

Medtronic Reports Third Quarter Financial Results

*Revenue of \$6.9 Billion Grew 6% on a Comparable, Constant Currency Basis; 61% as Reported
NON-GAAP Diluted EPS of \$1.06; GAAP Diluted EPS of \$0.77
Adjusted Free Cash Flow of \$1.8 Billion; GAAP Cash Flow from Operations of \$1.8 Billion*

DUBLIN - March 1, 2016 - Medtronic plc (NYSE: MDT) today announced financial results for its third quarter of fiscal year 2016, which ended January 29, 2016.

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 third quarter worldwide revenue of \$6.934 billion, an increase of 6 percent. Foreign currency translation had a negative \$344 million impact on revenue. As reported, revenue increased 61 percent when compared to the \$4.318 billion reported by legacy Medtronic in the third quarter of fiscal year 2015. As detailed in the financial schedules included through the link at the end of this release, third quarter non-GAAP net income and diluted earnings per share (EPS) were \$1.503 billion and \$1.06, an increase of 41 percent and a decrease of 1 percent, respectively, compared to legacy Medtronic non-GAAP net income and diluted EPS in the third quarter of fiscal year 2015. As reported, third quarter net income and diluted EPS were \$1.095 billion and \$0.77, an increase of 12 percent and a decrease of 21 percent, respectively.

U.S. revenue of \$3.965 billion represented 57 percent of company revenue and increased 4 percent, or 61 percent as reported. Non-U.S. developed market revenue of \$2.066 billion represented 30 percent of company revenue and increased 5 percent, or 58 percent as reported. Emerging market revenue of \$903 million represented 13 percent of company revenue and increased 14 percent, or 64 percent as reported.

"Our performance in Q3 was solid, with sustained execution resulting in another quarter of market outperformance and revenue growth in the upper half of our mid-single digit expectation," said Omar Ishrak, Medtronic chairman and chief executive officer. "In addition, the Covidien integration is delivering robust operating leverage as we realize our committed cost synergies. All of this is translating into significant free cash flow generation, which we are reinvesting in future growth opportunities while at the same time providing strong returns to our shareholders."

Cardiac and Vascular Group

The Cardiac and Vascular Group (CVG) includes the Cardiac Rhythm & Heart Failure (CRHF) and Coronary & Structural Heart (CSH) divisions, as well as the Aortic & Peripheral Vascular (APV) division, which includes businesses from legacy Medtronic and businesses added through the January 2015 acquisition of Covidien. CVG worldwide revenue of \$2.410 billion increased 7 percent, or 8 percent as reported. CVG revenue performance was driven by strong, balanced growth across all three divisions.

- CRHF revenue of \$1.278 billion grew 6 percent, or 1 percent as reported, significantly outperforming the market on the strength of the Evera MRI® ICD launch in the U.S., continued adoption of the Reveal LINQ® insertable cardiac monitor, and mid-thirties growth in AF Solutions.
- CSH revenue of \$736 million increased 7 percent, or flat as reported, led by low-thirties growth in transcatheter valves as a result of strong customer adoption of the CoreValve® Evolut® R, as well as

strength in drug-eluting stents, which grew 3 percent, driven by Resolute Onyx(TM) in Europe and Resolute® Integrity® in the U.S.

- APV revenue of \$396 million increased 10 percent, or 82 percent as reported, driven by solid adoption of the Heli-FX(TM) EndoAnchor System, continued strength in Valiant® Captivia® thoracic stent graft sales, and strong growth of the clinically differentiated IN.PACT® Admiral® drug-coated balloon, which holds the leading market position in the U.S. and globally.

Minimally Invasive Therapies Group

The Minimally Invasive Therapies Group (MITG) includes the Surgical Solutions and the Patient Monitoring & Recovery (PMR) divisions. MITG contains most of the legacy Covidien business that was acquired in late January 2015 and therefore was not reported as part of legacy Medtronic in the third quarter of fiscal year 2015. MITG worldwide revenue of \$2.291 billion increased 5 percent, a strong quarter for the group with Surgical Solutions growing above market and PMR growing at market.

- Surgical Solutions revenue of \$1.264 billion increased 7 percent, driven by upper-single digit growth in Advanced Stapling and Advanced Energy, as well as double-digit growth in Early Technologies.
- PMR revenue of \$1.027 billion increased 1 percent, driven by mid-single digit growth in Respiratory & Patient Monitoring on strong Capnography growth, which was offset by a hold on our Puritan Bennett(TM) 980 ventilator.

