Medtronic News

Medtronic Reports Third Quarter Earnings

Revenue of $4.0 Billion Grew 4% on a Constant Currency Basis; 3% as Reported
International Revenue Grew 7% on a Constant Currency Basis; 5% as Reported
Emerging Market Revenue Grew 21% on a Constant Currency Basis; 20% as Reported
Non-GAAP Diluted EPS Growth of 11%; GAAP Diluted EPS Growth of 10%
Free Cash Flow of $1.4 Billion; GAAP Cash Flow from Operations of $1.5 Billion

MINNEAPOLIS - February 19, 2013 - Medtronic, Inc. (NYSE: MDT) today announced financial results for its third quarter of fiscal year 2013, which ended January 25, 2013.

The Company reported worldwide third quarter revenue of $4.027 billion, an increase of 4 percent on a constant currency basis after adjusting for a $41 million foreign currency impact, or a 3 percent increase as reported. As detailed in the attached table, third quarter net earnings and diluted earnings per share on a non-GAAP basis were $946 million and $0.93, an increase of 7 percent and 11 percent, respectively, over the same period in the prior year. As reported, third quarter net earnings were $988 million, or $0.97 per diluted share, an increase of 6 percent and 10 percent, respectively, over the same period in the prior year.

Third quarter international revenue of $1.856 billion increased 7 percent on a constant currency basis or 5 percent as reported. International sales accounted for 46 percent of Medtronic's worldwide revenue in the quarter. Emerging market revenue of $475 million increased 21 percent on a constant currency basis or 20 percent as reported and represented 12 percent of Company revenue.

"We remain committed to delivering dependable growth in a changing healthcare environment as reflected in our third quarter performance," said Omar Ishrak, Medtronic chairman and chief executive officer. "Several businesses and regions contributed to our steady growth this quarter, and we are focused on effectively managing headwinds and tailwinds to deliver balanced and consistent overall performance."

Cardiac and Vascular Group

The Cardiac and Vascular Group includes the Cardiac Rhythm Disease Management (CRDM), Coronary, Structural Heart, and Endovascular businesses. The Group had worldwide sales in the quarter of $2.100 billion, representing an increase of 5 percent on a constant currency basis or 3 percent as reported. Group revenue performance was driven by solid growth on a constant currency basis in Coronary, Endovascular, Structural Heart, and AF Solutions, partially offset by declines in Implantable Cardioverter Defibrillators (ICDs). Group international sales of $1.198 billion increased 7 percent on a constant currency basis or 4 percent as reported.

CRDM revenue of $1.171 billion declined 1 percent on a constant currency basis or 2 percent as reported. Third quarter revenue from ICDs was $654 million, a decline of 2 percent on a constant currency basis, while Pacing revenue was $459 million, flat on a constant currency basis. AF Solutions had strong revenue growth driven by continued global acceptance of the Arctic Front Advance(TM) balloon with EvenCool(TM) Cryo Technology. CRDM international revenue was driven in part by the successful launch of the Advisa DR MRI(TM) SureScan(TM) pacing system in Japan, the first and only MR-Conditional pacemaker available in that market.

Coronary revenue of $445 million grew 19 percent on a constant currency basis or 16 percent as reported. Sales of drug-eluting stents increased 42 percent on a constant currency basis, driven by continued significant share gains of the Resolute® Integrity® drug-eluting stent in Japan and strong performances in the U.S. and other global markets.

Structural Heart revenue of $272 million grew 4 percent on a constant currency basis or 3 percent as reported. Growth was

driven in part by sales of the CoreValve® transcatheter aortic heart valve. The Company anticipates entering the European transapical segment with a spring launch of the Engager(TM) aortic heart valve.

Endovascular revenue of $212 million grew 14 percent on a constant currency basis or 12 percent as reported. Growth was driven by the Valiant® Captivia® thoracic stent graft in several geographies. The Endurant® aortic stent graft continued to drive strong growth in Japan. The peripheral stent portfolio, including the Complete® SE vascular stent, also continued to drive global growth.

Restorative Therapies Group

The Restorative Therapies Group includes the Spine, Neuromodulation, Diabetes, and Surgical Technologies businesses. The Group had worldwide sales in the quarter of $1.927 billion, representing an increase of 3 percent on a constant currency basis or 2 percent as reported. Group revenue was driven by growth in Surgical Technologies, Neuromodulation, and Diabetes, partially offset by declines in bone morphogenetic protein (BMP) and balloon kyphoplasty (BKP). Group international sales of $658 million increased 8 percent on a constant currency basis or 6 percent as reported.

