Ryan Weispfenning

Thank you, Jackie. Good morning and welcome to Medtronic's fourth quarter conference call and webcast. During the next hour, Omar Ishrak, Medtronic Chairman and Chief Executive Officer, and Gary Ellis, Medtronic Chief Financial Officer, will provide comments on the results of our fourth quarter and fiscal year 2016, which ended on April 29, 2016. After our prepared remarks, we will be happy to take your questions.

First, a few logistical comments: Earlier this morning, we issued a press release containing our financial statements and a revenue-by-division summary. We also issued an earnings presentation that provides additional details on our performance and outlook. Next, you should note that many of the statements made during this call may be considered forward-looking statements, and that actual results might differ materially from those projected in any forward-looking statement. Additional information concerning factors that could cause actual results to differ is contained in our periodic reports filed with the SEC, and we do not undertake to update any forward-looking statement. In addition, the reconciliations of any non-GAAP financial measures are available on our website, InvestorRelations.Medtronic.com. Unless we say otherwise, references to quarterly or annual results increasing or decreasing are in comparison to the fourth quarter and full fiscal year 2015, respectively, all quarterly year-over-year growth rates are given on a constant currency basis, and all annual year-over-year growth rates are given on a comparable, constant currency basis, which in addition to adjusting for the negative effect of foreign currency translation, includes Covidien plc in the prior year comparison, aligning Covidien's prior year monthly results to Medtronic's fiscal quarters. These adjustment details can be found in the reconciliation tables included with our earnings press release. With that, I am now pleased to turn the call over to Medtronic Chairman and Chief Executive Officer, Omar Ishrak.

Omar Ishrak

Good morning and thank you, Ryan, and thank you to everyone for joining us. This morning, we reported fourth quarter revenue of $7.6 billion, representing growth of 6 percent, which was at the upper end of our mid-single digit baseline goal and exceeded our expectations for the quarter. Q4 non-GAAP diluted earnings per share were $1.27, growing 18 percent on a constant currency basis.

Before providing more detail on our Q4 performance, I would like to recap fiscal 2016. FY16 was a transformative year for our organization, our first full year after closing the largest ever MedTech acquisition[1]. It was a year where, in addition to executing a large, complex integration, we closed 14 additional acquisitions, totaling $1.5 billion. It was a year

where we launched a number of ground-breaking new products, and extended our thought leadership within value-based healthcare.[2]

We delivered record revenue of $28.8 billion, grew at the upper-end of our mid-single digit baseline goal, and capped off our fourth consecutive year of achieving mid-single digit revenue growth. Our performance was broad-based, with strong progress against each of our three strategic pillars – new therapies, emerging markets, and Services and Solutions.

Our FY16 non-GAAP diluted EPS of $4.37 was in the upper-half of the guidance range we established at the beginning of the year, representing constant currency growth of 15 percent and EPS leverage of 780 basis points. We executed on the Covidien integration synergies, delivering approximately $355 million in the fiscal year, which contributed approximately 440 basis points to our FY16 EPS leverage. We improved our operating margin by 100 basis points, including 120 basis points of improvement in SG&A[3]. We reinvested in R&D organically as well as inorganically, absorbing any dilutive impact to EPS and capitalizing on our strong free cash flow generation. These investments are in line with our stated strategy and further support the sustainability of our long-term growth and market leadership. In FY16, we untrapped approximately $10 billion of our cash, which provided additional returns to shareholders, allowed us to pay down debt, and increased our financial flexibility. We also increased our dividend substantially, by 25 percent. We returned $4.5 billion to shareholders in the form of dividends and share repurchases, well above our minimum commitment of 50 percent.

Despite our strong operational performance in FY16, our non-GAAP diluted EPS only grew 4 percent after including the 47 cent negative impact of currency. While we do have an earnings hedging program to reduce volatility and are looking at natural ways to limit the impact, we do see this as largely outside our control, and we feel that, over the long term, FX should balance itself out.

