

## Medtronic Reports Third Quarter Earnings

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- **Revenue of \$4.3 Billion Grew 8% at Constant Currency, 4% as Reported**
- **Non-GAAP Diluted EPS of \$1.01 Grew 11%; GAAP Diluted EPS of \$0.98 Grew 31%**
- **U.S. Revenue Grew 8% on Strength of New Products**
- **Free Cash Flow of \$1.7 Billion; GAAP Cash Flow from Operations of \$1.8 Billion**
- **Company Completes Acquisition of Covidien at Beginning of Fourth Quarter; Integration Activities Underway**

**DUBLIN - Feb. 17, 2015** - Medtronic plc (NYSE: MDT) today announced financial results for Medtronic, Inc.'s third quarter of fiscal year 2015, which ended January 23, 2015. The company announced on January 26, 2015, that it had completed its acquisition of Covidien, which did not affect the operational results of the company's fiscal third quarter.

The company reported worldwide third quarter revenue of \$4.318 billion, compared to the \$4.163 billion reported in the third quarter of fiscal year 2014, an increase of 8 percent on a constant currency basis after adjusting for a \$158 million negative foreign currency impact, or 4 percent as reported. As reported, third quarter net earnings were \$977 million, or \$0.98 per diluted share, an increase of 28 percent and 31 percent, respectively, over the same period in the prior year. Third quarter net earnings and diluted earnings per share on a non-GAAP basis were \$1.005 billion and \$1.01, an increase of 10 percent and 11 percent, respectively, over the same period in the prior year.

U.S. revenue of \$2.459 billion increased 8 percent. International revenue of \$1.859 billion increased 7 percent on a constant currency basis or declined 2 percent as reported. International sales accounted for 43 percent of Medtronic's worldwide revenue in the quarter. Emerging market revenue of \$542 million increased 12 percent on a constant currency basis or 6 percent as reported and represents 13 percent of company revenue.

"Q3 was a strong quarter, with revenue growth well above our outlook range for the fiscal year and exceeding our mid-single digit baseline goal. All three legacy Medtronic groups contributed to our robust performance," said Omar Ishrak, Medtronic plc chairman and chief executive officer. "Our teams are executing on meaningful product launches around the world, and our customers are responding to our differentiated healthcare solutions that seek to demonstrate both clinical and economic value."

### **Cardiac and Vascular Group**

The Cardiac and Vascular Group includes the Cardiac Rhythm & Heart Failure, Coronary & Structural Heart, and Aortic & Peripheral Vascular divisions. The Group had worldwide sales in the quarter of \$2.224 billion, representing an increase of 10 percent on a constant currency basis or 5 percent as reported. Group revenue performance on a constant currency basis was driven by strong, double-digit growth in Low Power, Structural Heart, and AF & Other, along with mid-single digit growth in High Power and Aortic & Peripheral Vascular, partially offset by a modest decline in Coronary. Group international sales of \$1.177 billion grew 6 percent on a constant currency basis and declined 2 percent as reported.

Cardiac Rhythm & Heart Failure revenue of \$1.269 billion grew 12 percent on a constant currency basis or 7 percent as reported. High Power revenue was \$650 million, an increase of 4 percent on a constant currency basis. The Viva(TM) XT CRT-D, with its AdaptivCRT(TM) algorithm and Attain® Performa(TM) quadripolar lead, continues to show strong market acceptance and gain share. Low Power revenue was \$489 million, an increase of 17 percent on a constant currency basis. Results continue to be driven by the strong ongoing global launch of the Reveal LINQ(TM) insertable cardiac monitor. AF Solutions grew over 30 percent globally driven by continued robust growth of our Arctic Front Advance® CryoAblation System.

Coronary & Structural Heart revenue of \$737 million grew 8 percent on a constant currency basis or 3 percent as reported. Coronary revenue of \$407 million declined 2 percent on a constant currency basis. The company launched the Resolute Onyx(TM) drug-eluting stent in international markets late in the quarter. Structural Heart revenue of \$330 million grew 22 percent on a constant currency basis. Third quarter results were driven by strong performance in the U.S. of the CoreValve® transcatheter aortic heart valve.

Aortic & Peripheral Vascular revenue of \$218 million grew 5 percent on a constant currency basis or was flat as reported. In the Aortic business, growth was driven by strong sales in Thoracic and the launch of the Endurant® 2S AAA stent graft. In the Peripheral business, the IN.PACT® Admiral® and Pacific® drug-coated balloons for the SFA continued to deliver growth in international markets, and the business is now commercially launching the IN.PACTAdmiralin the U.S.

### **Restorative Therapies Group**

The Restorative Therapies Group includes the Spine, Neuromodulation, and Surgical Technologies divisions. The Group had worldwide sales in the quarter of \$1.645 billion, representing an increase of 5 percent on a constant currency basis or 2 percent as reported. Group revenue performance on a constant currency basis was driven by double-digit growth in Surgical Technologies, mid-single digit growth in Neuromodulation, and low-single digit growth in Spine. Group international sales of \$512 million increased 7 percent on a constant currency basis or declined 1 percent as reported.