Spine revenue of $753 million declined 3 percent on a constant currency basis or 4 percent as reported, primarily driven by declines in BMP and BKP. Core Spine revenue of $639 million was flat on a constant currency basis. Excluding revenue from BKP, Core Spine grew in the low-single digits on a constant currency basis globally and in the U.S. The U.S. Core Spine business continued to stabilize, as new products and therapies are gaining broad surgeon acceptance. The Company is differentiating its Spine business through its focus on enabling technologies, including imaging, navigation, and powered surgical instruments. BMP revenue of $114 million declined 21 percent on a constant currency basis.

Surgical Technologies revenue of $350 million grew 10 percent on both a constant currency basis and as reported. Surgical Technologies revenue growth was driven by Midas Rex® powered surgical equipment, StealthStation® S7® surgical navigation systems, Aquamantys® bipolar sealers, and PEAK PlasmaBlade® electrosurgical products.

Neuromodulation revenue of $447 million increased 7 percent on both a constant currency basis and as reported. Growth was driven by solid new implant growth of Activa® deep brain stimulation systems, strong sales of InterStim® Therapy for both urinary and bowel indications, and continued strong U.S. adoption of the RestoreSensor® spinal cord stimulator, with its proprietary AdaptiveStim® technology.

Diabetes revenue of $377 million grew 3 percent on both a constant currency basis and as reported. Growth in the quarter was driven by strong sales of continuous glucose monitoring (CGM) products. Insulin pump system growth slowed in the quarter, as the Company is awaiting approval of its new products, the MiniMed® 530G in the U.S. and MiniMed® 640G in Europe.

Revenue Outlook and Earnings per Share Guidance

The Company today reiterated its revenue outlook and diluted earnings per share (EPS) guidance for fiscal year 2013. For fiscal year 2013, the Company continues to expect full-year revenue growth in the range of 3 to 4 percent on a constant currency basis. For fiscal year 2013, the Company continues to expect diluted EPS in the range of $3.66 to $3.70, which implies annual diluted EPS growth in the range of 6 to 7 percent.

"We are playing a leading role in transforming global healthcare by implementing our long-term strategies of economic value and globalization," said Ishrak. "We are only at the beginning of establishing our track record, but we believe that crisp execution of both our baseline and long-term growth strategies, combined with strong and disciplined capital allocation, will enable us to create long-term dependable value in healthcare."

Webcast Information

Medtronic will host a webcast today, Feb. 19, at 8 a.m. EST (7 a.m. CST), to provide information about its businesses for the

public, analysts, and news media. This quarterly webcast can be accessed by clicking on the Investors link on the Medtronic home page at www.medtronic.com and this earnings release will be archived atwww.medtronic.com/newsroom. Within 24 hours, a replay of the webcast and a transcript of the company's prepared remarks will be available in the "Events & Presentations" section of the Investors portion of the Medtronic website.

Financial Schedules

To view the third quarter financial schedules, click here or visit www.medtronic.com/newsroom.

About Medtronic

Medtronic, Inc., is the world's leading medical technology company -- alleviating pain, restoring health, and extending life for people with chronic disease.

This press release contains forward-looking statements related to product growth drivers, market position, strategies for growth, and Medtronic's future results of operations, which are subject to risks and uncertainties, such as competitive factors, difficulties and delays inherent in the development, manufacturing, marketing and sale of medical products, government regulation and general economic conditions and other risks and uncertainties described in Medtronic's periodic reports on file with the Securities and Exchange Commission. Actual results may differ materially from anticipated results. Medtronic does not undertake to update its forward-looking statements.

Earnings per share guidance excludes any unusual charges or gains that might occur during the fiscal year and the impact of the non-cash charge for convertible debt interest expense. The guidance provided only reflects information available to Medtronic at this time.

Unless otherwise noted, all comparisons made in this news release are on an "as reported basis," and not on a constant currency basis. References to quarterly figures increasing or decreasing are in comparison to the third quarter of fiscal year 2012.

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View FY13 Second Quarter Financial Schedules

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