

INVESTOR DAY

JUNE 6, 2016

NEW YORK CITY

Medtronic
Further, Together

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.

GLOBALIZATION AND ECONOMIC VALUE

PANEL DISCUSSION

Moderated by

Omar Ishrak
Chairman & CEO

PANELISTS

Mike Coyle
EVP and President, CVG

Hooman Hakami
EVP and President, Diabetes

Bryan Hanson
EVP and President, MITG

Geoff Martha
EVP and President, RTG

Mike Genau
SVP and President, Americas

Rob ten Hoedt
EVP and President, Europe, MEA

Chris Lee
SVP and President, Greater China

Bob White
SVP and President, Asia Pacific

ECONOMIC VALUE

OPTIMIZE COST & EFFICIENCY



TAKING ADVANTAGE OF FOCUS AND BREADTH IN ECONOMIC VALUE

Focus

- 1 Expertise in Care Pathway Development
- 2 Disease & Condition Understanding
- 3 Healthcare Economics & Payment Model
- 4 Technology Innovation in Care Delivery: IT, Post-Acute Care, Mobile



Breadth

- 1 Capital Infusion and Ability for Shared Risk/Reward
- 2 Visibility & Influence with Policy Makers and Large Shareholders
- 3 Depth & Breadth of Functional Expertise

MARKETPLACE LEADERSHIP

BUILDING OPPORTUNITY FOR VALUE-BASED HEALTHCARE

1

GDP
Pressures

2

Current
efforts
not enough

3

Stakeholders
engaged in
change

4

Opportunity
to lead

VALUE-BASED HEALTHCARE IS HERE TO STAY

NO PRE-EXISTING FRAMEWORK FOR MEDTECH



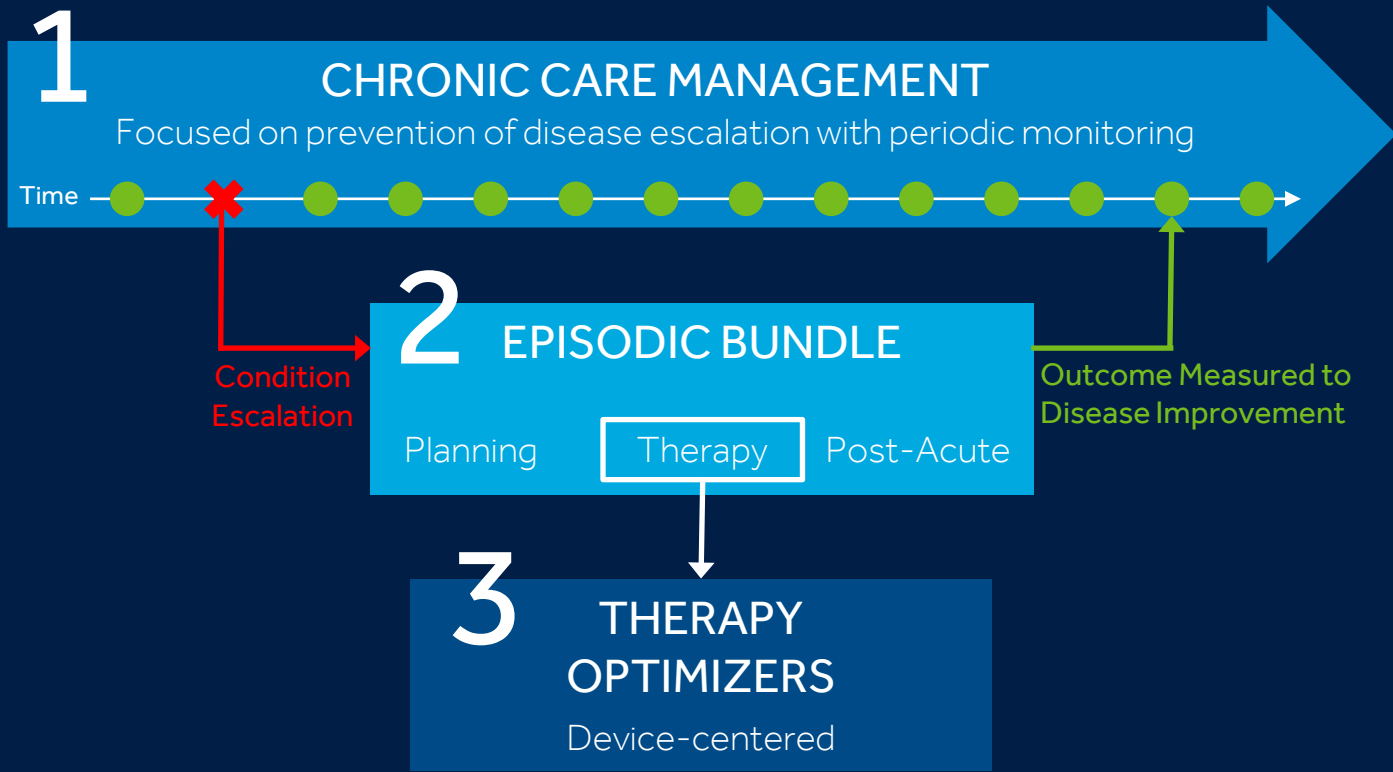
Shared accountability for costs and patient outcome