Spine revenue of \$740 million increased 2 percent on a constant currency basis or declined 1 percent on a reported basis. Core Spine revenue of \$543 million increased 1 percent on a constant currency basis. The Core Spine business continues to differentiate itself from the competition through its leading technology and procedural innovation, enhanced by its Surgical Synergy(TM) program of enabling technologies, including imaging, navigation, and powered surgical instruments. Interventional Spine revenue of \$75 million remained flat on a constant currency basis. BMP revenue of \$122 million increased 9 percent on a constant currency basis.

Neuromodulation revenue of \$487 million increased 5 percent on a constant currency basis or 2 percent as reported, driven by solid growth in Gastro/Uro and DBS. Gastro/Uro had a strong quarter of InterStim® sales in Q3. In DBS, the business's global focus on neurologist referral programs, and the strength of the EARLYSTIM data in international markets, continues to drive solid growth. In Pain Stim, the business gained U.S. market share and maintained global share on the strength of its RestoreSensor® SureScan® MRI spinal cord stimulation system, with its proprietary AdaptiveStim® automatic stimulation adjustment feature and access to MRI scans anywhere in the body.

Surgical Technologies revenue of \$418 million grew 11 percent on a constant currency basis or 8 percent as reported with solid, balanced growth across all three businesses: Neurosurgery, ENT, and Advanced Energy. Several product lines helped to drive growth: Midas Rex® power equipment, O-arm® Surgical Imaging System, StraightShot® M5 Microdebrider, NuVent(TM) sinus balloon, Aquamantys® tissue sealing, and PEAK PlasmaBlade® technologies.

### **Diabetes Group**

The Diabetes Group includes the Intensive Insulin Management, Non-Intensive Diabetes Therapies, and Diabetes Services & Solutions divisions. Diabetes Group revenue of \$449 million grew 6 percent on a constant currency basis or 3 percent as reported. Growth in the quarter continued to be driven by strong adoption in the U.S. of the MiniMed® 530G System with Enlite® CGM sensor and its proprietary threshold suspend technology. In international markets, the group had a strong quarter, growing 12 percent on a constant currency basis or 3 percent as reported. In select international markets, the business began the limited launch of its next-generation MiniMed® 640G System with the Enhanced Enlite® CGM sensor. In addition to incorporating a new insulin pump design and user interface, the MiniMed 640G System features SmartGuard(TM) technology, which automatically suspends insulin delivery when sensor glucose levels are predicted to approach a low limit and then resumes insulin delivery once glucose levels recover.

### **Revenue Outlook**

The company today provided its revenue outlook for Medtronic plc, which includes both the legacy Medtronic and Covidien businesses, for the remainder of fiscal year 2015. In the fourth quarter of fiscal year 2015, the company expects

constant currency revenue growth in the range of 4 to 6 percent on a combined pro forma basis.

"The close of our acquisition of Covidien was a significant milestone for our industry and uniquely positions Medtronic to help lead the transformation of healthcare systems around the world," said Ishrak. "Our combination of extensive and innovative capabilities truly makes us a partner of choice to hospitals, payers and governments as we focus on a shared commitment to address universal healthcare needs - improving clinical outcomes, expanding access, and optimizing cost and efficiency."

### **Webcast Information**

Medtronic will host a webcast today, Feb. 17, 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](http://www.medtronic.com) and this earnings release will be archived at [www.medtronic.com/newsroom](http://www.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](http://www.medtronic.com/newsroom). For updated information on anticipated Medtronic plc revenue reporting changes and combined historical financials, including third quarter of fiscal year 2015, [click here](#).

### **About Medtronic**

Medtronic plc, headquartered in Dublin, Ireland, is the global leader in medical technology - alleviating pain, restoring health, and extending life for millions of people around the world.

**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.**

**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 2014.**

### **NON-GAAP FINANCIAL MEASURES**

**This press release contains financial measures, including constant currency growth, adjusted earnings, adjusted earnings per diluted share and free cash flow, which are considered "non-GAAP" financial measures under applicable U.S. Securities and Exchange Commission rules and regulations.**

**These non-GAAP financial measures should be considered supplemental to and not a substitute for financial information prepared in accordance with generally accepted accounting principles (GAAP). The company's definition of these non-GAAP measures may not be the same or similar to measures presented by other companies.**

**Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of excluding specified items that can be highly variable or difficult to predict. The company generally uses these non-GAAP financial measures to facilitate management's review of the operational performance of the company and as a basis for strategic planning.**

**Management believes that the resulting non-GAAP financial measure provides useful information to investors regarding the underlying business trends and performance of the company's ongoing operations and is useful for period over period comparisons of such operations. These non-GAAP financial measures reflect an additional way of viewing aspects of the company's operations that, when viewed with GAAP results and the reconciliations to corresponding GAAP financial measures, may provide a more complete understanding of factors and trends affecting Medtronic's business.**

**Because non-GAAP financial measures exclude the effect of items that will increase or decrease the company's reported results of operations, 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 release.**

[View FY15 Third Quarter Financial Schedules](#)

[View Updated Medtronic plc Revenue Reporting Changes and Historical Financials](#)

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