litigation charges	-	0.33 (a)
Income tax adjustments	-	\$ 0.04 (b)
Adjusted diluted EPS	<u>\$ 0.62</u>	<u>\$ 0.53</u>

(a) The \$402.5 million (\$0.33 per share) after-tax certain litigation charge (\$630.1 million pre-tax) is related to the settlement of a legal dispute with Gary Michelson, M.D. and Karlin Technology, Inc. (Michelson) and an arbitrator's decision related to litigation with ETEX Corporation. 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 litigation charges. Management believes that this 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 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 GAAP. In addition, this non-GAAP financial measure may not be the same as similar measures presented by other companies.

(b) The \$48.5 million (\$0.04 per share) tax adjustment related to the deferred tax liability associated with the repatriation of earnings of our foreign subsidiaries which occurred in the fourth quarter of fiscal year 2006. In addition to disclosing the provision for income taxes that is determined in accordance with 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 tax adjustment. Management believes that this 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 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 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 ADJUSTED NET EARNINGS  
(Unaudited)  
(in millions)

	Twelve months ended April 28, 2006		Twelve months ended April 29, 2005
Net earnings, as reported	\$ 2,553.3		\$ 1,803.9
Special charges	65.6 (a)		-
Certain litigation charges	-		418.1 (d)
IPR&D charges	295.3 (b)		-
Income tax adjustments	(225.0) (c)		48.5 (e)
Adjusted net earnings	<u>\$ 2,689.2</u>		<u>\$ 2,270.5</u>

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

	Twelve months ended April 28, 2006		Twelve months ended April 29, 2005
Diluted EPS, as reported	\$ 2.10		\$ 1.48
Special charges	0.05 (a)		-
Certain litigation charges	-		0.34 (d)
IPR&D charges	0.24 (b)		-
Income tax adjustments	(0.18) (c)		0.04 (e)
Adjusted diluted EPS	<u>\$ 2.21</u>		<u>\$ 1.86</u>

(a) The \$65.6 million (\$0.05 per share) special charge represents an after-tax charitable donation (\$100.0 million pre-tax) made to The Medtronic Foundation. In addition to disclosing special charges that are determined in accordance with 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. The Company has not made a similar donation to The Medtronic Foundation since fiscal year 2002. Management believes that this 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 GAAP. In addition, this non-GAAP financial measure may not be the same as similar measures presented by other companies.

(b) The \$295.3 million (\$0.24 per share) after-tax IPR&D charges (\$363.8 million pre-tax) represents the cumulative impact of pre-tax charges of \$168.7 million related to technology acquired through the purchase of Transneurionix, Inc. that had not yet reached technological feasibility and had no future alternative use, \$175.1 million related to the purchase of spinal technology based devices owned by Michelson that had not yet reached technological feasibility and had no future alternative use, and \$20.0 million related to a cross-licensing agreement with NeuroPace, Inc. for patent and patent applications on products that had not yet reached technological feasibility and had no future alternative use, collectively the IPR&D charges. In addition to disclosing IPR&D charges that is determined in accordance with 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. These IPR&D charges resulted from facts and circumstances that vary in frequency and/or impact on continuing operations. Management believes that this 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 GAAP. In addition, this non-GAAP financial measure may not be the same as similar measures presented by other companies.

(c) The \$225.0 million (\$0.18 per share) tax adjustment represents a \$225.0 million tax benefit associated with the reversal of reserves resulting from favorable agreements reached with the U.S. Internal Revenue Service involving the review of fiscal years 1997 through 2002 domestic income tax returns. In addition to disclosing the provision for income taxes that is determined in accordance with 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 tax adjustment. Management believes that this 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 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 GAAP. In addition, this non-GAAP financial measure may not be the same as similar measures presented by other companies.

(d) The \$418.1 million (\$0.34 per share) after-tax certain litigation charge (\$654.4 million pre-tax) is related to the DuPuy/AcroMed, Inc. litigation, the settlement of a legal dispute with Michelson and an arbitrator's decision related to litigation with ETEX Corporation. In addition to disclosing certain litigation charges that are determined in accordance with 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 litigation charges. Management believes that this 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 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 GAAP. In addition, this non-GAAP financial measure may not be the same as similar measures presented by other companies.

(e) The \$48.5 million (\$0.04 per share) tax adjustment is related to the deferred tax liability associated with the repatriation of earnings of our foreign subsidiaries which occurred in the fourth quarter of fiscal year 2006. In addition to disclosing the provision for income taxes that is determined in accordance with 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 tax adjustment. Management believes that this 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 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 GAAP. In addition, this non-GAAP financial measure may not be the same as similar measures presented by other companies.