- Healthcare stakeholders are **aligned** (and incentivized) to improve **value**
- Medtronic Mission – Use technology to **improve patient outcomes**
- Implementation of VBHC **aligns payment models** to Medtronic's Mission
- Will reward us more directly for innovation and **enhance engineering and R&D productivity**

Value-based healthcare is good for Medtronic

MEDTRONIC VALUE-BASED HEALTHCARE CATEGORIES

THREE CATEGORIES OF OFFERINGS



VALUE-BASED HEALTHCARE OFFERINGS

EXAMPLES WE WILL DISCUSS

THERAPY OPTIMIZERS

- Respiratory Compromise
- Cath Lab Managed Services

EPISODIC BUNDLE

- Orthopedic Solutions
- CABG

CHRONIC CARE MANAGEMENT

- Diabeter
- NOK

RESPIRATORY COMPROMISE IS A PROGRESSIVE CONDITION

Difficulty breathing; spanning respiratory insufficiency, failure and arrest

COMMON

~15 Million people are affected



COSTLY

\$18K added Hosp. Cost/Patient (US)



DEADLY

Can worsen a patient's condition and result in death



RESPIRATORY COMPROMISE OUTCOMES PLEDGE



5 YEAR PLEDGE TO REDUCE CODE BLUES, UNPLANNED ICU ADMITS, AND OTHER CODES BY 20%



50% REBATE ON CONSUMABLES PURCHASED IN ONE YEAR IF OBJECTIVES AREN'T MET

HOSPITAL A EXAMPLE: MEDIUM SIZE (~400 BEDS)

RESPIRATORY COMPROMISE HOSPITAL COST

\$2.45M
(136 PATIENTS)