Now, moving to our Q4 performance, 6 percent revenue growth was very strong, especially when considering this was built upon a 7 percent growth quarter in Q4 FY15. We continue to outperform the market, and the strength of our diversified portfolio was evident across our groups and geographies[4]. Solid performances in Diabetes, CVG, and MITG, more than offset the challenges we faced in certain businesses in RTG. Geographically, we had strong, 15 percent growth in Emerging Markets, and solid mid-single digit growth in developed markets[5], including 4 percent growth in the US, 8 percent growth in Western Europe, and 11 percent growth in Australia and New Zealand. Overall, we are pleased with the consistent performance in each of our three growth vectors: new therapies, emerging markets, and services and solutions.[6]

In New Therapies, we delivered above goal performance in Q4, contributing 390 basis points to our total company growth. In our Cardiac & Vascular Group, which grew 8 percent, new therapies are driving strong market outperformance. We are helping to create rapidly growing markets such as transcatheter aortic valve replacement, MRI-safe implantable technology, AF cryo-ablation therapy, predictive diagnostics, and drug-

coated balloons. In CRHF, we continue to see strong share gains in high power from the ongoing launch of the Evera MRI® ICD, as well as the recent launches of the Amplia MRI™ and Compia MRI™ Quad CRT-Ds. We also saw exceptional growth, of over 50 percent, from our TYRX® infection control product. In Q4, we received FDA approval for our Micra® Transcatheter Pacing System, the world's smallest pacemaker, one-tenth the size of a traditional device. We also received FDA approval for our Visia AF™ ICD, a unique single-chamber device that can sense in both the atrium and the ventricle using proprietary detection algorithms, first developed for our highly successful Reveal LINQ® insertable loop recorder. In CSH, our Resolute Onyx™ DES drove sequential share gains in Europe, and our Evolut® R transcatheter valve gained sequential share in the rapidly growing TAVR market. In APV, our Valiant® Captivia® thoracic stent graft and Heli-Fx® EndoAnchor® System drove above-market growth. Our IN.PACT® Admiral® continues to outpace the fast-growing drug-coated balloon market on the strength of its handling characteristics and differentiated clinical data. Over the past two years, our CVG organization has demonstrated industry-leading levels of internally driven R&D productivity across its businesses and our forward looking product pipeline looks equally robust. Mike Coyle will share more details on what is ahead for CVG at our Investor Day next week.

Our Minimally Invasive Therapies Group grew 6 percent, led by strong, above-market performance in Surgical Solutions and low-single digit growth in Patient Monitoring & Recovery. Growth in MITG is coming from five key growth drivers: Open-to-Minimally Invasive Surgery, or MIS, Gastrointestinal Diseases, Lung Cancer, End Stage Renal Disease, and Respiratory Compromise. Open-to-MIS grew double digits in Q4, helped by the recent product introductions in our Advanced Stapling and Advanced Energy portfolio, including the LigaSure™ Maryland, Endo GIA™ Reinforced Reload with Tri-Staple™ technology, and Valleylab™ FT10 energy platform. GI Diseases and Lung Cancer also grew double digits, with solid growth in our GI Diagnostics business, resulting from strong PillCam® performance in the US and Europe. We received FDA clearance in Q4 for expanded indications for our PillCam® COLON 2 capsule to potentially reach more patients at risk for colon cancer. Revenue in Renal Care Solutions doubled, largely as a result of the acquisition of Bellco, a pioneer in hemodialysis treatment solutions. Respiratory Compromise grew in the upper-single digits, benefitting from our capnography market development efforts. We also continue to make progress on bringing our new Capnostream™ 35 to market in FY17. MITG continues to supplement their businesses with tuck-in acquisitions. In addition to Bellco, the business recently agreed to acquire Smith and Nephew's highly profitable and fast-growing Gynecology business that will complement our existing global GYN product line. We expect this acquisition to close this summer. We also recently signed an agreement to take a majority ownership position in the Netherlands Obesity Clinic, or NOK, which I will touch on later. Across MITG, we are developing solutions that span the entire care continuum, aspiring to enable earlier diagnosis, better treatment, faster complication-free recovery, and enhanced patient outcomes through less invasive solutions. Bryan Hanson will discuss these strategies in more detail at next week's Investor Day.