Restorative Therapies Group

The Restorative Therapies Group (RTG) includes the Spine, Neuromodulation, and Surgical Technologies divisions, as well as the Neurovascular division, which was added through the January 2015 acquisition of Covidien. RTG worldwide revenue of \$1.759 billion increased 4 percent, or 7 percent as reported. Group results were driven by strong growth in Neurovascular and Surgical Technologies, offsetting declines in Spine and Neuromodulation.

- Spine revenue of \$704 million declined 2 percent, or declined 5 percent as reported. Double-digit BMP growth in the U.S. only partially offset low-single digit declines in Core Spine, mid-single digit declines in Interventional Spine, and the loss of BMP sales in Europe as a result of a product hold.
- Neuromodulation revenue of \$465 million declined 1 percent, or declined 5 percent as reported, as growth in Deep Brain Stimulation (DBS) and Gastro/Uro only partially offset declines in Drug Pumps, as the business continues to face challenges related to the company's April 2015 FDA consent decree, as well as declines in Pain Stim, where the business is facing increased competition.
- Surgical Technologies revenue of \$443 million increased 10 percent, or increased 6 percent as reported, with mid-teens growth in Advanced Energy and strong upper-single digit growth in ENT and Neurosurgery.
- Neurovascular revenue of \$147 million increased 43 percent, driven by continued strong growth in stents and flow diversion as a result of customer adoption of the company's Solitaire(TM) FR revascularization device for the treatment of ischemic stroke and the Pipeline(TM) Flex device for the treatment of intracranial aneurysms.

Diabetes Group

The Diabetes Group includes the Intensive Insulin Management (IIM), Diabetes Service & Solutions (DSS), and Non-Intensive Diabetes Therapies (NDT) divisions. Diabetes Group worldwide revenue of \$474 million increased 11 percent, or 6 percent as reported. The group had strong, broad-based performance across all three divisions.

- IIM grew in the low-double digits, driven by strong sales in Europe and Asia Pacific of the MiniMed® 640G System with the Enhanced Enlite(TM) sensor and SmartGuard(TM) technology.
- NDT grew over 250 percent, led by strong U.S. sales of the iPro®2 Professional Continuous Glucose Monitor (CGM) technology with Pattern Snapshot, which records glucose levels every five-minutes for up to three days and provides analytic reports to health care providers to facilitate therapy adjustments and specific patient recommendations.
- DSS grew in the high-single digits as a result of solid growth of consumables in the U.S., revenue from the company's acquisition of Diabeter in Europe, and continued strong customer adoption of the MiniMed® Connect, the first and only product to enable people with Diabetes to view their insulin pump and CGM information on a smartphone.

Revenue Outlook and EPS Guidance

The company today provided its revenue outlook and EPS guidance. The company expects revenue growth for the fourth quarter of fiscal year 2016 to be in the range of 5.0 to 5.5 percent on a constant currency basis, which is consistent with its prior outlook of revenue growth in the second half of fiscal year 2016 being in the upper-half of the company's mid-single digit baseline goal on a comparable, constant currency basis. The company expects a negative impact from foreign currency in the fourth quarter of approximately \$180 to \$220 million based on current exchange rates. In addition, the company reiterated its diluted non-GAAP earnings per share (EPS) guidance for fiscal year 2016. The company expects fiscal year 2016 diluted non-GAAP EPS in the range of \$4.36 to \$4.40, which continues to include an expected \$0.45 to \$0.50 negative foreign currency impact based on current exchange rates.

"As we mark the one year anniversary of the Covidien acquisition, we have preserved the growth of both companies and are realizing significant cost synergies and incremental revenue opportunities. Our combined company has a much more diversified revenue base, which together with our sustained execution, gives us increased confidence that consistent, mid-single digit revenue growth is achievable," said Ishrak. "Looking ahead, stakeholders are seeking not only to improve clinical outcomes and expand access to care, but are also looking for solutions to optimize cost and efficiency. We remain convinced that our technologies and services can play a central role to make the shift to value-based healthcare successful."

Webcast Information

Medtronic will host a webcast today, March 1, 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 and this earnings release will be archived at 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 third quarter financial schedules and non-GAAP reconciliations, [click here](#). To view the third quarter group revenue presentation, [click here](#). Both of these documents can also be accessed by visiting newsroom.medtronic.com.

About Medtronic

Medtronic plc (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 and opportunities, strategies for and sustainability of growth, benefits from collaborations and acquisitions, availability of and plans for cash, 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 and integration of acquired businesses, effectiveness of growth strategies, government regulation, fluctuations in foreign currency exchange rates, 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 third 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 Third Quarter Financial Schedules & Non-GAAP Reconciliations](#)

[View FY16 Third Quarter Group Revenue Presentation](#)

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