

## Medtronic Reports Second Quarter Financial Results

*Revenue of \$7.1 Billion Grew 6% on a Comparable, Constant Currency Basis; 62% as Reported  
Non-GAAP Diluted EPS of \$1.03; GAAP Diluted EPS of \$0.36  
Free Cash Flow of \$1.1 Billion; GAAP Cash Flow from Operations of \$1.3 Billion  
Company Updates Revenue Growth Outlook and FY16 EPS Guidance*

DUBLIN - December 3, 2015 - Medtronic plc (NYSE: MDT) today announced financial results for its second quarter of fiscal year 2016, which ended October 30, 2015.

Unless otherwise noted, all revenue growth rates in this press release are stated on a comparable, constant currency basis, which adjusts for the impact of foreign currency translation and includes Covidien plc in the prior year comparison, aligning Covidien's prior year monthly revenue to Medtronic's fiscal quarters. For additional revenue detail and the reconciliation of these revenue amounts and growth rates to the most directly comparable GAAP financial measures, please refer to the link at the end of this release.

The company reported second quarter worldwide revenue of \$7.058 billion, an increase of 6 percent. Foreign currency translation had a negative \$452 million impact on revenue. As reported, revenue increased 62 percent when compared to the \$4.366 billion reported by Medtronic, Inc. in the second quarter of fiscal year 2015. As detailed in the financial schedules included through the link at the end of this release, second quarter non-GAAP net income and diluted earnings per share (EPS) were \$1.469 billion and \$1.03, increases of 45 percent and 1 percent, respectively. As reported, second quarter net income and diluted EPS were \$520 million and \$0.36, decreases of 37 percent and 57 percent, respectively. This decline in GAAP earnings was driven primarily by a non-recurring certain tax adjustment resulting from the company's previously disclosed September 28, 2015, internal reorganization due to the Covidien integration, which allowed approximately \$9.8 billion (\$9.3 billion net of tax) of cash, cash equivalents, and investments in marketable debt and equity securities previously held by U.S.-controlled non-U.S. subsidiaries to be available for general corporate purposes.

U.S. revenue of \$4.098 billion represented 58 percent of company revenue and increased 6 percent, or 67 percent as reported. Non-U.S. developed market revenue of \$2.052 billion represented 29 percent of company revenue and increased 4 percent, or 52 percent as reported. Emerging market revenue of \$908 million represented 13 percent of company revenue and increased 11 percent, or 61 percent as reported.

"Q2 was another strong quarter. Our above-market revenue growth remains robust and consistent, and, we believe, sustainable across our groups and regions," said Omar Ishrak, Medtronic chairman and chief executive officer. "We are steadily executing our plan and meeting our expectations, while at the same time building a foundation for long-term, dependable revenue growth and EPS leverage."

### Cardiac and Vascular Group

The Cardiac and Vascular Group (CVG) includes the Cardiac Rhythm & Heart Failure, Coronary & Structural Heart, and Aortic & Peripheral Vascular divisions. CVG worldwide revenue of \$2.482 billion increased 8 percent, or 9 percent as reported. CVG revenue performance was driven by strong, balanced growth across all three divisions.

Cardiac Rhythm & Heart Failure (CRHF) revenue of \$1.324 billion increased 7 percent, or flat as reported. CRHF had mid-single digit growth in both High Power and Low Power, high-twenties growth in AF Solutions, and low-thirties growth in Services & Solutions, which includes revenues from the company's Care Management Services

(formally known as Cardiocom) and Hospital Solutions businesses. CRHF growth was driven by strength from new product launches, including the U.S. launch of the Evera MRI® ICD, Micra® Transcatheter Pacing System, and continued strong adoption of the Reveal LINQ® insertable cardiac monitor, the Viva® XT CRT-D with its AdaptivCRT® algorithm and Attain® Performa® quadripolar lead, and Arctic Front Advance® CryoAblation System.

Coronary & Structural Heart (CSH) revenue of \$754 million increased 10 percent, or 1 percent as reported. CSH performance included mid-twenties growth in Heart Valve Therapies, mid-single digit growth in Coronary, and low-single digit growth in Extracorporeal Therapies. In Heart Valve Therapies, transcatheter heart valves grew in the high-thirties, including mid-fifties growth in the U.S. due to strong customer acceptance in the first full quarter of launch of the CoreValve® Evolut® R. In Coronary, the company had strong sales in drug-eluting stents driven by the continued strong adoption of Resolute Onyx(TM) in Europe and the continued acceptance of Resolute® Integrity® in the U.S. In Extracorporeal Therapies, growth was driven by solid growth in cannulae as a result of the ongoing launch of the company's next-generation Bio-Medicus® cannula.

Aortic & Peripheral Vascular (APV) revenue of \$404 million increased 10 percent, or 81 percent as reported. APV performance was driven by mid-single digit growth in Aortic, low-double digit growth in Peripheral, and mid-teens growth in endoVenous. In Aortic, the business had solid growth in the U.S. driven by the continued market adoption of the Endurant® II's AAA stent graft. In Peripheral, the business estimates that it continues to hold the leading drug-coated balloon market position in the U.S. and globally due to its clinically differentiated IN.PACT® Admiral® drug-coated balloon. In endoVenous, the company recently announced the U.S. launch of the VenaSeal(TM) closure system, which is expected to drive growth over the coming quarters.