In our Restorative Therapies Group, which grew 3 percent, we also have a number of new products. In Neurovascular, our Solitaire™ FR mechanical thrombectomy device is delivering strong results, solidifying our leadership position in the rapidly expanding ischemic stroke market, even after the anniversary of the *New England Journal of Medicine* articles last year. Our Flow Diversion products for the treatment of intracranial aneurysms, Pipeline™ Flex in the US and Japan and Pipeline™ Shield in Europe, continue to lead the market. In Surgical Technologies, we had mid-twenties growth in Imaging driven by strong customer demand for our new O-arm® O2 Surgical Imaging System. In Advanced Energy, a business annualizing at over $250 million dollars, our Aquamantys® System and PEAK PlasmaBlade® are driving consistent, upper-teens growth. In Core Spine, new product introductions across several procedures resulted in a sequential improvement to our growth rate. Specifically, we are seeing incremental revenue from our differentiated OLIF procedures, as well as from the recent Solera® Voyager®, Elevate™, and PTC Interbody launches for TLIF and MIDLF procedures. We are also realizing some early benefits from our "Speed to Scale" initiative, which accelerates innovation and enables rapid deployment of these products and procedures to the entire market. Looking ahead, we are expecting FDA approval for our differentiated 2-level Prestige LP™ artificial cervical disc in FY17. Strong 7-year clinical outcome data on the 2-level Prestige LP™ were presented earlier this month at AANS.

As expected, we faced challenges in our Neuromodulation division. While we continue to make progress against our FDA consent decree commitments, we are still experiencing double-digit revenue declines in drug pumps. Our revenue has been relatively stable sequentially for four quarters, so we expect drug pump growth to be roughly flat going forward. In DBS and Pain Stim, we are facing increased competition, but as we look ahead, we are optimistic that drivers such as the expanded early onset DBS indication in the US that we received earlier this year and new strategies that focus our pain products on the growing opioid epidemic can improve our Neuromodulation results. On balance, however, Pain Stim and DBS could be under some pressure for the next several quarters.

As we enter FY17, we are realigning our businesses within the Restorative Therapies Group to provide a stronger focus on the diseases and conditions that we serve. Externally, we will report revenue results for four divisions comprising RTG:

- **Spine**, which includes our Core Spine, BMP, and Kanghui businesses;
- **Brain Therapies**, which includes our DBS, which we are now calling Brain Modulation, Neurovascular, and Neurosurgery businesses; and
- **Pain Therapies**, which includes our Drug Delivery, Spinal Cord Stimulation, and Interventional Spine businesses.
- The remaining businesses, including Gastro/Uro, which we are now calling Pelvic Health, Advanced Energy, and ENT will be reported externally as the **Specialty Therapies** division.

As part of these changes, RTG is adopting the general manager structure that has proven very successful in driving a steady cadence of meaningful innovation in our Cardiac & Vascular Group. Additionally, RTG has aligned its commercial organization to this new structure, enabling the group to use its breadth to deliver solutions to hospital

administrators and payers, while maintaining focus on specialist physicians. Geoff Martha will discuss these changes, as well as additional details on his turnaround efforts in Spine and Pain, at the Investor Day next week.