20% SAVINGS TO HOSPITAL

~\$500K

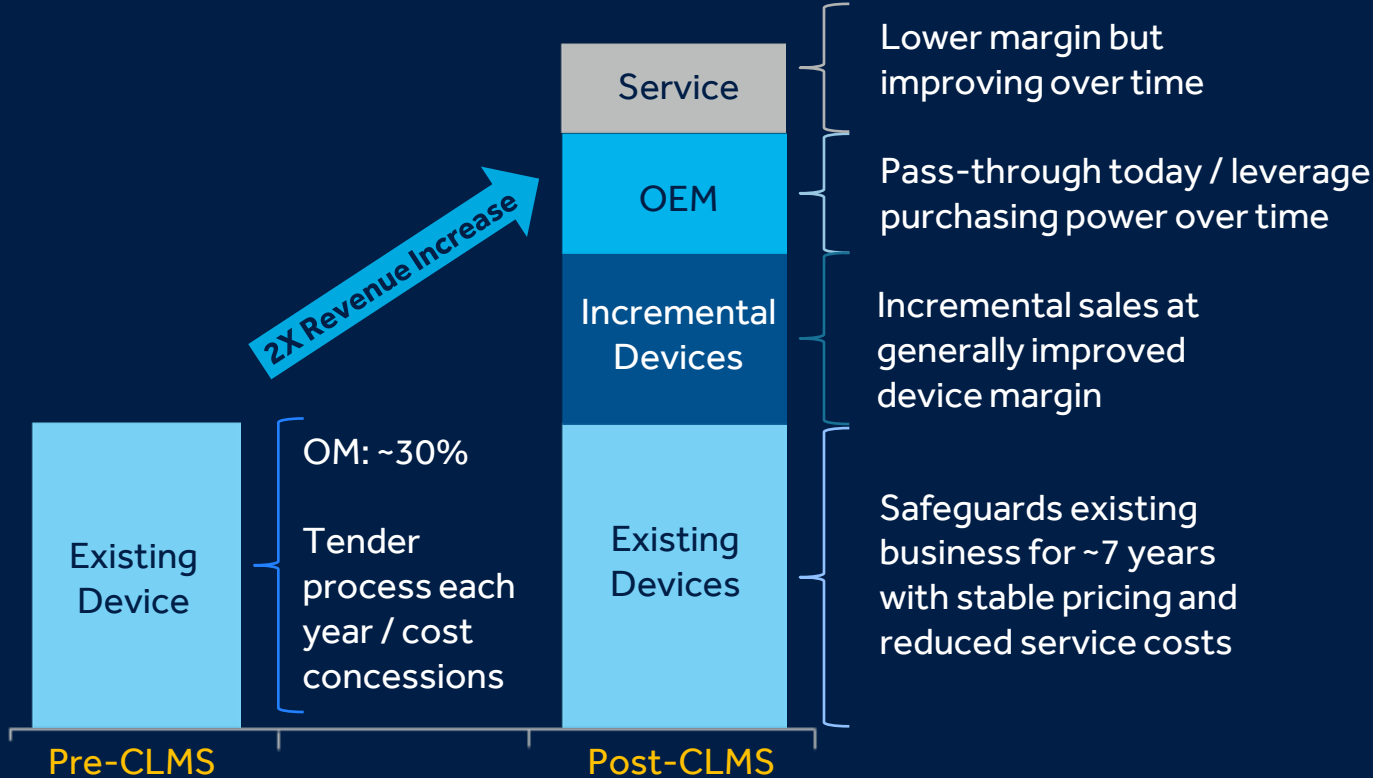
CAPNOGRAPHY COST

\$150K

CLMS: DRIVING STRONG REVENUE GROWTH AT ACCOUNTS

IMPROVED QUALITY OF REVENUE AND SUSTAINABILITY

Revenue from a Typical Hospital Contract



P&L Impact

Revenue



Pricing /
Gross Margin



Service Cost /
SG&A



OM % of sales



OM\$



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SOLUTIONS PROVIDING SHARED ACCOUNTABILITY

OUR UNIQUE ORTHOPEDIC APPROACH (CJR MODEL)

Outcomes Focused

Emphasis on delivering **improved outcomes** at a lower total cost

Revenue derived from **shared savings** business model aligning our interest to customers

Entrance into new market provides opportunity for fresh perspective and ability to challenge status quo



Clinician Driven

Team of physicians delivering care pathway advisory services

Clinical expertise and independent perspective to drive sustainable change

Meaningful experience succeeding within BPCI bundles



Post-Acute Management

>80% of Post-Acute Costs attributed to SNF and Home health

Economical solution to provide **clinical surveillance** to patients discharged to home



SHARING DIRECT ACCOUNTABILITY FOR OUTCOMES

INTRODUCING MEDTRONIC ORTHOPEDIC SOLUTIONS

**MDT
Orthopedic
Solutions**

Reduce **system costs** across the **entire episode** while
maintaining or **improving outcomes**

