

MEDTRONIC INC
Form 10-Q
December 03, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 25, 2013

Commission File Number 1-7707

MEDTRONIC, INC.

(Exact name of registrant as specified in its charter)

Minnesota

41-0793183

(State of incorporation)

(I.R.S. Employer
Identification No.)

710 Medtronic Parkway

Minneapolis, Minnesota 55432

(Address of principal executive offices) (Zip Code)

(763) 514-4000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Shares of common stock, \$.10 par value, outstanding on November 25, 2013: 998,350,244

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

MEDTRONIC, INC.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

	Three months ended		Six months ended	
	October 25, 2013	October 26, 2012	October 25, 2013	October 26, 2012
	(in millions, except per share data)			
Net sales	\$4,194	\$4,095	\$8,277	\$8,103
Costs and expenses:				
Cost of products sold	1,090	1,020	2,112	1,993
Research and development expense	372	387	732	772
Selling, general, and administrative expense	1,438	1,417	2,854	2,822
Special charges	—	—	40	—
Restructuring charges	—	—	18	—
Certain litigation charges, net	24	245	24	245
Acquisition-related items	—	6	(96	) 11
Amortization of intangible assets	88	79	174	159
Other expense, net	33	63	77	102
Interest expense, net	33	24	73	57
Total costs and expenses	3,078	3,241	6,008	6,161
Earnings before income taxes	1,116	854	2,269	1,942
Provision for income taxes	214	208	414	432
Net earnings	\$902	\$646	\$1,855	\$1,510
Basic earnings per share	\$0.90	\$0.63	\$1.85	\$1.47
Diluted earnings per share	\$0.89	\$0.63	\$1.83	\$1.46
Basic weighted average shares outstanding	998.9	1,019.4	1,004.5	1,024.4
Diluted weighted average shares outstanding	1,009.4	1,027.8	1,015.5	1,032.2
Cash dividends declared per common share	\$0.2800	\$0.2600	\$0.5600	\$0.5200

The accompanying notes are an integral part of these condensed consolidated financial statements.

MEDTRONIC, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three months ended		Six months ended	
	October 25, 2013	October 26, 2012	October 25, 2013	October 26, 2012
	(in millions)			
Net earnings	\$902	\$646	\$1,855	\$1,510
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on available-for-sale securities, net of tax expense (benefit) of \$17, \$1, \$(37), and \$4, respectively	31	1	(64	) 7
Translation adjustment	56	89	51	(27)
Net change in retirement obligations, net of tax expense (benefit) of \$8, \$6, \$17, and \$19, respectively	15	5	29	35
Unrealized loss on derivatives, net of tax expense (benefit) of \$(53), \$(36), \$(52), and \$(16), respectively	(93	) (64	) (91	) (26)
Other comprehensive income (loss)	9	31	(75	) (11)
Comprehensive income	\$911	\$677	\$1,780	\$1,499

The accompanying notes are an integral part of these condensed consolidated financial statements.

MEDTRONIC, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited)

	October 25, 2013	April 26, 2013
	(in millions, except per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$1,066	\$919
Investments	11,518	10,211
Accounts receivable, less allowance of \$110 and \$98, respectively	3,792	3,727
Inventories	1,825	1,712
Tax assets	602	539
Prepaid expenses and other current assets	680	744
 Total current assets	 19,483	 17,852
Property, plant, and equipment	6,323	6,152
Accumulated depreciation	(3,875	) (3,662
Property, plant, and equipment, net	2,448	2,490
Goodwill	10,464	10,329
Other intangible assets, net	2,608	2,673
Long-term tax assets	228	232
Other assets	1,237	1,324
 Total assets	 \$36,468	 \$34,900
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$2,647	\$910
Accounts payable	620	681
Accrued compensation	773	1,011
Accrued income taxes	202	88
Deferred tax liabilities	16	16
Other accrued expenses	1,238	1,244
 Total current liabilities	 5,496	 3,950
Long-term debt	9,637	9,741
Long-term accrued compensation and retirement benefits	794	752
Long-term accrued income taxes	1,211	1,168
Long-term deferred tax liabilities	355	340
Other long-term liabilities	231	278

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Total liabilities	17,724	16,229
Commitments and contingencies (Notes 3 and 19)		
Shareholders' equity:		
Preferred stock— par value \$1.00	—	—
Common stock— par value \$0.10	100	102
Retained earnings	19,211	19,061
Accumulated other comprehensive loss	(567	) (492
Total shareholders' equity	18,744	18,671
Total liabilities and shareholders' equity	\$36,468	\$34,900

The accompanying notes are an integral part of these condensed consolidated financial statements.