In our Diabetes Group, which grew 10 percent, we continue to see strong adoption of our MiniMed® 640G System in the markets where it is available. Insulin pumps grew over 30 percent in developed geographies outside the United States, despite having anniversaried the launch of the MiniMed® 640G this quarter. We also had another strong quarter for MiniMed® Connect, which is the only system providing remote access to pump and sensor data on the user's smartphone. Regarding our pipeline, we are on track to submit the PMA for the MiniMed® 670G with the Enlite® 3 CGM sensor to the FDA before the end of June. Once launched, this will be the world's first hybrid closed loop system. Also this quarter, we were pleased to reach an agreement with UnitedHealthcare to be their preferred insulin pump provider. UnitedHealthcare saw what others, including UK's NICE, have seen; that we are the only company with evidence that clearly demonstrates the clinical and economic value of our integrated pump and sensor platform – for both patients and for the healthcare system. Our agreement with UHC is a real affirmation of our strategy to invest in innovation that drives evidence-based outcomes. In our Non-Intensive Diabetes Therapies business, we continue to make good progress driving our iPro®2 professional CGM system to type 2 patients being cared for by primary care physicians. Through our partnership with Henry Schein and our recently announced collaboration with Qualcomm Life, we expect continued success in our type 2 business. In our Diabetes Service & Solutions business, we are on track to launch Guardian® Connect in Europe with the current Enhanced Enlite® sensor in early FY17 and in the US with the next-generation sensor in the second half of FY17. Guardian® Connect allows us to provide both type 1 and type 2 patients on multiple daily injections with a standalone, real-time glucose monitoring solution. When you combine our standalone and professional CGM products with the applications and cognitive computing capabilities that we will bring through our partnership with IBM, we will provide both type 1 and type 2 patients with not just a sensor, but with a comprehensive diabetes management solution. While the market remains competitive, we feel strongly that our Diabetes business is well positioned to drive sustained growth, and Hooman Hakami will provide more details on our strategy and progress at next week's Investor Day.

Our new product pipeline is robust across all four of our business groups, and we are confident we can drive sustainable growth of our New Therapies growth vector, in the upper half of our 150 to 350 basis point goal.[7]

Next, let's turn to Emerging Markets. In Q4, we grew 15 percent and contributed approximately 185 basis points to our total company growth, well within our baseline goal of 150 to 200 basis points. We continue to consistently deliver double-digit growth in Emerging Markets, overcoming macro-economic pressures in certain countries. This is a result of continued execution of our differentiated strategies of channel optimization, government agreements, and private partnerships. All of these initiatives have the ability to accelerate growth and lead to sustained market outperformance. Our EM performance

also benefits from increased geographic diversification, reducing dependence on any single market. We continue to believe strongly that the penetration of existing therapies into Emerging Markets represents the single largest opportunity in MedTech over the long-term.[8]

In Q4, our businesses in the Middle East & Africa, Latin America, Southeast Asia, and Eastern Europe all grew in the upper teens, and India and China grew in the low double digits. Next week at our Investor Day, you will have the chance to hear more details from the leaders of our global regions.

Turning now to our Economic Value growth strategy, our Services & Solutions growth vector contributed approximately 25 basis points to Medtronic growth. While this overall result was below our goal of 40 to 60 basis points, Services & Solutions continues to achieve revenue growth around 50 percent. We expect to further improve our growth contribution as this model is expanded across all our business groups.

In Care Management Services, formerly known as Cardiocom®, we grew in the high-twenties in Q4, driven by strong growth within the US Veterans Administration healthcare system. Care Management Services represents an important platform for us, especially as post-acute care services become even more critical in bundled payment models for different interventions.

In our Hospital Solutions business, through which we provide expertise in operational efficiency, as well as daily administrative management of hospital cath labs and operating rooms, we had service revenue growth in the high-fifties. Since starting this business a little over two years ago, we have completed a total of 88 long-term managed service agreements with hospital systems, representing more than $2.0 billion in contracted service and product revenue over an average span of 6 years. While the majority of these hospitals are in Europe, we also have management contracts in hospitals in Latin America and in the Middle East & Africa. We are attracting strong customer interest in Hospital Solutions in regions around the world and have a full pipeline of potential contracts[9]. We continue to make progress in expanding the Hospital Solutions model from cath labs into operating rooms, utilizing the breadth of our MITG products and associated expertise. We have already signed 10 operating room managed services deals, representing approximately $250 million in cumulative revenue, with an average life of 7 years.