#### Minimally Invasive Therapies Group

The Minimally Invasive Therapies Group (MITG) includes the Surgical Solutions and the Patient Monitoring & Recovery divisions. MITG contains most of the legacy Covidien business that was acquired in January 2015 and therefore was not reported as part of Medtronic, Inc. in the second quarter of fiscal year 2015. MITG worldwide revenue of \$2.356 billion increased 3 percent. MITG revenue performance was driven by mid-single digit growth in Surgical Solutions and low-single digit growth in Patient Monitoring & Recovery. The group delivered a good performance. It is worth noting that MITG's growth this quarter was slightly slower than its historical run rate as a result of a difficult comparison due to the legacy Covidien fiscal year end in the year-ago period.

Surgical Solutions revenue of \$1.291 billion increased 5 percent. Surgical Solutions performance this quarter was driven by mid-single digit growth in both Advanced Surgical and Early Technologies, and low-single digit growth in General Surgical. Advanced Surgical continued to benefit from new products and the continued shift from open surgery to minimally invasive surgery. General Surgical benefitted from the acquisition of RF Surgical, which closed in the second quarter. Early Technologies growth was driven by solid results in gastrointestinal diagnostics.

Patient Monitoring & Recovery (PMR) revenue of \$1.065 billion increased 1 percent. Respiratory & Patient Monitoring grew in the low-single digits, driven by growth in sensors and acute ventilators. Patient Care & Safety also grew in the low-single digits with a solid performance in electrode sales. Nursing Care declined in the low-single digits, but had strength in enteral feeding.

#### Restorative Therapies Group

The Restorative Therapies Group (RTG) includes the Spine, Neuromodulation, and Surgical Technologies

divisions, and the Neurovascular division, which was added through the January 2015 acquisition of Covidien. RTG worldwide revenue of \$1.770 billion increased 5 percent, or 7 percent as reported. Group revenue performance was driven by low-thirties growth in Neurovascular and high-single digit growth in Surgical Technologies, with low-single digit growth in Neuromodulation and flat results in Spine.

Spine revenue of \$719 million was flat, or declined 4 percent as reported. Outside the U.S., Spine grew 5 percent driven by Core Spine growth of 6 percent, which the company estimates was significantly above market growth. In the U.S., Spine declined 2 percent, including a decline of 4 percent in Core Spine, underperforming the U.S. Core Spine market that the company estimates grew in the low-single digits.

Neuromodulation revenue of \$482 million increased 2 percent, or declined 2 percent as reported.

Neuromodulation performance was driven by strong growth in Deep Brain Stimulation (DBS) and solid growth in Gastro/Uro. The drug pump business declined, as it continued to face challenges related to the company's April 2015 FDA consent decree. In Pain Stim, while the company is facing increased competition, it is receiving good reception of its AdaptiveStim® HD programming options.

Surgical Technologies revenue of \$426 million increased 8 percent, or 4 percent as reported. Surgical Technologies' performance was driven by mid-teens growth in Advanced Energy, and strong growth in ENT and Neurosurgery.

Neurovascular revenue of \$143 million increased 32 percent, driven by continued strong customer adoption of the company's Solitaire(TM) FR revascularization device for the treatment of ischemic stroke. In addition, the division had strong results in flow diversion, led by the continued adoption of the Pipeline(TM) Flex device for the treatment of intracranial aneurysms.

#### Diabetes Group

The Diabetes Group includes the Intensive Insulin Management (IIM), Non-Intensive Diabetes Therapies (NDT), and Diabetes Service & Solutions (DSS) divisions. Worldwide Group revenue in the quarter of \$450 million increased 11 percent, or 5 percent as reported.

The IIM division grew in the mid-teens, driven by strong sales in Europe and Asia Pacific of the MiniMed® 640G insulin pump system with the Enhanced Enlite® CGM sensor and SmartGuard(TM) technology, a proprietary algorithm that can automatically suspend insulin delivery when sensor glucose levels are predicted to approach a low limit and resume insulin delivery once sensor glucose levels recover. IIM also had solid, high-single digit growth in the U.S. as a result of continued strong adoption of the MiniMed® 530G insulin pump system with the Enlite® CGM sensor.

The NDT division doubled its global revenue in the quarter, led by strong sales of the iPro® 2 professional CGM technology in the U.S. and Europe. The iPro® 2 helps clinicians gain more complete insights into their patients' glycemic profiles, which can aid in the optimization of therapy. The NDT division remains focused on market access and integrated patient care solutions for people with Type 2 diabetes. The division announced a new distribution agreement with Henry Schein, which has the potential to dramatically increase coverage and penetration of iPro® 2 in the U.S. primary care market.