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

	Six months ended	
	October 25, 2013	October 26, 2012
	(in millions)	
Operating Activities:		
Net earnings	\$ 1,855	\$ 1,510
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	421	396
Amortization of debt discount and issuance costs	4	46
Acquisition-related items	(96	) 3
Provision for doubtful accounts	24	26
Deferred income taxes	(19	) 52
Stock-based compensation	75	85
Other, net	(12) —
Change in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable, net	(16	) 123
Inventories	(111	) (71
Accounts payable and accrued liabilities	(540	) (126
Other operating assets and liabilities	413	28
Certain litigation charges, net	24	245
Certain litigation payments	(3	) (91
Net cash provided by operating activities	2,019	2,226
Investing Activities:		
Acquisitions, net of cash acquired	(210	) (23
Additions to property, plant, and equipment	(196	) (211
Purchases of investments	(5,719	) (6,642
Sales and maturities of investments	4,291	5,955
Other investing activities, net	(18	) (6
Net cash used in investing activities	(1,852	) (927
Financing Activities:		
Acquisition-related contingent consideration	(1	) (15
Change in short-term borrowings, net	1,546	(525
Repayment of short-term borrowings (maturities greater than 90 days)	(125	) (650
Proceeds from short-term borrowings (maturities greater than 90 days)	310	1,950
Payments on long-term debt	(6	) (8
Dividends to shareholders	(560	) (533
Issuance of common stock	817	103
Repurchase of common stock	(2,053	) (1,084
Other financing activities	13	—
Net cash used in financing activities	(59) (762

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Effect of exchange rate changes on cash and cash equivalents	39	(25)
Net change in cash and cash equivalents	147	512
Cash and cash equivalents at beginning of period	919	1,172
Cash and cash equivalents at end of period	\$1,066	\$1,684
Supplemental Cash Flow Information		
Cash paid for:		
Income taxes	\$225	\$364
Interest	197	164

The accompanying notes are an integral part of these condensed consolidated financial statements.

MEDTRONIC, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1 – Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S.) (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information necessary for a fair presentation of results of operations, comprehensive income, financial condition, and cash flows in conformity with U.S. GAAP. In the opinion of management, the condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the results of Medtronic, Inc. and its subsidiaries (Medtronic or the Company) for the periods presented. Operating results for interim periods are not necessarily indicative of results that may be expected for the fiscal year as a whole. The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and the related disclosures at the date of the financial statements and during the reporting period. Actual results could materially differ from these estimates. For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended April 26, 2013.

In the first quarter of fiscal 2014, the Company revised the classification of certain outstanding checks previously classified as a reduction of cash and cash equivalents in the prior period condensed consolidated balance sheet to accounts payable and revised the prior period condensed consolidated statement of cash flows for the associated impact. These revisions are considered immaterial.

The Company's fiscal years 2014, 2013, and 2012 will end or ended on April 25, 2014, April 26, 2013, and April 27, 2012, respectively.

Note 2 – New Accounting Pronouncements

Recently Adopted

In December 2011 and January 2013, the Financial Accounting Standards Board (FASB) issued new accounting guidance related to disclosures on offsetting assets and liabilities on the balance sheet. This newly issued accounting standard requires an entity to disclose both gross and net information about instruments and transactions eligible for offset in the balance sheet as well as instruments and transactions executed under a master netting or similar arrangement and was issued to enable users of financial statements to understand the effects or potential effects of those arrangements on its financial position. The Company retrospectively adopted this accounting guidance in the first quarter of fiscal year 2014. The required disclosures are included in Note 9. Since the accounting guidance only requires disclosure, its adoption did not have a material impact on the Company's consolidated financial statements. In July 2012, the FASB updated the accounting guidance related to annual and interim indefinite-lived intangible asset impairment testing. The updated accounting guidance allows entities to first assess qualitative factors before performing a quantitative assessment of the fair value of indefinite-lived intangible assets. If it is determined on the basis of qualitative factors that the fair value of indefinite-lived intangible assets is more likely than not less than the carrying amount, the existing quantitative impairment test is required. Otherwise, no further impairment testing is required. The Company adopted this accounting guidance in the first quarter of fiscal year 2014 and its adoption did not have a material impact on the Company's consolidated financial statements. As indefinite-lived intangible assets are tested for impairment annually in the third quarter, the amended guidance will not be applied until the third quarter of fiscal year 2014.