Comprehensive Solution

Integrated Offering

Approach

Leading
Clinical
Practices

Surgeon
Driven

Data &
Analytics

Components

Primary
Knee & Hip



Complication
Management



Post-Acute
Monitoring



Business Model

Shared Savings

Key Milestones

Communicate Commitment

~Today

Customer Targeting and Care
Pathway Deployment

~2H CY16

Commercially Available Knee

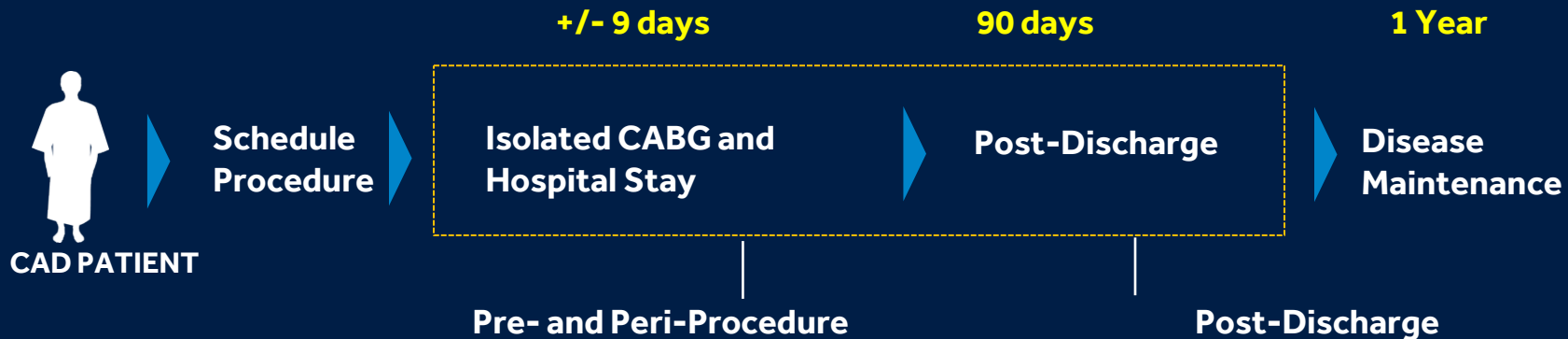
~1H CY17

Commercially Available Hip

~1H CY18

THE CASE FOR BUNDLED PAYMENT FOR ISOLATED CABG

HOW CAN MEDTRONIC HELP PROVIDERS SUCCEED IN A CABG BUNDLE?



	Pre- and Peri-Procedure	Post-Discharge
Technologies	<ul style="list-style-type: none"> • INVOST™ Cerebral Oximetry System • HMS Plus Hemostasis Management System • Minimal invasive ECP circuit 	<ul style="list-style-type: none"> • Medtronic Care Management Services <ul style="list-style-type: none"> – Telemonitoring platform, disease management protocols, and TeleNurses
Services	<ul style="list-style-type: none"> • Rethinking Blood Conservation Initiative 	
Value Delivered	<ul style="list-style-type: none"> • Reduce unnecessary blood use • Lower rate of costly complications, such as stroke, renal failure, and prolonged mechanical ventilation 	<ul style="list-style-type: none"> • Reduce unplanned readmissions • Manage patients in lower cost post-acute care settings or at home

Offer technologies and services across the CABG care continuum

Willing to share financial accountability for the performance of our products and services

VALUE-BASED HEALTHCARE OFFERINGS

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THERAPY OPTIMIZERS

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- Cath Lab Managed Services

EPISODIC BUNDLE

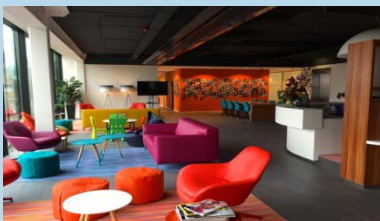
- Orthopedic Solutions
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CHRONIC CARE MANAGEMENT

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A UNIQUE DIABETES MODEL

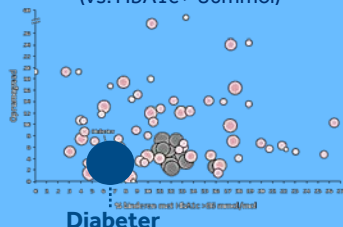
- ❑ **Integrated diabetes management**
 - Expert staff through scale and focus
 - Patient-centric pathway
 - Proprietary IT : V-Care
 - Remote care through connectivity



DIFFERENTIATED OUTCOMES

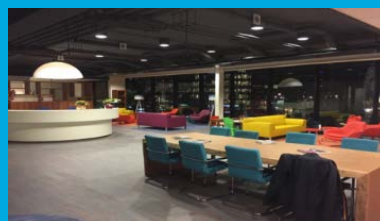
- ❑ **Patients**
 - Optimal glucose control
- ❑ **Providers**
 - Lowest quartile of hospital admissions
- ❑ **Payers**
 - Lowest decile of cost
 - Preferred supplier by insurance

Acute Hospital Admissions
(vs. HbA1c > 86mmol)



STANDARDIZE MODEL TO SCALE

- ❑ **Turnkey solution**
 - MDT owned
 - Stand-alone clinic
 - Integrated care model
- ❑ **Franchise model**
 - Provider owned
 - Care pathway optimization
 - V-Care implementation
 - Benchmarking