We are also expanding our solutions offerings into chronic disease management. One example is Diabeter, a Netherlands-based diabetes clinic and research organization we acquired a year ago, which is currently operating four centers providing holistic diabetes care management. Another example is NOK, a chain of clinics in the Netherlands for morbidly obese patients undergoing bariatric surgery. We signed an agreement to acquire a majority stake in NOK this month. NOK offers patients an integrated, comprehensive care model, including extensive screening, pre-care program, bariatric surgery, post-surgery program and long-term follow-up. Their approach is highly successful, and we plan to gain critical insights with the goal of expanding NOK's clinics to more countries,

providing broader patient access to their multi-disciplinary teams of specialists, and improving patient outcomes.

Through initiatives like Diabeter and NOK, as well the ones I mentioned earlier, we are uniquely positioning our business to focus on not just devices, but providing services and solutions across the care continuum. While all of these Services and Solutions are still relatively early stage businesses, they represent important building blocks that we will use to create comprehensive value-based healthcare offerings, where business models will be based on measurable patient outcomes over specific time horizons. Our organization is exploring new and novel ways to not only deliver better clinical and economic value, but to tie our success to these outcomes through innovative new business models with providers and payers[10].

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Turning now to the Q4 P&L, we grew non-GAAP diluted EPS by 18 percent and EPS leverage was 1,210 basis points, both on a constant currency basis. Covidien cost synergies of over $100 million in the quarter were in-line with our expectations, helped drive a 180 basis point improvement in SG&A, and were a major contributor to our strong EPS leverage. In addition, our business also delivered strong underlying operating leverage in Q4. The combination of Covidien synergies and underlying leverage resulted in a 260 basis point improvement to our operating margin after adjusting for unplanned items.

Our non-GAAP operating margin including the negative impact of currency was 30.3 percent, which was 70 basis points below the expectations we had at the beginning of the quarter. This was a result of three unplanned items that negatively affected the gross margin: first, an additional 30 basis points from the FX impact on inventory that is based solely on intra-quarter currency fluctuations; second, a 20 basis point impact from the one-time purchase accounting step-up on the Bellco acquisition inventory; and third, a 20 basis point impact from higher than anticipated scrap and obsolescence across each of our groups. Without these specific unplanned items, our non-GAAP operating margin would have been 31.0 percent and within our expected range. Despite these pressures, we were able to offset the unexpected items on the bottom line.

Turning to capital allocation, we are deploying our capital with a balanced focus on M&A investments, meeting our debt reduction commitments, and returns to our shareholders[11]. We remain firmly committed to returning a minimum of 50 percent of our free cash flow to our shareholders through dividends and share repurchases[12]. As an S&P Dividend Aristocrat, we expect to deliver dependable, long-term dividend growth. Last June, we increased our dividend by 25 percent, and we expect to grow our dividends faster than earnings, with the intent of reaching a 40 percent dividend per share payout of prior year non-GAAP EPS in the near-term. Regarding share repurchases, in FY16 we began executing the incremental $5 billion share repurchase we announced earlier in the fiscal year in addition to our ongoing share repurchase program, completing a total of $2.3 billion in net share repurchases in FY16. We also continue to use our capital to make strategic

and disciplined M&A investments, which must meet our portfolio criteria, namely: the target must provide a line of sight to improving outcomes, allow for Medtronic to add value, and we have a committed team that is positioned to win. In addition, our investments must meet our high financial return hurdles and minimize any near-term shareholder dilution.

Before going to Gary, I would like to note that in a transformative year, with a significant number of complex, moving parts, our team delivered. Our strong results would not have been possible without the dedication, teamwork, and passion that our 85 thousand employees around the world demonstrated every day. We have undertaken a strategy to transform healthcare. We don't take lightly the challenges this lofty goal places on our organization, and it has been amazing to see what our combined organization can accomplish. We have formed a common culture, and are collaborating with our partners in healthcare to serve millions of patients around the globe, fulfilling the Medtronic Mission of alleviating pain, restoring health, and extending life.

