

INVESTOR DAY

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NEW YORK CITY

Medtronic
Further, Together

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EVP & CFO

FORWARD LOOKING STATEMENT

This presentation contains forward-looking statements which provide current expectations or forecasts, including those relating to market and sales growth, growth strategies, financial results, use of free cash flow, product development and introduction, partnerships, regulatory matters, restructuring initiatives, mergers/acquisitions/divestitures and related effects, accounting estimates, financing activities, working capital adequacy, competitive strengths and sales efforts. They are based on current assumptions and expectations that involve uncertainties or risks. These uncertainties and risks include, but are not limited to, those described in our periodic reports on file with the U.S. Securities and Exchange Commission (SEC). Actual results may differ materially from anticipated results. Forward-looking statements are made as of today's date, and we undertake no duty to update them or any of the information contained in this presentation.

Financial Data

Certain information in this presentation includes calculations or figures that have been prepared internally and have not been reviewed or audited by our independent registered public accounting firm. Use of different methods for preparing, calculating or presenting information may lead to differences and such differences may be material. This presentation also contains non-GAAP financial measures such as free cash flow and historical revenue on a comparable constant currency basis, which sums historical data of Medtronic and Covidien, aligns Covidien's prior year monthly revenue to Medtronic's fiscal quarters and adjusts for the impact of foreign currency translation. We believe these measures provide a useful way to evaluate our underlying performance. Detail concerning how all non-GAAP measures are calculated, including all non-GAAP to GAAP reconciliations, are posted to our website.

MARGIN EXPANSION

2016 INVESTOR DAY: KEY MESSAGES

A GLOBAL HEALTHCARE LEADER WITH DIFFERENTIATED PLATFORMS TO DELIVER ATTRACTIVE SHAREHOLDER VALUE

1



REVENUE GROWTH

Unmatched pipeline and attractive, diversified markets lead to consistent, sustainable mid-single digit constant currency revenue growth

2

MARGIN EXPANSION

Utilizing systems and structure at scale across the enterprise to drive margin expansion

3

FREE CASH FLOW

Strong revenue growth and high profitability generates significant and increasingly accessible free cash flow

4

CAPITAL DEPLOYMENT

Deploying massive amounts of capital strategically, consistently, and with discipline

5

EPS GROWTH

Committed to delivering consistent double digit constant currency EPS growth

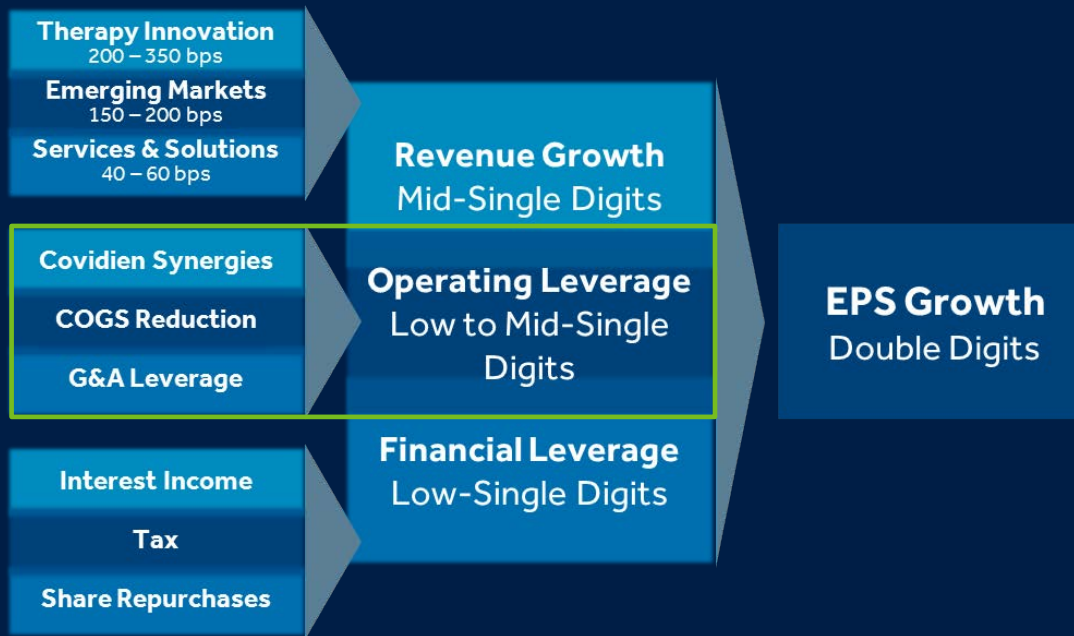
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TOTAL SHAREHOLDER RETURN