GLOBAL EXPANSION

- ❑ **Netherlands expansion:**
 - 5th clinic
 - Double digit growth
- ❑ **Pipeline of prospects:**
 - UK
 - KSA
 - MEA
 - US



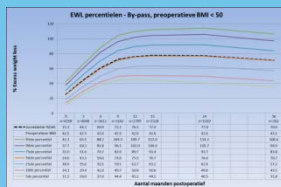
A NOVEL MODEL FOR BARIATRIC SURGERY

- **Multidisciplinary Care**
 - Global standard of care for bariatric surgery....but variably implemented
 - Features standardized, measured nutritional, psychological, exercise and medical support
 - Surrounds patient and surgeon with necessary expertise, support and efficiencies



DIFFERENTIATED OUTCOMES

- **Patients**
 - Increased engagement
 - More durable weight loss
- **Providers**
 - Surgeons as surgeons
 - Optimized patient flow
- **Payers**
 - Improved short and long term weight loss
 - Lower recurrence of co-morbidities



GLOBAL EXPANSION

- **“Standardize” EU**
 - Highly variable implementation of multidisciplinary model
 - Netherlands expansion:
 - 8 clinics, double digit growth
 - Other Western Europe Expansion to sustain patient follow-up
- **“Launch” MEA**
 - Establish new standard of care in high obesity markets
- **“Optimize” US**
 - Better business
 - Model

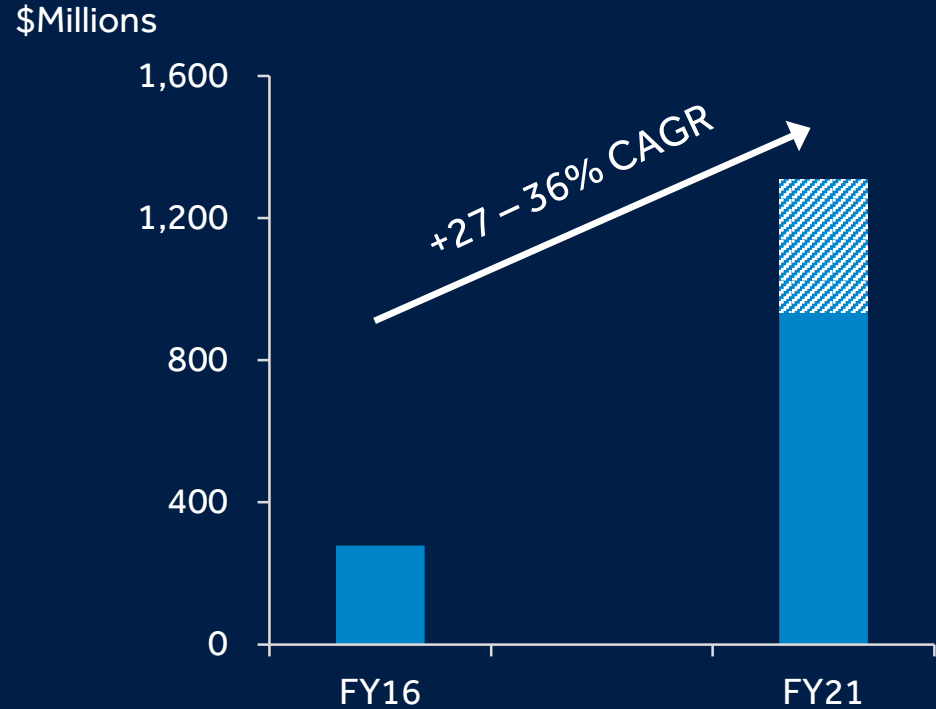


ECONOMIC VALUE REVENUE AND GROWTH



40-60_{BPS}

Services & Solutions
Growth Contribution



SERVICES AND SOLUTIONS

OFFSETTING MARGIN IMPACT

STANDALONE IMPACT ON MARGINS

- ~\$1.5B Revenue in FY21
- Assume 20% operating margin
- Only ~50bps pressure on operating margin

OFFSETTING MARGIN IMPACT

SHORT TERM

- Scale leads to productivity
- Commercial efficiencies
- Revenue synergies from devices

LONG TERM

- Become leader in value-based healthcare
- Creates efficiencies for Medtronic and the healthcare system

HEALTHCARE SYSTEM TRANSFORMATION

From a Service &
Solution Sell Today

To Outcome-
Based Models

GLOBALIZATION AND ECONOMIC VALUE

Q&A

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