We are building a track record of delivering consistent mid-single digit revenue growth and with every quarter, we are increasingly confident about the sustainability of this performance. While we recognize that we still have a lot of work ahead of us, we are well on our way to meet our integration synergy, free cash flow generation, and EPS leverage commitments. We are looking forward to sharing details of these plans with you at the Investor Day next week.

Gary will now take you through a more detailed look at our fourth quarter results. Gary?

Gary Ellis
Thanks, Omar.

Fourth quarter revenue of $7 billion, 567 million increased 4 percent as reported, or 6 percent on a constant currency basis, which excludes the $179 million unfavorable impact of foreign currency. Acquisitions and divestitures contributed a net 60 basis points to Q4 revenue growth.

Our Cardiac and Vascular Group, which accounted for 36 percent of our total company sales, grew revenue by 8 percent, with all three divisions growing above the high-end of our targeted mid-single digit range. In CRHF, we expect to continue to grow above market due to our differentiated MRI implantables portfolio and other new product introductions that Omar mentioned. We have now started US physician training and shipments of our Micra® TPS pacemaker. In AF Solutions, our business grew over twice the market in the mid-thirties and is now annualizing at over a half billion dollars. AF Solutions had another very strong quarter with Arctic Front Advance®, following the compelling FIRE & ICE trial, which was featured as a late-breaker at ACC and simultaneously published in the *New England Journal of Medicine*. Later this month, secondary endpoints from the FIRE & ICE trial on rates of re-hospitalization and repeat ablation procedures will be highlighted in the late breaking clinical trials at the CardioStim congress. In Coronary, we are holding global

drug-eluting stent share in the face of major competitive launches, due to our customers' increasing preference for Resolute Onyx™ in Europe and many emerging markets, continued enthusiasm for the delivery characteristics of Resolute® Integrity® in the US, and our expanding use of CVG multi-line contracts in many geographies around the world. In Transcatheter Valves, we are seeing strong growth and expect this market to grow to $4 to $4.5 billion by 2020. Our US share stabilized after the drop we saw in Q3 from not yet having a large size Evolut® R. We have started our Evolut® R XL clinical, which is a 60 patient, 30 day follow-up trial. In Intermediate Risk, we completed enrollment in our SURTAVI trial, which is expected to lead to FDA approval, and we are moving into continued access for intermediate risk patients at 60 US SURTAVI centers. In Q4, we also saw strong acceptance of CoreValve® in Japan following the first full quarter of launch. In Peripheral, we had a number of strong data presentations on our IN.PACT® Admiral® drug-coated balloon last month at Charing Cross, including mechanism of action data, which are resulting in competitive account conversions. We also received FDA approval for a change to IN.PACT® Admiral® labeling, removing the requirement for pre-dilatation and replacing it with simply appropriate vessel preparation. These labeling changes now position Medtronic as the only company in the US that develops, manufactures, and sells both Atherectomy and Drug Coated Balloons as combination therapy for SFA disease.

Our Minimally Invasive Therapies Group, which accounted for 32 percent of our total company sales, grew revenue 6 percent. We continue to monitor surgical volumes in the US, and we estimate there may have been a slight acceleration in the most recent quarter, with volumes now growing approximately 3 percent versus the 1-2 percent range we saw earlier in the fiscal year. We are seeing stronger mid-single digit growth in the US outpatient surgery market, while inpatient surgeries are growing in the low-single digits. In PMR, quality issues related to the Puritan Bennett™ 980 ventilator and Capnostream™ 20 capnography monitor had a combined impact of approximately $25 million on Q4 revenue. We expect to have both of these issues resolved this summer.

Our Restorative Therapies Group, which accounted for 25 percent of total company sales, grew revenue by 3 percent, with strong growth in Neurovascular and Surgical Technologies and improved results in Spine, which offset low-single digit declines in Neuromodulation. Our US Core Spine business declined 1 percent, a large improvement over the past two quarters. We estimate the US Core Spine market is growing 2 to 3 percent, so while we lost share year-over-year, we did gain over 100 basis points of share sequentially. We expect Spine to return to market growth over the coming quarters. In Europe, we continue to be affected by the ship hold on our InductOs™ BMP, which is resulting in an impact of approximately $8 million per quarter. Our latest projection is that our third party supplier will be able to resolve the issue sometime during Q3 FY17. In Neuromodulation, it is worth noting that our Q4 growth was affected by the divestiture of our Intrathecal Baclofen drug, which occurred in late Q3. This business was generating $7 to $8 million per quarter.

