Medtronic News

Medtronic Provides Update on Impact from Hurricane Maria

DUBLIN - October 6, 2017 - Medtronic plc (NYSE: MDT) today provided an update on the impact to its manufacturing and sales operations as a result of Hurricane Maria.

All four of the company's business groups have some level of manufacturing across four major locations in Puerto Rico. Considering the severity of the hurricane, the company's Puerto Rico facilities fared well, but each sustained some damage. Medtronic has made considerable progress in repairing its Puerto Rico manufacturing facilities, with limited production starting on October 2nd. Currently, all of its sites are partially operating, with the assistance of power from back-up generators, and manufacturing is expected to gradually ramp up over the coming weeks. The company continues to work with local and national government agencies, as well as power, communication, and logistics providers to fully restore its operations. In line with its business continuity protocols, the company is utilizing existing inventory levels and increasing manufacturing in locations outside of Puerto Rico for many of its products.

Efforts to Support Medtronic's Puerto Rico Employees and the Puerto Rico Community

Medtronic's main priority has been to verify the safety and status of its more than 5,000 direct and contract employees and their families and to aid in their well-being. The company has verified the well-being of more than 90 percent of its employee and contractor base, and most of these employees have returned to work. Medtronic is providing its employees and their immediate families with needed supplies, including water, food, power generators and other necessities.

Medtronic formed the Medtronic Employee Emergency Assistance Fund to aid employees specifically affected by natural disasters. The company is providing direct financial aid to its employees and has opened up the Fund for employee contributions, which are matched dollar for dollar by the Medtronic Foundation.

In support of the larger Puerto Rico community, the Medtronic Foundation is partnering with relief organizations to provide assistance to the people of Puerto Rico. The Medtronic Foundation has directed $1 million toward disaster relief to date and is matching employee contributions to authorized agencies. The company is also working with local officials in Puerto Rico to determine community needs and provide support directly to Puerto Rican residents.

"The impact to lives and the devastation to property in Puerto Rico is unprecedented and indescribable," said Omar Ishrak, chairman and CEO. "And yet, the resiliency and spirit of our Medtronic colleagues in Puerto Rico remains strong. We are eternally grateful for the commitment of our Puerto Rican colleagues who have returned to work to restore our operations - many of whom have lost everything in this storm. The entire Medtronic community is rallying to the need of our colleagues and neighbors in Puerto Rico, and we will be with them through this period and beyond."

Financial Impact

Since Hurricane Maria struck the island, Medtronic has been working diligently to minimize the financial impact. The availability and sales of certain products that are newly launched, were on backorder status, or had lower inventory levels prior to the hurricane are expected to be affected in all four business groups, particularly in the United States in the company's Minimally Invasive and Restorative Therapies Groups.

Medtronic estimates an impact to both revenue and non-GAAP net earnings up to $250 million dollars in the fiscal 2018 second quarter, which closes on October 27, 2017. While the company expects some non-recurring expenses directly related to the recovery efforts in Puerto Rico to be excluded from its non-GAAP earnings, expenses related to the impact outside of Puerto Rico will be considered operating expenses.

Given the rapidly changing situation in Puerto Rico, it is still too early to determine the ongoing impact, if any, from Hurricane Maria beyond the company's fiscal 2018 second quarter. However, given the expected strength of new product demand, particularly in the Cardiac and Vascular Group and Diabetes Group, the company continues to expect mid-single digit revenue growth on a comparable, constant currency basis in the second half of the fiscal year.

Excluding the expected impact of Hurricane Maria, the company reaffirms its fiscal 2018 second quarter and full fiscal year guidance provided on August 22, 2017.

"We are extremely focused on restoring our manufacturing operations in Puerto Rico as quickly as possible, as well as prioritizing our available inventory to patient surgeries over large volume orders from customers," said Ishrak. "While we are expecting a temporary impact to our financial results from Hurricane Maria, we are pleased with the early reception of our new product launches, which are contributing to the underlying strength and fundamentals of our business."

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 84,000 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 and Financial Measures

This press release contains forward-looking statements, which are subject to risks and uncertainties, including those described in Medtronic's periodic reports and other filings with the U.S. Securities and Exchange Commission (the "SEC"). Anticipated results only reflect information available to Medtronic at this time and may differ from actual results. Medtronic does not undertake to update its forward-looking statements or any of the information contained in this press release. This press release also contains forward-looking financial measures and guidance, including anticipated revenue and growth rates on a comparable, constant currency basis, which are considered "non-GAAP" financial measures under applicable SEC rules and regulations. Medtronic calculates forward-looking non-GAAP financial measures based on internal forecasts that omit certain amounts that would be included in GAAP financial measures. For instance, forward-looking revenue growth and EPS projections exclude the impact of foreign currency fluctuations. Forward-looking non-GAAP EPS guidance also excludes other potential charges or gains that would be recorded as Non-GAAP Adjustments to earnings during the fiscal year. Medtronic does not attempt to provide reconciliations of forward-looking non-GAAP EPS guidance to projected GAAP EPS guidance because the combined impact and timing of recognition of these potential charges or gains is inherently uncertain and difficult to predict and is unavailable without unreasonable efforts. In addition, we believe such reconciliations would imply a degree of precision and certainty that could be confusing to investors. Such items could have a substantial impact on GAAP measures of financial performance.

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Contacts:
Fernando Vivanco
Public Relations
+1-763-505-3780

Ryan Weispfenning
Investor Relations
+1-763-505-4626

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