Overall performance results in low-double digit to mid-teens total shareholder

DELIVERING SUSTAINABLE OPERATING MARGIN EXPANSION

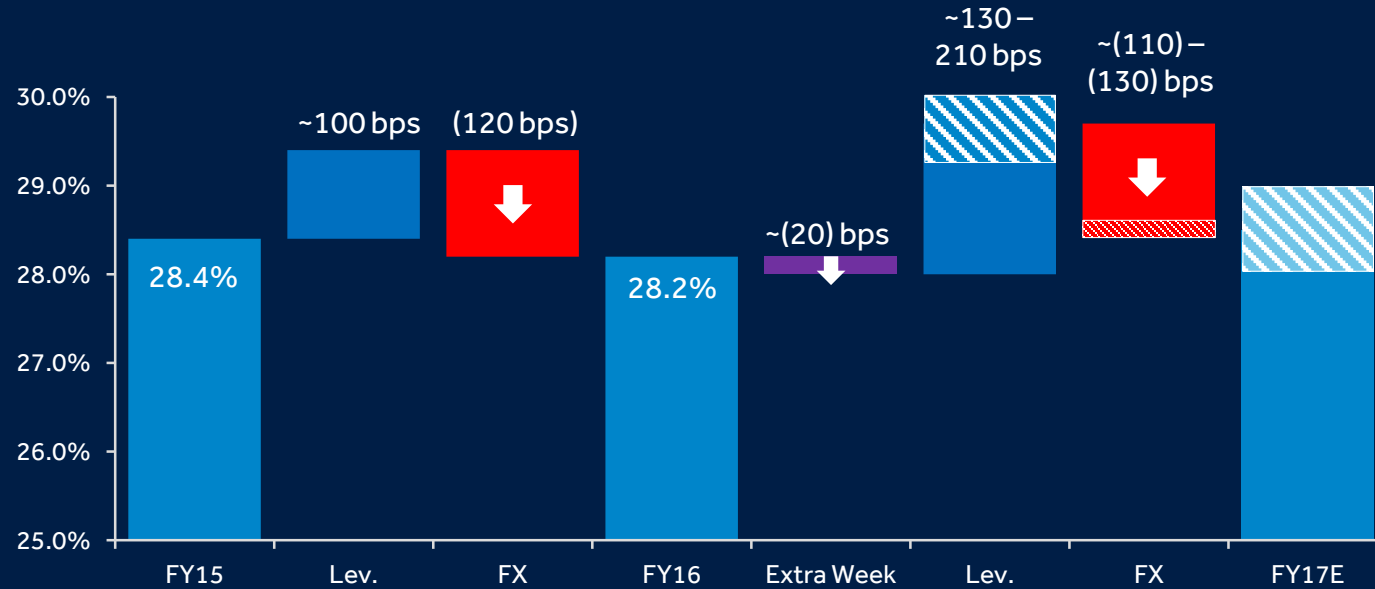
Medtronic Growth Model



- Operating leverage of low to mid-single digits contributes to double-digit EPS growth expectation
- ~500-650 bps of CC operating margin improvement over next 5 years
- On track to deliver minimum of \$850M in COV synergies
- COV synergies catalyst for long tail of leverage opportunities beyond FY18

STRONG OPERATING LEVERAGE IN LIGHT OF SIGNIFICANT FX PRESSURE

FY15-FY17 OPERATING MARGIN WALK



- Delivering strong CC operating leverage: ~230 – 310 bps of improvement, excluding the extra week impact
- FX significantly dilutes operational performance (given current rates)

MARGIN EXPANSION

OVERVIEW OF PROGRAMS AND P&L IMPACT

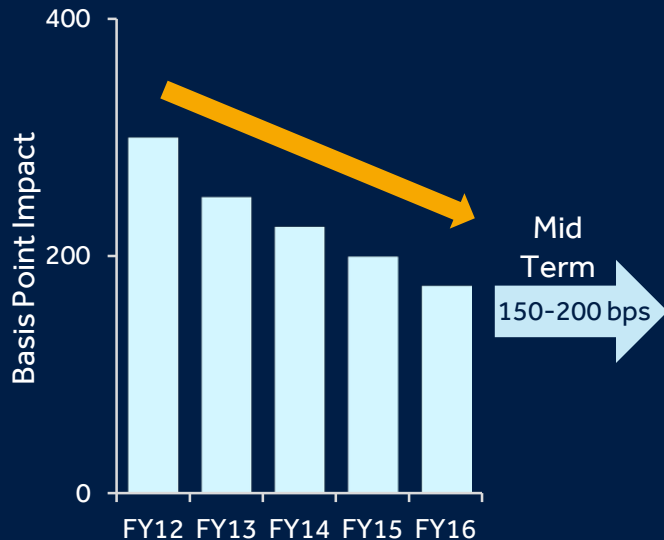


- Underlying COGS reduction offsets pricing pressure, with potential for upside
- Significant underlying SG&A leverage
- R&D, organic & inorganic, to grow in line or slightly faster than revenue growth