**Medtronic, Inc.**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**  
**(dollars in millions)**

	<b>Fiscal Year</b>	
	<b>2006</b>	<b>2005</b>
<b>Operating Activities:</b>		
Net earnings	\$2,553.3	\$1,803.9
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	543.6	463.3
IPR&D	363.8	—
Certain litigation charges	—	654.4
Provision for doubtful accounts	11.5	26.3
Tax benefit from exercise of stock awards	98.9	60.8
Deferred income taxes	104.7	(142.5)
Change in operating assets and liabilities:		
Accounts receivable	(197.9)	(254.0)
Inventories	(258.0)	(51.3)
Prepaid expenses and other assets	(85.6)	(107.3)
Accounts payable and accrued liabilities	(964.9)	423.2
Other long-term liabilities	38.0	(57.4)
<b>Net cash provided by operating activities</b>	<b>2,207.4</b>	<b>2,819.4</b>
<b>Investing Activities:</b>		
Acquisitions, net of cash acquired	(285.2)	(107.9)
Purchase of intellectual property	(837.1)	(10.0)
Additions to property, plant and equipment	(407.1)	(452.0)
Sales and maturities of marketable securities	6,626.8	807.5
Purchases of marketable securities	(8,064.5)	(1,805.3)
Other investing activities, net	100.5	(35.2)
<b>Net cash (used in) investing activities</b>	<b>(2,866.6)</b>	<b>(1,602.9)</b>
<b>Financing Activities:</b>		
Change in short-term borrowings, net	(18.0)	90.0
Payments on long-term debt	(0.5)	(1.8)
Issuance of long-term debt	5,428.4	—
Purchase of call option spread	(557.8)	—
Dividends to shareholders	(464.8)	(404.9)
Repurchase of common stock	(3,589.0)	(511.0)
Issuance of common stock	518.1	338.9
<b>Net cash provided by (used in) financing activities</b>	<b>1,316.4</b>	<b>(488.8)</b>
Effect of exchange rate changes on cash and cash equivalents	104.9	(89.2)
<b>Net change in cash and cash equivalents</b>	<b>762.1</b>	<b>638.5</b>
Cash and cash equivalents at beginning of period	2,232.2	1,593.7
<b>Cash and cash equivalents at end of period</b>	<b>\$2,994.3</b>	<b>\$2,232.2</b>

**Medtronic, Inc.**  
**Consolidated Balance Sheets**  
**(Unaudited)**  
(dollars in millions, except share data)

	April 28, 2006	April 29, 2005
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$2,994.3	\$2,232.2
Short-term investments	3,107.1	1,159.4
Accounts receivable, less allowances of \$183.6 and \$174.9, respectively	2,438.1	2,292.7
Inventories	1,177.8	981.4
Deferred tax assets, net	196.8	385.6
Prepaid expenses and other current assets	472.5	370.2
<b>Total current assets</b>	10,386.6	7,421.5
<b>Property, plant and equipment, net</b>	1,881.1	1,859.3
<b>Goodwill</b>	4,345.6	4,281.2
<b>Other intangible assets, net</b>	1,592.0	1,018.0
<b>Long-term investments</b>	957.0	1,565.7
<b>Other assets</b>	512.5	471.7
<b>Total assets</b>	\$19,674.8	\$16,617.4
 <b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Short-term borrowings	\$2,436.8	\$478.6
Accounts payable	318.6	371.8
Accrued compensation	723.6	542.2
Accrued income taxes	463.4	923.3
Other accrued expenses	466.8	1,064.1
<b>Total current liabilities</b>	4,409.2	3,380.0
 <b>Long-term debt</b>	5,486.3	1,973.2
<b>Deferred tax liabilities, net</b>	22.1	478.1
<b>Long-term accrued compensation</b>	188.9	157.9
<b>Other long-term liabilities</b>	179.2	178.7
<b>Total liabilities</b>	10,285.7	6,167.9
 <b>Shareholders' equity:</b>		
Common stock-par value \$0.10	115.5	121.0
Retained earnings	9,118.8	10,178.5
Accumulated other non-owner changes in equity	154.8	150.0
<b>Total shareholders' equity</b>	9,389.1	10,449.5
<b>Total liabilities and shareholders' equity</b>	\$19,674.8	\$16,617.4

**MEDTRONIC, INC.**  
**REVENUE BY OPERATING SEGMENT**

(Unaudited)

(\$ millions)