The DSS division, which focuses on offering people with diabetes access to therapy, insights, and services, grew revenue in the mid-single digits, with strong growth in sales of consumables, as well as sales from the recent launch of the MiniMed® Connect, which allows users to view their insulin pump and CGM data on a smartphone

and provides remote monitoring and text message notifications for their care partners. In addition, the division benefitted from the April 2015 acquisition of Diabeter, a Netherlands-based diabetes clinic and research center. The company continues to create a diabetes ecosystem through partnerships. For example, DSS's partnership with IBM Watson Health continues to make strong progress toward developing integrated care delivery solutions, closed loop systems, and dynamic care plan services.

#### Revenue Outlook and EPS Guidance

The company today updated its revenue outlook and diluted non-GAAP EPS guidance. For the second half of fiscal year 2016, the company expects to be in the upper-half of its mid-single digit revenue growth range on a comparable, constant currency basis. The company expects a negative impact from foreign currency in the second half of fiscal year 2016 of approximately \$425 to \$725 million based on current exchange rates, which implies a full fiscal year negative impact from foreign currency of \$1.45 to \$1.65 billion. In addition, based on its performance in the first half of the year, the company now expects fiscal year 2016 diluted non-GAAP EPS in the range of \$4.33 to \$4.40, which includes an expected \$0.45 to \$0.50 negative foreign currency impact based on current exchange rates.

"Our integration of Covidien is going extremely well, and I am particularly pleased with the way our cultures continue to come together, evidenced by our high talent retention and employee satisfaction, and how we are delivering on the promised cost synergies," said Ishrak. "Our combination of solid constant currency revenue growth, strong leverage, and increased access to cash is positioning us to create long-term, dependable value in healthcare."

#### Webcast Information

Medtronic will host a webcast today, December 3, at 8:00 a.m. EST (7:00 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](http://www.medtronic.com) and this earnings release will be archived at [newsroom.medtronic.com](http://newsroom.medtronic.com). Medtronic will be live tweeting during the webcast on our Newsroom Twitter account, @Medtronic. Within 24 hours of the webcast, a replay of the webcast and transcript of the company's prepared remarks will be available by clicking on the Investor Events link through the Investors section of the Medtronic website.

#### Financial Schedules

To view the second quarter financial schedules, [click here](#) or visit [newsroom.medtronic.com](http://newsroom.medtronic.com).

#### About Medtronic

Medtronic plc ([www.medtronic.com](http://www.medtronic.com)), headquartered in Dublin, Ireland, is among the world's largest medical technology, services and solutions companies - alleviating pain, restoring health and extending life for millions of people around the world. Medtronic employs more than 85,000 people worldwide, serving physicians, hospitals and patients in approximately 160 countries. The company is focused on collaborating with stakeholders around the world to take healthcare Further, Together.

#### FORWARD LOOKING STATEMENTS

This press release contains forward-looking statements related to product growth drivers, market position, strategies for and sustainability of growth, benefits from collaborations and acquisitions, product launches, 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, challenges with respect to third-party collaborations, government regulation and general economic conditions and other risks and uncertainties described in Medtronic's periodic reports on file with the U.S. Securities and Exchange Commission (the "SEC"). Actual results may differ materially from anticipated results. Medtronic does not undertake to update its forward-looking statements or any of the information contained in this press release. Certain information in this press release includes calculations or figures that have been prepared internally and have not been reviewed or audited by our independent registered public accounting firm, including but not limited to, certain information in the financial schedules accompanying this press release. Use of different methods for preparing, calculating or presenting information may lead to differences and such differences may be material.

#### NON-GAAP FINANCIAL MEASURES

This press release contains financial measures and guidance, including free cash flow figures, revenue on a comparable, constant currency basis and comparable, constant currency growth rates, net income, and diluted EPS, all of which are considered "non-GAAP" financial measures under applicable SEC rules and regulations. Unless otherwise noted, all revenue amounts given in this press release are stated in accordance with U.S. generally accepted accounting principles (GAAP), and all growth rates made in this news release are stated on a "comparable, constant currency basis" and not on an as-reported basis. "Comparable, constant currency basis" adjusts for the impact of foreign currency translation and includes Covidien plc in the prior year comparison, aligning Covidien's prior year monthly revenue to Medtronic's fiscal quarters. References to quarterly figures increasing or decreasing are in comparison to the second quarter of fiscal year 2015.

Medtronic management believes that in order to properly understand its short-term and long-term financial trends, including period over period comparisons of the company's operations, investors may find it useful to consider the impact of aligning historical Covidien revenues to Medtronic's fiscal calendar and to exclude the effect of certain charges or gains that contribute to or reduce earnings but that result from transactions or events that management believes may or may not recur with similar materiality or impact to operations in future periods (Non-GAAP Adjustments). Medtronic generally uses non-GAAP financial measures to facilitate management's review of the operational performance of the company and as a basis for strategic planning. Non-GAAP financial measures should be considered supplemental to and not a substitute for financial information prepared in accordance with GAAP, and investors are cautioned that Medtronic may calculate non-GAAP financial measures in a way that is different from other companies. Management strongly encourages investors to review the company's consolidated financial statements and publicly filed reports in their entirety. Reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures are included in the financial schedules accompanying this press release.

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[View FY16 Second Quarter Financial Schedules](#)

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