PRICING TRENDS

CONTINUE TO SHOW IMPROVEMENT

Overall Pricing Pressure Decreased



FY17-FY21 Pricing Assumptions by Business Unit

CVG	
CRHF	(low-single) ↓
CSH	(mid-single) ↓
APV	(low-single) ↓
MITG	
Surgical Solutions	(low-single) ↓
PMR	(low-single) ↓
RTG	
Spine	(low/mid-single) ↓
Brain Therapies	Flat -
Pain Therapies	(low-single) ↓
Specialty Therapies	low-single ↑
Diabetes	
Diabetes	Flat -

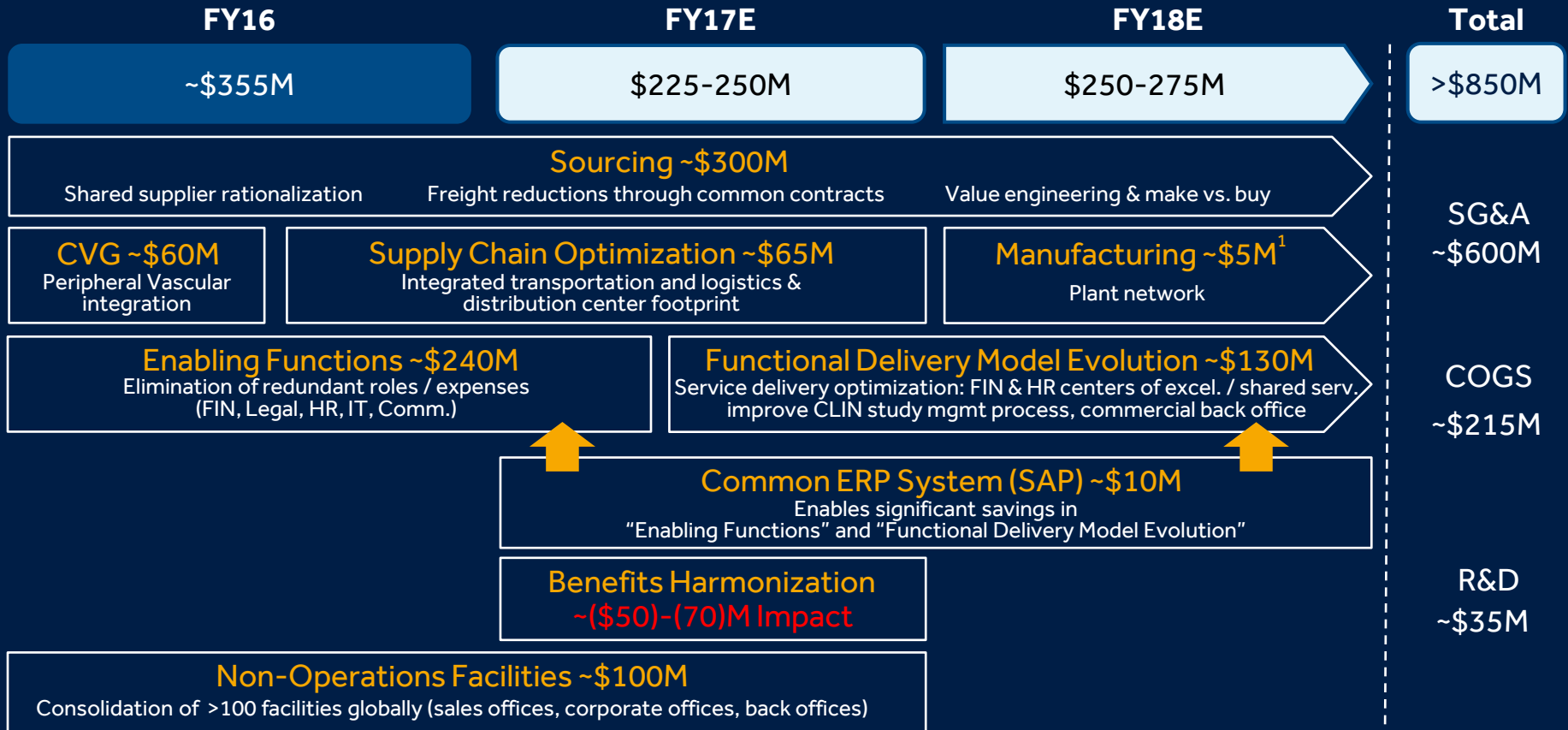
Total MDT	(150)-(200) bps ↓

Ongoing Actions to Mitigate Pricing Pressure

- Therapy innovation generating pricing premium
- Channel optimization in EM leading to margin capture
- Multi-line contracting
- Move to value based healthcare