Our Diabetes Group, which accounted for 7 percent of total company sales, grew revenue 10 percent, with strong, broad-based performance across all three divisions. It is worth

noting that the Diabetes Group double-digit growth came in the face of a competitive US environment. We attribute this performance to our focus on building diverse revenue streams through geographic expansion and growth in our new businesses. Products like the MiniMed® 640G System with the Enhanced Enlite™ sensor and SmartGuard™ technology helped drive growth outside the US, while our Non-Intensive Diabetes Therapies and Diabetes Service & Solutions divisions also contributed to overall performance. And while we expect the tough US competitive environment to continue until we get FDA approval for our MiniMed® 670G hybrid closed loop system, we believe there are sufficient drivers to continue to deliver high-single digit to low-double digit global growth in our Diabetes Group.

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Now, turning to the P&L, Q4 non-GAAP diluted EPS was $1.27, an increase of 18 percent on a constant currency basis after adjusting for the 10 cent impact to EPS from foreign currency translation. Q4 GAAP diluted earnings per share were $0.78.

In addition to the $348 million after-tax adjustment for amortization expense, this quarter's non-GAAP adjustments to earnings on an after-tax basis were:

- a $118 million charge related to the retirement of $2.7 billion of debt;
- a $97 million net restructuring charge;
- an $85 million charge for acquisition-related items ; and
- a $44 million impairment charge related to an investment in BioControl.

The Q4 operating margin was 31.8 percent on a constant currency basis. This represented a 210 basis point constant currency improvement over the prior year. After adjusting for the negative 30 basis points for the one-time Bellco acquisition inventory step-up and negative 20 basis points for the unplanned scrap and obsolescence, the operating margin would have shown a 260 basis point constant currency improvement, which fell in the range of our expectations. It is worth noting that ASP declines were in-line with previous quarters and did not affect the gross margin.

Our operating margin included a gross margin of 69.8 percent, SG&A of 31.1 percent, and R&D of 7.4 percent, all on a constant currency basis. Also included in our Q4 operating margin was Net Other Income of $21 million, which included net currency gains of $102 million, primarily from our earnings hedging program. These currency gains were $37 million lower than the prior year. Regarding our earnings hedging program, while we hedge the majority of our operating results in developed market currencies to reduce volatility in our earnings from foreign exchange, a growing portion of our profits are unhedged, especially emerging market currencies, which can create modest volatility in our earnings.

Below the operating profit line, Q4 non-GAAP Net Interest Expense was $188 million, slightly better than our forecast. At the end of Q4, we had approximately $31.2 billion in debt and approximately $12.6 billion in cash and investments, of which approximately $5

billion was "trapped". In Q4, we prepaid approximately $2.7 billion of our debt, utilizing a portion of the $10 billion of cash that was untrapped in a transaction last September.

Our non-GAAP nominal tax rate on a cash basis in Q4 was 14.6 percent. This was an improvement to our forecast and included an approximate $40 million benefit from the reversal of a valuation allowance associated with foreign net operating losses from our Interventional Spine business.

In Q4, adjusted free cash flow was $1.4 billion, which was below our expectations due to timing on certain items, but we expect it to recover going forward. We remain committed to returning a minimum of 50 percent of our free cash flow to shareholders, and also continue to target an A credit profile. In Q4, we paid $531 million in dividends and repurchased $660 million of our ordinary shares. As of the end of Q4, we had remaining authorization to repurchase approximately 72 million shares. Fourth quarter average daily shares outstanding, on a diluted basis, were 1 billion, 416 million shares.