	FY 05	FY 05	FY 05	FY 05	FY 05	FY 06	FY 06	FY 06	FY 06	FY 06
	QTR 1	QTR 2	QTR 3	QTR 4	TOTAL	QTR 1	QTR 2	QTR 3	QTR 4	TOTAL
<b>REPORTED REVENUE :</b>										
<b>CARDIAC RHYTHM DISEASE MANAGEMENT</b>	<b>\$ 1,097</b>	<b>\$ 1,104</b>	<b>\$ 1,150</b>	<b>\$ 1,265</b>	<b>\$ 4,616</b>	<b>\$ 1,268</b>	<b>\$ 1,289</b>	<b>\$ 1,263</b>	<b>\$ 1,398</b>	<b>\$ 5,218</b>
Low Power Pacing	451	438	431	436	1,756	446	459	426	467	1,798
High Power Defibrillation	551	546	598	684	2,379	718	733	723	768	2,941
Emergency Response Systems	79	104	104	126	413	87	81	99	144	412
Other	16	16	17	19	68	17	16	15	19	67
<b>SPINAL &amp; NAVIGATION</b>	<b>\$ 426</b>	<b>\$ 451</b>	<b>\$ 475</b>	<b>\$ 532</b>	<b>\$ 1,884</b>	<b>\$ 524</b>	<b>\$ 539</b>	<b>\$ 563</b>	<b>\$ 618</b>	<b>\$ 2,244</b>
Spinal Constructs	317	332	343	380	1,372	376	382	387	419	1,566
Spinal Biologics	89	99	107	118	413	128	134	147	163	570
Navigation	20	20	25	34	99	20	23	29	36	108
<b>NEUROLOGICAL</b>	<b>\$ 212</b>	<b>\$ 224</b>	<b>\$ 233</b>	<b>\$ 258</b>	<b>\$ 927</b>	<b>\$ 235</b>	<b>\$ 252</b>	<b>\$ 247</b>	<b>\$ 282</b>	<b>\$ 1,016</b>
Neuro Implantables	170	179	184	206	739	186	204	202	240	833
Gastroenterology & Urology	42	45	49	52	188	49	48	45	42	183
<b>VASCULAR</b>	<b>\$ 196</b>	<b>\$ 201</b>	<b>\$ 221</b>	<b>\$ 233</b>	<b>\$ 851</b>	<b>\$ 205</b>	<b>\$ 225</b>	<b>\$ 236</b>	<b>\$ 273</b>	<b>\$ 939</b>
Stents	71	78	86	82	317	65	90	96	114	366
Other Coronary	71	71	77	89	308	81	78	83	92	334
Endovascular/Peripheral	54	52	58	62	226	59	57	57	67	239
<b>DIABETES</b>	<b>\$ 146</b>	<b>\$ 153</b>	<b>\$ 171</b>	<b>\$ 179</b>	<b>\$ 649</b>	<b>\$ 173</b>	<b>\$ 178</b>	<b>\$ 182</b>	<b>\$ 188</b>	<b>\$ 722</b>
<b>CARDIAC SURGERY</b>	<b>\$ 161</b>	<b>\$ 159</b>	<b>\$ 164</b>	<b>\$ 185</b>	<b>\$ 669</b>	<b>\$ 165</b>	<b>\$ 161</b>	<b>\$ 154</b>	<b>\$ 183</b>	<b>\$ 663</b>
Valves	56	54	56	64	230	58	56	52	63	229
Perfusion	79	79	80	89	327	79	78	75	89	321
Cardiac Surgery Technologies	26	26	28	32	112	28	27	27	31	113
<b>Ear, Nose &amp; Throat (ENT)</b>	<b>\$ 108</b>	<b>\$ 108</b>	<b>\$ 117</b>	<b>\$ 126</b>	<b>\$ 459</b>	<b>\$ 120</b>	<b>\$ 121</b>	<b>\$ 125</b>	<b>\$ 135</b>	<b>\$ 501</b>
ENT	58	55	61	67	241	65	64	65	72	266
Neurologic Technologies	50	53	56	59	218	55	57	60	63	235
<b>TOTAL</b>	<b>\$ 2,346</b>	<b>\$ 2,400</b>	<b>\$ 2,531</b>	<b>\$ 2,778</b>	<b>\$ 10,055</b>	<b>\$ 2,690</b>	<b>\$ 2,765</b>	<b>\$ 2,770</b>	<b>\$ 3,077</b>	<b>\$ 11,303</b>
<b>ADJUSTMENTS :</b>										
<b>CURRENCY (1)</b>	<b>\$ 35</b>	<b>\$ 40</b>	<b>\$ 59</b>	<b>\$ 32</b>	<b>\$ 166</b>	<b>\$ 26</b>	<b>\$ (3)</b>	<b>\$ (72)</b>	<b>\$ (69)</b>	<b>\$ (118)</b>
<b>COMPARABLE OPERATIONS (1)</b>	<b>\$ 2,311</b>	<b>\$ 2,360</b>	<b>\$ 2,472</b>	<b>\$ 2,746</b>	<b>\$ 9,889</b>	<b>\$ 2,664</b>	<b>\$ 2,768</b>	<b>\$ 2,842</b>	<b>\$ 3,146</b>	<b>\$ 11,421</b>

(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 revenues may not sum to the fiscal year to date revenues.