COVIDIEN SYNERGIES: DELIVERING ON OUR COMMITMENTS

FY16-FY18



¹ Manufacturing / Plant network optimization will result in significant future savings

BEYOND COVIDIEN SYNERGIES

CATALYST FOR ONGOING AND FUTURE LEVERAGE

Enablers

Catalyzed by COV
Integration

1

Program
Management

2

IT Systems

3

Organizational
Structure



Focus Areas

Functionally Driven,
Enterprise Wide

- Manufacturing Operations
- Functional Service Model (HR / FIN / Legal)
- Indirect Costs
- Commercial Structure



Financial Leverage

Ongoing & Future
P&L Impact

Underlying COGS
Reduction

Underlying G&A
Leverage

Underlying
Commercial Leverage

Covidien synergies: catalyst for long tail of leverage opportunities beyond FY18

OPERATING LEVERAGE: 5-6% UNDERLYING GROSS COGS REDUCTION

FY16-FY21



■ Covidien COGS Synergies
■ Underlying COGS Reduction

**FY16
 Total
 COGS**
~\$9B

		FY16-FY21E Savings
Lean Manufacturing / Cell Operating System	Implementation and execution of MDT Operating System across sites and value streams	~\$1.2B
Sourcing	Renegotiation of supplier agreements and identification of alternative supply sources	~\$1.2B
Manufacturing Plant Optimization	Leverage manufacturing capabilities & centers of excellence to reduce & optimize manufacturing locations	~\$0.5B
Design for Manufacturability (DFM)	Collaboration for DFM of new products and value engineering of existing products	~\$0.1B
		~\$3.0B

MANUFACTURING PLANT OPTIMIZATION

FY16-FY21

Evaluating reducing number of sites from ~90 to 50-55

Manufacturing Strategy

Consolidation to Strategic Centers

- Focus manufacturing around ~30 strategic sites based on core competencies, capability, technology, cost and leverage opportunities
- Strategy will also consider political, currency and tax impacts

Local-for-Local Manufacturing

- Develop local-for-local manufacturing to support EM growth strategies; strong local-for-local presence in three of the BRIC countries
- Utilize growing presence and investment in the BRIC countries to leverage government support

Acquisition Integration

- Integrate operations strategy into M&A
- Ensure manufacturing strategy considerations are evaluated up-front and focus on integrating new plants at a faster rate

Examples

- Transferred Frauenfeld, Switzerland operations to Mexico and Ireland for ~\$10M annual savings
- Moved Carlsbad, CA catheter production to Mexico and Canada for annual savings of ~\$12M

LEAN MANUFACTURING / CELL OPERATING SYSTEM (COS)

CREATING A CONTINUOUSLY IMPROVING WORKING ENVIRONMENT



- Built from MOS principles
- Aligns tools and activities achieving value:
 - Highly Stable Process
 - Employee Engagement and Ownership
 - Increased Quality
 - Decreased WIP / Scrap / Waste

EXAMPLE #1 – MDT PUERTO RICO COS DEPLOYMENT

- Approach: drive process stability and align First Time Quality to all COS conversions; fully deploy COS across MPROC focusing on space creation to fully leverage our sites
- Results:
 - > 99% process stability
 - > 50% process lead time & WIP reductions
 - > 25% productivity improvements and space optimization
 - > 6% reduction in total labor and burden rates last 3 years

EXAMPLE #2 – ENDO WASH COS DEPLOYMENT

- > 50% reduction in direct labor headcount
- > 40% reduction in manufacturing floor space
- > \$1M improvement in WIP value