Before turning the call back over to Omar, let me conclude by commenting on our initial fiscal year 2017 revenue outlook and earnings per share guidance. Our baseline goal is to consistently grow our revenue in the mid-single digit range on a constant currency basis. For FY17, given current trends, we expect revenue growth to be in the upper half of the mid-single digit range at 5 to 6 percent on a constant currency, constant week basis, which excludes the estimated negative 150 basis point annual impact from the extra selling week we had in Q1 FY16. Assuming current exchange rates remain similar for the remainder of the fiscal year, which include a $1.11 Euro and 110 Yen, our FY17 revenue would be negatively affected by approximately $25 to $75 million, with modest FX headwinds in the first half of the year turning to modest FX tailwinds in the back half of the year. In Q1, we would expect revenue growth to be in the lower half of our 5 to 6 percent annual revenue outlook range on a constant currency, constant week basis. Our Q1 revenue growth outlook excludes the estimated negative 6 percentage point impact, or approximately $450 million, from the extra selling week we had in Q1 FY16, as well as a negative $25 to $75 million FX impact on revenue based on current rates.

Turning to guidance on the bottom line, we believe it is reasonable to model non-GAAP diluted earnings per share in the range of $4.60 to $4.70, which includes approximately $225 to $250 million of targeted value capture synergies from the Covidien acquisition. While the expected FX impact on EPS from our unhedged currencies has improved by approximately 5 cents since March, this has been offset by an increased expected FX impact on inventory. Given this, assuming current exchange rates remain similar for the remainder of the fiscal year, foreign currency would have a 20 to 25 cent negative impact on our FY17 EPS. Our guidance implies EPS growth in the range of 12 to 16 percent on a constant currency basis, after taking into account the estimated 8 to 10 cent negative impact from the extra selling week in Q1 FY16. For the first quarter of FY17, we would expect EPS growth on a constant currency, constant week basis to be around the upper-end of the annual EPS growth guidance range. However, it is worth noting that on a reported basis, we expect Q1 EPS growth to be slightly down, given the estimated 8 to 10

cent negative impact from the extra week, and the expected negative 6 to 8 cent impact of FX based on current rates. As usual, our EPS guidance does not include any charges or gains that would be recorded as non-GAAP adjustments to earnings during the fiscal year.

Omar?

Omar Ishrak
Thanks, Gary. While I will have more to say next week at the Investor Day, I did want to take the opportunity to recognize Gary's service to Medtronic today, on what is his last earnings call as Medtronic CFO. Gary has served in this role for the past 11 years, since May of 2005, and has been with Medtronic since 1989. Gary has <OMAR AD-LIB>.

We will now open the phone lines for Q&A. In addition to Gary, I've asked Mike Coyle, President of our Cardiac and Vascular Group, Bryan Hanson, President of our Minimally Invasive Therapies Group, Geoff Martha, President of our Restorative Therapies Group, and Hooman Hakami, President of our Diabetes Group, to join us. We want to try to get to as many people as possible, so please help us by limiting yourself to only one question, and if necessary, a related follow-up. If you have additional questions, please contact Ryan and our Investor Relations team after the call. Operator, first question please.

Following Q&A:

Omar Ishrak
OK. Thanks for your questions.

I would like to remind you that we plan to host our Investor Day next Monday, June 6th, in New York City. We look forward to discussing in more detail our plans to deliver on our growth strategies. I would also like to note that we anticipate holding our Q1 earnings call on Thursday, August 25th.

In conclusion, we continue to focus on delivering consistent, mid-single digit constant currency revenue growth, strong EPS leverage, and returning a minimum 50 percent of our free cash flow to our shareholders. FY16 was a successful and transformative year for our company, and looking ahead, we feel we are well positioned to participate and lead in the transformation to value-based healthcare, which can ultimately create long-term, dependable value for our shareholders.

With that, on behalf of our entire management team, I would like to thank you again for your continued support and interest in Medtronic. Thank you, and have a great day.

The Elevate Spinal System incorporates technology developed by Gary K. Michelson, M.D.