In February 2013, the FASB expanded the disclosure requirements with respect to changes in accumulated other comprehensive income (AOCI). Under this new guidance, companies are required to disclose the amount of income (or loss) reclassified out of AOCI to each respective line item on the statements of earnings where net income is presented. The guidance allows companies to elect whether to disclose the reclassification either in the notes to the financial statements or parenthetically on the face of the financial statements. In the first quarter of fiscal year 2014,

the Company prospectively adopted this guidance. The required disclosures are included in Note 18. Since the accounting guidance only impacts disclosure requirements, its adoption did not have a material impact on the Company's consolidated financial statements.

Not Yet Adopted

In March 2013, the FASB issued amended guidance on a parent company's accounting for the cumulative translation adjustment (CTA) recorded in AOCI associated with a foreign entity. The amendment requires a parent to release into net income the CTA related to its investment in a foreign entity when it either sells a part or all of its investment in, or no longer

MEDTRONIC, INC.
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)

holds a controlling financial interest in a subsidiary or group of assets within a foreign entity. This accounting guidance is effective for the Company beginning in the first quarter of fiscal year 2015, with early adoption permitted. Subsequent to adoption, this amended guidance would impact the Company's financial position and results of operations prospectively in the instance of an event or transaction described above.

In July 2013, the FASB issued amended guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, similar tax loss, or tax credit carryforward exists. The guidance requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented as a reduction of a deferred tax asset when a net operating loss carryforward, similar tax loss, or tax credit carryforward exists, with certain exceptions. This accounting guidance is effective prospectively for the Company beginning in the first quarter of fiscal year 2015, with early adoption permitted. While the Company is currently evaluating the impact, its adoption is not expected to have a material impact on the Company's consolidated financial statements.

Note 3 – Acquisitions and Acquisition-Related Items

The Company had various acquisitions and other acquisition-related activity during the first two quarters of fiscal years 2014 and 2013. Certain acquisitions were accounted for as business combinations as noted below. In accordance with authoritative guidance on business combination accounting, the assets and liabilities of the company acquired were recorded as of the acquisition date, at their respective fair values, and consolidated. The pro forma impact of these acquisitions was not significant, individually or in the aggregate, to the results of the Company for the three and six months ended October 25, 2013 or October 26, 2012. The results of operations related to each company acquired have been included in the Company's condensed consolidated statements of earnings since the date each company was acquired.

Three and six months ended October 25, 2013

Cardiocom, LLC

On August 7, 2013, the Company acquired Cardiocom, LLC (Cardiocom), a privately held developer and provider of integrated solutions for the management of chronic diseases such as heart failure, diabetes, and hypertension.

Cardiocom's products and services include remote monitoring and patient-centered software to enable efficient care coordination and specialized telehealth nurse support. Total consideration for the transaction was approximately \$193 million. Based upon the preliminary acquisition valuation, the Company acquired \$61 million of customer-related intangible assets with an estimated useful life of 7 years at the time of acquisition and \$123 million of goodwill. Acquired goodwill is deductible for tax purposes.

The Company accounted for the acquisition of Cardiocom as a business combination. The purchase price allocation is based on estimates of the fair value of the assets acquired and liabilities assumed. The preliminary purchase price has been allocated as follows:

(in millions)

Current assets	\$ 14
Property, plant, and equipment	7
Intangible assets	61
Goodwill	123
Total assets acquired	205
Current liabilities	12
Total liabilities assumed	12
Net assets acquired	\$ 193

Acquisition-Related Items

During the three months ended October 25, 2013, the Company's acquisition-related items were not significant.

During the six months ended October 25, 2013, the Company recorded net income from acquisition-related items of

\$96 million primarily related to the reduction in the fair value of contingent consideration associated with the Ardian, Inc. (Ardian) acquisition. The Ardian contingent earn-out is based on annual revenue growth through fiscal year 2015, and the reduction in fair value is due to a continued slower commercial ramp in Europe and the extended U.S. regulatory process.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

During the three and six months ended October 26, 2012, the Company recorded net charges from acquisition-related items of \$6 million and \$11 million, respectively, including income of \$2 million and charges of \$3 million, respectively, related to the change in fair value of contingent consideration associated with acquisitions subsequent to April 29, 2009. Additionally, during the three and six months ended October 26, 2012, the Company incurred transaction costs of \$3 million in connection with the acquisition of China Kanghui Holdings (Kanghui) and \$5 million of transaction costs related to the divestiture of the Physio-Control business.