OPERATING LEVERAGE: UNDERLYING SG&A LEVERAGE

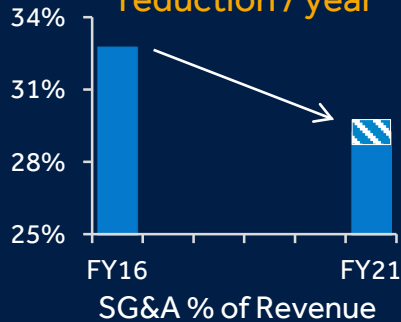
FY16-FY21



SG&A FY16
~\$9.5B



~50-90 bps
reduction / year



Support Functions

Finance

- Create contracting hub via shared services center and outsourcing of non-customer facing activities
- Standardize and automate reporting
- Centralize cash application and credit management to low-cost location

HR

- Right-size organization goal: from ~0.84% of revenue, to 0.55% by FY21
- Scalable & consistent model across the enterprise
- Increased global shared serv. infrastructure
- Increase COE capabilities

Commercial Structure



- **Workforce management:** standardize workforce management best practices



- **Agent IT tools:** optimize agent desktops and IT tools



- **Offshoring:** transactional tasks



- **Automation:** improve utilization of automated channels



- **Org structure:** optimize spans of control and support staff

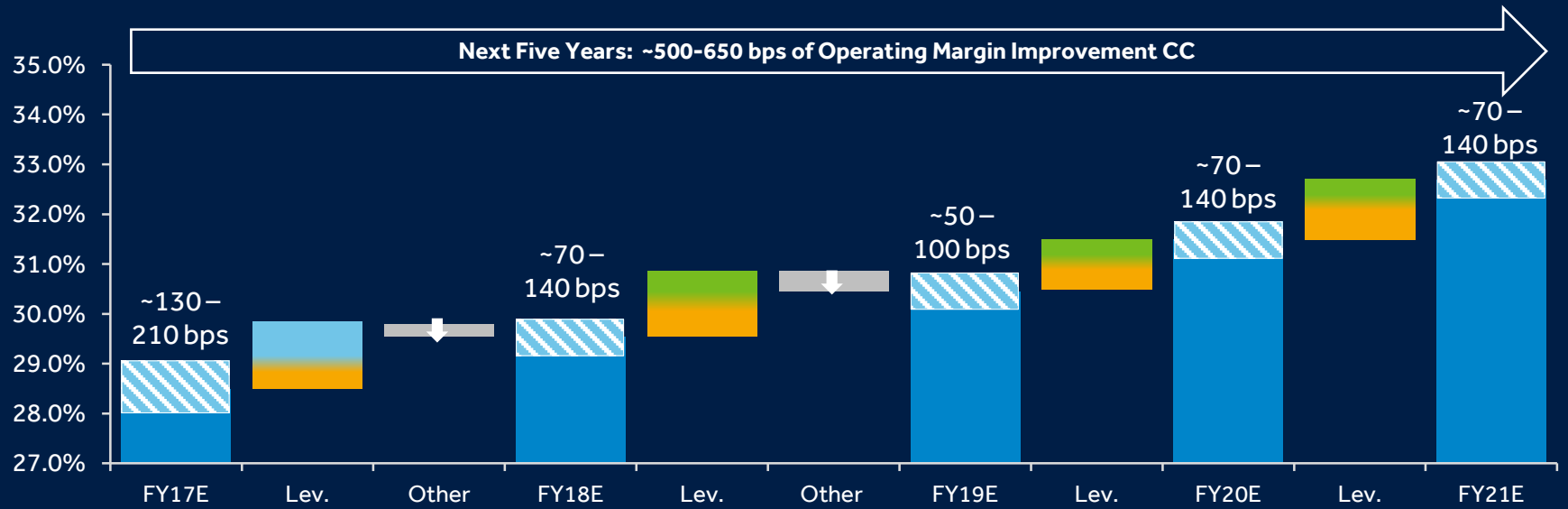


- **Site consolidation:** combine smaller, sub-scale sites into larger locations

SG&A on a Non-GAAP, constant currency basis

STRONG UNDERLYING LEVERAGE BEYOND COVIDIEN SYNERGIES

FY17-FY21 OPERATING MARGIN WALK



COV Synergies

- ~\$355M in FY16
- ~\$225M-\$250M in FY17E
- ~\$250M-\$275M in FY18E

Underlying SG&A

- Functional delivery model
- Ongoing G&A leverage

Underlying GM Improvement

- Assumes ~150-200 bps pricing pressure
- Ongoing COGS reduction
- Sourcing
- Manufacturing
- Supply Chain

MedTech Tax / Other

- Assumes MedTech tax is reinstated in FY18
- Discretionary Investments (e.g.: R&D, inorganic...)

FY17E operating margin includes the impact of FX, but shows CC leverage
 Operating Margin on constant currency basis for FY17-FY21
 Underlying GM improvement net of ASP reduction