Contingent Consideration

Certain of the Company's business combinations and purchases of intellectual property involve the potential for the payment of future contingent consideration upon the achievement of certain product development milestones and/or various other favorable operating conditions. Payment of the additional consideration is generally contingent on the acquired company reaching certain performance milestones, including attaining specified revenue levels or achieving product development targets. For business combinations subsequent to April 24, 2009, a liability is recorded for the estimated fair value of the contingent consideration on the acquisition date. The fair value of the contingent consideration liability is remeasured at each reporting period and the change in fair value recognized as income or expense within acquisition-related items in the condensed consolidated statements of earnings. The Company measures the liability on a recurring basis using Level 3 inputs. See Note 7 for further information regarding fair value measurements.

The fair value of contingent consideration liabilities are measured using projected payment dates, discount rates, probabilities of payment, and projected revenues (for revenue-based considerations). Projected contingent payment amounts are discounted back to the current period using a discounted cash flow model. Projected revenues are based on the Company's most recent internal operational budgets and long-range strategic plans. Increases (decreases) in projected revenues, probabilities of payment, discount rates, or projected payment dates may result in higher (lower) fair value measurements. Fluctuations in any of the inputs may result in a significantly lower (higher) fair value measurement.

The recurring Level 3 fair value measurements of contingent consideration liabilities include the following significant unobservable inputs:

(\$ in millions)	Fair Value at October 25, 2013	Valuation Technique	Unobservable Input	Range
Revenue-based payments	\$41	Discounted cash flow	Discount rate	13% - 24%
			Probability of payment	100%
			Projected fiscal year of payment	2014 - 2019
Product development-based payments	\$4	Discounted cash flow	Discount rate	5.9%
			Probability of payment	100%
			Projected fiscal year of payment	2017

At October 25, 2013, the estimated maximum amount of undiscounted future contingent consideration that the Company is expected to make associated with all completed business combinations or purchases of intellectual property prior to April 24, 2009 was approximately \$199 million. The Company estimates the milestones or other conditions associated with the contingent consideration will be reached in fiscal year 2014 and thereafter.

MEDTRONIC, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The fair value of contingent consideration associated with acquisitions subsequent to April 24, 2009 as of October 25, 2013 and April 26, 2013 was \$45 million and \$142 million, respectively. As of October 25, 2013, \$36 million was reflected in other long-term liabilities and \$9 million was reflected in other accrued expenses in the condensed consolidated balance sheets. As of April 26, 2013, \$120 million was reflected in other long-term liabilities and \$22 million was reflected in other accrued expenses in the condensed consolidated balance sheets. The portion of the contingent consideration related to the acquisition date fair value has been reported as financing activities in the condensed consolidated statements of cash flows. Amounts paid in excess of the original acquisition date fair value have been reported as operating activities in the condensed consolidated statements of cash flows. The following table provides a reconciliation of the beginning and ending balances of contingent consideration associated with acquisitions subsequent to April 24, 2009:

(in millions)	Three months ended		Six months ended	
	October 25, 2013	October 26, 2012	October 25, 2013	October 26, 2012
Beginning Balance	\$45	\$215	\$142	\$231
Purchase price contingent consideration	—	—	—	5
Contingent consideration payments	—	—	(1	) (26
Change in fair value of contingent consideration	—	(2	) (96	) 3
Ending Balance	\$45	\$213	\$45	\$213

Note 4 – Special Charges and Certain Litigation Charges, Net

Special Charges

During the six months ended October 25, 2013, consistent with the Company's commitment to improving the health of people and communities throughout the world, the Company made a \$40 million charitable contribution to the Medtronic Foundation, which is a related party non-profit organization.

During the three months ended October 25, 2013 and the three and six months ended October 26, 2012, there were no special charges.

Certain Litigation Charges, Net

The Company classifies material litigation reserves and gains recognized as certain litigation charges, net.

During the three and six months ended October 25, 2013, the Company recorded certain litigation charges, net of \$24 million, which includes \$12 million related to patent litigation and \$12 million related to Other Matters litigation described in Note 19.

During the three and six months ended October 26, 2012, the Company recorded certain litigation charges, net of \$245 million related to probable and reasonably estimated damages resulting from patent litigation with Edwards Lifesciences, Inc. See Note 19 for further information.

Note 5 – Restructuring Charges

The fiscal year 2013 initiative was designed to scale back the Company's infrastructure in slower growing areas of the business, while continuing to invest in geographies, businesses, and products where faster growth is anticipated. A number of factors have contributed to ongoing challenging market dynamics, including increased pricing pressure, various governmental austerity measures, and the U.S. medical device excise tax. In the fourth quarter of fiscal year 2013, the Company recorded a \$192 million restructuring charge, which consisted of employee termination costs of \$150 million, asset write-downs of \$13 million, contract termination costs of \$18 million, and other related costs of \$11 million. Of the \$13 million of asset write-downs, \$10 million related to inventory write-offs of discontinued product lines and production-related asset impairments, and therefore, was recorded within cost of products sold in the consolidated statements of earnings. In the first quarter of fiscal year 2014, the Company recorded an \$18 million restructuring charge, which was the final charge related to the fiscal year 2013 initiative and consisted primarily of contract termination costs of \$14 million and other related costs of \$4 million. The fiscal year 2013 initiative is scheduled to be substantially complete by the end of the fourth quarter of fiscal year 2014.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

A summary of the activity related to the fiscal year 2013 initiative is presented below:

(in millions)	Employee Termination Costs	Other Costs	Total
Balance as of April 26, 2013	\$147	\$23	\$170
Restructuring charges	—	18	18
Payments/write-downs	(41	) (17	) (58
Balance as of July 26, 2013	\$106	\$24	\$130
Payments/write-downs	(22	) (16	) (38
Balance as of October 25, 2013	\$84	\$8	\$92

Note 6 – Investments

The Company holds investments consisting primarily of marketable debt and equity securities. The carrying amount of cash and cash equivalents approximate fair value due to their short maturities.

Information regarding the Company's investments at October 25, 2013 is as follows:

(in millions)	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale securities:				
Corporate debt securities	\$4,984	\$48	\$(23	) \$5,009
Auction rate securities	114	—	(9	) 105
Mortgage-backed securities	1,305	8	(8	) 1,305
U.S. government and agency securities	3,512	8	(38	) 3,482
Foreign government and agency securities	55	—	—	55
Certificates of deposit	6	—	—	6
Other asset-backed securities	597	2	(1	) 598
Debt funds	997	27	(7	) 1,017
Marketable equity securities	63	43	—	106
Trading securities:				
Exchange-traded funds	50	10	—	60
Cost method, equity method, and other investments	629	—	—	NA
Total	\$12,312	\$146	\$(86	) \$11,743

MEDTRONIC, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Information regarding the Company's investments at April 26, 2013 is as follows:

(in millions)	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale securities:				
Corporate debt securities	\$4,587	\$78	\$(4	) \$4,661
Auction rate securities	118	—	(15	) 103
Mortgage-backed securities	1,050	8	(5	) 1,053
U.S. government and agency securities	3,882	17	(1	) 3,898
Foreign government and agency securities	38	—	—	38
Certificates of deposit	6	—	—	6
Other asset-backed securities	539	2	—	541
Marketable equity securities	82	75	(2	) 155
Trading securities:				
Exchange-traded funds	45	5	—	50
Cost method, equity method, and other investments	549	—	—	NA
Total	\$10,896	\$185	\$(27	) \$10,505

Information regarding the Company's condensed consolidated balance sheets presentation at October 25, 2013 and April 26, 2013 is as follows:

(in millions)	October 25, 2013		April 26, 2013	
	Investments	Other Assets	Investments	Other Assets
Available-for-sale securities	\$11,458	\$225	\$10,161	\$294
Trading securities	60	—	50	—
Cost method, equity method, and other investments	—	629	—	549
Total	\$11,518	\$854	\$10,211	\$843

MEDTRONIC, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following tables show the gross unrealized losses and fair value of the Company's available-for-sale securities that have been in a continuous unrealized loss position deemed to be temporary, aggregated by investment category as of October 25, 2013 and April 26, 2013:

(in millions)	October 25, 2013			
	Less than 12 months		More than 12 months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate debt securities	\$1,629	\$(20)	\$14	\$(3)
Auction rate securities	—	—	105	(9)
Mortgage-backed securities	642	(7)	31	(1)
U.S. government and agency securities	1,326	(38)	—	—
Other asset-backed securities	215	(1)	—	—
Debt funds	158	(7)	—	—
Total	\$3,970	\$(73)	\$150	\$(13)
(in millions)	April 26, 2013			
	Less than 12 months		More than 12 months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate debt securities	\$544	\$(1)	\$13	\$(3)
Auction rate securities	—	—	—	—